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THE ECONOMIST

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

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The Peace Offensive

WHISPERS of peace proposals from the murderers of Poland are growing louder. The whole world now expects an offer to be made to Britain and France to end the war in the short-lived hour of Germany's victory in the East, and it is widely said that it is from one or both of the neutral dictatorships that the offer will be made. No one doubts the Nazis' desperate desire to escape from paying the penalty for the course of unforgivable treachery and aggression which reached its peak in the destruction of Warsaw. Nor can anyone question that the humane and civilised wish to put an end to the waste and bloodshed of warfare is at least as strong in London and Paris as in Berlin. But as we wait for Hitler's terms to come, there is only one question which we can sanely ask: is it possible for the conditions of a real and lasting peace to be laid down by the German Fuehrer?

We have the answer in the words of the Prime Minister. "This country entered the war to put an end to the successive acts of aggression which menaced the freedom and security of all the nations of Europe." It was before his armies swooped upon Poland that Hitler should have sued for peace. The peace offensive which he is now ready to launch was shattered last March when he tore the Munich Pact to ribbons. Poland was admittedly the occasion of this war, but it was only the occasion and not the cause. It was the Nazi saga of ill-faith and brutality which brought about this conflict; and it is because "no mere assurances could be accepted from the present German Government" that we and France are not likely to hold our hands now.

The choice is not between war and peace. It is between war now and war later on, just as it has been ever since the Nazi Fuehrer began to write his pages in the world's rogues calendar. It may be that we shall shortly see specious proposals from beyond the threatened Siegfried Line, promising independence of a kind for part of Poland, disarmament and the best of peaceful behaviour for the future. But what will be the upshot if we take these proposals at their face value? We shall forbear to strike now. An interval will follow during which Britain and France will suffer further losses in prestige and in friends, while the Nazis, refreshed perhaps by colonial and economic concessions, have a breathing space—and the cynical aid of the Soviets—to build up in Eastern Europe defences which they palpably lack now against our decisive weapon of blockade. That done, Hitler will return to the charge. Whenever it suited him to break them in the past his undertakings have proved worthless. Why should we suppose that our hard-won and unhappy experience of Nazi faithlessness in the past should be belied in the future?

Only the direst military extremity could justify us now in clutching at such a straw as a Nazi promise. And we are not in dire military extremity. We are not in any extremity at all. Compared with 1917—the truer basis of comparison than 1914, when the war was not yet totalitarian—our position is in nearly every respect more favourable. Then Germany had Russia at her feet; she had the whole resources of the Danube basin and Balkan peninsula at her disposal; she had a greater advantage in trained

man-power than now; her armies sprawled all across Northern France; her U-boats were winning the war at sea; and the Near East was in flames. Where can Hitler point to comparable advantages to-day?

There is no reason of honour or of expediency that would counsel a compromise with aggression now. It is very essential that, to convince the doubters and hearten the courageous, the "No" should be emphatic and unambiguous. That is why such grave exception was taken, in all quarters of the House of Commons, to Mr Lloyd George's speech on Tuesday. It was not that any objection is, or could be, raised to his plea that reasonable proposals should be carefully considered. Of course they should. Of course they would be if they came, as Mr Chamberlain

and Lord Halifax have both made very plain. But there is not the slightest reason to believe that any even halfway reasonable proposals are coming from Berlin. It is far more important at this stage to emphasise that the door is slammed, locked and bolted in the face of any specious plan for the condonation of aggression, such as is alone to be expected, than to say that it is open for reasonable proposals such as everything warns us could never germinate in the power-crazed minds of Berlin.

It is not we who began this struggle. It is not we who need to be afraid of its outcome. It is not we who should now bargain our aims and principles for a few more months of uneasy and disadvantageous armistice before the onslaught is resumed in far more terrible form.

Wanted — An Economic Policy

THERE is some danger of a mood of frustration creeping over the British people—not because they are appalled at the weight of the war's burden, but for the precisely opposite reason. War has meant a cessation of normal activities without any abnormal activity to put in its place. They are ready to make sacrifices, and the only sacrifices they are asked to make are those for which they can see little reason. It has been abundantly demonstrated in the last few weeks that nothing will rouse anger or disturb morale so quickly as the suspicion of floundering in the Higher Command. It is against this background that the plea is made for a consistent and thorough economic policy. We must not flounder where the sources of our wealth and strength are concerned. But floundering is apparently what we are doing.

The first days of the war were filled with a most impressive succession of orders and instructions. The legal framework of a war economy had clearly been thought out. The prohibitions, the controls, the licensing arrangements were set up. Even those members of the public who thought they were roughly acquainted with the state of our war preparations were impressed. There then followed a period of adjustment to the new order. This, too, was to be expected. It is impossible to move over from a largely free to an almost wholly controlled economy without some inevitable confusion. The public was patient, and even those who lost their livelihood waited in silence.

The suspicion, however, is slowly dawning that the direction of our new planned economy is almost wholly negative. Nearly every Government Department is engaged on stopping some form of activity. But very few of them are putting even a fraction of the energy into the job of creating new wealth to replace what they strangle at birth. It is possible to quote a very long list of examples of this negativism of Government policy. The Ministry of Supply is apparently taking very little positive initiative to reshape industry. Its declared policy is to let industries run themselves and to stand by until the difficulties occur. The foreign assets of British subjects have been impounded by the Treasury. But very little seems to be done to assist them in earning new supplies of foreign currencies. It is true that both the Chancellor of the Exchequer and the President of the Board of Trade have spoken of the necessity of encouraging foreign trade, and promised the exporter a prior claim on raw materials if he will take the initiative and the risk of continuing his business. But, in fact, Government action is killing the export trades. Traders are not allowed to export without permits, and they cannot get permits. Again, we impose a blockade on Germany's imports. But we assist her trade with the Scandinavian neutrals by allowing the price of our coal to rise. Necessary measures of home security bring about an almost total cessation of many forms of private enterprise, and no apparent effort is made to put anything in their place. Unemployment is created on every hand—and the fighting services refuse to accept volunteers.

No criticism lies against the authorities for the actions they have taken. All these things—commodity controls, food control, exchange control, fuel control, export regulation, black-out rules and the rest—are necessary and

proper. The point to which criticism is rightly being directed is that so little attempt appears to have been made to foresee and forestall the inevitable consequences. Negative action should have a positive counterpart. Even within the special sphere of financial policy, where the practice of having an annual Budget imposes a certain measure of deliberate planning, the Chancellor of the Exchequer has entirely failed, both in his ordinary Budget speech last April and in his War Budget speech last week, to see the problem of economic policy in the round. He too has been content with his own departmental corner of a problem to whose global dimensions he will not lift his eyes.

Within a very few months the Government will be directly responsible for at least half, and possibly two-thirds, of the entire economic activity of the country. But it appears to be willing to meet its responsibility without any prior plan. A ship so large cannot be steered without chart or compass, or without even a captain on the bridge. Even when the free sector of the economic system greatly outweighs the controlled, the Government has a responsibility for the economic welfare of the whole. In war this is magnified manifold.

The conclusions that are to be drawn are not new ones; they are old ones reinforced. One of them is the need for economic planning in advance, on a more-than-departmental scale. This need has been demonstrated in recent weeks in the clearest way. Where advance planning has been done (because it has fallen within the ambit of one department) the arrangements have worked smoothly. Where no single department could make complete plans, the preparations have been inadequate. The Ministry of Supply is the supreme example. It is now abundantly clear that those who advocated a Ministry of Supply two or three years ago were completely right, and those who argued that existing arrangements were adequate were completely wrong. We are now in the humiliating and dangerous position of being unable to equip all our soldiers—all because a necessary piece of reform in administrative machinery was obstinately opposed.

A second lesson that needs to be learnt immediately is the need for co-ordination. Sir William Beveridge has devoted to this need a brilliant article in *The Times* during the present week which must carry conviction to all who can read. His examples were largely drawn from his own experience, during the last war, at the Ministry of Food. But it is very easy to imagine similar wastes and inefficiencies arising through the conflicting claims of separate Ministries. Who is to decide the competitive claims on man-power put forward by the three defence forces and the Ministry of Supply? Who is to decide questions of imports, when the Ministry of Supply wants to buy finished goods from industrial countries, when the Treasury will find exchange only for cheap raw materials from sterling bloc countries and the Ministry of Shipping will carry only the least bulky goods from the nearest source? Every department is busy and wrapped up in its own concerns. Who can give the Cabinet guidance in these technical matters?

These requirements for a planned economy can be met without great difficulty within the existing framework of government. A mere Economic General Staff will be of

little value unless it is attached to a Minister with the necessary status and authority to ensure that it is listened to. The most urgent need of the moment is for a Minister, a member of the War Cabinet, to be put in charge of economic policy as a whole. The organisation of the British Government being what it is, such a Minister must inevitably be in the Treasury, which already stands at the centre of our system of administration. But the Chancellor of the Exchequer is hardly the man for the job. He is too busy with departmental matters; he is an interested party in many of the matters that would have to be decided (e.g. the proper level of interest rates); and his traditional rôle of watchdog of expenditure gives him a rather too narrow viewpoint. But the Chancellor of the Exchequer is not the first of the Lords Commissioners of the Treasury. Nor is it necessary in these days, when the office of Prime Minister

is formally recognised, for the head of the Government always to hold the additional office of First Lord of the Treasury. There is a task to be done to-day by a First Lord of the Treasury that could only be done by a man clothed with the established authority that such a rank would give him and endowed with the knowledge and energy and the personal prestige of, say, Lord Stamp. He could take his place in the War Cabinet with such acknowledged non-political experts as Lord Chatfield and Lord Hankey. Such an appointment would break with precedent only in a purely conventional way, and it would give an assurance that the wealth-producing capacity of the country, on which our hopes of victory rest, would not be left to be the *corpus vile* for an unco-ordinated series of arbitrary incursions, but would be carefully nursed and consistently exploited.

Russia's Choice

THIS week has been one of flux. Germany and Russia, having carved up Poland to their satisfaction, are still in the process of digesting their kill and deciding what shall be done to appease or appal the deceased's allies. As we have foreseen would be the case if Poland fell, the Nazis are now anxious to make peace as quickly as would be consistent with the retention of a strong position for their next aggressive move. To do this they have called in Mussolini's help—apparently without very warm response, for Count Ciano returned from Germany without any sign of having given the Duce's consent to act as post-man of Hitler's peace proposals—and upon the legions of their propagandists they have placed the task of sowing discord between Britain and France, again without success.

But their strongest card in this game of mock peace-making, still employed even after its face was shown by Herr von Ribbentrop last week, is the collusion of the Soviet Union. The extent of that collusion is the measure of Germany's strength, and, very largely, will determine the length of the war. The Ribbentrop-Molotov agreement completed on Friday of last week promised that, if the war continued, the two Powers would "consult together on the necessary measures," and it promised no more than that. In the Russian text, even that promise was omitted, leaving the Germans with the substance of a settlement in Eastern Europe, which puts a stop to their ambitions, and with the shadow of economic help as a consolation prize.

The excellent terms they obtained in their agreement with Germany go far to explain why the Russians have not yet made clear precisely what brand of neutrality they intend to adopt towards the European war, or, indeed, whether they intend to adopt neutrality at all. They have been too busy elsewhere. Estonia, Latvia, Lithuania, in rapid succession, have been invited to send representatives to Moscow in order to receive the Soviet's demands on their sovereignty and national rights. Certain trade facilities will presumably be asked of Latvia and Lithuania; and Finland's turn, though still to come, is evidently not forgotten.

In short, the U.S.S.R. is now in a position to challenge Nazi Germany's dominance in the Baltic. Part of the price paid for that substantial gain, which was unthinkable until a few months ago, will be in Soviet support for Hitler's peace offer: The terms of the Ribbentrop-Molotov agreement were sufficiently indicative of a Soviet sense of obligation towards Hitler for bickering so briefly over the plunder: we should be foolish not to expect Russian spokesmen to continue echoing that gratitude without which the favours they have received might not be fully enjoyed.

That does not mean that they are ready for a full-blooded alliance with the Germans. The agreement completed last Friday, as Mr Chamberlain pointed out in his statement on the course of the war this week, has made no real change in the situation created by the German-Soviet non-aggression pact and the invasion of Poland. Apart from its attempt to shift the blame for the continuance of the war on to Anglo-French shoulders, and the vague promise to consult if that horse will not run, the agreement's only concrete aspect is the provision for the exchange of Russian

raw materials for German machinery and capital goods. But an article in *The Economist* of September 2nd showed how limited is the scope for German-Soviet trade—at least without long years of development and reorganisation—and even if Germany were not actually at war but only, as in the last two years, contemplating war, she would be hard put to it to supply the replacements of capital equipment Russia so urgently needs. It was no mere gesture of goodwill, thrown off at second thought, that prompted M. Maisky to bring to the attention of Lord Halifax, in their conversations of some days ago, the fact that trade negotiations were still possible, or that prompted the resumption of Russian shipments of timber to England in the teeth of the German blockade. Whatever shade of neutrality the Soviet Government decides to adopt, it will remain anxious to develop its trade with those countries, Britain among them, which can offer some hope of being able to supply capital goods. That, at least, is one guarantee of Soviet non-intervention.

The truth is rather that the Ribbentrop-Molotov agreement brings us no nearer to a proper appreciation of Soviet intentions. To obtain that we must look beneath the surface of a temporary accommodation with a conquering Germany, observing that Soviet foreign policy has gone through a number of phases. So swift have been the changes, indeed, that the foreign policy of the Soviet Union may be said to have grown old without ever maturing, a fact which explains why the Comintern and its offshoots have been so frequently and abruptly embarrassed. In the earliest days of the Revolution the men in the Kremlin lived, like the Christians of the first century, in the sure hope of the heavens opening to reveal the spirit of Marx made manifest in all nations. Like most exalted emotional states, this one was as naive as it was brief. There followed a phase of severe modification. In the course of time, with the men in control seeing more clearly the immensity of the tasks which lay before them, modification warmed into accommodation, losing on the way the last resemblance to the exalted years. Under the guidance of Chicherin, non-aggression pacts were concluded with most of the States bordering the U.S.S.R., and relations which had been acid became distantly polite, or at least not deliberately impolite. To this period belong the pacts with Turkey and the Middle Eastern States, with the Baltic republics, and later with Poland. Thus was the U.S.S.R. on the way to respectability, and at peace with her *états limitrophes*.

Gradually the emphasis began to change once more and to continue along the line of logical development. With Trotsky discredited and Stalin on the way to supreme power, the Soviet Government paved the way for its final acceptance by the Great Powers and its recognition by the United States, by making non-aggression agreements with those who would accept them, in 1932 with France, a year later with Italy (meanwhile offering one to Japan and having it rejected), and completing this movement in September, 1934, by adherence to the League of Nations. With the Franco-Soviet mutual assistance pact of 1935 the phase of co-operation was in full swing. The prodigal had come home, and by way of a fatted calf credits became available.

The climax of the co-operative phase, or what appeared to be the climax, came in September, 1938, with the Czechoslovak crisis. There followed swiftly the fifth phase, that of isolation; but that, too, could not last, for Germany was very strong by now and obviously on the point of another adventure; also, as it happened, the Soviets badly needed capital equipment. Negotiations were opened with both sides of the crystallising struggle in Europe. The British and French were rejected; and the non-aggression pact with Germany, announced on the brink of a European war, showed that the policy of isolation was abandoned almost at once, to be replaced by "enlightened self-interest," or, more simply, improved calculation.

This latest policy is working miracles. It is so successful that it is likely to last, anyway until the calculus becomes so subtle as to defeat its own ends. We may expect to see the Soviet Government continuing to act, in Mr Churchill's words, "in a spirit of cold self-interest," without more than lip-service to its documentary obligations. Any support for the Western Powers will come not from sympathy but from fear that, in the one case, a victorious Germany would be too dangerous to contemplate, or, in the other, that a victorious Entente would require a price for its goodwill. The probability is that Russia will not for long be on one side or the other. The Bolsheviks will shift from one side to the other, without regard to moral principle, as the circumstances of the war dictate. The struggle among the Great Powers of Europe is not bilateral but triangular, and each of the three angles, London-Paris, Berlin and Moscow, is playing its own hand of cut-throat bridge.

For the moment, it is impossible to do more than present the alternatives. The Soviet dictator has a choice of conduct. Either he can use his neutrality for the benefit of the Allies, realising the potential danger of Nazi ambitions; or he can use it on the other side from fear that in any case Germany will win. At least, the signs point to his withholding from a military alliance with Germany.

The acid test of Stalin's immediate intentions will be his treatment of Turkey—and the test of his new power will be the extent to which Turkish policy is modified in

accordance with his wishes. It is variously reported that the Turkish Foreign Minister has been asked for the closing of the Dardanelles to foreign warships, a mutual-assistance pact, the abandonment of all or part of Turkey's obligations to Britain and France, and adhesion to a pact comprehending the Black Sea region. Some of these are really Germany's demands, for though Russia wants to close the straits to hostile ships she has no interest of her own to serve in making Turkey desert Britain and France in the Mediterranean. The form in which Molotov's proposals to M. Sarajoglu finally crystallise will reveal much of the true state of relations not only between Moscow and Ankara, but also between Moscow and Berlin. Turkey's own policy has been clear for years past—to keep the Balkans for the Balkan peoples (which would be as distasteful to an aggressive Russia as to an aggressive Germany), to join with Britain and France in defending the *status quo* in the Eastern Mediterranean, and, in the Black Sea, to observe her non-aggression pact with Russia. Moreover, Turkey is not an Estonia, or even a Poland. Her strategic position is strong. The indications are that she will insist on her right to regulate her policy by her own interests and, without breaking with Russia, to keep the obligations she has assumed to others.

The one certainty in this flux of uncertainties is that the factor determining the precise extent of Russia's diplomatic and military support of Germany will be the Anglo-French stand in face of "peace" proposals put up by Hitler and backed by the Soviet Government. Peace concluded now on Hitler's terms would make him the master of Europe and bind the Soviets to him. But Stalin cannot be certain that an early peace is possible; he can be still less certain that his new friends, or any rulers of Germany, would have much say in the Europe that emerged from a long war. For that reason he must hedge his German bet, and in that is to be read the great value to us of Turkey's friendship. If we continue to stand firm, and Turkey with us, the evidence is that Italy will hold aloof. There will then be less reason than ever for Stalin to give Germany the only chance of escaping defeat—and that a doubtful one—the final gesture of a military alliance.

The Ministry of Information

ALMOST from the first hours of the war the Ministry of Information has come under an intensive fire of criticism. In two of its key posts, those of Director-General and of Director of the News Department, new blood was imported before the Ministry was three weeks old. And this week, two of the largest and most important divisions of the Ministry have been transferred elsewhere. Each of the separate Government Departments is henceforth, by a reversion to the pre-war system, to be responsible for the issue of its own news and announcements and for its own relations with the Press. For mechanical convenience some of these contacts between the Government and the public are to continue to be made in the Ministry of Information's building, but they will not be under its control. Similarly, the censorship is now to become in form, what it has always been in fact, responsible direct to the Service Departments and not to the Ministry by which it is housed. To symbolise the change, Sir Walter Monckton has been nominated to take over from Lord Macmillan the oversight of these two functions.

The new Ministry has thus undergone the surgeon's knife early in its career. There is little doubt that its growth will be the healthier for the operation. It was an ill-conceived idea to combine in one Ministry functions as dissimilar as the provision of news, the censorship and the other activities that come under the head of information. The collection and handling of news is an operation that requires an entirely different approach and technique from the tasks of elucidation and propaganda. The man in charge of news needs to be a hustling executive, capable of instant decision. The controller of propaganda should be an adept in the lawyer's art of reaching wise decisions in

the cool calmness of due procedure. How can one Minister, or one Ministry, combine both qualities? And how can either be combined with the function of censorship, which is, by its nature, antipathetic to all forms of purveying information?

The divorce is thus a wise one. But though it leaves the Ministry with a much more manageable task, it also leaves it with a formidable accumulation of odium which it will take months of patient endeavour to dispel. The Ministry has not deserved one-tenth of the abuse for which it has been the target. The absence of news, which has been the chief and most justified complaint of the public, is the direct responsibility of the active departments of the Government who alone can create news. The Ministry of Information has exerted on the Service Departments all the pressure that a young and incompletely established department can bring to bear on its seniors to try to persuade them to do their duty by the public. If in this effort it has fired all its guns and still failed, it can hardly be saddled with the blame. The stupidities of the censorship are still less the Ministry's fault—and only one degree more the fault of the individual censors, doing their unrehearsed best to follow arbitrary instructions. The manifest failure of British propaganda in neutral countries to compete in effectiveness with Goebbels' outpourings is partly to be blamed on the delay in getting started of a largely new machine. But it, too, can also be laid at the door of other Ministries. The Ministry of Information was not responsible for the fact that the Admiralty, the Air Ministry and the Post Office interrupted communications between London and Scandinavia; it has been responsible for their resumption.

The criticisms that have been so loudly voiced in Parlia-

ment and the Press are, therefore, largely misplaced. Even the accusation of extravagance, founded on the Ministry's pay-roll of 999 persons, can hardly be maintained. It is quite certain that Goebbels's Ministry has many more than a thousand employees, and even on an absolute standard the number is not excessive for an organisation which, in many of its sections, has to maintain a 24-hour service. The plain truth is that the Ministry has been forced into the uncomfortable rôle of a whipping-boy. Since September 3rd the country has been under the domination of the Brass Hat mind. The public, eager to fight for democracy, has been driven to exasperation by the manifestations of Bumbledom at home, and its wrath has, understandably but unjustly, been vented on the Ministry which, acting only as a mouthpiece, could utter only the arbitrary prohibitions of the drill-sergeant or the incomprehensible and illiterate ukases of the bureaucracy. Its misfortunes were increased by the fact that, in these matters, the public is represented by the newspaper Press which, when its interests are affected, can attack with a savage prejudice that cannot be answered.

That the Ministry has been unfairly criticised for what is not its fault does not mean that it is faultless. Far from it; but there is little profit in listing faults save in so far as they impair the Ministry's effectiveness for the tasks left to it after this week's reforms. These tasks are the connected but quite distinct ones of information at home and propaganda abroad. Foreign propaganda is now generally accepted as a necessary part of the activities of a belligerent nation. Granted that it is conducted on the principles of decency and truth, it is a job that manifestly needs doing. It becomes the central objective of the reformed Ministry. The need for a special department charged with providing information at home is less obvious. When the Government controls half or more of the total activity of the nation, there is need for some special machinery by which it can explain what it is doing and instruct the citizen in the details of the arrangements made in his behalf. But that special machinery could be created within each Government department and such a system, with its advantages of closer touch with the problems, could be made to work with no more than a central co-ordinating bureau. A central Ministry of Elucidation, however, could be expected to compensate for its more distant touch by a greater expertise in the delicate art of public relations. There are obvious technical advantages in centralisation. But there are also obvious dangers in a body which might easily use its dominance over the channels of publicity for the less worthy forms of propaganda. The conclusion of the matter may very well be that a central Ministry for expounding the actions of the Government would be the best way of handling a necessary job if it were staffed with the right people and went about its task in the right way.

This consideration brings us back to the existing Ministry of Information. Is it staffed with the right people and does it go about its task in the right way? As for the personnel, its quality cannot be said to inspire very great

confidence. Some of the choices that have been made have already been very successful. But in general, the organisers of the Ministry have been up against very serious difficulties. For one thing, the salaries that can be offered by a Government department are considerably below those prevailing in the professions from which they have been recruiting. For example, it has been stated in the House of Commons that the salary scale of the "specialists" who have hitherto formed the vital links between the news division—that is, the Press and the public—and the news-creating Ministries, is £650 per annum, which is not very much more than the minimum salary of a Fleet Street junior reporter. Naturally, it has not been possible to recruit many competent journalists for the Ministry. Secondly, the wholly justifiable desire to prevent the Ministry from becoming a whetstone on which private axes could be ground has led to the development of what might almost be the deliberate principle of not allowing any recruit to the Ministry to do the job for which he is best fitted. The net result of both tendencies has been to subject the Ministry to the onslaught of misfits, pensioners and wire-pullers from the whole range of the literary and artistic professions. If the Ministry is to be properly staffed it must seek the most competent experts, it must put them where they can use their expert knowledge, and—until all incomes are controlled—it must pay them what they could earn outside.

It is not only in the methods of recruitment that a Ministry of Information, if it is to be effective, must be emancipated from Civil Service precept and example. The whole conditions of its work are entirely different from anything with which the Civil Servant is familiar. An effective piece of propaganda is necessarily charged with a personality. But the Civil Servant, in his normal haunts, is rightly taught to forget his personality. The Civil Servant's main pre-occupation, rightly, is to subject every proposed action to a sufficient body of consideration to prevent any mistake from being made. But where there is room, as there almost always is in matters of publicity, for infinite minor differences of opinion, multiplicity of counsel prevents anything from being done at all. This has been the fate of the Ministry of Information. In its publicity work (as distinct from news) it has hitherto proved itself to be completely muscle-bound. Nothing has yet been produced because nothing has yet been adjudged perfect by unanimous consent. This obstruction must be removed if results of value are to be achieved.

It would be a very great pity if the Ministry were to be overwhelmed by its unfortunate beginning. Information has been called the root problem of democracy and there is the possibility of work of great value to be done, both in helping to win the war and in advancing the technique of democratic government. There are men at the centre of the existing Ministry who see this vision clearly. Their task now is to recapture control of the machine they have created and to see that it has the personnel and evolves the technique by which its purpose can be achieved.

Defence Measures

THE new laws, orders and instructions made immediately after the war began had certain specific objects. These included defence against air attack, the provision of men for the armed forces, modification of the normal procedure of the police and the courts to permit of quicker action, control of certain essential points in the national economy, price regulation, rationing, evacuation and compensation to persons injured, whether physically or economically, as a result of the war. The new system has been placed on its first footing and is now being modified to meet day-to-day requirements. The majority of the measures recorded below are amendments or additions to previous regulations. They are fewer than in any previous week of the war—a reflection of the fact that rationing except in the case of petrol is still in a preparatory stage, that service demands upon industry have not yet produced undue friction or called for new official action to meet them

and that air bombing has not yet begun. These things, when they come, will swell the stream of official regulations, but in the meantime there is relative quiet on the home front.

ORDERS IN COUNCIL

By an Order of Thursday, September 28th, aliens were permitted to join the British Forces and to hold commissions. The restrictions under the Defence (Finance) Regulations on the sending of cheques abroad were raised in the cases of Egypt, the Anglo-Egyptian Sudan and Iraq by a Treasury Order of the same day.

The maximum prices to be charged to farmers for animal feeding-stuffs were fixed in a Ministry of Food Order of Friday, September 29th. The same Ministry requisitioned all imports of refined lard (other than lard from Eire) arriving in Great Britain.

On Saturday, September 30th, an Order was announced

making it necessary for purchasers of timber to have a licence and for sellers to see that purchasers duly hold this licence. An Order previously made by the Minister of Food requisitioning imports of bacon and ham was extended to cover imports from Northern Ireland and Eire.

An Order requiring retailers of foodstuffs to be licensed by the food control committees of the areas in which their businesses are situated was announced on Tuesday, October 3rd, and will come into operation on October 9th. Tuesday also saw the lifting by order of the Minister of Transport of the ban on horse-drawn vehicles in certain main thoroughfares in Central London—a measure whose justification had become apparent in the thinning of traffic in those streets due to the effect of petrol rationing.

The Minister of Agriculture issued an Order, which was announced on Wednesday, requiring farmers to supply estimates, returns or other information relating to their agricultural undertakings. The importance of the provision of maximum supplies of margarine and cooking fats was given official recognition in an Order by the Ministry of Food, also issued on Wednesday, which brought under complete control the industries extracting oil from oilseeds, nuts and kernels, and refining vegetable and marine oils.

A Board of Trade Order, amending the Trading with the Enemy (Specified Persons) Order and altering the list of persons carrying on business in foreign countries and deemed to be enemies, came into force on Thursday.

DEPARTMENTAL INSTRUCTIONS

Friday, September 29th, was the day of National Registration. On the same day modifications in the petrol rationing scheme were announced providing for the additional needs of doctors and of taxis in the provinces. Two other announcements concerning motoring were to the effect that the use of a new type of headlamp mask would be compulsory and that the local authorities of the London Civil Defence Region had issued instructions for the limitation of the use of special priority labels on the windscreens of cars—a measure whose necessity had been becoming increasingly apparent. The issue of a circular by the Minister of Health to local authorities postponing the date of operation of valuation lists prepared in accordance with the Rating and Valuation Act was also announced on this day.

A major defence measure taken on Sunday, October 1st,

was the issue of a Royal Proclamation making men between the ages of 20 and 22 liable for service with the armed forces. It was also announced in the course of the week—and that a reorganisation of the Ministry of Information would be undertaken.

The movement towards economy in the civil defence services was reflected in a Home Office memorandum announced on Monday which indicated to local authorities methods of carrying on the necessary work by making full use of the services of volunteers while at the same time maintaining an adequate permanent force. The Ministry of Food announced that in view of the increase in the sugar duty the fixed maximum wholesale prices for glucose would be raised proportionately.

Two important developments affecting the building industry were the announcement on Monday that the Building Industries National Council had appointed a war-time committee and on Tuesday that the Prime Minister had invited Sir Connop Guthrie to undertake a continuous review of the whole position in the industry with reference to the demands made by Government contracts. On Tuesday it was also made known that the Ministry of Health had completed the necessary arrangements for the evacuation of a further 35,000 school children.

A modification of the Fuel and Lighting Order to enable large institutional users of coal to register with more than one merchant was announced on Wednesday. On the same day the Minister of Health issued a circular to local authorities emphasising the importance of extending public health facilities in receiving areas to cover the needs of evacuees, and advising the transfer of staff from evacuation areas where this is necessary. In addition, he announced in the House of Commons that a scheme for the payment by parents of the whole or part of the cost of billeting children would come into force on October 28th. The Metropolitan Electricity Supply Company introduced one of the less agreeable of war-time regulations by notifying the suspension of all-in tariff agreements from the end of the year. The railway companies, on the other hand, issued a welcome announcement that the issue of cheap day tickets would be resumed on Monday, October 9th.

There have been no alterations or additions to the list of controlled retail prices in the course of the week. The effective prices are given in a table on page 596 of *The Economist* of September 30th.

NOTES OF THE WEEK

Naked and Unashamed.—*The Economist* appears this week without the grey cover and red title which, though less than three years old, have become its familiar dress. This is, of course, a measure of war-time economy, dictated by the need to economise paper. If readers regret the disappearance of the cover they can feel assured that their regrets are doubly felt by *The Economist* itself, which looked upon its dress as both practical and distinctive. We earnestly hope that it will not be long before *The Economist* can resume its familiar livery. This opportunity can be taken to express to overseas readers sincere regret at the long delays with which their copies of the paper are reaching them and to ask them to exercise patience. There has been no delay or interruption in the publishing or posting of *The Economist*, and nothing that is within the paper's power has been, or will be, left undone to get it into its readers' hands at the earliest possible moment. Readers in countries overseas can assist us and themselves by placing the blame for the delay where it belongs—on the inexplicable instructions of the British censorship and military control.

A Bigger Army.—Last Sunday a Royal Proclamation was made calling up all those who on that date had attained the age of 20, but not that of 22. This Proclamation, the first under the National Service (Armed Forces) Act, is fresh evidence that it is the Government's intention to build up a large Army to stand beside our French Allies in the field. Of the quarter of a million new men affected by the Proclamation (that is, excluding the

200,000 men in the 20-21 age group already registered in the Militia) 50,000 or so may be exempted from military service because they are working in reserved occupations, or because they are unfit or conscientious objectors; and none will be actually called up for training until the 140,000 men still liable for Militia service—or Army class service, to use the new war term—have been absorbed. At the outbreak of war the total number of Regulars, Reserves and Auxiliaries and Militiamen was just short of a million. The new class will bring the number within sight of a million and a quarter (350,000 of whom will not have completed their training for some months), and it is not the present intention of the authorities to call upon any further conscripts to register before the New Year. It is unprecedented for insular and maritime Britain to engage in the early stages of a war with a land force of this size, but the numbers of men enrolled in Britain should not be allowed to hide the need for an equipped Army on the Continent at least twice this size as soon as possible.

If we are to avoid the frustration and delays of the first years of the last war, it is imperative that the nation's full strength should be deployed at the outset, and it is hard to escape the view that, if victory is to be assured in a war of two or three years, an Army of something like three million men at least will be needed. The nation's strength in war cannot rest simply upon the power to blockade and ply our trade to the limit of our financial resources; it depends upon the number of men we can feed to the fighting forces without destroying essential activities on

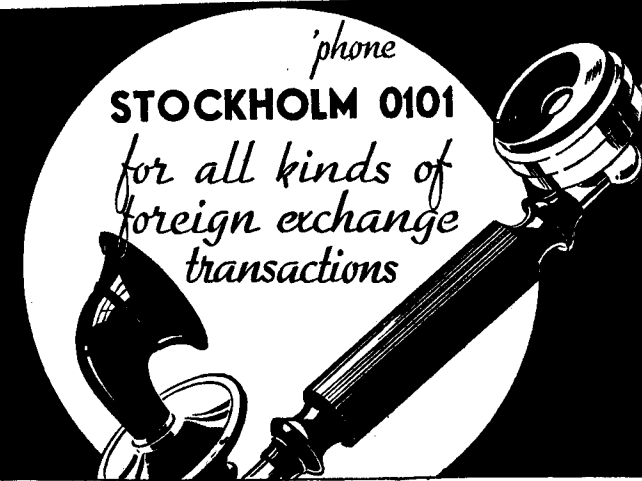
the home front. In Britain, five or even six million (an outside and unlikely figure) men could be drawn off by the Army, Navy and Air Force without fatally impairing the war effort at home. There is a reserve of young people, old men, women and unemployed, none of them now at work, exceeding four millions. Harder work and devices to save labour, together with the transfer of workers from non-essential and curtailed trades, could amply fill the gap. The task now is twofold: first, to double the Army with all speed—the responsibility for which must be mainly Mr Burgin's since the chief limiting factor in recruitment is the rate at which supplies are forthcoming; and, secondly, to press all the men and women whose skill and labour are needed at home into war employment as soon as possible. So far, neither the scale nor the direction of the Government's man-power policy has been made very apparent.

Evacuation: Second Stage.—Official attention to the difficult process of settlement in the swollen reception areas has begun. A Ministry of Health circular has emphasised the need for extended health services for evacuated schoolchildren and others, and authorities in evacuated areas have been urged to release doctors, dentists, nurses, and health visitors to resume their work with the people who have been moved. The Board of Education is anxious that the standard of schooling in the crowded buildings of the reception areas should be maintained as high as possible. The wider question of placing evacuation upon a sounder economic footing is being tackled as well. The movement of the evacuees cost at least £2 millions, and the total cost of billeting, up to now borne by the State, is running at £450,000 a week. Of this some £350,000 is paid to billet schoolchildren, or about 9s. a week per head. It is now proposed that the parents or guardians of evacuated schoolchildren should contribute towards the cost of their billeting. They will be asked to pay the full 9s., but their recoverable legal liability, to begin on October 28th, will be only 6s. Obviously there will be many unable to pay even 6s. a week, which is appreciably above the Unemployment Assistance Board's allowance for children. For them there will be a means test based upon the gross income of the parents less insurance contributions, travelling expenses, rent and all standard allowances for the needs and maintenance of the other members of the household. The principle of payment is unexceptionable. It remains to be seen how fairly the scale of payments and the means test will work. Above all, it is imperative that the imposition of this obligation will not lead to the bringing back of more schoolchildren to homes in vulnerable areas. The drift back to danger must be stopped forthwith.

Italy's Decision.—Those who predicted, more often than not from an estimation of Mussolini's political ability that had no foundation in the facts, that Italy would be dragged willy-nilly into war at the heels of Germany, may have found enlightenment in Mr Churchill's address. It was only after Italy's entry of the war in 1915 that "we learned that by a secret clause in the original treaty of the Triple Alliance Italy had expressly reserved to herself the right to stand aside from any war which brought her into conflict with Great Britain." The First Lord's words seemed to echo the reports, received from several sources during the past weeks, that the German-Italian military alliance was not as close as its published terms indicated. Since then the Italian Government has reiterated, in semi-official form, its decision to take "no military initiative." The event has proved once again the accuracy of Mussolini's political judgment; and his evident reluctance to pass on peace proposals which must be rejected shows that he has our measure better than the German leaders. Few who had observed the consistent opportunism with which he has pursued the constant aim of strengthening Italy's Mediterranean position would have been taken in by the apparent closeness of the military alliance with Hitler. Mussolini least of all dictators would have been willing to

surrender his liberty of decision to a friend who might any day become a rival. But we should be unwise to read into his present neutral position a gauge of future conduct, or to forget that for the past two years and more Mussolini has found his advantage in Hitler's gains.

The Neutrality Debate.—The debate on the proposed revision of the existing Neutrality Law has been joined upon the floor of the Senate, and little can be said of its outcome save that it will be delayed. The opening protagonists were Senator Pittman, for the repeal of the embargo, and Senator Borah, for its retention. It was evident from both of these speeches that the matter will be decided on emotional considerations rather than on any cool analysis of the likely effects on America's position. Repeal of the embargo is being advocated by some because its maintenance is partiality towards Germany, by others because its repeal would assist France and Britain. On the other side the argument is being advanced that the only method of avoiding entanglement is hermetic isolation. Significantly, the one policy that is not being anywhere advanced is the official policy of the United States Government in 1914-17—the freedom of the seas for neutrals. The guess may be hazarded that the dominant passion of American public opinion is to help in the overthrow of Hitlerism, provided the help can be given in a way that neither involves nor brings in its train the lending of money or the waging of war. And since a repeal of the embargo, together with a prohibition on credit or on American shipping in the danger zones, seems to serve these ends, the President seems to stand a good chance of getting his way—though the provision for 90-day credits to purchasers of American arms may fall by the wayside. He has received the powerful support this week of his old friend and enemy, Mr Al Smith, as well as that of Senator Norris, who gains added respect and authority in the matter because he cast his Congressional vote against American participation in the last war. Meanwhile, the Conference of all the American nations at Panama has adopted the suggestion for a "safety belt" extending from 300 to 600 miles out to sea from the edge of the American Continent. Within this belt, belligerent nations are to be asked to indulge in no warlike acts, and the American nations are to maintain a naval patrol. At first sight, this seemed like an extension of the Monroe doctrine to the high seas. To judge by later reports, however, the whole plan is apparently more an expression of hope than a plan for any action. The patrolling navies are to observe rather than coerce. So far as the present war is concerned, the British and French navies must have access to British and French territories in the Americas, and they could hardly give a promise not to fire a gun or drop a depth charge in the "safety belt" unless they were given an assurance that the American nations would themselves exclude from it anything that might properly be the target of Allied



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shells or depth charges. And in the wider context of international law, no attempt to extend territorial waters (if that were the intention) would meet with the approval of a country which, like Britain, relies for its safety on its control of the high seas.

Russia in the Baltic.—By the Soviet-Estonian Agreement, completed on Friday of last week, Estonia assures the Soviet Union of the right to maintain naval and air bases on the islands of Osel and Dago, shown on the accompanying map, and in the town of Baltiski, near Tallinn. Leases will be "at reasonable prices." Soviet land and air armed forces may also be maintained at the bases, which remain Estonian property, for their protection. An article in the agreement provides that the sovereign rights of the two contracting parties shall not be affected, and



that their economic systems and State organisations shall remain unchanged. The agreement also contains a mutual assistance pledge. A trade agreement signed at the same time provides for a four-and-a-half times increase in mutual trade, and, what may be significant for British supplies, grants Estonia the right to send goods along the waterways and railways of the U.S.S.R. to Murmansk, Soroka, and the Black Sea ports. The agreements with Latvia and Lithuania are not yet public, but it is expected that the U.S.S.R. will receive rail and port concessions, affecting especially the ports of Riga, Ventspils, and Libau.

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The Attack on Neutral Shipping.—The news of the loss of the "Hazelide," the latest British ship to be successfully attacked by a U-boat, was followed on the same day, September 24th, by an announcement that one Norwegian and two Finnish steamers had been sunk in the Skagerrak. Since that time there have been no further sinkings of British merchantmen by submarines, but the neutral countries, Norway, Sweden, Denmark and Finland, have lost well over 10,000 tons of shipping in attacks by the German navy. The attacks have been carried out with scant attention to the rules of naval warfare, and have been accompanied by every kind of irregular interference and unnecessary molestation. In addition to the sinkings, numerous neutral vessels have been seized. They include Danish ships, which have been stopped in complete disregard for the non-aggression pact signed between Denmark and Germany only four months ago (which expressly provided that Denmark might carry on normal trade with countries at war with Germany); ships bound from one neutral country to another with cargoes not even remotely resembling contraband (at least one was in ballast); and neutral ships homeward bound from England. The object of this campaign of molestation is plainly to drive neutral ships from the seas, and to prevent their occasional use to carry British cargoes by preventing them from carrying any cargoes whatever. Its effect on one of the principal economies of the Scandinavian countries and on their British war effort remains to be seen. The tonnage of the European neutrals who are principally interested in shipping (the Scandinavian countries and Greece) is equal to at least 50 per cent. of the combined merchant fleets of the British Empire and France. Such a reserve would be extremely useful for the carriage of British cargoes falling outside the rules of contraband. If the German navy continues to show as little regard for those rules as at present, to neutral shipping will be as desirable in the direct British interest as it is for the safety of neutral merchantmen going about their lawful business. The whole question is no doubt one which can be most adequately dealt with by a British Ministry of Shipping, and its importance constitutes an additional reason for completing with all speed the preparations for the setting up of such a Ministry.

Turn in Japanese Policy.—The tone adopted by the new Japanese Government over the last few days has given rise to reports that the Anglo-Japanese conversations are to be resumed. Both the Prime Minister, General Abe, and the Foreign Minister, Admiral Nomura, have made it clear that the Japanese, once more in isolation while bent on Chinese conquests, are once more willing to temporise with Western Powers which have Far-Eastern interests, at least until those Powers have thoroughly embroiled themselves in internecine war. It is not surprising, therefore, to hear Admiral Nomura saying that "other Powers need not fear that the new order (in Eastern Asia) would extinguish their rights and interests in China." At the same time, it is almost certainly mistaken to hope for an immediate meeting between the British Ambassador in Tokyo and the Japanese authorities. Neither side, for the moment, would have much to say. On their side the Japanese will be unable to gauge how far they can put pressure on the British until they can see the course of events in Europe more clearly. And, given the added determination with which the Japanese are now applying themselves to their war in China, working out their bitterness with Germany by a major offensive in the south-west, the Japanese Government would obviously do better to wait until they themselves know more exactly where they stand. The Japanese are now less than ever likely to moderate their ambitions for hegemony over China; and the gains to be got from reconciliation, qualified by those ambitions, will in any case be small. Reckoning in the adverse effects which a British-Japanese reconciliation might have on American opinion, now that the neutrality legislation is up for amendment, it might well be that the net gains would be so small as not to be worth paying for. And although

a resumption of the conversations in the present mood of the Japanese Government would have a useful psychological effect on European opinion, for the moment there is nothing that we can do except to wait.

Registration and Rationing.—The names, ages, sex and occupation of 47½ million inhabitants of Great Britain were entered on Friday night on buff forms of imposing width. Rationing has not come yet. In his broadcast last week Mr Morrison again rightly emphasised that the rationing will not involve a reduction in the total food consumption of the nation. The supply of a few commodities, of which butter and bacon are the chief, has been temporarily interrupted by the submarine campaign against Scandinavian ships, but supplies of lard are more than sufficient to compensate for these minor deficiencies, and margarine has received an additional safeguard this week with the issue of an Order placing its production under comprehensive control. In fact the difficulties in the supply of goods which have occurred so far—and none of them is serious—have arisen through temporary maladjustments, which are now being removed. Some, like the difficulties cited by the Minister of Food as being due to the moving of stocks to safe places, could perhaps have been avoided altogether by more prompt action before the war. Others, such as the setting up of entirely new marketing arrangements for certain commodities and those due to the exceptional demands of the army require time for adjustments to the distributive system to be made. And another, the purchasing of exceptional quantities of goods which will be rationed later, is already being removed by a combination of tacit public pressure and a growing appreciation of individual responsibility. Rationing will in fact be necessary to secure a fair distribution of available stocks rather than to counteract a real shortage of food.

Education in War Time.—The war-time shape of the educational system is becoming clearer. On the one hand, some cutting-down in scope is sadly necessary. A Bill is already on its way through Parliament to repeal those sections of the 1936 Act which provided for the raising of the school-leaving age to 15 on September 1st last. The Board of Education has made it known that the Hadow reorganisation of schooling for children over 11 years of age cannot be continued where the changes would necessitate costly buildings; and the Spens proposals for the reform of secondary education will now remain in abeyance. The demand for juvenile labour in work of national importance, or to release older workers for essential employment, will undoubtedly rise too greatly to permit the radical amendment of the last few years of school life to which educationalists had been eagerly looking forward; nor can the cost of heavy constructional programmes in money, men and materials be borne in war-time. On the other hand, there are new educational needs which must be met. First and foremost, the present system of technical training, confessedly inadequate in peace-time, is not sufficient to supply war industries and the Services with the skilled labour they require. The Board of Education has made it plain that extensions of technical training must be pressed forward; and proposals for compulsory part-time education in working hours for the young people drafted into industry—a dream of educational reformers for a long time—are gaining new support. So, too, are plans for fresh efforts to care for juvenile welfare. In the last war, juvenile crime, ill-health and illiteracy grew markedly. In the post-war period economic depression and the spread of congested cities intensified these problems until, in the last few years, the leisure and physical well-being of juveniles have become recognised as a first charge upon educational endeavour. Now, an advisory committee under the chairmanship of the Parliamentary Secretary to the Board of Education has been set up to co-ordinate the work of the manifold and largely voluntary juvenile welfare organisations which now have an especially heavy task before them.

Wage Increases.—The past fortnight has seen three wage increases and a promise of a fourth. Seamen, shipyard workers and steel workers have already benefited, and coal miners have secured a promise of a rise in their weekly wage in the near future. The fear that these sectional improvements are the first bodying-forth of the bogey of war inflation may be discounted. They provide no basis whatever for generalisation. The increases of 2s. per week for time workers and 4 per cent. for piece workers, negotiated by the Shipbuilding Employers' Federation and the Confederation of Shipbuilding and Engineering Unions, and the rise of 3s. 3d. in the weekly wage of steel-workers' labourers granted by the South Wales Siemens Steel Association, are nothing more than a recognition of the increased strain placed on those classes of workers by war conditions. The additional payments to merchant seafarers have been granted as compensation for war-time risk. The application of the Mineworkers' Federation for an immediate flat-rate increase of 1s. a day for adults and 6d. for youths under 18 is a different matter, since it is specifically put forward to meet a rise in the cost of living. But it is perfectly plain that such rise as has taken place is entirely due to limited factors, such as control of food prices, and not to any general monetary change. In fact, the increased price of certain items in the working-class budget, like the raising of wages in these four trades, was an inevitable consequence of the outbreak of war, not of inflation. That has not come yet, and given a correct choice of proportions between taxation and borrowing to meet Government requirements, it need not come at all.

Errata.—A note in *The Economist* last week giving a number of figures illustrating the economic gains to Germany of occupying Poland contained two errors. Poland's and Germany's production of iron ore was correctly stated, in metal content, as 280,000 tons and over 3,000,000 tons, respectively. It should have been added that Germany's imports of 21,000,000 tons are, of course, bulk weight. Secondly, Poland's production of about 190,000 tons (bulk weight) of zinc ore and about 107,000 tons of smelter zinc should have been compared with Germany's imports of 185,000 tons and 75,000 tons respectively. The article on "Stalin Over Europe" contained one of those inexplicable slips of the pen which sometimes contrive to elude author, printer and proof-reader alike. The guilty sentence ran: "A Russian attempt to weaken the Anglo-French-Italian alliance in the Mediterranean would necessarily have its influence on Signor Mussolini." As it stands, this is nonsense. "Italian" should, of course, have been "Turkish," as was quite clear from the context.

INSURE WITH



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THE WORLD OVERSEAS

Eire Faces the War
(From Our Dublin Correspondent)

IN view of the relations between Great Britain and Ireland in the distant and recent past, the declaration of neutrality by Eire was the only possible decision that the Government could have taken without provoking dangerous dissent. Such a decision had been taken long before the outbreak of war, and it came as no surprise either in Ireland or in Great Britain. The assumption of neutrality, however, does not prevent Irish opinion from sympathising wholeheartedly with the Allied cause.

Except for a very small minority of political extremists, who hope that England's difficulty may be Ireland's opportunity, the whole of Ireland feels very strongly about the outrage that Poland has suffered. Poland and Ireland possess many points of similarity. Both are ancient nations whose independence was regained after centuries of conquest. Moreover, both nations are overwhelmingly Catholic. The fate of Poland has naturally aroused the deepest indignation in Ireland; and it is admitted, even in circles that are normally not friendly to England, that, on this occasion at least, the "hereditary enemy" is fighting on the side of the angels.

The mere fact of being neutral does not secure isolation from the war or from its effects. Mr de Valera has uttered the most solemn warning in the Dail that Ireland is surrounded by naval warfare. The normal life of the country has already been interrupted in many respects as a direct result of the war. Many political and economic problems will arise; difficult. It must be remembered that this is the first time that an Irish Government has had to face the problems raised by a world war. Experience and precedents are certainly lacking, and it is realised that a false step may involve the most dangerous consequences. Already the representative of one of the belligerents has been finding fault with some of the measures taken by the Government, and it is obvious that the difficulties of the situation will increase with every intensification of the war at sea. In the circumstances, the appointment by the British Government, as its representative in Dublin, of Sir John Maffey has evoked widespread satisfaction, as it is most desirable that the possibility of misunderstanding between the British and Irish Governments should be reduced to an absolute minimum.

The war has given rise to innumerable problems in the economic field. These problems may be grouped in three principal classes: the relief of unemployment; the intensification of agricultural output; and the maintenance of essential supplies.

In the last war the unemployment problem was not nearly so acute as it is to-day. Emigration in those days was to the United States and there was no return of American emigrants on the outbreak of war. Nowadays emigration is to Great Britain, and there has been a large reflux of emigrants in the last few weeks to add to the existing volume of unemployment. Moreover, the industrial structure was not then so sensitive. Many of the new protected industries rely on imports of raw materials and their activities have already been interrupted. In the last war, large numbers of Irishmen joined the British Army, but this outlet is now only partially

open. In addition to this, Ireland was a great military centre and considerable employment was given in the garrison towns and in the neighbourhood of the camps, such for example as the Curragh.

On this occasion, Ireland must solve its unemployment problem without these adventitious aids. A number of men have been recruited in the Army and in the volunteers, and doubtless the increase of agricultural production will provide some additional employment on the land. There will remain, however, a vast volume of unemployed whose absorption will necessitate an ambitious programme of public works on the roads, on building, on drainage and, perhaps, on the peat bogs. The financial requirements of such a programme will doubtless be forthcoming, though not without difficulty, and it is to be hoped that the trade unions will not raise too many obstacles in the way of providing employment.

The Profits of War

The last war was the golden age of the Irish farmer. Prices of agricultural produce rose to unprecedented heights and immense profits were reaped. A large part of these profits was saved, and, indeed, it was the profits of the war that were largely responsible for the accumulation of the immense sterling assets of the Irish banks, which have proved so useful in recent years. It is generally realised that this golden age is not likely to be repeated in the present war. The British Ministry of Food is determined to minimise profiteering in food, and the policy of centralised buying of imports will prevent much of the spectacular profits that occurred during the last war. The Irish Government is in the closest contact with the Ministry of Food, and a system of collective bargaining and selling is being gradually established for butter, bacon, eggs and livestock.

The profits of the last war were entirely caused by the rise of prices. Agricultural output actually decreased between 1914 and 1918. At present the attention of the Department of Agriculture is devoted to ensuring an expansion of output on the farms. Tillage is to be made compulsory and every encouragement is to be given to the increase of livestock. The sudden expansion of tillage will not be achieved without seed in the country, but there is said to be a shortage of the output of livestock. As regards the increase in fertilisers and of farm machinery, there is alleged to be a shortage of feeding-stuffs, particularly of maize. These difficulties should prove to be only temporary, provided that the interruption of marine transport is not intensified.

Perhaps a more obstinate difficulty will be experienced in securing an additional supply of suitable labour. It may appear paradoxical that a country should suffer simultaneously from an acute unemployment problem and from a labour shortage, but such is the case. It is becoming more and more difficult to find good farm labourers. This is the result partly of the general drift to the towns, partly of the comparatively low level of agricultural wages (although they are in many cases higher than the small farmer can bear) and partly of the peculiarly vicious type of "dole" paid in the rural areas.

Securing Essential Supplies

The third major problem is the maintenance of essential supplies, and for this important function a new ministry, the Ministry of Supply, has been established. Any difficulty experienced in maintaining supplies will be physical and not financial, as Eire is possessed of abundant reserves of sterling, which, of course, count as foreign exchange. There is no reason to believe that these supplies will be depleted as a result of the war. Certain invisible exports, for example receipts from the Sweepstake and from tourists, will not doubt diminish, but, on the other hand, the volume and the price of agricultural exports will probably increase. It is not too much to hope that the balance of payments may become favourable and that Eire may replenish part of the reserves.

October 7, 1939

THE ECONOMIST

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sterling that have been reduced in recent years owing to the "economic war" with Great Britain.

The maintenance of supplies depends upon the increase of the output of that limited range of commodities that can be produced internally, for example, wheat, sugar-beet and other foods, and upon securing adequate imports of such articles as coal, petrol, tea, timber, and many of the raw materials of the protected industries. The former problem is part of the general problem of intensifying agricultural production, while the latter involves questions regarding shipping accommodation. There are at present abundant supplies of flour, sugar and other essential foodstuffs and no general system of rationing is considered necessary. A strict price control is being operated and maximum prices have been fixed for many commodities. Petrol is being rationed on a reasonably generous scale. The experience of the Ministry of Supply should demonstrate how closely the economic interests of Great Britain and Ireland are related and how each country can assist the other in an emergency. The doctrine of self-sufficiency will meet with an eclipse, which, it is to be hoped, will not prove merely temporary.

It is too early to hazard a prediction regarding the financial results of the war. Many branches of the revenue will, it is clear, decrease. Customs will shrink with the drastic reduction of imports; the revenue from the Sweepstake will practically vanish; and Stamp Duties and motor taxes will seriously decline. On the other hand, expenditure will rise, though not, of course, on a scale comparable with the increase in expenditure of the belligerents. The Army and volunteers have been augmented; a certain amount has been spent on A.R.P.; and the relief of unemployment will make fresh demands on the public purse. Any new taxation that is necessary could probably be raised by additions to indirect taxes without raising the income tax from its already "crippling" figure of 5s. 6d. in the pound. The imposition of a tax on exports, which would be the ideal levy in the circumstances, would probably prove too great a strain on the courage of a Government dependent on farmers' votes. Doubtless some reliance will be placed on borrowing, which can be justified by the abnormal nature of much of the expenditure.

Sufficient has been said to indicate that the assumption of neutrality does not isolate Eire from the difficulties caused by the war. None of these difficulties should prove insoluble, and there is no reason why the country should not retain a reasonable degree of prosperity during the war years. Of course, there is always the danger of unwisdom on the part of the Government or of unrest among dissatisfied sections of the people, and any false move might prove absolutely disastrous, not only to Irish prosperity but to Irish freedom. The risks of the situation are, however, sufficiently realised in responsible circles to breed abundant caution, and public opinion is on the whole very steady and united. It is a fairly safe prediction that, in the absence of some quite unforeseen development, Ireland will emerge from the present conflict with an enhanced respect and friendship for her nearest neighbour.

October 1st.

The Plight of Poland

[FROM OUR CORRESPONDENT LATELY IN POLAND]

WITH Warsaw smouldering in ruins and not a pane of glass unbroken in a city of 1,250,000 souls; with railways, roads and communications in a state of chaos; with thousands of civilian dead still unburied; with countless villages destroyed; and with most of what remains of thirty-five million people stupefied and demoralised after one month of hell on earth—Catholic Poland now faces, not only the horrors of partition between two godless Powers, but also the colossal task of feeding, clothing and housing its surviving population through a winter now rapidly approaching. Even under the most favourable conditions Polish winters are long and trying. It will be a miracle if disease and starvation in the next six months do not cause the death of many thousands and so impair the health of the survivors as to make Poland an object of pity for the better part of a generation.

The prospect is made still more appalling by the fact that the war to rid Europe of Nazi despotism is only now beginning. The partitioning Powers, unable adequately to feed and clothe their own populations, will be less and less able as time goes on to relieve the distress of their "protectorates"; and they may, indeed, even hope to find among the ruins of Poland a few odds and ends to mitigate their own internal shortages. Cheerful paragraphs have already appeared about

the mineral wealth of Upper Silesia, the petroleum deposits of Eastern Galicia, the timber resources of the Vilna region, the potentialities of the new "industrial triangle," and the grain and livestock reserves of Central and Western Poland.

A Deficit Territory

But what are the facts? The territory comprised within the Republic of Poland was always a deficit territory, and, under the conditions which have existed for the past twenty years, an economic liability. It survived before the World War—on a very low economic level—because it was divided between three Empires which were immeasurably more prosperous than present-day Russia and Germany, and because its population enjoyed freedom of movement.

Before 1914, a Pole or Jew with no prospect of anything better than serfdom in Poland—whether German, Austrian or Russian—was at liberty, if he had the fare, to go to the United States. For the Galician Jew, indeed, all he needed was a stout pair of shoes to walk to Budapest, where he could soon earn enough to get to Vienna, thence to Frankfurt, Hamburg and overseas to London, Paris or New York. Some four million Poles and Jews from Polish territory emigrated to the United States alone in the generation before the war. Millions more reached the South American countries, Canada and France. They emigrated, partly because they sought political liberty, but mainly because the territory on which they were born could not properly support them.

How then could a territory which could not properly support 25 millions before the Great War manage to provide for 35 millions twenty years after? The answer is that the economic level of Poland in 1939 was lower than that of any other European country. It is true that improvements had been effected, with much sweat and toil, during the twenty years of independence. A moderate degree of land reform had done something to mitigate the evils of feudalism; the methods of agricultural and livestock production were bettered; and the beginnings of industrialisation had improved the general structure of the territory. This improvement was made possible in large part through capital obtained from abroad, and chiefly from the United States.

Emigrant remittances to relatives in Poland from the five or six million Poles on the American Continent averaged not less than \$15 millions annually from 1919 to 1939. They more than paid for Poland's imports of cotton from the United States, and cotton was the largest single item in the import returns. Long-term loans obtained in the United States during these twenty years were of the order of \$200 millions; and, in addition, substantial amounts were raised in France, Great Britain, Sweden and other capital-exporting countries. Much of this was repaid in the form of interest, but many millions of pounds were invested by foreign nationals in industrial undertakings in Poland on which practically no interest was obtained. France also gave Poland military credits to a total of more than £50 millions. All these loans, credits and investments can now be written off as a total loss.

Military Expenditure

This attempt to put the underlying facts into proper focus is not intended as a condemnation of official policies. Poland was made poor by nature. It is at the same time, however, permissible to question the wisdom of the military policy of the late Marshal Pilsudski and his followers.

The main purpose of the *coup d'état* of May, 1926, was not so much to rid Poland of a thoroughly democratic system of government that functioned badly—because it was far in advance of the political development of the masses—as to follow a forthright policy of militarisation. Pilsudski wanted a strong Poland; strong enough, indeed, to be independent of any collective security system. So, for thirteen years, there was a continuous increase in military expenditure, both directly on the Services and on industrial development

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primarily for national defence. It is no exaggeration to assert that much the greater part of the foreign capital acquired by Poland from May, 1926, was swallowed up by the Army and Navy or used in the construction of industries, railways and other undertakings that had first to be approved by the General Staff. Likewise, in the preparation of Budgets, the Finance Minister was first told how much he must provide for the Army. It was a policy that might have led to financial disaster, even without a war.

Poland, with her abnormally high birth rate and surplus population, had no difficulty in recruiting and training an army running into millions; but there was never any possibility that so poor a land could even begin adequately to equip an army of millions with the latest instruments of defence and destruction. The Army was cavalry-minded, because, notwithstanding all the financial assistance obtained from abroad, it was simply out of the question to compete with a highly industrialised nation like Germany in the production of technical and mechanised equipment. Pilsudski and his followers did the utmost that was possible with the facilities and resources at their command, but that best could not be enough.

All the flag-raising and triumphant celebrations now taking place to mark the conquest of Poland will not delude the German people into believing that they will be any better off in a material sense for the conquest. Their gains from Poland will not stand comparison with the harvest reaped last March in Bohemia and Moravia. Czecho-Slovakia was as much a military and economic asset as Poland in its present state is a liability. Soviet Russia, it is true, has acquired in the territory east of the River Bug most of Poland's chronic destitution and illiteracy, but the military destruction has occurred almost wholly in the western half of Poland which has fallen to Germany.

Even under the most ruthless administration, the man power which Germany is no doubt glad to acquire cannot be effectively employed unless it is first housed, clothed and fed; and even when housed, clothed and fed the Pole will not work efficiently for a foreign slave-driver.

Sharing the Booty

There is a striking difference between the "national" compositions of the parts of Poland annexed by Russia and Germany from which momentous consequences may flow. Some indication of this is shown by the statistics of languages spoken in different parts of Poland in 1931. In the following table we give approximate estimates for the Russian and German regions.

LANGUAGES SPOKEN IN POLAND IN 1931

	Region Annexed by the Soviet Union			Region Annexed by Germany		
	Urban areas	Rural areas	All areas	Urban areas	Rural areas	All areas
I. Polish.....	1,075	3,957	Nos. in 000's	12,069	16,961	
II. Ukrainian, etc.*	305	4,575	5,032	4,892	626	691
III. Yiddish or Hebrew†	695	309	1,004	1,430	299	1,729
IV. German.....	14	68	82	216	443	659
V. Other.....	26	814	840	13	26	39
Total population ...	2,115	9,723	11,838	6,616	13,463	20,079

* Ukrainian, Ruthenian, White Ruthenian and Russian.
† These figures are somewhat less than those of persons professing the Jewish religion.

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The partition of September 29th has given Russia a little more than half of the area of the former Polish State and about 37 per cent. of its population, but less than a quarter of its Polish-speaking inhabitants. If the Russians are going to defend their annexation on the ground of minorities, they have a much stronger case than the Germans, and a much better case than they would have had if they had insisted on keeping the area originally to be occupied by the Red Army. By the agreement in Moscow last Friday week, the Russians surrendered territory which contained in 1931 some four million inhabitants, of which three millions were Polish-speaking. Taking language as the guide, the region now annexed by the Russians contains not many more than five million Poles, whereas the Germans have now to rule over seventeen million Poles and two million Jews.

The Russian administrative problem ought to be very much easier than the German. In the rural areas taken by the Russians the peasants who speak Ukrainian, Russian or Ruthenian are more numerous than those who speak Polish. In the towns more than a third of the inhabitants are Jews. In the German region the rural areas are overwhelmingly Polish, and in the towns the minority is not German but Jewish. If they so desire, the Soviets will hardly find it difficult to persuade the Jews that they are better off under Soviet than under German rule, while, if they combine brutal suppression of the upper classes with tolerance towards national and cultural minorities, they may gain the support of the Polish peasantry. The Nazis may find, in fact, that in trying to settle the Polish question by compounding with the Communists they have been sowing the seeds of their own downfall. The combination of Polish irredentism and Soviet revolution is likely to keep the whole of the German zone in ferment and make orderly civil administration impossible.

October 4th.

Calm and Readiness in Holland

[FROM OUR AMSTERDAM CORRESPONDENT]

THE maintenance of Holland's neutrality in the present emergency is demanding considerable sacrifices from the country, and some of the economic measures which it has been deemed expedient to take have proved harmful, if not ruinous, to some enterprises. On the whole, however, it can be stated that the serious turn of events has been taken calmly. There has never been the slightest tendency to panic. Even the mobilisation of fifteen years' drafts of troops, up to and including the 1924 contingent, took place calmly and without any disorder. Food supplies remain normal, but the Government has had to take measures to combat hoarding. There has been no rush on the retail shops as in 1914, and prices have been maintained at the old levels.

No special financial steps of any sort had to be resorted to. The Amsterdam Bourse did not close its doors for a single day, but the Committee exercised supervision over prices. It was not considered necessary, however, to resort to introducing minimum prices for State loans or other securities. Withdrawals from the savings banks were met without the slightest restriction.

The Netherlands Bank proved fully capable of absorbing the shock. Temporarily there was an extra demand for silver coinage, but the Bank succeeded in meeting this, and there was no need to issue emergency money. This does not alter the fact that the requirements of the State have inevitably involved a decided expansion in the note circulation.

The gold position of the Netherlands Bank remained practically unchanged. The guilder upheld its strong position and the Equalisation Fund was called upon to render assistance only temporarily and on a modest scale. The guilder remained coupled to the dollar. The price of gold and of gold coinage showed only a slight advance, so that no restrictions on foreign exchange transactions were necessary.

On the money market, rates showed a steep advance, as will be seen from the following table:—

MONEY RATES AT AMSTERDAM				
1939	Official Discount Per cent.	Private Discount Per cent.	Prolongation Money Per cent.	Call Money Per cent.
August 23rd	2	3-1	1½	
September 14th ...	3	2½-3½	3	2½
September 15th ...	3	2½-3½	3	2½
September 19th ...	3	2½-3½	4	1½
September 25th ...	3	2½-3½	3½	1½

The Cost of Neutrality

The Government's enormous expenditure for defence has left its mark on the Budget just submitted to Parliament. In introducing his Budget, the Minister of Finance computed the deficit on the ordinary Budget at 55.6 million guilders. The Government proposes to cover this deficit by means of an increase in income tax, by the substitution of a profit tax for the existing dividend and bonus tax, and by various economies. This deficit, however, does not include the extraordinary expenditure entailed by the state of war abroad, the intention being to provide for this by means of a Loan Fund. In this Fund, it is proposed to accommodate, first, the credit of 100 million guilders voted in 1938 for the extra calling-up of troops in that year, and, secondly, an additional credit of 100 millions for which Parliamentary approval is to be asked shortly.

The finding of interest and redemption for the money borrowed by the Loan Fund will be fraught with considerable difficulties, since the burden of taxation has been increased pretty well to the maximum limit. The Government expects, however, that part of the outlay will be covered by a war profits tax; and every effort will have to be made to reduce expenditure on public services.

For 1941 budgetary prospects are very gloomy. The Minister of Finance expects that expenditure for that year will be up by 60½ million guilders, including an annual contribution of 15 million guilders for augmenting the defences of the Indies.

The economic measures which the Government had to take were facilitated by the fact that the authorities already had at their disposal, in connection with the agricultural assistance schemes of the past few years, the necessary organisations for exercising control. In addition, an export bureau was already in being, so that the setting up of special machinery for controlling imports and exports could be dispensed with. Thanks to the system of flexible monopoly taxes, excise duties and other levies in force during the past few years for the protection of agriculture, the domestic prices of numerous agricultural products were already under the control of the Government. This applied, in particular,

to grain. The further advance of wheat prices on the world market did not involve any increase in the price of bread in Holland.

The great benefit accruing from the agricultural policy pursued by the Dutch Government in recent years is that Holland is now in a far more advantageous position than in 1914 in supplies of grain, owing to the increased size of the home crops. The following figures show how domestic production in Holland has expanded since the agricultural protection measures were adopted:—

(In tons)			
	Wheat	Barley	Rye
1931	186,000	1933..... 51,000	1933..... 394,000
1937	343,000	1937..... 135,000	1937..... 484,000
1938	434,000	1938..... 140,000	1938..... 551,000

(In 1931 the protective measures were applied to wheat, in 1933 to other cereals too).

As far as coal is concerned (contrary to the situation in 1914) Holland is now capable of supplying her entire requirements. It will be evident that in many respects Holland is in a fairly favourable situation economically. This has contributed to no small extent to the calmness displayed by the population throughout the country. The export of a few articles had to be prohibited, with the object of preventing possible depletion of supplies for the country's own requirements. These embargoes are of a preventive character; if available supplies permit, exemption from such embargoes will be granted.

Although preliminary arrangements for food rationing have been made by the Government, no rations have been fixed as yet, and all commodities can still be bought freely. It seems hardly likely that difficulties with regard to food supplies are to be expected for the time being. So far the arrival of grain steamers has not ceased; the Government has itself chartered several ships to bring in the supplies necessary for meeting domestic requirements; and the operation of the State war risks insurance scheme has been of great benefit to our shipping.

September 25th.

Books and Publications

Soviet Siberia

COULD Yermak, one-time conqueror of Siberia, wake from his long sleep and observe the present scene in Siberia he would doubtless rub his eyes. For, as Dr Taracouzio* tells us, however much plans may do duty for performance and whatever Soviet statistics may be worth, the Soviet Government has been undoubtedly preparing, in purposeful, if grandiose manner, a transformation of this wilderness.

This book rightly insists that the establishment of the Arctic Sea Route has been an outstanding Soviet aim, and indeed accomplishment here. Transport by water, supplemented by enterprising use of the aeroplane, is a first condition of development. Scientific exploration, the indispensable prelude to serious economic organisation, is under way; but the record of attempted economic and "cultural" development is less satisfactory. The Russian is an adept at elaborating principles, documented in the book in some 120 pages of appendices. But as an organiser he is less matured, and it is disturbing to find so friendly a chronicler forced to harp upon the obvious inefficiency and wastefulness of the present regime in Siberia, particularly with regard to economic development and welfare work among the natives.

* "Soviets in the Arctic." By T. A. Taracouzio, Ph.D. Macmillan. 546 pages. 32s. 6d.

Official Publications

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

Memorandum on the Proposals for Assistance to British Shipping. Cmd. 6060. 4d. net.

Thirty-First General Report of the Public Trustee. 2d. net.

Guide to Current Official Statistics of the U.K. Vol. XVII. 1938. 1s. net.

Statement Relating to the Emergency Hospital Organisation, First Aid Posts and Ambulances. Cmd. 6061. 4d. net.

Persons in Receipt of Poor Relief (England and Wales), January 1, 1939. 9d. net.

Economic Advisory Council. First Report of the Committee on Nutrition in the Colonial Empire, Part I. Cmd. 6050. Price 3s. Part II. Cmd. 6051. Price 2s. 6d.

Colonial Development Advisory Committee. Tenth Annual Report, April 1, 1938-March 31, 1939.

Government of Northern Ireland. Report on the General Administration and Financial Arrangements of the Pigs Marketing Scheme, 1939. 33 pages. 6d. net.

Labour Conditions in the West Indies. By Major G. St. J. Orde Brown, O.B.E. 216 pages. 3s. 6d. net.

Agricultural Research Council. Fodder Conservation with special reference to Grass Drying. By E. J. Roberts. 137 pages. 2s. net.

Return Relating to Experiments on Living Animals, 1939. 67 pages. 1s. net.

Aliens (Naturalization), July, 1939. 1s. 6d. net.

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THE BUSINESS WORLD

Sugar Supplies

THE outbreak of the Great War brought a complete disruption of the British trade in sugar. In 1913, two-thirds of Britain's imports of 47 million cwts. of sugar came from Germany and Austria-Hungary and a further 7 million cwts. were drawn from other European countries, whose exports were immediately restricted. To fill the gap left by the disappearance of the Central European supplies, larger quantities were drawn from Cuba and Java; but even so, the total British imports during the war were considerably smaller than in the pre-war years.

The last twenty-five years have seen radical changes in the British sugar trade. Very little sugar has recently been imported from Europe; the Empire supplied in 1938 about half of the British imports, and the remainder has been drawn from countries such as Cuba, Java and the United States. A comparison between the sources of sugar supplies in 1913 and 1938 shows how much more favourable the situation has become to Britain in the interlude between the two wars:—

BRITISH SUPPLIES OF SUGAR 1913 AND 1938
(000 cwt. raw value)

1913†	1938
PRODUCTION	PRODUCTION (1937-8)
Imports	Imports
Refined*	Refined*
of which from	of which from
Germany	Australia
British Empire	Mauritius
Austria-Hungary	S. Africa
Holland	W. Indian Islands
Belgium	Other British Empire
France	Cuba
Raw	Raw
of which from	of which from
British Empire	St. Domingo
Germany	Dutch East Indies
Austria-Hungary	Other Foreign
Java	
Cuba	
Exports†	Exports
Consumption	Consumption (1937-8)

† Including Ireland.

* Refined values.

This change has been brought about largely by deliberate State action. In 1919, the high revenue duties on imported sugar were modified to give sugar from the Empire a preference of one-sixth of the full duty; in 1932, this preference was increased for a limited quantity of sugar from the colonies (but not from the Dominions), in order to assist the West Indian Islands.

The sugar duties have also been manipulated to establish and maintain in this country a large refining industry. The result is shown in the table above; imports of refined sugar, which amounted to nearly 18 million cwts. in 1913, were negligible in 1938. Further, an export trade in refined sugar has been developed, for which Eire, the Malay States, Finland, Norway, Greece, Switzerland and Uruguay are the largest purchasers.

The refining industry uses almost entirely imported raws, since the bulk of the home-produced sugar is refined in the beet factories. The establishment of the beet sugar industry is the third great change in the British sugar trade in the last quarter of a century. Begun just before the war as an experiment, the industry languished until the excise duty was removed in 1922, and a rapid development occurred after 1924, when the Government decided to grant a subsidy on a descending scale for ten years. The price of sugar was then still inflated by the post-war scarcity of supplies, and if it had been maintained at that

level, a native beet industry might have become self-supporting after an initial period of growth. But the continuing fall in sugar prices, to a minimum of 4s. 8d. per cwt. on the average in 1935, has made such an ideal impossible of attainment. Since 1924, Britain has produced nearly 100 million cwts. of sugar (raw value) at a cost to the taxpayer of £41 millions, or £61 millions if the loss to the Exchequer of the import duties on this amount is included. From the point of view of supplies in war time, it would obviously have been far cheaper to have laid in stocks for two or three years' consumption at a price of 5s. to 6s. per cwt. But sugar beet has now become an integral part of East Anglian agriculture, and the renewal of the subsidy in 1935 shows that no Government can face the economic disturbance and political pressure which a threat to the industry inevitably produces.

The growth of the beet industry led to serious difficulties with the refining companies established during and after the war. It is usually not economic to set up a beet factory which cannot convert its raw sugar into refined, and since the beet trade is a highly seasonal one, the beet factories began in 1929, when changes in duty made more profitable the refining of sugar from imported raws, to develop an off-season trade in refining cane sugar. This competition was met by the refiners with considerable reductions in the price of refined sugar, and the economic war so reduced the profits of the beet factories that the Ministry of Agriculture was called in to negotiate the terms of peace. Since 1933, there has been an agreement between the factories and refiners, by which the former are restricted to a stated output of refined sugar. This agreement was followed by an immediate recovery in the refining margin and in the profits of refineries and factories. The whole beet sugar industry has now been amalgamated in the British Sugar Corporation, which was established by Act of Parliament in 1936; a Sugar Commission was also established to supervise the workings of the Corporation, the payment of the Government subsidy and the agreement with the refiners, who have in course of time become very closely connected with each other. It cannot be said, therefore, that the industry suffered from lack of organisation even before the Ministry of Food instituted a general control over the supplies and processing of the nation's sugar.

The trade in sugar, both in England and elsewhere, has indeed suffered much in the past generation from the vagaries of Government policy and the disturbances of war. The rapid increase in the output of subsidised sugar beet in Europe led in 1903 to the first international agreement. The Great War, however, destroyed both the international agreement and eventually most of the European beet production. The result was an increase in cane production outside Europe; but this particular child of the war was not allowed to die when, after the war, the area under beet gradually recovered. An excessive level of sugar production has been maintained by direct subsidies, preferential duties, concealed drawbacks on exports and special transport rates.

The pressure of these swollen supplies on the British market—which eventually became practically the only free market for sugar—led to a drastic fall in prices, but it was not until 1931 that the short-lived "Chadbourne" scheme attempted to bring about a general restriction of

production. The world depression and the increase of production in protected markets such as India and the American dependencies defeated this effort to raise sugar prices. The present international agreement, begun in 1937, has been more successful, though the recovery in world trade may have contributed more to this result than the efforts of the signatory countries.

The very sharp rise in sugar prices early in the summer, for instance, was due mainly to the coincidence of large Government purchases for war stocks with a partial failure of the European beet crop, and the rigidity of the terms of the agreement prevented the International Sugar Council from authorising extra supplies from exporting countries to forestall the sudden scarcity. But this temporary phenomenon by no means implies that world sugar-producing capacity is insufficient to meet any likely increase in demand. There is large surplus capacity in Cuba, Java and the West Indian Islands, where production has been restricted and could rapidly be expanded.

Investment and War—III

Taxation and Equity Prospects

TWO previous articles in this series—one drawing parallels between the Great War and to-day, and the second attempting to furnish broad principles for war-time investment—have attempted to dispel the illusion, too widely entertained even to-day, that war means inevitable profit for holders of equity shares, and inevitable loss for holders of fixed-interest securities in general and of gilt-edged stocks in particular. No more complete confirmation of the absence of any golden investment rule in war-time could surely be found than in last week's Budget speech, and in the detailed provisions which have followed in the Finance Bill, setting out the basis of the increased standard rate of income tax, and of the Excess Profits Tax. The first is a generalised impost, extending over all incomes, whether derived from employment or from fixed-interest or equity investments. But the second is a deliberate deprivation of a substantial part of the equity shareholder's expectation of increased earning power in war-time.

To establish the innermost significance of the detailed provisions of the Finance Bill, so far as they concern the Excess Profits Tax, is a matter for the taxation expert and the accountant. By comparison, the adjustments in the standard rate of tax to 7s. in the £ can comfortably be dismissed within the compass of a short note—as they were on page 612 of last week's issue of *The Economist*. Yet even the general investor will approach the frightening complications of the Excess Profits Tax with a certain fortitude, for he has at least had experience of the National Defence Contribution, Mark One and Mark Two, and of the short-lived Armament Profits Duty. Many of the definitions and much of the legal construction of the new tax display characteristics which have been acquired in the course of an evolutionary process dating from the Excess Profits Duty imposed in the last war. And this is a fact of some fiscal importance; E.P.T. is not, in the usually objectionable sense of the term, a new tax.

The very broadest outline of the tax, as foreshadowed in the Budget Speech, was given on page 612 of last week's issue. It remains now to give closer attention to its details, and to attempt, as far as possible, to relate them to leading industries and leading companies. E.P.T. is A.P.D. in essence, but generalised to cover the widest range of industry and finance. The proposed standard years, by reference to which excess profits will be computed, are unchanged. The trader may select as his standard profits those of the year 1935, or of 1936, or the average of 1935 and 1937, or the average of 1936 and 1937. Businesses which commenced in 1935 may select either 1936 or the

average of 1936 and 1937, while businesses commenced in the first six months of 1936 may select any consecutive twelve months ending not later than June, 1937. This comparison with past years will be the basis on which the standard profits—and therefore the excess profits—of most companies will be determined. But as with its predecessors, E.P.T. provides a number of alternative methods of assessment to suit special cases. Thus, for small businesses, a minimum standard profit is fixed at £1,000, or, alternatively, £750 per working proprietor up to a limit of £3,000. For businesses commenced after July 1, 1936, standard profits may be calculated on the average amount of capital employed in the business (this term excludes debts of all types, including debentures) at the rate of 8 per cent. for companies and 10 per cent. for firms. And any company, on the direction of the Board of Referees, may be permitted to ascertain its standard profits at the amount necessary to pay its preference dividends, together with a maximum of 6 per cent. on its ordinary capital.

Having established such standard profits, the Exchequer will require payment of 60 per cent. of any excess profits arising in future accounting periods. Suitable provisions have, of course, been made to ensure that no inflation of asset values by artificial transfer of businesses is allowed to take place. Secondly, the profits of parent companies and their subsidiaries will, for the purpose of E.P.T., be consolidated. Thirdly, while income tax practice will be followed for the computation of profits, there is one important exception—interest payments and other annual payments will be deducted, in order to tally with the exclusion of debenture and loan capital from the capital computation. Fourthly, allowance will be made, through wear and tear allowances, for increased capital assets,



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together with allowance for any loss of asset values which may be wholly or mainly due to war conditions. Fifthly, companies will not be allowed to charge a greater sum for directors' fees than that which was payable in the standard year, though exception is made for directors who are acting as whole-time managers, and who control not more than 5 per cent. of the share capital of the company.

These, and numerous additional points of detail—including the welcome features of offsetting losses and making N.D.C., in effect, a subsidiary alternative to E.P.T.—suggest that the tax has been fairly devised, on the one hand, to provide the optimum revenue and, on the other, to avoid flagrant injustice. But the tax will be levied only on businesses carried on in the United Kingdom or by persons ordinarily resident in the United Kingdom. This provision of the old E.P.D. introduces anomalies as between various gold mining companies, of which a minority are registered in this country, and the majority in South Africa. And it may offer an incentive to companies operating abroad to examine whether any advantage would be gained by removing their domicile from this country to their country of operation.

Investors will ask two main questions regarding the incidence of the excess profits tax. First, are the alternative standard periods, in general, fair? Secondly, how will different industrial groups and companies be affected? The general answer to both questions is contained in the series of profits indices given below:—

	PROFITS INDICES CALENDAR YEARS (APPROX.)			
	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, confectionery, etc.	100	102	103	102
Electrical equipment ...	100	121	144	142
Electric lighting	100	110	119	126
Gas	100	100	104½	104
Shipping	100	139	197	172
Shops and stores	100	108½	113½	111½
Textiles	100	108	114	56
Tobacco	100	105½	109	109
Miscellaneous	100	113	123	112
All companies	100	114	129	120

Industrial profits as a whole, expressed as a percentage of 1935, rose to 114 in 1936, and further to 129 in 1937, while in 1938 there was a reaction to 120. From the accumulated evidence to date, they are running in the current year at about 110 per cent. of the 1935 level. Hence industry as a whole will presumably opt for the average of 1936 and 1937, and will be able to enjoy a 10 per cent. rise in profits above their present level before the new tax begins to operate. Datum profits thus include a relatively high cyclical peak of earnings. In general, the inclusion of 1938 among the standard year options would hardly alter this conclusion. There are, admittedly, individual exceptions to the general rule. The heavy industries did not reach their highest level of prosperity until last year. Again several groups, including food, confectionery and drink, and, in lesser degree, breweries and building material concerns, show a relatively stable course of profits, at

least over the past three years. But the general pattern of a cyclical peak in 1937 followed by a setback in 1938 is clear enough. Rubber companies, though not excessively prosperous even in 1937, will have to achieve a substantial increase in profits before E.P.T. becomes payable. Again, some groups—of which textile and shipping companies are outstanding—whose entire outlook may be transformed in wartime, start from an abnormally low profits standard, though they may appeal for special standard profits on the 6 per cent. ordinary dividend basis.

The second main line of inquiry—to trace the effect of the tax upon individual companies—suffers from the outset by lack of all knowledge regarding the future course of profits. The guiding principles, of course, will already be clear. Those companies with a high cyclical peak of profits, who experienced a fairly considerable reduction in earnings last year, will have an initial advantage. And among these the companies whose equity capital is low-gear will be in a superior position. Other things being equal, the company with a large preference capital is one whose ordinary shares will be specially vulnerable to the tax—in this connection, Union Cold Storage and Lever Brothers and Unilever are obvious examples. But, clearly, the wartime growth of profits is the final determinant. Provided that they are read with proper caution, and with a healthy distrust of close historical parallels, the following chain index numbers of profits covering the Great War and post-war periods demonstrate the widely diverse profits experience which may result in wartime:—

Group	INDUSTRIAL PROFITS INDICES (1914 = 100)							
	1915	1916	1917	1918	1919	1920	1921	1922
Breweries	110	116	120	151	177	209	221	190
Electric light	104	104	109	101	129	149	191	196
Gas	91	109	100	70	70	64	66	78
Iron, coal and steel	89	119	143	135	138	143	164	106
Motor cycles, etc.....	96	143	138	156	186	236	205	loss
Oil	94	106	98	87	125	163	234	212
Shipping	77	157	183	148	126	171	189	144
Miscellaneous	96	106	129	135	152	187	205	99
Total	94	113	131	141	149	180	197	113

In the first stages of the Great War profits experienced an overall setback of 6 per cent., and that experience may conceivably be repeated in the present stage of transition from a near-war to a full-war economy. E.P.T. will yield very little in the current fiscal year; it remains to be seen whether it will be a fat revenue producer in the succeeding year. Allowing for the leeway necessary to restore the average standard profits of 1936-37, and for the consequences of initial war dislocation, that conclusion seems inescapable, and it may be of some negative consolation to investors. But if the subsequent course of profits resembles the pattern of shipping and iron and steel profits in the second phase of the Great War, the residual equity for the shareholder will be substantially reduced. And let it be recalled that E.P.D., which began at 50 per cent. in 1914, was raised to 60 per cent. for 1915 and 1916, and to 80 per cent. for the following two years. Clearly, the investor's equity in wartime will be a pale reflection of its peacetime outline.

Finance and Banking

Bank Rate Anticipations.—Last week's cut of 1 per cent. in Bank rate, far from satisfying the immediate expectations of the money market, has merely fed the appetite for still cheaper money and bills. This week, therefore, the open market discount rate has broken with a rapidity which could only betoken the anticipation of yet another reduction in the official rate on Thursday. These anticipations have been disappointed, but the maintenance of Bank rate at 3 per cent. has had little effect on the open market rate. This remains at about 2 per cent. for the full three months' Treasury bill, and thus reflects as clearly as could be desired the confident belief in an early return to a 2 per cent. Bank rate. The slump in market rates began on Friday of last week when the result

of the Treasury bill tender became known. Not only did the average rate of discount at £2 8s. 9.83d. per cent. fall to more than ½ per cent. below the newly-established Bank rate, but the applications for bills rose to the exceptionally high total of £96,270,000. There was some hint that this figure had been swollen by clearing bank applications which, though made "for account of clients," lost little of their significance on this count. Consequently there ensued a rush for Treasury bills which has carried the dealing rate for the hot bill to 1½ per cent this week. The outside demand for bills, in fact, is again gathering momentum. Its source is not so much the overseas banks as the Stock Exchange and big institutional investors whose funds would in the normal course be flowing to the gilt-

edged market. It has been noted by banks that some of the Stock Exchange money houses, whose loans from the market have in the past always been secured by bonds or some Stock Exchange collateral, have within the past week been substituting Treasury bills for these other securities. The bank bill is settling down at a rate of ¾ to ¼ per cent. over that quoted for the corresponding Treasury bill maturity. This abnormal margin is partly explained by the additional work which is now involved in discounting commercial paper. The precautions taken by banks against the risk of air bombardment include the photographing of every commercial bill they discount, and the result is that when buying parcels of bills their preference for Treasury bills—which do not require such treatment—is more marked than it was in more normal times. The result is that the turnover between the market and the banks is largely composed of Treasury bills, while bank paper is to a greater extent used as collateral for money market loans.

Discrimination in Foreign Exchange Market.—The foreign exchange market continues its process of gradual adjustment to the complexities and rigidities of the control scheme. On the whole the progress being made is satisfactory. Experience is already building up a structure of "case law" by reference to which most of the problems that crop up can be decided. Moreover, the banks comprising the list of authorised dealers are now beginning to understand the mysteries of foreign exchange which to many of them were a closed book. The measure of initiative allowed to authorised dealers in granting permission for foreign currency purchases is such that the process of dealing is becoming less cumbersome than it was, and delays in obtaining permission for deals of quite "border line" character are much shorter than they were when the regulations were first introduced. But this process of adjustment is veiling a revolutionary change in the structure of the London foreign exchange market. The clearing banks, which under free market conditions controlled a small part of the total turnover and would have controlled a smaller part still had it not been for the fact that most official "control" operations were entrusted to them, are now attracting the bulk of the available business. Their share, moreover, is steadily increasing and a time may come when the authorised dealers will in fact hold a monopolistic position in the foreign exchange market. The main reason for this victory of the comparatively inexperienced in the fight for foreign exchange business is the fact that expertness ceases to count in a controlled market, in which all deals must be done at the same level of rates.

What does count in such a market is the ability to obtain permission for specified foreign exchange transactions. And here the authorised dealer scores heavily. He is given a measure of discretion in authorising operations which he uses with a perfectly justifiable elasticity. There have been certain cases of banks not on the authorised list referring what they regarded as doubtful cases to the Bank of England, receiving the negative answer which they were prepared for, then finding their client obtaining permission for the self-same operation from a clearing bank. To the client, of course, this authorisation, coming after a first refusal, has appeared as "Service"—with a capital "S." Henceforth all his business will go to the authorised bank. Even in less glaring cases the ability of the authorised bank to give an immediate decision as to the feasibility of a foreign exchange purchase compared with the delay of hours and sometimes of days which precedes the answer of an unauthorised dealer to a similar question must militate powerfully against the bank not on the authorised list. The question of commissions also operates in the same direction. A foreign bank dealing with an authorised bank can deal free of commission—the authorised bank obtaining its ½ per cent. from the Bank of England. If, however, it deals with an unauthorised bank it will have to pay the ½ per cent. commission itself. This is an argument the force of which will not be denied.

Discount Market Syndicate.—The composition of the discount market syndicate has undergone an interesting change during the past week. The syndicate comprises the various houses in the City of London which for some years past have made a uniform or syndicated tender for Treasury bills each Friday. Each participant has a specific quota and is given the rate at which to apply for that quota a few minutes before tenders have to be lodged at the Bank of England on Fridays. Essentially a discount market organisation, the syndicate had drawn to itself a few banking houses which prior to its formation were regular tenderers for Treasury bills and preferred to continue these operations as members of a syndicate rather than as free-lance "outsiders." Recently, however, certain of these non-market houses had been rather volatile members of the syndicate, not tendering on certain Fridays and endeavouring to make up for their abstinence on the next. The discount market has therefore decided to make the syndicate an exclusively market affair, and all members not strictly included in the discount market have virtually been asked to take their leave. The rearrangement does not appear to have made any difference to the aggregate quota of bills for which the syndicate is now tendering—a figure of nearly £50 millions each week.

Canada's Exchange Regulations.—The exchange regulations in Canada, which have now been in operation for some three weeks, are apparently not dovetailing too well into those which govern the sterling market. This is suggested by the temporary prohibition of sales on the Canadian market of Canadian securities held in this country. These holdings have been registered in accordance with the Defence Regulations and their sale outside this country must receive official sanction. This in its turn is given only on the understanding that the foreign exchange proceeds of the sale are placed at the disposal of the British authorities. As in the case of United States securities there has been active arbitrage dealing between this country and transatlantic markets in these Canadian securities. The reason is that the depreciation of sterling has given British holders a good profit which they are eager to take, while the costs of insurance have led to a differential in the London and transatlantic prices which keen arbitrageurs have turned to good account. This week, however, the authorisation to sell Canadian securities in the Canadian market was suddenly withdrawn. What made this development more significant was the fact that it has remained permissible for holders of such securities to sell them in New York. The implication of this move is that the British authorities prefer United States to Canadian dollars at present, and that the machinery for converting Canadian dollars acquired by them into United States currency has jammed. This is no doubt a temporary hitch, but it is one which has created some confusion in the markets immediately concerned and whose avoidance would have been well worth the small effort required.

German Currency in Poland.—The German arrangements for introducing reichsmark currency in Poland are apparently working with a rapidity and smoothness which assiduous practice in the art of invasion is making perfect. The functions of the Bank Polski have been temporarily taken over by the Reichs Kreditkasse which is issuing mark notes for which the virtues of full legal tender have already been decreed. The Polish zloty is being converted into mark currency at the rate of 50

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pfennigs. This is the conversion rate approximately indicated by the official quotations of both currencies prior to the outbreak of hostilities. During August the zloty was quoted in London at about 25 to the £ while the reichsmark was hovering around 11.60. The official reichsmark rate was, however, so artificial and bore so little relation to the relative purchasing power of the German currency that the conversion based on this valuation errs quite appreciably in favour of the invader's currency—but that, after all, is one of the lesser items in the price being paid by the vanquished.

British Insurance in the United States.—Both in the miscellaneous and fire branches, British insurance offices recorded smaller premium incomes from their United States' business last year. Since approximately half of their total fire and miscellaneous premium income is derived from the United States, the fall is important, but in the miscellaneous branch, at least, underwriting profits were higher than in 1938. In the first table below, the results of eleven British companies, or groups of companies, in American casualty insurance are set out since 1932. Underwriting profits have been adjusted to conform with the British practice of allowing 40 per cent. of current premium income to cover unexpired risk, and exchange is calculated at \$4.86½ to the £:—

TABLE NO. I
AGGREGATE RESULTS OF ELEVEN BRITISH GROUPS IN U.S.A.
MISCELLANEOUS INSURANCE

Year	Premiums	Underwriting Profit	
		Amount of Profit	Per cent. of Premiums
1932	22,312,000	Dr. 377,000	- 1.7
1933	22,613,000	Dr. 16,000	- 0.1
1934	23,657,000	Dr. 275,000	- 1.2
1935	22,795,000	434,000	+ 1.9
1936	23,784,000	1,320,000	+ 5.5
1937	25,491,000	2,397,000	+ 8.6
1938	24,307,000	2,981,000	+ 12.3

The experience of the individual offices during the past two years is set out below:—

TABLE NO. II
INDIVIDUAL RESULTS OF ELEVEN BRITISH GROUPS IN U.S.A.
MISCELLANEOUS INSURANCE

Company or Group	1937			1938		
	Premiums	Underwriting Profit		Premiums	Underwriting Profit	
		Amount	Per cent. of Prems.		Amount	Per cent. of Prems.
Commercial Union	2,520,000	186,000	7.4	2,384,000	254,000	10.7
Employers' Liability	7,158,000	507,000	7.1	6,614,000	824,000	12.5
General Accident	4,099,000	287,000	7.0	3,828,000	552,000	14.4
Liverpool and London and Globe	3,434,000	537,000	15.6	3,392,000	534,000	15.7
London & Lancashire	795,000	20,000	2.5	764,000	Dr. 6,000	- 0.8
Norwich Union	45,000	Dr. 11,000	- 25.2	46,000	Dr. 5,000	- 10.9
Phoenix	2,537,000	174,000	6.9	2,316,000	150,000	6.5
Royal	3,541,000	374,000	10.6	3,504,000	546,000	15.6
Royal Exchange	501,000	71,000	14.2	631,000	56,000	8.9
Sun	682,000	37,000	5.5	634,000	86,000	13.6
Yorkshire	179,000	15,000	8.2	194,000	10,000	5.2
	25,491,000	2,197,000	8.6	24,307,000	2,981,000	12.3

The decline in premium income in the casualty branch, of which much the most important sub-divisions are workmen's compensation and motor insurance, is due largely to reduced economic activity in the United States. Underwriting results, however, were considerably better than in 1937, which was regarded as a very successful year for this type of business in U.S.A. The offices are experiencing definite improvement in their motor insurance results, which, unfortunately, finds no counterpart in this country. Particulars of fire insurance experience will be given in a future Finance Note.

MONEY MARKET NOTES

THE chief features of the foreign exchange market this week have been the weakness of Continental neutral currencies, under the influence of fears of a German invasion, and the strength of the pound sterling in New York. On Friday of last week the official quotation for belgas rose from 23.60-85 to 23.65-90; for Swiss francs from 17.60-80 to 17.65-85; and for guilders from 7.47-57 to 7.50-60. Guilders recovered slightly on Monday; but since then all three currencies have moved in favour of sterling. The official rates on Thursday were 23.85-24.10 for belgas, 7.52-7.60 for guilders and 17.85-18.00 for Swiss francs. No change has been made in the official quotation for dollars, but in the free market in New

York the rate, which opened the week at about 4.02, rose on Wednesday afternoon to close at 4.05, 1c. higher than the official London buying rate for dollars. The closing of the considerable bear positions opened in sterling before the outbreak of war is the main cause of its present strength.

The Bank return shows that bankers' deposits are again at a comfortable level, although the further small fall, amounting to £3.1 millions, in the note circulation has been more than offset by a reduction of £6.7 millions in Government securities and of £1.6 millions

in other securities. There has been a transfer of £4.5 millions from public deposits, so that the net fall in bankers' deposits is only £1.1 millions.

The weakness in silver noted towards the end of last week has continued. The closing of bear positions has now slowed down, and there has also been less demand for hoarding purposes. The sharp fall on Monday to 21½d. for cash and 21d. for forward brought forth some demand from the Indian bazaars on Tuesday, while sellers were more inclined to hold off their supplies, but confidence in a prolonged rise in prices has waned.

MONEY MARKET RATES

	Oct. 6, 1938	Sept. 28, 1939	Oct. 5, 1939
Bank Rate	2	3	3
London Deposit Rate	1½	1	1
Short Loan Rates:			
Clearing Banks	1½-1*	2-2¼†	2-2¼†
Others	3½-3	2-2¼	1½-2
Discount Rates:			
Treasury Bills (3 mth.)	9½-5½	2¼	11½-16
Three months' bank bills	5½-11½	2½	2½

* 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. 2 per cent. for loans against Treasury bills and British Government securities; 2¼ per cent. for loans against other collateral.

THE BANK RETURN

	Oct. 5, 1938	Sept. 20, 1939	Sept. 27, 1939	Oct. 4, 1939
Issue Dept.	£ mil.	£ mil.	£ mil.	£ mil.
Gold	326.4	0.1	0.1	0.2
Value per oz. fine	85s.	168s. 0d.	168s. 0d.	168s. 0d.
Notes in circulation	505.8	546.5	541.8	538.7
Banking Dept.				
Reserve	22.0	34.2	39.0	42.2
Public Depts.	12.1	21.5	19.8	15.3
Bkrs' Depts.	109.7	107.9	107.1	106.0
Other Depts.	37.1	39.9	40.5	40.9
Govt. Secs.	121.9	121.9	120.3	113.6
Dis. & Adv.	10.2	2.5	2.5	2.4
Other Secs.	22.5	28.9	23.9	22.3
Proportion	13.8%	20.2%	23.2%	25.9%

THE BULLION MARKET

Date	Gold		Silver	
	Price per ounce fine*		Price per oz. standard	
	Cash	Two Mths.	Cash	Two Mths.
1939				
Sept. 29	s. d.	d.	d.	d.
Oct. 2	168 0	22½	22½	21
" 3	168 0	21¼	21¼	21
" 4	168 0	21½	21½	21
" 5	168 0	21¼	21¼	21

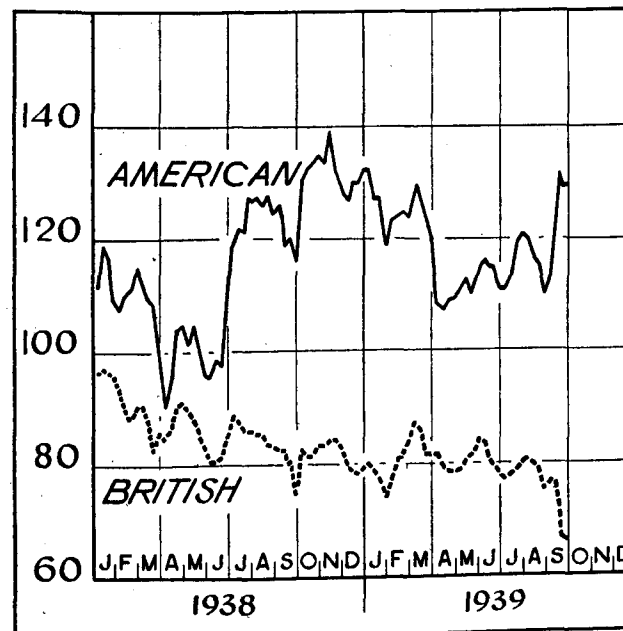
* Bank of England's official price.

Investment

A Month of War.—To sum up dealing conditions in the first month of war, it may fairly be said that out of a frozen gilt-edged market and much-afflicted industrial markets, freer-dealing conditions have steadily emerged. For the check to the fall shown in the accompanying chart of British industrial security prices, equity shareholders will be grateful, for it shows that the primary factors which almost destroyed the market last month were not new taxation and temporary industrial dislocation, but the diversion of the demand for liquidity from the one market which is capable of satisfying it—the gilt-edged market—to other sections of the "House." A stage was reached a fortnight ago when the question of retaining the existing gilt-edged minima had become critical. Then by a combination of huckstering and hope of a reduction in Bank rate, dealings were painfully resumed. It is now possible to deal in some leading long-dated stocks above minimum prices in moderate quantities. A fortnight ago it was hardly possible to sell 4½ per cent. Conversion Loan, the ultra-short in the list. So spectacular has been the advance in the latter stock, indeed, from an uneasy minimum level of 100½ to the present level of 102½ that the adequacy of its present yield basis, assuming that redemption is effected next year, must be carefully considered by the general investor who is liable, unlike the money

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.



houses, to deduction of the full rate of income tax from interest payments. The market has not established with any degree of certainty a general yield basis for industrial issues. That failure is hardly surprising, for it has only enjoyed a brief breathing space, as yet, to recover from the hard knocks inflicted when it was deputising for the gilt-edged market. But the Excess Profits Tax has at least caused no dismay, and the commodity taxation has had no appreciable effect upon the leading shares concerned. In normal times, this impassivity might be regarded as highly accurate discounting of bad news in advance. But to-day dealings are still too thin to permit that conclusion. Possibly the next stage in the market's development, granted the basic assumption that a freer gilt-edged market is in process of restoration, and that the authorities must encourage it further before embarking on their borrowing programme, is a closer examination of the potential

industrial consequences of war. At present the market is largely pre-occupied with the deflationary impact on general business. Meanwhile, the holders of American "war babies" are themselves not entirely convinced of the converse advantages of war, for they have shown marked nervousness as soon as the neutrality discussions met a hitch, or peace offers were reported from Europe.

Tax Changes and Dividend Payments.—After the precautionary postponement of many dividends due to the outbreak of war, the cash resources of investors are being further depleted, for the time being, by delay in posting dividend warrants owing to the increase in the standard rate of income tax to 7s. A considerable number of payments which were due in the past week or the near future have been postponed, so that the warrants may be re-worked. Some of the more important securities thus affected are listed below:—

Security	Dates of Payment	Original	New
Gaumont-British Picture 5½% pref.	Sept. 30	*	*
John Barker 5½% and 6% pref., 5% int.	Oct. 2	Nov. 1	*
on ord.	Sept. 30	Oct. 14	*
Ind Coope 5% deb. and 6½% pref.	Sept. 30	Oct. 1	*
Assoc. Brit. Picture 6% pref.	Oct. 5	Oct. 16	*
Bank of England Stock	Oct. 1	Oct. 20	*
D. Gestetner 7% pref. and ord.	Oct. 15	Oct. 2	*
Alliance Trust pref. and ord.	Oct. 2	Oct. 16	*
Scott. Power int. on ord.	Oct. 2	Oct. 16	*

* As soon as possible after due date.

Some companies, however, have already sent out warrants deducting the tax at 5s. 6d., and in order to equalise the deduction for the 1939-40 financial year to 7s. in the £ the next half-yearly dividends will bear tax at 8s. 6d. This applies to English Sewing Cotton, whose warrants for the 5 per cent. preference half-yearly dividend were posted on September 29th, to H. and G. Simonds, whose warrants (for payment September 30th) were already posted when the standard rate was raised, and to Northampton Brewery debenture and preference stocks. The half-yearly preference dividends due on October 31st from Burmah Oil will be subject to 8s. 6d. tax less 2s. Dominion Income Tax relief, since the previous half-yearly distribution was made early in the current fiscal year less tax at 5s. 6d. Similarly, the 2½ per cent. interim on the 5 per cent. preference stock of Second Caledonian Trust is being delayed while tax is calculated at 8s. 4d. Ordinary dividends, however, are specifically exempted from an adjustment to future payments where an earlier distribution less tax at 5s. 6d. has already been made since April, and are thus limited to the standard rate of 7s.

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Building Society Problems.—Emergency legislation, the difficulties of many mortgagors in meeting their instalments regularly because of the war, the increased rate of income tax, changes in Bank rate, and some increase in withdrawals in the early days of war, have confronted building societies with problems towards the solution of which only tentative steps have been taken. Societies are compelled by law to extend the period of instalments due from militiamen and reservists (though the question of interest on the deferred payments is not yet finally settled), but it has been emphasised that the Rent and Mortgage Interest Restrictions Act does not, as was erroneously believed in some quarters, permit borrowers in civil life to pay interest only. Monthly instalments covering principal and interest which are due from such persons are not affected by the Act. But many people are faced with difficulty in maintaining payments on the regular prescribed scale, and the Building Societies' Association is therefore to be commended for its declaration that members who place the full facts before their societies will receive sympathetic treatment in any application for temporary relief, and that borrowers who are now engaged on national service and have experienced some loss of income can seek a reduction in their monthly repayments. On the financial side there has been no concerted action in the matter of interest charged to borrowers, and although in some instances rates to new borrowers have been raised and the question of cancelling rebates to old borrowers has been considered, no definite step has yet been taken by most of the leading societies. Another important matter still in abeyance is the negotiation of a new income-tax agreement, and it is generally thought that the revised scheme can hardly be so favourable as the old, under which the societies pay a rate which bears the same proportion to the standard rate of tax as 1s. 8d. to 4s. 6d. The prevailing difficulties of the movement—enhanced, let it be added, by the dangerous overtrading of a minority of thoughtless societies—have led to the temporary suspension of new mortgage advance facilities in some cases.

Foreign Bonds in August and September.—Substantial declines in the prices of most foreign bonds in August and September are recorded in the foreign bond index of the Municipal and General Securities Company. Between the end of July and the end of September the complete index shows a fall of 9 points, from 54.2 to 45.2. The outbreak of war last month accentuated the heavy marking down begun in August of bonds of States now under enemy control—Germany, Austria, Czechoslovakia and Poland—producing a decline of over 25 per cent. in the sectional index. Among the South Americans, however, the improvement in the price of Chilean bonds has offset the weakness of Brazilian issues. The complete index and its component series since March 1938, are reproduced below:—

AVERAGE JANUARY-JUNE, 1934=100										
End of Month	Europe	Near & Far East	Egypt	South and Central America			Complete Index	Unde-faulted Bonds	De-faulted Bonds	
				States	Pro-vinces	Total				
1938										
March	84.2	73.9	97.2	61.3	49.4	58.2	69.7			
April	89.8	77.3	98.5	69.8	51.4	64.9	75.3	76.3	64.4	
May	86.6	74.9	98.4	63.0	47.2	58.8	70.8	79.1(50)	71.8(59)	
June.....	90.2	68.5	98.0	65.9	51.2	62.0	71.4	76.6(49)	66.1(60)	
July.....	92.0(27)	67.7	97.5	65.4	53.4	62.3	71.4(108)	75.7(48)	67.6(61)	
August.....	88.3	72.1	97.3	61.4	50.4	58.6	70.3	75.0(44)	68.5(64)	
September.....	90.4(26)	66.2	96.1	57.7	44.4	54.2	66.7	75.1	66.3	
October.....	88.6	60.8	95.2	59.4	45.3	54.2	66.7(107)	72.8(43)	61.9	
November.....	86.8	65.0	91.7	56.3	40.9	55.7	68.4	75.0(42)	63.3(65)	
December.....	79.8	64.2	87.0	53.7	40.7	52.1	64.5	72.7	58.6	
						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	56.0	
April	65.7	59.1	74.0	54.2	41.4	50.8	57.6	59.9(40)	53.1(66)	
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)	51.0(72)	
August.....	63.2	45.0	71.6	49.1	36.6	45.8	50.3	53.3(33)	46.4(73)	
September.....	46.3	40.6	68.6	49.0	36.3	45.6	45.2	48.5(31)	41.4(75)	

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

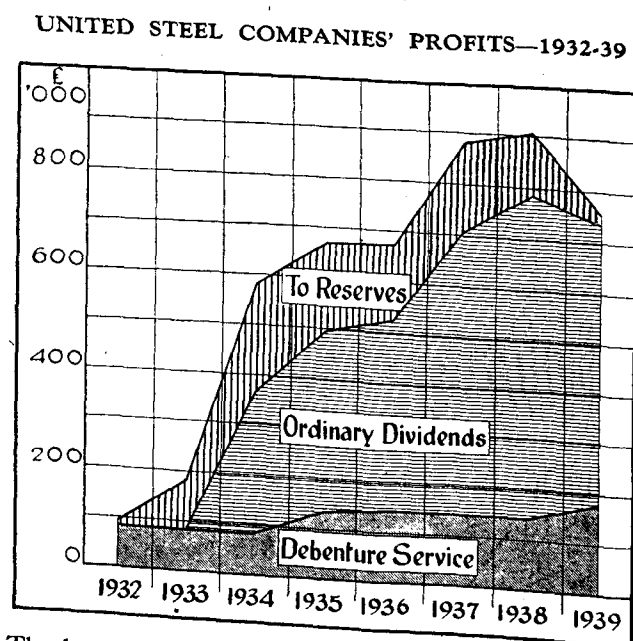
The passing of the September coupon of the China 4½ per cent., 1898, Loan has meant the transfer of the British and German tranches to the defaulted category. It has been announced that the coupon, due October 15th, on the Polish 7 per cent. Stabilisation Loan will be paid, funds for payment having been remitted before September 1st.

Company Notes

United Steel Companies' Report.—The reduction of almost 23 per cent. in the total profits of United Steel Companies is considerably more severe than had been expected. The reduction in dividend, it was surmised, might have been due partly to caution and partly to the higher interest and dividend charges in connection with the John Summers acquisition, and actual trading profits were expected to show little change. In fact, the report discloses that the fall in total profits considerably exceeds the reduction in the distribution. During the first half of its year the company experienced a general decline in the demand for iron and steel, and though operations in the second six months were at a high rate, prices were reduced as from January 1st. As for new developments, the John Summers acquisition involved the issue of 828,180 £1 ordinary shares and £1,500,000 Notes—though the John Summers interim payment cannot have assisted the 1938-39 results of United Steel—while the Appleby Frodingham extensions have now been completed. We analyse results of the past three years in the following table, while the chart illustrates the company's rapid expansion since 1932:—

	Years ended June 30		
	1937	1938	1939
Total profits	2,075,322	2,584,540	1,998,986
Taxation†	560,850	847,651	398,899
Depreciation, etc.	500,000	675,000	679,581
Staff fund, and fees....	135,218	155,885	136,663
Deb., etc., service ...	142,904	142,537	178,160
Stock—			
Earned	736,350	763,467	605,683
Paid	565,148	646,198	559,700
Earned %	11.1	11.8	8.7
Paid %	8½	10	8
General reserve	167,629	100,000	200,000
Carry-forward	574,064	591,333	411,600*

† Charge for income tax less transfer from taxation reserve plus new allocation to reserve for taxation. * After £25,716 issue expenses.



The latest results are disappointing, however, mainly in relation to the exceptionally good results of 1937-38, and even this sharp decline does not obscure the powerful

growth of the undertaking over a period of years. Stockholders, it is true, have been spared a heavier drop in dividend mainly by a reduction in the allocation to taxation reserve from £796,000 to £480,000, while the increased interest charges are, in part, offset by reduced contributions to various staff funds. The extension of the group during 1938-39 has naturally resulted in large changes in the balance sheet, and cash holdings have been reduced from £1,460,688 to £608,612 despite the subscription of some £2½ millions of new money during the year. Properties and fixed plant have increased to £6,305,301 against £5,883,863, while advances to subsidiaries show a phenomenal advance to £5,085,557 against £2,481,048 a year ago, and interests in associated companies total £1,811,826 against £531,561. The immediate profitability of the British steel industry is assured, and the United Steel's latest policy of expansion has been well timed to secure the major advantages of war-time demand. The £1 ordinary stock units are quoted at 22s. 3d.

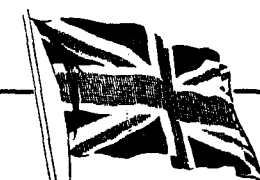
Electric and Musical Industries Reverse.—In recent years Electric and Musical Industries has endeavoured to reduce its dependence on gramophone and radio manufacture by extending into television equipment, electrical appliances and cycle manufacture. The latest profits figures, revealed in a preliminary statement, demonstrate that these extensions of activity have, as yet, solved few problems and may have created new ones—a possibility suggested last May by the resignation from the board of Sir L. Sterling on a matter of internal policy. A year ago the depression in the gramophone industry, coupled with extensive price cutting in the radio trade, was responsible for a reduction in income (mainly consisting of dividends from subsidiaries) from £473,413 for the year to September, 1937, to £157,492 for 1937-38. But the hopes expressed in the chairman's speech last year that a return of confidence to the luxury goods market, coupled with re-armament work in the new Rudge Whitworth factory at Hayes, and with improved results from other recent acquisitions, might bring a restoration of previous earnings levels, have been dashed. A loss of £131,968 for the year to September 30th is disclosed, compared with a net profit of £64,559 in 1938. No dividend is to be paid on the ordinary shares, against 5 per cent. for 1937-38. Since the profits figure is struck after "special provision for exceptional contingencies," its true significance may be obscured, but clearly the "transitory period" of consolidation—to use the chairman's phrase last November—has been interrupted first by trade setback and now by war. A more informative retrospect of the year's operations should be provided by the full report. The immediate future would not seem to hold particularly bright prospects for shareholders, unless the company can adapt itself rapidly and comprehensively to war-time conditions. In some departments this will be possible, but higher taxation and interruption of hire-purchase agreements during war will seriously affect the market for household appliances, radio and gramophones. Moreover, recent difficulties in withdrawing funds held abroad will certainly be accentuated. Any light which the chairman may be able to throw on the resultant of these factors will clearly be most welcome to shareholders, who have seen their holdings decline from 14s. 6d. to 7s. 3d. this year.

Hawthorn Leslie Progress.—The increased activity of companies engaged on armaments works is not always reflected in higher profits, but the Hawthorn Leslie report fully displays the considerable progress made in 1938-39. Total profits are more than doubled at £162,015, and are struck, moreover, after provision for contingencies of unstated amount. This achievement follows upon a sharp rise in profits in 1937-38 also, though in view of the fact that shipbuilding contracts may require several years for execution, undue emphasis need not be laid upon the results for any single year. The report presents the results

DUNLOP FortTYRE

with T&T to bite the Road

best in ANY
Emergency



AS BRITISH
AS THE FLAG!

without any comment, but it is conceivable that the sharp rise in profits is due partly to credit taken for work begun in previous years. At least, work in progress is only slightly higher at £2,192,076 (compared with total assets of £4,204,925), whereas a large increase was recorded in 1937-38. The strong upward trend in profits in the past three years is shown in the following table:—

	Years ended June 30,		
	1937	1938	1939
	£	£	£
Profit after depreciation ...	37,689	78,577	162,015
Directors' fees	1,250	1,200	1,200
Ordinary shares—			
Earned	36,439	77,377	160,815
Paid	32,245	48,367	67,176
Earned %	10.6	16.4	40.7
Paid %	9	9†	12‡*
General reserve	...	24,137	80,000
Carry-forward	23,296	28,169	41,808

† And 50 per cent. capital bonus; dividend payable on higher capital (£537,413 against £358,275). * Of which 2½ per cent. bonus tax-free.

An important feature of the accounts is the more conservative distribution. In 1937-38 the 9 per cent. dividend was maintained on an increased capital, while in 1938-39 the resumption of interim dividends at 3 per cent. has been followed by a final of 7 per cent., plus a tax-free bonus of 2½ per cent. Yet, despite this increase, barely one-third of available profits is being distributed. In the balance sheet the principal changes are the rise in cash from £283,053 to £528,200 and in Government stocks from £328,090 to £732,896. The accounts thus provide a good example of deliberately conservative finance, as distinct from a conservatism engendered by a limitation of liquid assets. Under present conditions, the company's further progress seems assured, and it could comfortably finance a certain amount of expansion out of its own resources. But equity prospects may be markedly affected by the incidence of the Excess Profits Tax.

THE STOCK EXCHANGES

London

Note: All dealings are for Cash

In practically all sections business remains quiet, and price movements have not been important. But the undertone of the market is becoming steadier and movements have been in the right direction. Even if turnover is still sub-normal, dealings are finding a freer basis, investment support has been forthcoming at times, quotations are narrower, and fractional improvements in prices have been widespread.

In the gilt-edged market, last week's Bank Rate reduction has further assisted the resumption of dealings on the basis of minimum prices. In comparison with the stalemate of earlier weeks this is welcome progress. Conversion 4½ per cent. naturally continued to attract the most attention, as the freest stock in the list, but it became easier to deal in the leading long-dated issues this week, including Old Consols and Local Loans. Hopes of a further reduction in Bank Rate, though disappointed, at least assisted sentiment early in the week, and were not followed by any setback on Thursday. Dealings in home corporation stocks became easier, preference being shown for issues carrying high rates of interest. Activity in foreign bonds was limited and selective, though prices were firmer on the whole.

German loans were supported, while Japanese issues became irregular after early firmness. The home rail market for the past fortnight or so has been feeding itself on hopes of satisfactory compensation during the period of Government control, and early in the week there was some demand for the marginal stocks likely to be helped by the scheme when it is announced. But in the absence of definite news, interest could not be sustained at the same level, and prices reacted on Wednesday and Thursday. Support for Canadian Pacific continued, but Argentine rails were dull.

There was a steady recovery in industrial shares throughout the week. Typical orders were small but business provided welcome support for the leading equities. Heavy industrial issues improved after a dull beginning. Stewarts and Lloyds were in demand early in the week, and Hawthorn Leslie responded well to the satisfactory profits. Electrical equipment issues were again irregular. Associated Electric shares were steady but uninteresting, and aircraft issues were featureless apart from a rise in Hawker Siddeley. The leading textile and rayon issues received quiet and persistent support, with small gains in prices on most days. Breweries drifted slightly at first, and then became steadier. Meux's lost 1s. on the reduced interim dividend. Apart from a more

hesitant tendency on Tuesday, tobacco issues were firm. Provision and catering shares made a mixed showing. Tate and Lyle reacted slightly, and then received fresh support. Support in the stores group was mainly confined to Woolworth and Marks and Spencer. In the miscellaneous section, there was a useful demand for leaders such as Imperial Chemical. Shipping shares improved after early dullness.

After the weekend, a rather firmer tone was apparent among oil shares, a selective demand developing for "Shell," Burmah Oil and Trinidad Leaseholds. Although Anglo-Iranian and the Eagle issues remained out of favour, the other leaders held their gains. Prices in the rubber share market showed little change, pending the reaction of the commodity price to the increased quota for the fourth quarter and other war-time factors affecting demand. Tea shares have maintained their prices this week with small liquidations easily absorbed.

Among mining shares, Continental selling on Monday further depressed an already weak Kaffir market. Sentiment was reversed on Tuesday, however, Randfontein leading an advance to higher levels which was continued later in the week. Developing issues went ahead on Wednesday, led by West Wits

Rhodesian Copper Dividends.—Quarterly statements issued in August last (and discussed in *The Economist* of August 19th on page 366) had indicated that the maintenance of dividends for 1938-39 by Roan Antelope was a possibility and, for Mufulira, a minimum estimate. The former company's profits before taxation were estimated at £1,372,000 for the year to June 30, 1939, against £1,574,000. On the other hand, taxation provision in 1937-38 had been at the apparently generous level of £512,000, while £250,000 had been placed to general reserve, so that it appeared that while earnings in 1938-39 would be sufficient to maintain dividends, the question of the actual payment had to be left open owing to the all-important matter of tax and reserve policy. Despite the reduced profit, however, it is at first sight disappointing that Roan Antelope has announced a final payment of only 5 per cent. final, compared with the 10 per cent. interim, making 15 per cent. for the year, against 20 per cent. The maintenance of the Mufulira Copper dividend at 13½ per cent. is in accordance with minimum expectations. Estimated net profits before tax were shown by the June quarterly statement to be £1,043,000 for 1938-39, against £968,000. A higher dividend would thus have been possible, though Rhokana and Rhodesian Selection Trust shareholders should, on the whole, be satisfied with the conservative financial supervision of their Mufulira interest. The basic outlook for the Rhodesian copper group in war conditions is sufficiently favourable to compensate for these apparently cautious dividend payments.

The Week's Company Profits.—The number of company reports being issued continues small, and our usual analysis of profit and loss accounts on page 36 comprises only 16 companies, whose net profits of £2,527,000 compare with £2,584,000, a decrease of 2 per cent. Aggregate net profits of 1,802 companies reporting in 1939 to date are £225,887,000, or 8 per cent. lower than the £245,263,000 earned by the same companies a year ago. The week's results are discussed in preceding Notes and on page 24 under the heading "Shorter Comments."

and Western Holdings, but finance shares failed to recover the losses due to Paris liquidation on Monday. West Africans have moved narrowly, showing losses on balance, Ashanti alone offering resistance. Rhodesian copper issues gave way after the weekend, Roan being particularly weak on the final announcement. In a market short of stock on Monday, tin shares advanced sharply, but the higher prices were not maintained later in the week.

"FINANCIAL NEWS" INDICATORS

1939	Total Bargains†	Corres. Day 1938	Security Indices	
			30 ord. shares*	20 fixed int.†
Sept. 29	2,100	5,140	66.4	109.7
Oct. 2	2,605	7,365	66.6	109.6
" 3	2,460	6,085	67.2	109.6
" 4	2,170	6,570	67.7	109.6
" 5	2,310	5,855	68.9	109.6
1939 High...	...	...	88.0	123.5
Low ...	...	...	Mar. 10 66.4	Jan. 3 109.6
			Oct. 6 66.4	Oct. 4 109.6

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

ACTUARIES' INVESTMENT INDEX

It is hoped that publication of the Actuaries' Investment Index may be resumed shortly.

New York

WALL STREET'S wait and see attitude is being maintained. The debate on the Neutrality Act coupled with German "peace" propaganda prevented any extension of commitments after the weekend, and operators turned their attention to home questions. Motor and chemical shares receded fractionally, but steel issues were assisted by reports of higher steel mill activity. Prices continued their downward trend towards mid-week, though losses were not extensive. The Dow Jones industrial average declined from 151.41 on Monday to 150.25 on Wednesday. Iron Age reports steel mill activity at 87.5 per cent. of capacity, against 84 per cent. for the previous week. Companies are now granting reservations on first quarter schedules.

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. 20, 1939	Sept. 27, 1939	Oct. 4, 1939
Low	High	Low	High	Low	High
347 Ind's.....	92.8	114.5	112.2	113.3	110.9
32 Rails.....	23.34	32.5	31.1	34.4	32.5
40 Utilities	77.8	89.9†	83.7	85.2	84.9
419 Stocks	79.3	95.6	94.4	95.8	93.9
Av. yield*...	4.42%†	3.31%‡	3.71%	3.69%	3.75%

*50 Common Stocks. † Aug. 2nd. ‡ Aug. 23rd.

DAILY AVERAGE OF 50 AMERICAN COMMON STOCKS (1926 = 100)						
Sept. 21	Sept. 22	Sept. 23	Sept. 25	Sept. 26	Sept. 27	
127.6	126.4	127.2	126.6	127.8	127.4	
Sept. 28	Sept. 29	Sept. 30	Oct. 2	Oct. 3	Oct. 4	
124.9	124.3	126.6	125.3	124.3	124.5	
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 28	1,570	13,000
" 29	1,130	10,120
" 30*	840	5,570
October 2	840	7,740
" 3	1,000	8,080
" 4	970	7,940

* Two-Hour Session.

New York Prices

Close Latest Sept. 28, 1939		Close Latest Sept. 28, 1939	
1939	1939	1939	1939
1. Rails and Transport			
Atchafalaya	32½	33	
Balt. & Ohio	8	8	
Ches. & Ohio	44	43½	
G.N. Ry. P.	15½	15¼	
Illinois Cent.	21½	20¾	
N.Y. Central	11½	11½	
Norfolk Pa.	26¼	25½	
Pennsylv. R.	17½	17	
Southern Pa.	19¼	19½	
Southern Ry.	102½	102¾	
Union Pac.	13½	13½	
2. Utilities and Communications			
Am. W. Works.	13½	13½	
Con. Edison	30½	30¾	
Col. Gas & El.	7¼	7¼	
Nat. Pwr. & Lt.	8¼	8¼	
N. American	30½	30	
Pac. Gas & El.	38¼	38¼	
Pub. Serv. N.J.	3	2½	
United Corp.	13¼	13¼	
Un. Gas Imp.	160½	160½	
Amer. Tel.	5¼	5¼	
Inter. Tel. For.	34	34	
Westn. Union	5¼	5¼	
Radio	5¼	5¼	
3. Extractive and Metal			
Am. Rot. Mill	20½	20½	
Beth. Steel	88¼	88¼	
Republic St.	26½	26½	
U.S. Steel	75½	74½	
Am. Metal	26	26¼	
Am. Smelt. &	55¼	54	
Anaconda	33¼	33	
Cerro de Pas.	40¼	41	
Int. Nickel	37½	39¼	
Kennecott	41½	40½	
U.S. Smelt.	68	64	
4. Manufacturing			
Briggs	24½	25	
Chrysler	88½	91¾	
Gen. Motors	53½	54½	
Boeing Airplan	26½	26¼	
Douglas Air	76½	75½	
United Aircraft	42½	43	
Allied Chem.	183	183½	
Dupont	181½	178¼	
Un. Carbide	89	89¼	
Gen. Electric	40½	41	
West. Elec.	117	117¾	
American Can	112¼	114¼	
Caterpillar	61½	61½	
Int. Harvester	68	66½	
Johns Manville	76½	76½	
Corn Prods.	62¼	62½	
Glidden	18½	18½	
Case & Co.	26	25½	
Celanese of A.	155	153	
Eastm'n Kdk.	31½	32½	
Loews	13½	13½	
20th Cen. Fox	13½	13½	
5. Retail Trade, etc.			
Mont. Ward.	53	54	
Sears Roebck.	77¼	76½	
Woolworth	37½	38½	
Nat. Dairy	15½	15½	
Am. Tob. B.	76½	76½	
Nat. Distillers	23½	23½	
6. Finance			
Comcl. Credit	45½	45½	
Com. Inv. Tr.	50½	49½	

Canada

THE outbreak of war in Europe and Wall Street's reactions to the news constituted the major factors for the Canadian stock exchanges in September. Base metal shares were buoyant from the opening, and though leading industrial issues had been sold immediately before the outbreak of hostilities, steel and other war stocks were unable to resist the boom atmosphere of Wall Street, the Bureau of Statistics common stocks index rising 10 points in the week ending September 7th. Demand was usually selective, however, and profit-taking was sufficient to reverse the trend, while utilities and mining issues were largely neglected. Oil shares continued in favour. The mid-month hesitancy on Wall Street was responsible for a duller tone, but in the last ten days of September dealers concentrated on the effects of the war and industrial recovery in the United States on Canadian stocks. The absence of definite news from the Western front accentuated the rôle of Canada's industrial war effort and western food and utility stocks advanced to higher levels.

Aug. Oct.		Aug. Oct.	
1939	1939	1939	1939
Bell Tel.	169½	161	161
Can. Car.	7½	7½	7½
Do. pref.	17½	15½	15½
Power Corp.	31	26½	26½
Dome Mines	14¼	13	13
Hollinger	54½	48	48
McIntyre	205	189	189
B. of Montr.	205	189	189
Bk. of Nova	303	290	290
Scotia	179	178	178
R. Bk. of Can.	162	154	154
C. Bk. Com.	162	154	154
Can. Pac.	5	5	5
Cock. Flow	5	5	5
Int. Petrol.	20½	20½	20½
Brazil Trac.	7½	7½	7½
Brit. Col.	23½	23	23
Power "A"	21½	21½	21½
Do. "B"	21½	21½	21½
Can. Cement	6¼	6¼	6¼
Int. Nickel	47½	45½	45½
Montreal L.	37½	37½	37½
Massey Harris	30½	29½	29½
Quebec Pow.	16¼	16	16
Shawinigan	19¼	21¼	21¼
Water	74	83½	83½
Steel Co. of	74	83½	83½

Foreign Bourses

Paris.—The outbreak of war had an immediately depressing effect on prices, and rentes were particularly heavy. International issues, however, led a recovery and by the second week of September a pronounced demand for home equities had developed. Later, however, dealers lost interest and prices slipped back in quiet trading. Despite sporadic rallies in both industrials and rentes towards the end of the month, the earlier losses were not made good. Rentes, banking issues and international closed lower on balance, while domestic industrial issues were lower, or at best irregular.

Aug. Oct.		Aug. Oct.	
1939	1939	1939	1939
3% Rentes	74.40	67.10	67.10
4% Rentes	77.50	69.20	69.20
Bank de	7,230	5,800	5,800
Credit	1,575	1,190	1,190
Lyonnais	13,570	14,900	14,900
Suez Canal	53.50	33.00	33.00
Wag. Lits.	359.00	359.00	359.00

(b) No quotation.

*

Amsterdam.—The Amsterdam Bourse staged a war boomlet at the beginning of September. American issues were particularly strong, while fears of exchange depreciation further stimulated the movement into equities. Oil, shipping, sugar and rubber shares were particularly favoured, while bonds were correspondingly weak. By the middle of the month, however, markets turned dull and many of the earlier gains were wiped out. Royal Dutch finished the month at a lower level, in company with certain leading industrial issues, including Lever Bros. and Unilever and Philips Lamps. Rubber shares offered resistance, however, and shipping issues continued to advance fractionally.

Aug. Oct.		Aug. Oct.	
1939	1939	1939	1939
2½% Dutch	63	A.K.U.	34½
5½% Ger.*	17	10 Ford Motor	330
Philips Lp.	190½	136¼ Del. B. To.	116¼
Neth. Ship.	113	116 Ryl. Dutch	289½
Lever Bros.	125½	93½ Hand. Am.	394½
Unilever	125½	93½	

* With transfer certificate.

*

Berlin.—The German invasion of Poland was taken as a bull point for war stocks and the recent demand for equities continued. An irregular tendency developed, however, towards the end of the first week of September, and leading armaments issues lost considerable ground, probably discounting a protracted war following German successes in Poland. After the Soviet invasion of Poland, prices advanced over a wide front, but previous losses were not regained. In the last ten days a further setback developed, in which shipping issues were particularly weak. The Russo-German negotiations in Moscow over the partition of Poland were, however, well received, and the Bourse closed in rather more confident mood.

Aug. Sept.		Aug. Sept.	
1939	1939	1939	1939
Dresdner Bank	106.00	104.50	104.50
A.B.G.	118.25	115.25	115.25
Farben Ind.	157.25	156.88	156.88
Rh. Stahlw.	131.25	123.00	123.00
Hapag	51.75	37.75	37.75

(a) Sept. 28, 1939

Capital Issues

CAPITAL ISSUE TOTALS			
Week ending	Nominal	Con-	New
October 7, 1939	Capital	versions	Money
To the Public	Nil	Nil	Nil
To Shareholders	Nil	Nil	Nil
By S.E. Introduction	Nil	Nil	Nil
By Permission to	Nil	Nil	Nil
Deal	43,000	...	158,557
Saving Certs., week	Dr. 300,000	...	Dr. 300,000
to Sept. 30, 1939	...	...	...

Destination (Excluding Conversions)			
Year to date	U.K.	Brit. Emp.	Foreign
1939 (New Basis)	57,901,404	25,274,148	2,245,732
1938 (New Basis)	166,879,302	47,590,756	2,850,177
1939 (Old Basis)	33,782,882	15,840,091	320,000
1938 (Old Basis)	130,613,375	21,104,231	2,820,072

Nature of New Borrowing (Excluding Conversions)			
Year to date	Deb.	Pref.	Ord.
1939 (New Basis)	44,512,640	8,119,649	32,788,995
1938 (New Basis)	136,936,433	15,376,492	64,607,310
1939 (Old Basis)	37,158,921	2,688,459	10,919,413
1938 (Old Basis)	125,791,813	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.

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 (a)	Total	Pay-able	Prev. Year
RAILWAYS				
South Indian	2½	4½	Jan. 1	4½
INSURANCE				
Atlas Assurance	18*	...	Oct. 28	14*
Brit. & For. Marine	6*	...	Oct. 1	6*
Liver. & London, etc.	13/6*	...	...	13/6*
Royal Assurance	3/3*	...	...	3/3*
Royal Exchange	11*	...	Nov. 6	11*
MINING				
Ashanti Goldfields	22½*	...	Oct. 26	22½*
Boulder Perseverance	20*	...	Nov. 15	20*
Mafikisa Copper	13½	...	Nov. 15	13½
Pahang Consolidated	5	10	Nov. 15	20
Roan Antelope Copper	5	10	...	20
TEA & RUBBER				
Bantam Rubber	4	...	...	9
Ceylon Prop. Tea	2½*	...	Nov. 11	3*
Ceylon Tea	2½*	...	Oct. 28	3*
Gahala Tea	3*	...	Oct. 12	3*
Lat. Asiatic Rubber	4*	...	Oct. 31	4*
Pattani Para Pltms.	6	...	...	11
Selangor River Rbr.	11½*	...	...	12*
Standard Tea (Ceylon) ..	5*	...	...	5*
Tebrau Rubber	5½	...	...	8
Yataderia Rubber	2*	...	Oct. 14	2*
INDUSTRIALS				
African City Props.	4*	...	...	4*
Anglo-Am. Deb.	3½*	...	Nov. 1	4*
Associated Fisheries	3*	...	Oct. 7	4*
Beardmore (Wm.)	3*	...	...	4*
Bent and Son	7½*	...	Oct. 12	7½
Brazilian Warrant	7*	...	Nov. 8	7*
British Oxygen	2½*	...	Nov. 1	7*
British Xylonite	10*	...	...	10*
Bryant and May	11*	...	Oct. 31	10*
Burmah Oil	5*	...	Nov. 3	5*
Calcutta Electric	14*	...	Nov. 15	14*
Clyde Paper	9	12	...	12
Conway Stewart	4*	...	Nov. 1	4*
Cook (James W.)	2½*	...	Oct. 20	2½*
Ericsson Telephones	6*	...	...	6*
Ferranti, Ltd.	11*	6	...	6
For. Am. & Gen. Tst.	11½*	...	Oct. 20	11½*
Hoffmann Manufac.	47½*	...	...	47½*
Hughes-Johnson	17½*	25	...	22½*
Kitchen and Wade	12½*	...	...	12½*
Melbourne Hart & Co.	23*	...	Oct. 17	23*
Meux's Brewery	2½*	...	Nov. 7	3½*
Nat. United Laun.	15*	...	...	4½*
Peters, G. D.	10*	...	...	10*
Pressed Steel	7	10	...	12½
Renold, etc., Chain	4*	...	...	4*
Roy. Bry., Brentford	1*	...	...	2*
Sec. Guardian Tst.	2*	...	...	1*
Sec. Mercantile Tst.	1½*	...	...	1*
Somerset Collieries	4½*	...	Nov. 1	4½*
Stock Exchange	7½*	32½	...	12½
United Cattle Products ..	7½*	...	...	12½
United Dairies	10	...	...	10
Wombwell Foundry	2	...	...	2
UNIT TRUSTS				
Orthodox Unit	2½	...	Oct. 15	...

* Free of Income Tax. (a) Less tax 7s. in the £ unless stated otherwise. (b) Less tax 5s. in the £. (c) Paid on capital £1,200,000 as increased by scrip onus of 20 per cent.

SHORTER COMMENTS

Company Results of the Week.—A sharp fall in profits has been experienced by the BORNEO COMPANY, trading conditions having been disturbed by the year's general political tension and by reduced purchasing power on mines and estates. The full ROVER COMPANY report shows total profits of £333,999, against £292,339. It is pointed out that the profit has been derived entirely from normal activities and not armaments. A reduction in CABLES INVESTMENT TRUST net profits from £240,841 to £219,259 is broadly in accordance with recent investment trust experience. The 5 per cent. dividend is, however, maintained. Some companies record a satisfactory improvement in profits. HURST NELSON AND COMPANY are again paying 10 per cent., on record net profits of £64,703, against £52,762. LEYLAND AND BIRMINGHAM RUBBER COMPANY net profits are as much as 22 per cent. higher at £117,472, and, in an entirely different sphere, ALLEN AND HANBURY are paying 25, against 15, per cent., thanks to a substantial rise in earnings.

MISCELLANEOUS

Rover Company, Ltd.—Preliminary profits statement of this company was discussed on page 613 of *The Economist*, September 30, 1939. Balance sheet dated August 5, 1939, shows total assets, £1,521,218 (£1,387,344); cash, £426,311 (£358,411); investments (Government loans, etc.) at cost, £116,753 (£116,559); stocks, £283,387 (£251,885); debtors, £53,747 (£40,492); trade creditors, £195,697 (£127,825); general reserve, £286,000 (£266,000).

Ferranti, Ltd.—Company recommends a dividend of 6 per cent. tax free for year to June 30, 1939 (same) plus a distribution of £7,387—profit on sale of investments—to holders of ordinary stock.

British Xylonite Company.—Company has resumed interim dividends with a distribution of 2½ per cent. less tax. Dividend for 1938 was 5 per cent. and 10 per cent. for 1937.

Malayalam Plantations.—Total revenue year to March 31, 1939, £627,581 (£674,094). Net profit, £225,310 (£272,542), after £5,500 (£6,000) for investment realisation reserve and £9,500 (£15,000) for N.D.C. Final ordinary dividend 6 per cent., less tax 6s. 5d., making 10 per cent. for year as before. To reserves: Taxation, £65,000 (£64,000); general, £25,000 (£30,000); staff fund, £5,000 (same); carry forward, £101,695 (£102,200).

Renold and Coventry Chain.—Net profit, after taxation at War Budget rates, £90,782 (£146,804). Also £15,000 has been set off against balance brought forward to provide for increased taxation on last year's profits. Final ordinary dividend 7 per cent. (against 9½ per cent.) less tax at 7s., making 10 per cent. for year, against 12½ per cent.

Ashanti Goldfields Corporation.—Second interim dividend 2½ per cent., as before, but payable on £1,250,000, against £1,000,000.

Pressed Steel Company, Ltd.—This company is maintaining its interim dividend at 10 per cent.

Atlas Assurance Company.—Interim dividend on account of 1939, 18 per cent. less tax. For many years the company has paid interim dividends of 14 per cent. tax free, followed by finals of 18 per cent., making a total each year of 32 per cent. tax free.

Orthodox Unit Trust.—First net income distribution, due October 15th, is 2½d. net per unit. An additional 0.12119d. per unit is carried forward. The total gross income on the initial price is thus £5 6s. 10d. per cent.

Manufacturers Trust Company (New York).—Statement of September 30, 1939, shows record figures of deposits at \$737,809,059, as compared with \$735,645,747 at June 30, 1939, and \$645,093,134 at September 30, 1938. Cash and due from other banks are now shown at \$235,593,429, U.S. Government securities stand at \$273,198,269, while loans and bills purchased total \$203,423,656. At June 30, 1939, the respective figures were \$252,770,947, \$270,278,536, and \$199,306,521.

Guaranty Trust Company of New York.—Total resources, September 30, 1939, \$2,338,871,476.88, against \$2,215,168,135.01 on June 30, 1939, and \$1,898,794,744.98 on September 30, 1938. Deposits, \$2,027,675,759.45, against \$1,898,035,301.81 on June 30, 1939, and \$1,573,141,067.24 a year ago. Cash, \$1,100,350,665.22 against \$1,013,232,650.33 on June 30, 1939, and \$700,989,773.31 a year ago. Capital and surplus remain unchanged at \$90,000,000.00 and \$170,000,000.00 respectively. Undivided profits total \$13,072,759.09, against \$12,957,600.89 on June 30, 1939.

Chase National Bank of the City of New York.—Deposits September 30, 1939, \$2,817,977,000 (compared with \$2,696,486,000 on June 30, 1939, and \$2,376,974,000 on September 30, 1938) and total resources at \$3,097,011,000 (compared with \$2,983,435,000 and \$2,670,123,000, respectively). Undivided profits on September 30, 1939, amounted to \$34,058,000, compared with \$30,819,000 on June 30, 1939, and \$31,136,000 on September 30, 1938.

Tangoel Rubber Estates.—At this week's annual meeting Mr. Walter Hilliers declared that the replanting programme spread over 1936, 1937 and 1938 was now complete and the visiting agent was well satisfied with the condition of the estates.

Cables Investment Trust.—Income for year to June 30, 1939, £344,384 (£369,556), a decrease of £25,172. Net revenue £219,259 (£240,841). Ordinary dividend 5 per cent. for year, as before. Carry forward £97,733 (£68,474).

Leyland and Birmingham Rubber.—Trading profit year to June 30, 1939, £123,649 (£104,077). To depreciation £18,339 (£14,544). Written off goodwill £10,000 (nil). To reserve £7,500 (£7,500). Ordinary distribution 12½ per cent., against 11½ per cent. Carry forward £31,615 (£31,445).

Leach's Argentine Estates.—Net balance year to March 31, 1939, £116,792 (£124,343). To general reserve £41,097 (£34,748). To depreciation £39,615 (£34,132). To income tax and N.D.C. £15,000 (£15,000). Ordinary dividend maintained at 6 per cent.

United Dairies, Ltd.—Net profit year to June 30, 1939, £582,010 (£631,654). Final ordinary dividend 7½ per cent., making 12½ per cent. for the year, as before.

The Stock Exchange.—Interim dividend £2 per share compared with £5 per share a year ago.

Beardmore (William) and Company.—Interim ordinary dividend 3 per cent. on account of 1939. This is the first interim dividend for many years. For the year 1938 3½ per cent. was paid.

Brazilian Warrant Agency.—For 1938 2 per cent. will be paid on the ordinary shares. The last ordinary dividend was 4 per cent. for 1934, when 8s. was written off each share.

Meux's Brewery.—Interim dividend reduced from 3½ to 2½ per cent. Turnover maintained, but board consider a prudent policy advisable.

British Celanese.—This company will pay on October 31st to holders registered October 16th, a half-year's dividend on the 7 per cent. first preference, bringing dividends paid on this class up to October 31, 1938.

(Continued on page 33)

Industry and Trade

Increased Unemployment.—The official returns relating to changes in unemployment between August 14th and September 11th were issued this week. They reveal an increase of 99,236 in the number of unemployed on the registers of employment exchanges in Great Britain. That this increase is not due to seasonal influences is shown by *The Economist's* index of unemployment, which is adjusted for seasonal variations; the index, which is given in the accompanying table, rose by 8½ per cent. between August 14th and September 11th. Had it not been for the calling of men to the Colours, the increase in unemployment would have been even more marked. Unfortunately,

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)		Index, adjusted for seasonal variations
	Number	Index, adjusted for seasonal variations		Number	Index, adjusted for seasonal variations	
1937	'000	1935 = 100	'000	%	'000	1935 = 100
Sept. 13, 1938	1,339	66.1	1,091	9.5	11,706	112½
July 18, 1938	1,773	87.4	1,244	12.9	11,413	110
Aug. 15, 1938	1,759	86.4	1,262	12.7	11,447	110
Sept. 12, 1938	1,799	88.6	1,324	12.9	11,429	110
Oct. 17, 1938	1,781	87.6	1,409	12.5	11,455	110
Nov. 14, 1938	1,828	89.6	1,456	12.7	11,428	110
Dec. 12, 1938	1,831	91.9	1,474	12.7	11,452	110
1939						
Jan. 16, 1939	2,039	93.0	1,594	14.0	11,284	110
Feb. 13, 1939	1,897	87.9	1,538	13.1	11,419	111
Mar. 13, 1939	1,727	84.6	1,429	12.0	11,586	111½
April 17, 1939	1,644	81.5	1,343	11.3	11,685	112½
May 15, 1939	1,492	74.7	1,234	10.3	11,838	113½
June 12, 1939	1,350	67.6	1,099	9.5	11,969	115
July 10, 1939	1,256	62.2	1,014	8.8	12,064*	116
Aug. 14, 1939	1,232	60.7	968	8.6	12,053*	116
Sept. 11, 1939	1,330	65.9	1,052	...	(a)	(a)

* Estimated. (a) No longer available.

the Ministry of Labour has discontinued the publication of its estimates of the number of persons in employment. It is almost certain, however, that employment has shown an appreciable decline as a result of the growth in unemployment and the withdrawal of labour from industry by the Services. The returns for September 11th, moreover, do not show the full extent of the dislocation caused by the war; there are indications that unemployment has shown a further increase since then. Furthermore, they do not reveal the unemployment caused by the war in the clerical and professional classes with an income exceeding £250 per annum.

Incidence of Changes in Unemployment.—The incidence of changes in unemployment between August 14th and September 11th is shown in the following tables:—

CHANGES IN UNEMPLOYMENT BETWEEN AUGUST 14TH AND SEPTEMBER 11TH

(a) Increases		Number
Hotel, boarding house, etc., service		29,719
Entertainments, sport, etc.		25,197
Dressmaking and millinery		18,896
Distributive trades		18,412
Tailoring		12,953
Fishing		11,007
Printing and bookbinding		9,218
Furniture, upholstery, etc.		6,823
Motor vehicles, cycles and aircraft		6,384
Cotton		5,199
Hat and cap		4,330
Carpets		4,005
Dock, harbour, etc., service		3,805
Miscellaneous food industries		3,613
Professional services		3,432
Laundry service		2,070

(b) Decreases		Number
Public works contracting, etc.		21,947
Coal mining		18,554
Shipbuilding and ship-repairing		12,361
Local government service		10,051
Building		9,179
Pottery, earthenware, etc.		8,250*
Boot and shoe		7,487*
Engineering, etc.		6,892
Iron and steel		6,330
Agriculture, horticulture, etc.		3,435
National government service		2,920
Gas, water and electricity		2,815
Road transport		2,690
Textile bleaching, printing, dyeing, etc.		2,524
Woollen and worsted		2,258

* Employment at August 14th in these industries was affected by local holidays.

As was to be expected, the outbreak of war seriously affected the hotel and entertainment industries, as well as certain consumers' goods trades such as clothing, furniture, carpet and motor-car manufacture. On the other hand, there was a marked expansion in the defence sector of British industry. The speeding-up of defence preparations is revealed by the fall in unemployment in public works contracting and building, in local and national government service, in the public utility industries, and in the coal-mining, iron and steel, shipbuilding and engineering trades. Geographical changes in unemployment, shown in the next table, were unevenly distributed:—

CHANGES IN UNEMPLOYMENT BY REGIONS

Increases		Decreases	
Administrative Division	Number	Administrative Division	Number
London	85,402	North Midlands	10,039
Eastern	16,695	Midlands	8,518
Southern	8,573	North Eastern	6,401
South Eastern	7,143	Wales	1,607
South Western	4,454		
Scotland	1,893		
Northern	1,090		
North Western	551		
Total	125,801	Total	26,565

Broadly, the regions suffering an increase in unemployment between August 14th and September 11th are those in which civil activities predominate. London, being the centre

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of the entertainment and high-class consumption goods industries, registered the biggest increase in unemployment. On the other hand, four of the administrative divisions engaged largely in coal-mining and metal manufacture actually showed a fall. The expansion in the defence sector, and the contracting tendency in the civil sector, of British industry must be expected to continue and will probably be even more marked in the unemployment returns for the next few months.

* * *

Spurt in Retail Trade.—The month of August has witnessed a marked spurt in retail sales. The returns for that month, given in this week's *Board of Trade Journal*, show that the average daily value of sales of a representative sample of retail houses was 6.4 per cent. higher than in August, 1938. In July the increase over the figure for the corresponding month last year was only 1.2 per cent. Changes in the turnover of individual commodity groups, as well as in the value of stocks, are shown below:

VALUE OF SALES AND STOCKS COMPARED WITH YEAR AGO			
	Average Daily Sales		Stocks (at cost), end August
	August	Feb.-Aug.	
Non-Food:—			
Piece-goods	+ 0.2	+ 4.4	+ 0.3
Women's wear	+ 8.9	+ 2.5	+ 5.0
Men's and boys' wear	+ 12.5	+ 3.2	+ 3.7
Boots and shoes	+ 17.4	+ 5.4	+ 1.7
Furnishing depts.	+ 3.9	+ 2.0	+ 1.1
Hardware	+ 5.3	+ 1.7	+ 1.0
Fancy depts.	+ 8.1	+ 2.2	+ 1.2
Sports and travel requisites ..	+ 4.8	+ 3.5	+ 1.1
Miscellaneous	+ 7.3	+ 4.6	+ 3.2
Total	+ 8.6	+ 2.0	+ 1.9
Food and perishables	+ 4.2	+ 2.7	+ 11.6
All depts.	+ 6.4	+ 2.4	+ 2.7

There were marked increases in the turnover of the majority of goods; in the hardware section, exceptionally, sales showed a decline. Again, with the exception of Central and West End London, where the value of sales in August was 4.7 per cent. smaller than in the corresponding month last year, turnover increased in all the regions into which Britain is divided for the purpose of the returns. The increase compared with a year ago was most marked in the Midlands and South Wales (+12.1 per cent.), the South of England (+9.5 per cent.) and North-eastern England (+6.4 per cent.). Despite the spurt in purchases, stocks, especially of food and perishable articles, were higher at the end of August than a year earlier.

* * *

Wages in Coal Mining.—At a recent meeting of the Joint Standing Consultative Committee of the coal-mining industry the workmen's representatives applied for an immediate increase in wages of 1s. per shift for miners over 18 and of 6d. per shift for those under 18. At a delegate conference of the South Wales Miners' Federation last Saturday the President (Mr Arthur Horner) stated that the owners had agreed to the principle of the adjustment of wages to fluctuations in the cost of living. It is under-

stood that differences of opinion prevailed among the members of the Committee as to whether such increases should take the form of flat rate additions to existing earnings or of percentages on district standard rates, as well as with regard to the ratio between changes in cost-of-living indices and wages, and to the relation of the demand of the miners to the varying earning capacities of the different coalfields. The matter is being considered by the district associated owners, whose views will be communicated to a further meeting of the Joint Standing Consultative Committee next Thursday. In the last war the problem of the adjustment of the wages of miners to the rising cost of living was the cause of considerable difficulties. The method of granting increased percentages on district standard rates, partly to compensate the workmen for the decline in the purchasing power of their earnings, and partly to extend to them their prescribed shares of the increased net proceeds of the industry, operated till 1917, when the method of flat rate additions was introduced under the system of State control. Until the date of the introduction of the flat rate system the rise in the wage level had outpaced that in the cost of living, but subsequently it lagged slightly behind that in retail prices. The following table gives the increases (a) in the cost of living, (b) in the estimated weekly full-time rates of wages for all industries in the United Kingdom, and (c) in the average annual earnings of miners, between 1915 and 1918 compared with July, 1914:—

Year	Cost of Living	Weekly Full-time rates in all industries	Miners' Annual Earnings
	%	%	%
1915	23	10 to 15	33.0
1916	46	20 to 25	60.7
1917	76	55 to 60	63.3
1918	103	95 to 100	101.3

As a result of the introduction of the central selling schemes in 1936 miners' wages have considerably improved. In 1938 the annual cash earnings per person employed averaged £145, against £131 in 1936 and £79 in 1914. While cash earnings in 1938 were thus 83½ per cent. above the level of 1914, the official index of the cost of living showed a rise of only 56 per cent. during this period.

* * *

Cotton Operatives Demand Higher Wages.—As expected, the leaders of the operatives in the cotton industry have decided to make an immediate demand for an increase in wages. A joint meeting with the employers' organisations has already been requested and is expected to take place in Manchester next week. No details of the claim have yet been revealed, but the opinion is gaining ground in trade circles that the application will be a substantial one. Spinners and manufacturers are expecting that an increase of about 12½ per cent. on current wages will have to be granted, and already selling rates in future contracts for yarn and cloth are being advanced to cover this contingency. It is realised that the employers will be forced to increase wages in order to prevent an exodus of operatives to other industries, which might lead to a serious shortage of labour.

INDUSTRIAL REPORTS

THE unemployment returns for September 11th, published this week and discussed on page 25, show that activity in the coal-mining, iron and steel and metal industries has tended to expand, while the entertainment and high-class consumption goods trades have suffered from the dislocation caused by the outbreak of war. The latest reports from industrial centres indicate that the expansion in the coal and iron and steel industries has continued. The improvement in the domestic demand for coal is, of course,

partly seasonal. The iron and steel industry is very active, and output appears to be expanding. Nor has export trade come to a standstill. The cotton trade has booked a fair quantity of export orders, and shipments of coal to France and neutral countries have shown a tendency to expand again.

Coal

Sheffield.—Inland market pressure is increasing, but output is well up to the level of requirements in all classes.

Industrial steams are fully taken up at unchanged prices around 19s. per ton at pits. With the rationing of gas and electricity, demand from these undertakings will probably ease, particularly as they had taken heavy deliveries in recent months. There is plenty of business in household fuel.

Prices are steady in the export market, and fair tonnages are being moved under licence. There is a good demand for Derbyshire and Notts top hards and for South Yorkshire Association steam hards.

The demand for coke, both on home and export account, is good. The production of blastfurnace coke is being increased, and central heating and patent oven coke are fully specified for delivery.

*

Newcastle-on-Tyne.—Inquiry from abroad for North-East coal is increasing, and as shipments have now reached a good average the market is steadier with certain sections firm. Northumberland steam classes are in keen demand from the Scandinavian countries, while Durham manufacturing coal has a good sale in the home market and is also in eager request from Continental consumers. Patent oven coke is in good demand from abroad, but makers are so fully occupied carrying out previous commitments that they are unable to accept further business.

*

Glasgow.—There has been little change in the Scottish coal position. The new rationing scheme for domestic consumers is now in operation, but it is too early yet to assess its effect. Meantime all the collieries are working close to capacity, and in various cases arrangements are under way for new and increased outputs in order to meet demand. The bulk of the trade is on inland and coastwise account, and there is not a great deal of any class of fuel on offer for export, although business in the latter is moving fairly steadily against contracts, and an increasing inquiry is reported from certain markets. Prices remain strong at previous levels.

*

Cardiff.—Although the volume of current new business is limited, shipments under contracts are proceeding with little interruption, and the recent improvement in the volume of exports is being maintained. France is the main outlet, but every possible effort is being made to meet the requirements of neutral countries, including those whose supplies from Germany have been interrupted. Prices are being adjusted with the approval of the Mines Department to meet increases in the cost of materials and other war contingencies, and authority has been obtained during the past few days for the raising of export quotations to the higher level of the scheduled minimum quotations fixed under the coal-marketing scheme for inland delivery. The miners are applying for an increase in wages to meet the rise in the cost of living. The application has been made by the Mineworkers' Federation on behalf of the industry as a whole, and it takes the form of a flat-rate increase to be applied uniformly to every coalfield. The demand is under the consideration of the district associated owners, whose views are to be communicated to a further meeting of the Joint Consultative Committee to be held in London next Thursday.

Iron and Steel

Middlesbrough.—Production of iron and steel is being maintained at a high rate. Larger specifications are being received for shipyard requirements, whilst the export trade is now being resumed as export licences are received. Good Durham blastfurnace coke is available at the control price,

whilst details now to hand regarding the maximum prices to be paid for heavy steel scrap for steelworks' purposes show the figure as 58s. 6d. per ton delivered at North-East coast works. For steel foundries the price of No. 1 quality scrap is 68s. 3d. per ton delivered in the North-East area. Supplies of scrap are not too plentiful, and works are taking any quantities that merchants bring on to the market.

*

Sheffield.—The iron and steel markets remain very active. Deliveries under existing contracts are heavy. There is improved buying of forge pig iron, and this applies also to foundry iron. Basic iron production is on a very large scale, and goes into immediate consumption, while East and West Coast hematite is also a very active market. Finished iron is being much more freely called for, including crown bars. Increased production of acid and basic billets, supplemented by imports, is easing the stringency. There are heavy dealings in structural steel, wire rods, bars and strip.

Iron and steel scrap demand is at a high level, but supplies are becoming more satisfactory, both of home-produced and imported material. Cast-iron descriptions have now been brought under price control.

Steel production figures in this area are reaching new high levels. There is an enormous output of open-hearth steel, and the increased call for high-grade alloy steels is being well met.

*

Glasgow.—The pressure for delivery of every class of iron and steel material is maintained and works in Glasgow and other districts are producing at a record rate. Output of shipbuilding material alone amounts to an enormous tonnage, and boiler makers, machinery makers and general engineering concerns are requiring very considerable tonnages. Sheet makers have been working to capacity for a long period; demand is still expanding and orders booked will absorb the output of many months. Tube makers, too, are now fully employed. In practically every branch of the iron and steel industry here there is sufficient work on hand to provide regular and constant employment for all available plant for many months. Meantime stocks are sufficient for immediate requirements and prospects of future supplies seem brighter this week, both in regard to semis and raw material.

Cardiff.—The supply of steel bars in South Wales continues to fall short of immediate requirements, and the production of tinplates has receded from 70.38 per cent. to 64.52 per cent. of capacity under the pooling scheme. It is understood, however, that a contributory cause of this decrease is the reluctance on the part of manufacturers to increase their commitments pending the revision next month of the price of steel. Prices of tinplates for the inland trade are unchanged, but for export the nominal maximum of 20s. 3d. per box f.o.b. has ceased to be effective and for some destinations quotations have been raised to as much as 27s. The steel-melting furnaces are using a larger percentage of pig iron, but there are prospects of an improved supply of imported scrap. The heavier branches of the industry continue fully employed.

News from Abroad.—The international steel markets have not yet recovered from the violent shocks which they sustained through the outbreak of hostilities in Europe. Although a slight improvement has recently been perceptible in so far as transport difficulties have been partly overcome and deliveries on old contracts have been resumed, particularly by Belgian exporters, the reluctance of producers to book new export orders has not diminished. This is not only true of the European exporters, but has to an increasing extent become the attitude of many exporters in the United States who are extremely busy for the domestic market and expect a further expansion of home demand. The resulting difficulty of consumers in obtaining delivery for current and future requirements can, however, be expected to be gradually overcome, at least so far as the most urgent requirements are concerned. The Belgian producers are trying to overcome—and not without success—the dislocations of transport and raw material supplies, and the United States producers will probably be able to allocate larger quantities for export as soon as the present speculative buying wave has come to an end.

The international regulations of the Cartel organisations with regard to quotas and prices have gradually been abandoned and are being replaced by Government regulations. There is uneasiness concerning the fulfilment of current contracts between belligerent and neutral countries which were negotiated before the outbreak of war, such as the supplies of Belgian semis to Great Britain and similar arrangements between Germany and Luxembourg. Attempts to solve these difficult problems have not yet been successful.

Textiles

Cotton (Manchester).—Although a strong tone has continued to prevail in the market during the past week, and numerous producers have extended their order lists, rather more difficulty has been met with in arranging the terms of fresh contracts. Many shippers and merchants have persisted in putting forward low offers and home trade buyers, although prepared to pay full prices, have not been ready to accept the longer delivery dates now required.

There has been no slackening in the inquiry in piece goods for many foreign outlets. Reports, however, have been received of increased competition in certain markets, especially Central and South America. Eastern offers have generally been too low, but more trade has again taken place for the Continent and the Colonies. A persistent demand has been experienced in a variety of goods for home use, but rather less has been heard of Government contracts.

RAW COTTON delivered to Spinners ('000 bales)

Variety	Week ended		Total Deliveries	
	Sept. 22, 1939	Sept. 29, 1939	Aug. 1, 1938-Sept. 30, 1938	Aug. 1, 1939-Sept. 29, 1939
American	22.9	24.4	163	151
Brazilian	6.5	9.2	30	78
Peruvian, etc.	4.2	4.2	15	37
Egyptian	5.0	5.6	42	49
Sudan Saki	3.7	3.6	31	35
East Indian	5.4	0.2	2	3
Other countries	3.2	9.1	102	86
Total	50.9	56.3	385	439

COMPANY MEETING

TANGOEL RUBBER ESTATES, LIMITED

FACTORS WHICH REDUCED PROFITS

The annual ordinary general meeting of the Tangoel Rubber Estates, Limited, was held, on the 4th instant, at Fenchurch House, 5, Fenchurch Street, London, E.C., Mr Walter Hilliers, the Chairman, presiding.

The Chairman, in the course of his speech, said: The revenue account shows a profit of £2,569. This smaller amount is accounted for by two factors. First, there was the considerable drop in the exportable percentage for the Dutch East Indies, which, for the period under review, was only 43 per cent., against 71 per cent. for 1937-38; this represents a reduction in the exportable allowance for this company of over 133,000 lbs. The second contributory cause was the lower average market price obtainable, which would have been lower still but for our forward sales. Export licences have been bought during the year for 94,000 lbs.

(Continued from page 27)

THE COMMODITY MARKETS

THERE has been little change in the prices of the principal primary products during the past week. Reuter's index of the prices of sensitive commodities (September 18, 1931=100) for Thursday, at 159.4, was the same as a week ago; while Moody's index for the United States (December 31, 1931=100) fell slightly, from 170.7 to 168.1.

Metals

ON Tuesday a meeting of members of the London Metal Exchange was held at which the suspension of trading in copper, lead and spelter was discussed. As far as can be ascertained the meeting has sent a protest to the Ministry of Supply against the delay in resuming trading, and made some practical suggestions on this matter.

Tin.—The tin market was fairly quiet this week and the turnover remained small. Standard cash closed at £229 17s. 6d. per ton, a gain of 7s. 6d. on the week, while three months' forward advanced by £1 15s. to £229 5s. per ton. The Statistical Bulletin of the International Tin Research and Development Council, published this week, gives the monthly average of world consumption of tin in the first seven months of this year at 12,440 tons while production in the same period reached 11,000 tons only. According to Messrs A. Strauss and Company, Ltd., London, the total of world tin stocks reached 29,967 tons on September 31st, an advance of 4,562 tons on the month. New supplies amounted to 10,152 tons in September, 2,256 tons more than in August, while world deliveries fell in the same period by 1,606 tons to 8,711 tons.

United States.—Prices for copper, lead and spelter remained unchanged during the week. Copper is still quoted at 12 cents per lb., lead at 5.35 cents

per lb. and spelter at 6.50 cents per lb. Regular spot quotations for tin were resumed during the week and spot straights closed at 55 cents per lb., which is slightly lower than the recent rates on the open market. Forward prices for tin stand at a considerable discount.

Grains

WHEAT prices in America have again sagged and both in Chicago and Winnipeg prices are now considerably lower than a month ago. Details of the trade with Britain have not been disclosed, but sales to the United Kingdom authorities have continued steadily. Prices of imported wheat at Antwerp have also fallen, in sympathy with those in America. Dealings in maize and barley continue on a spot basis.

WORLD SHIPMENTS OF WHEAT AND FLOUR ('000 quarters)

From	Week ended		From Aug. 1 to	
	Sept. 23, 1939	Sept. 30, 1939	Sept. 1, 1938	Sept. 30, 1939
N. America	388	627	4,763	4,542
Argentina and Uruguay	372	367	1,257	3,737
Australia	...	...	2,169	612*
Russia	...	...	2,896	56
Danube and dist.	189	75	746	903
India	...	...	406	...
Other countries	...	...	...	268
Total	949	1,069	12,237	10,118

* Shipments up to Sept. 2, 1939.

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

From	Week ended		From Apr. 1 to	
	Sept. 23, 1939	Sept. 30, 1939	Sept. 1, 1938	Sept. 30, 1939
Argentina	295	387	6,745	10,120
Atlantic America	3	3	10,770	509
Danube Region	...	...	2,181	1,089
S. & E. Africa	143	78	689	2,146
Indo-China, etc.	29	38	1,019	847
Total	470	511	21,404	14,711

Other Foods

Provisions.—Trade in flour continues steadily at the fixed prices of 22s. per sack straightrun, plus the wheat levy. No change has been made in the maximum prices for provisions such as

meat, bacon, butter and eggs, and these prices are generally in force. Canadian and New Zealand cheese prices were marked up during the week. The fall in imports of bacon from the Continent and the large purchases by the Government for the army have caused a temporary shortage in supplies of bacon in London and Southern England.

Colonial Produce.—Sugar prices have been marked up to meet the higher rates of duty. Kenya and Costa Rica coffees met a good demand in London and prices are higher than a week ago. White Muntok pepper is also dearer.

Fruit and Vegetables.—Trade in London has been steadier than of late and better orders are also arising from the provinces. With the end of the plum season, business in apples has improved and the colder weather has also increased the demand for vegetables. Official potato prices are unchanged, but selling prices are usually below the maximum.

Miscellaneous Commodities

Oils and Oilseeds.—Trading to cover immediate needs continued at the previous prices; raw linseed oil was quoted at £29 12s. 6d. per ton London and refined cotton seed oil at £19 10s. ex Hull. Stocks and dealings have now been taken over by the Ministry of Food.

Rubber.—The I.R.R.C. announced on Monday that the export quota for the last quarter of this year would be raised from 70 to 75 per cent. of the standard tonnages. This decision, which involves an addition to supplies over the three months of about 18,000 tons, had been expected by the market and had little effect on London prices, which have been very steady throughout the week. In America, however, there was a fall of about $\frac{1}{2}$ ¢ per lb. when this decision was known, but prices there are still above parity with London.

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week ended September 30, 1939, total ordinary revenue was £14,068,000, against ordinary expenditure of £27,204,000, and issues of £12,000,000 under the Defence Loans Acts. Thus, including sinking fund allocations but excluding issues from defence loans, the deficit accrued since April 1st last is £228,748,000, against £171,304,000 a year ago. The revenue return for the quarter ended September 30, 1939, is printed in full on page 31.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Estimate, 1939-40	April 1, 1938, to Sept. 30, 1938	April 1, 1939, to Sept. 30, 1939	6 days to Sept. 30, 1938	Week ended Sept. 30, 1939
ORDINARY REVENUE					
Income Tax	327,000	55,364	53,010	2,504	1,734
Sur-tax	70,000	8,400	8,900	230	70
Estate, etc.	80,000	37,620	40,210	1,480	1,280
Duties	21,000	9,770	8,930	280	350
Stamps	25,000	6,820	12,140	330	440
N.D.C.	...	...	...	...	...
Other Ind. Revenue	...	...	...	...	...
Duties	1,250	590	390	60	20
Total I. Rev.	524,250	118,564	123,580	4,884	3,894
Customs	232,300	111,647	132,639	3,225	7,293
Excise	116,450	55,600	61,250	1,000	1,958
Total Cust. and Excise	348,750	167,247	193,889	4,225	9,251
Motorduties	43,450	8,504	8,511	...	...
P.O. (Net Receipts)	7,200	3,940	2,754	Dr. 750	Dr 1050
P.O. Fund	1,600	630	650	...	...
Crown Lands	1,330	...	...	...	...
Rec. from Sun. Loans	5,000	3,926	3,350	...	...
Misc. Rec.	10,750	3,403	5,730	...	2,193
Total Ord. Rev.	942,210	306,214	338,464	8,361	14,068
Self-Bal. P.O. and B'dcasting	83,449	37,810	39,546	2,100	2,200
Total	1,025,759	344,024	378,010	10,461	16,268

Issues out of the Exchequer to meet payments (£ thousands)

Expenditure	Receipts into the Exchequer (£ thousands)				
	Estimate, 1939-40	April 1, 1938, to Sept. 30, 1938	April 1, 1939, to Sept. 30, 1939	6 days to Sept. 30, 1938	Week ended Sept. 30, 1939
ORDINARY EXPEND.					
Int. & Man. of Nt. Dt.	230,000	109,051	113,885	2,266	2,585
Pays. to N. Ireland	10,000	3,692	3,663	...	388
Other Cons. Fund Ser.	7,200	1,414	3,463	84	81
Total	247,200	114,157	121,011	2,350	3,054
Sup. Serv. a	120,371	358,349	441,015	20,102	24,150
Ditto, plus loans	170,611	358,349	521,515	20,102	36,150
Total Ord. Expend.	145,091	472,506	562,026	22,452	27,204
Issues from Def. Lns.	502,430	...	80,500	...	12,000
Self-Bal. P.O. and B'dcasting	83,449	37,810	39,546	2,100	2,200
Total	153,460	510,316	601,572	24,552	29,404

* Supply Services, after addition of issues under Defence Loans Acts: (a) excluding expenditure being met from loans; including £500 millions Vote of Credit.

(b) Not allowing for changes in war Budget of September 27, 1939.

After reducing Exchequer balances by £292,621 to £2,451,544, the other operations for the week (as shown in the next column) raised the gross National Debt by £19,381,000 to about £8,475 millions, after adjustment to exclude "other capital

liabilities," and not allowing for issues to sinking funds since April 1, 1939. An approximate analysis of the National Debt as at September 30th, 1939, appears on page 33.

DEBT INCREASES (£ thousands)		DEBT REPAYMENTS (£ thousands)	
Treasury bills	18,092	Nat. Sav. Certs	300
Pub. Dept. Adv.	1,620	Nat. Sav. Bonds	31
	19,712		331
OTHER RECEIPTS		OTHER ISSUES	
P.O. & Teleg.	5,550	Housing Act	17
(Money) Acts	5,550	N. Atl. Shipping	40
	5,550	Ov. Trade Gtes.	30
	5,550		87

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1939, to September 30, 1939 (as revised), are shown below:—

Ordinary Exp. (£ thousands)		Ord. Rev. (£ thousands)	
Ordinary Exp.	562,026	Ord. Rev.	338,464
Issues under Def. Loan Acts	80,500	Dec. in blocs	48
Misc. Issues (net)	2,610	Gross borr. 31,810	
	645,136	Less: Sinking fds. 5,186	
		Net borrowing	306,624
			645,136

FLOATING DEBT (£ millions)

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt	Floating Assets
	Ten-ner	Tap	Public Depts.	Bank of England		
1938						
Sept. 30	883.4	49.2	...	932.6	...	...
1939						
June 23	479.0	540.4	45.7	1065.1	586.1	...
July 30	993.0	45.7	37.5	1076.2	...	...
Aug. 13	489.0	563.0	45.3	1097.3	608.3	...
Aug. 22	494.0	562.8	43.1	1099.8	605.8	...
Aug. 29	499.0	558.1	43.1	1100.2	601.2	...
Aug. 5	504.0	564.9	46.3	1115.2	611.2	...
Aug. 12	510.0	568.5	46.9	1125.4	615.4	...
Aug. 19	510.0	570.7	47.5	1126.2	616.2	...
Aug. 26	510.0	570.1	47.5	1127.6	617.6	...
Sept. 2	510.0	583.1	48.3	1138.4	628.4	...
Sept. 9	500.0	618.3	49.2	1167.5	667.5	...
Sept. 16	495.0	633.3	47.9	1180.9	681.2	...
Sept. 23	500.0	652.1	50.5	1202.6	702.6	...
Sept. 30	505.0	663.7	47.5	1216.2	701.2	...
	510.0	676.8	49.1	1235.9	725.9	...

TREASURY BILLS (£ millions)

Date of Tender	Amount			Average Rate %	Per Cent. Allotted at minimum Rate
	Offered	Applied for	Allotted		
1938					
Sept. 30	45.0	68.8	45.0	25 1/4	48
1939					
June 23	50.0	60.7	50.0	14 6 51	77
July 30	50.0	66.6	47.0	17 0 00	58
Aug. 13	40.0	63.3	37.0	16 8 32	44
Aug. 22	35.0	64.5	35.0	15 8 99	51
Aug. 29	35.0	68.6	35.0	14 8 61	39
Aug. 5	40.0	73.8	36.0	14 4 08	27
Aug. 12	35.0	67.9	30.0	13 7 9	21
Aug. 19	30.0	58.6	30.0	14 0 7	39
Aug. 26	30.0	63.1	30.0	15 7 39	28
Sept. 2	25.0	50.4	30.0	74 5 44	4
Sept. 9	40.0	56.3	40.0	74 3 48	59
Sept. 16	55.0	60.2	50.0	72 0 98	94
Sept. 23	55.0	89.2	55.0	71 1 12	47
Sept. 30	55.0	86.5	55.0	66 1 25	100
	55.0	96.3	55.0	48 9 83	45

On September 29th applications at £99 7s. 7d. per cent. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday, Friday and Saturday of following week were accepted at about 45 per cent. of the amount applied for and applications at higher prices in full. £50.0 millions of Treasury bills are being offered on October 6th.

NATIONAL SAVINGS CERTIFICATES

Sales in		Number		Purchase Price	
Thirty-seven weeks to:—		£		£	
Sept. 17, 1938	23,250,830	23,250,830	17,438,122		
Sept. 16, 1939	21,334,921	21,334,921	16,001,155		
Week to:—					
Sept. 17, 1938	503,999	503,999	377,999		
Sept. 9, 1939	333,215	333,215	249,911		
Sept. 16, 1939	343,021	343,021	257,266		

BANK OF ENGLAND RETURNS

OCTOBER 4th, 1939

ISSUE DEPARTMENT

Notes Issued: £		Govt. Debt: £	
In circultn.	538,748,770	Govt. Debt...	11,015,100
In Bnkg. Department...	41,416,325	Other Govt. Securities...	565,641,373
		Other Secs...	3,135,110
		Silver Coin...	208,417
		Amt. of Fid. Issue	580,000,000
		Gold Coin & Bullion (at 168s. per oz. fine)	165,095
			580,165,095

BANKING DEPARTMENT

Props. Capital £		Govt. Secs. £	
Capital	14,553,000	Govt. Secs.	113,616,164
Rest	3,693,851	Other Secs.	2,392,463
Public Depts.*	15,346,129	Securities...	22,334,584
			24,727,047
Other Depts.: Bankers	106,033,904	Notes	41,416,325
Other Accts.	40,867,286	Gold & Silver Coin	734,634
	146,901,190		180,494,170
			180,494,170

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

THE WEEK'S CHANGES (£ thousands)

Both Departments	Compared with	
	Amt. Oct. 4, 1939	Last Week
COMBINED LIABILITIES		
Note circulation	538,749	+ 3,085 + 32,965
Deposits: Public	15,346	+ 4,495 + 3,292
Bankers	106,034	+ 1,097 + 3,669
Others	40,867	+

OVERSEAS BANK RETURNS

NOTE.—The last return of the Bank of Poland appeared in *The Economist* of September 2nd; and of Danzig, of August 26th. The latest return of the National Bank of Egypt appeared in our issue of August 26th; Bohemia and Moravia of September 2nd; Turkey, of September 9th; International Settlements, of September 16th; Denmark and Roumania, of September 23rd; Argentina, Australia, Bulgaria, Greece, India, Iran, Japan and Norway, of September 30th.

U.S. FEDERAL RESERVE BANKS

Million \$'s				
	Oct. 1938	Sept. 1939	Sept. 1938	Oct. 1939
12 U.S.F.R. BANKS				
RESOURCES				
Gold certifs. on hand and due from Treas.	10,967	14,312	14,657	14,696
Total reserves	11,344	14,661	15,003	15,030
Total cash reserves	367	340	339	325
Total bills discounted	7	6	7	7
Bills bt. in open mkt.	5	1	1	1
Total bills on hand	8	7	7	7
Industrial advances	15	12	12	12
Total U.S. Govt. secs.	2,564	2,426	2,804	2,785
Total bills and secs.	2,587	2,445	2,822	2,804
Total resources	14,679	17,812	18,603	18,633
LIABILITIES				
F.R. notes in circn.	4,263	4,609	4,684	4,732
Aggregate of excess mr. bank res. over reqs.	3,020	4,800	5,330	5,360
Deposits — Member-bank reserve account	8,321	10,951	11,621	11,672
Govt. deposits	770	709	552	469
Total deposits	9,437	12,268	12,945	12,916
Cap. paid in and surplus	309	312	312	312
Total liabilities	14,679	17,812	18,603	18,633
RESOURCES				
Monetary gold stock	13,812	16,638	16,925	16,958
Treasury and Nat. Bk. currency	2,741	2,905	2,914	2,920
LIABILITIES				
Money in circulation	6,640	7,141	7,238	7,309
Treasury cash and deposits with F.R. Bks.	3,579	3,036	2,812	2,719

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

	Oct. 1938	Sept. 1939	Sept. 1938	Oct. 1939
Total gold reserves	4,682.7	7,045.6	7,153.7	7,093.3
Total bills discounted	2.7	2.7	2.6	2.6
Bills bt. in open mkt.	0.2	0.2	0.2	0.2
Total U.S. Govt. secs.	815.4	706.2	848.6	884.7
Total bills and secs.	822.0	711.2	853.5	889.5
Deposits — Member-bank reserve account	4,118.3	6,084.4	6,275.5	6,283.6
Reserve to depts. and F.R. notes	86.4%	91.7%	90.2%	89.6%

BANK OF FRANCE.—Million francs

	Sept. 1938	Aug. 1939	Sept. 1938	Sept. 1939
ASSETS				
Gold	55,808	97,266	97,266	97,266
Bills: Commercial	22,172	20,665	21,853	21,077
Advances on securities	726	189	189	189
Thirty-day advances	4,362	3,805	3,677	3,611
Loans to State without interest: (a) general	3,200	10,000	10,000	10,000
(b) provisional bonds	50,134	20,577	21,577	20,577
Negotiable bonds	5,570	5,466	5,466	5,466
Sinking Fund Depts.	5,224	6,026	6,001	6,484
Other assets	12,448	14,239	14,397	14,452
LIABILITIES				
Notes in circulation	12,448	14,239	14,397	14,452
Deposits: Public	2,825	3,304	2,556	2,341
Private	18,418	17,897	18,106	17,729
Other liabilities	2,831	2,848	3,006	3,219
Gold to sight liabilities	38.3%	59.4%	59.0%	59.0%

† After adding fcs. 1,000 millions provisional advance approved Sept. 1.
* Excluding any such provisional advance.

NATIONAL BANK OF BELGIUM
Million belgas

	Sept. 1938	Aug. 1939	Sept. 1938	Sept. 1939
ASSETS				
Gold	3,180	3,622	3,635	3,628
Silver and other coin	44	38	42	43
Foreign exchange, etc.	1,028	928	933	937
Bills and securities	928	780	920	922
Advances	179	273	194	171
LIABILITIES				
Notes in circulation	5,100	5,299	5,414	5,401
Deposits: Govt.	6	4	5	4
Other	165	247	214	206

BANK OF ESTONIA
Million Estonian kronas

	Sept. 1938	Aug. 1939	Sept. 1938	Sept. 1939
ASSETS				
Gold coin & gold bullion	34.27	40.91	40.90	40.90
Net foreign exchange	16.40	8.54	9.45	8.15
Home bills discounted	8.63	10.85	13.24	15.39
Loans and advances	10.32	11.90	18.24	20.95
LIABILITIES				
Notes in circulation	47.04	51.10	56.98	64.61
Sight dep. and current accounts, of which:				
(a) Government	31.84	23.60	28.03	23.50
(b) Bankers	16.62	9.21	9.30	9.75
Reserve to current liabilities	13.22	12.16	16.26	11.03
	64.2%	66.2%	59.2%	55.7%

BANK OF CANADA.—Million \$'s

	Sept. 1938	Sept. 1939	Sept. 1938	Sept. 1939
ASSETS				
Reserve, of which:				
Gold coin and bullion	218.2	273.4	285.0	276.1
Securities	180.8	221.6	225.4	225.7
LIABILITIES				
Note circulation	172.6	188.6	193.5	203.2
Deposits: Dom. Govt.	24.0	24.0	5.0	36.5
Chartered banks	210.8	195.6	200.2	210.2
Reserves to notes and deposit liabilities	53.3%	62.3%	62.2%	60.1%

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

	Sept. 1938	Aug. 1939	Sept. 1938	Sept. 1939
ASSETS				
Loans, total	8,335	8,209	8,305	8,315
Investments	12,639	14,233	14,084	14,074
Reserve with Federal Reserve banks	6,871	9,247	9,368	9,686
Due from domestic bks.	2,499	2,789	2,813	2,950
LIABILITIES				
Deposits: demand	15,443	18,096	18,040	18,288
Time	5,238	5,240	5,235	5,233
U.S. Government	397	540	540	538
Inter-bank	6,557	7,850	8,058	8,306

BANK OF FINLAND
Million F. marks

	Sept. 1938	Aug. 1939	Sept. 1938	Sept. 1939
ASSETS				
Gold reserve	620.5	1183.3	1181.9	1181.4
Foreign correspondents	2063.4	2222.4	2032.2	1973.8
Foreign bills, etc.	101.0	82.8	65.8	55.2
Int. bills and home loans	1523.6	1074.1	1171.8	1230.0
Finnish & foreign bonds	397.0	638.7	632.4	628.2
LIABILITIES				
Notes in circulation	2017.7	2116.9	2457.5	2453.6
Sight deposits: Govt.	170.2	168.4	254.4	197.0
Other	1229.7	1181.6	680.5	702.1
Cover to sight liab.	75.1%	90.5%	87.6%	87.0%

NATIONAL BANK OF HUNGARY
Million pengo

	Sept. 1938	Aug. 1939	Sept. 1938	Sept. 1939
ASSETS				
Metal reserve:				
Gold coin and bullion	84.1	124.1	124.1	124.1
Foreign exchange	76.2	104.3	99.7	100.1
Int. bills, wts., & secs.	397.6	454.2	590.7	584.4
Advances to Treasury:				
Long term	193.5	202.2	246.7	246.7
Czech-Kr. exch.	...	95.5	95.4	95.4
LIABILITIES				
Notes in circulation	645.0	843.1	1030.0	1012.7
Current accounts, and sight liab.	202.5	200.4	191.0	190.2
Cash certificates	69.7	99.0	99.0	99.0

† Includes pengo 30 millions short-term.

BANK OF JAVA.—Million florins

	Sept. 1938	Aug. 1939	Sept. 1938	Sept. 1939
ASSETS				
Gold and silver	138.21	148.46	147.06	147.36
Discounts, advances & other investments	75.06	77.19	79.29	79.69
Foreign bills	2.05	8.71	8.90	11.07
Other assets	60.94	48.56	54.13	53.27
LIABILITIES				
Notes in circulation	188.43	193.02	200.29	197.60
Deposits and bills	74.59	77.45	76.35	81.04

NATIONAL BANK OF JUGOSLAVIA
Million dinar

	Sept. 1938	Aug. 1939	Sept. 1938	Sept. 1939
ASSETS				
Gold	1,849	1,923	1,986	1,987
Other foreign exchange	423	506	532	510
Discounts and advances	1,695	1,835	2,329	2,428
Government advances	2,243	2,230	2,230	2,230
LIABILITIES				
Notes in circulation	6,452	7,346	8,690	8,754
Sight liabilities	2,245	1,685	1,381	1,450

BANK OF LATVIA
Million lat

	Sept. 1938	Aug. 1939	Sept. 1938	Sept. 1939
ASSETS				
Gold coin and bullion	82.59	97.87	97.87	97.87
Silver coin	13.23	11.99	10.27	9.06
Foreign currency	37.74	35.13	36.81	36.68
Treas. notes and change	7.16	9.95	6.83	6.69
Short-term bills	50.62	51.16	62.18	62.09
Loans against securities	84.73	89.92	106.50	109.41
LIABILITIES				
Notes in circulation	73.99	80.52	115.91	116.50
Deposits & current accs.	140.45	136.34	121.41	124.08
Government accounts	53.83	67.22	66.03	65.13

BANK OF LITHUANIA.—Million litas

	Sept. 1938	Aug. 1939	Sept. 1938	Sept. 1939
ASSETS				
Gold	74.92	62.17	60.27	59.25
Silver and other coins	13.06	12.44	12.36	10.21
Discounts	84.79	93.24	105.84	117.21
Advances	21.35	26.88	26.60	26.68
LIABILITIES				
Bank notes in circulatn.	127.41	151.57	173.40	165.65
Current accounts	55.71	34.20	32.58	37.13
Deposits	8.52	10.10	6.05	6.48

NETHERLANDS BANK
Million florins

	Oct. 1938	Sept. 1939	Sept. 1938	Oct. 1939
ASSETS				
Gold	1481.0	1129.4	1104.4	1112.3
Silver	12.2	9.3	7.4	49.0
Home bills, etc.	18.5	84.5	90.4	1.6
Foreign bills	4.1	1.6	1.6	1.6
Loans and advances in current account	297.8	248.2	233.7	231.0
LIABILITIES				
Notes in circulation	1141.2	1206.6	1142.1	1165.1
Deposits: Govt.	109.8	Dr15.0	Dr15.0	...
Other	580.8	302.8	336.4	...

† Not yet available.

RESERVE BANK OF NEW ZEALAND
Million £N.Z.'s

	Sept. 1938	Aug. 1939	Sept. 1938	Sept. 1939
ASSETS				
Gold	2.80	2.80	2.80	2.80
Sterling exchange	11.45	5.69	5.30	5.31
Advances to State	7.66	19.63	20.37	20.84
Investments	2.73	3.66	3.82	3.82
LIABILITIES				
Bank Notes	13.73	15.80	16.42	16.65
Demand liab.: State	3.91	1.45	1.53	1.79
Banks and others	5.77	12.92	12.67	12.91
Reserves to sight liab.	60.8%	28.1%	26.4%	25.8%

BANK OF PORTUGAL
Million escudos

	Aug. 1938	July 1939	Aug. 1938	Aug. 1939
ASSETS				
Gold	917.6	920.0	920.1	920.1
Balances abroad	594.7	628.3	644.5	665.6
Discounts	402.8	398.8	409.3	407.3
Securities	120.5	117.6	117.8	117.8
Government loans	1039.6	1035.7	1035.7	1035.7
LIABILITIES				
Notes in circulation	2059.6	2079.5	2122.0	2145.1
Deposits: Government	476.1	359.6	420.9	383.4
Bankers'	626.1	715.7	648.0	645.7
Other	64.6	72.4	68.2	63.3
Foreign commitments	116.8	196.0	203.5	231.0

REICHSBANK
Million Reichsmarks

	Sept. 1938	Aug. 1939	Sept. 1938	Sept. 1939
ASSETS				
Gold & for. currencies	76.3	76.8	76.7	77.0
Bills and cheques	6328.9	8384.9	10592.5	11757.2
Renten bank notes	41.9	25.4	79.0	212.9
Advances	41.9	31.5	32.0	38.0
Secs.: for note cover	9	95.2	1062.9	1164.5
Other assets	1104.4	1062.4	1806.5	1338.3
LIABILITIES				
Notes in circulation	6666.0	8704.9	10969.7	10608.6
Daily maturing liab.	902.2	1105.4	1611.1	1409.8
Other liabilities	318.4	439.5	704.9	886.9
Cover of note circulatn.	1.14%	0.88%	0.70%	0.72%

* Figures not comparable.

BANK CLEARINGS

Publication of the weekly returns of Town Clearing, Metropolitan Clearing, Country Cheque Clearing is suspended until further notice.

PROVINCIAL

(£ thousands)

	Four weeks ended			Week ended Saturday			Aggregate from January 1 to	
	Oct. 1, 1938	Sept. 30, 1938	Change	Oct. 1, 1938	Sept. 30, 1938	Change	Oct. 1, 1938	Sept. 30, 1938
No. of working days:—	24	23	1	6	6	0	232	230
BIRMINGHAM	6,874	6,409	-465	2,227	1,800	-427	90,759	89,666
BRADFORD	2,668	3,588	+920	853	1,274	+421	30,532	33,325
BRISTOL	4,814	6,130	+1,316	1,742	2,442	+700	49,136	52,135
LIVERPOOL	2,956	2,649	-307	777	648	-129	32,442	30,618
MANCHESTER	2,491	2,702	+211	678	711	+33	27,119	27,167
NEWCASTLE	19,278	18,880	-398	5,585	4,817	-768	202,761	191,240
NOTTINGHAM	30,885	35,107	+4,222	9,097	9,467	+370	357,647	365,290
Total: 9 Towns	1,601	1,549	-52	511	1,186	+675	58,583	57,596
DUBLIN	23,599	21,536	-2,063	5,420	5,750	+330	239,500	233,473
LEEDS	3,207	2,013	-1,194	1,068	429	-639	37,229	39,409
SHEFFIELD	3,114	2,013	-1,101	793	429	-364	41,707	39,409

* Suspended publication. † Clearing of suburban cheques through local clearing discontinued from September 7, 1939. ‡ 39 weeks. § On a working-day basis.

MONEY RATES

LONDON

	Sept. 28, 1939	Sept. 29, 1939	Sept. 30, 1939	Oct. 1, 1939	Oct. 2, 1939	Oct. 3, 1939	Oct. 4, 1939	Oct. 5, 1939
Bank rate (changed from 4% Sept. 28, 1939)	3	3	3	3	3	3	3	3
Market rates of discount								
60 days' bank drafts	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2
3 months' do.	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2
6 months' do.	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2
Discount Treasury Bills								
2 months'	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2
3 months'	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2
Loans—Day-to-day	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2
Short	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2
Deposit advances: Bk.	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2
Discount houses at call	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2
At notice	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2

Comparison with previous weeks

	Bank Bills			Trade Bills		
	3 Months	4 Months	6 Months	3 Months	4 Months	6 Months
Sept. 7	3-3 1/4	3 3/4-3 1/2	5	4 1/2-5	4 1/2-5	5-5 1/2
" 14	3-3 1/4	3 3/4-3 1/2	4 1/2	4 1/2-5	4 1/2-5	5-5 1/2
" 21	3-3 1/4	3 3/4-3 1/2	4 1/2	4 1/2-5	4 1/2-5	5-5 1/2
" 28	2-2 1/4	2 1/4	2 3/4	3 1/4-3 1/2	4-4 1/2	4 1/2-4 3/4
Oct. 5	2-2 1/4	2 1/4	2 3/4	3 1/4-3 1/2	4-4 1/2	4 1/2-4 3/4

NEW YORK

The Irving Trust Company cables the following money and exchange rates in New York:—							
	Oct. 5, 1938	Sept. 6, 1938	Sept. 13, 1938	Sept. 20, 1938	Sept. 27, 1938	Oct. 4, 1938	Oct. 5, 1938
Call money	1 1/4	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	1 1/2
Bank acceptances	1 1/4	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2
Members—eligible, 90 days	1 1/2	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	1 1/2
Commercial accept., 90 days	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2

Continued from page 31

Mem.			
	1938	1939	1939
Floating Debt, outstanding March 31, 1939	920,310,000		
Ways and Means Advances outstanding—			
Advances by Bank of England			
Advances by Public Departments			
Treasury Bills outstanding	49,195,000	49,150,000	
Total Floating Debt outstanding	883,410,000	1,186,800,000*	
Net Increase	932,605,000	1,235,950,000	
* Includes £136,000 the proceeds of which were not carried to the Exchequer within the period of the account.			
† Excluding £502,430,000 estimated to be met from borrowed moneys under the Defence Loans Acts, 1937 and 1939.			

New York on	Sept. 28, 1939	Sept. 29, 1939	Sept. 30, 1939	Oct. 2, 1939	Oct. 3, 1939	Oct. 4, 1939
London:—						
60 days	Unq't'd	Unq't'd	Unq't'd	Unq't'd	Unq't'd	Unq't'd
Cables	402 1/2	402 1/2	402 1/2	402 1/2	402 1/2	402 1/2
Demand	401 1/2	401 1/2	401 1/2	401 1/2	401 1/2	401 1/2
Paris, Fr.	16-91	16-87	16-86	16-86	16-80	16-82
Brussels, Bel.	22-63	22-63	22-60	22-55	22-45	22-47
Switzerland, Fr.	5-05	5-05	5-05	5-05	5-05	5-05
Italy, Lire	40-08	40-00*	40-00	40-10	40-10	40-10
Berlin, Mark	53-23	53-30	53-31 1/2	53-28	53-26	53-25
Amsterdam, gldr.	19-35	19-35	19-35	19-35	19-35	19-35
Copenhagen, Kr.	22-75	22-75	22-75	22-75	22-75	22-75
Oslo, Kr.	23-85	23-85	23-85	23-85	23-85	23-85
Athens, Dr.	Unq't'd	Unq't'd	Unq't'd	Unq't'd	Unq't'd	Unq't'd
Montreal, Can. \$	90-810	90-810	90-810	89-250	89-500	89-810
Japan, Yen	23-45	23-65	23-65	23-65	23-65	23-65
Shanghai, \$	7-50	7-55	7-55	7-55	7-55	7-55
B. Aires, Pso. (mkt. rate)	23-60	23-60	23-60	Unq't'd	23-40	23-50
Brazil, Milreis	5-10	5-10	5-10	Unq't'd	5-10	5-10

* Nominal

EXCHANGE RATES

(a) Rates fixed by Bank of England

London on	Par of Exchange per £	Sept. 29, 1939	Sept. 30, 1939	Oct. 2, 1939	Oct. 3, 1939	Oct. 4, 1939	Oct. 5, 1939
New York, \$	4-86 1/2	4-02-04	4-02-04	4-02-04	4-02-04	4-02-04	4-02-04
Montreal, \$	4-86 1/2	4-43-47	4-43-47	4-43-47	4-43-47	4-43-47	4-43-47
Paris, Fr.	124-20	176-177	176-177	176-177	176-177	176-177	176-177
Brussels, Bel.	35-00(a)	23-65-90	23-65-90	23-65-90	23-80-95	23-85-95	23-85-95
Amst'd'm, Fl.	12-107	7-50-60	7-50-60	7-49-57	7-49-57	7-50-58	7-52-60
Switzerl'm, Fr.	25-22 1/2	17-65-85	17-65-85	17-65-85	17-75-90	17-82-97	17-85-90
Stockh'm, Kr.	18-159	16-70-90	16-70-90	16-70-90	16-70-90	16-70-90	16-70-90
Oslo, Kr.	18-159	17-50-70	17-50-70	17-50-70	17-50-70	17-50-70	17-50-70
B. Aires, P. Pesos	11-45	16-50-10	16-50-10	16-50-10	16-50-10	16-70-90	16-70-90

(b) Market Rates

London on	Par of Exchange per £	Sept. 29, 1939	Sept. 30, 1939	Oct. 2, 1939	Oct. 3, 1939	Oct. 4, 1939	Oct. 5, 1939
Tallinn, Ekr.	18-159	Unq't'd	16*	16*	16*	16*	16*
Riga, Lat.	25-22 1/2	20 1/2*	20 1/2*	20 1/2*	20 1/2*	20 1/2*	20 1/2*
Budapest, Pen.	27-52	22*	22*	22*	22*	22*	22*
Kovno, Lit.	48-66	23*	23*	23*	23*	23*	23*
Copenhagen, Kr.	18-159	21*	21*	21*	21*	21*	21*
Milan, Lr.	92-46	78-80	78-80	78-80	78-80	78-80	78-80
Belgrade, Din.	276-32	205*	205*	205*	205*	205*	205*
Helsingfors, Mk.	193-23	195-210	195-210	195-210	195-210	195-210	195-210
Alexandria, Pst.	97 1/2	97 1/2-58	97 1/2-58	97 1/2-58	97 1/2-58	97 1/2-58	97 1/2-58
Madrid, Pt.	25-22 1/2	40-15(b)	40-15(b)	40-15(b)	40-15(b)	40-15(b)	40-15(b)
Lisbon, Esc.	110	109-111	109-111	109-111	109-111	109-111	109-111
Istanbul, L.T.	110	510*	510*	510*	510*	510*	510*
Athens, Dr.	375	521(b)	521(b)	521(b)	521(b)	521(b)	521(b)
Bucharest, Lei.	813-8	540-590	540-590	540-590	540-590	540-590	540-590
India, Rup.	118d.	177-18	177-18	177-18	177-18	177-18	177-18
Kobe, Yen	124-58d.	133 1/2	133 1/2	133 1/2	133 1/2	133 1/2	133 1/2
Hongkong, \$	147-15 1/2	147-15 1/2	147-15 1/2	147-15 1/2	147-15 1/2	147-15 1/2	147-15 1/2
Rio, Mil.	147-15 1/2	147-15 1/2	147-15 1/2	147-15 1/2	147-15 1/2	147-15 1/2	147-15 1/2
Valparaiso, Pes.	17-38	20*	20*	20*	20*	20*	20*
Lima, Sol. (e)	51d.	22-24	22-24	22-24	22-24	22-24	22-24
Montevideo, \$	28d.	28 1/2-56	28 1/2-56	28 1/2-56	28 1/2-56	28 1/2-56	28 1/2-56
Singapore, \$	28d.	28 1/2-56	28 1/2-56	28 1/2-56	28 1/2-56	28 1/2-56	28 1/2-56
Shanghai, \$	28d.	28 1/2-56	28 1/2-56	28 1/2-56	28 1/2-56	28 1/2-56	28 1/2-56

* Sellers. † Buyers. ‡ 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. (b) Rate for payment at the Bank of England for Clearing Offices. (c) Nominal. (d) Official. (e) 90 days.

FORWARD RATES

The following rates are for one month, which form the basis for dealings for other periods, to a maximum of three months.

	London on:—				
	New York cents	Paris francs	Amsterdam cents	Brussels cents	Zurich cents
September 29	34 p.-Par	Par-1/4 d.	112 p.-Par	4 p.-Par	3 p.-Par
October 2	34 p.-Par	Par-1/4 d.	112 p.-Par	4 p.-Par	3 p.-Par
October 3	34 p.-Par	Par-1/4 d.	112 p.-Par	4 p.-Par	3 p.-Par
October 4	34 p.-Par	Par-1/4 d.	112 p.-Par	4 p.-Par	3 p.-Par
October 5	34 p.-Par	Par-1/4 d.	112 p.-Par	4 p.-Par	3 p.-Par

p. = Premium. d. = Discount.

£		£	
	1938		1939
Estimated Expenditure as per Financial Statement (H.C. 104) of April 25, 1939 (including margins provided for Defence and Civil Supplementary Estimates)	942,444,000		
Supplementary Estimates—			
Civil Defence Votes (H.C. 123, 150 and 159)	20,000,000		
Civil Votes (H.C. 147 and 159)	14,631,000		
Vote of Credit (H.C. 175)	500,000,000		
Less—			
Margins provided for Supplementary Estimates	534,631,000		
Less—			
Original provision for Army Ordnance Factories now included in Ministry of Supply (H.C. 150)	1,452,075,000		
	1,164,000		
	1,450,911,000		

EXCHANGE RATES (Monthly Tables)

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 July 31, 1939.
Colombia.*	Sight selling rate on New York was 175-25 pesos per 100 U.S. dollars on August 22, 1939. This rate applies to holders of permits buying in the "open" market.
Ecuador.	Sight selling rate on New York was 15-05 sucres per U.S. dollar on August 18, 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 5-32 1/2 cordobas per U.S. dollar (including 10 per cent. tax and 1/2 per cent. commission) on August 18, 1939.
Paraguay	Exchange is quoted on Buenos Aires; the sight selling rate was 71-50 Paraguayan pesos per Argentine "fres" paper peso on August 11, 1939.
El Salvador.	Sight selling rate on New York was 2-50 1/2 colonas per U.S. dollar on August 19, 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	6 1/2	5	Madrid	July 15, '35	5 1/2	21
Amsterdam	Aug. 28, '39	2	3	Montreal	Mar. 11, '35	5 1/2	41 1/2
Athens	Jan. 4, '37	7	6	Oslo	Sept. 22, '39	3	21 1/2
Batavia	Jan. 14, '37	4	3	Paris	Jan. 1, '35	3 1/2	41 1/2
Belgrade	Feb. 1, '35	6 1/2	5	Pretoria	May 15, '33	4	31 1/2
Berlin	Sept. 22, '32	5	4	Tallinn	Oct. 1, '35	4	51 1/2
Brussels	July 6, '39	3	2 1/2	Riga	Jan. 1, '39	5 1/2	56 1/2
Bucharest	May 5, '38	41 1/2	31 1/2	Rio de Janeiro	May 31, '35	5	31 1/2
Budapest	Aug. 28, '39	35	31 1/2	Rome	May 18, '36	5	41 1/2
Calcutta	Nov. 28, '35	31 1/2	3	Sofia	Aug. 15, '35	7	6 1/2
Copenhagen	Sept. 20, '39	31 1/2	41 1/2	Stockholm	Dec. 1, '33	2	11 1/2
Helsingfors	Dec. 3, '34	41 1/2	4	Zurich	Nov. 25, '38	3	285
Kovno	May 14, '39	5	7	Tokio	Mar. 11, '38	2	3 46
Lisbon	May 11, '36	5	41 1/2	Wellington	Nov. 22, '38	4	4
New York Fed.				Inish	Sept. 28, '39	5	4
Reserve	Aug. 26, '37	1 1/2	1				

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 28 and October 4 are given in left-hand columns. In calculating yields of two interest-bearing 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 Oct. 4, inclusive		Name of Security	Price, Oct. 4, 1939	Change since Sept. 27, 1939	Yield Oct. 4, 1939	Last two Dividends		Name of Security	Price, Oct. 4, 1939	Change since Sept. 27, 1939	Yield Oct. 4, 1939
Sept. 28	Oct. 4	High	Low					(a)	(b)				
British Funds													
62	62 1/2	71 1/2	61	Consols 2 1/2%	62	...	4 s. d.	32/6	5 3	Brit. Overseas A £5	7/6	...	4 s. d.
98 1/2	98 1/2	107 1/2	98	Do. 4% (alt. 1957)	98 1/2	...	4 2 3/4	97 1/2	5 3/4	Chtd. of India £5	6 1/2	...	8 0 0
93 1/2	93 1/2	96 1/2	90 1/2	Conv. 2 1/2% 1944-49	93 1/2	...	3 6 0	12/6	8 6	Com. Bk. of Aus. 10/-	40/-	...	5 12 0
94 1/2	94 1/2	99 1/2	92 1/2	Do. 3 1/2% 1948-53	94 1/2	...	3 10 3	52/9	43 9	Dist. Bk. £1 fy. pd.	46/3	...	4 6 6
87 1/2	87 1/2	99 1/2	87	Do. 3 1/2% after 1961	87 1/2	...	4 0 0	75/-	54/-	En. S. & A. £1 fy. pd.	57/6	...	7 6 0
101 1/2	101 1/2	104 1/2	100 1/2	Do. 4 1/2% 1940-44	100 1/2	...	4 2 3/4	101 1/2	71 1/2	Hambros £10, £2 1/2 p.	71 1/2	...	7 10 0
103 1/2	103 1/2	104 1/2	103 1/2	Do. 5% 1944-64	103 1/2	...	4 3 0	59 1/2	39 9	Home, and S. £12 1/2 p.	47 1/2	...	7 10 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	87 1/2	61 1/2	Lloyds £5, £1 pd.	45/6	...	5 4 6
87 1/2	87 1/2	95 1/2	87 1/2	Fund. 2 1/2% 1956-61	87 1/2	...	3 12 6	87 1/2	61 1/2	Martins £20, £2 1/2 pd.	61 1/2	...	5 14 9
100 1/2	100 1/2	109 1/2	100 1/2	Fund. 3% 1959-69	100 1/2	...	3 14 3	86/-	70/-	Midland £1, fy. pd.	72/6	...	4 8 0
95	94 1/2	99 1/2	94 1/2	Fund. 3% 1959-69	94 1/2	...	3 19 3	30	45 1/2	Nat. Dis. £2 1/2 fy. pd.	45 1/2	...	5 4 0
92 1/2	92 1/2	96 1/2	91 1/2	Nat. D. 2 1/2% 1944-48	92 1/2	...	3 7 0 1/2	30 1/2	38 1/2	Nat. Midland £1, fy. pd.	72/6	...	4 8 0
102 1/2	102 1/2	108 1/2	102 1/2	Do. 3% 1954-58	102 1/2	...	3 11 10	34 1/2	25 1/2	Nat. Dis. £2 1/2 fy. pd.	45 1/2	...	5 4 0
88 1/2	88 1/2	98 1/2	86	Victory Bonds 4%	88 1/2	...	3 17 0 1/2	71/-	44/-	Nat. of Egypt £10	20	...	7 15 0
73 1/2	73 1/2	83 1/2	73 1/2	War L. 3 1/2% aft. 1952	73 1/2	...	4 1 1 1/2	45 1/2	40 9	N. of Ind. £25, £1 1/2 p.	55 1/2	...	7 10 0
55 1/2	55 1/2	64	55 1/2	Local Loans 3%	55 1/2	...	3 17 0	16 1/2	32 1/2	N. Prov. £5, £1 pd.	52/-	...	5 15 0
66 1/2	66 1/2	76	66 1/2	Austria 3% 1933-53	66 1/2	...	4 10 1	91/9	54/-	St. Bk. of Scotland	42 1/2	...	6 10 2
79 1/2	79 1/2	90	78	India 2 1/2%	79 1/2	...	4 10 7	...	...	Roy. of S.A. £20, £5 pd.	10 1/2	...	5 6 8
105	105	115 1/2	105	Do. 3%	105	...	4 8 4	...	...	Union Dis. £1	37/6	...	5 10 9
95 1/2	95 1/2	106 1/2	95	Do. 4 1/2% 1958-68	105	...	4 2 3	26 1/2	18	West. £4, £1 pd.	65/-	...	5 10 9
98	98	108 1/2	98	Dom. & Col. Govts.	95	...	5 6 2	98 1/2	68 9	Alliance £1, fully pd.	19	...	4 14 0
92	92	103	92	Aust. 5% 1945-75	95	...	4 2 1 1/2	29 1/2	19 1/2	Atlas £5, £1 1/4 pd.	11	...	3 14 3
102 1/2	102 1/2	109 1/2	102 1/2	Canada 4% 1940-60	102 1/2	...	6 9 1	11 1/2	6 1/2	Com. Un. £1, fy. pd.	7	...	3 14 0
102 1/2	102 1/2	109 1/2	102 1/2	Nigeria 5% 1950-60	102 1/2	...	5 9 0 1/2	12	12	Gen. Acc. £1, 5/- pd.	72/6	...	4 16 6
102 1/2	102 1/2	109 1/2	102 1/2	N. Zealand 5% 1946	102 1/2	...	4 12 3	15 1/2	10 1/2	Lon. & Lanc. £5, £2 1/2 p.	21	...	4 15 3
102 1/2	102 1/2	109 1/2	102 1/2	Queens 5% 1940-60	102 1/2	...	4 12 3	15 1/2	10 1/2	N. Brit. & Mer. £1 1/4 p.	12 1/2	...	3 18 6
102 1/2	102 1/2	109 1/2	102 1/2	S. Africa 5% 1945-75	102 1/2	...	4 12 3	15 1/2	10 1/2	Pearl (£1), fy. pd.	11 1/2	...	4 8 0 1/2
101 1/2	101 1/2	104	101 1/2	Corporation Stocks	101 1/2	...	4 14 8	94 1/2	46	Prudential (£1), fy. pd.	19	...	5 2 0 1/2
102 1/2	102 1/2	104	102 1/2	Birmingham 5% 1946-56	102 1/2	...	4 14 6	96 1/2	19 1/2	Do. £1, with 4s. pd.	50/-	...	4 0 1/2
102 1/2	102 1/2	104	102 1/2	Bristol 5% 1948-58	102 1/2	...	4 17 4	98 1/2	19 1/2	Royal Exchange £1...	6 1/2	...	4 11 3
102 1/2	102 1/2	104	102 1/2	L.C.C. 3% 1954-64	102 1/2	...	4 17 4	98 1/2	19 1/2	Royal £1, 12 1/2 pd.	7 1/2	...	4 11 3
102 1/2	102 1/2	104	102 1/2	Liverpool 3% 1954-64	102 1/2	...	4 17 4	98 1/2	19 1/2	S.U. & N.I. £20, £1 pd.	10	...	6 10 0
102 1/2	102 1/2	104	102 1/2	Midx. 3 1/2% 1957-62	102 1/2	...	4 17 4	98 1/2	19 1/2	Sun. In. £1 with 5/- pd.	62/6	...	4 8 0
93 1/2	93 1/2	103 1/2	93 1/2		93 1/2	...	3 19 0	88 1/2	53 9	Sun. Lf. Ass. £1 fy. pd.	6	...	3 6 9 1/2
Foreign Governments													
96 1/2	78	85	73 1/2	Arg. 4 1/2% Stg. Bds.	75	...	6 0 0	47 1/2	35	Anglo-Am. Deb.	195	...	5 18 0
102 1/2	23	40 1/2	51 1/2	Austria 1930 5%	61 1/2	...	12 17 3/4	15 1/2	7 1/2	Anglo-Celtic Ord.	37 1/2	...	5 18 0
89	38	65 1/2	35	Do. 4 1/2% 1934-59	34	...	12 17 3/4	15 1/2	7 1/2	Brit. Assets Trust 5/-	8/9	...	3 6 8
99	80	95	50	Belgian 4% (36) 1970	54	...	12 17 3/4	15 1/2	7 1/2	Charterhouse Inv. £1	8/11	...	3 6 8
36	31	31	10	Bulgaria 7 1/2%	10	...	15 0 0	117 1/2	87 1/2	Debutenue Corp. Ssk.	163	...	6 2 8
37 1/2	12 1/2	21 1/2	61 1/2	Brazil 5% Fd. 1914...	12	...	15 0 0	240	175	For. Amer. & Co. Def.	40	...	10 0 0
101 1/2	14	16 1/2	9	Chile 6% (1929)	13	...	25 0 0	225	190	General Investment	87 1/2	...	8 0 0
70 1/2	20	25	24	China 5% (1912)	18 1/2	...	15 0 0	11 1/2	11 1/2	Ind. and Gen. Ord.	180	...	7 15 7
105 1/2	40	72	30	Do. 5% (1913)	28 1/2	...	15 0 0	237 1/2	198	Invest. Trust Def.	200	...	8 0 0
99	94	100	94 1/2	Czechoslovakia 8%	30	...	26 13 4	118 1/2	79	Lake View Inv. 10/-	11 1/2	...	6 10 0
104	84	86 1/2	59 1/2	Denmark 3%	95	...	6 10 1	47 1/2	3 1/2	Mercantile Inv.	198	...	8 0 0
13	9 1/2	12 1/2	9 1/2	Egypt Unified 4%	61 1/2	...	6 10 1	47 1/2	3 1/2	Merchants Trust Ord.	79	...	6 12 4
60	20	44	4	French 4% (British)	91	...	6 10 1	168 1/2	140	Metropolitan Trust...	180	...	6 12 4
46	25	35 1/2	3	Ger. Dawes Ln. 5%	6	...	6 10 1	172 1/2	121 1/2	Scottish Inv. 5/-	3/9	...	5 6 9
34 1/2	25	35 1/2	3	Do. Young Ln. 4 1/2%	6	...	6 10 1	172 1/2	121 1/2	Scottish Mort. & Co.	142 1/2	...	6 13 0
58 1/2	20	35 1/2	15	Greek 6% Stab. Ln.	17 1/2	...	13 16 3 1/2	180	162 1/2	Trustees Corp. Ord.	172 1/2	...	5 15 1 1/2
60	35	52	33	Hungary 7 1/2%	15	...	30 0 0	27 1/2	16 7/2	United States Deb.	162 1/2	...	6 3 1
64 1/2	38	53	29 1/2	Japan 5 1/2% 1930	40 1/2	...	13 11 8 1/2	27 1/2	16 7/2				
70 1/2	35	46 1/2	40	Do. 6% (24) red. 1959	36 1/2	...	16 5 0	27 1/2	16 7/2				
51 1/2	54	65	20	Peru 7 1/2% 1922	20	...	10 0 0	20 1/2	14 1/2				
75 1/2	51	81 1/2	44 1/2	Poland 7%	6	...	31 0 0	20 1/2	14 1/2				
92	75	89	70 1/2	Roum. 4% Con. 1922	6	...	31 0 0	20 1/2	14 1/2				
92	75	89	70 1/2	U.K. & Arg. C. 3%	70 1/2	...	4 5 1	20 1/2	14 1/2				
Public Boards													
112	103	21 1/2	21 1/2	C. Elec. 5% 1950-70	103	...	4 12 1 1/2	...	...	Brit. S. Afr. 15/- fy. pd.	17/-	...	7 7 0
115	103	21 1/2	21 1/2	4 1/2% "A" 1985-2023	103	...	4 6 8	...	...	C. of Lond. R. Pty £1	8/9	...	9 3 0
123	107	21 1/2	21 1/2	5% "A" 1985-2023	107	...	4 12 0	...	...	Daily Mail & Gen. £1	11/10 1/2	...	13 15 0 1/2
117 1/2	102	21 1/2	21 1/2	3% "B" 1965-2023	102	...	4 17 3	...	...	Dalgely £20 £5 pd.	44	...	8 6 2
84	40 1/2	21 1/2	21 1/2	Met. W. B. £1 3/4	65	...	6 3 1	34/6	19 1/2	Forestal Land £1	16/10 1/2	...	8 6 2
85 1/2	74	11 1/2	11 1/2	P. of Lon. 5% 50-70	74	...	4 1 1	79/9	55/-	Island's Bay Co. £1	19/4 1/2	...	4 8 0
114	106	21 1/2	21 1/2	G.W. Ord.	106	...	4 6 0	69/-	52/6	Jaws Text. £1	15/-	...	6 13 3
38	21 1/2	4	4	L. & N.E.R. Def.	29	...	1 14 6	34/6	20/-	Peru Corp. Def.	11 1/2	...	7 16 0
55	34	Nil	Nil	Do. 5% Pref. Ord.	34	...	Nil	29 1/2	25/-	Primativa Hold. £1	7/-	...	10 0 0
15	7 1/2	14	14	Do. 5% Pref. 1955	45	...	Nil	29 1/2	25/-	Sudan Plant. £1	28 1/2	...	7 2 3
38	19 1/2	4	4	Do. 4% 2nd Pref.	9 1/2	...	Nil	29 1/2	25/-				
17	9 1/2	11 1/2	11 1/2	L.M.S. 4% 1st Pf.	11 1/2	...	Nil	29 1/2	25/-				
46 1/2	20 1/2	4	4	4% Pf. 1923	36	...	Nil	29 1/2	25/-				
19 1/2	37 1/2	2 1/2	2 1/2	Southern Def.	10	...	7 5 6	29 1/2	25/-				
78	46 1/2	4	4	Do. 5% Pf. Ord.	60	...	8 6 8	26 1/2	18 1/2				
100	77	2 1/2	2 1/2	Do. 5% Pf. Ord.	80	...	8 6 8	26 1/2	18 1/2				
Domestic & Foreign Ry.													
91 1/2	4 1/2	Nil	Nil	Antofagasta Ord.	8 1/2	...	Nil	31/9	20/-	Iron, Coal and Steel	16/3	...	11 1 0
135 1/2	4 1/2	Nil	Nil	B.A. & Pac. Ord.	4	...	Nil	31/9	20/-	Allied Ironfound. £1	19/6	...	7 6 0
101 1/2	4 1/2	Nil	Nil	B.A. Gt. Sthn. Ord.	9	...	Nil	31/9	20/-	Babcock Wilcox £1	40/-	...	6 12 0
114 1/2	4 1/2	Nil	Nil	B.A. West. Ord.	7	...	Nil	31/9	20/-	Baldwins £1	5/3	...	6 12 0
75 1/2	3 1/2	Nil	Nil	C. Arg. Ord.	8	...	Nil	31/9	20/-	Bolover Col. Ord. £1	40		

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. 29, 1939 (£'000)			Aggregate Gross Receipts 39 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down—						
1938	2.3	0.5	2.8	103.1	16.9	120.0
1939	2.5	0.5	3.0	105.8	17.6	123.4
Great Northern—						
1938	13.5	13.4	26.9	448.7	354.4	803.1
1939	12.4	15.2	27.6	455.4	404.8	860.2
Great Southern—						
1938	47.3	51.3	98.6	1,490.2	1,542.1	3,032.3
1939	40.3	60.9	101.2	1,487.7	1,623.8	3,111.5

OVERSEAS WEEKLY TRAFFIC RECEIPTS
INDIAN

Name	Weeks	Ending	Gross Receipts for Week		Aggregate Gross Receipts	
			1939	+ or -	1939	+ or -
Bengal & N. Western	23	Sept. 10	Rs. 16,91,164	-1,50,254	Rs. 1,50,40,738	-15,40,555
Bengal-Nagpur	23	10	25,23,000	+2,52,989	4,52,88,136	+47,16,611
Bombay, Bar. & C.I.	24	20	33,09,000	+2,14,000	5,28,17,000	+7,86,000
Madras & S. Mh.	20	Aug. 20	17,23,000	-79,934	3,09,57,362	+12,58,025
S. Indian	23	Sept. 10	16,55,481	+85,867	2,49,57,580	+3,09,219

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	Net Profit	Dividend
					Prefce. Amount	Ordinary Amount	Rate			
Breweries and Distilleries	June 30	Dr. 26,634	338	Dr. 26,296	...	...	...	...	...	...
Financial Land, etc.	Mar. 31	32,381	37,646	70,027	21,717	...	...	...	...	...
Borneo Company	Mar. 31	...	65,868	65,868	30,000	30,000	6	14,980	33,330	84,848
Leach's Argentine Estates	June 30	2,685	2,363	5,048	3,300	...	...	5,868	79,369	8,042
Iron, Coal and Steel	June 30	28,169	160,816	188,985	...	...	...	1,387	361	8,042
Hawthorn (R. & W.) Leslie	July 15	9,287	64,703	73,990	8,700	67,177	12½	80,000	41,808	77,377
Hurst, Nelson and Co.	June 30	591,333	1,458,984	2,050,317	...	559,700	8	25,050	11,240	52,762
United Steel Companies	Aug. 5	48,446	251,999	300,445	...	70,980	17½	1,079,017	411,600	1,630,467
Motor, Cycle and Aviation	June 30	395	2,450	2,845	360	2,250	7½	...	235	1,073
Rover Company	June 30	8,032	33,504	41,536	14,062	16,875	9	2,430	8,169	34,860
Tea	June 30	68,474	219,259	287,733	90,000	100,000	5	...	97,733	240,841
Maturata	June 30	...	...	...	...	...	...	...	...	...
Textiles	June 30	...	...	...	...	...	...	...	...	...
Leathems (Twilfit)	June 30	8,032	33,504	41,536	14,062	16,875	9	2,430	8,169	34,860
Trusts	June 30	...	...	...	...	...	...	...	...	...
Cables Investment Trust	June 30	...	...	...	...	...	...	...	...	...
Other Companies	June 30	...	...	...	...	...	...	...	...	...
Allen and Hanburys	June 30	35,034	67,499	102,533	31,500	25,000	25	10,000	36,033	52,134
Hutchinson and Co. (Pub.)	Dec. 31	20,433	10,694	31,127	...	...	...	...	31,127	Dr. 3,663
Leyland & Birmingham Rbr.	June 30	31,445	117,472	148,917	6,000	75,000	12½	...	31,615	96,374
Smith's Stamping Works	July 29	29,040	30,454	59,494	...	16,250	10	...	43,244	23,066
Tebbit Brothers	June 30	Dr. 2,473	3,229	756	...	...	...	...	756	Dr. 8,859
Total Profits, 1939, in £'000's:	No. of Cos.	1,786	74,233	223,359	43,217	118,782	...	57,167	78,426	242,679
To September 30	1,802	75,109	225,887	300,996	43,422	119,775	...	58,598	79,201	245,263
To October 7	...	...	...	...	...	...	...	...	...	...

SHORTER COMMENTS

(Continued from page 33)

Richard Thomas and Company.—There will be no distribution on 6½ per cent. preference shares for the half year to September 30, 1939. Issued preference capital totals £3,120,346 non-cumulative to March 31, 1943, and cumulative thereafter. No payment has yet been made on the non-cumulative preference.

Leathems (Twilfit), Ltd.—Total profits year to June 30, 1939, £49,398 (£51,948); to tax, £5,713 (£9,846); to

N.D.C., £1,900 (£2,075); ordinary dividend maintained at 9 per cent.; carry forward, £8,032 (£8,169).

Churchill Machine Tool.—Interim dividend 15 per cent. on account of 1939 payable on £263,760 of capital. For 1938 an interim dividend of 20 per cent. was paid on £197,820 of ordinary stock.

The Northmet Power Company.—In accordance with the Northmet Power Act, 1939, the electricity undertaking of The Hendon Electric Supply Company, Ltd., became vested in The Northmet Power Company on September 30, 1939.

OIL OUTPUTS

Anglo-Ecuadorian Oilfields, Ltd.—Output, September, 1939, 23,325 tons.

Anglo-Iranian Oil Company, Ltd.—The output figures will be published.

Kern Oil Company, Ltd.—The output of the company and its subsidiary during the month of August amounted to 206,549 barrels, or about 29,507 tons.

Lobitos Oilfields, Ltd.—Output Peruvian Company, September, 1939, 31,204 tons.

BRITISH WHOLESALE PRICES

CEREALS AND MEAT

	Sept. 27, 1939	Oct. 4, 1939
GRAIN, etc.—		
Wheat—		
No. 2, N. Man. 496 lb. Antwerp	45 10½	43 7½
Fin. Gaz. v., per cwt.	5 4	5 7
*Antwerp, Rosafe, 81 kilos.	38 2	35 5
Flour, per 280 lb.	22 0	22 0
Straights, d/d London	22 0	22 0
Manitoba, ex store	...	...
Barley, Eng. Gaz., av. per cwt.	11 3	10 9
Oats,	6 6	6 10
*Maize, La Plata, landed, 480 lb. Antwerp	40 7½	...
Rice, No. 2 Burma, per cwt.	...	...

MEAT—		
Beef, per 8 lb.—		
English long sides	5 8	5 8
Argentine chilled hinds	5 0	5 0
Mutton, per 8 lb.—		
English wethers	6 4	6 4
N.Z. frozen wethers	2 8	2 8
Lamb, per 8 lb.—		
N.Z. frozen	4 0	4 0
Pork, English, per 8 lb.	6 0	6 0

BACON (per cwt.)—		
English	100 0	100 0
Danish	100 0	100 0
Dutch	97 0	97 0
Irish	101 0	101 0

HAMS (per cwt.)—		
Canadian	101 0	101 0
United States	94 0	94 0

OTHER FOODS

BUTTER (per cwt.)—		
Australian	145 0	145 0
New Zealand	...	...
English Cheddars	88 0	88 0
Dutch	60 0	...

EGGS (per cwt.)—		
Accra, g.f.	29 6	29 0
Trinidad	30 0	30 0
Grenada	45 0	45 0

JOFFEE (per cwt.)—		
Santos sup. c. & L.	45 0	45 0
Costa Rica, medium to good	90 0	92 0
Kenya, medium	105 0	110 0
Kenya, medium	100 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	8 6	9 0
" S. African (Val. Latras.) bxs	13 0	12 6
Lemons, Californian bxs.	15 0	15 0
Apples, Virginian	10 0	10 0
Grapefruit, Brazilian (M.S.)	14 6	10 0
Pears (Californian) B. Hardy	13 6	13 6

LARD (per cwt.)—		
Irish, finest bladders	46 0	46 0
U.S.	54 0	54 0

PEPPER (per lb.)—		
Black Lampong (in Bond)	0 3½	0 3½
(Duty paid)	0 4	0 4
White Muntok (f.a.q.) (in Bond)	0 5½	0 5½
(Duty paid)	0 6	0 6½

POTATOES (per cwt.)—		
English, King Edward, Siltland	5 6	5 6
Wibech, King Edward (per ton)	105 0	105 0

SUGAR (per cwt.)—		
Centrifugal, 96° prpt. shipm	7 6	Nom.
c.i.f. U.K./Cont.	...	...
Refined London—		
Granulated, 2 cwt. bags	27 6	36 10
Cubes, 1 cwt. cases	34 6	40 10
Pieces, 2 cwt. bags	25 2	34 6
Soft Brown, 1 lb. cartons	26 2	35 6

* Afloat, 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 ruling at time of delivery and all contracts and quotations subject to war clause.

AMERICAN WHOLESALE PRICES

	Sept. 27, 1939	Oct. 4, 1939
GRAINS (per bushel)—		
Wheat, Chicago, Dec.	85½	81½
Winnipeg, Oct.	71¼	69½
Maize, Chicago, Dec.	53½	49¼
Oats, Chicago, Dec.	33½	32
Rye, Chicago, Dec.	54½	52¾
Barley, Winnipeg, Oct.	46	42½
METALS (per lb.)—		
Copper Connecticut	12.00	12.00
Export c.i.f.	11.75	11.75

	Sept. 27, 1939	Oct. 4, 1939
METALS (per lb.)—cont.		
Tin, N.Y. Straits, spot	55.00	55.00
Lead, N.Y., spot	5.50	5.50
Spelter, East St. Louis, spot	6.50	6.50
MISCELLANEOUS (per lb.)—		
Cocoa, N.Y., Accra, Oct.	5.30	5.11
Coffee, N.Y., cash—		
Rio, No. 7	5½	5½
Santos, No. 4	7¾	7¾
Cotton N.Y., Am. mid., spot	9.18	9.20

	Sept. 27, 1939	Oct. 4, 1939
MISCELLANEOUS (per lb.)—cont.		
Cotton, Am. Mid. Oct.	9.19	9.1
Lard, Chicago, Oct.	7.10	6.3
Petroleum, Mid-cont. crude		
33 deg. to 33-90, at well,		
per barrel	102	102
Rubber, N.Y., smld. sheet spot	20¼	18
Do. do. Nov. to Dec.	19¾	18
Sugar, N.Y., Cuban Cent.		
96 deg., spot	3.65	3.4

THE MITSUBISHI BANK, LIMITED

(Incorporated in Japan)
 SUBSCRIBED CAPITAL YEN 100,000,000
 PAID-UP CAPITAL YEN 62,500,000
 RESERVE FUND YEN 65,822,063 (Dec. 1938)

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Authorised Capital \$50,000,000
 Issued and Fully Paid-up \$20,000,000
 Reserve Funds (Sterling) £6,500,000
 Reserve Funds (Hongkong Currency) \$10,000,000
 Reserve Liability of Proprietors \$20,000,000

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ASHANTI GOLDFIELDS CORPORATION LTD.

NOTICE IS HEREBY GIVEN that a second Interim Dividend
 (No. 84) of 2½ per cent., less Income Tax at 7s. in the £, has this
 day been DECLARED on the issued shares of the Corporation, in
 respect of the year ended 30th September, 1939, and will be payable
 on and after the 26th October, 1939, to all Shareholders on the Registers
 on the 3rd October, 1939.

THE TRANSFER BOOKS will be closed from the 4th October, 1939,
 to 11th October, 1939, both dates inclusive, for the preparation of
 Dividend Lists.

By Order of the Board,

H. E. ASHBY, Manager and Secretary.

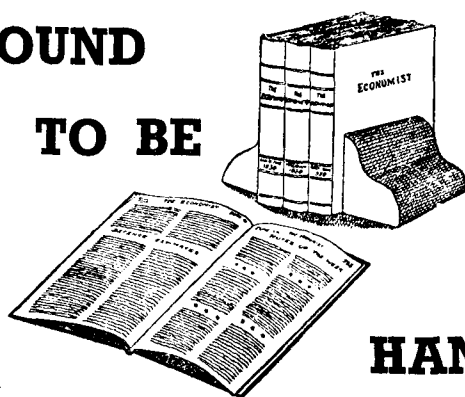
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Realism and Peace

AFTER all the preliminary heralding and the adjura-
 tions to the Allies to be "realists," Hitler's flat and
 utterly unrealistic speech of last week, opening his peace
 offensive, came as a very damp squib. M. Daladier's sum-
 mary of its contents cannot be bettered. "Summed up,
 what does the latest Reichstag speech mean?" the French
 Prime Minister asked. "It means this:—

"I have annexed Poland. I am satisfied. Let us stop
 fighting; let us hold a conference to consecrate my con-
 quests and organise peace."

This theme was embroidered with many of the Fuehrer's
 inimitable and characteristic touches. There was, for
 example, the boast that the German casualties of 44,303
 in the Polish campaign were scarcely 5 per cent. of what
 was expected; this strange peace-maker boasts of having
 started a campaign in the expectation that it would inflict
 a million casualties on his own people! But the theme was
 quite simply a plea to the Allies to let him get away with
 what he had stolen. Even the "concessions" which he
 offered for peace turn out on examination to be demands.
 The first plank in his peace platform was the demand for
 a clear statement of aims by the European Great
 Powers. He explained that this meant the uncondi-
 tional return of the ex-German colonies. He did not
 explain that it also meant a declaration by Britain and
 France of disinterestedness in all Europe east of the Rhine.
 The second item spoke of "a definitive regulation of
 currencies," leading to freer trade. This means a loan to
 Germany to extricate the mark and substantial concessions
 to her exports. Finally, there was a mention of a conven-
 tion to abolish all armaments capable of attacking women
 and children; and though Hitler mentioned submarines

and gas, what he had in mind was the aim of crippling
 the British power of blockade.

The stakes in the game of power politics are so high
 that we cannot afford to dismiss any offer of peace, how-
 ever spurious, without thorough examination. The Reich-
 stag farrago has had that thorough examination at the
 hands, not merely of the Allied Governments, but of their
 peoples. To accept his terms, or anything resembling them,
 would clearly be dishonour. An honourable nation does not
 take up arms in defence of an Ally and then lay them down
 again a month later when the Ally has been butchered—
 especially when treaties have been signed undertaking to
 make no separate peace.

But there are siren voices to be heard in the land hinting
 that in present circumstances honour is a luxury we cannot
 afford and advising us to be "realists." It is true that only
 the more obedient Communists and the misguided zealots
 of the pacifist movement advise peace at the present price.
 But there are more subtle currents of opinion claiming
 (against all the evidence) that Hitler can be "beaten by
 peace as well as by war," or suggesting that, if once we
 agree to enter a conference, Hitler (contrary to all past
 precedent) will moderate his terms. It is as well, then, to
 pause for a moment and consider, in the most "realistic"
 spirit, what would be the results of accepting Hitler's
 suggestions now. He would be left in possession of the field
 in Eastern Europe. He would be enabled, by the
 triumphant demonstration of how little he has to fear from
 the West, to regain all, and more than all, of what he has
 had to concede, in land or prestige, to the Soviets. Britain
 and France, on the other hand, would be exposed as Powers
 too weak or too fearful to keep a pledge given less than
 two months earlier. Those who are now our friends would

no longer be able to afford to be anything but our enemies. Those who are now neutrals because they do not know who will win, would doubt no longer and hasten to offer alliance or obedience at Berchtesgaden. And when, in due course, the demands on the West, now lightly whispered, were suddenly roared out, we should be unable to win. We should, indeed, be unable to fight, since after two sham crises, nobody in the democratic countries would take the word "war" seriously.

Only one thing, on the most realistic calculations, could justify the acceptance of terms such as these. That would be if there were a certainty of defeat for us in the present war. But if there is any certainty in the present situation it is that we cannot be defeated. The war in the West—on land, sea and in the air—stands in virtually every respect more favourably for us than it did in 1917. And if our cause has suffered treachery and disasters in the East, the most that Hitler can hope for is help in prolonging, for a few months, his resistance to our pressure. He has gained little or nothing in the East that can help him to victory in the West. There are some sections of opinion in Eng-

land (not confined to professed Socialists) who have gazed so long and so longingly at their Red Star of Hope in the East that when it suddenly goes out they are blinded and frightened. It might help them to compose their minds if they were to ask themselves one question: If the Soviet somersault makes Hitler invincible, why is he so anxious for immediate peace? Or is he, after all, just a tender-hearted humanitarian in disguise?

The Anglo-French answer is, then, rightly an uncompromising No. The only question that is worth discussing is whether the rejection of these terms should be accompanied by any indication of what terms would be accepted. Those terms must clearly include the evacuation by German troops of Poland and Czechoslovakia and the disappearance of the Nazi gang. If there is a chance of any German Government arising now, before the war begins in earnest, that will accept terms such as these, let them by all means be elaborated. But nothing less unpalatable to Hitler than this will now accord either with the honour or with the safety or with the aroused temper of the British and French peoples.

More Light

THE first six weeks of the Fifth War of German Aggression—the sequence began some seventy-seven years ago with Prussia's attack upon Denmark—have witnessed an overwhelming willingness on the part of the British people to make every sacrifice to root out international lawlessness. Yet the same period has seen a spate of complaints from many sections of the population about the consequences of the Government's war policy at home. The motor trade and the road transport industry are openly unhappy about the effects of petrol rationing as it is at present being administered. Hotel-keepers are loud in their protests against the ruthless requisitioning of their premises. The inhabitants of several reception areas are not contented with the conditions upon which women and children evacuated from vulnerable districts have been billeted in their towns and houses. A campaign to cut down the men and money employed in air-raid precautions is gathering momentum. Another campaign to purge the Ministry of Information has won official recognition, while the war-time activities and governance of the British Broadcasting Corporation are being scarcely less widely criticised. On Tuesday this week Members in all parts of the House of Commons denounced the rationing of coal, gas and electricity as unnecessary, inexplicable and absurd; and on the railways there is widespread resentment against the drastic withdrawal of trains, overcrowding, restricted week-end travel, inadequate provision for night workers and the general lack of lighting.

These are not factitious or frivolous grievances. For the most part they spring from a real sense of hardship, frustration or indignation, as do the complaints of traders and manufacturers who wish to serve the country by carrying on their business at home or overseas but cannot because of Treasury control and import chaos. The fact is that there is a paradox here, an apparent conflict between national solidarity and sectional complaints, which is peculiar, and essential, to the democratic ways we are fighting to preserve. It would be a flagrant error to suppose that these complaints, genuine though they mostly are, implied any weakening in the country's freely and unanimously given pledge to follow the Government in the support of all measures necessary to carry on the war. In totalitarian countries where any open dissent must mean dangerous weakness, the clash of opinion in Britain will inevitably be misinterpreted. That is why irresponsible and ill-founded complaints must be regarded as foolish and disloyal in war time. Even so, Lord Acton's definition of a free State as one in which "there is freedom of the governed to complain of wrongs and readiness in rulers to redress them" is as true of war time as it is of peace time. It is, in fact, precisely because of this paradoxical combination of consent and criticism that we have the strength and solidarity to endure this war until victory.

This is simple truth. Yet there is some danger of becoming intoxicated by the mere vocabulary of freedom in a world of repression and forcible constraint. Not all criticism is welcome even in a country of free institutions. Apart from the risk of giving the enemy false heart by seeming divided in counsel, there is the possibility that sectional interests may be momentarily permitted to override the common good. It is the duty of separate industries and groups of opinion to think twice before they give voice to grievances. The motor trade and a large part of the civil section of the transport industry—now suffering undeniable hardships—may decide on reflection that there can only be small places for them in the petrol-hungry war economy. Hotel-keepers may realise that, while Government commandeering now, when normal business is still fair, may be disadvantageous, later on, when travelling and staying in hotels have been cut down, it may be a definite boon. Second thoughts may suggest to critics of evacuation, the black-out and the scale of A.R.P. that the nature of the air menace makes it imperative that the Government should overdo rather than skimp the programme of vital protection—just as it is needful to build up a great reserve of coal against the growing calls of war, shipping and the export trade, and to conserve our facilities for carrying coal. And common sense may convince a host of other complainants that to label all sorts of inescapable war time controls as undesirable bureaucracy is as foolish and futile as to expect a peace time service of broadcast entertainment under conditions of war.

It is well to make this point, if only because the great bulk of the population have already accepted it quite voluntarily. The thousands of men and women who have been thrown out of work by the war have organised no campaigns of protest. There has been no bitter outcry against inevitable and onerous rises in prices. There was general and cheerful acceptance of the most burdensome Budget which any British Chancellor has ever opened. It is because the British people realise that the sole aim of the moment must be to win the war that they have taken the strain with open eyes and without complaint.

This is not to say that the current complaints are invalid, or to argue that the domestic policy of the Government since the war began has been beyond reproach. Far from it. The "freedom of the governed to complain" is only one-half of the democratic process; the "readiness of rulers to redress" is the other; and it would be an ill service to the public weal now to claim that there is nothing for the Government to put right forthwith. The instances are many and obvious where remedies are needed. The rationing of petrol has already had to be amended to meet the requirements of doctors and taxi drivers. There seems not the slightest doubt that the requisitioning of hotels has been done hastily and with a high hand. In the process of settlement which has still to follow evacuation there are undoubted sufferings among both migrants and

hosts to be speedily alleviated; camps, canteens and welfare work are urgently required. In A.R.P., too, precaution has become prodigal in many places, and the review of the fire services was not overdue. Nor was the overhaul of the Ministry of Information. Again, it is hard to believe that it would not be possible, without sacrificing a reasonable margin of safety, for the Government-controlled railways to run more adequate passenger services, on main and suburban lines alike—the excuse that the lines must be kept clear by day for goods traffic which in peace time travels by night is belied by the noticeable absence of unusually numerous day-time goods trains. And it may very well prove, as winter draws on, that the fuel rations at present in force are neither necessary nor desirable.

But the gravamen of the charges that may justly be laid against the Government does not really lie in these particular grievances. The haste of the nation's plunge into war and the urgent immediate demands of the war as it has got under way, with the fear of heavy air raids which have not yet come, reasonably account for a great many of them. It is rather an underlying law which runs right through official policy that invites criticism. The vice of needless official secretiveness has been often deprecated in these pages in recent years. Now, in the opening scenes of the most strenuous national effort that this country has ever been called upon to make, this reluctance of the Government to take the people into its confidence is the greatest single factor making for delay and misunderstanding. Since the war began a vast network of restrictions, prohibitions and controls has been suddenly imposed upon them, and they are given no positive guidance as to what the object of all this regulation may be. All citizens readily agree that their future must largely be controlled by what the Government intends to do. It is the duty of Ministers, in turn, to define and make known their intentions.

It is easy to illustrate this thirst for certainty. It is hardly to be doubted, for instance, that the present discontents of the motor trades would have been much reduced—even though their hardships were no less—if they had been told authoritatively the Government's considered opinion about the desirable and practicable scale of civil motoring, private and commercial, in war time. There can be no question that the resentment of hotel-keepers would have been almost wholly avoided if the Government's requisitioning had been done in consultation with their representa-

tive association. Full and frequent statements about the future of evacuation, after actual migration had ended, would have lessened the anxieties of reception areas. It has been damaging to business and confidence that more than a month has passed without any statement of the Government's plans to provide for insurance against war risks to property being made. It has been disastrous to foreign trade that importers and exporters should have spent six weeks without any official lead as to the scope and direction of their business in war time. Nor is it enough for the men and women made idle by the outbreak of war to be told that there will be jobs for all of them in time; it is the intelligible exposition of the Government's whole manpower policy that is wanted.

The danger is not only that lack of information leads to widespread complaints, many of them, in fact, over-stated. It leads to lack of confidence as well. Silence is never taken for strength in politics, where the best way to give a dog a bad name is always to be secretive about him. Quite certainly, policy will be presumed to be lacking when it is not made known; it will be feared that the nation's resources are being permitted to run to waste behind a smoke-screen of bureaucratic activity. Perforce but willingly, we are all pieces in a very complicated pattern, and we want to know something of what that pattern is like. Piecemeal pronouncements elicited with difficulty by repeated Parliamentary questioning are not sufficient. It is hard to see, for instance, as the Opposition argued in Wednesday's Commons debate, why the new status of the B.B.C., with two directors instead of seven, should not have been announced *in toto* at the outset of the war instead of being belatedly confessed. Why was no explanation of the need for fuel rationing made until it was dragged out by a Parliamentary storm? It surely cannot be maintained that the explanation would give any real assistance to the enemy.

The British people are united in their loyalty and determination. It is only a lead that they are looking for. From the Government it is intelligence they require—in both its senses. They call for the foresight and comprehensive vision which determines the margin between victory and defeat in war, and the clear proof in frequent official statements of fact and intentions that this foresight and vision are continually in play. "More Light" is no worse a motto for having been coined by a German.

Economic Warfare

THE strength of the Allies in industry, trade and finance is a weapon of crucial importance in the war against Nazi Germany. Just as the power of a "nation of shopkeepers" at sea and in trade loosened the grip of Napoleon upon Europe before Wellington broke the French armies, so to-day the combined economic strength of France and the British Empire can steadily eat away the capacity of the enemy to maintain and supply his fighting forces in face of the massed men and material of the Allies. It is only maladroitness that can lessen the power of this weapon. In the first place, it must not be supposed for a moment that economic might absolves Britain from the need to make the maximum military effort on land and in the air—it was Waterloo, not Trafalgar, which dealt the knock-out blow to Napoleon. In the second place, economic wealth and strength must be fully marshalled and mobilised to bring victory, for it is not in the nature of commerce and credit to win wars of their own accord. Nor can they bring victory while they are restricted but given no guidance.

The importance of economics in the calculus of victory is admittedly better understood to-day than it ever has been. In the last war it was not until 1915 that a Ministry of Munitions was set up, and not until 1916 that Ministries of Food, Shipping, Labour and Blockade were created. The power of Britain to place fully-equipped forces in the field and to put a stranglehold upon the enemy's economy was dissipated by improvisations and delays until the very last stages of the conflict. This time we have our Ministries

of Supply and Food already. The Ministry of Labour had never lapsed. A Ministry of Shipping has been almost brought to birth; and, inheriting the duties of the old-time Ministry of Blockade, together with wide new tasks of putting ceaseless pressure upon the enemy's trade and finance, a Ministry of Economic Warfare sprang into being fully armed as soon as war broke out.

In title and function it is the Ministry of Economic Warfare which indicates most clearly the new awareness of the economics of war, and the Ministry has been built upon the experience of 1914-18. The nucleus of its work, in co-operation with the Admiralty, is blockade, to prevent articles serviceable for war purposes from reaching the enemy. In the last war, it was discovered before many months had gone by that the old-style blockade by closing enemy ports and coasts to shipping was ineffective. To pass on all food, cotton and other conditional contraband (that is, articles which become contraband if they are to be used for war purposes) untouched and unexamined to neutrals was to court disaster. To accept evidence of neutral consignment without question, when consignees might very often be dummies for enemy trade, was fatal. Like Nelson, the Navy found that the contraband routes to the enemy went through neutral countries, and the task of blockade became detective work, to find out whether or not goods consigned to neutral ports and firms were in fact intended for re-export to Germany. The basis of the blockade remained the power of the Navy to stop ships and detain them for search, but the superstructure was a ceaseless system of

investigation and intelligence to establish the probable ultimate destination of cargoes. It became the duty, first of a series of *ad hoc* committees and departments working with or in the Foreign Office, the Admiralty and the Board of Trade, and then of the Ministry of Blockade itself, to ferret out all the facts about neutral traders and neutral shippers and to keep constant watch and ward upon the flow of key commodities in world commerce. At contraband control bases all passing vessels, intercepted by naval patrols or invited in, were examined. Only when actual evidence of contraband could be found were goods detained, and the chief task of blockade was to produce evidence sufficiently strong to convince impartial judges of the Prize Court that detention could be justified in international law. The strength of the system resided in files, card indexes and statistics, in lists of suspected traders and suspected ships, and in analyses of unusual movements in the imports and exports of neutral countries.

This is the technique which the Ministry of Economic Warfare, the Scotland Yard of national defence, has inherited and elaborated. Here is mapped out the terrain of enemy commerce and manufacture which is to be attacked by blockade and pressure. Here is collected together all available information about the trade and output of neutral and enemy States. Here is compiled a Black List of neutral traders known to keep up affiliations or commercial connections with the enemy and so to be watched with care; and a statutory warning list has already been made public under the Trading with the Enemy regulations. Here, too, is made up the list of traders who can be trusted not to evade the contraband laws—the object of this segregation of sheep and goats being, not only to restrain bad friends, but also to give aid and concessions to good ones, and so ease the task of control. At Weymouth, Kirkwall, the North Foreland, Gibraltar and Haifa contraband control bases have been set up by the Admiralty. The cargo manifests of all passing ships are examined by the Ministry of Economic Warfare for evidence of contraband and destination. The Ministry's findings are referred to the Contraband Committee, which decides whether or not there is a *prima facie* case for detaining any part of the cargo. The neutral ships go on their way, and the final decision is given by the Prize Court sitting publicly in the High Court of Justice. It is by these peaceful and legal means that 315,000 tons of materials destined for the Reich (much of this total was openly consigned to Germany before war broke out) were captured in the first five weeks of war; and in these five weeks 150,000 tons were taken by the French, whose economic warfare is working in close liaison with ours, by similar methods. They are methods which contrast strikingly with the Nazis' own treatment of neutral trade. The submarines and aircraft the Germans use do not visit, search and detain. They attack and sink. There is no appeal to a court and the ships are lost.

This difference is fundamental. It is the difference between economic and military sanctions, between law-abidingness and lawlessness. It is neither the intention nor the interest of this country to put a brake upon neutral commerce. In the last war this was made very evident by the arrangements which were worked out to operate the contraband control in co-operation with neutral Governments and traders. Then, as now, neutral ships usually came quite voluntarily to the control bases. Cargo lists were sent in advance by neutral shippers to ensure speedy clearance at the bases—now they come by air mail. Agreements were made with corporations of neutral merchants in Holland, Denmark and Switzerland by which undertakings to engage in no illegitimate trade were given and accepted. The principle that "a belligerent who controls the sea is entitled to ask for evidence or assurance of genuine neutral trade" was recognised; and pacts were made with neutral Governments whereby they consented to restrict their imports of key commodities to their normal average domestic consumption, except for definitely accountable causes. The work of patrol, blockade and fact-finding was immensely lightened when neutrals found that by agreement and voluntary rationing they could obtain all the supplies they needed for their own use regularly and

rapidly. By accepting the principle that they should not give goods or financial facilities of their own to the enemy over and above those normally given in peace-time, pass on to him imports permitted by Britain, or engage in other activities advantageous to him—that is, by recognising our clear belligerent rights—neutrals were assured of freedom to sail and trade as they pleased.

The British Government now wish this kind of co-operation to be worked out once more. The first aim of the Ministry of Economic Warfare is to put economic pressure upon the enemy, not upon neutrals, and the next step is to supplement the laborious process of search for contraband by a world-wide tracery of agreements, treaties, assurances and guarantees. The interest of Britain is to maintain and maximise world trade, and talks with Sweden, Holland, Belgium and Denmark have already begun; other talks are in train. It is the orderly arrangement of commerce, and not the severance of its arteries, that is sought. If the war is to be won, the power of Britain to buy and to sell must be used to the full, and it is as customer and client that British and neutral representatives meet—even in war. We need the commodities which the neutrals have to sell, and, unlike the Reich, we have the wherewithal in goods and foreign exchange to buy them. We can pay cash down for co-operation. The neutrals wish to assure themselves of all essential supplies and to dispose of their own products, while we wish to maintain our own exports at the highest possible level. They need the shipping facilities, the bunker coal, insurance, ships, stores and repairs which we have to offer. The bargain between us is strictly commercial. It is by the pacific haggling of the market, and not by torpedoes and bombs, that the contraband control will be made co-operative.

Admittedly we are at war. Admittedly, too, we have in very many cases the military as well as the economic power to impose our wishes as a belligerent nation upon neutral countries. It would be hypocritical to deny that the might of the British Navy and the dependence of neutral countries upon trade with us and past our coasts are strong sanctions in enforcing our plan of economic warfare. The point is that, unlike the Third Reich, we forbear to use the force or pressure we command. Nor would it be wholly honest even to claim that it is solely our fondness for peaceful transactions which actuates us in forbearing. We have no wish to drive our would-be friends and clients by threats or maltreatment into the enemy camp. We want to leave them the fullest chance to stay neutral. That is why it is by commercial agreements freely made that the Ministry of Economic Warfare is seeking to make contraband control smooth and effective.

It is precisely at this point that the chief drawback of the Government's economic war plans so far—the lack of common direction—can be glimpsed. It is not in the competence of the Ministry of Economic Warfare to mobilise British overseas trade to meet our own needs and the requirements of neutrals without the co-operation of other Ministries, which is not yet forthcoming. Until the order of priority of importers' claims upon foreign exchange has been decided, until the export trade has been given full aid and facilities and until the Ministry of Shipping is openly at work, the conclusion of commercial agreements with neutral countries will be hampered. The control of export prices is no less important than the control of prices at home. The fact is that economic warfare comprehends much more than the special duties of the Ministry of Economic Warfare—more, that is, than the task of breaking the enemy's chain of war-time production by depriving him of the iron, petroleum, manganese, aluminium, rubber, lead, copper and nickel he needs to import to maintain his forces in action. The first line of both attack and defence is to strengthen our own chain of commerce and manufacture. This is departmentally the duty of the Ministry of Supply, the Minister of Labour, the Board of Trade, the Ministry of Shipping and the Treasury—to remodel industry, employment, trade and public finance according to a single strategic plan. Ultimately the task is a first charge upon the War Cabinet, and, as was suggested in these pages last week, it has not yet been done. Until it has been done, economic warfare will stay tentative and incomplete.

Defence Measures

THE continued postponement of any major strain upon the civil population still keeps the issue of new defence measures at a minimum. There have been a few new Acts to fill gaps in the framework of emergency legislation and the usual steady output of departmental instructions completing and amending the civil defence organisation. But the spate of orders and rules which may be expected to appear to meet the new difficulties raised by actual air bombing, by a heavy strain on sections of industry and by the putting into practice of rationing schemes has yet to come.

EMERGENCY LEGISLATION

On Tuesday, October 10th, four Acts of an emergency nature were passed.

Education (Emergency) Act

The purpose of this measure is to suspend the provision of the Education Act, 1936, whereby the school-leaving age was raised from 14 to 15.

Education (Emergency) (Scotland) Act

This Act makes similar provision in the educational system of Scotland.

Courts (Emergency Powers) (Scotland) Act

Owing to difficulties arising in the attempt to apply the Courts (Emergency Powers) Act and the Possession of Mortgaged Land (Emergency Provisions) Act to England and Scotland alike, this Act has been made to supersede them as far as Scotland is concerned.

Execution of Trusts (Emergency Provisions) Act

Trustees who are unable themselves to act because they have undertaken war service or are out of the United Kingdom and cannot return are enabled by this measure to delegate their functions.

ORDER-IN-COUNCIL

A Board of Trade Order, announced on Saturday, October 7th, and coming into force on October 9th, prohibited the export from the United Kingdom, except under licence, to all European and Mediterranean destinations, except France and the French colonies, of nickel oxide, nickel sulphate, selenium and selenium compounds.

DEPARTMENTAL INSTRUCTIONS

The first detailed list of maximum retail food prices for London was issued on Thursday, October 5th. On the same day the Railway Executive Committee announced that restaurant cars would be reintroduced on long-distance trains

on October 16th. The Ministry of Supply circularised all holders of wolfram ore in the United Kingdom and requested them to offer their stocks to British producers of ferro-tungsten at the prices ruling prior to the outbreak of war.

Two announcements by the Ministry of Food were published on Friday, October 6th, one giving notice of the raising of the prices of condensed milk consequent upon the Budget increase in the sugar duty, and the other giving details of the arrangements for the distribution of canned salmon purchased by the Ministry. It was also announced that the air mail service via France to North and West Africa, South America and French Indo-China, which had been suspended on the outbreak of war, had been resumed for first-class mail; and that totalisator betting, which has been officially organised for some years, will not be resumed when racing begins again on October 18th. The first election under the war-time arrangement of the parties not to contest vacated seats took place on this day in the Fareham division.

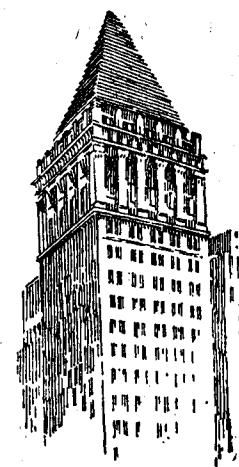
It was made known on Saturday, October 7th, that the publication of monthly figures by the clearing banks would be resumed shortly. The Wool Control announced that a scheme of rationing supplies of tops and yarns for civilian purposes would be put into operation on November 1st.

A miscellaneous crop of announcements on Monday, October 9th, included the Prime Minister's statement that Lord Stamp had been asked to become adviser to a Cabinet Committee for the co-ordination of Government economic and financial policy; the conclusion of an important agreement between the Minister of Labour and port employers and trade unions for the constitution of a voluntary mobile force of dockers; a forthcoming arrangement by the Ministry of Health for new conditions of service for junior medical officers in the emergency medical services; and a notice that compensation for requisitioned stocks may now be claimed by tea traders. On the same day the issue of cheap day tickets on the railways was resumed.

On Tuesday it was announced that recruiting for the Women's Royal Naval Service would cease on October 14th. Two circulars, one from the Ministry of Health and the other from the Board of Education, gave advice respectively on the working of insurance and pensions schemes in war-time and the organisation of central canteens for children.

The issue of an important General Licence by the Board of Trade was notified on Wednesday. This authorises owners of cargoes in ships at non-enemy ports to pay freight and other necessary charges to any enemy for the purpose of obtaining possession of the cargo. The licence is issued under the Trading with the Enemy Act. Farmers requiring molasses for silage were informed that the Minister of Agriculture had ascertained that there would be no restriction on the use of molasses for this purpose.

A resolution of the General Council of the Bar passed with the object of preserving the practices of barristers on service in connection with the war was announced on Thursday.



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NOTES OF THE WEEK

Economic Co-ordination.—The appointment of Lord Stamp to advise the Government on the co-ordination of its economic policies is one of the best appointments that have been made since the outbreak of the war. Lord Stamp is apparently to advise a standing Cabinet Committee of the Ministers chiefly concerned, of which the Chancellor of the Exchequer is chairman. If this were all, it would be very disappointing. An adviser to a Cabinet Committee would be apt to find himself separated by several layers of responsibility from the officials who handle the details of policy. Moreover, the Chancellor of the Exchequer, being mainly concerned with one aspect of economic matters, is no more fitted to preside over the co-ordination of economic policy than the War Minister would be to preside over the Committee of Imperial Defence. Fortunately, Lord Stamp is also to be president of a committee composed of the permanent heads of the departments concerned, and it is this position, rather than that of advisor to the Cabinet Committee, which lends real substance to his appointment. In sum, those who have urged the central planning and co-ordination of economic policy have got a considerable part of what they wanted. It would be better if the co-ordinator were himself in the War Cabinet, and better still if he were given such a commanding position in the Treasury itself as would make him a real co-ordinator instead of merely a mediator between warring factions. Lord Stamp is the best available combination of an economist who grasps the significance of the issues involved and of an eminent personage with the authority to secure attention for his views. The only regret likely to be felt at his appointment is that he is apparently not to devote his full time to his new labours. He is, however, to be assisted by Mr Henry Clay and Mr H. D. Henderson and—it is to be hoped—by a staff that will grow into a real Economic General Staff. As a first beginning with a very necessary piece of administrative reform we may well be content with this. There are plenty of immediately urgent tasks to be performed. Possibly the most immediately urgent of all is to determine the place that exports should play in a war economy and to clear the way for an active export policy.

Success in the Air.—No more than the prologue to the war in the air has been written. Only the Poles have seen the Wellsian vision of death from hostile aerial armadas come true. For the waiting defences of France, Germany and Britain the expected terrible test has still to come. Yet it would be idle to write down the rôle of the air forces even on the evidence given so far. Sir Kingsley Wood's story of the Royal Air Force's achievements in the first five weeks of war, told to the Commons on Tuesday, was impressive and gripping. At home the fighters have stood ready night and day. Over the sea the Coastal Command has flown a million miles to seek attackers, convoy ships and assail underwater craft. On the Continent the entire Siegfried Line has been charted and photographed by reconnaissance planes, while the Bomber Squadrons have flown hundreds of miles into the heart of Germany to leave leaflets and bring back details of military and economic targets. When the signal to join battle in earnest is given, the British effort will be made with the consciousness of great skill and mechanical performance and with the calculated daring shown in the isolated and

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successful raid upon Kiel. As the scouts and auxiliaries of the armed forces at sea and on land the airplanes of the Allies have proved their potential value—no less than the German Air Force which was the striking point of the swift treacherous stabbing of Poland. They have furnished earnest, too, that when they come into their own as a separate arm they will give knocks as hard as the Allied armies and populations will grimly and relentlessly receive from the enemy.

But the war will not be won by the wings that are in the air now. It is here that the Secretary of State for Air sounded a note to shatter the Nazis' long-standing confidence in their ability to gain victory by bombing. Too long have our nerves been ridden by tales of German air might. It was the Nazis who began the race for supremacy in the clouds. It is the British Empire which will soon be in a position to end it. Already the aircraft production of Britain alone is said to exceed that of Germany; it will not be long, Sir Kingsley Wood promised, before this output is doubled—which is more than likely if the Government's industrial and economic policy becomes as wise as its air plans seem to be sound. Meanwhile, a vast arsenal of aircraft and airmen is being built overseas. In the last war Canada contributed 3,000 planes to the Allies. This time a much more industrialised Canada may rival the production of the warring States themselves. Three Dominions, Canada, New Zealand and Australia, are combining their strength to produce planes and train pilots. A British mission is *en route* for Canada, where the Imperial air effort will be centralised out of the enemy's range, to meet New Zealand and Australian missions. If the war is to be won in the air it is the industry and man power of the Empire that will win it.

News from the Front.—The number of men transported to France as a British Expeditionary Force in the past five weeks of war was 158,000. This total may seem small when set beside the million Regulars, Reservists, Territorials and Militiamen at the Army's disposal at the outbreak of war, but it is appreciably larger than many people, aware of the vast transport problem which the movement of modern mechanised troops with their material now involves, had anticipated. It is 10,000 more than were sent to France in the first six weeks of the last war, and they took with them 25,000 mechanised vehicles compared with only 800 in 1914's first phase. Moreover, it has been needful to move the men and their machines, both at sea and on land, by devious routes in small detachments to minimise the chance of air attack. The first stage of Britain's military task has been passed successfully, and a token has been given, both to our Allies and the enemy, of the British Government's intention to throw men as well as ships and money into the common effort. But the successful fulfilment of the responsibility which rests upon us to do all that we can to win the war depends, not upon the first 150,000, but upon the many hundreds of thousands more who will be needed in France and other theatres of war. Over a million and a quarter men are under arms, in training or earmarked for early service. Every able-bodied man between the ages of 18 and 41 is liable to be called up, and class by class they will be drafted to the Colours. The principle at work is that of orderly recruitment; men will be called up as and when they are required, and plans are fully laid to ensure that no man whose worth in vital war work at home is likely to be greater than his value as a soldier will be taken for the Army. The imperative duty of the Government is to realise that men are needed as rapidly as exigencies of training and supply will permit. Orderly recruitment must in no way mean slow motion. It is all to the good that it should have been decided to

accept a quota of volunteers with each batch of conscripts called up; and Mr Hore-Belisha's statement that the Field Army of 32 divisions envisaged in last April's expansion "will not be the limit of our effort" was a step in the right direction. Many more than 32 divisions will be needed if we are to avoid completely the suspicion of the French—and the jibes of the Nazis—that we are willing to let our Allies fight the war for us. So far we have dispelled that suspicion and refuted those jibes. There must be no future relaxation or slowing-down of our contribution.

The First Power in the Baltic.—The Soviet Union has now obtained complete command of the South Baltic coast from Leningrad to Memel. They have accomplished this in three steps, by agreements respectively with Estonia (September 29th), with Latvia (October 5th), and with Lithuania (October 11th). The terms of these agreements are closely alike, each being based on a formula which provides for mutual assistance in all circumstances, and for what might be called "protective assistance," whereby Soviet armed forces are to be stationed at certain points along the coast. In the cases of Estonia and Latvia these points are already agreed upon; Estonia (see *The Economist* for October 7th) will "lease" the islands of Dago and Oesel and the port of Baltiski, and Latvia the ports of Liepaja (Libau) and Ventspils (Windau). In addition to these, which will serve as naval and air bases, other aerodromes and artillery batteries may be established at points to be determined later. After the cession of Memel and its adjoining territory, Lithuania remained in possession of some thirteen miles of coastline, including only the small fishing roadstead of Shventoje, and the Soviet agreement with Lithuania accordingly makes mention only of "land and air armed forces"; these may be stationed "at points in the Lithuanian Republic established by mutual agreement"—or, in other words, wherever it suits the Soviet High Command. That is the military side of the affair. Russia has become dominant in the Baltic, and the results of her negotiations with Finland, whatever they may be, are of secondary importance, since they can only partially qualify that domination.

The political side of the agreements is worth mentioning if only because of their insistence upon it. Each of the agreements contains an article which expressly states that the internal organisation of "neither State" shall be affected by what has transpired. The explanation of this somewhat grandiose gesture on the part of the Soviet Government seems to be a wish to placate world opinion, and perhaps, too, to hasten the completion of a *fait* that needed to be *accompli* at the same time as Hitler's attempt to foist peace terms on the Western powers. Since the theme on which those terms is conceived is one of "what we have we hold," the Soviets will obviously want to have as much as possible as quickly as possible. It is not, therefore, surprising that they have forgone, so far, any attempt to introduce their own methods of organisation into the three Baltic Republics. There will be plenty of time for that. They are probably further moved to patience by the fact that the internal organisation of each of these republics is already thoroughly dictatorial, while that of Latvia is on full-blown Fascist lines, thereby easing their task, whenever they wish to undertake it, from one of revolution to one of mere transformation. For the moment, too, they will be anxious that the three Republics, and especially the more highly developed Estonia and Latvia, shall maintain as high a productive level as possible; and the trade agreements signed alongside the political agreements do in fact provide for a big increase in Baltic trade with Russia. After all, the famous if unfortunate young lady of Riga fared no worse. At least she began her ride in tolerable comfort, and even with a certain eminence.

Pressure on Finland.—Russia's treatment of Finland is of a different order, for Finland is very much more than a name to the Western World and can count upon moral support in the United States and possibly, though not probably, on the material support of Sweden. While the Finns have shown every sign of meaning to resist demands on their sovereignty—to the point of evacuating their bigger towns and mobilising all their scanty armed force—Moscow's need of concessions in Finland is much less urgent than it was further south. The Soviet Navy will now be able to move freely about the Baltic in every season of the year, leaving Kronstadt during its three-months' ice-bound period for the Latvian and Estonian bases; and it will make little addition to its security and freedom of movement to have command of the four Finnish islands in the Gulf of Leningrad (the largest is Hogland) for which Moscow is known to have asked. The Finns could have small objection to handing over those islands: the trouble is more than that, for it appears that the Russians want a foothold in the Aaland Islands, so lately a matter of acrid Russian-German dispute, and on the west Finnish coast. Thence they could command the iron ore and timber shipments coming southwards from northern Sweden and going, for the most part, to Stettin and other north German ports. Thence, too, they could forestall any future attempt by the Germans to use friendly Finland as a means of regaining what they have so notably lost. At the time of writing, there is no definite information of these demands or of the lengths to which the Finnish negotiator in Moscow, M. Paasikivi, is authorised to go in concession; but it may be pointed out that the more alarming reports on the situation, including that referring to the massing of thirty Red Army divisions on the Finnish frontier, have come from Copenhagen, which is now the main neutral source of German propaganda. There is no real evidence that the Red Army is preparing for an instant attack on Finland, though it is clear that military pressure is being applied in one form or another.

The Changing Balance.—Two major after-effects of Russia's Baltic advance have already appeared. The first is Hitler's evident determination to make the best of a bad job—and it is a very bad job indeed—by shoring up the eastern conquests which remain to him. One method of doing this—and also of avoiding any persecution of German landowners that Hitler's new friend might, out of sheer absentmindedness, see fit to initiate—is to populate the Polish areas with Germans moved westward from the Baltic Republics. Both Reich citizens and native Germans in Latvia and Estonia, in all about 100,000 persons, have therefore received invitations to leave their homes and take

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ship immediately for the Reich. The necessary ships have already arrived in Latvian and Estonian ports for the first exodus, but the two days originally stipulated for the whole migration have now been extended to several weeks, and in some cases even to five months. At the same time it is reported, though without confirmation, that Czechs are to be sent to Russia to take the place of the population of the German Soviet Republic on the Volga; and there is also talk of a vast exchange scheme with the countries of south-eastern Europe. If these reports turn out to be true, then it would seem that Hitler has abandoned his dreams of eastern expansion (the Rome wireless station has suggested that he has done so in the face of Russian imperialism), and turned his eyes finally to the West. Tanganyika will pay for the loss of the Baltic Republics; and South-West Africa, on that reasoning, is excellent insurance on Roumania. The second after-effect is less conclusive. It consists in the great increase of trade hoped for by the Soviets between themselves and the Baltic protectorates; and one aspect of this increase is to be the transport of Baltic goods overland (or by the Leningrad-Murmansk Canal) for shipment to western markets. On top of these plans, which are explicit in the Soviet-Estonian trade agreement, comes the news of a new Soviet-British trade agreement, providing for the resumption of timber shipments from White Sea ports in exchange for rubber and tin. While this is not an increase on normal trade, it does mean that the Russians prefer to sell their timber to us rather than to the Germans, and to that extent should be regarded as a good omen. The exchange will be made on a basis of equal values, and these are to be calculated at market rates. It must be hoped that the British Government will take every chance of building a substantial structure on this promising foundation, and that our blockade of Germany will be accompanied by a growing trade with Russia.

The Budget Debate.—The Finance (No. 2) Bill has passed through the House of Commons without any very severe or far-reaching criticism of its contents. Some of the largest increases in taxation—the rise in the standard rate of income tax, in surtax, in estate duty and in the tobacco and alcohol duties—met with hardly any criticism at all, and the debates were largely confined to three subjects only—the increased sugar duty, the reductions in the income-tax allowances and the new Excess Profits Tax. The Labour Party's attack on the increase of 1d. a lb. in the duty on sugar was brought on the charge that it would severely penalise the poor; the case of old-age pensioners was mentioned in more than one speech. But it would be a mistake to suppose that the sugar duty falls exclusively on those who live at the starvation line, and Labour members hardly began to make out a case against the duty in general. Their position is, indeed, somewhat contradictory. They applaud the Chancellor's decision to raise a substantial part of the cost of the war by taxation, but they dislike any increase of taxation on those whose incomes fall below the exemption limit for income tax. There were several speeches in the debates which seemed to be based on the assumption that increased taxation for war purposes could be exclusively or even mainly on the rich. The fallacy of such an attitude can easily be proved from a simple calculation based on the statistics in the latest report of the Inland Revenue. If taxation on the rich were increased so drastically that nobody was permitted to have a net income, after payment of tax, of more than £2,000, the gain to the Exchequer, over and above the rates of income tax and surtax proposed in the Finance Bill, would be less than £60 millions a year. In short, it is impossible to meet the proper fraction of the cost of the war out of taxation without very steeply increasing all taxes, those that weigh on the poor just as much as those that weigh on the rich. This will never be accomplished if every tax that old-age pensioners pay is to be exempt from increase, however small the fraction of its total yield that they pay. (That does not mean that war-time taxation will not make more acute the question of assistance to old-age pensioners and other groups on the poverty line.) In present circumstances, the

only relevant criticism of the increase in the sugar duty would be that some other tax on the mass of small incomes would be preferable. On that issue the Labour Party was silent.

On the question of income-tax allowances, members of all parties joined in appealing, without success, for a reconsideration of the Budget proposals. The Exchequer's position is understandable: the allowances, both for children and for earned income, have been steadily increased in recent years; they are, formally, concessions from the operation of the standard rate of tax, and in times of crisis concessions have to be withdrawn. But this way of looking at the matter merely illustrates the difficulties of evolving a fairly graded progressive tax from a "standard-rate" principle. The effect of the alterations now proposed is to impose a sharper increase of taxation on the family man, or the man whose income is earned, than on the bachelor or the *rentier*. This would be fair only if the previous rates were excessively in favour of the family man or the income-earner—a proposition that nobody in his senses would maintain. It is hard to resist the conclusion that the small sum of £12 millions that will be raised, in a full year, by these changes could have been obtained with greater equity by other means. On the Excess Profits Tax, the main subject of discussion was an unsuccessful attempt to extend the "standard profits" period to include 1938. Hard cases will be quoted whatever base is agreed upon, and the alternative bases suggested in the Bill will commend themselves to most people as fair. An interesting point was, however, raised from the Conservative benches in the course of the debate and received fairly general support. This was the proposal that the new tax should apply not merely to excess profits, but to excess incomes as a whole. The suggestion was rejected by the Chancellor of the Exchequer on two grounds—that it would be unfair to penalise all expanding incomes, and that the difficulties of collection would be very heavy. But neither argument is very convincing. There would, it is true, be some unfair cases among individuals if an Excess Incomes Tax were imposed; but there is no obvious reason why they should be more in proportion than under an Excess Profits Tax. The arguments for taxing increases in incomes are, first, that the great majority of such increases must be deemed to be due to the war, and, secondly, that little hardship is involved in taking away what has never been enjoyed. As for the administrative difficulties, every income in the income-tax grades is already subject to individual review, and if a reasonable exemption were fixed, it is hard to see that the additional work would be excessive.

The Quest for Economy.—One subject that has rightly recurred throughout the debates on the Finance Bill has been the need for economy. Public economy in the sense of restricted spending is not possible in war time. Economy in the sense of wise and efficient spending is therefore imperative. Sir John Simon has assured the Commons that a campaign to save needless expenditure was proceeding in all the Departments of State; and already the expenses of the Ministry of Information and of the A.R.P. organisation have been subjected to special scrutiny. Many members of Parliament and a large section of the public are still not satisfied. They remember the last war too well. Then the unprecedented expansion of Government spending led to an almost complete abandonment of the normal machinery for controlling expenditure, for there were frequently no detailed estimates for the Treasury to examine or itemised appropriations to put before Parliament. In 1915, a Retrenchment Committee was set up to advise upon possible savings in civil departments, and another Committee was appointed to review the expenditure of the Ministry of Munitions. A similar body was created for War Office expenditure at the beginning of 1916; and in 1917 the annual report of the Commons Committee on the Public Accounts recommended more

effective supervision over Government finance. In July, 1917—nearly three years after the war started—a Select Committee of the Commons was set up with wide powers of inquiry into national expenditure. It is a committee of this kind, to examine all expenditure and recommend economies consistent with the execution of the Government's policy, which critics have been calling for ever since the re-armament programme began in earnest. This is not a problem which is peculiar to war time—though its importance is obviously multiplied manifold by the heavy cost of war. Constitutionally the Ministers of the Crown have the sole right to advise the expenditure of money. Politically it is their duty to obtain Parliamentary sanction for whatever they advise. It is not possible for Parliament to do more than debate general issues policy when estimates of expenditure are placed before them, and the only prior check upon wasteful items of expenditure is Treasury scrutiny of the estimates before they are submitted to Parliament. In war time detailed estimates tend to be rare and, from the experience of 1914-18, there is wide room for waste in staffing, salaries, purchases and contracts—when the cost of naval shipbuilding had risen 70 per cent. in the last war, there were no estimates of costs in the national shipyards. Clearly it is only by rigorous costing and the strict limitation of profits that waste can be avoided, and these are departmental and Treasury duties. But the need to revive the Select Committee to hold a watching brief can scarcely be questioned. Indeed, it is an historical oddity that the Committee was ever permitted to go out of existence.

Exports and Export Licences.—Lip service has been paid, both inside and outside Parliament, to the need to maintain exports. The existence of British industry and the British people depends on overseas trade at all times, our additional war requirements of raw materials and certain munitions must be paid for, and neutrals who are prevented from trading with Germany and exhorted to trade with us must be compensated with acceptable goods. The general recognition of the need to export has not, however, produced any plan for meeting it. There is a department of the Board of Trade which is entrusted with the work of examining particular applications for export licences. It has not been working smoothly, and until very recently there was a jam of applications. Mr Hudson's statement in the House on Monday that 37,000 of the 70,000 licences issued since the war began (he did not say how many applications had been made) had been issued in the previous week merely confirms this fact. His further statement that the Department was "trying to find some means of making the position easier for exporters" gave no direct promise that general licences for exports to the Dominions and countries outside Europe would be granted. Nor was there any indication of progress towards the publication of a schedule of priorities for export trades or of the squaring of export policy with a general war economic policy. Tinkering with the present machinery is, on this wider ground, irrelevant. No assurance that the existing system will work with less friction in the future can remove the criticism that the system is utterly inadequate to war needs.

Labour and Supply.—The wishes of the trade unions to pursue without interference from the uninitiated what they regard as their exclusive business, and of the Government to fend off the complication of vulgar passions from what is usually referred to in war-time as a "delicate" subject, have combined to shroud recent negotiations on the subject of industrial man-power in a conspiratorial mist. On October 5th, the Minister of Labour outlined to representatives of the General Council of the Trades Union Congress and the British Employers' Confederation his proposals for a national joint committee to advise him on war-time labour questions. The plan was concerned only with such incidental matters of wages and conditions as might arise from time to time, and it did not satisfy the unions,

who are intent on playing a more positive part in war organisation. Their own scheme, which was discussed with the Prime Minister on the following day, was for a committee of employers and workmen in every vital industry to be responsible for fulfilling the Government's programme of production; for the representation of labour on the council and regional departments of the Ministry of Supply; for consultation of labour before statutory rules and orders are issued; and for the inclusion of union representatives on local food and fuel committees. It is clear that the Minister of Labour's suggestion hardly goes far enough in associating labour with the war effort. It is equally clear that the unions' scheme goes too far in the measure of departmentalisation which it implies and in the number of issues not strictly relevant to the question of supply which it raises. The agreement of a set of principles for the settlement of man-power questions must come first. Their detailed application can then be delegated to the industrial bargaining machinery. The first task can be tackled now, with the positive co-operation of employers and unions, and without the imposition of artificial barriers raised by the taboo placed by union leaders on the word "dilution" and the dislike of individual unions for strong central direction. By the opening of general discussions a position has been reached which was not attained in the last war until September, 1916. This is an encouraging beginning. But the demand for munitions is growing and supplies of labour are not unlimited. There is no time to be lost.

The Neutrality Debate.—The debate in the Senate at Washington on the amendment of the existing Neutrality Act is living out its predestined career without attracting the intense public attention that was given it when the arguments on both sides were relatively new. The first vote came on Tuesday, on a proposal to separate the repeal of the embargo from the "cash and carry" proposals. This proposal came from the isolationist side, inspired by the hope that the repeal of the embargo, if allowed to stand by itself, would have less support than the whole Bill. It was defeated by 65 votes to 26, and this large majority may be taken as an augury of the eventual passage of the President's proposals. Developments in American public opinion have shown a similar reluctance to give any aid or comfort, even negative, to Hitler. Whatever the purpose of the Nazi warning that the American ship "Iroquois" would be sunk in circumstances similar to the "Athenia," its effect has been to rouse anger against the Germans. Furthermore, though vague hopes of the possibility of mediation persist, neither the Administration nor responsible public opinion has shown any sign of being taken in by Hitler's desire for "peace," of sponsoring his proposals or even of suggesting a conference to discuss the matter. The attempt to brand Britain and France as warmongers because they refuse to condone the murder of Poland has entirely failed.

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The Balkan Amalgam.—Following precedent, the Turkish Government's negotiations with the Soviet Government stand mute in Moscow. They have not moved for days, and it may be guessed that they will not move decisively until the Soviet leaders have determined what their rôle in Europe is to be in the light of the firm Anglo-French rejection of Hitler's overtures for peace. A good deal of sympathy and admiration is owing to the Turks for their resistance to what must be intense Russian pressure, although it would be a mistake to think that the British and French Governments are allowing their case to go by default. It would appear that the real stumbling-block to Soviet-Turkish agreement is not only the Russian request that the Dardanelles be closed to foreign warships (for outside League action they are already closed) or the proposal for a mutual assistance pact comprising the riparian States of the Black Sea (for that, too, is in practice also in being) but also the Russian desire for an all-inclusive non-aggression pact with Turkey. The two States signed a non-aggression agreement many years ago; the point of a new one, however, would be to take the sting out of the Middle Eastern Entente (Turkey, Iran, Iraq and Afghanistan), and thereby considerably weaken Turkey's position in the Near East. An interesting aspect of the negotiations is the acute attention they have aroused in Rome. For some time it has been known that the Turkish and Italian Governments were working for an agreement on the teased question of the Dodecanese. Over two months ago the Bulgarians noticed with apprehension that Turkish troops were at more than usual strength in Thrace; but there is reason to believe that even then these troops were looking southwards over the Aegean rather than northwards to Bulgaria. With Russia's westward advance, Italy's relations with Turkey should be given additional cordiality by the reflection that, if Turkey fails, Russia will be well on the way to the Mediterranean. As it is, the Italians are taking full advantage of Germany's preoccupation to regain and improve their erstwhile position in the Balkans, where her aims are not now dissimilar from those of Britain and France: to stem the advance in the Balkans of both Germany and Russia.

* * *

September Profits Harvest.—It scarcely needed an Excess Profits Tax to convince economic observers that a profits inflation is on the way—many of them, indeed, had suggested the need for just such a tax before war broke out. But as yet there is no supporting evidence from *The Economist's* profits records that the expansionary process has started. Of all economic data, past profits provide no evidence of current or future trends. There is no anomaly, therefore, in the fact that industrial profits announced during the past quarter show the comparatively heavy decline of 7.3 per cent. in comparison with those of the same companies a year earlier. The third quarter provides few important company reports, and both in the number of companies and their total profits it makes the smallest contribution to the year. And when the figures are set in a wider context, by incorporation in the new profits index introduced in *The Economist* of January 4th this year, it is again evident that industrial profits which are being currently reported are still depressed by cyclical recession rather than buoyed up by the consequences of expansionary

armaments expenditure. The index, reproduced in the following table, shows a further decline from 122.9 for the four quarters ending in June to 121.8 for the four quarters ending with September:—

TABLE I.—*The Economist* PROFITS INDEX
(July, 1935–June, 1936 = 100)

Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1929	113.8	113.0	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	121.8	...

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.

Detailed figures for the third quarter companies are given in Tables II and III at the foot of this page, and in the two analyses by industrial groups on page 74. Table II shows that the overall rate of profits to capital (9.6 per cent.) was lower than for any third quarter since 1936. Closer analysis of the figures, however, suggests some reservations on this conclusion. Excluding rubber profits, and the exceptionally depressed results of Richard Thomas, the latest quarter's results for 284 companies would have shown a reduction of no more than 2.2 per cent., while the overall return on capital would be raised to 10.0 per cent.

* * *

Profits in the Trough?—These are conclusions which are much closer to current profits expectations. But current problems also are reflected in the division of profits shown in Table III and Table B, on page 74. The average rate of ordinary dividend has been reduced from 9.1 per cent. for a similar group of companies which reported in the September quarter of 1938 to 7.5 per cent. in the latest period. Equity shareholders have, in fact, borne the full brunt of the decline in earnings. The result is that the proportion of profits put back to reserve (which earlier this year showed a persistent decline) has been sharply raised to 32.2 per cent., compared with 27.7 per cent. for March quarter companies and 26.8 per cent. for June quarter companies. The influence of the heavy industry and rubber groups is again evident in this connection. So far as the shareholder is concerned, therefore, distributable profits are markedly subject to directorial policy, and to more generous provision for tied reserves and depreciation to meet the present emergency. And a new equity shareholder, who will take 60 per cent. of future increases in profits above the standard, has been set up by E.P.T. From the fiscal standpoint, however, there seems no reason to alter the view, expressed in these columns three months ago, that industrial profits reported in the last quarter of 1939 should begin to show positive improvement—unless accounting policy becomes ultra-conservative. But the subsequent rise will certainly be tempered by the impact of rising costs and industrial dislocation in the first stages of war.

TABLE II.—THIRD QUARTER INDUSTRIAL PROFITS 1929–39

Reports Issued during Third 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	257	£ 23,727,747	— 3.0	209,191,686	11.2
1930	329	23,626,502	— 6.4	268,078,042	8.8
1931	320	15,996,685	— 35.5	343,500,531	4.6
1932	303	14,722,754	— 28.6	350,474,355	4.2
1933	307	15,394,560	— 5.5	296,128,953	5.2
1934	318	17,139,932	+ 27.7	264,076,256	6.5
1935	345	22,471,189	+ 12.2	286,270,471	7.8
1936	382	28,974,570	+ 14.3	311,349,009	9.3
1937	337	28,575,020	+ 19.2	258,988,667	11.0
1938	374	32,793,241	— 1.4	317,149,925	10.3
1939	345	28,252,796	— 7.3	293,439,617	9.6

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

Reports Issued during Third Quarter	Proportion of Profits after Debenture Interest			Rate of Payment on Each Class of Capital			
	Paid in Pref. Div.	Paid in Ord. Div.	Put to Reserve or "Carried Forward"	Debenture	Preference	Earned for Ordinary	Paid on Ordinary
1929	17.8	61.6	20.6	4.9	6.0	13.7	10.3
1930	18.9	62.8	18.3	5.4	5.0	10.7	8.4
1931	37.1	71.8	Dr. 8.9	5.2	4.5	4.7	5.4
1932	30.9	65.9	3.2	5.1	3.6	4.5	4.3
1933	34.8	61.2	4.0	4.9	4.4	5.7	6.0
1934	24.7	56.8	18.5	4.9	4.1	8.0	5.3
1935	24.7	51.6	23.7	4.7	4.9	9.7	6.7
1936	19.8	50.5	29.7	4.8	4.9	12.1	7.6
1937	16.6	54.9	28.5	4.5	4.8	13.9	9.2
1938	19.3	51.2	29.5	4.5	5.1	14.1	9.1
1939	20.7	47.1	32.2	4.5	5.0	12.7	7.5

THE WORLD OVERSEAS

Italian Non-Belligerency

(From a Correspondent)

SO far Italy has not come into the war. Some people, reading the text of the Milan Pact and recalling the frenzied protestations of solidarity in the Italian daily Press, when this Italo-German agreement was made, are surprised. Others, remembering the last war, are not. But, whether we are astonished or not at Italy's political agility, it is perhaps interesting to discover some grounds for this latest *giro di valzer*. One is undoubtedly the Italian's deep dislike of the whole Nazi connection. The closer their contact with Hitlerism, the deeper their revulsion. Yet, too much must not be made of this undercurrent, for public opinion is hardly the first factor taken into account by the Italian Government. It may tilt the balance, but other considerations load the weights.

There are serious grounds for believing that Italy was not materially prepared for a war. Rumours that Ciano demanded at Milan a slackening in the tempo of aggression are borne out by more precise information about the difficulties experienced by the Italian war industries in getting essential supplies. It followed that the Axis, from the Italian point of view, could serve a useful purpose only in time of peace. So long as the progressive explosions of German aggression merely weakened the Western Powers and undermined their prestige, Italy could hope to make use of her solidarity with the aggressor in order to squeeze out concessions for herself, especially as she was assured after each successful German *coup* that her turn would come next, with full German backing. But in August France and Great Britain seemed at last determined to make a stand, and the Nazi leaders were once again pushing forward with their own plans as though they had never heard of Tunis, Corsica or Nice. Far from being a partner in a promising piece of pressure, Italy found herself manoeuvred to the edge of a major war fought solely in the interests of Germany—and a war in which, whoever won eventually, she would be the first to suffer.

The direction in which Hitler was about to launch his blow probably sealed the question of Italian intervention. For one thing, Poland was a Catholic country bound to Italy by a long tradition of friendship, and the Italian leaders had also to face the unpleasant fact that in Eastern Europe the limit of treaty revision compatible with Italian interests had already been reached. The destruction of Poland implied a direct and serious threat to Italian security, and with Poland would disappear all Italy's hopes of stemming the Nazi advance to the East by building up an independent *bloc* of Eastern European Powers—a policy upon which her diplomacy had been actively, if surreptitiously, at work for several years. In this context, the Russo-German Pact came as an unpleasant surprise, even though, by reducing Hitler's dependence on the other end of the Axis, it probably saved Italy from strong German pressure directed towards bringing her into the war. It can hardly have been welcomed by the Italian leaders—not on grounds of ideology (save for the brief interlude of the Anti-Comintern Pact, Italo-Russian relations have always been excellent)—but for the simple reason that, by the Pact, Hitler threw open the door to a Power with ambitions no less predatory than his own, and infinitely better placed than he for the work of destroying the independence of Eastern Europe. Although little is known of the Axis talks at Salzburg, it is probable that Italy asked for guarantees that an independent Polish State would be preserved and Germany, already committed in her negotiations with Russia to the partition of Poland, would not give them. On this pretext, Italy was able to withdraw.

Five weeks of "non-belligerency" have been enough to show along what lines Italy intends to exploit the present position. In the political sphere, her aim is the preservation of peace in the Mediterranean and co-operation between the smaller Mediterranean States under her leadership. The danger points lie along the Aegean. Turkey is the friend of Great Britain and France and the ally of Russia—potentially,

therefore, a belligerent on either side. Turkey, moreover, has her eye on the Dodecanese islands, and the outbreak of war would in all probability be a signal for an attack on them. Italy has therefore made a conciliatory gesture towards Turkey by reducing her Dodecanese garrisons. In the Balkans, the area most open to German or Russian expansion, Italy's diplomacy is engaged in closing fissures and bridging gaps which, in a sudden emergency, might split Balkan peace from end to end. One concrete result of her efforts has been the recent withdrawal of Italian and Greek troops from the Albano-Greek frontier, and another the demobilisation along the Magyar-Roumanian borders, which Italian pressure on Hungary, via Yugoslavia, has undoubtedly hastened.

Nevertheless, valuable as these peace efforts undoubtedly are, they must not be interpreted as a change of heart. Italy is no more reconciled than she was a year ago to certain territorial and economic arrangements in the Mediterranean, but she is hoping to gain by negotiation concessions which she could hardly achieve by fighting. And if no one will pay her price, she can still hope, by remaining out of the struggle and shepherding her resources, to intervene with overwhelming effect at some future time when all the belligerents will be too exhausted to gainsay her. It is interesting, in this context, to notice that there has been no soft-pedalling on the need for greater and greater re-armament. Italy in her *vigilanza serena* has her eye fixed as firmly as ever on the main chance.

Economic Interests

There is an economic side to her "non-belligerency." Within a week of the war, Gayda was pointing out that Italy, as the only big and highly industrialised Western Power not involved in war, ought to capitalise her position and expand her markets (in other words, increase her trade at the expense of the belligerents). The last three weeks have accordingly seen the launching of a powerful drive towards increased production and greater exports. Since it is to be combined with a quickened tempo of re-armament, Italy's not over-strong industrial structure is likely to be strained to breaking point. Shortage of raw materials lies at the root of the problem. Italy cannot replace German suppliers in the Balkans, or French and British traders in the Levant, unless she can deliver industrial goods, for the general type of commercial transaction in this region is the exchange of raw

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materials for manufactures. Italy lacks the sinews of industry, and her adverse trade balance is already very heavy. The problem of adding to her foreign purchases of primary products seems, therefore, almost insuperable.

Future Policy

Recent legislation gives a clue to the general line of policy she intends to adopt. At home the keynote is reduced consumption, retrenchment and hard work. To the capital levies of 1936 and 1937 are added a new $\frac{1}{2}$ per cent. tax on all capital and a 2 per cent. turnover tax on all sales. Supplies of fuel—including gas—are severely rationed for the ordinary consumer. Certain commodities—coffee, for example—are unobtainable; restaurants may serve only one course; there are two meatless days a week. The consumers' sacrifices will be absorbed into the additional output of the export trade and armament factories. Economy is backed by autarky. The lignite of Arsa and Carbonia; the hydrogenation plants of Bari and Leghorn (built with "Fascist velocity"); the supplies of petrol and wool from Albania; the newly discovered petrol deposits in Sicily; the growing output of electricity; and the resources of the Empire—are all listed to encourage the citizen in the belief that the "battle of autarky" is nearly won. But the promising figures quoted in the Press cannot cover the real poverty of the country, and no amount of tightening the belt can enable Italy to corner the trade of the Eastern Mediterranean, unless the richer and more highly industrialised Powers of the West come to her aid, a fact which cannot have entirely escaped the Duce's attention when he decided to keep out of the war.

The future trend of Italy's policy will depend much upon the attitude (and fate) of the West. If our blockade brings the screw down still more tightly upon Italy's poverty, she may in desperation join our enemies. If we are too palpably outnumbered and outclassed, she may yet *voler aux secours du vainqueur*. Alternatively, our success may gain us her support. She has little to gain from Germany and Russia, and much to lose. In the West the position is exactly reversed. Thus we are certainly in a position to purchase her neutrality or even her active military support. On the other hand, we may never find ourselves under the necessity of having to pay her price.

Profits, Interest and Investment

F. A. Von HAYEK

Author of "Prices and Production," etc.

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ROUTLEDGE

War Boom or Autumn Upturn?

[FROM OUR NEW YORK CORRESPONDENT]

If the data available currently are representative, the level of production and business activity in September was close to 10 per cent. above that of August and more than 10 per cent. above the average of the first seven months of the year. Steel output, which averaged 50 per cent. of capacity in the first half of the year, is now well above 80 per cent. Freight car loadings, which showed little response to the rise in the index of production in the last half of 1938, have suddenly increased and local shortages of some types of cars are reported. That is, while the most conspicuous economic features of the first two weeks of September were the sharp advance in primary commodity prices and in common stocks, the principal feature of the month as a whole has been the correspondingly smart increase in production and business activity.

It would not be illogical to call this a war boom, and it is commonly called precisely this. Yet there is, not only an absence of any evidence of "war" shipments, but also an absence of even rumours of war orders; in some quarters where such orders might have been expected, there has been a positive denial that any have been received. What is more, the number of liners berthed in New York, and the limitations of sailings (perhaps incidental to the arrangement of convoy schedules), is ocular evidence that our export trade with Europe has not yet been "stimulated." With a great part of the European Continent under blockade and the remainder subject to severe restriction of civilian expenditures, the continued repetitions in the press and in conversation about the "insatiable demands" of Europe are beginning to sound rather unconvincing.

The End of Apprehension

Indeed, there seems to be a fair basis for affirming with increasing conviction that this is not (at least not so far) a war boom. It is rather a domestic spurt. It appears that, ever since the collapse of 1937, except in subsidised and semi-subsidised building, there has been all through the economy a disposition to defer decision, to let stocks run off, to postpone investment or to choose only "money" securities. During the latter part of this period there was a spectacular increase in bank deposits, mostly generated by gold imports, and a considerable increase in corporate earnings. It is not unlikely that in the first half of 1939 there was an actual example of an economic phenomenon often discussed, but rarely encountered in real life, viz., over-saving—that is, the accumulation of potentially investible and prospectively investible funds whose intended use was postponed by apprehension of precisely the event which has now occurred—a European war.

The actual arrival of the apprehended war forced decision, and under shock, decisions were taken on the memories of the "other war"—memories of rising prices, difficult deliveries, scarcities, etc. The result was that a pent-up demand was suddenly released, in part actual, in part speculative; and overnight the buyers' market became a sellers' market. The nearest analogy is that of the spring of 1933, when the apprehended devaluation of the dollar converted with almost equal abruptness a sellers' market into a buyers' market.

Scepticism in the Street

It is not usual for Wall Street to repine in the presence of active and rising markets. A stranger might be excused for getting the impression that Wall Street was "enjoying" the war. But the fact is that Wall Street regards our autumn upturn as essentially domestic, as something which occurred almost in spite of rather than because of the war. Yet, notwithstanding this rather comforting conclusion, and notwithstanding the natural gratification that the long, dragging depression of 1937-38 has changed into what looks like recovery, Wall Street is touched with scepticism. It does not share what seems to be the widely popular belief in "war prosperity."

The world economy was poor enough in August; but in the opinion of the Street it will be years before Europe regains even the level of well-being of September 1, 1939. And few in the Street have any faith that the impoverishment of Europe can contribute to America anything that could be called wealth—no matter what to-day's ticker says.

September 28th.

Finland and the War

[FROM OUR HELSINKI CORRESPONDENT]

FINLAND has decided and declared that she will remain fully neutral in the war, but the advance of Russia is being watched with alarm. Meanwhile, the outbreak of war in Europe has caused some dislocation of Finnish economic life. In the money market the consequences of the threat of war were already evident during the last week in August, when business firms began to provide themselves with ready money and part of the public withdrew their deposits either to have ready money in hand in case of need or to purchase commodities, of which a shortage was feared. When war broke out, the demand for cash increased still more; panic buying increased, while business houses and industrial companies required funds either for replenishing their stocks of goods, raw materials and supplies or for redeeming foreign debts.

The tightening of the money market is shown by the fact that the balances of the joint stock banks on current account at the Bank of Finland were reduced from 1,181.6 million marks on August 23rd to 906.4 millions at the end of the month and to 690.3 millions on September 8th. During the second week in September the atmosphere grew considerably calmer and during the third week deposits increased again to 702.1 million marks. Panic buying and the anxiety to have ready money available also caused an increase in the note circulation, which rose between August 23rd and September 15th by about 16 per cent., reaching 2,457.5 million marks, a new high record. During the third week in September, however, notes began to return to the central bank.

Far greater importance attaches to the consequences which the war is bound to have directly on Finland's foreign trade and thereby indirectly on the production and general economic life of the country. Finland is dependent on foreign trade to a very high degree. Although the self-sufficiency of the country in regard to food is much greater now than at the time of the Great War, the population is dependent on

imports of some kinds of foodstuffs. Industry requires great quantities of raw materials and supplies; coal and coke and liquid fuel have to be imported. These essential goods cannot be obtained, unless exports are kept going, and about one-third of the country's production is for export.

This is Finland's vulnerable point and consequently the Government and the Diet introduced measures for controlling trade as soon as war broke out. On September 1st a decree was issued forbidding scrap iron and scrap metal to be exported. On the following day the export of many other goods was prohibited. At the same time a licensing board was appointed with power to grant exceptions to the export prohibition, which was intended principally to safeguard the country's supplies of food, raw materials and machinery. On September 12th, exports of firewood, timber, woodpulp and newsprint without licence were prohibited. A few days later these measures were supplemented by an order prohibiting all imports and storage in bond of foreign goods until further notice, unless a special licence was obtained from the licensing board.

By these orders, which by no means aim at preventing foreign trade, the Government is enabled to exercise control over all foreign trade. It is to be expected that foreign trade will acquire the character of compensatory trade more and more; and the Government will be able by these controls to ensure equilibrium in the country's balance of trade.

It is still uncertain to what extent it will be possible to maintain trade with other neutral countries and with the belligerent Powers. The lists of contraband of belligerents include Finland's most important goods and the torpedoing of several neutral ships in the North Sea is not encouraging. It is hoped, however, that the negotiations now started by the neutral States will preserve their right to carry on neutral trade and enable them to continue the exports and imports which are essential to the existence of them all.

The exceptional conditions have resulted in State intervention of other kinds. It is worth mentioning that a new Ministry of Supply has been set up. This new department is to deal with all matters concerning the livelihood of the population, with the control of economic life and the employment of labour during the war. Even before this Ministry had begun to carry out its duties, the control of crude mineral oil, petrol and other liquid fuel was introduced with a view to restricting their consumption.

October 5th.

Portuguese Trade in War Time

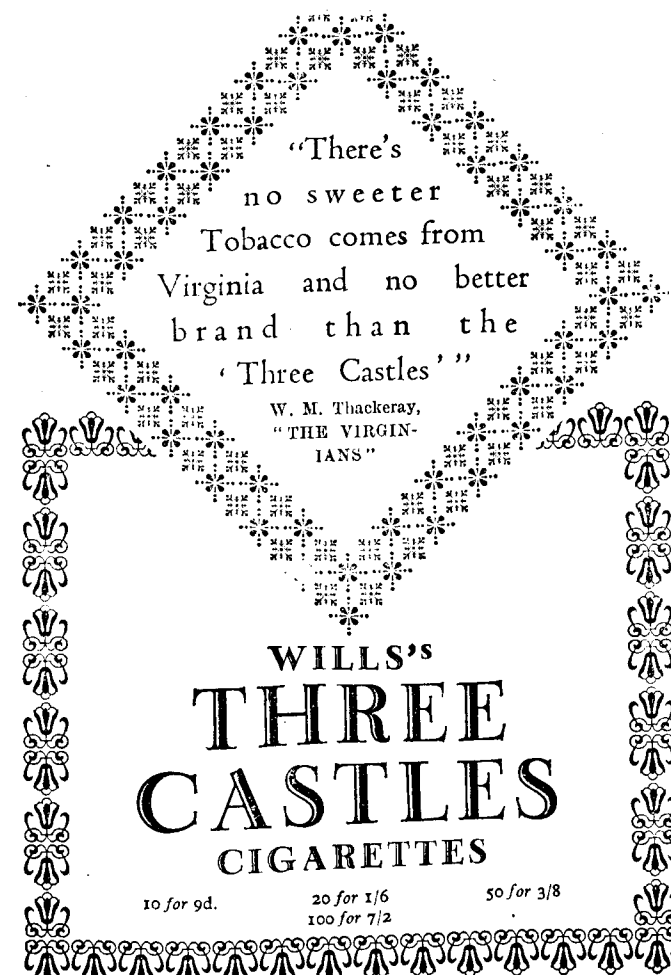
[FROM OUR LISBON CORRESPONDENT]

THE chief preoccupation of Portugal, like that of all neutral countries in the midst of European war, is to maintain essential supplies and the flow of foreign trade. Strict neutrality is the keynote of Portuguese policy in face of the attitude taken up by the various belligerents. Germany is energetically attempting to obtain shipments of all manner of foodstuffs by indirect routes, mainly Switzerland, Holland and Belgium; and is trying to convince the Portuguese that England wishes to stifle neutral trade. The allegation is not believed.

So far the commercial and financial position of Portugal is good. There is hope of increased trade with the United States, and proposals have been mooted to make Lisbon a port of call for United States shipping bound for Europe. Rumours of the coming establishment of a United States banking agency have not yet been confirmed, and it is also believed that the rumoured linking of the escudo to the United States dollar is improbable, at any rate at present. There has been a rapid increase in the quantities of mails and passengers carried on the South Atlantic air route in view of the likely cessation soon of the service via Newfoundland.

The trade activities of the Germans in Portugal are, not unnaturally, hampered by the Reich's lack of ready funds and foreign exchange. Sellers are demanding to be paid either in cash or by sight drafts on first-class British, American or Dutch drawers; and Portuguese banks are chary of handling any export business at all until the entire transaction has been fully licensed by the Ministry of Commerce.

October 5th.



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Germany at War

An objective account of economic trends in the Reich compiled weekly by the editorial staff of The Economist from German and neutral sources

GERMANY is at present settling down to War Economy. The actual decree containing the general regulations for War Economy was issued on September 9th, when the German armies had penetrated deep into Poland and a complete system of rationing had been in force for a fortnight. The transition from intensive preparations for war to actual warfare—that is to say, from *Wehrwirtschaft* to War Economy—has naturally been less marked in war-organised Nazi Germany than in other countries.

The Reich's war plans are very comprehensive and detailed in appearance. The control of trade, foreign exchange and supplies is unified, and everything, including labour, is ostensibly centrally rationed; rationing of the consumption of raw materials is extended almost daily to new groups of commodities. In practice, however, the system is not working so smoothly. There is the same unemployment, especially of women due to the dislocation of distributive and luxury trades, as in this country; and there are stories of inefficient and disorderly sub-contracting.

The serious shortage of labour which was experienced before the war has changed to a situation of unemployment or short time in several industries—especially in textiles, clothing, and shoe and leather industries. Workers, especially women workers, are being transferred to war industries, and the system of controlling labour has been tightened up. No worker may leave his job without permission, and migration from the land is generally forbidden.

The curious passive confidence of most Germans in Hitler's policy has been strengthened by the easy defeat of the Polish armies, as well as by Hitler's recent peace offer. There may be a decisive change in morale after the peace offer has been rejected. This remains to be seen. The rapid development of the German-Russian alliance, however, has caused utter bewilderment. Numerous stories in the Press about the traditionally friendly relations between the two countries, as well as accounts of the inexhaustible resources of Russia, are intended to remedy this.

Nazi Socialism

A cross-section of the opinion of different classes in the German population would reveal strange contradictions. Former "Marxist" workers are now highly praised by Nazi authorities. Public speeches made by prominent Nazi leaders appeal especially to workers and employ the word "socialism" more often than before. Financiers, industrialists and merchants, on the other hand, are said to be disturbed by rumours that the Government intends to requisition all capital invested abroad. The reconstruction of industry in Polish Upper Silesia is conducted under the direct control of the State, and inspired articles are very vague about the question of private ownership in the occupied territory.

It would be a mistake, however, to see in these trends a genuinely Left-wing tendency in social policy. The wage and taxation measures adopted since war began are rather reactionary in character. The 50 per cent. increase in taxation on incomes over £150 (total taxation being limited to 65 per cent. of income) has hit the middle class very hard indeed, while the rise in the rate of tax on the highest incomes is extremely small. Workers with incomes below £150 have had to accept a wage cut (to be translated, by official ukase, into lower prices) which may be as high as 10 per cent. of earnings. This may be regarded, in part at least, as a sop to employers, though its primary intention is to prevent a jump in prices. Finally, there has even been talk in a section of the Press of relaxing some of the existing restrictions on business, such as the restraint of dividends.

The newspapers concentrate on denouncing Great Britain's blockade of Germany and its effects on neutral countries. They divide the neutral countries into four groups: (1) Italy and Russia; (2) the Balkan countries; (3) the Baltic and Scandinavian countries; and (4) Belgium-Luxembourg, Holland and Switzerland. Germany expresses confidence in her ability to maintain and even to increase her trade with countries in groups (1) to (3), but is very indignant about British interference in the foreign trade of Holland and Belgium.

So far no new financial methods have been introduced. The first financial measure was the increase in income tax of 50 per cent., and at the same time it was declared that there would be no special war loans. In other words, the war will be financed by special bills in the same way as the re-arma-

ment programme was financed. No moratorium has been declared, but a decree restricting withdrawals to 10 per cent. of the banking deposits is still in force. Numerous firms have experienced difficulties in meeting their liabilities, and the banks have now been ordered to advance short-term credits to those firms which have had to restrict their peace-time production. The fighting forces are empowered to meet their payments by issuing special bills, called *Wehrmachtsverpflichtungsscheine*, which will be discounted by the banks. These bills must be for not less than Rm. 10,000, and will mainly be used for financing war industries. These are not rediscountable. Nor can they be used as collateral for loans. But, although they have been professedly devised, like their predecessors in Nazi re-armament finance, to avoid inflation, it is by no means certain that they will be any more successful than those in doing so. They will swell the illiquid holdings of the commercial banks, while the more liquid assets will be brought busily to the Reichsbank. Even so, there is no sign at all of fresh inflation. Rather is the reverse the case when tax revenue is estimated to rise well over 100 per cent.

As could be expected, the first real difficulties of the war have been experienced in the transport system. Railways have been fully employed in transporting troops, with the result that a severe shortage of trucks for coal has developed. At the beginning of the war long-distance motor transport was suspended, and the carefully prepared plan for transferring the transport of staple goods to the inland waterways is being put in operation. Freights on all waterways west of the river Rhine have been reduced, and traffic from the Rhine to Central Germany via the new "Mittelland" Canal has considerably increased. The shortage of tonnage on the Danube is to be remedied by transferring Rhine barges to the Danube.

Different industries have been differently affected. All private building has been suspended. The textile and clothing industries are being completely reorganised to work mainly for the army and for export. A number of leading firms in the armament industries have reported considerable increases in their capital, prominent among them being chemical concerns, motor works and aircraft factories. The Special Commissar for the coal industry hopes that coal mining in Polish Upper Silesia may make possible a considerable increase in coal exports.

Great emphasis is laid on the need to maintain exports. It is recalled that, during the last war, Germany's foreign trade fell to 40 per cent. of its volume before the war. This time it is hoped Germany may be able to maintain two-thirds of her foreign trade. The general tenor of the German Press is: Germany is prepared for a long war, though the actual needs of the war cannot yet be foreseen accurately; the most important task at the moment is to produce enough goods for export in order to be able to pay for essential imports.

Germany and Russian Raw Materials

For Germany the most important Russian raw materials are oil and manganese ore, and the Polish oil fields, with an annual output of 507,000 tons of crude oil, have been given up to Russia for political reasons. German domestic production of synthetic petrol and other oils amounted to 2 million tons in 1937, and it may have been doubled since. In 1937 Germany's total consumption was estimated at 5 million tons, when the total number of motor vehicles was 2 millions. Since then the number of motor vehicles has increased to roughly 3 millions, raising the Reich's peace-time consumption to 7.5 million tons of mineral oils. War-time consumption is variously estimated at from 17 to 20 million tons. Yearly imports from Roumania have only reached on an average during the last few years about 1 million tons, of which a considerable portion has been shipped via the Mediterranean to North Sea ports.

Thus Russian mineral oil will play a most important part. It must, however, be noted that Russia's own home consumption, especially in agriculture, has considerably increased recently. Exports of mineral oil from Russia have tended to fall:—

RUSSIA'S EXPORTS OF MINERAL OIL

(in '000 tons)			
1925-26 ...	1,473	1936.....	2,653
1931.....	5,224	1937.....	1,929
1932.....	6,102	1938.....	1,104 (10 mths.)

Germany's hopes of increased oil imports from Russia will only be fulfilled if it is possible to improve output in Russia by better organisation, better drilling material and more skilled workers. Russian material is inferior, and 11 per cent. to 25 per cent. of the total work must be devoted to repairs. Only a third of Russia's requirements of drilling material can be supplied by home production.

The Russian resources of manganese ore are of great importance for Germany. After the decline in foreign trade between Germany and Russia in 1936 Germany imported the bigger part of manganese ore from the Union of South

Africa. As the Russian iron and steel industry has developed exports of manganese ore have fallen off accordingly:—

MANGANESE ORE EXPORTS

('000 tons)			
1913.....	1,194	1936.....	606
1924.....	494	1937.....	1,001
1930.....	754	1938.....	352 (11 mths.)
1935.....	640		

Germany hopes to get the supplies (6,757 tons in 1936 and 14,072 tons in nine months of 1937) which formerly were shipped to Great Britain.

Letter to the Editor

Portugal's Finances

TO THE EDITOR OF THE ECONOMIST

SIR,—In an article entitled "Portugal's Progress," which appeared in *The Economist* of May 13th last, there was an analysis of the Budget figures since 1936, in which, in order to arrive at what the author considered true results, he excluded from revenue the proceeds of loans and previous Budget surpluses, while including in expenditure, not only expenses met out of ordinary revenue, but also those met out of extraordinary revenue.

Under the Portuguese Constitution, borrowing may only be resorted to for exceptional purposes of economic development or amortisation of other loans. The laws of public accounting stipulate that the proceeds of loans shall only be included in revenue as and when they are applied, and the procedure is the same in the case of previous Budget surpluses. The classification of expenditure into ordinary and extraordinary discriminates, according to their economic nature, between acts of public consumption for the satisfaction of various collective needs, on the one hand, and, on the other hand, the investment of capital in the creation of national equipment and the satisfaction beforehand of needs from which future generations will also derive benefit. Not to have recourse to credit for purposes of the latter kind would have the following consequences: (a) limitation of the State's progress to the resources derived from the ordinary revenue; (b) the need of accumulating surpluses until the sums requisite became available; (c) the need for the immediate creation of the required revenue, if this is within the taxable capacity of the country, which is not usually the case.

If, in order that the finances of the State might be considered to be balanced, it were necessary to conform to this criterion, such a position would only be attained by those countries which, for lack of credit or owing to hopeless poverty, had to confine themselves to living from day to day. Furthermore, a loan would not be considered a legitimate operation.

Moreover, it is abundantly clear from the Portuguese Public Accounts that, since 1928, recourse to credit has not served to hide deficits. From 1928-29 to 1938 the excess of ordinary revenue over ordinary expenditure amounted to 2,301 million escudos, and extraordinary expenditure was greater than ordinary expenditure by 470 millions. This amount was therefore met out of surpluses on the ordinary Budget, and there still remained 1,831 millions, of which 673 millions were spent up to 1938. The Treasury therefore held at the end of that year 1,158 millions. The amounts derived from loans (i.e. the yield from the sale of bonds and contracts, excluding that part earmarked for the repayment of other loans), and applied in extraordinary development and improvement works, which have been included in extraordinary revenue during these ten financial years, total only 630 million escudos, a sum which is much smaller than the total of the surpluses accumulated and even than those which are available.

An even greater mistake would be to exclude from extraordinary revenue surpluses derived from previous years and applied to extraordinary expenditure. In that case it would be necessary equally to exclude from expenditure those expenses which are met from funds derived from that source.

If we draw up afresh and correct the figures inserted in the article under review, we have:—

(In millions of Escudos)				
	1936	1937	1938	1939
Ordinary revenue*	2,011	2,136	2,250	2,029
Ordinary expenditure*	1,787	1,852	1,915	2,020
Balance	+ 224	+ 284	+ 335	+ 9

	1936	1937	1938	1939
Extraordinary revenue:				(Budget)
Various	2	3	...	9
Loans	137†	9	22	225
Balances from previous years	114	129	258	552‡
Extraordinary expenditure	253	141	280	786
	249†	213	372	793
Balance	+ 4	- 72	- 92	- 7
Final balance	+ 228	+ 212	+ 243	+ 2

* Less the interest on bonds in the possession of the Treasury.

† Less debt repayment.

‡ In the *Economist* of May 13, page 362, there was a misprint in the original table. In the last column 225 should be opposite "Sale of bonds," and 552 opposite "Previous Budget surpluses."

The view that a real deficit exists merely because part of the resources from which the total expenditure was met were derived from loans is thus seen to be without foundation.

The figures set out above show:—

(1) That loans amounted to less than the surpluses of the ordinary Budget;

(2) that in the years 1937 and 1938, extraordinary expenditure exceeded extraordinary revenue by 72 and 92 million escudos, which means that those differences were met from ordinary revenue.

Portugal is carrying out a programme of economic reconstruction, under a 15-year financial plan (1936-50), to the value of £60 millions. The recourse to credit provided for is approximately of £18 millions. It might be concluded from this that during the period mentioned Portuguese finances would be on a deficit basis if the revenue from loans were not taken into account in arriving at the yearly balances while expenditure met from this source were so taken into account.

THE PORTUGUESE EMBASSY.

London.

[To-day it has become an established principle that State expenditure of a capital nature can be met out of the proceeds of loans without thereby unbalancing the Budget. The difficulty of the Portuguese Budget is that it is not divided, as the Swedish Budget now is, into current and capital accounts but into ordinary and extraordinary accounts. In the Budget estimates for 1939 the ordinary Budget showed a small surplus. Extraordinary expenditure of 793 million escudos was to be met almost entirely out of borrowing and the proceeds of previous Budget surpluses. These latter result in a reduction of debt in the year in which they are earned but in a cancelling increase in debt in the year in which they are spent. In the year in which they are spent they are equivalent to new borrowing. Of this extraordinary expenditure of 793 million escudos 435 millions were to be spent on the Army and Navy. Even if the remaining 358 millions were to be devoted solely to fully remunerative capital expenditure, a real deficit would remain. It may be perfectly justified to borrow for defence in peace-time. Great Britain has done this to a far greater extent than Portugal. But a British Budget surplus would have no meaning, if loan expenditure on defence were ignored. In the table published in *The Economist* of May 13th the net deficit on both ordinary and extraordinary items was shown. Clearly this was a maximum, since part of it represented loan expenditure on fully remunerative capital works, but the real amount cannot be estimated from the Portuguese returns.—EDITOR.]

THE BUSINESS WORLD

The Fate of the Standstill

THE war has shattered and dispelled many long-established makeshifts to the permanence of which we had come to resign ourselves. The German Standstill Agreement is one of them. The debts of course remain, and remain unpaid. But at least recent events have brought home to the creditors all too forcibly a conclusion which more of them might have reached some time ago—that the basis on which repeated renewals of this short-term debt had been agreed consisted largely of wishful thinking, and that a policy of cutting losses while something remained of the assets represented by these credits was both sound banking and sound commonsense.

What was the size of the Standstill problem at the outbreak of the war? In measuring it we need not concern ourselves with the total lines of Standstill credits outstanding, but with the facilities actually being utilised. It should be safe to assume that, whether the creditors be neutral or not, there is no likelihood of the re-utilisation of non-availed credits in the near future. The latest figures of Standstill credits actually utilised are those relating to the end of last February, since when it may be taken that no appreciable alterations in the totals or in their distribution as between national groups of creditors have occurred. At that time the credits actually in use totalled Rm. 692 millions. (The credits were, of course, granted in terms of the foreign currency of the creditor banks, but in all the official Standstill statistics their aggregation has been expressed in the common denominator of Reichsmarks.) Of this total, some 60 per cent. was owing to British creditors. The amount in question was about £36 millions, equivalent at that time to Rm. 415 millions. United States creditors accounted for about Rm. 171 millions, or \$49,500,000. The next group in order of importance was that of Swiss banks with a total of Rm. 66 millions, or 117 million Swiss francs. The Dutch group ranked for Rm. 36 millions, or 27 million guilders. The balance of Rm. 13 millions was largely accounted for by a belga credit.

The geographical distribution of these Standstill credits has altered appreciably over recent years. There was a time when the American banks held more than 50 per cent. of the credits utilised, as against their present proportion of just over 23 per cent., and when Great Britain did not claim the lion's share which is its unpalatable portion to-day. In absolute terms, however, the share of each group of creditors has fallen substantially, and is to-day only a small part of the original size of these commitments as they emerged from the 1931 banking crisis. Nevertheless, £36 millions is a big enough load for London to carry, especially as it gains in weight from the incidence of its distribution among the various component parts of the London market. Of that total of £36 millions, it may be estimated that roughly £12 millions falls to the lot of the clearing banks. They can, of course, easily support this loss, and, indeed, they have in most cases written down the credits in question to nominal figures. The balance of about £24 millions is, however, a substantial burden for the non-clearing institutions—mostly the private merchant banks and acceptance houses. Of this total, it is possible to discern from the figures of the merchant banks which publish balance sheets an aggregate figure of about £8 millions of German Standstill credits. This leaves a total of approximately £16 millions to be accounted for by the comparatively few but important banking houses which do not publish balance sheets.

Soon after the outbreak of the war the British creditors denounced the Standstill agreement. They were forced to do this, firstly by the regulations forbidding trading with the enemy, and secondly by the injunctions to cancel all foreign credit facilities. The Germans, on their part, immediately stopped remittances in respect of the service of the Standstill credits to this country. The creditors in London have therefore been forced to face the fact of a complete default. In the case of open cash credits the consequence is a mere book-keeping entry. Where acceptance credits are concerned, the procedure acquires a more painful reality, since the credit is in fact being granted not by the acceptor but the discounter of the bills drawn under the credit and since the burden must be shifted from the latter to the former. The acceptance houses have therefore been called upon to take up the bills in question from the market, where they were circulating. This has meant a draft upon liquid funds. The process is no doubt taking place gradually, but the figures given above suggest that, however gradual, it will involve a certain amount of strain.

It was partly in recognition of this fact that the Government and the Bank of England at the outbreak of hostilities announced the scheme for assisting acceptors of bills normally discounted in the London market who as a direct result of the war were called upon to meet their potential commitments. That assistance is being made available at the penal rate of 6 per cent. The Bank returns published since the outbreak of the war do not suggest that appreciable recourse has yet been made to these facilities. It is, however, evident from the size of the commitments in non-clearing bank circles that increasing use will have to be made of the plans for the "cold storage" of the Standstill bills. The expense of these facilities will be accentuated by the fact that the profit-earning capacity of the merchant banks mainly affected is starting on a period of considerable decline. These banks are losing foreign exchange business, new issues are virtually suspended "for the duration," acceptance business is at a standstill and there are losses to be nursed not merely in Germany but in the Baltic and other affected areas. When a bank accepts bills to, say, four times the amount of its capital the returns of such business appear easy money indeed. But to pay 6 per cent. on any appreciable part of these potential commitments, as some of the acceptors will have to do on their Standstill paper, shows the reverse side of the acceptance business medal in all its unpleasantness. The result of the denunciation of the Standstill agreement and of the default on the credits covered by it will almost certainly be to cause certain important changes in the ultimate structure of the London banking system and in particular of that part of it made up by the private merchant banks and acceptance houses.

The American creditors have decided to join their British colleagues in denouncing the agreement. In making this choice they were no doubt prompted by the knowledge that their right of set-off enabled them to attach appreciable German assets in the United States and by the reasoning that this bird in the hand was worth all the possibilities offered by the prospect of continuing the agreement. The American banks were fortified in their decision by the fact that an appreciable part of their credits had been recommercialised and that the British blockade is calculated to deprive these credits again of their commercial backing. With the help of the special

facilities which United States law provides for attaching the assets of debtors, the American banks were, in fact, in a position to cover a considerable part of their Standstill liabilities, and they utilised their opportunities to good effect. It may incidentally be assumed that in so far as British credits were recommercialised, the creditors have extracted modest compensation from the seizure of cargoes destined for Germany and financed by commercial credits covered by the Standstill Agreement.

The other neutral creditors were unfortunately not in the position to interpret their neutrality with the unconcern and opportunism shown by the American banks. Moreover, in the case of Swiss and Dutch banking creditors, the maintenance of commercial relations between their countries and Germany may bring with it a more rapid liquidation of the small Standstill debts still outstanding than was visualised in the agreement. Representatives of these countries have therefore been negotiating

Investment and War—IV

Railway Finance under Control

FOR the past six weeks railway stockholders have been entirely in the dark regarding their position and prospects under war conditions. Some £1,109 millions of listed railway capital lacks any objective basis of valuation; its fate depends, for the duration of the war at least, upon the terms of the financial compensation which will be offered to the companies. Although the Government were prompt enough to put the companies under official control, actually before the outbreak of war, they have shown no haste to conclude a precise financial arrangement with the companies, or even to adumbrate a general basis on which they will be compensated. It is questionable which of the inevitable consequences is the worse—the absence of any rational basis for valuing railway stocks, and marginal stocks in particular, or the spate of independent attempts to foreshadow the possible nature of the agreement when, at last, it is produced.

In the economic sphere it is both an advantage and a disadvantage that war should have recurred within twenty-five years. The precedents are ready to hand—but perhaps too dangerously so. Much play has been made of the historical fact that the railways received satisfactory, and even generous, treatment during and after the Great War. Between 1914 and 1918 dividends were paid on railway ordinary stocks which would make the investor's mouth water to-day. As we showed in a Note on page 498 of *The Economist* of September 9th, the Great Western Railway actually raised the dividend on its ordinary stock from 5½ per cent. to 7¼ per cent. in 1918—a rate which has not been seen since 1929. Moreover, in 1921 the Government and the railway companies reached an agreement on outstanding claims on the basis of £60 millions, though this figure itself represented a mere fraction of potential claims, estimated by the Colwyn Committee in that year at no less than £150 millions. Around such facts as these, a legend has developed that railways can be regarded as immune from the major financial risks of war.

It is as well to challenge such comfortable assumptions at the start of any speculative examination of the position of railways under present war conditions. The precedents are open for examination not merely to the railway stockholder but also to the Government. The latter may recall one of the conclusions of the Colwyn Committee, which reviewed the working of the agreements in the Great War:—

The character of the Government's "possession" of the railways has, in the course of time, undergone a complete change. It began as a temporary control of traffic for purely military purposes, with a liability for compensation for purely military acts; it has developed into a comprehensive financial transaction entirely divorced from military considerations, covering the whole area of railway administration, and continuing long after the circumstances which originally justified it have ceased to exist.

with delegates of the Reichsbank, and this week reached agreement on the continuation of the Standstill credits on the terms agreed upon at the latest renewal last May. The Americans were invited to join in these negotiations with neutral creditors, but decided to abide by their earlier decision to denounce the agreement. These separate agreements between Germany and the Dutch and Swiss creditors now become part of the financial and commercial relationship between these two neutral states and one of the combatants. They cease to be part of a wider international agreement on German short-term debts or to bear any definite relation to the debts from which they originated. The Standstill Agreement has gone for ever, and the only regret appropriate to its passing is that after eight long years of life—nearly seven of them years of Nazi domination in Germany—it should still take with it into the perdition of bad debts so considerable an amount of London funds.

Further, the original agreement of 1914 was intended to protect the companies against loss or injury arising from the invoking of the Regulation of the Forces Act of 1871; in fact, the companies were completely protected against all loss arising in the period of possession, whether attributable to the 1871 Act or not. The capital payments at the end of the war were a powerful factor in strengthening the newly-formed group companies which arose from the 1921 Act. But that grouping is itself one of the major differences between the circumstances of the Great War and those of to-day. The disappearance of numerous companies implies a consequent convenience in handling claims. Nor should it be forgotten that, in contrast to the Great War period, the present control includes London Transport. And, in view of the Board's failure to achieve standard earnings, the basis on which the Board should be compensated for any loss of revenue arising from war conditions may well prove extremely difficult to devise.

It is proper to rehearse these points in order to check any false optimism which railway stockholders might at present entertain. Compensation there must be, both on revenue and capital account, but it is likely to be subjected to much closer control. Admittedly, the original agreement in 1914, under which the railway companies were collectively guaranteed the same net receipts as in the corresponding period of "the previous year," was modified on several occasions during the War, though usually in a sense favourable to the companies. And evidence that the agreement contemplated a period of possession of no more than five months is implicit in this very formula. A method of compensation temporarily based on the peak earnings of 1913 was, in fact, maintained, and even extended, for the duration of the war, and for the three years which followed. The consequences for the controlled companies are summarised below:—

	In £ millions					
	1913	Aug. 5- Dec. 31 1914	1915	1916	1917	1918
Receipts:—						
Passenger	54.1	19.1	52.6	55.0	59.7	69.8
Goods	68.6	26.9	71.8	74.8	74.3	72.4
Estimated Govt. traffic*	...	3.5	10.3	20.6	35.7	41.9
Total revenue†	118.7	47.9	130.3	145.9	164.3	177.6
Total expenditure...	75.1	31.8	85.0	95.8	108.9	131.3
Balance of revenue	43.6	16.1	45.3	50.1	55.4	46.3
Compensation Paid	...	15.9	14.0	24.1	41.3	

* At pre-war rates.

† After deducting collection expenses and crediting miscellaneous receipts.

Such results cannot be called unfavourable for the companies. Nevertheless, net revenue is not necessarily the only controlling factor in a scheme of compensation. But

if net revenue were chosen, it would be obvious that, whereas 1913 was an abnormally good year, 1938 was abject, and could certainly not be used as a standard. The most popular market suggestion is that a three-year average, covering 1936 and 1937 (years of improving receipts) together with 1938, might be employed. Actually, the terms of the 1914 agreement provided for a guarantee of net receipts "above the line"—that is, before including "miscellaneous receipts (net)." But a short cut can be taken, in estimating the effect of a guarantee based on the three years, by considering it merely from the standpoint of the marginal stocks. The following table shows the cover which would be available on this basis, for each of the main line companies:—

	Marginal Stock	Average earnings, 1936-38	Required for div.	Surplus or Deficit	Equivalent to
L.M.S. ...	4% 1923 pref.	£1,941,797	£1,605,359	£336,438	0.3% on ord.
L.N.E. ...	4% 1st pref.	1,964,441	2,129,627	Dr. 165,186	3.7% 1st pref.
G.W.	5% red. pref.	1,087,481	...	...	4.6% red. pref.
Southern	Ordinary Pref. ord.	1,245,618*	1,379,330	Dr. 133,712	2.5% 4.5%

* After allowance for increased debenture interest.

Taking the companies in turn, the annual average earnings of the past three years cover the L.M.S. 4 per cent. 1923 preference stock with a margin, actually equivalent to 0.3 per cent. for the ordinary stock. Full dividends for the London and North Eastern 4 per cent. first preference and 5 per cent. redeemable preference stocks (which rank *pari passu*) would require an additional sum of approximately £165,000, and the average for the three years would be equivalent to earnings of 3.7 per cent. for the former and 4.6 per cent. for the latter stock. Average earnings for Great Western ordinary stock during the period were £1,087,481, which is equivalent to approximately 2½ per cent. Finally, the Southern figures are of interest to the preferred rather than to deferred stockholders, for, after allowance for interest payments on the new debentures, the preferred stock dividend would be uncovered to the extent of ½ per cent.

Whether such estimates are likely to hold good for the duration of war or not, it is clear that they are well in excess of reasonable expectations for the current financial year, and that fact may weigh in the calculation of compensation. Until the moment when publication of railway traffics ceased, the companies showed a gain in gross earnings of £2,620,000 for the first 34 weeks of the current year and there was every expectation that the rate of increase would be greatly enhanced during the second half. But even granted the fact that the railways were enjoying a sharp improvement in revenue before the outbreak of war, it by no means follows that the lot of the stockholder would have been consistently good for, say, the coming three years.

Hence, the question must be faced whether a compensation scheme on the Great War model would be in the best national interest, now that railway grouping has been achieved and some of the special difficulties of the Great War period are consequently removed. It has been suggested, as an alternative, that the companies might receive payment for the actual value of Government transport, and for loss arising from Government control. The table on page 55, which is extracted from an official statement published in 1919, itself gives an estimate of the value of Government traffic, assuming that the latter had been charged at pre-war authorised rates. The virtues of the guarantee system lay in its simplicity; and it protected the transport user, though admittedly at the expense of the general taxpayer. But the alternative, under which Government traffic was merely a special revenue producer on a normal basis, would presumably contemplate also the maintenance of control of passenger fares and goods rates on a peace-time basis through the Railway Rates Tribunal. If so, are the normal statutory criteria, by reference to which an increase in charges may be granted, to be maintained in a period when costs are likely to rise in faster degree than revenue?

The answer to these questions—which raise only the most general of the issues involved—must be left to the

negotiating machinery between the companies and the Ministry of Transport. The object in presenting them here is to emphasise the possibility of alternative methods of treatment for the main lines in war-time.

What, then, follows for stockholders? Their uncertainties seem likely to continue, for some time to come. Any buyer of the marginal railway stocks or possibly even some of those above the margin set out in the second table, must still be on his guard. There is, in fact, no rational way at the moment of deciding whether L.M.S. 1923 preference stock is worth its present price of 35 and there is only a presumption that L.N.E. second guaranteed stock, which survived 1938 with the narrowest of margins, is fairly valued on the same basis as Southern preferred ordinary at 57½. Such stocks may be regarded as belonging to the lowest stratum in which any attempt at rational investment policy is at present practicable, though the stocks at present sub-marginal like L.M.S. ordinary and L.N.E. preference stocks would certainly enjoy a sharp rise on any scheme associated with a three-year average. It is possibly in the supra-marginal group of stocks, which are likely to be fully covered, judging from past experience and from any reasonable present working hypothesis, that the greatest assurance coupled with an adequate return, is to be found. The recovery in L.M.S. 4 per cent. preference stock from 49½ on September 22nd to the present price of 54½ seems reasonable. And Southern and G.W. 5 per cent. preference stocks offer the not unsatisfactory yield of 6.33 per cent. at the present price (which has been maintained for some days) of 79. The investor who is prepared to take some risk may thus obtain a return fully 1 per cent. higher than that offered by L.M.S. 4 per cent. guaranteed and L.N.E. 4 per cent. debentures. The latter may for the moment be superior securities, but their superiority—or rather the inferiority of the securities next below them—would disappear if compensation, after all, were introduced on the 1914 model.

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Finance and Banking

Ineffective Bank Rate.—Once more the open-market discount rate has been running away from the 3 per cent. Bank rate and has left that figure in decidedly ineffective isolation. That the authorities are pursuing a policy of expanding and cheapening credit is quite apparent from certain individual clearing banks' figures for September already published. The common attribute of the five statements which have appeared is the substantial expansion in the cash item. The Bank of England return also reflects the same tendency. Bankers' balances have risen since the last return for August from £90,143,000 to £116,716,000. The banks, thus flooded with bank cash, have maintained a very keen appetite for bills. This week the hot Treasury bill which was issued on Friday of last week at 2½ per cent. has been dealt in at as low a rate as 1½ per cent. Despite the fall in open market rates to a level quite out of touch with the Bank rate—a movement actively encouraged by the bank cash policy of the authorities—another Thursday has passed without bringing the expected reduction in Bank rate to 2½ or 2 per cent. The discount market, needless to say, does not complain. The decision of the Bank merely extends the period during which bill cases can be filled at comparatively attractive rates. But in addition to being pleased, the market is rather bewildered. In these days of exchange and capital market control, Bank rate has ceased to be an instrument of foreign exchange policy. To a lesser degree it has ceased to be an instrument for the control of prices and economic activity. Why, then, keep the rate for longer than is necessary at 3 per cent.? It tends to retard the unfreezing of the gilt-edged market. It adds some £100,000 a week to the cost of financing the tender issue of Treasury bills. Against that, it has in itself no deterrent effect on the unsound utilisation of capital. It does nothing to strengthen the position of sterling. One is driven to the conclusion that the psychological effect of a further reduction is being kept in reserve until its incidence can synchronise with the appearance of the Government's first war loan issue.

Outside Money.—In the further recent easing of the short money position the increase of funds apparently at the disposal of non-clearing bank lenders has played an important part. This fact has caused some surprise, since in the past the volume of so-called "outside" money has varied so closely with the inflow and outflow of foreign balances that the present time, when foreign balances in London must be at almost their irreducible minimum, would hardly be expected to provide evidence of genuine ease of outside money. It is true that the deflation of foreign balances in London has gone almost as far as that process can go. But other factors have been working on the opposite tack. The most important of these has been the compulsory liquidation of foreign credits by London banks. This process is now in full swing, and it is gradually liquidating a substantial volume of funds which is temporarily finding employment on the short loan market. The control of the foreign exchange market and the virtual suspension of forward dealing has also liberated a considerable volume of funds which were previously engaged in comparatively favourable swap operations. As the forward contracts in question mature these funds now drift to the London money or discount markets.

★ ★ ★

Clearing Bank Figures.—The Committee of London Clearing Bankers announced this week that the monthly statements of clearing bank figures will continue to appear. The news of this reprieve is glad tidings indeed, for in statistical circles there is greater rejoicing over the one condemned series that returneth than over the ninety and nine that were never threatened. It has, however, been found necessary for obvious reasons to simplify the process of compiling these monthly statistics. Starting with the September statement which is about to appear, the figures will no longer be the averages of those for four or five days in the month, but will be those for one day of the month only. The comparability of the series will be

MONEY MARKET NOTES

THE weakness of the neutral currencies has again been the chief feature of the foreign exchanges. After a firmer start to the week, belgas, Swiss francs and guilders have since all declined, the rates on Thursday being quoted at 23.95-24.20, 17.87-18.02 and 7.54-62 respectively. Nor has this weakness been confined to the western neutral currencies, for the situation between Russia and Finland has caused a general depreciation of the Scandinavian currencies as well. The London official rate for Swedish and Norwegian crowns has risen by 10 points to 16.80-17.00 and 17.60-80 respectively; while the free market rate for Danish crowns has weakened from 20-21 kr. to 20.25-21.25 kr., and Finnish marks, which for some time had been steady at 195-210 mks.,

are quoted at 200 mks. sellers. The control exercised over sterling continues to have a favourable effect on the free market rate in New York. There was, it is true, a small reaction at the end of last week, as a result of Hitler's speech, but on Monday the rate rose to 4.03½ in the afternoon and has since remained steady at about 4.03½.

★

At the Treasury bill tender last week a sharp fall of about 6s. 3d. occurred in the average rate of allotment, the market syndicate fixing its bid at the high level of £99 9s. 3d. At this competitive price it was able to secure a 52 per cent. allotment quota, although total applications were nearly £97 millions. In spite of this bigger allotment the market,

expecting a fresh cut in Bank rate, has been unwilling to sell bills to the clearing banks at the latter's buying rate of 2 per cent., which has been maintained for all maturities except end-Decembers.

★

The eagerness of the banks to buy bills is explained by the Bank return, which shows bankers' deposits at the very high level of £116.7 millions, a rise of £10.7 millions on the week. Part of the rise is due to a further return of currency from circulation and part to a drop of £4.4 millions in public deposits. There has, too, been no attempt to offset the return of notes, for Government securities are actually slightly higher on the week.

MONEY MARKET RATES

	Oct. 13, 1938	Oct. 5, 1939	Oct. 12, 1939
Bank Rate	% 2	% 3	% 3
London Deposit Rate ...	12	1	1
Short Loan Rates:			
Clearing Banks	12-1*	2-2¼†	2-2¼†
Others	58-34	1½-2	1½-2
Discount Rates:			
Treasury Bills (3 mth.)	11½	11½-16	2
Three months' bank bills	11½-34	2¼	2½-3½

* 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. ‡ Viz. 2 per cent. for loans against Treasury bills and British Government securities; 2¼ per cent. for loans against other collateral.

THE BANK RETURN

	Oct. 12, 1938	Sept. 27, 1939	Oct. 4, 1939	Oct. 11, 1939
Issue Dept.	£ mil.	£ mil.	£ mil.	£ mil.
Gold	326.4	0.1	0.2	0.2
Value per oz. fine	85s. 0d.	168s. 0d.	168s. 0d.	168s. 0d.
Notes in circulation ..	496.4	541.8	538.7	535.0
Banking Dept.				
Reserve ...	31.4	39.0	42.2	45.9
Public Depts.	28.3	19.8	15.3	10.9
Bkrs' Depts.	94.9	107.1	106.0	116.7
Other Depts.	36.6	40.5	40.9	39.7
Govt. Secs.	114.5	120.3	113.6	114.3
Dis. & Adv.	9.6	2.5	2.4	3.0
Other Secs.	21.9	23.9	22.3	21.7
Proportion	19.6%	23.2%	25.9%	27.4%

THE BULLION MARKET

Date	Gold	Silver	
		Price per ounce fine*	Price per oz. standard
		Cash	Two Mths.
1939	s. d.	d.	d.
Oct. 6	168 0	22½	22¼
" 9	168 0	22½	22½
" 10	168 0	22½	22½
" 11	168 0	22½	22½
" 12	168 0	23	22½

* Bank of England's official price.

affected by this change, but not the accuracy of the picture presented by the aggregates.

* * *

Silver Fluctuations.—The silver market continues to move somewhat erratically and with fluctuations altogether out of proportion to the volume of business passing. The bear position built up two to three months ago may now be regarded as covered. It was bear covering which was mainly responsible for the rise in the London price to 23½d., a level well out of the reach of the American parity. The speculators would have had to pay an even stiffer price for their escape had it not been for the action of the Indian Government in making silver available at the highest price touched in recent fluctuations. The subsequent drop in the price to the current level of 22½d. has, however, been due to the appearance in the market of the first evidence of selling of newly-mined metal since the outbreak of the war. What had previously deterred such sales from taking the obvious advantage of the premium available in London was the uncertainty in which the foreign exporter of silver found himself regarding the free disposal of the sterling proceeds of his sale. The authorities showed the greatest reluctance in granting exchange permits in respect of imports of silver, and during the first weeks of war this was sufficient to keep newly-mined silver away from the London market. The authorities still show the same reluctance regarding the exchange permits. But in another respect the position has changed fundamentally. The free sterling rate has not merely returned to parity with the controlled rate, it has risen to a premium over it. There is thus no longer any question of blocked sterling and no diffidence on the part of silver arbitrageurs in accepting sterling in payment for their metal.

* * *

Danish Bank Rate.—For no neutral country has the immediate economic impact of the war been so disastrous as for Denmark. Almost overnight the flow of agricultural exports from that country to the United Kingdom has been completely arrested. With it has gone one of the main props of the Danish crown's exchange value.

Investment

Thaw in Gilt-Edged.—This week has seen the further thawing of the gilt-edged market to a point at which War Loan and 3½ per cent. Conversion can be sold in moderate amounts at minimum prices. Such progress, despite the absence of any change in Bank rate on Thursday, is extremely heartening. It began with the establishment some time ago of an appreciable premium on 4½ per cent. Conversion over the minimum, and by the end of last week four leading stocks, including 3 per cent. Local Loans and 2½ per cent. Consols were being bid above the minima. The process by which outstanding selling orders in War Loan and 3½ per cent. Conversion have been absorbed provides a striking illustration of the market's ability even in difficult times to adjust the returns on long-dated securities to fit a change among the shorts. The resultant price movements in the gilt-edged market are illustrated in the table below:

	Minimum Price	Approx. Dealing Price Oct. 5	Approx. Dealing Price Oct. 12	Margin over min.
4½% Conversion	100½	102½	102½	1½
3% Local Loans	73½	73½	75½	1½
3% Funding	87½	87½	87½	1½
2½% Consols	62	62½	64	2
2½% Funding	79½	80½	80½	1½
5% Conversion	103½	103½	104½	1½
4% Consols	98½	99	98½	1½
3½% Conversion	87½	87½	87½	1½
3½% War Loan	8½	88½	88½	1½

BANKING SUPPLEMENT

Owing to the delays in communication caused by the war, and the consequent difficulty in verifying figures, *The Economist* Autumn Banking Supplement, which would normally be issued next week, has been postponed until November 4th.

That prop was needed, since the backing behind the crown has for years past left little margin for contingencies. Nor would the temporary diversion of trade towards Germany help in this respect. The Danish authorities, faced with this situation, have resorted to the traditional weapon of bank rate. On September 20th last they had already raised the bank rate from 3½ to 4½ per cent. This week they have followed this move by a further increase of 1 per cent. to 5½ per cent. The Danish crown is still being quoted in the free market in London, where it has depreciated slightly to 20.25-21.25. At this level, however, it still shows some appreciation on its pre-war sterling value of around 22.40 to the £.

* * *

Dutch Bank Merger Abandoned.—The merger between the two most important Dutch banks, the *Amsterdamsche Bank* and the *Rotterdamsche Bankvereeniging*, the preliminary details of which were published less than three months ago, will not now take place. Since July 24th, when this important amalgamation was announced, two relevant developments have occurred. In order of chronology and not of importance, they are the *Mannheimer-Mendelssohn* crash and the outbreak of war. The second has rather dimmed the importance of the first, which has in fact struck a blow of some severity at the Dutch markets. Neither of the two institutions was seriously involved in the failure of the house of *Mendelssohn*, but it has had as yet indeterminable reactions both on the plane of Dutch banking and in the sphere of international finance, and these reactions in turn must have played strange tricks with the precise valuations and calculations which went to the framing of the merger terms. Even more disturbing to previous valuations of assets and commitments must have been the outbreak of the war. In all the circumstances, therefore, the temporary abandonment of the merger plan was the obvious course to take.

It will be seen that useful margins have in many cases been established over minimum prices. Accumulated selling orders have been largely completed, and benefits have been spread throughout the fixed interest and equity markets. British Corporation and Australian stocks, particularly those carrying a high rate of interest, can be sold more freely, and even India 3½ per cent. irredeemable stock, which a few days ago was utterly frozen, can be realised to-day at the minimum price. The improvement has been due partly to automatic buying and to reinvestment of dividends and partly to the notable support afforded by the provincial markets, which have frequently been a step ahead of London in bidding better prices. The general opinion is that the improvement is in no way due to direct official support. Some stocks, such as *Victory* and *Funding* 4 per cents., remain difficult to move, and in the prevailing conditions of the gilt-edged market chance selling orders of any appreciable amount can still bring dealings to a standstill. For this reason it might be advisable to curb any excess of optimism regarding the course of prices now that the market has been able to free itself. There is no question as yet of a substantial advance in gilt-edged prices, for while existing selling limits have been met there may be others awaiting, say, a ¼ point rise in some of the leading stocks. But in view of its prospective task, there can be nothing but welcome for a relatively free gilt-edged market.

Denham Controversy.—Four days before the outbreak of war the Stock Exchange Committee notified members that limited accommodation had been secured at Denham in order to provide at the least room for official departments of the Stock Exchange and eventually a meeting place to serve the purpose of a market. *The Economist* of September 9th drew attention to the limitations of the scheme and the more specific proposals which the Committee circulated at the end of last week have underlined those difficulties. They have repeated the view that in the first place it is important for jobbers to make arrangements for carrying on business and, if possible, at Denham. Secondly, the Committee agrees that brokers at the outset might not find it convenient to go to Denham, but could carry on business from emergency addresses. Finally, a department for settlement of bargains would be set up at Denham. In order to arrange for evacuation, in the event of extreme emergency, jobbers and brokers are asked to reply to a questionnaire by the end of this week. This covers such points as the ability of members to attend at Denham and their willingness to make arrangements with other firms to undertake their business.

* * *

The questionnaire has caused no little controversy. Many members would be faced with the difficulty of making a journey from the outer suburban belt south of the river through London to a corresponding position on the north circumference. The burden on small firms which might be unable to bear the expense of transfer and would naturally be reluctant to share business, save in the last resort, is not difficult to imagine. But the main point concerns the natural location of an emergency market. It is known that the Denham scheme as originally contemplated would have provided far more accommodation, and it is no fault of the Stock Exchange Committee that the first scheme has been upset by Government requirements. But there are at least two alternatives to the Denham scheme. Firstly, it might be possible to find more adequate accommodation farther from London, but which is better served with main communications; secondly, recent contacts between London and provincial exchanges suggest the possibility of extending this co-operation so that London might make use of the technical facilities of one or more of the large provincial exchanges. The latter, it is true, are mainly in evacuation areas as at present defined, but are hardly likely to be subject to total evacuation—for which reason alone the Denham plan has been put forward.

* * *

Foreign Securities Developments.—On Monday last, October 9th, the time limit expired for making a return to the Bank of England of holdings of securities covered by the Treasury Order of August 26th. At no time have the securities intended to be included in the Order been definitely named, and the wide interpretation given by individuals to the scope of the Order has resulted in a large number of returns. Originally the time limit was one month from August 26th, but this was extended until October 9th, though contrary to expectations in some quarters, no further extension has since been granted. Severe penalties are, of course, liable to be imposed upon any holder of securities payable in the currencies concerned who has failed to make the proper declaration. The hitch in Canadian security dealings (to which reference was made on page 17 of last week's issue) has been modified by the granting of facilities by the Canadian authorities for the sale of Canadian securities, provided that an equivalent amount of Canadian stocks are purchased at the same time. A strictly limited arbitrage business—as between different stocks, but not different international centres—will thus be effected, and it will involve no net movement of exchange between this country and Canada. It is evident, therefore, that Canadian and New York prices of Canadian stocks are likely to remain out of step. Wall Street, in fact, remains the only market where net liquidation of Canadian issues can still be effected.

Enemy Trading Declarations.—Company registrars have been advised by the Board of Trade that they should not accept the transfer of registered securities without a declaration by both parties to the deed that the transaction does not infringe the Trading with the Enemy Act, 1939. For its part, the Stock Exchange Committee has ruled that brokers must provide satisfactory declarations to this effect by their clients, and has recommended the adoption of a form of declaration drawn up by the Chartered Institute of Secretaries. This states, in essence, that the transferor and transferee, or applicant for allotment, is not an enemy, and that the transfer is not on behalf of, or for the benefit of, an enemy, and its terms have been approved by the Board of Trade. It will thus become "common form," like the transfer deed itself.

* * *

London Transport Stock.—It is well that London Transport "C" stock—listed not among railway issues but in the more exalted company of public boards—has enjoyed the protection of a minimum price this week. To the dismay of holders, the Board announced last week that "notwithstanding an increase in their passenger takings the financial results for the year to June 30, 1939, do not warrant a final payment of interest on the 'C' stock." Stockholders will thus receive a mere 1½ per cent. in respect of the year to June 30th last. At least one minimum price thus becomes ridiculous, for it cannot be pretended that the yield of 2.31 per cent. which is offered on the stock at the present minimum price of 65 has any basis in reality. The Board's explanation of this unhappy result lies in higher expenses—partly in the direct expenses of the Board, and partly of the constituent undertakings in the Pool, which had the effect of reducing the Board's share below the anticipated amount. On the basis of evidence submitted to the Railway Rates Tribunal, in support of the application for a 5 per cent. increase in fares, the Board's receipts after pooling, were expected to amount to £31,190,000 for 1938-39, an increase of approximately £200,000, but, as we pointed out on April 1st, increased operating and capital charges and the non-repetition of the previous year's income-tax credit were to be taken into account. But while the maintenance of a 4 per cent. distribution was a maximum expectation, the 1½ per cent. payment was surely below any expected minimum. Despite the sharp reduction in revenue, the Board has made appropriations to reserves on the same basis as for the previous two years, and an additional provision to renewal reserve totalling £145,000 has been required, owing to the introduction of further capital assets.

* * *

The Board's statement discloses that the increase in receipts from the revised fares has fully realised the Board's estimates, but since they were introduced on June 11th they had no material effect upon the year's results. Such factors, moreover, have become only indirectly relevant for the Board, which is now under Government control; negotiations are still proceeding with the Government to decide the financial terms on which it will be recompensed, but a settlement has still to be reached. The basis of settlement must, indeed, be a matter of peculiar difficulty. The Board has failed to achieve earnings sufficient to meet the standard dividend on the "C" stock, and the shadow of receivership, until the outbreak of war at least, hung over

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its head. During the four years 1935 to 1938, however, dividends of 4 per cent. were paid on the "C" stock, except in 1937, when the rate was increased to 4½ per cent. And presumably some account may be taken of the expectation of increased revenue which the Board would have enjoyed had war been averted. It is much to be hoped that some indication of treatment will be given to stockholders by the time the Board's report is issued on October 27th, and that steps will be taken to correct the wholly artificial price at which London Transport "C" stock now stands.

Parnall Aircraft Progress.—The rapid progress of Parnall Aircraft since its incorporation 4½ years ago has been enhanced by a 44 per cent. increase in profits for the year to July 31st last. This achievement actually understates the real advance, for the figures are struck after provision for E.P.T. and also A.R.P. expenditure. When the issue of new capital was arranged last June it was disclosed that output had trebled since the annual meeting in September, 1938. The financial signs of this increase are to be found not only in the profits, which have jumped from £93,437 to £134,525, but also in many balance sheet items. Stocks stand at £169,591 against £54,937, and work in progress at £582,197 net against £152,819. Debtors have risen to £233,862, compared with £188,045, and interests in subsidiaries have grown from a nominal figure to £175,284. The allocation of profits is set out below:—

	Years ended July 31		
	1937	1938	1939
Total profit after N.D.C. and depreciation	£ 27,232	£ 93,437	£ 134,525
Directors' fees	450	4,150	6,707
Income tax	...	22,500	48,000
Shares—			
Earned	26,782	66,787	79,818
Paid	Nil	33,750	78,750
Earned %	7.9	17.6	12.7†
Paid %	Nil	7½	12½*
Carry-forward	Dr. 22,066	Nil‡	1,068

† Based on dividends paid. * 5 per cent. interim on £450,000; 7½ per cent. final on £750,000. ‡ After writing off £10,971 preliminary expenses.

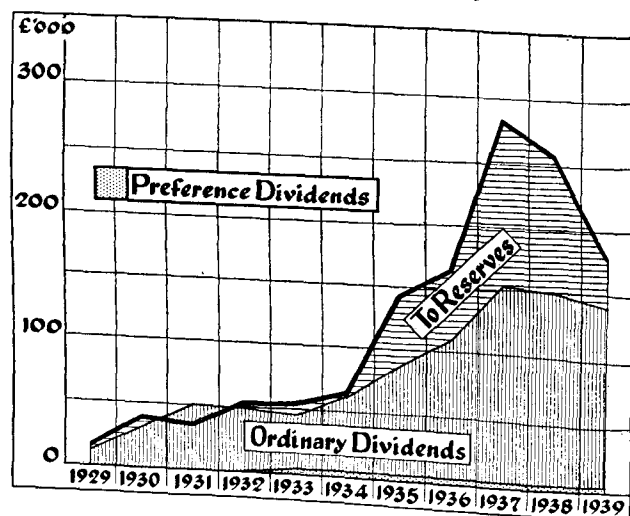
Such considerable growth has involved important financial changes. In addition to the increased rate of dividend, the final 7½ per cent. is payable also on the £300,000 of new capital issued last June. Moreover, advances of £750,000 were also arranged in June, in the form of 4½ per cent. unsecured notes, redeemable by 1944, which were to be used only for financing Government work. By the end of July £100,000 of the total had been drawn upon, and a further £150,000 has been taken up since the date of the balance sheet. Further growth in total profits is virtually assured, but E.P.T. will prove a heavy burden and provision will be necessary for interest on the notes. Further, it may not follow that the policy of full distribution of profits adopted last year will always be observed. This policy the chairman justifies, in the speech accompanying the report, by the need for redeeming a promise made in June; by a conservative estimate of tax commitments; by the exclusion of certain subsidiaries' profits; and by the existence of a hidden reserve in connection with inventions assigned. The 5s. shares now stand at 5s. 9d. xd.

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Check to Murex Profits.—In recent years the Murex undertaking has provided a pattern of dynamic industrial progress. For this reason the heavy fall in profits recorded for the year to June 30th is a considerable disappointment. Yet some decline was perhaps to be expected, for in the latter part of 1937-38 a reduced demand for the group's products was already evident, and this tendency persisted during the first part at least of the latest financial year. The industry, moreover, is competitive, and a year ago prices were reduced to meet this competition. Yet, making due allowance for these points, the recent history of the metallurgical industries can hardly have prepared shareholders for so sharp a recession as a 20 per cent. drop in total profits from £429,855 to £344,519. But despite this setback, they must have welcomed the directors' decision to maintain the Murex dividend. Such stability is at once a mark of financial strength steadily built up in the past, and of confidence in the future. The following table shows the course of profits in the past three years, and the chart relates the latest setback to the progress of earlier years:—

	YEARS ENDED JUNE 30TH		
	1937	1938	1939
Total profit after depreciation	£ 381,550	£ 429,855	£ 344,519
Obsolescence reserve	12,174	53,074	50,000
Taxation	78,000	111,450	108,500
Other expenses	7,859	7,634	7,190
Preference dividends	3,500	3,500	3,500
Ordinary shares—			
Earned	280,017	254,197	175,329
Paid	149,997	145,000	135,625
Earned %	37.3	35.1	25.8
Paid %	20	20	20
General reserve	50,000	100,000	40,000
Special charges	3,269	28,847	...
Carry forward	110,113	90,464	90,167

MUREX PROFITS, 1929-39



Despite the fall in profits, the maintained dividend is still covered with a reasonable margin, though the allocation to general reserve has necessarily been reduced from £100,000 to £40,000. The consolidated balance sheet shows a reduction in cash only from £492,457 to £458,944 (out of total assets of £2¼ millions) in spite of substantial additions to fixed assets last year. The latest balance sheet emphasises that there has been no check to the undertaking's growth or technical progress. In the consolidated statement, land and buildings of £439,656 and plant of £574,471 compare with £394,689 and £527,799 respectively. And the parent company's interests in subsidiaries have risen from £325,525 to £458,788. The outlook for the current year should be brighter, for increased activity in any business connected with the metal industries is inevitable, and the directors' report refers to the consequent additions to plant. At a current price of £3 18s. 1½d., Murex £1 ordinary shares yield £5 2s. 5d. per cent.

Imperial Smelting Results.—It was expected a year ago that 1938-39 would prove a better year for Imperial Smelting, largely owing to the proposals for increasing the zinc duty and paying a subsidy to the Corporation. The financial proposals were not finally operative until May 26th last, so that they can have affected the 1938-39 result very little. Mainly owing to reconstruction of the smelting plants, zinc production fell from 65,153 tons for the year to June, 1938, and to 48,307 tons last year, and there was a further reduction in the average spelter price from £16 15s. 1d. to £14 0s. 3d. a ton. Conditions improved, however, in the second half of the financial year, and in the circumstances a fall of only £18,943 in consolidated trading profits to £205,873 must be regarded as satisfactory. The decline in the parent company's net profits is only £2,397, but whereas in 1937-38, 4½ per cent. was paid on the 6½ per cent. preference shares from earnings equivalent to 5¼ per cent., the latest year's earnings are over-distributed to the extent of £23,259 to pay the 6 per cent. dividend. The allocation of profits in the past three years is shown below:—

	Years ended June 30		
	1937	1938	1939
Consolidated:			
Total profits	489,101	272,356	241,641
Depreciation	126,790	76,249	70,164
Other charges	95,881	88,871	76,492
Net profit	266,430	107,236	94,985
Parent Co.:			
Divs., etc., received	275,829	117,447	106,658
Expenses	18,737	14,120	5,728
Preference shares—			
Earned	257,092	103,327	100,930
Paid	134,538†	93,141	124,189
Paid %	6½	4½	6
Carry-forward	70,620	80,806	57,547

† Also 5 per cent. ordinary dividend, absorbing £121,248, and covered with a margin of £1,306 by earnings.

There are not many outstanding changes in the consolidated balance sheet, apart from a decline in stocks of over £100,000 to £839,980, and an increase in debtors from £196,980 to £357,129. It is hoped that at the meeting Lord Horne will offer comments upon a point on which the report is silent—the Corporation's prospects in war-time, to which, as a historical fact, it largely owes its creation. In particular, any information would be welcome regarding the future of the zinc subsidy, from which it seemed that the Corporation might benefit to the extent of about £100,000 annually. The 6½ per cent. £1 preference shares now stand at 15s. cum 2½ per cent. arrears worth 6d. gross.

United Steel Companies Review.—These are days in which any chairman's speech might convey useful information to the enemy, and of steel companies this is especially true. Sir Walter Benton Jones prefaced his remarks at Wednesday's meeting of United Steel Companies with the observation that shareholders' thoughts were far removed from the subjects usually discussed at the annual meetings. But within the limited context which Sir Walter set himself, some interesting points emerged. Their general direction appears to confirm the view that the company should play an even more valuable rôle in British steel production in war than in peace—armed, as it is, with greater productive capacity this year. In addition to the group's general steel business, the new sheet mill which is being erected by John Summers and Sons will provide it with an entrée to a market which is largely controlled, at present, by Richard Thomas. It is satisfactory to both groups that they have, in Sir Walter's words, "become partners in some degree." Two further points also received emphasis—control of profit margins on war work and the incidence of taxation. And the chairman's quiet insistence upon the avoidance of unnecessary disturbance to normal business and the importance of industrial defence will be re-echoed by shareholders and industrialists in every branch of trade. With these provisos, the outlook for United Steel seems fully assured.

Rhokana Dividend Surprise.—The preliminary Rhokana profits statement for the year ended June 30, 1939, had indicated a slight decline in net profits (computed before taxation, but without including any Mufulira dividend), from £1,950,000 to £1,890,000. But this reduction was too small to have any significant bearing on dividend prospects, and the reduction in the final dividend from 37½ per cent. to 25 per cent. has come as a corresponding disappointment to the market, particularly since the Mufulira payment has been maintained. The year's dividend is thus 50 per cent., against 62½ per cent. in each of the two preceding years. The omission of taxation charges from the preliminary statements, however, diminishes their value as a possible guide to dividends. In 1936-37 taxation absorbed £94,258, while a year later the charge had increased to £247,794. Largely as a result of this increase, equity earnings in 1937-38 were lower than in the previous year, although the dividend was maintained, and it is possible that the reduced payment for 1938-39 has been necessitated by special taxation requirements. But, taking the Rhokana announcement in conjunction with the Roan Antelope and Mufulira dividends, it seems that the series of somewhat disappointing distributions has been dictated more by conservatism than by an unsatisfactory trend of profits. Until fuller light is shed by the forthcoming accounts, at any rate, shareholders will give this policy provisional approval.

The Week's Company Profits.—This week our usual analysis of profit and loss accounts, appearing on page 74, includes 28 companies, whose net profits of £1,186,000 compare with £1,396,000, and show a fall of 15 per cent. Aggregate net profits of the 1,830 companies reporting in 1939 to date are £227,073,000, and are 8 per cent. lower than the £246,659,000 earned by the same companies a year ago. The week's results are discussed in preceding Notes and on page 67 under the heading "Shorter Comments."

The Week's Company Meetings.—The week's company meetings will be found from page 66 of this issue. *The United Steel Companies'* meeting is discussed in a Company Note on this page. Lord Pender informed shareholders of *Cables Investment Trust* that in relation to the present emergency the company's securities were carefully chosen and widely spread. At the *Estates Control* meeting, Lord Luke declared that during the last war Bovril had been in great demand, but the price had not been raised. It was hoped to maintain this non-profiteering policy in this war. Mr H. J. Welch looked forward at the *Malayalam Plantations* meeting to maintained tea and rubber prices for the current year. The company's finances were strong enough to cope with any war emergency.

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THE STOCK EXCHANGES

London

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On the whole, the trend of the stock markets in the past week—if such quiet conditions can be said to have a trend at all—has been similar to that of the previous week. Price movements are small and the number of transactions few, but stocks are more freely dealt in, and there is a steady improvement in prices.

In the gilt-edged market, business remained quiet in the absence of fresh pointers one way or the other. The tendency towards greater freedom of dealing, however, continued, and the tone became brighter in mid-week, especially as dealings in War Loan then became possible. Demand was best for Old Consols and Local Loans, though other stocks were by no means neglected. Business was easier in home corporations also in spite of a fair amount of selling, and there was increased activity in short-dated Dominions stocks. Foreign bonds were quiet, European issues being firm on the whole. German loans lost a little ground after their recent improvement, while Japanese issues recovered after a period of neglect.

Home rails remained subdued by the passing of the London "C" interest and by the absence of any compensation plan covering the period of railway control. Changes, however, were small and the volume of selling limited. The senior stocks were dealt in mainly at the unofficial minima. Transport "C" was quite unsaleable at its minimum of 65. Argentine issues were dull though steady, and Canadian Pacific held their ground after initial reaction.

The industrial market was quiet, though a more cheerful tendency was apparent in mid-week. Changes remain small, but are on the whole upwards. Iron and steel shares became firmer after an irregular trend, and Tube Investments hardened on dividend hopes. Electrical equipment issues also became less irregular, and motor and aircraft shares made a steadier showing after a mixed display early in the week. Moderate advances were the rule on Wednesday, and Parnall Aircraft responded to the good profits. Again textile shares were quietly bought. Breweries were supported from the provinces on Tuesday and Wednesday. Demand quickly developed for tobacco shares, reinforced by news of Gallaher's maintained interim on Wednesday. The stores group had an irregular appearance after the week-end but firmed up under the lead of Woolworth on Tuesday. Provision issues were also a firm feature in mid-week. Shipping shares have been subdued this week. In the miscellaneous section, leaders followed the general trend. Murex was supported on Wednesday while Turner and Newall, Boots Drug and Dunlop tended to improve.

The oil share market opened irresolutely after the week-end. In quiet trad-

ing, leading issues were on offer, though Trinidad shares enjoyed some support. Later in the week, however, sentiment was reversed, "Shell" recovering the earlier losses and other leaders hardening in sympathy. Rubber shares have been quiet this week, with fractional losses on balance. Tea share prices, where tested, showed slight improvement.

The mining market has been quiet this week, and price movements narrow. Among Kaffirs, producing shares showed no decided trend on Monday and Tuesday, but a general fractional advance occurred in mid-week. Developing issues followed the same trend. Western Holdings received some attention on Monday, and a selective advance developed in mid-week. Among finance shares, Gold Fields were in demand on Wednesday. Leading West Africans had a firm appearance on Tuesday, which spread to all sections of the market in mid-week following good development and dividend announcements. Base metals have been dull this week. Rhodesian coppers eased on Monday while sentiment was further depressed by the Rhokana final dividend. Tin shares have held their ground, price movements being only nominal.

"FINANCIAL NEWS" INDICATORS

1939	Total Barains†	Corres. Day 1938	Security Indices	
			30 ord. shares*	20 fixed int.†
Oct. 6	2,765	6,085	68.7	109.7
" 9	2,860	6,135	68.3	109.8
" 10	2,540	6,485	68.6	110.2
" 11	2,690	6,150	69.7	110.3
" 12	2,745	5,945	70.3	110.4
1939 High...	...	...	88.0	123.5
Low...	...	...	Mar. 10	Jan. 3
			66.4	109.6
			Sep. 26	Oct. 4

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

ACTUARIES' INVESTMENT INDEX

It is hoped that publication of the Actuaries' Investment Index may be resumed shortly.

New York

TRADING has been quiet on Wall Street this week and price movements have become narrowly irregular. The lack of decisive political news either at home or from abroad left equities mainly unchanged, and Government and other high-grade bonds became firmer in consequence. On Tuesday, steel shares led a tentative rally, but profit-taking and the pre-holiday caution on Wednesday prevented an advance developing over a wide front. Between Saturday and Wednesday's close the Dow Jones industrial average had advanced from 149.60 to 151.34. The American Iron and Steel Institute estimates steel mill activity for the week at 88.6 per cent. of capacity, compared with 87.5 per cent. last week.

Owing to the American Market being closed on Thursday for Columbus Day we are unable to publish the latest Standard Statistics index figures. Last week's figures are shown below (1926 = 100):—

WEEKLY AVERAGES

	1939			
	Low Apr. 12	High Jan. 4	Sept. 20, 1939	Sept. 27, 1939
347 Ind's....	92.8	114.5	112.2	113.3
32 Rails.....	23.3	32.5	31.1	34.4
40 Utilities	77.8	89.9	83.7	85.2
419 Stocks	79.3	95.6	94.4	95.8
Av. yield*...	4.42%	3.31%	3.71%	3.69%
	High	Low		

* 50 Common Stocks, † Aug. 2nd. ‡ Aug. 23rd.

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

Sept. 28	Sept. 29	Sept. 30	Oct. 2	Oct. 3	Oct. 4
124.9	124.3	126.6	125.3	124.3	124.5
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
October	5	910	7,340
"	6	1,330	9,290
"	7	590	4,380
"	9	620	5,450
"	10	950	6,700
"	11	630	6,090

* Two-Hour Session.

New York Prices

Close Latest	Oct. 11, 1939	Oct. 11, 1939	Close Latest	Oct. 11, 1939	Oct. 11, 1939
1. Rails and Transport			Shell Union...	14 1/4	14
Atkinson.....	31	31	Socony Vac.	13 3/4	13 3/4
Balt. & Ohio.....	7 1/2	7 1/2	Stan. Oil Co.	29 1/4	28 1/2
Ches. & Ohio.....	43 1/2	42 7/8	Stan. Oil N.Y.	48	47 7/8
G.N. Ry. P.	30 1/4	30 1/4	Texas.....	47 1/4	47 1/4
Illinois Cent.	15 1/8	15 1/8			
N.Y. Central	20 7/8	21 1/8	4. Manufacturing		
Northern Pac.	11 1/4	11 3/8	Bugs.....	24 3/4	24 3/4
Pennsylv. R.	25	25 3/8	Chrysler.....	92 1/2	91
Southern Pac.	17 1/8	17 1/8	Gen. Motor	54 1/2	54 1/2
Southern Ry.	19 1/2	19 1/2	Boeing Airplan	26	26 3/8
Union Pac.	100 1/2	100 7/8	Douglas Air.	75	76 1/2
2. Utilities and Communication			United Aircr.	43 1/2	43 1/2
Am. W. Works.	13 1/2	13 7/8	Allied Chem.	180 3/4	183
Gen. Edison	30	30 3/8	Dupont.....	178	180 1/4
Col. Gas & El.	7 1/2	7 1/2	Gen. Electric	40 3/4	40 3/8
Nat. Power & Lt.	8 5/8	8 7/8	West. Electric	116 3/4	116 3/8
N. American	22 1/2	23 1/4	American Can	113 1/4	113
Pac. Gas & El.	29 3/8	29 3/4	Art. Paper	57 1/2	57 1/2
Pub. Serv. N.Y.	38 1/4	38 1/4	Int. Harvester	64 1/2	64 1/4
United Corp.	27 1/2	28 1/4	Johns Manville	75	77 3/4
Un. Gas. Imp.	13 3/8	13 7/8	Corn Prods.	61 1/2	61 3/8
Amer. Tel. For.	16 1/2	16 1/2	J. I. Case & Co.	82 1/2	81 1/4
Inter. Tel. For.	5 1/4	5 1/8	Glidden.....	18 1/8	18 1/4
West. Union	32 1/2	33 1/4	Johnson & A.	25 1/8	25 1/2
Radio.....	5 7/8	5 7/8	Eastman Kodak	131	131
3. Extractive and Metal			Loews.....	34 1/2	33 3/8
Am. Can. Mfg.	20 3/4	20 1/2	5th Con. Fox	14 1/2	14 1/8
Beth. Steel.....	88 1/2	89			
Republic. St.	26	26 3/8	5. Retail Trade, etc.		
U.S. Steel.....	74 7/8	75 1/4	Wm. Ward.....	53 3/4	53 7/8
Am. Metal.....	25 3/4	26 1/4	Sears Roebuck	77 3/4	78 1/8
Am. Smelting	54 5/8	55	Woolworth.....	39	40
Anaconda.....	33 1/4	33 1/4	Nat. Dairy.....	15 7/8	15 3/4
Cerro de Pas.	41	41 1/4	Am. Tob. Co.	77 1/4	80 1/8
Int. Nickel.....	39	39 1/2	Nat. Distillers	23 3/8	23 1/4
Kennecott.....	40 1/2	39 3/4			
U.S. Smelt.	66	64 1/2	6. Finance		
			Com. Credit	45 3/8	45 1/4
			Com. Gov. Tr.	50	51 1/4

(Continued on page 67)

Industry and Trade

Control of Edible Oils.—The Ministry of Food, by an Order issued on October 4, has taken over the trades concerned in the crushing and refining of vegetable oils. Stocks in excess of five tons, whether ashore or afloat, have been requisitioned at prices which have now been published, and the National Association of United Kingdom Oil and Oilseed Brokers, Limited, has been formed to assist in the control under the Ministry. As in other industries, trade is continuing on restricted lines for immediate delivery under a system of permits. The control of the industry is a necessary complement to the rationing

BRITISH IMPORTS OF EDIBLE OILSEEDS AND OILS ('000 tons)

	1936	1937	1938	January-August	
				1938	1939
SEEDS:—					
Castor.....	30	32	32	19	17
Cotton.....	600	672	621	489	411
of which from:—					
British Empire.....	187	246	240	205	171
Egypt.....	318	306	315	238	161
Linseed.....	273	286	276	184	201
of which from:—					
India.....	222	192	229	139	174
Argentina.....	47	91	44	44	26
Soya beans.....	82	99	99	59	25
Copra.....	124	79	114	76	86
Ground nuts.....	185	270	326	231	210
Palm kernels.....	145	149	134	84	103
Rosin.....	1,426	1,410	1,322	894	904
of which from:—					
U.S.A.....	903	864	878	628	525
OILS:—					
Marine.....	161	176	247	192	249
Exports.....	12	13	9	4	7
Vegetable.....	196	200	216	146	177
Exports.....	60	76	75	52	33

of foods, since margarine (and therefore its raw materials) is one of the most important sources of fats for the civilian population. The table above gives a summary of British trade in oilseeds and oils, from which it can be seen that the greater part of the raw material is imported in the form of seeds and nuts, which are crushed in this country.

Wool Rationing.—Preparations have now been made to introduce, on November 1st, a scheme for wool rationing for the civilian trade. The total wool allowance will be fixed when the amount needed in the ration period for service contracts has been decided. Each manufacturer will be given a certificate stating the amount of yarn he may use for civilian purposes, and the spinners will be required to inform the Rationing Committee of the number of certificates they have received from manufacturers for the yarn sold by them. Rationing committees have been set up in various areas of the British Isles, and a Central Advisory Council has been established, with the Wool Controller as chairman, to advise the Control on the distribution of wool and tops. Appraisal of the Australian clip is now in progress, but no announcement has yet been made of the price to be paid by the Wool Control. It is probable that some of the South African clip will also be purchased, and contact might also be made with the South American wool-producing countries, who have lost their export trade in wool to Germany.

Labour Agreements.—An agreement was concluded last week between the Ministry of Labour, the National Council of Port Labour Employers and the Transport and General Workers' Union to set up a mobile force of dock workers. This force, recruited from volunteers in each port, will be available for work in any area where congestion has

developed. The Government will provide free travelling facilities from the home area of each volunteer to the place of destination, together with an allowance of 6s. 6d. for each day spent in travelling. A payment of 10s. per day for a minimum period of six days is guaranteed, while employers will also pay a subsistence allowance of 5s. per day to the men transferred. The volunteers will not be called upon for service in other districts unless there is a reasonable prospect of continuous employment for at least six days. Those concerned are much to be congratulated on this agreement, since the operation of the convoy system intensifies the alternating spells of work and idleness at the chief ports. Further, if air raids lead to the diversion of shipping, port labour must also be diverted. The appeal of the Union for volunteers to the mobile force deserves an adequate response from the dockers. The central wages board of the road haulage industry has also confirmed, with minor changes, the rates of wages agreed upon by the National Joint Conciliation Board for goods traffic. These rates are to apply for an initial period up to next May, when there will be further revisions in such matters as overtime and subsistence allowances. The proposals have been sent to all road hauliers and objections, if any, must be lodged before the end of the month.

Increase in Tin Output.—On Wednesday the International Tin Committee announced a retro-active increase in the tin export quotas for the third quarter of this year from 100 to 120 per cent. of the standard tonnages; the quota for the fourth quarter was also raised from 60 to 70 per cent. The high quota for the third quarter will allow the restricting countries to ship their minehead stocks without delay and it is hoped that these will suffice to meet the strong demand in the United States for forward supplies, which has been the main cause of the disparity between prices in London and New York. At the revised level, exports from the seven restricting countries in the six months July-December should reach 98,500 tons, while "outside" production may be estimated at 14,000 tons. Total supplies, therefore, will exceed by at least 35,000 tons the expected world consumption in the latter half of 1939 and some of this may be available for shipment to Russia under the new commercial agreement.

Russian Timber.—In a Note on page 579 of *The Economist* of September 23rd it was pointed out that nearly one-third of British supplies of timber normally come from the five Baltic countries. The war has led to the interruption of this trade and also brought a suspension of Russian shipments, which play a very important part in the British timber market; in 1938 Britain bought nearly £6 million of Russian timber, forming about 13 per cent. of the total imports. The commercial agreement published on Wednesday for the exchange of Russian timber against rubber and tin is therefore of great importance to the timber trade. The fact that the timber must be shipped from the White Sea ports before these are icebound at the end of November will further lighten the task of the Timber Controller, since the suspension of European exports in the height of the shipping season has led to some difficulties in the timber-using trades.

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Dearer Quicksilver and Platinum.—The outbreak of war led to a sharp advance in prices of both quicksilver and platinum. More than 80 per cent. of the world supplies of quicksilver are produced in Italy and Spain, and the exports of these two countries are regulated by a cartel. Spain is at present the more efficient producer, but the industry in Italy will be strengthened by the amalgamation of the Monte Amiata and the Azienda Minerale di Idria concerns. During the first month of the war the cartel has raised its prices (now quoted only in dollars) from \$71.50 per 76 lbs. ex London warehouse to \$108 per 76 lbs. As quicksilver is an essential metal for the armament industry, high prices will not greatly affect consumption, and they will increase the depleted reserves of foreign exchange in Italy and Spain. Stocks of quicksilver in this country are still above normal, due to the transference of holdings from Spain during the Civil war; but retained British imports in the first eight months of this year totalled only 70,965 lbs., against more than 2 million lbs. in the same period of 1938. The rise in platinum prices from £8 15s. to £10 per ounce is due mainly to the fall in the exchange value of the pound. Regular supplies are assured from Canada, which produced last year 292,210 ounces (more than half of the world output), all of which is refined in the United Kingdom. Although imports into this country fell from 50,079 ounces in the first eight months of 1938 to 1,992 ounces in the same period of this year, stocks are large and there is no likelihood of any shortage.

* * *

Oil Market Prospects.—The reaction in oil prices on world markets which was foreshadowed in a Note on page 579 of *The Economist* of September 23rd has occurred. The price of petrol (64-66 gravity, octane rating 60) has declined on the Gulf export market from 6.50 cents per American gallon on September 19th to 6.25 cents this week; 65 octane material, of the same specific gravity, has fallen from 6.875 to 6.50-6.625 cents. In spite of the usual seasonal decline in consumption in the United States, the refineries have kept their operations at a high level, with the result that more than 71 million barrels of petrol are now in storage; this is about 10 million barrels more than the economically desirable level, as estimated by competent economists. Hence, while the improvement in the crude oil position which has resulted from the recent shut-down of producing wells in Texas and other states, and the revival of business activity in the United States may save the petrol markets from any pronounced weakness in the near future, a recovery of prices to the in-

flated levels to which they were raised on the outbreak of war seems improbable. By way of contrast there has recently been a marked boom in American lubricating oils, and prices of many grades have doubled in the past two months. The demand for lubricants has naturally been intensified as a result of the expansion of industrial activity in the United States since 1938, and during the past two or three months there has also been a pronounced improvement in the exports. Since exports absorb about one-third of total sales in the case of lubricating oils, against only 8 per cent. for petrol, the effect on prices has been correspondingly greater, particularly since output cannot be rapidly expanded at short notice. Superior grade Pennsylvanian material, which is particularly suitable for the manufacture of high-quality aero lubricants, has benefited most, prices of representative grades now being about 50 per cent. above those ruling a year ago. A reflection of the improvement in Pennsylvanian lubricants was the marking up of Pennsylvanian crude oil by 25 cents a barrel last week end.

* * *

Fixed Prices for Farmers.—In answer to a question in the House of Commons last week, the Minister of Agriculture stated that the Government would purchase the whole of the staple crops grown for next year's harvest at prices which will be announced later. In these circumstances, the elaborate provisions of the Agricultural Development Act for a barley and oats subsidy will presumably be superseded, but so far no statement has been made about the future of these schemes. Further, it is difficult to reconcile with this statement the decision of the Government to maintain the Wheat Act in operation for another year. If farmers are to be paid 45s. per quarter for their wheat, it would appear to be administratively easier (if more costly to the Ministry of Food) for them to be paid directly by the Government, as in the case of other cereals, rather than indirectly from the consumer of flour through the Wheat Commission. Presumably, also, the same principle of fixed prices will apply to livestock products, and the beef subsidy and guaranteed minimum price for sheep and lambs will also be scrapped. At the moment, trade in fat livestock is continuing on normal lines within the limits of the maximum prices laid down by the Ministry of Food. When prices at auctions are bid up to these levels animals are allotted on a basis of the purchaser's previous requirements, or sometimes by the toss of a penny. These methods are not above criticism from the farmers, and it is hoped that the Ministry of Food will soon be able to enforce the full war scheme of State purchase through recognised agents.

INDUSTRIAL REPORTS

Coal

Sheffield.—Output is being expanded to meet the increasing demand for most sorts of fuel, particularly industrial steams. Household coal rationing has already reduced demand, and gas undertakings are accepting smaller deliveries as a result of the cutting down of gas consumption. Prices are generally harder. Coke requirements, particularly for blastfurnace coke, are heavier, and good supplies of central-heating and patent-oven coke are available. The export market is stronger, with prices inclined upward.

* *

Newcastle-on-Tyne.—Whilst the market in this area is fairly steady, there is some irregularity in the tonnage position of the various collieries. It is still expected that exports to France will give a considerable fillip to the market. Northumberland steam coals are ex-

periencing a good demand for home ports. The Durham section is steady, trade to Italy and Scandinavia being maintained, in addition to active local industrial demand.

* *

Glasgow.—Collieries are working near capacity, and arrangements are being made to expand output. Rationing has reduced the pressure for household fuel, but industrial buying remains extensive. Export trade has been fairly satisfactory, though hampered by a shortage of boats and the stringent supply position. An improvement is expected when the home position is adjusted.

* *

Cardiff.—The South Wales coalfield is participating in the increasing national output, and although the supply of neutral tonnage is limited, there appears to be little difficulty in obtaining tonnage in the export trade. In the French and Mediterranean mar-

kets shipments are largely under direct or indirect Government control. Current outputs are steadily absorbed under old contracts, and only small supplies are offering for sale.

Textiles

Cotton (Manchester).—The latest estimate of the American crop issued by the United States Department of Agriculture is 11,928,000 bales, against 12,380,000 bales in the previous month, but this reduction had little effect on prices. The limit of 25 points up or down on the daily range of Liverpool cotton futures was increased to 50 on Tuesday.

There has been much interest throughout Lancashire cotton circles in the possibility that a large proportion, if not the entire Egyptian cotton crop for this season, may be purchased by the British Government. Traders on this side have, for the past two or three

years, been urging that some action of this kind should be taken against such an emergency as now exists.

Price and delivery difficulties continue to be the chief factor against a large business in piece-goods for abroad, but there has been no slackening in the amount of enquiry from many of the overseas countries. The introduction of price control in the manufacturing and finishing sections is under consideration.

RAW COTTON delivered to Spinners ('000 bales)

Variety	Week ended		Total Deliveries	
	Sept. 29, 1939	Oct. 6, 1939	Aug. 1, 1938- Oct. 7, 1938	Aug. 1, 1939- Oct. 6, 1939
American	24.4	30.1	187	181
Brazilian	9.2	11.3	34	89
Peruvian, etc.	4.2	4.7	17	42
Egyptian	5.6	3.5	46	53
Sudan Saki	3.6	3.8	35	38
East Indian	0.2	3.0	87	59
Other countries	9.1	2.0	24	35
Total	56.3	58.4	430	497

* *

Jute (Dundee).—Delay in cables from Calcutta is hampering business, both in the raw material and in Calcutta goods. Both have tended to become dearer during the past few days. Supplies of raw jute are expected to meet all requirements this season, and the trade is rather puzzled by the firmer tendency in prices. Dundee manufacturers are well sold, and the demand for Calcutta goods is active. There is a scarcity of yarns, production of which is curtailed where men have been called up, as women are not allowed to work on night shifts.

* *

Wool (Bradford).—There have been important developments affecting the production of military and civilian requirements during the past fortnight. The Wool Control's scheme of rationing suppliers for civilian purposes is discussed in a note on page 63. Further census forms have been issued to all holders of stocks of combing wool and tops from 58's quality downwards actually in the United Kingdom. This census covers all wools of the qualities named, no matter where grown. Everything shows that a very firm hand is upon the entire wool textile industry, and while much dissatisfaction still obtains, gradually all the resources of the trade are being drawn upon, and demands are being met as freely as circumstances will permit.

THE COMMODITY MARKETS

The downward trend in prices in the United States noticed last week has been continued, in spite of a temporary rise in grain prices at the week-end; Moody's index of daily prices declined from 168.1 (December 31, 1931=100) to 167.8 in the week ended last Wednesday.

Metals

TRADING in copper, lead and spelter on the London Metal Exchange is still interrupted, although the majority of

London dealers regard the present conditions as a menace to London's position as the international metal trading centre. On Friday last week a meeting of the London Metal Exchange members, which was attended by two representatives of the Ministry of Supply, considered the question of liquidating the open contracts in copper, lead, and spelter. Certain suggestions were made to the Ministry of Supply and a reply is now awaited. The British maximum prices remain unchanged. In the United States the price for lead was unaltered at 5.35 cents per lb., and that of spelter at 6.50 cents per lb. On the other hand, the United States domestic price for copper was raised by 0.50 cents to 12.50 cents per lb. this week on further buying. As the producers have to supply very heavy quantities of copper to domestic consumers on the basis of selling contracts transacted between June and August, visible stocks in the U.S.A. are likely to fall. Production, however, is being speeded up and as in addition President Roosevelt has indicated that he regards the present copper price as fully adequate no further major advance in quotations is expected for the present.

* *

Tin.—Both cash and forward tin are now quoted at £230 per ton, the maximum price, which represents an advance on the week of 2s. 6d. for cash and 15s. for forward. The turnover on the London Metal Exchange has remained small, as there are few sellers. The control authorities have again stressed that no additions are allowed to the maximum price, except actual delivery charges. The increases in the tin quota are discussed on page 63. In the United States the tin market has become quieter and the Straits spot price in New York has remained unchanged at 55 cents per lb.

Grains

THE continued drought in the south-western States led to an advance in prices at Chicago early in the week, but this was reversed when it was known that the American export subsidy had again been withdrawn. The estimates issued by the Canadian Bureau of Statistics give the present harvest at 449 million bushels and the balance in the cereal year 1939-40 over domestic requirements at 416 million bushels. English trade in flour continues steadily at controlled prices and more liberal supplies of home-grown wheat are now on the market.

WORLD SHIPMENTS OF WHEAT AND FLOUR ('000 quarters)

From	Week ended		From Aug. 1 to	
	Sept. 30, 1939	Oct. 7, 1939	Oct. 8, 1938	Oct. 7, 1939
N. America	627	478	5,485	5,020
Argentina and Uruguay	367	230	1,362	3,967
Australia	...	...	2,291	612*
Russia	...	...	3,217	56
Danube and dist.	75	208	859	1,111
India	...	...	406	...
Other countries	...	...	...	268
Total	1,069	916	13,620	11,034

* Shipments up to Sept. 2, 1939.

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

From	Week ended		From Apr. 1 to	
	Sept. 30, 1939	Oct. 7, 1939	Oct. 8, 1938	Oct. 7, 1939
Argentina	387	198	7,274	10,318
Atlantic America	3	80	10,870	589
Danube Region	5	1	2,219	1,090
S. & E. Africa	78	...	736	2,146
Indo-China, etc.	38	41	1,059	888
Total	511	320	22,158	15,031

Other Foods

Provisions.—The shortage of bacon continues and is most marked in the South of England; official maximum prices were raised to 105s. per cwt. for all the main types except Danish, which is now fixed at 110s. per cwt. Other prices are unchanged except for hams, which have followed the rise in bacon prices. Supplies of fish have been more plentiful at Billingsgate, but are still below normal.

* *

Colonial Produce.—The London tea auctions remain suspended, as stocks in London warehouses have been dispersed. The new main crop of Accra cocoa has been quoted at 26s. 6d. per 50 kilos for October-November delivery.

Miscellaneous Commodities

Oils and Oilseeds.—The measures for control of the trade in oils and oilseeds are described on page 63 of this week's issue. Trade is continuing in small quantities for urgent needs under official permits, until the control is well established.

* *

Rubber.—The United States continue to take a regular quantity of rubber and the London market has remained steady, with an upward trend in prices; the closing price on Wednesday was 8d. per lb. higher than a week ago. A further rise took place on Thursday, the price at one time reaching 10½d. per lb.

* *

Furs.—As was to be expected, prices at the London autumn fur sales this week were considerably higher than those of the preceding sales. The attendance was mainly limited to London merchants, some of whom, however, bought substantial quantities for the United States. Prices of beaver furs showed an advance of 10 per cent. and of musquash a rise of 30 per cent. on the July sale; otter, fisher and blue foxes were neglected, but prices of cross foxes improved by 7.5 per cent., of red foxes by 10 per cent. and of white foxes by 25 per cent., compared with the spring sale in April. The demand was satisfactory in most cases as it is generally believed that fur prices will tend to go yet higher.

COMPANY MEETINGS THE UNITED STEEL COMPANIES, LIMITED

DEVELOPMENTS IN STEEL-MAKING

The annual general meeting of the United Steel Companies, Limited, was held, on the 11th instant, in London.

Sir Walter Benton Jones (the chairman) said:—In the first place, we cannot allow Mr Hilton to pass on the office of managing director to his successor without recording our great appreciation and admiration of his work as well as our gratitude for his inestimable contribution to the success of the company in the last twelve years. As president of the British Iron and Steel Federation Mr Hilton has been called upon to undertake special war-time duties which make it impossible for him to continue the daily supervision of the company's operations. In consequence, it has been necessary to anticipate the contemplated arrangement, and Mr Hilton has passed on the office of managing director to Mr Walsh, the assistant managing director.

The arrangement with John Summers and Sons, Limited, and ourselves was made last autumn, and in consequence we now have a substantial interest in the sheet-making industry. We subscribed for 1,288,185 "A" ordinary shares of John Summers and Sons, which is a little more than a sixth of their share capital.

The installation of the new plant will soon be complete. In the meantime John Summers and Sons are well occupied, and although no dividends were paid in the period covered by our accounts an interim dividend at 3½ per cent., less income tax, has been declared since the accounts were closed.

The arrangement with John Summers and Sons made it necessary to add to our financial resources, and we took the opportunity to replace at the same time the money we had recently spent in purchasing the share capital of the Sheffield Coal Company and in acquiring an interest in the Shireoaks Colliery Company.

The extensions at Appleby Frodingham have not contributed anything to the results of the year, but the current year will have the benefit of nearly a full year's working.

TRADE CONDITIONS

You will remember that the iron and steel industry reached a peak rate of production in 1937. At the beginning of 1938 demand began to fall and continued to decline throughout the year. At the end of 1938 the fall in demand was accentuated by the deliberate suspension of orders in the expectation of a reduction in prices. A substantial reduction in prices was made in January, 1939, after which the placing of suspended orders, and the general activity resulting from buying by the Government, both directly and indirectly, caused a revival which before the end of March brought the production of iron and steel back to a high level. Although we shared to the full in this revival, our production for the year was less than in either of the two previous years. But it was the reduction of prices rather than the smaller production which caused our profits to fall. Since the date of the accounts three months have passed, and all the works are now operating at a high rate of production.

Referring to the part played by industry in war time the Chairman said:—We must remember that we live on industry and that at this moment we depend on our industrial system as it exists, i.e. the system on which the country has been built up and under which we have relied on the initiative, energy and enterprise of individuals. Nor should we forget that those who are responsible for the management of our industries and those who are engaged in their operation are just ordinary people who are as anxious to serve their country as any other class. We all realise that success in this war depends on industry more than ever before; we should make full use of it and of those who live in it. It is a mistake, and it is discouraging to talk of war work in industry as if it inevitably carried an excessive rate of profit. There is nothing inevitable about it; war work need carry no higher rate of profit than civil work. So far as our company is concerned, I can say that we welcome the steps which the Government has taken to control profit on war work at the source, and that when we are called upon to supply anything which is not in civil use our costs are known to the Government buying departments and the prices carry only such margin as the Government thinks fit.

The report and accounts were adopted, and the payment of a dividend of 5½ per cent., less tax, making 8 per cent. for the year, was approved.

ESTATES CONTROL, LIMITED

NO PROFITEERING

Presiding at the 35th annual general meeting, on the 11th instant, Lord Luke said that, with the shareholders' permission, he would take reports and accounts as read, but proposed to mention certain items.

The main investments in associated companies stood at £574,602, against £578,676 in 1938, whilst sundry investments and raw material, at £285,425, were up £44,536. About half of this increase was due to increased stocks of raw material. This £44,000 in payment of purchases in part explained why the cash was down from £63,187 to £13,097.

The profits were £73,515, against £61,548 in 1938. This improvement was due to increased dividends on some securities and payment of arrears of interest on Bovril Australian Estates debentures and cumulative preference dividends arrears in another company. On the whole their investments had provided a very satisfactory yield.

From a national point of view all British companies with interests in foreign countries should be carefully nursed.

It was more than ever necessary to earn income and bring it here. If, unfortunately, during the war such assets had to be realised, the yield would be taken into account when settling the selling price.

Alternatively, if overseas companies' interests could be conserved intact, then, when peace came, this country would be greatly helped in the fight for overseas trade, if these links had been retained in a healthy condition.

Referring to the corned beef position he saw, however, 6 lbs. of corned beef at 10d. a lb. was equivalent, owing to absence of bone and loss of weight through cooking, to 15 lbs. of chilled meat at, say, 11d. a lb. Cooking labour and fuel costs were also eliminated.

Corned beef required only one-third the shipping space of chilled meat and no cold storage compartment—an obvious advantage these days. Unfortunately, nothing at present encouraged its manufacture, much less was being produced, stocks had been requisitioned, and well-known brands would soon disappear from the shops. No doubt corned beef thus requisitioned was needed elsewhere, but there was danger of depriving poorer people of the well-nigh essential benefits of the only beef they could afford.

During the last war, as always in emergency, Bovril was in great demand. People had to have it, and for that very reason the price was not raised. Otherwise those needing it most could often not have afforded it. So, thinking of the millions who had put their faith in Bovril, the company set its face against profiteering. Bovril never raised prices during the last war, and the company would certainly like to continue that record, if possible, during the present war.

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CABLES INVESTMENT TRUST, LIMITED

DIVIDEND OF 5 PER CENT.

The fourth ordinary general meeting of the Cables Investment Trust, Limited, was held, on the 10th instant, in London, the Rt. Hon. Lord Pender, chairman of the company, presiding.

The Chairman, in the course of his speech, said: The capital remains unchanged, but the capital reserve has been slightly reduced and now stands at £158,000, against £160,000 last year.

Debenture stock amounting to £15,000 has been purchased and cancelled during the year to June 30, 1939, in accordance with the trust deed, and a further £1,500 has been purchased and is available for re-issue.

The gross income for the year was £344,000, against £369,000 for the preceding year, and the net income was £219,000, against £240,000, a decrease of £21,000.

After payment of the final dividend of 3 per cent., less tax, making a distribution of 5 per cent., less tax, for the year, the amount to be carried forward is £97,000, being an increase of £29,000 over the preceding year.

The market value of the securities at June 30th last was £5,953,000, against a book value of £7,106,000, but, in view of the abnormal circumstances, no great importance can be attached to any valuations which have, of course, in many instances been still further adversely affected by the events of the past month.

As at June 30th, the distribution of securities was as follows:—

Secured stocks, 30 per cent.; preference stocks and shares, 17 per cent.; and ordinary stocks and shares, 53 per cent.; which shows little alteration compared with the previous year.

Owing to the immense burden of expenditure with which this country is now faced, and the additional load of taxation which all are required to share, it is quite impossible for me to express any definite views as to how a company such as ours will emerge from the present disastrous struggle which has been thrust upon us. At this time, all I can say is that our securities have been carefully chosen and are widely spread, and that your directors will continue to study the course of events in the endeavour to safeguard your interests.

The report and accounts were unanimously adopted.

MALAYALAM PLANTATIONS, LIMITED

TEA AND RUBBER POSITION

The eighteenth ordinary general meeting of Malayalam Plantations, Limited, was held, on the 11th instant, at 19 Fenchurch Street, London, Mr H. J. Welch (the chairman) presiding.

The chairman's address, which had been circulated before the meeting, stated that since the last meeting the course of the tea market had been affected by the recurring crises, and in view of the outbreak of war and the consequent increase in demand from many markets, the export quota—now 91½ per cent.—might have to be increased for the current regulation year. On September 5th the Board of Trade had made a Tea Control Order requisitioning stocks of tea, and during the war it was expected that other large purchases by the Government would be arranged at reasonably remunerative prices.

With regard to the rubber industry, absorption would, of course, be affected by the war. There was every reason to expect that the quantity which the United States would continue to use would approximate to the average during the first three quarters of the year. The same statement might be made for the United Kingdom, France, and many of the non-belligerent countries. It was possible that Germany's absorption during the fourth quarter of the year might be as much as 25,000 tons below normal. Absorption by Poland would also doubtless be reduced.

It was impossible to forecast what effect the war might have upon the rubber industry, but it was hoped, in the interests of labour and of Government revenue in the Empire producing countries and of shareholders there and in Great Britain, that such arrangements as might be made would permit of a reasonably remunerative price being maintained.

The profit for the past year was £164,299 on tea and £74,452 on rubber, and the Board proposed a final dividend of 6 per cent., making 10 per cent. for the year, less tax. To forecast what would happen was very difficult, but at present it appeared that the prices they would realise would not be less than those of last year; the financial position of the company was strong and should enable them to meet successfully any adverse conditions which might ensue from the war.

The report was unanimously adopted.

(Continued from page 62)

Capital Issues

CAPITAL ISSUE TOTALS

Week ending October 14, 1939	Nominal Capital	Con- versions	New Money
To the Public	Nil	...	Nil
To Shareholders ...	Nil	...	Nil
By S.E. Introduction	Nil	...	Nil
By Permission to Deal	15,470	...	35,925
Saving Certs., week to Oct. 7, 1939	Dr. 100,000	...	Dr. 100,000

Year to date	Including Conversions	Excluding Conversions
1939 (New Basis)...	107,883,151	85,357,209
1938 (New Basis)...	237,832,071	217,941,708
1939 (Old Basis)...	71,273,052	49,842,973
1938 (Old Basis)...	173,198,546	154,287,678

Destination (Excluding Conversions)

Year to date	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1939 (New Basis)	57,852,529	25,278,948	2,245,732
1938 (New Basis)	167,500,775	47,590,756	2,850,177
1939 (Old Basis)	33,682,882	15,840,091	320,000
1938 (Old Basis)	130,363,375	21,104,231	2,820,072

Nature of New Borrowing (Excluding Conversions)

Year to date	Deb.	Pref.	Ord.
1939 (New Basis)	44,412,640	8,119,649	32,824,920
1938 (New Basis)	137,066,878	15,376,492	65,498,338
1939 (Old Basis)	37,058,921	2,688,459	10,919,413
1938 (Old Basis)	125,541,813	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.—KAYSER ELLISON are maintaining the 17½ per cent. dividend despite a somewhat sharp reduction in profits, from £121,613 to £98,686. Considerable progress is recorded by PARSONS MARINE STEAM TURBINE, whose net profits are £71,383 (after A.R.P. expenditure) against £51,134, while the maintained dividend absorbs a larger sum. A number of rubber companies, whose financial year ended on June 30th, have now issued their reports. Earnings continue to show a heavy fall. The accounts of D. & W. MURRAY show a serious drop in net profits from £40,605 to £15,706, and no ordinary dividend is recommended. Total profits of CLYDE PAPER have risen substantially from £142,989 to £174,195, but owing to a much larger transfer to taxation account, net profits show a fall. ANGLO-ALPHA CEMENT are again paying 10 per cent., although net profits have declined from £104,130 to £90,659. A most satisfactory recovery in net profits, from £9,378 to £58,695, is recorded by STE. MADELEINE SUGAR CO., owing mainly to a substantial rise in sugar prices. The latest profits include also £16,250 received on an insurance claim in respect of the 1938 strike.

Parsons Marine Steam Turbine Company, Ltd.—Total income year to June 30, 1939, £75,827 (£54,820). Development work written off £3,044 (£2,286). Net profit £71,383 (£51,134). The balance is struck after providing for A.R.P. expenditure and war budget taxation. Ordinary dividend maintained at 10 per cent., payable on capital of £316,920, against £211,280. To reserve £30,000 (£55,640). Carry forward £17,525 (£7,834).

Clyde Paper Company, Ltd.—Balance of trading account year to June 30, 1939, £174,195 (£142,988). To sinking fund reserve £6,010 (£5,664). To depreciation reserve £50,000 (£48,000). To general reserve £12,500 (£12,500). To tax account £51,000, against £17,000. Ordinary dividend 10 per cent., plus bonus of 2 per cent., making 12 per cent. for year, as before. Carry forward £8,188 (£10,595).

Trinidad Petroleum Development Company, Ltd.—Net profit year to July 31, 1939, £181,074 (£182,357). Ordinary dividend raised from 12 to 15 per cent.

Estates Control, Ltd.—Profits for the year ended March 31, 1939, £73,515 (£61,548). Improvement due to increased dividends received and payment of interest arrears. Investments in associated companies £574,602 (£578,676); other investments, £285,425 (£240,889); cash, £13,097 (£63,187).

Ste. Madeleine Sugar Company.—Profits for the year ended June 30, 1939, £84,696 (£9,378). Ordinary dividend raised from 2½ to 5 per cent. To tax reserve £26,000 (£4,500). To plant and renewals £25,000 (nil). Written off investments £1,094 (nil). Carry forward £42,341 (£44,719).

Tanganyika Concessions.—Total income for year to July 31, 1939, £203,896, against £194,427 for previous seven months. The latter was after crediting £190,649 dividend from Union Minière du Haut Katanga. Investment depreciation £11,216 (nil); note interest, £25,920 (£16,020); net profits, £139,487 (£163,458). Preference dividend 4 per cent., for the year (4 per cent. per annum for 7 months). To reserve, £150,000 (nil); carry forward, £9,028 (£111,772).

(Continued on page 70)

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week ended October 7, 1939, total ordinary revenue was £15,003,000, against ordinary expenditure of £30,887,000, issues of £14,500,000 under the Defence Loans Acts, and £474,000 issued to sinking funds. Thus, including sinking fund allocations but excluding issues from defence loans, the deficit accrued since April 1st last is £245,097,000, against £190,327,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Estimate, 1939-40	April 1, 1939	April 1, 1939	8 days to Oct. 7, 1939	Week ended Oct. 7, 1939
ORDINARY REVENUE					
Income Tax	327,000	63,073	57,426	7,709	4,416
Sur-tax	70,000	8,710	9,130	310	230
Estate, etc.	80,000	38,960	40,900	1,340	690
Duties	21,000	9,770	8,930	430	500
Stamps	25,000	7,250	12,640	...	...
N.D.C.	...	...	...	...	...
Other Int. Revenue	...	...	...	...	...
Duties	1,250	590	390	...	...
Total Rev.	524,250	128,353	129,416	9,789	5,836
Cust. mms.	232,300	117,980	138,090	6,333	5,451
Excise	116,430	57,400	62,260	1,800	1,010
Total Cust. and Excise	348,730	175,380	200,350	8,133	6,461
Motor duties	43,450	8,643	8,511	139	...
P.O. (Net Receipts)	7,200	4,040	2,554	106	Dr 200
P.O. Fund	1,600	...	...	...	...
Crown Lands	1,330	630	650	...	...
Rec. from Sun. Loans	5,000	3,962	3,351	37	...
Misc. Rec.	10,750	3,605	8,635	201	2,906
Total Ord. Rev.	942,310	324,613	353,467	18,399	15,003
SELF-BAL. P.O. and B'dcasting	83,449	39,060	40,996	1,250	1,450
Total	1,025,759	363,673	394,463	19,649	16,453

Expenditure	Issues out of the Exchequer (£ thousands)				
	Estimate, 1939-40	April 1, 1939	April 1, 1939	8 days to Oct. 7, 1939	Week ended Oct. 7, 1939
ORDINARY EXPEND.					
Int. & Man. of Nt. Dt.	230,000	126,322	130,999	17,271	17,114
Pays. to N. Ireland	10,000	3,970	3,961	277	298
Other Cons. Fund Ser.	7,200	1,416	3,465	3	2
Total	247,200	131,708	138,425	17,551	17,414
Sup. Serv. a	120,371	377,821	454,489	19,472	13,473
Def. Lns.	502,430	...	95,000	...	14,500
SELF-BAL. P.O. and B'dcasting	83,449	39,060	40,996	1,250	1,450
Total	1,534,360	548,589	633,910	38,273	32,337

* Supply Services, after addition of issues under Defence Loans Acts: (a) excluding expenditure being met from loans; including £500 millions Vote of Credit. (b) Not allowing for changes in war Budget of September 27, 1939.

After reducing Exchequer balances by £5,905 to £2,445,639, the other operations for the week (as shown in the next column) raised the gross National Debt by £32,461,000 to about £8,507 millions,

excluding "other capital liabilities," and not allowing for issues to sinking funds since April 1, 1939.

DEBT INCREASES		DEBT REPAYMENTS	
£ thousands		£ thousands	
Treasury bills	34,406	Nat. Sav. Certs.	100
War Loan Acts	20	Pub. Dept. Adv.	1,865
	34,426		1,965

OTHER ISSUES (NET)	
£ thousands	
P.O. and Teleg. (Money) Acts	450
North Atlantic Shipping	30
Overseas Trade Gtes.	138
Title Act	975
Bullion Advances (net)	15
	1,608

AGGREGATE ISSUES AND RECEIPTS
The aggregate issues and receipts from April 1, 1939, to October 7, 1939 (as revised), are shown below:—

£ thousands		£ thousands	
Ordinary Exp.	592,914	Ord. Rev.	353,467
Issues under Def. Loan Acts	95,000	Dec. in b'ces.	54
Misc. Issues (net)	4,218	Gross bor. 344,271	
	692,132	Less—Sinking fds. 5,660	
		Net borrowing	338,611
			692,132

FLOATING DEBT (£ millions)

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt	Floating Assets
	Ten-Jer	Tap	Public Depts.	Bank of England		
1938						
Oct. 8 1939	521.0	379.1	49.3	4.0	953.4	428.4
June 30 1938	993.0	...	45.7	37.5	1076.2	...
July 15 1938	439.0	563.0	45.3	...	1097.3	608.3
" 22 1938	499.0	562.8	43.1	...	1099.8	605.8
" 29 1938	504.0	558.1	43.1	...	1100.2	601.2
Aug. 5 1938	510.0	568.5	46.9	...	1115.2	611.2
" 12 1938	510.0	570.7	45.5	...	1126.2	615.4
" 19 1938	510.0	570.1	47.5	...	1127.6	617.6
Sept. 2 1938	500.0	618.3	49.2	...	1167.5	667.5
" 9 1938	495.0	633.3	47.9	4.7	1180.9	681.2
" 16 1938	505.0	663.7	47.5	...	1202.6	702.6
" 23 1938	510.0	676.8	49.1	...	1235.9	725.9
Oct. 7 1938	518.0	703.1	...	...	1284.4	750.4

TREASURY BILLS (£ millions)

Date of Tender	Amount			Average Rate %	Per Cent. Allotted minimum Rate
	Offered	Applied for	Allotted		
1938					
Oct. 7 1939	50.0	71.6	50.0	5.4	60
June 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
" 11 1938	30.0	58.6	30.0	14	0.7
" 18 1938	30.0	63.1	30.0	15	7.39
" 25 1938	30.0	50.4	30.0	74	5.44
Sept. 1 1938	40.0	56.3	40.0	74	3.48
" 8 1938	50.0	60.2	50.0	71	1.12
" 15 1938	55.0	89.2	50.0	72	0.98
" 22 1938	55.0	86.5	55.0	66	1.25
" 29 1938	55.0	96.3	55.0	48	9.83
Oct. 6 1938	50.0	97.0	50.0	42	6.63

On October 6th applications at £99 9s. 3d. per cent. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday, and Friday of following week were accepted as to about 52 per cent. of the amount applied for and applications at higher prices in full. Applications at £99 9s. 5d. for bills to be paid for on Saturday were allotted in full. £50.0 millions of Treasury bills are being offered on October 13th.

NATIONAL SAVINGS CERTIFICATES

Sales in		Number		Purchase Price	
£				£	
Thirty-eight weeks to:—					
Sept. 24, 1938	23,716,528			17,787,395	
Sept. 23, 1939	21,656,345			16,242,223	
Week to:—					
Sept. 24, 1938	465,698			349,273	
Sept. 16, 1939	343,021			257,266	
Sept. 23, 1939	321,424			241,068	

BANK OF ENGLAND RETURNS

OCTOBER 11th, 1939
ISSUE DEPARTMENT

£		£	
Notes Issued:		Govt. Debt...	11,015,100
In circultn. 535,032,900		Other Govt. Securities...	565,839,156
In Bnkg. Department...	45,132,243	Other Secs...	2,936,803
		Silver Coin...	208,941
		Amt. of Fid. Gold Coin & Bullion (at 168s. per oz. fine)	580,000,00
			165.1
	580,165,143		580,165,1

BANKING DEPARTMENT

£		£	
Props. Capital 14,553,000		Govt. Secs.	114,311,164
Rest	3,141,801	Disc., etc.	3,045,644
Public Depts.* 10,910,341		Securities...	21,698,030
Other Depts.: Bankers ... 116,715,629		Notes	24,743,674
Other Accts. 39,672,764		Gold & Silver Coin...	45,132,243
			806,454
	156,388,393		
			184,993,535

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

THE WEEK'S CHANGES (£ thousands)

Both Departments	Oct. 11, 1939		Compared with	
	Oct. 11, 1939	Last Week	Last Year	
COMBINED LIABILITIES				
Notes in circulation	535,033	+ 3,716	+ 38,651	
Deposits: Public Bankers	10,910	+ 4,436	+ 17,359	
Others	116,716	+ 10,682	+ 21,855	
	39,673	+ 1,195	+ 3,094	
Total outside liabilities..	702,332	+ 1,336	+ 46,244	
Capital and rest	17,695	+ 552	+ 44	
COMBINED ASSETS				
Govt. debt and securities	691,165	+ 893	+ 376,001	
Discounts and advances	3,046	+ 653	+ 6,509	
Other securities	24,635	+ 835	+ 2,525	
Silver coin in issue dept.	209	+ 1	+ 198	
Gold coin and bullion	972	+ 72	+ 326,228	
RESERVES				
Res. of notes & coin in banking department...	45,939	+ 3,788	+ 14,521	
Proportion of reserve to outside liabilities—Bankg. dept. only ("proportion") ..	27.4%	+ 1.5%	+ 7.8%	

COMPARATIVE ANALYSIS* (£ millions)

	1939				
	Oct. 12	Sept. 20	Sept. 27	Oct. 4	Oct. 11
Issue Dept.:					
Notes in circ.	496.4	546.5	541.8	538.7	535.1
Notes in bankg. dept.	30.0	33.6	38.3	41.4	45.1
Govt. debt and securities	199.7	576.7	576.4	576.7	576.7
Other sec.	0.3	2.9	3.3	3.1	2.1
Silver coin	0.0	0.3	0.2	0.2	0.0
Gold, valued at s. per f. oz.	326.4	0.1	0.1	0.2	0.0
Deposits:					
Public	28.3	21.5	19.8	15.3	10.1
Bankers	94.8	107.9	107.1	106.0	116.6
Others	36.6	30.9	40.0	40.9	39.9
Total	159.7	169.3	167.4	162.2	167.7
Bkg. Dept. Secs.					
Government...	114.5	121.9	120.3	113.6	114.3
Discounts, etc.	9.5	2.5	2.5	2.4	3.1
Other	21.9	28.9	23.9	22.3	21.1
Total	145.9	153.3	146.7	138.3	139.9
Banking dept. reserve	31.4	34.2	39.0	42.1	45.1
"Proportion"	19.6	20.2	23.2	25.9	27.4

* Government debt is £11,015,100; capital £14,553,000.

OVERSEAS BANK RETURNS

NOTE.—The last return of the Bank of Poland appeared in The Economist of September 2nd; and of Danzig, of August 26th. The latest return of the National Bank of Egypt appeared in our issue of August 26th; Bohemia and Moravia of September 2nd; Turkey, of September 9th; Iran, of September 30th; Belgium, Canada, Finland, Java, Lithuania, Netherlands, Reichsbank, South Africa, Sweden and Federal Reserve Reporting Members, of October 7th.

BANK FOR INTERNATIONAL SETTLEMENTS.—(Million Swiss gold francs of 0.29 grammes)

ASSETS	Sept. 1938	July 1939	Aug. 1939	Sept. 1939
	1938	1939	1939	1939
Gold in bars	19.2	55.8	28.6	16.5
Cash	40.5	17.2	26.6	27.3
Right funds	17.4	17.6	13.0	11.5
Bills and acceptances:				
(a) Commercial bills	142.5	143.8	135.1	124.0
(b) Treasury bills	54.6	84.3	42.1	52.1
Time funds at interest	51.5	35.3	35.6	33.0
Sundry bills & invest.	237.7	220.8	229.6	226.0
Other assets	13.3	1.3	1.6	3.0
LIABILITIES				
Cap. and reserves	149.3	150.1	150.1	150.1
Long-term commitments	153.0	153.1	153.1	153.1
(1) Annuity trust	102.5	102.0	100.4	97.8
(2) Govt. deposits				
Short and sight depts.:				
(a) Central banks	100.1	114.7	53.8	40.2
Own account	3.6	2.0	1.7	1.4
For acct. others	6.9	1.5	0.7	1.6
(b) Other deposits	9.2	14.4	14.1	10.7
Sight deposits—gold	52.0	38.3	38.2	38.6
Miscellaneous items				

U.S. FEDERAL RESERVE BANKS

Million \$'s				
12 U.S.F.R. BANKS	Oct.	Sept.	Sept.	Oct.
RESOURCES	6,	7,	28,	5,
Gold certifs. on hand and due from Treas.	1938	1939	1939	1939
Total reserves	10,967	14,312	14,657	14,696
Total cash reserves	11,344	14,661	15,003	15,030
Total bills discounted	367	340	339	325
Bills bt. in open mkt....	7	1	6	1
Total bills on hand	8	7	7	7
Industrial advances	15	12	12	12
Total U. S. Govt. secs.	2,564	2,426	2,804	2,785
Total bills and secs.	2,587	2,445	2,822	2,804
Total resources	14,679	17,812	18,603	18,633
LIABILITIES				
F.R. notes in circ.	4,263	4,609	4,684	4,732
Aggregate of excess mfr. bank res. over reqts.	3,020	4,800	5,330	5,360
Deposits — Member-bank reserve account	8,321	10,951	11,621	11,672
Govt. deposits	770	709	552	469
Total deposits	9,437	12,268	12,945	12,916
Cap. paid in and surplus	309	312	312	312
Reserve to depts.	14,679	17,812	18,603	18,633
F.R. notes	82-8%	86-9%	85-1%	85-2%
U.S.F.R. BANKS AND TREASURY COMBINED				
RESOURCES				
Monetary gold stock ...	13,812	16,638	16,925	16,958
Treasury and Nat. Bk. currency	2,741	2,905	2,914	2,920
LIABILITIES				
Money in circulation...	6,640	7,141	7,238	7,309
Treasury cash and deposits with F.R. Bks.	3,579	3,036	2,812	2,719

BANK CLEARINGS

Publication of the weekly returns of Town Clearing, Metropolitan Clearing, Country Cheque Clearing is suspended until further notice.

PROVINCIAL

(£ thousands)

No. of working days:—	Four weeks ended			Week ended Saturday		Aggregate from January 1 to	
	Oct. 1, 1938	Sept. 30, 1938	Change %	Oct. 8, 1938	Oct. 7, 1938	Oct. 8, 1938	Oct. 9, 1938
BIRMINGHAM	6,874	6,409	-1.4	2,743	2,482	93,502	92,148
BRADFORD	2,668	3,588	+40.4	892	1,393	31,424	34,719
BRISTOL	4,814	6,130	+27.2	1,355	1,502	50,491	53,637
BURTON	2,956	2,649	-10.2	920	783	33,427	31,401
LEICESTER	2,491	2,702	+8.5	808	897	27,927	28,064
LIVERPOOL	19,278	18,880	-2.1	5,046	5,083	207,807	196,323
MANCHESTER	30,885	35,107	+13.7	10,786	13,138	368,433	378,428
NEWCASTLE	5,164	4,462	-13.2	1,818	1,520	60,401	59,116
NOTTINGHAM	1,601	1,549	-3.2	613	652	19,835	19,251
Total: 9 Towns	76,731	81,476	+6.2	24,981	27,450	893,247	893,087
DUBLIN	23,599	21,536	-8.5	9,202	7,806	248,701	241,279
LEEDS	3,207	3,114	-2.9	1,037	848	38,267	40,257
SHEFFIELD	3,114	2,013	-35.4	1,781	848	43,488	40,257

* Suspended publication. † Clearing of suburban cheques through local clearing discontinued from September 7, 1939. ‡ 40 weeks. § On a working-day basis.

MONEY RATES

LONDON

	Oct. 5, 1939	Oct. 6, 1939	Oct. 7, 1939	Oct. 8, 1939	Oct. 9, 1939	Oct. 10, 1939	Oct. 11, 1939	Oct. 12, 1939
Bank rate (changed from 4% Sept. 28, 1939)	3	3	3	3	3	3	3	3
Market rates of discount								
60 days' bank drafts	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2
3 months' do.	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2
4 months' do.	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2
6 months' do.	3	3	3	3	3	3	3	3
Discount Treasury Bills								
2 months'	1 1/2	2	2	2	2	2	2	2
3 months'	1 1/2	2	2	2	2	2	2	2
Loans—Day-to-day	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2
Short	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2
Deposit advances: Bk.	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2
Discount houses at call	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2
At notice	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2

Comparison with previous weeks

	Bank Bills			Trade Bills		
	3 Months	4 Months	6 Months	3 Months	4 Months	6 Months
Sept. 14, 1939	3-3 1/4	3 1/2-3 3/4	4 1/2	3 1/2	4 1/2-5	5-5 1/2
" 21, 1939	3-3 1/4	3 1/2-3 3/4	4 1/2	3 1/2	4 1/2-5	5-5 1/2
" 28, 1939	2-2 1/4	2 1/2	2 3/4	3 1/4-3 1/2	4-4 1/2	4 1/2-4 3/4
Oct. 5, 1939	2-2 1/4	2 1/2	2 3/4	3 1/4-3 1/2	4-4 1/2	4 1/2-4 3/4
" 12, 1939	2-2 1/4	2 1/2-2 3/4	2 3/4-3	3 1/2-4	4-4 1/2	4 1/2-4 3/4

NEW YORK

The Irving Trust Company cables the following money and exchange rates in New York:—

	Oct. 12, 1938	Sept. 13, 1938	Sept. 20, 1938	Sept. 27, 1938	Oct. 4, 1938	Oct. 11, 1938
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 1/2	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-members—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 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2

OTARD'S EST. 1795
V.S.O.P.
LIQUEUR BRANDY
MATURED AND BOTTLED AT CHATEAU DE COGNAC

New York on	Oct. 5, 1939	Oct. 6, 1939	Oct. 7, 1939	Oct. 9, 1939	Oct. 10, 1939	Oct. 11, 1939
London:—						
60 days	404 1/8	402 1/8	402 1/8	403 1/8	403 1/8	403 1/8
Cables	403 1/4	401 1/8	401 1/8	402 1/4	402 1/4	403 1/8
Demand	2-29	2-28 1/4	2-28 1/4	2-29 1/8	2-28 3/4	2-28 3/8
Paris, Fr.	16-76	16-74	16-75	16-76	16-75	16-74
Brussels, Bel.	22-48	22-47	22-48	22-47	22-46	22-45
Switzerland, Fr.	5-05	5-05	5-05	5-05	5-05	5-05
Berlin, Mark	40-10	40-10	40-10	40-10	40-10	40-10
Amsterdam, gldr.	53-25	53-18	53-15	53-16	53-14	53-12
Copenhagen, Kr.	19-35	19-35	19-35	19-35	19-35	19-32
Oslo, Kr.	22-75	22-75	22-75	22-75	22-75	22-73
Stockholm, Kr.	23-85	23-85	23-85	23-85	23-85	23-83
Athens, Dr.	0-73 1/2	0-74 1/4	Unq't'd	Unq't'd	0-74 1/2	Unq't'd
London, Can. \$	89-250	88-500	89-125	89-625	89-810	89-875
Japan, Yen	23-65	23-65	23-65	23-65	23-65	23-65
Shanghai, \$	7-80	7-75	7-75	7-80	7-80	7-95
B. Aires, Pso. (mkt. rate)	23-55	23-52	23-55	23-55	23-50	23-60
Brazil, Milreis	5-10	5-10	5-10	5-10	5-10	5-10

EXCHANGE RATES

(a) Rates fixed by Bank of England

London on	Par of Exchange per £	Oct. 6, 1939	Oct. 7, 1939	Oct. 9, 1939	Oct. 10, 1939	Oct. 11, 1939	Oct. 12, 1939
New York, \$	\$4-86 1/2	4-02-04	4-02-04	4-02-04	4-02-04	4-02-04	4-02-04
Montreal, \$	\$4-86 1/2	4-43-47	4-43-47	4-43-47	4-43-47	4-43-47	4-43-47
Paris, Fr.	124-20	176-177	176-177	176-177	176-177	176-177	176-177
Brussels, Bel.	35-00(a)	24-00	24-00	23-85	23-90	23-95	23-95
Amst'dm, Fl.	12-107	7-52-60	7-52-60	7-52-60	7-52-60	7-52-60	7-52-60
Switzerl'd, Fr.	25-22 1/2	17-90	17-90	17-82	17-85	17-87	17-87
Stock'lm, Kr.	18-159	16-70	16-70	16-70	16-70	16-75	16-80
Oslo, Kr.	18-159	16-90	16-90	16-90	16-90	16-95	17-00
B. Aires, P. Pesos	11-45	16-70	16-70	16-70	16-70	16-90	17-40

(b) Market Rates

London on	Par of Exchange per £	Oct. 6, 1939	Oct. 7, 1939	Oct. 9, 1939	Oct. 10, 1939	Oct. 11, 1939	Oct. 12, 1939
Tallinn, Ekr.	18-159	16*	16*	16*	16*	16*	16*
Riga, Lats.	25-22 1/2	20 1/2*	20 1/2*	20 1/2*	20 1/2*	20 1/2*	20 1/2*
Budapest, Pen.	27-82	22*	22*	22*	22*	22*	22*
Kovno, Lit.	48-66	23*	23*	23*	23*	23*	23*
Copenhagen, Kr.	18-159	20-21	20-21	20-21	20-21	20-21	20-21
Milan, Lr.	92-46	78 1/2-80 1/2	78-80	78 1/2-80 1/2	78 1/2-80 1/2	78 1/2-80 1/2	78 1/2-80 1/2
Belgrade, Din	276-32	79-70(b)	79-65(b)	79-65(b)	79-65(b)	79-65(b)	79-65(b)
Helsingfors, Mk	193-23	205*	205*	205*	205*	205*	205*
Alexandria, Pst.	97 1/2	97 1/2-98	97 1/2-98	97 1/2-98	97 1/2-98	97 1/2-98	97 1/2-98
Madrid, Pt.	25-22 1/2	40-15(b)	40-15(b)	40-15(b)	40-15(b)	40-15(b)	40-15(b)
Lisbon, Esc.	110	109 1/2	109 1/2	109 1/2	109 1/2	109 1/2	109 1/2
Istanbul, LT	110	510*	510*	510*	510*	510*	510*
Athens, Dr.	375	521(b)	521(b)	521(b)	521(b)	521(b)	521(b)
Bucharest, Lei	813-8	535*	535*	535*	535*	535*	535*
India, Rup.	†18d.	540-590	540-590	540-590	540-590	540-590	540-59
Kobe, Yen	†24-58d.	1315 1/2	1315 1/2	1315 1/2	1315 1/2	1315 1/2	1315 1/2
Hongkong, \$	†5-899d.	147 1/2-15 1/2	147 1/2-15 1/2	147 1/2-15 1/2	147 1/2-15 1/2	147 1/2-15 1/2	147 1/2-15 1/2
Rio, Mil.	40	314*	314*	314*	314*	314*	314*
Valparaiso, Pes.	40	90*	90*	90*	90*	90*	90*
Lima, Sol. (e)	17-38	20*	20*	20*	20*	20*	20*
Montevideo, \$	†51d.	22-24	22-24	22-24	22-24	22-24	22-24
Singapore, S.	†28d.	28 1/2-31 1/2	28 1/2-31 1/2	28 1/2-31 1/2	28 1/2-31 1/2	28 1/2-31 1/2	28 1/2-31 1/2
Shanghai, S.	†...	4-5	4-5	4-5	4-5	4-5	4-5

* Sellers. † Buyers. ‡ Pence per unit of local currency. § Par 8-23 1/2 since devaluation on February 1, 1934. (a) Prior to devaluation on April 2, 1939. (b) Rate for payment at the Bank of England for Clearing Offices. (c) Nomin. (d) Official. (e) 90 days.

FORWARD RATES

The following rates are for one month, which form the basis of dealings for other periods, to a maximum of three months.

London on	Oct. 6, 1939	Oct. 7, 1939	Oct. 9, 1939	Oct. 10, 1939	Oct. 11, 1939	Oct. 12, 1939
New York, cents	34p-Par	34p-Par	34p-Par	34p-Par	34p-Par	34p-Par
Montreal, cents	12p-Par	12p-Par	12p-Par	12p-Par	12p-Par	12p-Par
Paris, francs	12p-Par	12p-Par	12p-Par	12p-Par	12p-Par	12p-Par
Brussels, cents	4p-Par	4p-Par	4p-Par	4p-Par	4p-Par	4p-Par
Amsterdam, cents	11p-Par	11p-Par	11p-Par	11p-Par	11p-Par	11p-Par
Zurich, cents	3p-Par	3p-Par	3p-Par	3p-Par	3p-Par	3p-Par
Stockholm, ore	3p-Par	3p-Par	3p-Par	3p-Par	3p-Par	3p-Par
Oslo, ore	3p-Par	3p-Par	3p-Par	3p-Par	3p-Par	3p-Par

p = Premium. d = Discount.

(Continued from page 67)

Anglo-Alpha Cement Company.—Net revenue for year to June 30, 1939, £106,517 (£120,482). Ordinary dividend maintained at 10 per cent. To reserve £15,000 (£25,000). Carry forward £15,215 (£24,819).

William Duxford and Sons, Ltd.—Profits for year to June 30, 1939, £247,381 (£162,478). To taxation reserve £85,000 (£36,000). To general reserve £100,000 (£70,000). Ordinary dividend raised from 10 to 12 1/2 per cent. Carry forward £25,673 (£15,119).

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 Oct. 6, 1939 (£'000)			Aggregate Gross Receipts 40 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down—						
1938	1-9	0-5	2-4	105-0	17-5	122-5
1939	2-3	0-6	2-9	108-2	18-2	126-4
Great Northern—						
1938	10-5	9-1	19-6	459-2	363-5	822-7
1939	10-7	11-7	22-4	466-1	416-5	882-6
Great Southern—						
1938	36-1	52-9	89-0	1526-3	1595-0	3121-3
1939	36-3	64-4	100-7	1524-1	1688-2	3212-3

OVERSEAS WEEKLY TRAFFIC RECEIPTS

Name	Weeks Ending	Gross Receipts for Week		Aggregate Gross Receipts	
		1939	+ or -	1939	+ or -
Bengal & N. Western	24 Sept. 20	Rs. 7,46,776	-1,59,621	Rs. 1,57,88,902	-16,98,788
Bengal-Nagpur	24 Sept. 20	Rs. 25,81,000	+2,18,308	Rs. 4,78,09,136	+49,34,919
Bombay, Bar. & C.I.	26 Aug. 30	Rs. 35,48,000	+3,84,000	Rs. 5,63,05,000	+4,02,000
Madras & S. Mah.	20 Aug. 20	Rs. 17,23,000	-79,934	Rs. 3,09,57,362	+12,58,025
S. Indian	23 Sept. 10	Rs. 16,55,481	+85,867	Rs. 2,49,57,580	+3,09,219

CANADIAN

	39	1939
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LONDON ACTIVE SECURITY PRICES AND YIELDS

Notes: 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 October 5 and October 11 are given in left-hand columns at minimum prices shown in calculating yields of new interest. Stocks allowable for interest are based on the last date of payment, less income tax at the standard rate. Where stocks are definitely redeemable at a certain date the yield includes the yield on the date of 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 Oct. 11, inclusive	Name of Security	Price, Oct. 11, 1939	Change since Oct. 4, 1939	Yield, Oct. 11, 1939	Name of Security	Price, Oct. 11, 1939	Change since Oct. 4, 1939	Yield, Oct. 11, 1939
High- est	Low- est								
British Funds									
25 1/2	63 1/2	Consols 2 1/2%	62	...	4 0 8	32 1/2	5 3	6	Nil c
84 1/2	98 1/2	Do. 4% (at 1957)	98 1/2	...	4 0 8	97 1/2	5 1/2	5 1/2	a
93 1/2	93 1/2	Conv. 2 1/2% 1944-49	93 1/2	...	3 10 3	93 1/2	5 1/2	5 1/2	a
143 1/2	143 1/2	Do. 3% 1948-53	94 1/2	...	3 10 3	94 1/2	5 1/2	5 1/2	a
175 1/2	175 1/2	Do. 3 1/2% after 1961	87 1/2	...	4 0 0	87 1/2	5 1/2	5 1/2	a
123 1/2	102 1/2	Do. 4 1/2% 1940-44	100 1/2	...	4 0 0	100 1/2	5 1/2	5 1/2	a
97 1/2	80	Do. 5% 1944-64	103 1/2	...	4 3 0	103 1/2	5 1/2	5 1/2	a
385 1/2	88 1/2	Fund. 2 1/2% 1925-57	79 1/2	...	3 18 0	79 1/2	5 1/2	5 1/2	a
377 1/2	87 1/2	Fund. 3% 1929-60	87 1/2	...	3 12 6	87 1/2	5 1/2	5 1/2	a
444 1/2	100 1/2	Fund. 4% 1960-90	100 1/2	...	3 14 3	100 1/2	5 1/2	5 1/2	a
32	92 1/2	Nat. D. 2 1/2% 1944-48	94 1/2	...	3 7 0	94 1/2	5 1/2	5 1/2	a
102	102	Do. 3% 1954-58	92	...	3 11 10	92	5 1/2	5 1/2	a
385 1/2	88 1/2	War L. 3 1/2% at 1952	88 1/2	...	3 17 0	88 1/2	5 1/2	5 1/2	a
73 1/2	74 1/2	Local Loans 3%	73 1/2	...	3 19 10	73 1/2	5 1/2	5 1/2	a
55 1/2	55 1/2	Austria 3% 1935-53	73 1/2	...	4 1 11	73 1/2	5 1/2	5 1/2	a
79 1/2	79 1/2	India 2 1/2%	55 1/2	...	3 17 0	55 1/2	5 1/2	5 1/2	a
64 1/2	66 1/2	Do. 3%	66 1/2	...	4 10 1	66 1/2	5 1/2	5 1/2	a
105 1/2	115 1/2	Do. 3 1/2%	79 1/2	...	4 8 4	79 1/2	5 1/2	5 1/2	a
95 1/2	95 1/2	Do. 4 1/2% 1958-68	105	...	4 2 3	105	5 1/2	5 1/2	a
98 1/2	99	Dom. & Col. Govts.	106 1/2	...	5 6 2	106 1/2	5 1/2	5 1/2	a
92 1/2	92 1/2	Canada 5% 1945-75	98	...	4 2 11 1/2	98	5 1/2	5 1/2	a
92 1/2	92 1/2	Nigeria 5% 1950-60	103	...	4 12 11	103	5 1/2	5 1/2	a
92 1/2	92 1/2	N. Zealand 5% 1946	92	...	4 12 11	92	5 1/2	5 1/2	a
92 1/2	92 1/2	Queens. 5% 1940-60	94 1/2	...	4 12 3	94 1/2	5 1/2	5 1/2	a
92 1/2	92 1/2	S. Africa 5% 1945-75	102	...	4 12 3	102	5 1/2	5 1/2	a
101 1/2	101 1/2	Corporation Stocks	101 1/2	...	4 14 8	101 1/2	5 1/2	5 1/2	a
102 1/2	102 1/2	Birmingham 5% 1946-56	101 1/2	...	4 14 6	101 1/2	5 1/2	5 1/2	a
88 1/2	88 1/2	Bristol & Exeter 5% 1948-58	102 1/2	...	4 14 6	102 1/2	5 1/2	5 1/2	a
88 1/2	88 1/2	L.C.C. 3%	102 1/2	...	4 14 6	102 1/2	5 1/2	5 1/2	a
88 1/2	88 1/2	Liverpool 3% 1954-64	86 1/2	...	3 17 0	86 1/2	5 1/2	5 1/2	a
88 1/2	88 1/2	Med. 3 1/2% 1957-62	93 1/2	...	3 19 0	93 1/2	5 1/2	5 1/2	a
Foreign Governments									
96 1/2	78	Arg. 4 1/2% 1934-59	75	...	6 0 0	75	5 1/2	5 1/2	a
102 1/2	23	Austria 1930-55	34	...	12 7 3	34	5 1/2	5 1/2	a
89	38	Do. 4 1/2% 1934-59	35	...	12 7 3	35	5 1/2	5 1/2	a
99	80	Belgian 4% (36) 1970	50	...	25 0 0	50	5 1/2	5 1/2	a
36	31	Brazil 5% (1914)	8	...	Nil	8	5 1/2	5 1/2	a
195 1/2	12 1/2	Chile 5% (1929)	61 1/2	...	15 10 0	61 1/2	5 1/2	5 1/2	a
60 1/2	37	China 5% (1912)	10	...	15 10 0	10	5 1/2	5 1/2	a
73 1/2	40	Do. 5% (1913)	23 1/2	...	15 10 0	23 1/2	5 1/2	5 1/2	a
105 1/2	20	Czechoslovakia 8%	23 1/2	...	15 10 0	23 1/2	5 1/2	5 1/2	a
99	94	Denmark 3%	100	...	22 17 0	100	5 1/2	5 1/2	a
104	84 1/2	Egypt Unified 4%	86 1/2	...	6 14 6	86 1/2	5 1/2	5 1/2	a
60	15	French 4% (British)	44	...	6 1 0	44	5 1/2	5 1/2	a
46	20	Ger. Dawes L'n. 5%	33 1/2	...	16 8 0	33 1/2	5 1/2	5 1/2	a
34 1/2	25	Do. Young L'n. 5%	35	...	16 8 0	35	5 1/2	5 1/2	a
60	35	Greek 6% 1930	33	...	13 18 6	33	5 1/2	5 1/2	a
60 1/2	38	Hungary 7 1/2%	29 1/2	...	16 0 0	29 1/2	5 1/2	5 1/2	a
35	35	Japan 5 1/2% 1930	46 1/2	...	16 0 0	46 1/2	5 1/2	5 1/2	a
75 1/2	54	Peru 7% 1922	65	...	17 10 0	65	5 1/2	5 1/2	a
15 1/2	15 1/2	Poland 7% 1922	45	...	17 10 0	45	5 1/2	5 1/2	a
15 1/2	15 1/2	Roum. 4% 1922	20	...	31 0 0	20	5 1/2	5 1/2	a
92	75	U.K. & Arg. C. 3%	70 1/2	...	4 5 1	70 1/2	5 1/2	5 1/2	a
Public Boards									
112	103	C. Elec. 5% 1950-70	103	...	4 12 11	103	5 1/2	5 1/2	a
115	103	Lon. Pass. Transport	21 1/2	...	4 6 8	21 1/2	5 1/2	5 1/2	a
123	107	Do. 5% "A" 1985-2023	21 1/2	...	4 12 0	21 1/2	5 1/2	5 1/2	a
117 1/2	102	Do. 5% "A" 1985-2023	21 1/2	...	4 17 3	21 1/2	5 1/2	5 1/2	a
84 1/2	74	Do. 5% "B" 1965-2023	11 1/2	...	2 6 0	11 1/2	5 1/2	5 1/2	a
151 1/2	106	Met. W. B. 1935-50	11 1/2	...	4 1 0	11 1/2	5 1/2	5 1/2	a
114	76	Met. W. B. 1935-50	11 1/2	...	4 1 0	11 1/2	5 1/2	5 1/2	a
British Railways									
38	21 1/2	G.W. Ord.	Nil	...	1 17 0	Nil	5 1/2	5 1/2	a
38 1/2	34	L. & N.E.R. Def.	Nil	...	Nil	Nil	5 1/2	5 1/2	a
38 1/2	34	Do. 5% Pref. Ord.	Nil	...	Nil	Nil	5 1/2	5 1/2	a
38 1/2	34	Do. 5% 2nd Pref.	Nil	...	Nil	Nil	5 1/2	5 1/2	a
17	9 1/4	Do. 4% 1st Pf.	Nil	...	Nil	Nil	5 1/2	5 1/2	a
46 1/2	20	L.M.S. Ord.	Nil	...	Nil	Nil	5 1/2	5 1/2	a
63 1/2	37 1/2	Do. 4% Pf. 1923	Nil	...	Nil	Nil	5 1/2	5 1/2	a
19	7	Do. 4% Pf.	Nil	...	Nil	Nil	5 1/2	5 1/2	a
100	77	Do. 5% Pf. Ord.	Nil	...	Nil	Nil	5 1/2	5 1/2	a
Dom. & Foreign Ry.									
9 1/2	4 1/2	Antofagasta Ord.	Nil	...	Nil	Nil	5 1/2	5 1/2	a
13 1/2	5 1/2	B.A. & Pac. Ord.	Nil	...	Nil	Nil	5 1/2	5 1/2	a
11 1/2	4	B.A. & Pac. Ord.	Nil	...	Nil	Nil	5 1/2	5 1/2	a
11 1/2	4	B.A. & Pac. Ord.	Nil	...	Nil	Nil	5 1/2	5 1/2	a
7 1/2	3 1/2	B.A. & Pac. Ord.	Nil	...	Nil	Nil	5 1/2	5 1/2	a
44 1/2	20	Can. Pac. Com. \$25	Nil	...	Nil	Nil	5 1/2	5 1/2	a
35 1/2	20	Costa Rica Ord.	Nil	...	Nil	Nil	5 1/2	5 1/2	a
34 1/2	20	Nitrate Ry. \$10	Nil	...	Nil	Nil	5 1/2	5 1/2	a
Banks and Finance									
60 1/2	45 3	Bank of England	21 1/2	...	7 6 0	21 1/2	5 1/2	5 1/2	a
30 1/2	28 1/2	Barclay & C. \$1	25	...	6 8 0	25	5 1/2	5 1/2	a
30 1/2	28 1/2	Barclay & C. \$1	25	...	6 8 0	25	5 1/2	5 1/2	a
30 1/2	28 1/2	Barclay & C. \$1	25	...	6 8 0	25	5 1/2	5 1/2	a
30 1/2	28 1/2	Barclay & C. \$1	25	...	6 8 0	25	5 1/2	5 1/2	a
30 1/2	28 1/2	Barclay & C. \$1	25	...	6 8 0	25	5 1/2	5 1/2	a
30 1/2	28 1/2	Barclay & C. \$1	25	...	6 8 0	25	5 1/2	5 1/2	a
30 1/2	28 1/2	Barclay & C. \$1	25	...	6 8 0	25	5 1/2	5 1/2	a
30 1/2	28 1/2	Barclay & C. \$1	25	...	6 8 0	25	5 1/2	5 1/2	a
30 1/2	28 1/2	Barclay & C. \$1	25	...	6 8 0	25	5 1/2	5 1/2	a

Prices, Year 1939 Jan. 1 to Oct. 11, inclusive		Last two Dividends		Name of Security	Price, Oct. 11, 1939	Change since Oct. 4, 1939	Yield Oct. 11, 1939	Prices, Year 1939 Jan. 1 to Oct. 11, inclusive		Last two Dividends		Name of Security	Price, Oct. 11, 1939	Change since Oct. 4, 1939	Yield Oct. 11, 1939
High-est	Low-est	(a) %	(b) %					(c) %	High-est	Low-est	(a) %				
51 1/2	25 1/2	Nil	8c	Iron, Coal, &c.—cont.	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	Miscellaneous—cont.	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	Thornycroft, John £1	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	Gallagher Ltd. Ord. £1	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	U. States Steel \$100	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	Gaumont-Brit. 10/-	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	Un. Steel Cos. Ord. £1	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	Gen. Refract. 10/-	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	Vickers 10/-	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	Gestetter (D) 5/-	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	Ward (Thos. W.) £1	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	Harrison & Cross Ltd. £1	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	Whitehead I. & S. £1	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	Harrods £1	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	Yarrow & Co. £1	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	Hawker Siddeley 5/-	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	Textiles	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	Imp. Airways £1	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	Bleachers £1	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	Imp. Chem. Ord. £1	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	Bradford Dyers £1	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	Imp. Smelting £1	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	Brit. Cel. Ord. 10/-	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	Imp. Tobacco £1	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	Calico Printers £1	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	Inter. Nickel n.p.	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	Coats, J. & P. £1	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	International Tea 5/-	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	Courtauld £1	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	Lever & Univer £1	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	English Swg. Ctn. £1	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	Lon. & Th. Oil Wh £1	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	Fine Cotton Spin. £1	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	London Brick £1	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	Lin. Thread Stk. £1	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	Lyons (J.) Ord. £1	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	Patons & Baldwins £1	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	Marks & Spenn £1	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	Whitworth & Mit. £1	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	Murex £1 Ord.	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	Electrical Manufacts.	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	Philips (Godfrey) £1	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	British Insulated £1.	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	Pinchon Johnson £1	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	Callenders £1	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	Prices Trust Ord. 5/-	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	Crompton Park. A 5/-	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	Radiation Ord. £1	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	English Electric £1.	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	Ranks Ord. 5/-	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	General Electric £1.	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	Reckitt & Son £1	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	Henleys (W. T.) 5/-	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	Turner & Newall £1	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	Johnson & Phillips £1	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	Smithfield & Arg. Mt. £1	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	Electric Light & Co.	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	Spillers Ord. £1	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	Brazil Trac. no par.	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	Swed. Match. Bkr. 25	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	Bremeth & Poole £1	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	Tate and Lyle £1	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	British Pow. & Lt. £1	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	Tilling. Thos. £1	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	City of London £1	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	Tob. Secs. Ord. £1	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	Clyde Valley Elec. £1	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	Triplex Safety Co. £1	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	Edmundson £1	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	Trust Investments £1	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	Lancashire Elec. £1	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	Turner & Newall £1	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	London Ass. Elec. £1.	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	United Dairies £1	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	Metro. Electric £1.	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	United Molasses 6/8	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	Midland Counties £1	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	W. Lippins Mfrs. Def. £1	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	North-East. Elec. £1	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	Willaghr, Teape Ord. £1	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	Northampton £1	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	Woolworth Ord. 5/-	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	Portsmouth Elec. 'A' £1	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	Mines	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	South-East. Elec. £1	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	Ashanti Goldfields 4/-	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	Yorkshire Electric £1	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	Burna Corp. Rs. 9	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	Gas	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	Cons. Glads. of S. Af. £1	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	Gas. L. & C. £1	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	Crown Mines 10/-	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	Imp. Cont. Stk.	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	De Beers (Def.) £2 1/2	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	Newco.—on Tyne £1.	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	Jo'burg Cons. £1	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	S. Metropolitan Stk.	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	Rhone-Poulenc £1	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	Motors and Cycle	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	Rio Tinto £5	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	Albion Motors Ord. £1	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	Road Anellops Cpr. 5/-	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	Assoc. Equip. Ord. £1	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	Rob Nigol 10/-	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	Austin £1	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	Union Cpr. 12 1/2 fy pd.	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	Birm. Sm. Arms £1	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	W. Witwatersrand 10/-	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	Dennis 1/-	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a	Wiluna Gold £1000	51 1/2	+ 1 1/2	4 8 0
51 1/2	25 1/2	Nil	8c	Ford Motors £1	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a				
51 1/2	25 1/2	Nil	8c	Lucas, J. (£1)	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a				
51 1/2	25 1/2	Nil	8c	Leyland Motors £1.	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a				
51 1/2	25 1/2	Nil	8c	Morris Motors 5/- Od.	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a				
51 1/2	25 1/2	Nil	8c	Ral. Cycle Hold. £1.	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a				
51 1/2	25 1/2	Nil	8c	Rolla-Royce £1	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a				
51 1/2	25 1/2	Nil	8c	Stand. Motor 5/-	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a				
51 1/2	25 1/2	Nil	8c	Shipping	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a				
51 1/2	25 1/2	Nil	8c	Clan Line Steam. £1	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a				
51 1/2	25 1/2	Nil	8c	Cunard £1	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a				
51 1/2	25 1/2	Nil	8c	Furness, Withy £1.	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a				
51 1/2	25 1/2	Nil	8c	P. & O. Def. £1.	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a				
51 1/2	25 1/2	Nil	8c	Royal Mail Lines £1	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a				
51 1/2	25 1/2	Nil	8c	Union Castle Ord. £1	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a				
51 1/2	25 1/2	Nil	8c	Tea and Rubber	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a				
51 1/2	25 1/2	Nil	8c	Allied Sumatra £1	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a				
51 1/2	25 1/2	Nil	8c	Anglo-Dutch £1	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a				
51 1/2	25 1/2	Nil	8c	Bah Lian £1	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a				
51 1/2	25 1/2	Nil	8c	Izhanzie Tea £1	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a				
51 1/2	25 1/2	Nil	8c	Jorchau Tea £1	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a				
51 1/2	25 1/2	Nil	8c	Joh. (Assam) £1	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a				
51 1/2	25 1/2	Nil	8c	Jingpi Plant. 2/-	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a				
51 1/2	25 1/2	Nil	8c	London Asiatic 2/-	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a				
51 1/2	25 1/2	Nil	8c	Rubber Trust £1	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a				
51 1/2	25 1/2	Nil	8c	United Serdang 2/-	27 1/2	...	4 8 0	61 1/2	43 1/2	Nil	7 1/2 a				

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	Div- der		
										Prefce. Amount	Ordinary Amount
Financial, Land, etc.											
African Lakes Corp.	Jan. 31	7,994	20,777	28,771	...	17,400	6	4,000	7,371	20,927	6
Strand Electric Holdings	July 11	2,685	978	3,663	...	3,335	4	...	328	8,273	10
Iron, Coal and Steel											
Dunswart Iron and Steel	June 30	24,147	39,317	63,464	5,500	17,500	10	26,000	14,464	46,302	1
Kayser, Ellison & Co.	June 30	18,169	98,686	116,855	6,000	43,750	17½	48,510	18,595	121,613	1
Parsons Steam Turbine	June 30	7,834	71,383	79,217	...	31,692	10	30,000	17,525	51,134	10
Tinsley Rolling Mills	June 30	4,011	5,787	9,798	1,232	2,080	8	2,000	4,486	10,692	1
Motor, Cycle and Aviation											
Parnall Aircraft	July 31	...	79,818	79,818	...	78,750	12½	...	1,068	66,787	
Rubber											
Aberfoyle	Mar. 31	3,071	194	3,265	...	...	...	...	3,265	2,887	
British Borneo Para	Apr. 30	Dr. 566	1,000	434	...	...	...	...	434	2,472	
British Rubber of Java	June 30	18,830	3,041	21,871	...	...	...	3,000	18,871	29,556	
Chimpul (F.M.S.)	June 30	1,859	811	2,670	...	...	...	...	2,670	1,625	
Federated (Selangor)	June 30	1,257	2,078	3,335	...	1,445	2½	1,250	640	7,217	
Morib	June 30	2,668	1,410	4,078	...	1,400	2	...	2,678	4,937	
Shipping											
Manchester Liners	June 30	33,600	28,264	61,864	22,886	14,469	5	...	24,509	51,849	
Shops and Stores											
British Overseas Stores	June 30	21,693	14,274	35,967	...	12,741	5	...	23,226	19,547	
Trusts											
C.L.R.P. Investment	Aug. 31	4,882	19,188	24,070	13,275	4,000	2½	380	6,415	21,498	
Second American	Aug. 31	12,599	17,566	30,165	16,439	...	...	...	13,726	24,079	1
Other Companies											
Anglo-Alpha Cement	June 30	24,819	90,659	115,478	...	83,974	10	16,289	15,215	104,130	
British Piston Ring	July 31	32,106	42,390	74,496	4,000	26,250	17½	11,500	32,746	47,912	
Brown, Hopwood & Gilbert	June 30	11,505	15,011	26,516	1,056	11,407	17½	1,000	13,053	15,602	
Clyde Paper	June 30	10,595	(b) 118,978	129,573	16,875	36,000	12	68,510	8,188	c 138,469	
Eastwoods Lewes Cement	June 30	5,496	9,841	15,337	...	4,300	4	3,347	7,690	18,536	
Fletcher and Cartwrights	July 31	19,658	26,841	46,499	...	18,000	6	5,340	23,159	27,189	
Imperial Smelting	June 30	103,736	165,149	268,885	124,189	...	...	70,164	74,532	183,485	
London United Laundries	June 24	6,777	9,535	16,312	...	3,025	5	5,242	8,045	8,771	
Murex, Ltd.	June 30	90,464	228,828	219,292	3,500	135,625	20	90,000	90,167	310,772	
Murray (D. and W.)	July 19	20,327	15,706	36,033	16,250	...	...	...	19,783	40,605	
Ste Madeleine Sugar	June 30	44,719	58,695	103,414	...	34,979	5	26,094	42,341	9,378	
Total Profits, 1939, in £000's											
To October 7	No. of Cos.	1,802	75,109	225,887	300,996	43,422	119,775	58,598	79,201	245,263	
To October 14		1,830	75,644	227,073	302,717	43,653	120,357	59,011	79,696	246,659	

(b) After charging £51,000 transferred to income tax account. (c) After charging £17,000 reserved for income tax and N.D.
 (d) Absorbed £21,128. (e) Absorbed £26,250. † Free of income tax.

INDUSTRIAL PROFITS

SUPPLEMENTARY TABLES

See Note of the Week on p. 48.

TABLE (A).—RATES OF INTEREST AND DIVIDEND
(Quarter ended September 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	12,396,270	4.2	15,614,067	4.9	30,001,283	16.8	17.3
Canals and docks	Nil	...	Nil	...	Nil	...	6.6
Electric lighting, etc.	Nil	...	2,000,000	4.4	2,500,000	12.5	11.2
Financial, land, etc.	8,514,947	4.3	12,305,203	5.2	14,430,590	8.0	6.6
Gas	187,000	4.0	Nil	...	19,430,590	8.0	6.6
Hotels and restaurants	277,500	6.2	75,000	4.4	250,000	0.4	0.0
Iron, coal and steel	13,490,745	4.7	12,625,688	2.9	28,911,569	6.1	0.2
Motor and aviation	Nil	...	1,269,419	4.4	4,753,628	8.4	0.8
Oil	Nil	...	950,000	7.8	3,292,553	Nil	0.5
Rubber	2,407,376	4.7	32,100	7.9	12,454,016	3.8	6.9
Shipping	Nil	...	2,282,015	3.4	6,046,096	8.1	2.2
Shops and stores	7,783,605	4.6	14,299,661	5.8	11,253,801	4.2	7.7
Tea	208,302	6.4	704,500	4.9	2,207,279	5.2	6.6
Telegraphs and telephones	Nil	...	Nil	...	Nil	...	12.1
Textiles	3,875,000	3.7	6,299,604	2.3	6,106,239	2.9	2.4
Tramway and omnibus	Nil	...	200,000	4.3	300,000	3.6	Nil
Trusts	13,906,088	4.4	8,817,809	4.1	15,512,339	2.7	4.7
Waterworks	21,000	4.0	20,950	4.7	80,000	8.2	9.2
Building materials	923,900	5.0	1,425,915	5.6	2,081,000	7.7	9.7
Food, confection., etc.	1,826,563	3.9	2,226,669	5.3	11,253,801	4.2	7.7
Electrical equipment	Nil	...	575,000	6.8	827,500	7.0	12.1
Newspapers, printing, etc.	2,469,561	4.2	3,800,408	6.6	3,638,598	8.5	11.7
Tobacco	Nil	...	800,000	6.8	340,000	8.3	11.6
Warehouse and trading	404,767	3.8	782,162	3.9	825,000	9.6	8.6
Miscellaneous	12,834,104	4.8	27,265,714	6.3	21,733,911	8.2	9.1
Total	80,488,728	4.8	116,361,891	5.0	177,077,726	7.5	9.1

* 345 companies.

† 374 companies.

TABLE (B).—PROFITS BY INDIVIDUAL GROUPS
(Quarter ended September 30, 1939)

Group	No. of Cos.	Total Profits (after Debenture Interest)		Division of Total Profits (=100)		
		Previous Year	Latest Year	Pref. Div.	Ord. Div.	To Res.
Breweries	35	£ 7,735,878	£ 7,570,207	9.8	66.6	23.6
Canals and docks	2	Nil	Nil	...	...	...
Electric lighting and power	1	612,629	652,036	25.7	48.0	26.3
Financial, land & investment	36	1,958,476	1,734,514	36.8	51.2	12.0
Gas	1	63,304	66,424	13.0	44.7	42.3
Hotels and restaurants	2	7,759	5,871	55.3	106.5	176.2
Iron, coal and steel	28	4,771,830	3,828,982	9.3	46.0	44.7
Motor, cycle and aviation	6	687,158	708,865	7.9	62.7	29.4
Oil	3	344,658	398,283	18.2	81.8	...
Rubber	60	1,292,308	653,515	0.4	71.7	27.9
Shipping	3	701,973	570,323	13.5	34.1	32.4
Shops and stores	10	1,989,966	1,923,072	43.6	25.6	30.8
Tea	11	277,276	227,478	15.4	50.2	34.4
Telegraphs and telephones	13	802,301	644,493	22.8	24.5	32.7
Textiles	1	17,099	31,440	27.7	34.6	37.7
Tramway and omnibus	25	1,052,253	909,122	39.5	45.8	14.7
Trusts	12	429,370	10,319	9.5	71.8	18.7
Waterworks	10	1,151,662	1,071,035	20.7	41.6	37.7
Building materials	9	174,588	136,054	28.0	44.7	27.3
Food, confectionery and drink	2	93,200	92,663	59.3	30.4	10.3
Electrical equipment	4	187,042	206,767	15.0	38.2	46.8
Newspapers, printing, etc.	68	5,121,817	5,453,613	30.1	32.7	37.2
Tobacco	...	...	...	...	...	...
Warehouse and trading	...	...	...	...	...	...
Miscellaneous	...	...	...	...	...	...
Total	345	30,492,950	28,252,796	20.7	47.1	32.2

BRITISH WHOLESALE PRICES

	Oct. 4, 1939		Oct. 10, 1939	
CEREALS AND MEAT				
GRAIN, etc.—				
Wheat—	s.	d.	s.	d.
No. 2, N. Man. 496 lb. Antwerp	43	7½	44	2
Ena. Gaz. av., per cwt.	5	7	5	8
*Antwerp, Rosafé, 81 kilos	35	5	35	3
Flour, per 280 lb.—				
Straights, d/d London	22	0	22	0
Manitoba, ex store	...	...	...	...
Barley, Eng. Gaz., av. per cwt.	10	9	10	8
Oats	6	10	7	3
*Maize, "La Plata," 480 lb.				
Antwerp	...	...	37	1
Rice, No. 2 Burma, per cwt.	...	...	42	0
MEAT—				
Beef, per 8 lb.—				
English long sides	5	8	5	8
Argentine chilled hinds	5	0	5	0
Mutton, per 8 lb.—				
English wethers	6	4	6	4
N.Z. frozen wethers	2	8	2	8
Lamb, per 8 lb.—				
N.Z. frozen	4	0	4	0
Pork, English, per 8 lb.	6	0	6	0
BACON (per cwt.)—				
English	100	0	105	0
Danish	100	0	110	0
Dutch	97	0	105	0
Irish	101	0	105	0
HAMS (per cwt.)—				
Canadian	101	0	108	0
United States	94	0	108	0
OTHER FOODS				
BUTTER (per cwt.)—				
Australian	...	...	...	...
New Zealand	145	0	145	0
Danish	...	...	...	...
CHEESE (per cwt.)—				
Canadian (new)	68	0	68	0
New Zealand	66	0	66	0
English Cheddars	88	0	...	...
Dutch	...	...	...	...
COCOA (per cwt.)—				
Accra, G.I.	29	0	29	0
Trinidad	30	0	30	0
Grenada	56	0	56	0
	42	0	42	0
	45	0	45	0
COFFEE (per cwt.)—				
Santos sup. c. & f.	45	0	44	0
Costa Rica, medium to good	92	0	95	0
Kenya, medium	110	0	110	0
	85	0	85	0
	100	0	100	0
EGGS (per 120)—				
English (15 lb. and over)	22	0	22	6
Danish (15 lb. and over)	14	9	14	9
FRUIT—				
Oranges, Brazilian (Peras) boxes	9	0	10	0
" S. African (Val. Latrs.) bxs	12	6	13	0
Lemons, Californian	13	0	13	0
Apples, Virginian	15	0	15	0
Grapefruit, Jamaican (M.S.)	20	0	20	0
Pears (Californian) B. Hardy	10	0	8	6
	10	3	10	0
	13	6	13	6
	15	6	15	6
LARD (per cwt.)—				
Irish, finest bladders	46	0	46	0
U.S.	54	0	54	0
	42	6	42	6
PEPPER (per lb.)—				
Black Lampong (in Bond)	0	33	0	35
" (Duty paid)	0	4	0	4
White Muntok (E.a.g.) (in Bond)	0	57	0	57
" (Duty paid)	0	61	0	61
POTATOES (per cwt.)—				
English, King Edward, Siltland	5	6	5	6
Wiabech, King Edward (per ton)	6	6	6	6
	105	0	100	0
SUGAR (per cwt.)—				
Ceanifluors, 96%, prpt. shipm.		Nom.		Nom.
Refined London				
Granulated, 2 cwt. bags	36	10	36	10
Cubes, 1 cwt. cases	40	10	40	10
Pieces, 2 cwt. bags	34	6	34	6
Soft Brown, 1 lb. cartons	35	6	35	6
West India Crystallised	...	...	34	10
	...	...	37	...

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War Aims

PRESSURE is being exerted on the Government from a variety of sources for an immediate and comprehensive statement of the aims for which Great Britain is entering on the war. There are three objects that such a statement of Allied war aims would serve. In the first place, it would convince the doubters and inspire the convinced among our own people. Secondly, the great moral force of neutral, especially American, opinion, already strongly on the side of the Allies, would be consolidated by a statement of aims that could be recognised as the foundation stones of a better world. Thirdly, a clear promise of just and moderate terms may speed the arrival of the day when a less perjured and more sober Government arises in Germany to make peace.

This by no means exclusive list of the objects to be served by a declaration of war aims illustrates one of the major difficulties of drawing up such a declaration. "War aims" may mean different things according to the end in view. For example, there is a certain set of conditions upon which the Allies would agree to call off their armies now, leaving a Germany which, even if it ceased to be Hitlerian, would certainly be armed and ambitious. Mr Chamberlain stated those terms last week: they comprise the evacuation of Poland and Czecho-Slovakia and the giving of "guarantees" (which, though the Prime Minister did not specifically say so last Thursday, would hardly be trustworthy so long as Hitler is in absolute control of Germany). But the majority of people, when they speak of "war aims," do not mean these minimum terms for an immediate compromise. They mean the principles on which we shall treat Germany and reorganise Europe if we are given another chance like that of 1919 of doing more or less what we choose. And, in between these two extreme defini-

tions of "war aims," there is presumably a third set of conditions which would be accepted if after, say, two years' fighting, a more moderate Government were to emerge in a still undefeated Germany.

Any statement of war aims must, therefore, make clear in which category it falls. The time for the first—the immediate compromise terms—may have already passed, as there is not the slightest sign that the Nazis are prepared even to discuss their acceptance. Too clear a statement in advance of the middle category—the "1941 compromise"—might merely obscure the very sincere idealism of the current schools of thought about the principles of a new order. These latter are, in fact, the only war aims that can usefully be discussed. But even when the choice is so narrowed down, the difficulties are not exhausted. War does two things to men's minds, if the analogy of 1914-18 holds. It fills them with unreasoning bitterness and hatred against their enemies. But it also brings to the surface a great deal of the ordinary man's abstract idealism. The reason why we should all try now, before the war mentality seizes us, to commit ourselves to reasonable treatment of the enemy is precisely the reason why we should not now try to make too precise the more constructive aspects of peace-making. Just as we cannot now imagine just how passionately we shall hate the enemy when we have been through the agony, so we cannot imagine what degree of Utopianism will suddenly become practical politics. What seems to be required is clear precision in that part of our war aims that deals with the treatment to be accorded to the defeated enemy and, for the rest, a much less detailed set of sign-posts pointing down the roads we hope to travel.

The history of the last two decades has shown that there are only two consistent alternative policies to pursue

towards the German problem. One is to parcel Germany into a number of small States, permanently garrisoned by and subjected to the Allies. The other is to treat a Germany purged of the Nazis as an equal. The Versailles policy of humiliating and penalising Germany without successfully holding her down runs the maximum risk of provoking a war every generation. In theory, we could, after victory, choose freely between the policies of repression and equality. In practice, we should have neither the brutal resolution nor the moral indifference to pursue the policy of repression with the unyielding severity that would alone give it a chance of success. The policy of equality is really the only workable one. That being so, the peace terms must be framed with the deliberate object of creating a satisfied and contented Germany. Poland and Czechoslovakia must, of course, be restored. But it would be better for the future peace of Europe to leave Austria in the Reich, unless the most convincing proof were forthcoming that the Austrian population would prefer to get out, and to stay out, of the Reich. It would also be necessary to be long-sighted in the matter of indemnities. There is, for example, the clearest case in equity for exacting reparation for the destruction of Warsaw. But it would probably pay the Allies better to pay for the reconstruction themselves than to inject the poison of Reparations once more into the relations between Germany and her Western neighbours. Similarly, the principles of self-respect and equality must govern the problem of disarmament. Germany must not again be expected to remain indefinitely in a state of permanent inequality. If her disarmament precedes that of the Allies, it must be conditioned absolutely on their performance of their pledge. They must seek their safety in the more lasting guarantees of a real collective security.

These three principles—no annexations or partitions of German lands, no indemnities, no arms inequality—would command, to-day, a very large body of support in Great Britain. Indeed, a considerable section of opinion would go further and say that we have no right to compel or even persuade Germany to adopt any particular system of internal government. As Sir Archibald Sinclair put it in the House of Commons last week, "we recognise the right of a nation to govern itself in its own way, even to choose a dictatorship if it wants it. We may be horrified by the results . . . but it is not for us to chastise another people for its misgovernment." Sir Nevile Henderson's brilliant final report on his mission in Germany contains, in its early paragraphs, the same order of ideas:—

So long as National Socialism remained an article for internal consumption, the outside world, according to its individual predilection, might criticise or sympathise or merely watch with anxiety. The Government of Germany was the affair of the German people. It was not until the theory of German nationalism was extended beyond Germany's own frontiers that the Nazi philosophy exceeded the limits compatible with peace.

But Sir Nevile himself points out the weakness in this application to entirely new phenomena of the old principles of national sovereignty. He speaks, later in his report, of that final brainstorm in Herr Hitler's mind on which the

peace of the world depended, and upon which it always must have depended so long as the fate not only of Germany, but also of Europe, rested in the hands of a single irresponsible individual. The tragedy of any dictator is that as he goes on his entourage steadily and inexorably deteriorates. For lack of freedom of utterance he loses the services of the best men. All opposition becomes intolerable to him. All those, therefore, who are bold enough to express opinions contrary to his views are shed one by one, and he is in the end surrounded by mere yes-men, whose flattery and counsels are alone endurable to him.

Or again,

Hitler may well have wondered what might happen to his Nazi revolution if its momentum were allowed to stop. Moreover, the financial and economic position of Germany was such that things could scarcely continue as they were without some form of explosion, internal or external. Of the two alternatives, the most attractive from the point of view of his growing personal ambitions, and those of the clique which was nearest to him, was war.

The truth is that a dictatorial regime in a strong power such as Germany is *ipso facto* a menace to neighbouring nations. Aggressiveness is not a tumour that may or may not grow upon the body of authoritarianism; it is the inevitable outcome of personal dictatorship. We have not got the right to impose upon Germany our own or any other form of representative democracy. We have got the right and the duty to insist that whatever form of government she chooses it shall be a form that preserves free speech and the right to oppose and gives full play to that mighty new historical phenomenon—popular hatred of war. This obligation, too, must be mutual. Just as the Federal Constitution of the United States of America prescribes that each State can have what constitution it chooses, provided only that it is republican, so in our approach to a United States of Europe we must insist that no nation can adopt a form of government which will lead inevitably to war. If the British Government's pledge to get rid of Hitlerism has any precise meaning, this is it.

These four main principles, it is here suggested, should form the four corners of the terms that will be given to Germany when she sues for peace. A declaration by the Allied Governments that they would stand by these terms—no dismemberment of German lands, no indemnities, equality of rights and the guarantee of free speech—could do no harm and would immensely strengthen both their moral and their tactical position. A full peace settlement would, of course, contain much more than this. Germany would be invited to collaborate with Britain and France in erecting an effective mechanism for enforcing peace, something more far-reaching than the half-measures and compromises of the League of Nations. She would be invited to join in a system of permanent disarmament. She would be asked to share in the difficult task of evolving a fruitful measure of economic co-operation among the nations. All these are matters which, if the attempt were now made to set them down in any detail, would destroy more unity of purpose than they would create. They must wait until the war is won. What will not wait, for the neutrals' sake, for the Germans' sake and for our own sake, is the demonstration that we mean to deal justly.

The Importance of Exports

THE past seven weeks have seen the birth in this country of a whole new machinery of economic control. Almost at a single bound we have passed from an economy that was predominantly free to one that is closely controlled by the Government and its organs. It could hardly be expected that so enormous a task of transformation should have been carried through without mistakes being made or difficulties arising, and though detailed criticism serves an essential purpose, it should be tolerant and constructive.

In one vital sector of the national economy, however, it is already clear that much more is wrong than can be explained away on the score of growing pains or technical hitches. British export trade has been left substantially unprovided for. Indeed, the first impact of the controlled

economy on British exports has been to hamper and restrict them. A large number of the controls that have been imposed for other purposes have had the incidental effect of damaging the export trades. Thus, while there is no shortage as yet of any important raw materials, the machinery of control has given rise to delays. The interruption of communications imposed by military necessities and the censorship has cut exporters off from their markets. The operation of exchange control, and in particular the withdrawal of credit facilities given by London banks to foreign traders, has complicated the finance of the export trade. The rise in freight rates and the cost of war-risk insurance have cut into the profits of trade. The necessity to apply for export licences and the military control imposed through the Customs have made it

impossible to observe delivery dates. The senseless application of the postal censorship has interfered with shipments of catalogues—and so forth and so on. Each of these is a detail. But when they are added together and nothing is done on the other side to redress the balance, save the utterance of fair words, it becomes a matter not so much of defects of machinery but of a failure in principle to appreciate the paramount importance of the export trade. Obstructions of this order are not allowed to be placed on, say, the manufacture of guns for the Navy or of aircraft for the R.A.F. But the maintenance and expansion of the export trades are hardly less urgent or vital.

It is proposed in this and succeeding issues of *The Economist* to set out the elements of an export policy shaped to fit the peculiar needs and opportunities of a nation at war. The present article is intended to expound the chief reasons for regarding exports as of primary war importance. Later articles will discuss the way in which exchange control and price control can be managed so as to favour the export trades; they will also examine the possibilities that exist for expanding, as distinct from merely maintaining, the volume of British exports. And, finally, some suggestions will be made about the administrative machinery best adapted for the pursuit of a vigorous and positive export policy.

The most obvious merit of exports, both in peace and in war, is that they pay for imports. It is a commonplace by now that the unique and decisive advantage of Great Britain and France over Germany lies in their unrestricted access to all the resources of the outer world in raw materials and in industrial capacity. We are going to win this war by our imports. But the outer world will not give us these imports; its most important single unit refuses even to lend us them. It will be of no avail to us to have access to the outside world unless we can pay for what it has to offer. For the purposes of buying we have, it is true, very substantial reserves of gold, foreign exchange and marketable foreign securities. But these are reserves, in the most literal sense of the word. Large though they are, they would not last long if they were called upon to finance any considerable part of our war-time imports. Moreover, they are capital assets; they are irreplaceable; and so far, at least, as the foreign securities are concerned, their sale would directly affect the national income of the future. For a country which imports the larger part of its raw materials and foodstuffs, foreign assets are a part of the national wealth that cannot be squandered without courting disaster. The reserve should be kept as a reserve and the aim should be to finance as much as possible of our imports during the war out of the current earnings of our export industries, our shipping, our insurance and the other "invisible exporters." This is the simplest and most obvious reason for maintaining exports. Indeed, maintenance is barely enough, since under the pressure of war needs both the volume and the value of our purchases are virtually certain to increase.

The importance of foreign trade in war-time is usually conceived of in terms of raw materials alone. This is, in itself, an enormous advantage to have. Unlike Germany, we are not compelled to squander man-power in the production of *ersatz* materials whose high cost is merely a reflection of the volume of labour that has to be put into them. But by importing we not only avoid additional strains on our man-power at home, we are able actually to purchase of aircraft from North America is only the most spectacular example of imported man-power; the same principle can be applied in a variety of ways. Thus in the last war it was found of advantage to restrict the imports of certain raw materials (e.g. copper ore) and imports of their place more finished products (e.g. refined copper). This has two advantages: less British labour is needed to finish the process of manufacture; and, since the finished products are less bulky than raw materials, the demand for shipping is less. By the same analogy, it may be desirable to import more meat and less feeding-stuffs. But any such alteration in the nature of our imports necessarily increases their cost. Increased exports are needed in wartime not merely to pay for raw materials but to buy foreign man-power as well. At present there are large

supplies of unemployed labour in the British export industries and manufacturing industries overseas capable of selling to us. To take the unemployed in our export trades, transfer them to munition-making, retrain and resettle them may be a much less economic way of using them than to set them to work at once in their normal trades and buy munitions from abroad. Indeed, it may be so much more practical in the strategic sense as to be well worth the Government's while to foster by financial assistance—especially since the munition industries are thereby taken out of range of the bomber. This policy cannot, of course, be pursued *ad infinitum*. For one thing, it depends on the volume of shipping available (though it may well be quicker to build ships than to try to make cotton weavers into shell-makers). It would also be foolish to push the policy so far that we have to accept terms of exchange for exports against munitions that are uneconomic. But the possibilities of such a policy of importing munitions are enough to show that, in any scale of priorities, the export trades should not be considered as an *alternative* to the armament supply industries. They are an armament supply industry.

Not only are exports an armaments industry. They are one of the very few armament industries that will not have to beat their swords back into ploughshares, at terrific social cost, when the war is over. In the last war, when exports were neglected, it was found that the export markets, which would have been a godsend if they could have absorbed the labour demobilised from the Army and from munition-making, had permanently shrunk. This must not be allowed to happen again. Markets cannot be ignored for four years and then simply picked up again where they were before the war. For the sake both of easing the inevitable post-armistice crisis and of maintaining the post-war national income, foreign trade must be kept going.

Finally, export policy can be made a very effective weapon of economic warfare. The technique of interfering with Germany's imports is being thoroughly developed by the Ministry of Economic Warfare. But the possibilities of interfering with Germany's exports through a system of flexible and strategically co-ordinated competition with them has not been developed at all. Germany, even more than ourselves, must pay for what she buys. We can, and should, make it very much more difficult for her to do so. But the markets in which Germany can still compete with us are relatively few. In all the overseas continents and in those parts of Europe that can be conveniently reached from Germany only by sea, her trade is now completely cut off. This vacuum will be filled by others if we do not fill it ourselves. It is elementary logic that the profits to be derived from appropriating Germany's former overseas trade should go to those nations who have chased German ships off the seas and are bearing the burden of resisting German aggression. But this result will not follow unless we take steps to secure it.

There are, then, plenty of important tasks for the export trades to fulfil. The official policy seems to be to leave private industry to fulfil its duty with no more than verbal encouragement. The memorandum sent to a number of trade associations by the President of the Board of Trade this week promised no more than that exporters should not be deprived of their supplies of raw materials and that the grant of export licences should be expedited. But if no more than this is intended, then our export trades will continue to languish. Why should any business man run the risks of foreign trade when he can earn a safe profit by working for the Government at home?

It is, then, not enough merely to cut away some of the recent growths of red tape. Our export trade needs purposive direction and assistance. The exchange control can be run in such a way as to increase our exports. The control of the prices of some essential raw materials can also play its part. It may be as necessary to organise industries for export, assigning each firm its place in the scheme, as it is to do the same for armament manufacture. Collective marketing is an essential part of a system of control. And finally the financial basis of export trading needs constant review. All these are problems that will be reviewed in subsequent articles.

Price Control

ONE of the aspects of the last war that is remembered by the public with a clear determination to avoid it this time is the steep rise in the cost of living. The rise in a number of prices in the last few weeks, to which reference is made in a Note on page 86, has made the matter a topic of urgent political concern. The Government promised at a very early stage of the war to prevent "profiteering," and the Prices of Goods Bill is the redemption of that promise. The Bill, which at the time of writing is still being debated in the House of Commons, is designed to prevent profiteering in a number of articles which will later be specified in Orders issued by the Board of Trade. It aims at preventing their prices from being raised to a higher level than that which is justified by unavoidable increases in costs due to the war.

Such a measure may be judged in the first instance by its success in defining the costs which should be covered by the permitted price and by the nature of the provisions that it makes for enforcement. On both these points the Bill comes out well. The permitted price is defined as consisting of two elements. The first is the price in the ordinary course of business on August 1, 1939 (the date may be varied when August 1st happens to be unsuitable or unfair); the second is an addition for increases in selling and production costs since that date. The cost items which may be taken into account for the purposes of additions are specified in the first schedule to the Bill. They include the price of materials, manufacturing expenses, wages and salaries, insurance premiums, transport and advertising charges. Changes may also be made for the different incidence of overheads on each item of output when the volume of business alters—assuredly a bold sally into debatable ground and one which must evoke pleasant anticipations in the Inns of Court. If this list is found to be incomplete, the Board of Trade may add new items by order. The Board is further empowered to specify basic prices and permitted increases for any additional class of goods when asked to do so by a representative body of traders. Traders themselves wishing to appeal against a price as fixed may submit the case to a referee, who will be a lawyer and will sit with three assessors—one experienced in finance and accounting, one with technical knowledge of the trade in question and one representing buyers of the price-regulated goods.

The enforcement clauses, again, give evidence of careful drafting and the anticipation of the more obvious difficulties. The Board of Trade may prescribe a mark to be affixed to goods in respect of which an Order has been made. Complaints of profiteering will be heard by local price regulation committees, and these will report to the Central Price Regulation Committee when it is considered that an offence justifies prosecution. If the central body agrees, it will request the Board of Trade to institute proceedings. Arbitrary action by local committees is thus adequately guarded against. On the other hand, any committee which errs in the opposite direction and fails to report cases of abuse can be sidetracked and the necessary proceedings for prosecution taken by the Director of Public Prosecutions. The penalties prescribed are sufficiently heavy to deter all but the most persistent profiteers, and these may be dealt with by being prohibited from taking any further part in the business in which the offence was committed. Moreover, the attempt to ensure safety for the buying public has been carried to the length of reversing the usual principles of English law, the onus of proof that the price charged was not more than the permitted price being upon the person prosecuted.

So far as the definition of costs and the provision for enforcement are concerned, this Bill seems to have done all that can be done to settle the ancient and vexed question of price control by Act of Parliament. It has, moreover, a number of excellent incidental features, such as the exemption from its scope of sales of goods for export and the special clauses dealing with evasions such as requiring purchasers of controlled goods to buy other articles at the same time, the exaction of payment for dis-

tribution services and the holding up of stocks. If it fails in its purpose the failure will be due, not to absence of grasp of the detailed difficulties of price fixing, but to wider and higher economic obstacles to any attempt to make price control work smoothly by legal fiat.

The nature of those obstacles, as well as that of the many tricks and twists which are employed by traders and the public to evade price-fixing legislation, has become reasonably well known in the course of the extremely long history of attempts to stabilise prices by direct legal intervention. A particularly useful body of experience, and one which has the advantage of having been built up recently and with full reference to the most modern methods of distribution, is that provided by a number of State and Federal laws passed in the last eight years in the United States of America, and named, with a mixture of political window-dressing and wishful thinking, Fair Trade Legislation. These measures represent an attempt to keep retail prices up in peace time, whereas the British Prices of Goods Bill is in effect an attempt to keep them down in war time. But this fact makes little difference to the importance of the comparison. Control of the movement of prices, whether in an upward or downward direction, is still control. The aim of imposing either a floor or a ceiling to price fluctuations is to achieve stability, or at least to confine fluctuations within reasonable limits. And in both the United States and Great Britain the stabilising apparatus is the law. There have been persistent attempts in America to define the components of a fair level of costs to be covered by retail prices, and these have an obvious relevance to the clauses in the Prices of Goods Bill which deal with the expenses to be covered by the permitted price. Again, the lesson of the occasional successes and more numerous failures of the American States to provide a rogue-proof machinery of enforcement is not one which should be lost.

It is not, however, with the detailed characteristics of American Fair Trade law that we are principally concerned here. That is a matter which mainly concerns lawyers and Parliamentary draftsmen, and has possibly engaged their attention already. But it is very necessary to take account of the American experience of the broader implications of retail price control, its possibilities of success as an isolated weapon, and its relation to other possible instruments of economic regulation. A recent study, by an American who has a wide knowledge of British conditions in retail trade*, covers these points and illustrates them from a searching examination of recent experience in the United States.

Four considerations arising from Mr Grether's study have particular importance in the present British situation. The first, which is illustrated with a mass of detailed material, is that only goods having certain definite characteristics are easily subjected to price regulation. They should have brands or trade marks or other means whereby they can be easily recognised, be dealt in by traders who possess a strong organisation through which they can be quickly and easily directed as a body, and be in constant demand. The best example is that of pharmaceutical products. The retail druggists have in fact been the leaders of the American price-fixing movement. Many items of food which ordinarily enter into family budgets most certainly do not have these characteristics. The second point is that price-fixing arrangements are particularly difficult to apply in conditions of rapid economic change. In the United States there is a significant gap between 1906, when an early attempt to fix certain retail prices finally failed, and 1931, when the California Fair Trade Act began the present phase of attempted control. The period between these two dates was one of rapid change in the structure of American retail trade and of general economic disturbance arising out of war and the depression. The third important conclusion from American experience is that, even with the most determined and widespread legislative favour for

* "Price Control under Fair Trade Legislation." By Ewald T. Grether. Oxford University Press. 517 + x pages. 21s.

control, it is extremely difficult to counter all the devices whereby fixed prices are evaded by dealers and the public. Finally, and most important of all, no price control measure can be effective in an economy where such fundamental factors as the quantity of money, the level of interest rates, taxation and the amounts of goods available are regulated on entirely different principles or simply left to look after themselves.

The application of all this to the British case is clear. First, a large proportion of the goods whose prices will presumably be controlled when the Board of Trade starts to issue orders under the Prices of Goods Bill will fall outside the class which is most amenable to such control. This is particularly true of foodstuffs. Secondly, the attempt to fix prices is being made in the worst possible circumstances—those of economic upheaval due to a major war. Thirdly, we have no time to indulge in a long and costly process of patching which may in the end be as imperfectly successful in making price-fixing work as the American Fair Trade laws. And, lastly, there exists a danger that in choosing precisely this economic phenomenon of retail prices as the factor to be controlled, we may be removing attention from far more fundamental and important factors making for economic dislocation. We may, in fact, be attempting to treat a disease by covering up the symptoms.

The fact is that price-fixing laws, like any other major economic controls which attempt to impose a common standard of conduct on the whole mass of the public, may be defeated by a mass understanding to take no notice of them. Retail traders are sufficiently numerous to bring a considerable pressure to bear by tacit agreement among their own number. A public with a sufficient amount of money to spend may by this means be coerced or persuaded into a conspiracy to put up prices. The Prices of Goods Bill is an outstanding attempt to anticipate the devices of evasion, but it cannot anticipate all of them, and the difficulties of enforcing such a measure when powerful and widespread economic factors count against it are enormous. Altering the price-ticket is not the only

way of raising the price of goods. Lowering the quality may have the same effect. And if price control is combined with a supply smaller than the public demands at the controlled price, its only effect is the phenomenon of queues.

None of these arguments is advanced as an attack on the present measure. Enough has been said to illustrate the fact that it is pretty well as sound and comprehensive as any such limited measure can be. There is every reason for retaining it and attempting to make it work. But there is no ground whatever for expecting that the Bill alone will prevent all the evils of a soaring price level. It can only do that as part of a co-ordinated and comprehensive policy of war economy. The roots of the evil which it attempts to combat lie deeper—in the financing of increased Government demands by inflationary methods, and in a physical shortage of goods. The cure must consequently be radical. Taxation may have to be such that sections of the population, or the population as a whole, may be prevented from bidding up retail prices. The compulsion to pay taxes may be accompanied by the persuasion to lend to the Government—with similar results. And finally a system of rationing will have to be introduced on a sufficiently wide scale to sidetrack the normal trading processes which in war-time make retail shops the perfect centre for the activities of profiteers and gluttons.

The Prices of Goods Bill will, therefore, be politically successful and economically sound only if it is regarded as one of the minor aspects of economic policy. If, either by design or by negligence, the present war is financed by inflationary means, neither this Bill nor any subsequent and more stringent measures will succeed in keeping prices from rising. Indeed, in those circumstances it would not even be desirable to prevent a rise in prices. For if the Government is not going to raise the resources it needs either by taxation or by the borrowing of genuine savings, then a rise of prices is the only way in which the consumption of the people can be reduced to the extent necessary to set labour, materials and capital equipment free for the purposes of war. The present Bill will be successful only if it is unnecessary.

Jarrow's Vicissitudes

UNEMPLOYMENT has grown since the war began. It will shrink as the fighting forces and war industries expand, and there will be shortages of labour when the munitions factories, shipyards and steelworks are going at full speed. Then, when peace comes, the harsh process of industrial change will begin again. This time fore-sighted policy may soften the transition more than was done two decades ago; but, even so, there will be the danger of new depressed areas, new Merthrys and new Jarrow.

Jarrow did well in the last war. There was intense activity in the making of ships and shells. One battleship, one cruiser and 18 destroyers were built for the Navy. There was a sharp influx of workpeople, raising the population to 35,000, ten times what it had been in 1851. Palmers' works were Jarrow; by the end of the financial year 1914-15 a debit balance of £126,000, recorded in 1913, had been converted by Palmers into a credit of nearly £43,000; and in 1919 a profit of £355,000 was available for distribution. But it did not last. The post-war boom broke. In 1921 Palmers' steelworks were shut down, to work again for only three short spells, and Palmers' shareholders received their last dividend. In 1934 Palmers' shipyard was sold for scrap, and in 1935 three-quarters of the workers of Jarrow were unemployed.

Yet it would be bad history to blame war for the fall of Jarrow. Miss Ellen Wilkinson's recently published and absorbing account of Jarrow's story through the centuries* makes this quite clear. Such swift swings of fortune were nothing new in the little Tyneside town which fostered monastic culture in the seventh century and exported

Christianity to Germany itself. It was early in the seventeenth century when coal-mining began in Jarrow; and in that and the succeeding century, a varied and well-balanced economy of coal-getting, salt production, ship-building, chemicals and glass making was built up. But the attempts of Simon Temple, Jarrow's first captain of industry in the modern style, to knit together and expand these activities, to mine coal from deep seams on a large scale, to furnish the Navy with wooden frigates and to construct a naval arsenal in Jarrow Slake, met with failure shortly after Waterloo. Temple had planned too ambitiously; and, after his ill-success, a new and troubled era of coal-mining, practically pure and simple despite the lingering presence of salt-pans and paper mills, began for Jarrow's 3,300 inhabitants.

Twenty-five years as a colliery town, from 1825 to 1850, ended no more happily. This was the time when coal-mining was seeking a footing in Durham as a large-scale industry, serving the iron smelters, who were still to be found mainly in the South and Midlands; and Jarrow's Alfred Pit, sunk by Temple in 1803, was one of the three biggest pits in the county. It was a luckless pit. Wages, though low, bulked hugely in colliery costs then, and there was steady pressure on the part of employers, by a system of forfeits and fines, to force them down. The miners of Durham, organised in 1825, were equally determined to resist that pressure and to stamp out truck payments. In Jarrow there were grim strikes in 1831, when the "Seven Lads of Jarrow" were transported for seven years, and in 1844, when the soldiers were called in. For Durham coal the days of easy money temporarily passed. The centuries-old London market for household fuel was now opened by railway to the new pits of Yorkshire and the

* "The Town that was Murdered." By Ellen Wilkinson, M.P. Gollancz. 287 pages. 7s. 6d.

Midlands. Ground was lost in the industrial South and Midlands as well, while the great coal-using industries had not yet come to the Tees and the Tyne. In Jarrow the situation was especially bad. Nowhere in the county did the coal-owners act in concert—or even alone with any effect—to keep down the underground waters in their pits or to take safety precautions; and no pit was more unsafe than Jarrow's. In 1826 thirty-four miners were killed in a single disaster; in 1830 forty-two, with 100 injured; and in 1845 thirty-nine. In 1851, a year after mine inspectors were set up by Act of Parliament, the pit was closed for good.

Another new era began, the period of Charles Mark Palmer, successor to Simon Temple. From the cause of Durham coal's decline he plucked renewed prosperity for Jarrow. The voyages of the sail-driven colliers from the Tyne were slow and irregular, and it paid southern consumers to pay extra for the speed and punctuality of rail transport from the Midlands. In 1852 Palmer's General Iron Screw Collier Company, with a capital of £250,000, was established, and the screw-driven iron steamship "John Bowes," 650 tons, with a speed of eight or nine knots, was launched, the first vessel of this kind or size to carry anything but passengers and mail and capable of doing in a week what it took two sailing colliers a month on the average to do. In 1852 some 9,482 tons of Tyne coal were taken by steam to London. Ten years later the year's total was 929,825 tons, a hundred times as much.

Steam colliers were only a beginning. In the Crimean War Palmer's rolled-plate, iron-clad H.M.S. "Terror" began a fresh stage in the armour-plate industry. Ships were built for Transatlantic and Mediterranean services; and Charles Mark Palmer evolved the idea of interlocked plant to cover shipbuilding "from ore to finished ship." He brought under single control ironstone in Cleveland, an ore port near Whitby, blast furnaces and rolling mills at Jarrow, pig and iron wharves, boiler and engine shops and a copper company. Then he went into the market for capital. In 1865, under the new Act facilitating joint stock and limited liability, Palmer's Shipbuilding and Iron Company was floated, with a capital of £2 millions. Six years later Jarrow's population reached 18,000; and the white-walled cottages of the colliery days had given way to a town in which "the houses are black, the ships are black, the sky is black, and if you go there for an hour or two you will be black," a town of abnormal overcrowding and ill-health and bitter labour disputes.

Jarrow's industry was on a new upward slope. Now there were the expanding staple trades of all Tyneside, Tees-side and the Wear behind it. In the decade 1852-61, Palmer's shipyard built 6,027 tons of shipping a year; in the decade 1882-91, the average annual tonnage was 37,104. In 1883, 61,113 tons were launched. But Jarrow hardly benefited accordingly: in the same year, 1883, a record year for work, the average wage for 8,000 workers in the shipyard was 25s.; in the "bad" years, which came with monotonous regularity, like 1876, when only 8,635 tons were launched, the whole town—tenant, landlord, shop-keeper and publican alike—felt the shock; and in the early nineties it became clear that Palmer, like Temple before him, had been too ambitious. The company's loss in 1890 was £11,000, because Palmer had tendered too low to get a contract for two warships; in 1891 the loss was £22,000; and in 1893 Palmer resigned. A loan of £650,000 as mortgage was raised, capital was written down, and another downswing was started.

Palmer's was still a famous and busy business, but it was no longer expanding. It is true that in 1901 the shipyard's launchings again topped 61,000 tons; but the average annual tonnage in the decade 1902-11 was only 26,740 tons; in 1908 only three ships were built, and in 1909 only 1,620 tons, the lowest since 1852, were constructed. In 1912, output was back to nearly 59,000 tons; but it was freely said that Palmer's interests were spread too wide for even an efficient and up-to-date shipyard to bear the burden.

The war delayed Jarrow's decline. The post-war boom made it worse when it came. In 1919 further capital of £1,000,000 was raised, and profits, reserves and new capital went in expansion that did not succeed. A shipyard at Amble, a colliery at Pelaw, shares in a Midland engineer-

ing firm, shares in Spanish ore mines, 200 acres of land for new development, and docks and repairing works at Swansea—these did not help when the boom broke.

The shipyard held its own in the years of depression: 50,000 tons were launched in 1926, 61,112 in 1927, and 65,896 in 1930; as late as 1932 Palmer's 109th warship was launched. Palmer's could compete with any British yard for price and quality, but their rivals had no idle steelworks or onerous subsidiaries to carry. In 1926 the company's total indebtedness, including capital losses, was over £1,000,000; the £1 shares were written down to 5s., and the preference arrears were cancelled. Even so, Palmer's was not saved. The Great Depression struck a death-blow. The steelworks closed for good in 1930; and four years later the shipyard, still one of the finest in the world and still receiving its fair share of all tenders, was sold for scrap under the shipbuilding industry's "rationalisation" scheme.

There are many views about this rationalisation scheme, and Miss Wilkinson's is frankly and possibly unfairly hostile. It was inevitable, when Britain's share of world shipbuilding had fallen from 82 per cent. in 1894 to 32 per cent. in 1938, that the capacity, inflated by over half between 1914 and 1920, should be cut. But looked at now, when war is making greater demands for shipbuilding than ever before in history, it does seem regrettable, to say the least, that £1½ millions should have been spent since 1930, through National Shipbuilders' Security, Limited, to dismantle and sterilise yards with a capacity of over 1½ million tons of shipping. It seems even more regrettable that, even after this drastic surgery, British shipbuilding should have been unable to meet foreign competition on equal ground; and that the industry should have entered this war under subsidy, when such famous yards as Workman Clark of Belfast, Robert Thompson of Sunderland, William Beardmore of Glasgow, and Palmer's of Jarrow had been razed to the ground and rendered useless in the cause of efficiency.

Palmer's will not be building ships on the famous Jarrow site for this war. The industrial vicissitudes of peace, to which the town is well accustomed, combined with the decisions of an industry which governs itself after the modern feudal fashion, have ruled so. Nor will Jarrow be making high-grade Bessemer steel on a large scale from English as well as imported ores—which might have been the case had T. Vosper Salt had his way. Mr Salt, an American, saw the Jarrow site five years ago and visualised an integrated steel plant by its harbour and sidings, using the same processes which Germany is employing to develop the low-grade ores of the Jura and Harz regions. His plan, backed by Messrs Brasserie and Company, the greatest of steel consultants, was blocked by the steel barons. Wrangling lasted two years, while construction costs rose, re-armament gathered speed, and the industry's older and less up-to-date plant was expanded to turn out a record production. The scheme was abandoned, and impoverished Jarrow was the loser by yet another edict of a State-protected but self-governing industry. Neither ships nor steel in bulk will be Jarrow's contribution to winning this war—only tubes, light castings and the products of new rolling mills, the fresh foundations for Jarrow's future.

Such is the tale that Miss Wilkinson tells, graphically and not without heat and bias. It is a cross-section of England's industrial history, for the last century has seen many Jarrow's. It was not the last war which brought Jarrow low. It was the same sort of shifts and changes in the country's industrial structure which had brought trouble there before. But it was the war which made the fall worse when it came by blowing up a balloon of prosperous activity to be burst at a stroke in the peace which followed. There is a moral here for to-day. There is another in the fact that, again and again in Jarrow's history, it has been the judgment or ill-judgment of individuals, even more than the ineluctable course of events, that has decreed the town's setbacks: the mistaken ambitions of Temple and Palmer and the decrees of National Shipbuilders' Security, Limited, and the Iron and Steel Federation. This is the price of the free enterprise which has made Britain wealthy, but it is a price which the State which protects and subsidises industry cannot complacently pay nowadays without the extremest care.

NOTES OF THE WEEK

After the Peace Offensive.—"Now we have begun. Now we are going on . . ." The passage of that conviction to a disbelieving world is reaping us all and more than the rewards which those who were neither frightened nor fascinated by Moscow have long predicted. It has strengthened Turkey in her refusal of Moscow's unacceptable demands; it has caused the Italians to veer still further towards the view that British-French-Turkish interests in the Mediterranean are far nearer their own than are Germany's or Russia's; it has brought Stalin to the point of hedging his German friendship; lastly, it seems to have brought Hitler to the point of desperation, and that, just now, is exactly where we want him. No sooner had the failure of his speech to the Reichstag become apparent than he had set his propaganda machine working in two directions at once, and furiously: to threaten a "big offensive"—"the war has now begun"—but to shadow this with attempt after attempt to get a conference together. He is following the practice of twenty years; and we may expect him to wriggle for a compromise now as he has wriggled on many occasions before; this time, however, we may see to it that he wriggles in vain. An apt illustration of this technique occurred towards the end of last week. King Gustav of Sweden, it was reported in Stockholm, would offer to mediate. A ripple of sensation ran round Scandinavia, only to die away when it was found that, of the two newspapers reporting this offer, one was a Church organ of a probity that went above the mere realities of political life, while the other, better known, was in close contact with the Nazi propaganda machine. For the moment, it would seem that Hitler's next move will be towards closer relations with Russia; and to get this he may offer them a free hand in the Eastern Balkans, hoping meanwhile that the sheer difficulty of this position will cause the Western Powers either to relent their pressure or to help him out by agreeing to negotiate. The last thing he is likely to do is to throw aside all hope of making peace.

Raiders Over Britain.—The war in the air is for the present being fought at sea. On Monday a dozen or so German bombers attacked warships in the Firth of Forth. There were a number of naval casualties from splinters and one cruiser and one destroyer suffered quite superficial damage. On Tuesday the naval anchorage at Scapa Flow in the Orkneys was twice raided and the demilitarised "Iron Duke" was slightly scarred. In the three attacks some thirty raiders took part and at least eight were brought down. It cannot be the hope of the Nazis to wrest command of the seas from the British Fleet. It is their ambition, however, to seal up the north-western coasts of Europe to neutral and British trade, and these raids were undoubtedly part of the stern struggle which is going on for the commerce of Denmark and Scandinavia and control of the North Sea. So, too, was last week's tragic loss of the "Royal Oak" by submarine action at anchor in Scapa Flow, when 810 lives were lost. So, too, presumably have been the various reported engagements between ships and planes in the North Sea, still unconfirmed, and the rumoured Allied attack by air on the Nazi base at Emden on Tuesday—if, indeed, it took place. As the Prime Minister told the Commons on Wednesday, we have made a good beginning; more than a quarter of their raiders have been lost by the enemy's air forces; and at least a third of the sixty U-boats ready for action when the war began have been destroyed or seriously damaged. In the week ended October 17th losses sustained by British ships entering or leaving our ports were only about one-half of 1 per cent. of the number sailing. But it is only a beginning. Merchant ships have not yet been systematically attacked from the air or by raiders. The raids on Rosyth

and Scapa were carried out by small forces; large-scale air raids have still to come. The number of lives lost by Britain at sea probably exceeds those lost so far by France on land. And the sinking in the Atlantic on Wednesday of the "City of Mandalay" (7,028 tons) and the "Yorkshire" (10,183 tons) was a stern reminder that the convoy system has not yet put a final term to U-boat activity in the distant approaches to our shores. Questions about the defences of Scapa against underwater craft and about the failure of convoy to protect the "City of Mandalay" and the "Yorkshire" will keep the authorities well reminded of the need to bring a good beginning to an even better end.

A Ministry of Shipping.—Ever since the war began an embryonic Ministry of Shipping has been in being in the Marine Department of the Board of Trade. It was the Marine Department which took charge of the licensing of ships passing to and from our ports within ten days of the outbreak of war; and, with that part of the Ministry of Transport which is responsible for docks and ports, the Department superintended the vast task of transporting the first Field Force swiftly and safely to France. Now it has blossomed into an independent Ministry of Shipping with a dual job; to provide seagoing transport for the supplies and personnel of the fighting forces; and to marshal the commercial shipping upon which Britain depends for supplies of raw materials and food and for the maintenance and expansion of sales in overseas markets. The new Minister is Sir John Gilmour, a safe follower of the Prime Minister, an ex-holder of the offices of Secretary for Scotland, Minister of Agriculture and Home Secretary, and lacking any direct acquaintance with the special problems of shipping or shipbuilding. The leadership and direction of the Ministry will presumably spring from the experience and ability of three non-political chiefs who all had experience in the Shipping Ministry of the last war: Sir F. Vernon Thompson, of the Union Castle Line and lately chairman of the Tramp Consultative Committee, will be Principal Adviser and Controller of Commercial Shipping; Sir Cyril Hurcomb, who was at the Ministry of Transport from 1927 to 1937, will be Director-General; Sir Julian E. Foley, of the Transport Department of the Admiralty, will be Secretary. In the last resort the Allies' entire war effort depends on the work these men do—it may be regretted that no Inter-Allied Shipping Organisation is yet planned. The Ministry has power to control freights at once and so to stop the excesses of the last war. It will need to remember, however, that the determinant of freights—and the bulwark of national security—is the volume of tonnage available and its right use down to the last ship. There must be no chance of any shortage.

Government Personnel.—The appointment of Sir John Gilmour as Minister of Shipping came as a shock to public opinion which was already far from impressed by the average quality of Mr Chamberlain's war-time recruits. The present Government is not a coalition of the three major parties and no blame can attach to the Prime Minister for not filling political posts from the Liberal and Labour ranks. But that is no reason why the services in a purely administrative capacity of eminent and experienced men should be turned down by the departments simply because they have not faithfully followed all the fluctuations of the Government's policy in recent years. Still less is it a justification for the Prime Minister's habit of filling political posts exclusively from a narrow ring of tired mediocrities, when there is a wealth of talent and energy

in the non-commissioned ranks of the Conservative Party. With the two brilliant exceptions of Mr Churchill and Lord Hankey (the former of whom was nominated by public opinion rather than by the Prime Minister), all the appointments since the war have been very second-rate. Indeed, a new technique of resistance to advice seems to be developing. A new piece of administrative machinery is urged on the Government. The request is refused. It is renewed with steadily increasing pressure until the Government is forced to give way. And then, when the new office has been created, somebody without any visible qualifications is appointed to it. One might be forgiven for believing that the object was to make the new Ministry a failure and so justify the original opposition to it. This has been the pattern in the appointment of Sir Thomas Inskip to co-ordinate defence, of Mr Burgin to be Minister of Supply and now of Sir John Gilmour as Minister of Shipping. This sort of thing will not do. There are many millions of people who are unhappy at being led in the war by a single party. They will be outraged if they come to believe that they are being led by an exclusive clique of superannuated party devotees.

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Turkey and the Dictators.—The dignified return from Moscow of M. Sarajoglu, the Turkish Foreign Minister, without having signed away Turkey's honour or freedom of action, may be taken as a turning point in the diplomatic battle for position waged by the European Powers since the German march on Prague seven months ago. That may sound like an exaggeration; but, if the broad movement of events is detached from the supplementary goings to and fro, if the British alliance with Poland is weighed against Germany's geographical advantage, the German-Soviet pact against Stalin's respect for the Reichswehr, the estimate may fairly stand. The measure of Turkey's decision may be taken by the cordiality with which the Russians bade M. Sarajoglu goodbye, agreeing, in the words of the Tass Agency, "that it was desirable to maintain contact in the future, and for the discussion of questions of mutual interest." The negotiations had lasted over three weeks—or, rather, M. Sarajoglu spent three weeks in Moscow, which is not, of course, the same thing. Little was known of what went on, though rumour was unusually plentiful, and the talks were accompanied by the incessant rolling of German propaganda drums, transmitted mainly through Copenhagen and Bucharest. But it seems that an agreed draft was about to be initiated when the Russians changed their position overnight and made demands which the Turkish Prime Minister has described as "incompatible with Turkey's obligations to Britain and France." Those demands are understood to have included the closing of the Straits in all circumstances to warships of non-Black Sea Powers, the conclusion of a mutual assistance treaty, and special treatment of Germany in the Balkans. The acceptance of any of these demands would, it was clearly seen, have the effect of handing over Turkish independence to a Russian-German management, the liability being unlimited and the hopes of gain non-existent. The Turks accordingly refused. Their alternative is not isolation, for their signature to the alliances with Britain and France, signed on Thursday, will provide them with a very high degree of security both in the Black Sea and in the Mediterranean, while they are themselves in a position to defend their land frontier and to overawe Bulgaria in case she is foolish enough (so far the evidence is favourable) to yield to Russian blandishments. A further effect of their firmness may be to win them Italian collaboration in the work of underpinning Balkan neutrality.

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The Russian change of front is evidently to be understood as a temporary accommodation to German interests, for it is known that Hitler sent to Moscow a special envoy at the beginning of this week, and the German Press was

already forecasting a Russian demand for Turkish detachment from the Western Powers. The tone of Russian comment shows, too, that another change may be expected of them shortly, always provided that the Western Powers maintain their safeguarding pressure on Hitler. It may be true that the Soviet Government would like to see Turkey detached from her alliances, for the Black Sea might then be closed to British warships and Russia freed to pursue her Balkan designs without let or hindrance. But the Soviet Government must know very well that those designs can be pursued only in the absence of Germany; its policy, then, is to detach Turkey without opening the gates to a German advance south-eastwards. Now that they have failed in this, they can choose from two courses of action. Either they can take the risk of Turkey permitting the British Navy to implement the guarantee to Roumania in the Black Sea and push on with the advancement of their influence in Bucharest and Sofia, or, perceiving the difficulty of Hitler's position, they can take advantage of it to drop him and take up with the Western Powers *via* the Turkish "bridge." Our proper line would seem to be a waiting one.

* * *

Finland and Scandinavia.—Wednesday's meeting of the Kings of Sweden, Norway and Denmark, and of the President of Finland, was useful as a demonstration of common sympathy, but not, of course, as very much more. No one is likely to indulge in dreams of a militant Scandinavia, its blond thousands massed to defend the independence of Finland against the Slav and the Teuton; at the same time, the falseness of those dreams does not detract from the vivid sympathy which Scandinavians feel for threatened Finland. It is probably true to say that, once the Soviet Government knew that the Finns would fight, they made up their minds to take what they could get without resort to armed force; both their treatment of the Finnish delegate sent to Moscow and the leisurely way in which the negotiations are proceeding in comparison with the breakneck speed pressed on the Baltic Republics, show that a local war in the Baltic will probably be averted. The demands which caused Finland's mobilisation are understood to have been of the same order as those made to the Baltic States, based, as in their case, on a mutual assistance treaty that would have been little better than a direct cession of sovereignty; the demands which the Finns are likely to accept in compromise are for the cession of four islands in the Gulf of Leningrad, and, less surely reported, for Russian supervision of the Aaland Islands in order to ensure that no fortifications are built there.

* * *

Building a Big Army.—In 1914-15 there was no discrimination in recruiting. In 1939 there is, if anything, too much. The case for elasticity in recruitment methods gains great force from the undoubted need to build up a very much bigger Army than we now have, and recent announcements about the authorities' intention to accept various kinds of volunteers have been very welcome. Men may volunteer for service even if they belong to reserved occupations. This has been the case ever since the war began. Now, recruiting for all five regiments of the Brigade of Guards has been reopened; a call has been made for ex-warrant officers and ex-non-commissioned officers to join up for work at training centres—an indispensable preliminary to effective expansion; and with every detachment of conscripts called up a quota of volunteers will be enlisted. These are steps in the right direction. So, too, is the decision to call up resident foreigners who are in the appropriate age-groups. But there is room for even broader measures. Unemployed men nominally attached to reserved occupations should be found work very soon or allowed to join up—some workless University teachers, to take only one instance, are just wasting their time standing by the schedule of reserved occupations itself will have to

be shorn as the Army grows, and it would be as well to make some cuts now instead of later. The chaos of 1914-15 when key trades were dangerously depleted must indeed be avoided. But any repetition of the delay of that time in building up a really adequate Army would be no less intolerable.

* * *

Supply Organisation.—The machinery for ensuring an adequate flow of supplies for essential purposes, outlined by Mr Burgin in the Commons on Wednesday, is both complicated and cumbersome. There is first of all a Ministerial Priority Committee under the chairmanship of the Minister for Co-ordination of Defence. Then there are five sub-committees of this Committee to decide upon orders of preference in the execution of essential Government or civil work; one for labour supplies and another for building labour, both under the chairmanship of the Parliamentary Secretary to the Ministry of Labour; two, one for materials and another for production capacity, under the Parliamentary Secretary to the Ministry of Supply; and a fifth for transport under the Parliamentary Secretary to the Ministry of Transport. The whole organisation has a central secretariat and registry in the Central Priority Department of the Ministry of Supply. In general, it is the practice of the organisation, through the sub-committees (on which representatives of various Civil Departments hold watching briefs for export industries and other civil undertakings) and through the Central Priority Department, to reconcile competing claims by agreement. Certificates formally imposing priorities are only issued as a last resort when delays or shortages arise. None has been issued yet, but Mr Burgin announced that some would have to be issued "in the very near future." It may be questioned whether to make this ingeniously contrived edifice of laborious co-ordination is in fact going about the business in the right way. It is evident that the detailed balancing of so many competing claims upon the limited supplies of plant, labour and materials available must be complicated. But it seems probable that no small part of the complexity of the organisation is due to the Government's determination to impose no strict schedule of priorities upon industry (as has been done, for instance, in Germany), not to interfere until there are Gordian knots which must be cut and to leave industry and the Departments to work out the nation's salvation by *ad hoc* discussion. The consequence is twofold: on the one hand, committees multiply, and there is interminable talk and wrangling; on the other, the controlling authority which is vested in the Ministry of Supply is never exercised until the mischief has been done and there is danger of dislocation. It is a labour of Sisyphus that Mr Burgin has set himself.

* * *

Insurance of Property.—The report of Lord Weir's conference, which was appointed to investigate further the problem of providing compensation for private fixed property damaged in war, was issued this week. The report agrees with the Government in concluding that no scheme of mutual protection among property-owners themselves is practicable and that any such private schemes should be discouraged. The risk is quite beyond estimate and the rate of premium would have to be very heavy if there was to be a reasonable assurance of the scheme's solvency. The only practicable method of dealing with the problem, in fact, is to compensate those who suffer damage out of public funds. The Government have promised to do this, adding that the scale of compensation can be decided only after the war when the post-war financial position of the Government and the community is known. They have, however, undertaken to pay compensation in full up to a certain amount and on a graded scale above that level. The report broadly approves this policy, though it is unable to see any logic or equity in the proposed discrimination against larger properties. Moreover, it urges very strongly that every effort should be made to pay compensation in

The position as it is left by this report is undeniably unsatisfactory. Property-owners have a large risk, against which they cannot insure, hanging over their heads, while all those many financial institutions that are interested in loans on mortgage are faced with the possibility of large-scale defaults and an unspecified depreciation in the value of their security. It is these uncertainties which have provided the driving force in the agitation for a more precise scheme. But, on the other hand, it is impossible to cavil at the Government's refusal to shoulder a liability which might be truly enormous. Complete certainty and security are unattainable. But a greater degree of both might perhaps have been secured by the exercise of a little more imagination. When individual debtors and borrowers ask for certainty they are thinking of the monetary contracts they have entered into. When the Government replies that its liability must be related to the resources of the community it is thinking of the burden in real terms. Would it be entirely impossible to give a guarantee in monetary terms and, if the liability proves to be very large, trust that a decline in the value of money would make it bearable by spreading the burden over all forms of monetary capital? This, of course, envisages inflation. But if a large part of the property of the country is to be destroyed, inflation will in any case be inevitable, and might be preferable to an enormous number of individual bankruptcies.

* * *

Criticism *ad nauseam*.—The continual harping in certain sections of the daily Press on the present shortcomings and past sins of the Ministry of Information is becoming wearisome. It is worth while pointing out that the stress which democrats place upon the right to criticise is based on the assumption that a proportion of the criticisms made will spring from a genuine care for the public good and will in fact assist constructive improvement. The right is certainly not founded on respect for the *ex parte* complaints of vested interests or for grumbling as such. These are merely the chaff to be separated from the grains of commonsense criticism. Unfortunately, the outcry against the Ministry of Information has reached a stage where useful comment is less common than aimless carping and the vicious attacks of certain newspapers, who are, in fact, using the situation to give public expression to the sectional interests of a single industry. More than enough has been said about the personnel of the Ministry and its failure to obtain and transmit information—a failure which was in large part due to the unwillingness of other Government Departments to disgorge news. Now that there is every sign that strong attempts are being made to reform the Ministry and render it an effective instrument it is surely time to drop complaints on this score. Obviously there is still plenty of room for improvement. In particular it should be officially recognised that a Ministry whose

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function is creative cannot work effectively by civil service rules, which however excellent in their own way, are designed to regulate activity which is executive and administrative. Criticism—intelligently directed and expressed criticism—there must be. But for a new and inexperienced Government Department, whose work is both difficult and vitally important, to be turned into a chopping-block for clowns and axe-grinders is as dangerous as it is unfair. In the last few days there have been wholesale dismissals at the Ministry, and those who have been selected for sacrifice have apparently been chosen not on any consideration of their competence, but solely with the object of retrenching at all costs. Thus a number of able and anonymous men, many of whom left more remunerative private posts to serve their country, are sacrificed to an exaggerated and prejudiced clamour, while those who bear the political responsibility save their skins. Sir Samuel Hoare was responsible for the organisation of the Ministry, Lord Macmillan and Sir Edward Grigg are responsible for it now. Not one of them has had the moral courage to defend officials who cannot defend themselves.

Waiting for Congress.—No decisive vote has yet been taken in the American Senate on the proposed revision of the Neutrality Act. Those in charge of the Bill have, however, decided to ease its passage by eliminating from it the permission to grant belligerents non-renewable credits for not exceeding 90 days. Payment will have to be made before delivery is taken. This looks, from this side of the Atlantic, like an unnecessary refinement of insult; but foreigners have never been able to appreciate the mystic significance in American minds of anything that looks like the beginning of a war loan. The practical effect of the amendment is not very great. Neither side in the great debate has yet accepted defeat. Mr Hoover has proposed, as a "compromise" formula, that America should sell defensive but not offensive weapons to the belligerent nations—fighters but not bombers, machine guns but not heavy artillery. This proposal is, of course, quite illogical. Belligerents would be free to devote their own resources to the manufacture of offensive weapons if they could get unlimited supplies of defensive weapons from America. Moreover, the aggrieved and aggressed party may be compelled constantly to take the tactical offensive. Or, again, if the aim is to avoid the shedding of blood by American weapons, it may be pointed out that the majority of casualties are often on the attacking side and inflicted by the defenders' weapons. But because the proposal has no logical basis it does not mean that it will not attract a large measure of support. After all, the whole American attitude to the war is entirely devoid of logic.

The Neutral North-West.—The neutrality of the Low Countries is so far unassailed. German propaganda, mostly through Copenhagen, has done its best to make our flesh creep with tales of a big offensive; and only a few days ago Dr Goebbels found it necessary to assure the Belgian Government once more of Germany's intention to respect Belgian neutrality. Both small countries have kept their military mobilisation in being, the Belgians having about three-quarters of a million men under arms and the Dutch rather less in spite of the fact that they have called up classes covering fifteen years. The fortifications along the German frontier are presumably fully manned, and it is credibly reported that the Dutch authorities have also carried out two minor inundations, one near the Zuyder Zee and the other on the Scheldt, with the object of facilitating immediate inundation of a complete belt of country running between those two points. Bridges have been mined and trees prepared with dynamite charges so that, in an emergency, they will fall across the road and provide a little extra time for the Dutch Army, gathered in main bulk on the inundation line, to get to its fighting positions. Both Governments are doing what they can to cement their neutrality in the economic field, and trade negotiations have been and are still in progress with the belligerents. As far as public opinion is concerned, Britain and

France begin with a healthy balance in their favour, but this should not be used as an excuse for neglecting to present their point of view. German propaganda is as active as ever both in Holland and Belgium, and, as ever, it calls for a reply.

Rise in Retail Prices.—It was a foregone conclusion that the cost of living index compiled by the Ministry of Labour would show a considerable rise in September. The index has, in fact, jumped from 155 per cent. of the base level (July, 1914) on September 1st to 165 per cent. on September 30th, due very largely to an average increase of 9 per cent. in the prices of the foods included. There is, however, no reason to expect the rise will be continued in successive months, since it is due mainly to the official measures taken at the outbreak of war. The fixing of maximum prices, uniform for most grades of the important foods, has led to a levelling up of prices to the maximum level, while there have been authorised increases in the prices of bacon, butter, potatoes, sugar and condensed milk. What is more disquieting is the delay in the introduction of rationing, which has been repeatedly postponed, and is now reported to be due some time in November. Until consumers have registered with their suppliers and the exact quantities of the principal foods required in each area are thus known, the problems of distribution remain acute; the experience of the last war showed that there is no satisfactory half-way house between a free market in essential foods (which is admittedly not possible in war) and complete control by rationing.

By no class is the rise in the cost of living likely to be more keenly felt than by the dependants of serving soldiers and disabled men. Tuesday's debate on allowances and pensions showed beyond doubt that the present scales are quite inadequate to decent living, and, in fact, often fall below the minimum level of subsistence. Moreover, disability pensions are rendered difficult to get by a complicated and obscure procedure. The position was hardly clarified by a number of comparisons drawn by both the defenders and attackers of the present scales. Neither the rates paid in the last war in this country nor those at present paid in Canada provide useful analogies. The straightforward fact is that in many individual cases allowances are unduly low, but that a general all round rise is too expensive to be contemplated. The obvious compromise solution is the establishment of a minimum level below which total resources should not be allowed to fall in any instance. This would on the one hand avoid the payment to some families of larger amounts than are strictly necessary, and on the other hand help to avert the cumulative effects of hardship and malnutrition such as became common towards the end of the last war.

The Dominions at War.—The advantage to the Allies of the wide-flung scheme for Imperial air training and aircraft production which will be centralised in Canada under Canadian direction is scarcely calculable. It is intended to train up to 30,000 aircraft personnel each year and the output of machines will not be disproportionate, while Canada's production of every type of arms and munitions will not fail in comparison with that of the European Allies themselves. And Canada, whose first expeditionary forces will reach Europe early in the New Year, is only one of the Dominions now warring in concert with Britain. In the last war Australia made only rifles and small arms ammunition. This time the Commonwealth is already producing artillery, anti-tank, Vickers, Bren and Lewis guns, armoured cars and all varieties of bombs and shells; Australian factories claim that they can turn out a complete air squadron every three weeks; and four new coastal sloops for patrol work, minesweeping and submarine hunting have just been laid down. South Africa as well will be fully able to defend its own territories. A sum of £250,000 is to be raised in the Union to counter Nazi propaganda and another £300,000 to furnish a cruiser (to

be named "South Africa") for the British Navy. These are only the beginnings of the evidence that will be given in this war of the self-governing Empire's political and economic maturity.

India and the War.—This week's statement by the Governor-General of India is a long-considered effort to unite Indian opinion, as far as that is possible, behind the British Government in the prosecution of the war; to reassure the Congress of British adherence to the promise of an independent India and their opponents of our understanding of the difficulties which must be met before independence can be achieved; and to provide for Indian participation in the war. With all this to do, the statement must necessarily have been a pedestrian document. It is therefore unfair to blame the Viceroy for having guarded his words so carefully. Those who would have liked a more inspiring resolution of our aims for an independent and democratic India, and who thought they saw in that the way to India's wholehearted participation in the war, have only to read the five appendices issued in the White Paper which contains the Governor-General's statement. There the somewhat fustian sentiments of the Congress Working Committee's resolution come plumb against the anti-federalism of the Muslim League, the minority voices of the other Hindu Parties, and, of course, of the Indian Liberal Federation. Were all India with a united voice demanding Dominion status and federation, the British Government might reasonably be pressed to a more precise definition of its peace aims for India; but the fact is that federation, when it comes, will be a delicate and (for many Indians) a painful operation. In these circumstances it is perhaps as well that the Governor-General confined himself to general statements, reiterating the instructions he received on appointment in 1937 that "the partnership between India and the United Kingdom within our Empire may be furthered to the end that India may attain its due place among our Dominions." Beyond that, the Viceroy has promised that, at the end of the war, a general consultation shall take place on the status of the Act of 1935 and any modifications which may then seem desirable. Meanwhile, a consultative group is to be formed including representatives of the leading political interests and of the Princes, and presided over by the Governor-General, "which would have as its object the association of public interest in India with the conduct of the war and with questions relating to war activities." It is to be hoped that Indian opinion will find in this sufficient safeguard of its interests. The least that can be promised is that if the advance towards a Federal self-governing India is slowed down during the war, it shall be speeded up afterwards. But a complete set of amendments to the Government of India Act clearly cannot be promised even after six weeks of consultations.

The Universities at Work.—So far the effect of the war upon the universities has been rather surprising. Oxford and Cambridge, the Welsh centres and the provincial colleges are crowded and busy, a strange contrast to 1914, when the rush of voluntary recruits for the forces left an empty solitude in places of higher education. The reasons are simple. Voluntary recruitment is not being encouraged and, for the present, no men under 20 years of age are being called up. The evacuation of the colleges of London University to other University towns and the scattering of medical students (who must not be summoned for military service until their courses are complete) have even caused some congestion. Nearly 60 per cent. of Oxford University's normal complement of 5,000 have gone into residence for the new session. At Cambridge well over 2,000 have gone back. In addition both cities have strangers from London within their gates. A general reshuffling has led to the centralisation of much agricultural degree work at Reading. The Welsh colleges are strained to capacity by natives and guests, while several of the English University colleges report increased numbers

because of entries that in normal circumstances would have gone to London. The tasks before all these institutions are two; first, to furnish some sort of shortened course for the men who will be called up this term or in the course of this academic year as they reach the age of 20; secondly, to work out the two-year courses for students between 17 and 19 or 20 which will be needed in war-time until it is decided to make the liability of the 18-20 age group for service effective. There is no little confusion in carrying out the first task. It should be comparatively easy to plan, the second, though Oxford and Cambridge may be somewhat at a disadvantage; their members' age of entry has customarily been higher than in London and the provincial centres—where in addition two-year Honours courses have been quite usual. On the other hand, the colleges of Oxford and Cambridge are fortunate in not depending upon fees for their subsistence; they have the wherewithal to weather any storm in calm and quiet contemplation.

Roads in War.—It was planned to spend £14 millions in this financial year on major road works from national revenue, and the total bill from rates and taxes for all road construction, maintenance and repairs was likely to be some £75 millions. The Ministry of Transport is now hard at work working out ways and means of cutting down the cost of trunk road projects, which are the Ministry's direct responsibility—and which had already been cut down as low as was decently possible. The need to save money is obvious; and not only is the Minister of Agriculture anxious that in certain districts building labour should be set free for farm work, but there is also some demand for mechanical equipment to be transferred from road-making to military constructional works. The room for saving, however, is not great. Most of the Ministry's own schemes, like the new Waterloo Bridge and the widening of important arterial routes from London, will be urgently needed under conditions of war; work on the London-Brighton road, on the Kingston By-Pass, on the London-Southampton road at Winchester, on the London-Penzance road and at Maidenhead is to go on. Others which have been started would cause obstruction and delay if they were shut down now. The programme of curtailment, in fact, inevitably boils down to the banning of all except the most essential new and unstarted road works by central and local authorities alike. Maintenance and repairs, which account for the bulk of yearly expenditure, may be relaxed, but they cannot be abandoned, and it would be poor strategy to permit the country's highways to fall into serious disrepair. It is scarcely surprising that so little road economy is possible. For the better part of a decade the authorities have consistently done less year by year in the making and renewing of roads than traffic requirements dictated. Past parsimony has left little or no margin for saving; and the chief feature of the situation now is the unfortunate absence of much-needed highways which might have been provided while peace remained.

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THE WORLD OVERSEAS

Can the Balkans Stay Neutral?

(From a Correspondent)

SOUTH-EASTERN EUROPE has reached the eleventh hour of its neutrality. What is done there now will decide its destiny for a long time to come. For ten years and more Balkan foreign politics have vibrated with brotherly sentiment. The theme is as new as it is elevating. It was best expressed by the founders of the Balkan Entente when they said that "the Balkans must be kept for the Balkan peoples." That was only in 1934, but the Balkan Entente expressed a hope that was already in existence, a grand Geneva hope, at a neutral group of States might be formed out of the sunities of South-Eastern Europe.

The hope was not to be entirely disappointed, nor was it to be entirely fulfilled. A good deal was done; and men as r-seeing and capable as Rustu Aras Bey, then Foreign Minister of Turkey and now Turkish Ambassador in London, did not work wholly in vain. Turkey drew nearer to reece, Yugoslavia to Bulgaria, Roumania to Yugoslavia and Turkey and through them to Greece. Step by step there as a recognition of common interests. This was made the ore possible by a continuity of policy in the Governments concerned which, in its turn, owed its existence to the guiding power of firmly-entrenched and dictatorial dynasties whose community of interests was even more obvious than at of their respective countries. It is neither an exaggeration nor an empty concurrence with the official view to say that during the past few years the heads of the Balkan ynsties (with the co-operation of Atatürk and, later, of Jeneral Metaxas) have done more to keep the Balkans quiet han freely-elected Governments, at that stage of development, would ever have been able to accomplish.

The irredentist claims of Bulgaria, exacerbated by the blank wall of refusal which they have met on all sides even n the most favourable "revisionist" moments—such as that of October, 1938—remain the most evident stumbling-block o Balkan unity. They are no longer the only stumbling-block, but the others lie beneath the surface and have to be deduced from the facts of Balkan geography and economics. Modelled as it was on the Little Entente, the Balkan Pact was a mutual guarantee of "internal" frontiers on the part of Roumania, Yugoslavia, Greece, and Turkey: in other words, it was a joint threat to Bulgaria if at any time she should feel stimulated to throw her small but compact weight into the aggressively revisionist scale.

Here again the dynastic note is struck. From opposite banks of the Danube, that grey and languid river, the patriotic Bulgar and Rouman are given to glancing at each other, out of a depth of misunderstanding, with ill-concealed suspicion. There has been constant trouble, shootings and thievings; and the question of the Southern Dobruja, in possession of Roumania and claimed by Bulgaria as the natural hinterland, inhabited, too, by Bulgars, for their now derelict port of Varna, has become a psychological fixation.

But with the dynasties it has been different. King Carol could well sympathise with King Boris, because their problems were essentially the same. For years both sat on their thrones too precariously for comfort; both had to consider the latent danger of national uprising by groups of hopelessly ignorant peasants led by fanatics and scoundrels of the type of Codreanu and Mihniloff; both knew the perils of an immature parliamentary regime; both needed every inch of prestige and influence they could get. It was to this Balkan Entente owed its chance of development into a real Balkanbund, an instrument of self-defence against marauding Great Powers as well as against inward dissensions. And, incidentally, it was in the dynasties that the Germans found, as they are still finding, the greatest obstacle to their

politico-economic hegemony. Among the people they might bluff, blackmail, and persuade; the kings and princes saw only too well how much that hegemony must qualify and restrict their power, and they fought it, as they are still fighting it, with every weapon they knew.

Before war broke out a common edifice of aims and ideas might be discerned. The immediate problem had narrowed down to the method of dealing with Bulgaria so as to persuade her into a pacific relationship with the Entente. A big step forward was taken with the Salonika Agreement of July, 1938. When nothing came of this, Bulgaria, sticking to her claim to the Southern Dobruja and Roumania refusing to entertain it—both, indeed, for much the same sort of reason, that neither Government could risk the popular reaction that would follow any other policy—the Entente States did not despair. They knew that the structure of European peace was due to go up in flames at any moment; and in the spring of this year the Turkish Government tried its hand, unfortunately without success, at mediation between Sofia and Bucharest.

The repercussions of this last attempt were still being felt when the coming of the August crisis halted all normal diplomatic intercourse. The end of that month found the Balkans in uneasy suspense, their only line of resistance to outside aggression—and even that insecure and partial—being the growing sympathy which had come to exist between Turkey, Roumania and Greece. Turkey had special duties. Her pact with Britain, and later with France, stipulated "co-operation for the stability of the Balkans," a logical development for a Power which had already become, in popular terms, "the policeman of the Balkans."

The westward advance of Russia has upset all calculations. The twofold tug of interests between Germany and the Western Powers that formerly threatened to pull them apart is now replaced by a complicated play of conflicting forces from which they may expect to escape, given luck and good judgment, more or less whole. Russia's interest is to keep other Great Powers out of the Black Sea area; in this Italy and the Western Powers concur, but the Western Powers differ from the Russians in hoping to maintain the absolute independence of the Balkan countries.

So far luck has been conspicuous by its absence. In spite of the best of intentions, the Balkan States are no nearer that neutral unity without which none of them can hope to parry the disintegrating effects of the war. But the absence of luck is a good deal compensated by the clear judgment which is being displayed. The recent activity of the Bulgarian Government is a case in point. No sooner had they entered the Eastern war than the Russians began to make overtures, following the spadework put in by M. Potemkin when he was in Sofia last May, for closer relations with Bulgaria. The dynastic influence came at once into play. The Russian advances took the form of flattery backed up by hints of solid gain in the Dobruja if Bulgaria would come right in on the Russian side. A peoples' Government in Bulgaria could hardly have resisted the temptation.

But Court circles were not impressed, the more because they knew that in this they would have the sure support of the Army. Trade and military missions went to and fro between Sofia and Moscow (an air mission under Colonel Boydef has just been instrumental in fixing up an airline between the two capitals); the Soviet Government showed itself sparkling with goodwill; and appropriately enough the Roumanians showed how much they feared for Bessarabia and, by extension, how accommodating they might have to be towards a re-stated claim on Southern Dobruja.

During the past week or so the Bulgarian Press has run a determined campaign for "Balkan unity," and this, too in spite of the lavish "gratifications" constantly handed out

by the Germans. That the apron-strings of Russia would be just as uncomfortable as those of Germany is now so widely recognised as to make irredentist claims take second place to the need for a common front between Bulgaria and her neighbours. In this work of "insulation" the Italians, alone among the neighbouring Powers capable, on a comparison of size, of a more or less honest partnership with the Balkan Entente or its successor, are doing all they can to help. The advent of Russia seems to have convinced Mussolini (just as the companionship of Ribbentrop seems to have convinced Ciano) that the time has come for a change of emphasis in foreign policy. From this change the Turks stand to gain the most, and they have not been slow to respond.

The future of the Balkans will be good or ill according to their degree of success in forming themselves into a solidly neutral group. In the making of this the Russians have the master key. By the way in which they use it we shall be able to take the measure of Stalin's intentions. If, by applying the pressure he so clearly commands on Roumania, Bulgaria and (to a lesser extent) Turkey, he forces those countries into a position of dependence on the U.S.S.R., his aims are incompatible with the interests of a lasting European peace. If he holds his hand, and the Balkans re-form their ranks until Hitler must think twice before assaulting their neutrality, we may believe that even a dictator of all the Russias (and then some) has his moments of real wisdom.

Foresight in France

[FROM OUR PARIS CORRESPONDENT]

THE scope of war time control is expanding. First, the exchanges and foreign trade, both imports and exports, were brought under regulation. Then, two new Ministries, of Armaments and Blockade, were set up. Now a new body has been created by the Government and charged with the duty of furnishing the fighting forces and the civilian population with agricultural products and foodstuffs. This body is presided over by a military commission and the needs of the forces will be given priority.

The control of trade is far-reaching. In principle all imports are prohibited. In practice, of course, licences are granted on application by the representative bodies of importers for all imports that are deemed really necessary and desirable—though there is a limit set for the total importation that will be permitted of each particular commodity. Exchange to pay for permitted imports is obtained from the Exchange Office to which all the foreign exchange received in payment for exports must be compulsorily handed over.

The war-economy has been widely planned and largely erected at the very outset of war. In planning the Government remembers the last war. Then the normal economic life of the country was suddenly stopped and things were kept going by the money paid out by the State to the employers and workpeople of the war industries, and in indemnities and pensions. Prices nevertheless remained fairly stable—so long as the Allies' financial association lasted; retail prices in 1918 were only about 10 per cent. higher than they were in 1914. The great slogan was "Germany will pay the bill." But when the war ended, then the financial difficulties began.

Economic Strength

In 1939 France is well situated economically—a creditor country with large stores of gold and a rich empire. But the war may last a long time, and on this occasion the Government is not unmindful of the problems which will have to be solved when the war ends. It is not possible this time to say again that Germany will pay for the war. War entails a gigantic waste of goods, and war and post-war experience alike suggest that the right policy is to economise and replenish the country's economic resources as much as possible while the war is going on.

Before the war France consistently condemned autarky. Now, when war has broken out, we benefit by the experience of other countries in their search for self-sufficiency. With its coal and iron, its agriculture and the riches of the French Empire, France is well placed to pursue a self-sufficient policy while the war lasts. And there is gold to spare for the products that must be imported, such as oil and cotton. It is on this basis that control of the exchanges and of foreign trade has been instituted.

There is to be no attempt by the Government this time to assume sole responsibility for the running of the economic machine. Payments out will be strictly limited. There is to be no widespread supervision of the obligations of individuals to pay their own way just as in peace time. Only persons who are either called to the Colours or can prove that they have lost heavily by the outbreak of war will be permitted to stop payment of all or part of their rents. The non-payment of other obligations, also, will only be allowed in exceptional cases.

The object is to maintain the natural economic activity of the country at the highest possible level. A decree reorganising the Wheat Office announces that henceforward there is to be no limitation upon the sowing of wheat. Export trade is encouraged by fiscal concessions; and hours of work have been increased in the coalfields.

All this legislation for the economic organisation of the country in war which has been issued in just over a month shows that the war has not taken France by surprise. If there are to be surprises, they will be military ones, and they will come from the enemy.

Meanwhile, there is complete confidence. The rapidity with which economic adaptation has been carried through; the turn for the better in diplomatic events; and the reception of regular information about what the Government is doing and about the power and equipment of the Army—all these have kept the spirits of the people high. Not the least reflection of this is on the Stock Exchange.

The Reasons for Fighting

Why is France at war? Most people would answer that it is because to have to mobilise every six months in face of yet another act of aggression is intolerable. Moreover, the aggressor has grown very dangerous, as the easy success of his aircraft and motorised columns in Poland showed. He must be stopped before it is too late. The French people are sure that this is a war to avert future aggression (now only planned but none the less certain) against France itself.

Again, it is intolerable to the conscience of Republican France that this succession of ruthless German attacks against small States—Austria, Czecho-Slovakia, Poland—should be permitted to continue. M. Daladier's recent broadcast appeal for the liberation of the enslaved peoples of Europe strikingly recalled the spirit and phrasing of France's revolutionary and national song, the *Marseillaise*.

These are the motives which have convinced Frenchmen of the rightness of their Government in going to war. Nor has it needed any persuasion by the Government to win this support. The actions of Hitler have now finally convinced the French Right that he is not to be trusted. The actions of Stalin have done the same for the Left. It is not their disbanding by law which has broken the influence of the communists in France. They were discredited and condemned in the factories before any overt steps were taken against them. The *union sacrée* of the nation has come again, built round the Army which has always stood outside the recent social conflicts, and is respected by all political leaders.

The tangible proofs of this solidarity are very real. It is not only because of the invitation of the Minister of Finance that expatriated capital is coming back. Investors now feel that the place for their money is at home. The Government has been easily able to bring together employers and workpeople in raising arms output to the highest peak possible. "There is no room (both parties agreed in a recent declaration) for selfish or class interests. There must be close and complete co-operation in the arms programme." Meanwhile, on the Stock Exchange, public funds have recovered still further.

October 15th.

BANK OF MONTREAL	
(Incorporated in Canada in 1817 with Limited Liability)	
Financial Agents of the Government of the Dominion of Canada in London	
CAPITAL PAID-UP	\$36,000,000
REST AND UNDIVIDED PROFITS	\$40,188,264
TOTAL ASSETS IN EXCESS OF	\$850,000,000
Head Office: MONTREAL	
H. R. Drummond, Esq., President.	
Major-General The Hon. S. C. Mewburn, C.M.G., W. A. Bog, Esq., Vice-Presidents.	
Jackson Dodds, G. W. Spinney, Gen. Managers.	
The Most Honourable The Marquess of Willington, P.C., G.C.S.I., G.C.M.G., G.C.I.E., G.B.E. (Chairman).	
F. R. S. Balfour, Esq., Sir Hardman Lever, Bart., K.C.B.	
Sir Frederick Williams-Taylor	
London Office: 47 Threadneedle Street, E.C.2 (Edward Pope, Manager)	
9 Waterloo Place, Pall Mall, S.W.1 (J. H. Pangman, Manager)	
The Bank undertakes banking business in all parts of the world and with its numerous branches offers special facilities in Canada, Newfoundland and the United States	

Second Thoughts in the United States

[FROM OUR NEW YORK CORRESPONDENT]

THE business news continues favourable—rather spectacularly so. The steel industry, operating at 87.5 per cent. of estimated capacity, is approximately as active as in the best week in the spring of 1937, when operations were at 92.3 per cent. of a smaller computed capacity. The current level of operations (which would be at the rate of about 5 million tons a month) has been equalled before, but never maintained over any extended period. The upturn in steel production has been greater than in most branches of industry, and because of its heavy weighting in most composite indices the latter at the moment probably somewhat exaggerate the general recovery movement. Still, the revival has been comprehensive and widespread.

Meanwhile, the commodity markets have been much quieter. The violent rise in primary commodities that lifted Moody's index almost 20 per cent. in the first week of September seems to have spent itself, and that index is now hardly higher than a month ago. The flurry in certain types of consumer goods, of which sugar was the chief example, was short lived; but there can be little doubt that the general level of retail prices is somewhat higher than it was in August.

Calm after Storm

In somewhat the same way, the nervous and even hysterical behaviour of the security markets, which was conspicuous in the early days of September, has given way to a calmer demeanour. In the first week there was a definite scramble to get out of money and money securities into common stocks—i.e. to convert money and claims on money into goods or claims on goods—under the impression that war and internal currency depreciation were synonymous. Like the housewives' scramble for sugar, this attitude was brief. The bond market has rallied from its low levels, and while the share averages have held their September highs, these averages represent a different internal arrangement of prices than they did a month ago. Shares tangibly associated with the domestic economy have come forward instead of "war industry" shares.

No one of the major organised markets—commodities, bonds or shares—is now near its August level. Commodities and shares are higher, and bonds lower. But, while all markets are relatively active, that recognisable quality that just fits the term a "seller's market" seems to have passed. The rather outspoken remarks of leading business men and financiers appear to have had considerable influence. They were prompt to point out that scarcity and scarcity prices were late developments in the "other war"; that current conditions were quite different; and that, by and large, those who 20 years ago placed enthusiastic confidence in war demands and war prices had experienced painful disillusionment. Furthermore, the simple fact is that the identifiable "war order," which had figured so largely in gossip and hypothesis in early September, was persistently absent from actual business.

Neutrality and Business

The business community is rather puzzled by the Neutrality Debate in Washington. Between retention of the present law and repeal of the arms embargo opinion was divided, although from the strictly business standpoint change was not regarded as decisive. Except for airplanes, the present and prospective traffic in arms and munitions is not great; indeed, opinion in New York inclined to the view that our exports to Europe might shrink either under repeal or embargo. But by the shift in the issue from simple repeal of the embargo to the "cash and carry" proposal New York was puzzled. New York is not very sea-minded, and while it imagined that the "cash and carry" plan would cause a good deal of re-routing of shipping, it did not have the acquaintance with the subject to form an opinion of its economic consequences. Nor, to date, has the debate in Congress thrown any light on this phase of the subject. From the first, New York has doubted that a war in Europe would of itself bring prosperity to the United States, and these doubts have not diminished. Rather, the question is arising as to whether events abroad may check what is regarded as a domestic recovery in this country.

The End of Baltic Neutrality

[FROM A CORRESPONDENT]

WHEN the three Republics of Latvia, Lithuania and Estonia declared their independence in 1918 they realised the danger of their position. As gatekeepers of Russia and the sea, they feared the revival of the struggle for the Baltic, which in past centuries had subjected them in turn to German, Polish, Swedish and Russian rule.

One of the main causes of the Great War had been Germany's desire to renew the old Teutonic *dominium maris Baltici*. When the Reich collapsed, the Soviet Army marched westwards. But the Allies, in whose interest it was to create a barrier of anti-Communist, anti-German, and national States to keep Moscow and Berlin apart, lent active support to the founders of Latvia, Lithuania and Estonia.

But their coasts and frontiers were unfortified, their armies small. If Russia were to try to regain her former Western outlets, or if Germany should resume her *Drang nach dem Osten*, their chances of resistance would be negligible. Aware of this, the Baltic States pinned all their hope on the League of Nations. Their faith in it was best illustrated during the Abyssinian war, when—regardless of ideological affinities with Italy—they supported Britain's championship of collective security. Born and bred under the star of Geneva, they stood up for it with genuine conviction, realising at the same time that it was the best guarantee of their security.

They needed this guarantee. Their fear of Russia had vanished gradually. Instead, the German menace darkened the horizon. Hitler not only advocated conquest in the East but stimulated Latvian and Estonian National-Socialists to open revolt and instigated the local German minorities to conspiracy. But even though the Press of the Reich began to hint at "protection of racial interests," the Baltic States, firm in their belief in the League, took a strong line against the Nazis.

The failure of Geneva had a crushing effect on the three young States. They saw that the small and helpless nations were sacrificed to the expansionist Powers. Their worst fears were confirmed by the events in Austria, Spain and Czechoslovakia. When German pressure increased also in the Baltic, they naturally leaned more towards Russia. The Lithuanian, Estonian and Latvian Foreign Ministers and their chiefs of staff went to Moscow, where they were cordially received, and soon afterwards Marshal Jegorow, head of the Red Army Staff, returned these visits. At the same time the Baltic States still looked to the West for security. Their diplomacy was busy in London and Paris, culminating in the London visit of the Latvian Foreign Minister late in 1938.

But Britain was not yet willing to contract obligations in Eastern Europe. The shock of Munich made the small countries east of Germany reconsider their position. Collective action or reliance on the Great Powers had not only failed to give them protection, but merely involved them in the conflicts of others. Their only salvation now became the avoidance of all commitments and the adoption of strictest neutrality. This went so far that, to offset the non-aggressor pacts with Russia, the Baltic States in the summer of 1939 did not dare to refuse similar treaties with Germany.

As long as the two great rivals stood against each other this policy of neutrality had a chance of success, for neither side could allow the least infringement of it by the other. When Russia, in her negotiations with Britain and France, demanded a free hand in the Baltic, Latvia and Estonia objected to the projected guarantee scheme, for they knew that Germany would back them. The guarantee broke down. Britain might have regretted it, for the participation of the time it seemed to them that they had saved their neutrality.

Neutrality, however, depends not on the will of those who adopt it, but on the extent to which others are prepared to respect it. The Latvian, Lithuanian and Estonian policy of detachment hopelessly broke down as soon as Russia and Germany combined, and Hitler had to give Stalin a free hand. The magnitude of the German withdrawal from the Baltic is being illustrated now by the wholesale evacuation of German minorities into the Reich. The *Drang nach dem Osten*, which began over eight centuries ago, is finished. Instead, Russia's *Drang nach dem Westen* begins.

It was characteristic of the common-sense attitude they have taken up that a leading Estonian paper should write: "If our neighbour in the East regards the solution of

strategic and political problems in the Baltic unavoidable, then it is better to have done with it, before a dangerous conflagration arises." And though the Soviet after strongest pressure have received all they wanted, the "alliances" concluded between them and the Estonians, Latvians and Lithuanians are, whatever they may eventually imply, technically treaties between sovereign States.

But there are many who fear that the "alliances" will lead sooner or later to an eclipse of Baltic independence. The official view is more hopeful. It is being pointed out that ever since the peace treaties relations between the Soviet Union and the Baltic States have been friendly; and, since the Soviet Union's vital interests are now fully covered by the new agreements, there is no reason why she should violate her own signature under which she has once more recognised the sovereignty of her small neighbours in the West. That is why, apart from a natural feeling of depression, Riga, Tallinn and Kaunas are calm. It is the calm of those who, after many trials, know at last that they have touched firm ground.

October 16th.

Hungary at Peace

[FROM OUR BUDAPEST CORRESPONDENT]

PEOPLE here have taken the outbreak of war with a good deal of calm. The Government of Count Teleki is trying to preserve an attitude of entire objectivity and dispassion towards the belligerents both in the policy of the country and in the expression of public opinion. Demonstrations are prohibited in cinemas showing war news, and people expressing obvious political opinions about the war are severely punished.

Hungarians are impressed by the fact that Russia is now their north-eastern neighbour. Direct diplomatic relations, severed with Russia last winter, have been renewed and the new Minister for Hungary in Moscow has recently been nominated. The nearness of Russia strengthens the *rapprochement* to the Balkan States. Relations with Yugoslavia are good and constantly improving; and the Government's desire is to preserve a correct and peaceful attitude towards Roumania.

In everyday life war measures have not caused major changes, although difficulties in international trade have made necessary certain Government restrictions. But in countries where people have long been accustomed to a controlled economy, economic life is less easily affected by new restrictions. In any case Hungary is fortunate in being self-sufficient in food. The harvest was very rich this year and wheat production reached 31 million quintals, against a home consumption of about 20 millions. There is a shortage of products such as tea and coffee, and a system of rationing is in operation by means of a special tax of 200 per cent. on the retail prices. The supply of industrial raw materials causes more worry. There is the difficulty of not knowing what imports will be available, and the restriction of imports has prevented the accumulation of ample stocks.

Of the whole imports of Hungary (valued at 418 million pengös in 1938), 172 millions, i.e. 41.29 per cent., was used for the import of raw materials, and 120 millions, i.e. 28.95 per cent., for the import of half-finished manufactured goods. Timber imports are smaller owing to supplies now received from Ruthenia. Imports of metals were valued at 28.4 million pengös. There will be a certain scarcity of wool in spite of the home production of 7.5 million kilos. per year. The lack of certain wool qualities has imposed rationing on the wool industry and the admixture of "Zellwolle" (artificial wool).

Stocks of the more important raw materials and industrial articles have been sequestered, and they are being rationed out to producers; no *per capita* rations have been applied on consumption. Price increases are strictly forbidden, and the situation will be examined from time to time by the Price Control Commissary in case there is an urgent case for higher prices. The immediate position is therefore assured, but the question of further supply for industry and commerce is getting more difficult.

Land Reform

Amid the flux of wartime regulations and problems, the Hungarian Parliament is occupied with the Land Reform Bill. This is a matter of decisive importance to the social evolution of the country. The discontent of the landless peasants is the hotbed of the extremists, and has given rise

to the Arrow-Cross agitation. The Government's Bill avoids a radical suppression of *latifundia*, the large estates, in order not to jeopardise the continuance of production, and proposes the distribution of 1.5 million acres in 15 years at the rate of 100,000 acres yearly. In fact, the Government hopes to settle the distribution of land in five years. The Government will make use first of the properties of Jews, of aliens living abroad, and of limited companies. The Anti-Jewish Law is being strictly executed, and recently all licences have been withdrawn from Jews in State monopoly branches of commerce, including tobacco and spirit dealers.

No new restrictions are being applied in the financial field. Exchange control has been enforced since 1931 by the Hungarian National Bank. Withdrawal of banking deposits has not been restricted. Circulation of banknotes reached 1,087 million pengös on September 30th, against 1,038 millions at the end of August and 879 millions at the end of July. This increase is due to the temporary withdrawal of deposits at the end of August and the higher demand for credit caused by the successful harvest. The metal reserve of the National Bank is practically unchanged: it reached 221 million pengös on September 30th against 225 millions at the end of August.

October 9th.

Banking Shocks in Palestine

[FROM OUR JERUSALEM CORRESPONDENT]

IT is in times of crisis that the remarkably mixed character of Palestine's economic life is made most evident. Two forms of economy fundamentally different and largely antagonistic stand side by side. There is the preponderantly feudal Arab system, on one hand, and, on the other, there is the highly capitalistic system of the immigrant Jews. Emergency underlines this. Now, as in September last year and at the time of the earlier Abyssinian crisis, the character and extent of the demand made upon the banks and the hoarding of money and goods throw the mixture into relief. The Arabs, being a primitive people, regard gold as the only mobile store of value. The Jews, on the other hand, have brought with them to Palestine vivid memories of the hardships of inflation, banking moratoria and all the other symptoms of crisis in other countries. These different attitudes determine the behaviour of the two sections of the community in troubled times.

At the end of June the Palestinian banks had deposits of just over £P20 millions, a very high figure for the 500,000 to 750,000 people who can be counted as direct or indirect customers of the banks or savings banks. Six weeks later the demand for ready cash began and, at the end of August, the note circulation had soared to £P9.8 millions, an increase of £P3.5 millions, in a single month. That hoarding played at least as big a part as the laying-in of provisions in this movement can be deduced from the fact that the banks' ratio of notes to coin was 94.6 to 5.4 at the end of August, against 91.5 to 8.5 a month previously. And, in the same period, the price of gold had risen to much higher levels than elsewhere. There are no official quotations for bullion, but sovereigns which were offered for about £P 1.75 in July (i.e. below the London parity by nearly the whole amount of freight and insurance) sold during the last few days of free trading in gold at about £P2.30-2.35 (much above the London parity, which was about £P1.95 without charges)—and business was brisk.

Such is, in the barest outlines, the background against which the measures taken by the Government must be seen. The Palestinian banking system is not as old as those in Western Europe, and it had been unable to accumulate appreciable reserves. The measures taken by the High Commissioner had for these and other reasons to be more stringent than in other parts of the Empire. As early as Saturday, August 26th, a bank holiday of three days' duration was decreed; and the bank holiday was followed by a fortnight's restriction on disbursements. While the foreign banks were allowed to pay out in full immediately after the bank holiday the local houses had to restrict their payments to 15 per cent. of accounts. As the difficulties experienced by the banks could not be settled until September 13th the "moratorium" was prolonged for another week, during which time most of the weaker banks were able to negotiate for the necessary credits.

October 10th.

Germany at War

(An objective account of economic trends in the Reich compiled weekly by the editorial staff of The Economist from German and neutral sources.)

INDUSTRIAL production is being regulated throughout according to a strict schedule of priorities. War supplies have the first claim on materials, goods for export the second, capital goods the third and consumption goods the last. At present, while there are still no large-scale military operations, the production of export goods is considered as important as the production of war material. It has been Germany's aim when preparing for this war to increase trade with the European countries likely to be neutral. The following table shows the trend:—

Countries	Percentage of German Imports		Percentage of German Exports	
	1933	1938	1933	1938
All European.....	54.3	54.5	78.0	69.8
Six South-Eastern	4.7	11.9	3.2	13.2
Three Baltic	1.1	1.6	0.9	1.6
Four Scandinavian	7.5	11.2	9.5	12.8
Holland, Belgium, Switzerland	10.8	9.1	15.5	16.8
Italy	4.0	4.5	4.7	5.7
Russia	4.6	0.9	5.8	0.6
Total of European Neutrals	32.7	39.2	39.6	50.7

The drive to make trade safe for war has clearly not been conspicuously successful, and it is the Reich's aim now to carry it forward as quickly and extensively as possible. This has been the object of talks with various neutrals.

Trade with Neutrals

The details of the German-Russian Trade Agreement are still under discussion, but trade negotiations with Roumania, Yugoslavia, Bulgaria and Hungary have been conducted with varying success. Trade talks with the Scandinavian countries have been going on, but only the results of those with Denmark have been made known. Russia's trade agreement with Estonia suggests that the bulk of Estonia's agricultural exports (milk, butter and pigs) will go to Russia.

The new trade agreement with Roumania, concluded at the beginning of October, provides for an increase in German coal exports to Roumania from 22,000 tons to 66,000 tons. Roumania has undertaken to increase her exports of cereals to Germany, which were fixed at 800,000 tons during 1938-39. Delivery of 200,000 tons of maize is reported to have begun. Roumanian oil exports to Germany, which amounted during the first eight months of 1939 to 954,788 tons, or 31.8 per cent. of Roumania's total oil exports, will remain at this level.

The discussions with Yugoslavia have been less successful. Trade between Germany and Yugoslavia will probably fall off. Yugoslavia's substantial exports of bauxite to Germany have already decreased because they can no longer be transported by sea. At the conclusion of the negotiations with Bulgaria it was simply stated that Bulgarian exports of fruit and vegetables would be increased; and special arrangements have had to be made for the transport of these exports by the Danube because transport by rail is difficult.

In Hungary, on the other hand, Germany has been more successful. Hungary has undertaken to supply enough bauxite to replace the losses caused by Yugoslavia's inability to export. Hungarian exports of wheat and pigs during September have already increased considerably; and in return Germany will supply more industrial goods, i.e. rayon, motor cars and coal. There are difficulties in replacing the imports Hungary used to get from Poland. Polish coal will still be supplied to Hungary, but Hungary will purchase zinc and flax from Yugoslavia. At the same time, Hungary plans to establish new aluminium factories, and will probably embark on more rapid industrialisation during the war.

So far as Greece and Turkey are concerned, Germany's foreign trade has sustained losses since the war began. Turkey is virtually suspended trade with Germany. But the resources of the south-eastern countries may be developed considerably on Germany's behalf, the Nazis hope. During the last war the Germans mined 40,000 tons of chromium ore in Roumania within nine months; Germany's total imports of chromium ore in 1938 amounted to 176,000 tons. Yugoslavia's copper industry may also be further developed. Even so, the total industrial raw materials of these and other neutral countries cannot replace the imports from overseas countries.

The Baltic States, for instance, can only supply foodstuffs and timber.

Denmark will continue to export to Germany only the same quotas of livestock, butter, lard, fish and eggs as before the war broke out. Fifty per cent. of Germany's imports from Sweden consists of iron ore. Sweden's total exports of iron ore during September amounted to 815,000 tons, against 894,000 tons in September, 1938. This figure suggests that shipments to Germany were diverted from the Atlantic port, Narvik, to the Baltic port, Lulea. It is doubtful whether shipments can continue on this high level, because the port of Lulea is icebound for roughly five months during the year. During the last war Sweden's iron ore exports to Germany fell from 6,440,000 tons in 1913 to 4,460,000 tons in 1918.

Finally, there is Italy. Germany's share of both Italy's imports and exports has been about a quarter in recent years. There are now signs that Italy has got some special commission from Germany. In Brazil German agents continued to offer German industrial goods by way of Italy; and it seems that Italy has agreed to carry on part of Germany's foreign trade in South American countries, though whether this will be possible is doubtful. On the other hand, Italy will play a very important part in the commerce of the Balkan countries, especially in Yugoslavia. Italy has already offered to guarantee Yugoslavia's cotton imports by purchases in the United States.

Considerable difficulties have already arisen in transporting goods from the Balkan countries to Germany. There is a shortage of rolling stock, especially in the traffic from Yugoslavia and Bulgaria to Germany. The cereal and oil transport of Roumania has had to be diverted to the Danube, but Danube tonnage is also scarce.

Germany's trade relations with neutral countries at present may be summarised as follows. The accessible neutrals are able to supply a considerable part of Germany's imports of foodstuffs. The most important raw materials they are able to supply are iron ore, bauxite, mineral oil and timber. They cannot furnish all the bauxite and mineral oil the Reich will need by a considerable margin; and Russia's exports (the value of which is being wildly exaggerated) cannot be appreciably expanded for some time to come.

Moreover, these imports must be paid for by exports. There has been no news from neutrals that Germany has not been able to execute export orders, and so long as there are no major military operations Germany should be able to maintain the production of coal, iron and steel, machinery and chemicals at, say, 50 per cent. of the level of 1938-39. But the 1938-39 level was much below 1937, and when large-scale war begins it will be quickly made difficult to make export goods in large quantities.

Controls and Frictions

There are still signs that earlier plans for the control of industry have had to be revised in practice, partly because of difficulties in getting petrol. Long-distance road transport has been largely stopped; delivery services in retail trade have been further cut; and private cars are being compelled to turn over to the use of gas fuel. Timber and textile materials, too, are being more stringently rationed. Luxury manufactures are being prohibited and standardised production of a wide variety of articles is being introduced.

In the field of banking and finance control is being tightened. There is the same centralisation here as in industry. The Deutsche Industrie Bank and the Oeffa are to be responsible for the financing of the industries which are given permission by the authorities to seek credits. The latest Reichsmark return (for September 30th) shows a large increase in note circulation (in spite of very stringent regulations against hoarding) and in long-term securities, but none in bills. Bankers' deposits have fallen heavily. It is now stated that both types of the tax certificates inaugurated earlier in the year can be used as security for loans. Previously Type 2 could not be used in this way.

The shortage of skilled labour is becoming more marked, and the papers are full of advertisements for skilled artisans for aircraft work and so on. Even so, there is still appreciable unemployment in some branches of industry. Employers say that they cannot keep on their employees in trades curtailed by the war, and the decree which early in the war prohibited the paying-off of workers has been relaxed.

Books and Publications

A Dominion's Industry

BEHIND Britain's great war-time industries there is the growing power of the British Dominions to manufacture. Even a quarter of a century ago, before the Industrial Revolution had fully gripped the primary-producing Dominions, the contribution of Canada, for instance, was almost as great in shells, ships and aircraft as it was in men and raw materials. This time Canada, now a mighty industrial producer, will not be alone. Industry has caught up the other Dominions.

The Union of South Africa is a case in point. In this book* Dr Bosman traces the history of the South African economy from the foundation of the Colony by van Riebeeck in 1652 through its three main phases; first, subsistence farming, with small exports of raw products to the home country and only incidental manufacturing industries; secondly, the discovery of diamonds in 1870 and of gold in the Rand in 1886, introducing mining and great social and economic changes; and, thirdly, the sudden impulse, due to the circumstances of the last war, towards industrialisation. The stances of the last war, towards industrialisation. The rapidity of change in the last two phases is shown by the following facts: in 1868, 94 per cent. of South Africa's exports were agricultural, while in 1898, 80 per cent. were mineral; in 1911, the number of industrial establishments was 2,473, while twenty-five years later they numbered 9,665.

Here are set out in considerable detail the various features of the South African economy to-day. Agriculture is and must remain a fundamental necessity for the Union, and in spite of recent Governmental efforts it still lags behind other activities in the matter of efficiency and organisation. Mining, confined (even if coal and iron are included) to four main products, is chiefly concentrated on two, gold and diamonds, and it is highly localised. Finally, the difficulties in obtaining manufactures during the last war provided an impulse towards general industrial development, which, with the aid of a protective policy and operating on high costs, has proceeded to lengths which, in Dr Bosman's opinion, in some ways threaten the stability of the country's economy. In the background of all these activities are the small size of the white population (nearly seven out of nine-and-a-half millions are coloured) and the consequent labour problem.

Dr Bosman makes clear the direction in which, in his view, constructive policy should move—in peace-time at any rate. In rural areas farms are large and population low, while concentrated in the mining and industrial districts are found skilled white labour, receiving high wages, in proximity to native labour working at low rates and a considerable "poor white" population. The author recommends two main courses: the break-up of the large farms; and the development, on the one hand, of the fishing industry (which employs native labour), and, on the other, of localised industries for processing agricultural products. He looks in this way for increased efficiency in agriculture (which will be as necessary in war as in peace), an increased diversification of the country's economy, relief of urban congestion, repopulation of rural areas, segregation of non-white elements (regarded by him as the true line in native policy), and a firmer foundation for the transport system.

This decentralisation and diversification of industrial activity, which might be pressed further by the local development of power resources, is regarded as of cardinal importance. Industrialisation induced by extraneous causes, directed too largely towards production goods, and insecurely based on abnormal mining development, has rendered the South African economy not only highly vulnerable to "cyclical" changes, but also dependent on export markets, which, owing to high-cost production, geographical position and foreign competition, are hard to find. The proposed lines of policy, by broadening the economic basis, would build up the internal market, which for the Union is the first necessity. Dr Bosman's words are wise, but whether they will

* "The Industrialisation of South Africa." By G. C. R. Bosman. G. W. den Boer, Rotterdam. 241 pages. 10s. (unbound 8s.)

wholly stand in the changed conditions of war is another matter. To solve South Africa's internal problems is still essential, but the "great consumer" war is now in the market, and the Empire may soon, as General Smuts has said, be glad of the Union's "excessive" industrialisation.

Books Received

- The Financial Post: Survey of Corporate Securities, 1939.* 13th issue. (Montreal) The Maclean Publishing Company, Ltd. 263 pages. No price stated.
- A compendium of information on Canadian companies whose securities are dealt in publicly.
- Contemporary Monetary Theory.* By Raymond J. Saulnier. Oxford University Press. 420 pages. 20s. net.
- L'Industrie et le Marché Britannique du Charbon.* By Joseph Lajugie. (Paris) Librairie Générale de Droit et de Jurisprudence. 566 pages and Statistical Appendices. No price stated.
- An Introduction to Economics.* By R. C. Lyness and E. R. Emmet. G. Bell and Sons, Ltd. 372 pages. 4s. 6d. net.
- City of Birmingham. Financial Statement, 1938-1939.* (Birmingham) Treasurer's Department, Council House. 569 pages. No price stated.
- The Gold Standard in Theory and Practice. Fourth Edition.* By R. G. Hawtrey. Longmans, Green and Company, Ltd. 315 pages. 7s. 6d. net.
- A Dynamic Study of Pig Production in Denmark.* By T. Haavelmo. (Copenhagen) Ejnar Munksgaard. 48 pages. Dan. Cr. 2.00.
- Visitors' Guide to British Income Tax.* By H. C. G. Slater. (London) Gee and Company. 84 pages. 7s. 6d. net.
- Tea and Coffee Producing Companies, 1939.* (London) De Zoete and Gorton, Gresham House, E.C.2. 388 pages. No price stated.

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THE FINANCE OF BRITISH GOVERNMENT

1920-1936

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Germany's War Economy—II

Germany's Coal Supplies

THE need to produce more coal faces Germany, France and Great Britain alike. In the case of Germany, however, the problem is complicated by the alterations to internal supplies which have already taken place as a result of the war; by the cutting off, at least for the time being, of the resources of the Saar and the addition of the product of German Poland; and finally by the fact that the German coal industry is working to capacity.

The coal production of the Reich was being rapidly expanded in the period 1935-38, and had reached a maximum in the autumn of the latter year, since when it has shown no further increase. The figures are given below:—

GERMAN COAL PRODUCTION

	Old Reich			Reich, Austria and Czechoslovakia		
	Average	1938	6 mths.	Average	1938	1939
	1935-37		1938	1935-37		
Coal	161,965	186,179	94,060	175,575	202,179	
Lignite	164,410	194,678	105,760	183,815	212,998	
Lignite in terms of coal	36,500	41,100	23,500	41,000	50,100	
Total	198,465	227,279	117,560	216,575	252,279	

The combined figure of 252 million tons, representing the coal output of Greater Germany in 1938, may be taken as the basis for estimates of present production.

To this two additions may be made—one definite and one problematic. The definite increase is due to the acquisition of the resources of the part of conquered Poland which goes to Germany. These amounted to 45 million tons in 1938. The other addition is that which is expected to result from the completion of certain deep mining projects in the Ruhr and from the introduction of improved methods of extraction in the Upper Silesian field. Neither set of schemes will reach the productive stage for at least two years.

Next, two deductions—again one definite and one indefinite. The Saar mines have ceased work, and it is entirely dependent upon military developments when they will resume. For the present their production of 14.4 million tons per annum must be regarded as a loss. The second deduction arises from a probable lowering of the productivity of labour in the next few months. As a result of tremendous technical and physical effort, output per man-shift in German mines had been raised to a very high figure by the autumn of 1938. Since then there has certainly been no improvement, and increased difficulties of working, coupled with growing deficiencies of diet, reaction from the previous exceptional effort and the personnel demands of the armed forces, can hardly fail to lead to some reduction of labour productivity. Its magnitude is not calculable.

The conclusion on the supply side is therefore that the present available production of about 283 million tons per annum is adequate to present needs; and that the reduction of output which can be expected in the immediate future is likely, other things being equal, to be offset by additions made when expansion schemes now in preparation reach the productive stage in about two years' time.

The German demand for coal is a complex matter and can best be treated at the outset in terms of possible increases and decreases. First, the interruption of work in Saar territory, which in 1938 produced 2,381,000 tons of

pig iron, 2,573,000 tons of steel and 1,981,000 tons of rolling-mill products, involves a considerable reduction in coal consumption as well as in coal production. This reduction may or may not be temporary. It is worth noting, however, that the iron and steel industry in this region would probably have come to a standstill in any case, owing to the fact that it depended entirely on French ore. Against this reduction of coal consumption must be placed the new demands of the Polish steel industry, which, incidentally, is less economical in its use of coal than the industry of the Saar. In 1938 that part of Poland now controlled by Germany produced 971,000 tons of pig iron, 1,570,000 tons of steel and 1,078,000 tons of rolling-mill products.



The circles, squares and triangles on the above map show the position only of the various mineral deposits and iron and steel works in German control. Their relative sizes expressed as percentages of the respective total outputs are as follows:—Coal: Ruhr, 52 per cent.; Silesia, 29 per cent.; Aix-la-Chapelle, 3 per cent.; Saar, 6 per cent. Lignite: Senftenberg, 26 per cent.; Leipzig, etc., 43 per cent.; Cologne, 30 per cent. Iron Ore: Middle Germany, 30 per cent.; Siegen, 12 per cent.; South Germany, 20 per cent.; Austria, 17 per cent.; Lahn and Dill, 8 per cent.; Czechoslovakia, 8 per cent.; Poland, 5 per cent. Pig iron and steel: Ruhr, 61 per cent.; Silesia, 9 per cent.; Saar, 10 per cent.; Czechoslovakia, 4 per cent.; Poland, 8 per cent.

These figures do not include the production of the Olsa region. If this is taken into account it may be said that Germany has experienced a net loss of 600,000 tons of steel capacity and 900,000 tons of pig iron capacity as a direct result of the war—with a roughly corresponding reduction in her demand for coal.

Against this reduction must be placed a number of new demands. When the Hermann Goering Works begin operations at the end of this year there will be a vast addition to coke requirements. The new blast furnaces will use low-grade German ore and therefore will require fuel in coke form. The needs of the substitute industries are also bound to increase. They are reflected not only in the direct demands of these industries for coal as a raw material but also in the consumption of the gas and electricity generating industries upon which they depend for power. These requirements are often very high per unit of the

commodity produced—particularly in the manufacture of synthetic rubber. In 1935 the proportion of total coal consumption due to the gas and electricity generating industries was 11.3 per cent., and by 1938 it had risen to 12.7 per cent. It cannot fail to rise still further as new capacity in the substitute industries comes into operation. The most conservative estimate of the additional direct and indirect demands of the substitute industries for coal in the coming year is of the order of 15 to 20 million tons.

It should be possible to meet these calls out of resources at present controlled by Germany, but in order to preserve an element of elasticity there must necessarily be a close watch on coal exports and domestic consumption. Household coal accounted for 24 per cent. of total consumption in 1938, as against 26.1 per cent. in 1935. At a cost of discomfort still greater than that which has already been shouldered, it can be reduced still further by rationing. Exports to neutrals present a more delicate problem, since neutral tempers will less willingly accept an additional strain than those of the long-suffering German public. Exports must be maintained if possible. Some difficulty was already being experienced in 1938 when total net exports amounted to 25.8 million tons, as against an average for 1935-37 of 27.4 million tons. The full figures are as follows:—

GERMAN COAL EXPORTS TO NEUTRAL COUNTRIES

Group A.	Belgium, Luxembourg and Holland.
Group B.	Denmark, Sweden, Norway and Finland.
Group C.	Lithuania, Latvia and Estonia.
Group D.	Hungary, Roumania, Yugoslavia and Bulgaria.

	Average 1935-37		1938	
	000 metric tons	Per cent. of total	000 metric tons	Per cent. of total
Group A	9,819	35.8	9,225	35.8
Group B	1,406	5.1	1,809	7.0
Group C	124	0.5	92	0.4
Group D	545	2.0	601	2.0
Italy	7,226	26.4	7,402	28.7
Total neutrals	19,120	69.8	19,129	73.9
Total exports	27,407	100.0	25,843	100.0

A final factor which complicates the general coal question is that of the increasing demand for coke. The reduction in exports of this product which has taken place in the past few years reflects a growing home demand which is not likely to slacken off. The needs of the Hermann Goering Works have already been mentioned. There will be further demands from Upper Silesia and smaller centres. Of Greater Germany's total coke exports 55.7 per cent. went to the neutral countries mentioned in the above table of coal exports. It seems hardly likely that either the same amount or the same proportion can be maintained in the next few years.

The conclusion is, therefore, that the strain on Germany's coal resources and productive equipment will undoubtedly be greater than it was in the last war. Without the resources of Poland, Germany would, in any case, soon have experienced an actual shortage. Hence the care with which the economic side of her offensive was prepared and executed. Immediate difficulty has been staved off, but for how long depends on the development of demand and the course of the war.

Investment and War—V

War Loan Policy

NOTHING has changed the investment outlook since war broke out so dramatically as the unfreezing of the gilt-edged market. Towards the end of last week War Loan and 3½ per cent. Conversion floated clear of the ice, and, with the knowledge that even long-dated stocks were saleable, holders lost the urgent desire to sell. Limits have disappeared as if by magic; and even a succession of adverse items of war news has failed to stem the advance. The funds have resumed convalescence, though admittedly they are not completely restored to health.

The freeing of the market has been so striking that the imminent possibility of a first instalment of war borrowing has replaced, as a topic of City discussion, the virtually complete stagnation of gilt-edged stocks—and within little more than a week. It would do the market a disservice to represent its recovery as being complete. But some observers, so impressed with the recovery, are urging that the opportunity thus presented should be seized forthwith for ensuring at least the first instalment of war borrowing.

The question of war finance, however, is far wider than the achievement of a short-range success, important though that might be in setting the stage for further successes in the future. In fact, it is possible to consider Treasury borrowing policy in the light of at least five main factors—timing, type of loan, investment psychology, and money-pricing. Examination of borrowing policy under these heads does not provide an entirely conclusive answer in favour of immediate large-scale borrowing, though that is far from saying that an early issue, doubtless prefaced by a further reduction in Bank rate to the expected 2 per cent., would not provide an impressive success. The measure of the borrowing task, however, can be put, at a minimum, at £938 millions for the current financial year, compared with £502 millions when Sir John Simon issued his statement in July, and with £342½ millions contemplated in his first Budget. The timing problem must relate to the new total of defence borrowing to the rate of defence expenditure, which in the first six months of the current financial year totalled £225.0 millions from revenue, plus £80½ millions from loans, out of original estimates for 1939-40 of £246.6 millions from revenue and £502.4 millions from borrowing. A very rough guess suggests that

the balance to be provided from borrowing (£858 millions, though the figure cannot be regarded as fixed) might be divided between the third and fourth quarters as to £360 millions and £500 millions respectively. The current quarter would in any case be a deficit quarter on revenue account, though the final quarter, fortified by the first instalment of higher income tax, and three months' increase in indirect taxes, to the extent of approximately £90 millions extra on revenue account, should provide a useful surplus. There is, therefore, a certain urgency in making provision for war borrowing in the current quarter. Meanwhile, scope for a further increase in Treasury bill issues—if it is judged by Sir John Simon's intentions last July—scarcely exists, for between July 15th and October 14th the total bill issue increased by £174 millions, compared with a mere £33 millions in the corresponding period of 1938. The Chancellor contemplated raising £150 millions, out of total borrowing of £502 millions, from Treasury bills. Increased total borrowing, combined with the money market's still unsatisfied appetite, however, should justify resort to increased short-term finance. If it does not, then the authorities will be compelled to redouble their efforts to set the stage for a long-term operation, or series of operations. In fact, no valid reason is evident for adhering to the maximum suggested increase in the Treasury bill issue (which appeared to be put at a relatively low figure in the first place) in view of the greater financial burden of defence. It is suggested in a Finance Note on page 97 that the discount market is still about £120 millions short of bills—and it could, of course, take more than this figure. Short-term borrowing, in fact, can meet the Exchequer's demands for a month or two yet.

Next, the pricing of new borrowing clearly warrants careful consideration. The current level of long-term interest rates is still little short of 4 per cent., compared with Mr Keynes's proposed maximum of 2½ per cent. for defence borrowing. These figures may perhaps be regarded as the two extremes, for if there is no particular sanctity about 2½ per cent., as compared with any lower rate of interest, there is certainly no compulsion on the authorities to accept a long-term rate of 4 per cent. as an unavoidable obligation. It may reasonably be said that gilt-edged prices, and hence the terms of any new defence

issue, are largely what the authorities care to make them. Control dominates the capital market, and the process of jumping credit into the banking system has reached the joint at which, despite a substantial increase in advances and, to a smaller extent, in investments, the clearing banks at the end of last month were still operating on a cash ratio of 11½ per cent. and a quick assets ratio of 28½ per cent. It is by such monetary means, and not by any crude direct intervention of the authorities to support Government stocks in the market, that gilt-edged prices have been assisted, and should be still further assisted in the future. But at the moment, monetary preparation is still in a relatively early phase. Reinforcement of the joint-stock banks' cash has not yet had its full direct effect upon their investments. But further expansion of credit can be expected to have a considerable effect on gilt-edged prices. The demand for advances consequent upon the onset of

short-term issue, which would be designed to absorb part of the expansion of total Treasury bill issues, and would thus contribute towards a controlled credit expansion, are sound. There are, naturally, some points against such a course. It might seem, for example, that a short-term funding issue of limited size would mock the total borrowing programme. Again, the further postponement of a large war loan might seem an admission of doubt regarding the market's capacity. And behind the more formal arguments the inevitable responsibility rests on the Treasury to obtain the optimum terms for new borrowing. These, however, are not necessarily maximum terms, for it would be folly merely to await the latter if, at the same time, undue risks were involved. At the moment, however, it is clear that the short-dated stocks have the advantage, and that preparation will have to go considerably further before the "longs" stand on an economical issue basis.

Hence the successful issue of a specialised short loan at a low rate of interest should, on balance, assist rather than impede the market in its task. The choice of terms may be inferred from the accompanying table of gilt-edged prices and yields, in which the stocks are arranged in chronological order of redemption, on our usual assumptions. The present prices of 4½ per cent. Conversion, 5 per cent. Conversion, 2½ per cent. National Defence and 2½ per cent. Conversion stocks suggest that in the next ten years the Government will be faced with refinancing operations in 1940, 1944, 1948, and 1949, although any major change in 5 per cent. Conversion Loan could postpone its eventual redemption as late as 1964. The year 1944 is occupied by the redemption, either optionally or finally, of all four stocks, and this fact suggests that a five-year issue would scarcely suit the market's requirements. There might be a case for matching the Government's official expectation of the length of the war with the issue of three-year bonds. If so, there is little reason why their coupon rate should exceed 2½ per cent. even though the effective return might be enhanced by their issue at a small discount.

But the financing of war, as the Chancellor of the Exchequer has publicly recognised, will require the support of investors, large and small. To encourage the greatest response, the authorities might, when the time comes some months hence, consider the advantages of a simultaneous issue of stocks of different life and yield and designed to suit all investment tastes. Such a policy might involve the adoption of an entirely new technique—in the British capital market, at least—of issuing a series of loans through the "tap." To take account of changing market conditions—if the authorities saw fit to permit them—slight variations in relative life or relative price only would be required. The response to each series could be carefully measured, and the investors' relative preferences accurately established. The "tap" method could become an instrument of accurate control over defence borrowing, for it could ensure maximum response, coupled with minimum cost. But since there would be no fixed target at which to aim, it would be necessary constantly to maintain public interest in the issues.

At all costs, it is imperative to avoid giving any false impression that the Treasury is on a weak wicket. As economic control grows in effectiveness, the Treasury's position will become even stronger than it is to-day. One of the financial lessons of the Great War was the failure to exploit that strength in borrowing policy. Inability to resist the temptation to give too much away at a too early stage in the borrowing programme would involve an irretrievable step towards higher interest rates. Again, that strength should be sufficient to avoid resort to such expedients as tax-free loans or loans issued at a large discount with the speculative attraction of repayment by drawings at par. Hence the greatest importance attaches to the terms of the first issue. The argument that an issue of short-dated stock for a fixed amount would suggest a fear on the part of the authorities that a more comprehensive attack on the borrowing programme might not succeed, is surely outweighed both by the psychological value of a successful issue at a low rate of interest, and also by the opportunity it will provide for an intensive preparation of the long-term market for a really cheap series of issues.

Finance and Banking

Bank Rate Unchanged.—Bank rate remains at 3 per cent. This fact would hardly be "news" were it not for the confident and almost vehement expectation of a reduction which was apparent in the City during the past week. Open market rates are completely out of touch with the official minimum, and with the authorities openly pursuing an expansionist credit policy the maintenance of Bank rate at this level must acquire special significance. That significance will probably be found in the timing of the war loan which must ultimately make its appearance. The hints which the discount market has received as to the likely expansion in weekly Treasury bill issues carry with them the suggestion that medium or long-term Government borrowing is not yet imminent. If that be so the authorities may well wish to keep the psychological effect of a reduction of the Bank rate in reserve until it is needed. The retention of the 3 per cent. figure admittedly does little or no damage to trade, while its deterrent influence on a further rise in the gilt-edged market must be accounted small. Long-term interest rates are still at a sufficient margin from the short-term rates to absolve the 3 per cent. Bank rate from the guilt of barring the continued appreciation of a security such as War Loan. Indeed, it may be argued that at the moment the bait of a confidently expected reduction in Bank rate in an indeterminate but fairly near future provides a stronger stimulus to the gilt-edged market than would be given by an actual reduction to 2½ per cent. or even 2 per cent. Again, if the first war loan operation is, for no doubt very good reasons, to be postponed for a few weeks or even months, there is a very good case for not playing all the cards in the credit policy hand so long in advance of the crucial date. Many things may happen between now and then. London may be bombed; the course of the war may take unpredictable and temporarily unpleasant twists. Such events would cause a rapid evaporation of the good psychological effect of a reduction of Bank rate at the present moment.

Abnormal Rate Movements.—The break in open market rates passed a significant milestone at the beginning of this week, when certain clearing banks lowered their buying rates for eligible Treasury bills below 2 per cent., i.e. below their minimum day-to-day money rate. On Monday one of these institutions had lowered its rate for December bills to 1½ per cent. On Tuesday this became the rate even for January maturities, and by Wednesday the rate of all maturities had come down to 1½ per cent. There are precedents for this inversion of the normal structure of market rates, the most glaring of them occurring prior to the formation of the discount market syndicate early in 1935, when clearing banks were tendering directly for Treasury bills at under ½ per cent. while insisting on a minimum short loan rate of ½ per cent. Though this is a reversal of the normal relationship between rates, it is, however, by no means inexplicable that the rate of interest for the shorter period should be higher than that for the longer. All that is implied by this state of affairs is a strong expectation of a further fall in the general level of interest rates in the near future. That expectation has certainly been present in the discount market during the past week. But however explicable, this state of affairs is one which can have little permanence about it. Either the expectations must be realised—in which case money rates will come down while bill rates will merely have anticipated the reduction in Bank rate—or else natural correctives will enter into play and restore a normal margin between short money and bill rates. The discount market is unlikely to agree to the permanence of making a loss on running bills of exchange—such as will be incurred if the present disparity between loan and bill rates persists long enough to force the market to bid for bills at under 2 per cent.

Dearth of Bills.—The break in open market rates is the result of double pressure from the demand and the supply sides. Paradoxical as it may seem in view of the recent growth in the floating debt, there is at present a dearth of bills in the market. The expansion in Treasury bills issued through the tender has only just got seriously under way. Since the beginning of July the Treasury bills issued by tender have risen by £42 millions (of which £13 millions was last week's contribution), while the tap bills have increased by about £137 millions. The real rise in tender bills has been smaller even than these figures suggest, since during the whole of July and August the special buyer was operating heavily in the open market on behalf of the Exchange Equalisation Account, which was then losing gold and gaining sterling on a heavy scale. The trend has been reversed since, but on the evidence of the Treasury bill figures one must assume that the effect of official purchases of foreign exchange and gold under the Defence Regulations had up to a fortnight ago been largely neutralised by official bulk sales of dollars and other foreign currencies. On balance, therefore, the market and the banking system are still rather poorer in Treasury bills than they were before the strain of an imminent war began to manifest itself. In respect of commercial bills, the picture is even blacker. Since the outbreak of the war it is estimated in market quarters that about £80 millions, or, say, one-third of the previously outstanding volume of commercial paper, has disappeared. Foreign acceptance credits are being rapidly liquidated, all standstill paper which remained in the market has been taken up, and the bills which financed imports now being handled in bulk by the Government are gradually vanishing. All in all, the London market is probably £120 millions shorter of bills than it was last July.

Broadening the Credit Basis.—The clearing banks have not only found the available volume of bills declining; their appetite for bills has been considerably sharpened recently by the expansion which has taken place in the cash basis. This expansion is the product of two main influences. In the first place, the authorities have consciously refrained from neutralising the expansionist effect of the considerable return of notes from the peak reached immediately after the declaration of the war. At the time the authorities had to make substantial though not fully proportionate efforts to counter the contractionist effect of the demand for currency which sent the circulation soaring to its record figure of £553,500,000. Now that the notes are coming back the more positive effects of those neutralising operations are beginning to make themselves felt. In the second place, the credit position is benefiting for the time being from the purchases of gold and foreign exchange by the Exchange Equalisation Account. The sterling required to effect these purchases is being raised by Treasury bills, and in the long run these official operations should leave the credit situation largely unaffected—indeed, slightly tauter than it was before. But the customary time lag between the official purchases of gold and dollars and the additional issue of Treasury bills is coming to the rescue of the credit situation. This is evident in the depletion of public deposits at the Bank of England and the corresponding transfer of funds to bankers' deposits.

Bills versus Bonds.—Caught between these two factors open market rates were bound to fall. The movement, however, has been stimulated by the reluctance of the discount market to sell bills to the banks. This reluctance is in part the natural reflection of hopes of still lower rates in the near future. But it is also due to much keener and recently more successful competition for Treasury bills by non-market quarters. This feature in the situation is well

GILT-EDGED PRICES AND YIELDS

Note: Stocks are arranged in redemption order.

Stock, and Date of Redemption	Price, Nov. 16, 1938	Yield, Nov. 16, 1938	Price, July 20, 1939	1939 High	Minimum	Oct. 13, 1939	Oct. 19, 1939	Yield, Oct. 19, 1939 %
1½% Conversion Loan, 1940-44	105	£ s. d. 1 4 2	102½	104½	100½	102½	102½	£ s. d. 3 0 0
5% Conversion Loan, 1944-64	111	3 1 0	109½	112½	103½	105	106	3 13 2
2½% Nat. Defence Bonds, 1944-48	99	2 12 6	97½	99½	94½	94½	95½	3 1 5
2½% Conversion Loan, 1944-49	97½	2 15 0	95½	96½	93½	93½	93½	3 6 4
3½% War Loan, from 1932	99½	3 11 3	92½	98½	88½	88½	91½	3 16 9
3% Conversion Loan, 1948-53	100	3 0 6	97½	99½	94½	94½	94½	3 10 9
4% Consol. Loan, from 1957	108	3 9 6	101½	107½	98½	99½	100½	4 0 4
2½% Funding Loan, 1952-57	93½	3 4 3	90½	93½	88½	88½	88½	3 13 2
3% Nat. Def. Loan, 1954-58	98	3 3 0	93½	96½	92	92	92½	3 12 5
4% Funding Loan, 1960-90	109½	3 8 0	105½	109½	100½	100½	101½	3 17 11
3½% Conversion Loan, from 1961	99½	3 11 0	93	99½	87½	87½	90½	3 17 7
2½% Funding Loan, 1956-61	88½	3 4 8	84½	87½	79½	80½	82½	3 13 9
3% Funding Loan, 1959-69	95½	3 4 9	92½	95½	87½	87½	88½	3 13 1
2½% Annuities	71	3 10 9	66	70½	60½	63½	66	3 15 9
2½% Annuities	78	3 10 9	73	78½	68½	68½	70½	3 18 0
4½% Consol. Stock	72	3 9 6	66½	71½	62	64½	66½	3 15 0
4% Victory Bonds	108½	3 14 1	105½	108½	102	102	102½	3 17 2
Old 2½% Stock (Irish Land Act)	81½	3 8 0	75	81	67	67	70½	3 18 0
Local Loans 3%	85	3 11 3	79	83½	73½	75½	77½	3 17 2

war is presumably now abating and the banks are finding difficulty in acquiring bills. If they are given further cash, the direct result should be heavy purchases in the gilt-edged market. If this is so, it is clearly politic to withhold any long-term issue until it can be made on much more favourable terms. To rush such an issue out now would be a waste of public money in paying, over a long term, higher interest than will soon be necessary; it might also prejudice the terms on which later issues could be made. The policy for the moment should, therefore, be to expand the credit structure with the object of bringing interest rates down as far as possible, and, in the meantime, to finance war expenditure by Treasury Bills, by direct borrowing from the Bank on ways and means, and by other short-term borrowing.

Preparation of the market has an important bearing on the best type of borrowing policy for the Treasury's needs. It was suggested earlier in this article that the time will shortly arrive—if, indeed, it is not already here—for the Treasury to make certain of at least part of its new borrowing. The technical arguments in favour of a specialised

BANKING SUPPLEMENT

Owing to the delays in communications caused by the war, and the consequent difficulty in verifying figures, The Economist Autumn Banking Supplement, which would normally be issued this week, has been postponed until November 4th.

illustrated by the results of the last weekly tenders for bills, when applications rose to the wholly abnormal level of £102,965,000 and the syndicate obtained a mere 24 per cent. of its requirements despite basing its applications at a mere $\frac{1}{16}$ over 2 per cent. The new "outsiders," to whom reference was made in these columns when changes in the composition of the syndicate were discussed, have already made their nuisance value felt. But apart altogether from these specific factors in the discount market position, there is a less tangible but equally powerful influence making for a lower trend of rates, namely, the strong desire of important, not to say dominant, quarters in the market to see bill rates restored to a level sufficiently low to restore both strength and freedom to the market in short-term Government bonds. The events of the past year and the undoubted deflation which has occurred during this period in the market's holding of bonds have by no means removed that clash in the interests of the market between the attractions and profits of bill business proper and those of operations in the gilt-edged market. This clash is apparent at present in a disinclination to sell bills to the banks and a strange readiness to tender for bills at rates relapsing rapidly to the wholly unremunerative levels which obtained for so long in the 2 per cent. Bank rate period.

Clearing Bank Figures.—These essential aspects of the credit and banking position are clearly illustrated in the September returns of the clearing banks. As explained in these columns last week, the latest figures show the position of the individual banks not as averages of those on four or five weekly making-up days in each month, but as those on the last of these days. The choice of the final days of the month does not in any appreciable way distort the figures. Such distortion as usually occurs is more likely to apply to the figures during the first week of each month, when Government dividend disbursements tend to exert an inflationary effect on deposits and cash. But the September figures, by showing the position towards the close of the month, reveal to the full the changes which have occurred during one of the most dynamic periods experienced by the British banking system. Bank cash has leapt ahead by £34,500,000 to £267,451,000, at which

level it represents 11.74 per cent. of deposits. Cheques in course of collection have risen by £13,280,000 to a record level of £86,746,000—an increase due to the more cumbersome voyage upon which the procedure of clearing now

(In £ millions)						
	Sept., 1938	May, 1939	June, 1939	July, 1939	Aug., 1939	Sept., 1939
Capital and reserves	138.6	138.8	138.8	138.8	138.8	138.8
Acceptances, etc.	122.4	127.6	124.7	122.4	132.8	125.7
Notes in circulation	1.4	1.4	1.4	1.4	1.4	1.4
Current, deposit and other accounts	2,268.9	2,166.8	2,218.8	2,239.9	2,245.1	2,278.1
Total liabilities	2,531.3	2,434.6	2,483.7	2,502.5	2,518.1	2,544.0
Cash	233.9	236.1	235.2	234.9	232.9	267.4
Cheques, balances, and items in transit	54.7	65.8	69.4	64.4	73.4	86.7
Money at call	148.2	143.5	149.8	155.4	147.5	145.6
Discounts	289.0	200.7	248.6	278.0	279.1	236.2
Investments	645.8	604.5	600.2	597.0	599.4	602.9
Loans and advances	969.2	988.0	987.3	981.9	984.5	1,010.9
Investments in affiliated banks	23.9	24.2	24.2	24.2	24.2	24.2
Cover for acceptances, premises, etc.	166.6	171.8	169.0	166.7	177.1	170.1
Total assets	2,531.3	2,434.6	2,483.7	2,502.5	2,518.1	2,544.0

takes the bulk of cheques drawn in this country. Bills discounted have fallen by no less than £42,900,000, a movement which adequately explains the bill famine of which the banks have recently shown somewhat petulant signs. Advances, for their part, are £26,400,000 higher, and it is probable that the outbreak of the war and the inevitable delay which occurred in the payment of maturing bills by their acceptors caused some transfer of the claims involved from the bill holding to advances. A reduction of £7,046,000 in acceptances, etc., represents the first instalment of the compulsory reduction of credit facilities to foreign customers and the big reduction in the forward exchange position which followed the imposition of foreign exchange control. Despite the big reduction in bills the liquidity ratio for last month was about 32½ per cent. The increase in this figure will have made further progress since the close of September. The banks are thus being effectively prepared for the great task of war finance in which they will be called upon to play their part.

MONEY MARKET NOTES

The firmness of sterling in New York has not been maintained; and the rate has fluctuated around 4.00, falling to 3.99½ on Tuesday and rising to just over 4.00 on Wednesday. The Bank of England is now willing to deal in mail transfers on New York and Montreal at 4.04½ for the former and 4.47½ for the latter centre. The neutral currencies have appreciated against sterling throughout the week. On Thursday the official rates for belgas, Swiss francs and guilders were 23.65-90, 17.78-93 and 7.50-75 respectively; while those for Norwegian and Swedish crowns have shed the 10 points they gained last week and are back to 17.50-70 and 16.70-90 respectively. Among free market rates, Finnish marks show a

further small depreciation and are now quoted at 205m. sellers.

The dearth of bills in face of the present extensive demand is illustrated by the results of the tender for Northern Ireland Treasury bills. For the £800,000 91-day bills on offer applications totalled £7,650,000, and the minimum bid accepted gave a discount rate of £1 14s. 7d. per cent., which compared with an average discount rate of £2 0s. 8.28d. per cent. for the Treasury bills allotted on Friday of last week.

Bankers' deposits are again at a high level in spite of a reduction of £6.8

millions in Government securities, which has more than offset the return of £4.7 millions of notes from circulation. Public deposits, too, show a rise of just over £1 million on the week, but a corresponding fall in public deposits and a small rise in other securities have limited the fall in bankers' deposits to £300,000.

The feature of the silver market has been the big premium in the spot price over the forward. There has been a certain amount of bear covering, which, owing to the shortage of supplies for immediate delivery, and the weakness of the forward market, raised the premium to as much as 1d. on Thursday.

MONEY MARKET RATES

	Oct. 20, 1938	Oct. 12, 1939	Oct. 19, 1939
Bank Rate	2	3	3
London Deposit Rate	1½	1	1
Short Loan Rates:			
Clearing Banks	1½-1*	2-2½†	2-2½†
Others	1½-¾	1½-2	1½-2
Discount Rates:			
Treasury Bills (3 mth.)	11½	2	17½
Three months' bank bills	¾	2½-3½	1½-2

* 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. 2 per cent. for loans against Treasury bills and British Government securities; 2½ per cent. for loans against other collateral.

THE BANK RETURN

	Oct. 19, 1938	Oct. 4, 1939	Oct. 11, 1939	Oct. 18, 1939
Issue Dept.	£ mill.	£ mill.	£ mill.	£ mill.
Gold	326.4	0.2	0.2	0.2
Value per oz.	85s.	168s. 0d.	168s. 0d.	168s. 0d.
Notes in circulation	486.4	538.7	535.0	530.3
Banking Dept.				
Reserve	40.0	42.2	45.9	50.7
Bkrs' Deps.	33.8	15.3	10.9	12.0
Bkrs' Deps.	90.9	106.0	116.7	116.4
Other Deps.	35.9	40.9	39.7	38.5
Govt. Secs.	104.9	113.6	114.3	107.5
Dis. & Adv.	8.0	2.4	3.0	3.2
Other Secs.	23.9	22.3	21.7	23.3
Proportion	25.7%	25.9%	27.4%	30.3%

THE BULLION MARKET

Date	Gold		Silver	
	Price per ounce fine*		Price per oz. standard	
			Cash	Two Mths.
1939	s. d.		d.	d.
Oct. 13.....	168 0		23½	22¾
" 16.....	168 0		23¼	22½
" 17.....	168 0		23½	22½
" 18.....	168 0		22½½	22½½
" 19.....	168 0		22½½	21½½

* Bank of England's official price.

Investment

Improvement in Equity Markets.—The thawing of the gilt-edged market (to which further reference is made in a leading article on page 95 was accomplished towards the end of last week, and the response was already evident in the ordinary share market by the time dealings closed on October 12th. This week the improvement has been carried a stage further, despite the slight subsidence in the gilt-edged market from Wednesday. The *Financial News* index made further progress to 73.1 compared with 70.3 at the end of last week and a "low" since the war started of 66.4. Prices have steadily improved in a wide range of industrial shares, particularly in the steel, heavy industry and electrical equipment groups. The following table illustrates the extent of some typical gains:—

Share	High, 1939	Aug. 31, 1939	Sept. 29, 1939	Oct. 12, 1939	Oct. 17, 1939	Oct. 19, 1939	Rise since Oct. 12
Guinness	113/6	93/9xd	78/9	86/-	87/-	87/-	1/-
Stewarts and Lloyds	46/7½	42/9	37/6	41/3	41/9	42/3	1/-
United Steel Cos.	25/6	22/6	21/3	22/3xd	23/-xd	22/6	-3
J. and P. Coats	39/-	29/-	24/3	26/6	27/9	28/3	1/9
General Electric	81/10½	75/-	61/9	66/6	72/-	73/-	6/6
Edmundsons Elec.	27/7½	23/-	18/6	19/6	21/6	21/6	2/-
Morris Motors(5/-)	35/7½	30/-	24/4½	25/10½	26/4½	26/4½	1/4½
Boots P. Drug	46/9	42/3	33/4	39/3	40/9	40/7½	2/6
Br. Oxygen	82/9¼	74/4½	72/6	75/-	77/6	77/6	2/6
Hawker Siddeley (5/-)	25/1½	15/6	11/9	15/6	15/6	15/7½	-1½
Murex	85/7½	77/6	74/4½	76/10½	75/7½	76/10½	...
Tube Investments	91/3	85/-	72/6	77/6	78/9	77/6	2½
Turner and Newall	83/-	79/4½	67/6	72/6	74/4½	74/8¼	2½
Woolworth 5/-	65/7½	62/6	55/-	56/9	58/-	57/9	1/-
Financial News Index	88.0	77.5	66.4	70.3	73.1	73.1	2.8

Such improvements have not been confined to equity issues alone; they have been no less marked in the commodity and mining groups. The behaviour of these markets illustrates the powers of self-recuperation which come into play immediately the threat of selling is withdrawn. A frozen gilt-edged market caused severe losses in equities which were directly attributable to necessitous selling of leading equity issues, owing to the impossibility of selling gilt-edged. But the market still remains thin and the progressive decline in the volume of trade from Tuesday onwards suggests that the rise had checked buying impetus. Many orders, placed on the basis of Monday's prices, were in fact not confirmed at higher prices, on reference to the intending buyers. There is a suspicion that, for the moment, prices are probably high enough. But their ability to weather a number of adverse war news items must be commended, and with any resumed improvement in gilt-edged stocks, the equity markets should themselves resume at least a measure of their recent progress.

Canadian Loan Requisition.—Registration of currency loans has been proceeding since before the war, and it is paradoxical that the first issue which has been requisitioned by the Treasury is a sterling stock. Under the Defence (Finance) Regulations, the Treasury has ordered the declaration and vesting of Canada 3½ per cent. stock, 1930-50, now in the possession of residents in the United Kingdom. This loan, of which £28,162,776 is outstanding, is Canada's largest sterling obligation, and its repayment had been announced a few days before the Treasury Order. Thus the requisition represents the reverse side of the medal to the refunding operation, in Canada, which will be effected by the issue of \$200 millions of two-year 2 per cent. notes to the chartered banks. As a result, the British authorities will obtain a corresponding sum in Canadian dollars. The entire operation is to be welcomed as an example of fruitful co-operation between Canada and this country, which should dispose of any concern regarding their mutual financial relations. British holders will be

paid off at £100 13s. 5d., which appears to be par, plus accrued interest, although the market had some difficulty in agreeing the shillings and pence. Appropriate forms have been issued for declaring the stock, principally the Form R.1, which is in three sections. More is likely to be heard of this document, for the notice points out that all unused forms should be retained for use "if and when further securities are acquired by His Majesty's Treasury."

Denham Again.—Replies to the questionnaire issued by the Stock Exchange Committee on the emergency dealing arrangements contemplated at Denham were invited by the end of last week. The specific proposals, and some of the points of controversy which they aroused, were recorded on page 59 of last week's issue. So far, no official indication of the nature of the replies has been given. General "House" opinion, as publicly represented, has been taken as decidedly unfavourable. It recognises the value of the work done by the Committee, but could only have found greater cause for criticism if no steps had been taken to prepare some form of dealing organisation after the City had been evacuated. But it is possible that assents to the scheme may actually outweigh the dissenters and the doubtful. Criticism centres on accommodation and on communications, both of which are inadequate for normal Stock Exchange business at Denham—though what "normal" would mean under the conditions which the scheme has been evolved to meet is a matter of guesswork. Some large broking firms are prepared to co-operate, and one, it is reported, would be prepared to accommodate its staff in caravans. Others, less romantically, though perhaps more



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practically, have made tentative arrangements for a room, telephone and skeleton staff at the residence of the nearest clerk who happens to live in the district. As for the clearing scheme, there is no formal reason why it should not work, though the settlement of the innumerable personal details which a broker is frequently left to carry out by his client would entail much correspondence and much confusion. And a graver disadvantage of the whole scheme, though it would apply in some measure to any scheme, would be the severing of the links between the Stock Exchange and the nexus of banks, financial institutions, and the innumerable concerns which collectively make up "the City." Denham is not a satisfactory scheme, but it was designed to meet the worst extremity of war.

* * *

Tube Investments Dividend.—The promise made by Mr Arthur Chamberlain at last year's meeting that the company would maintain its ordinary dividend during the year to October 31, 1939, despite a conceivable fall in profits, has been fulfilled. The directors recommend, subject to final audit of the accounts, a final distribution of 13½ per cent., making 23½ per cent. for the year as for 1937-38. In the event, the net profits of subsidiaries, as shown by the preliminary statement, reveal only "a very slight reduction." Since this profits figure has been computed after providing for taxation at 7s. in the £, while increased depreciation charges and A.R.P. expenses have presumably called for larger provisions, the results would appear extremely satisfactory, though in view of the possibility of some change in the subsidiaries' distribution policy, the full report must be the final arbiter. The group, however, appears to have shared, with its associate, Stewarts and Lloyds, benefit from higher prices, though it was partly offset by a smaller turnover. Increased taxation may affect the future prospects of the deferred stockholder, but the immensely strong financial position of the group (now in liaison with Stanton Ironworks) should be a sufficient guarantee of satisfactory trading results in war-time as in peace. The £1 ordinary stock stands at 77s. 6d. to yield £6 7s. 3d.

* * *

B.S.A. Tax Problem.—The burden of E.P.T. in individual cases where profits in the base years 1935 to 1937 were abnormally low has been sharply exposed by the preliminary statement of Birmingham Small Arms, issued this week. The company did not succeed until 1936-37 in paying off its preference dividend arrears. For the year to July 31st it shows gross profits of £1,050,821, against £837,975 in the previous year—an increase of 25 per cent. Depreciation is practically unchanged at £202,283, but taxation reserve requires £550,000, compared with no more than £100,000 a year ago. Consequently, earnings for the ordinary shares have fallen from £436,963 to £207,757, and the dividend is reduced from 10 per cent. to 6 per cent., from earnings of slightly over 11 per cent., compared with 21.4 per cent. for 1937-38. A sum of £280,000 is carried forward, against £212,624 brought in. The previous year's 10 per cent. distribution was the first payment since 1930, but clearly the shareholder cannot expect full compensation for the lean years during the reign of E.P.T. Though the company should be well occupied for the duration of hostilities, the burden of taxation and the consequent necessity of conservative dividend policy to strengthen the company's finances may do little more than stabilise dividends at the present level, which is the basic return on capital supposedly allowed to meet hard cases. The ordinary stock is quoted at 21s. 3d. to yield £5 18s. 6d. per cent.

* * *

United Dairies Outlook.—A record of steady and conservative dividends has been the main feature of the United Dairies accounts for many years, though year-to-year fluctuations in earning power have been to some extent smoothed out, since the parent company's income is derived

almost entirely from dividends, interest and rents. The full report, to June 30th, shows a 7½ per cent. fall in total profits from £654,466 to £604,728—the lowest figure recorded since 1932-33. But an ample margin remains in hand to pay the usual 12½ per cent. dividend. The report points out that the London retail milk distributing undertaking made lower profits owing to the lower margin on winter sales, while the retail milk price remained at 7d. a quart. An accident of the calendar has also played its part in the results, for the correspondingly higher margin on summer milk sales has not helped the parent company's profits, since the subsidiaries' accounts are closed on March 31st. The decline in United Dairies profits would, moreover, have been greater but for the absorption in 1937-38 of a number of wholesale businesses. The composition and allocation of profits are shown in the following table:—

	Years ended June 30th		
	1937	1938	1939
Dividends receivable	269,570	277,641	210,968
Interest receivable	256,586	244,049	259,556
Total profits	654,120	654,466	604,728
Fees and interest	23,689	22,812	22,075
Preference divs.	195,000	195,000	195,000
Ordinary stock:—			
Earned	435,431	436,654	387,653
Paid	308,000	308,000	308,000
Earned %	19.4	19.7	17.4
Paid %	12½	12½	12½
To reserve	124,000	100,000	...
To investments reserve	10,000	...	25,000
Carry forward	85,312	113,966	167,976†

† After debiting £643 loss on sale of temporary investments.

No allocation to general reserve is made on this occasion, but £25,000 is added to reserve for investments, other than those in subsidiary companies. These investments, after deducting the existing £20,000 reserve, now appear in the balance sheet at £217,300, against £267,357, owing to the realisation of British Government securities, and there is a corresponding increase in cash to £258,842. A rise in shares in subsidiaries from £916,591 to £1,046,541 apparently reflects the acquisition last February of Farm Cream Product Company. The current year's profit should benefit from the increased margin on sales of summer milk, but the advent of war upsets all normal calculations, especially for a company whose products are sold mainly in London, and are so largely consumed by mothers and children. At the current price of 46s. 3d., United Dairies £1 ordinary stock units yield £5 8s. 2d. per cent. in keeping with their fixed dividend tradition which may, however, be more seriously challenged in future.

* * *

S. E. Opperman Issue.—This gear-cutting and components manufacturing business has been in existence for many years, but its shares were introduced to the public only in July, 1936. The report for the year ended July 31st last shows total profits of £29,644 against £17,852, and the year's dividend is not only increased in rate from 17½ to 20 per cent., but is payable on a capital of £90,000, against £60,000. The interest of the statement, however, lies not so much in these satisfactory figures as in the announcement of a forthcoming issue to existing shareholders. This is the first instance of a new industrial issue since the outbreak of war, and Treasury consent has been obtained to the offer, which will be made on October 26th. A year ago the issued capital of £60,000—the company has a "straight" capitalisation in 2s. shares—was raised to £90,000 by a one-in-two offer to shareholders at 2s. 3d. The new capital to be raised is £60,000 nominal, consisting of 100,000 unissued shares and 500,000 shares to be newly authorised. The increase involves an issue of two new shares for three held, at 2s. 1½d. per 2s. share. The company has recently been engaged in armaments work, though not exclusively, and like many other businesses of its kind must find new money to finance its

expanding activity. Treasury consent to such a clear-cut case as this affords no real guide to general policy in granting permission for new issues, but the announcement deserves, nevertheless, to go on record.

* * *

Trinidad Petroleum Development Report.—The full accounts of Trinidad Petroleum Development fully endorse the conclusions suggested by the preliminary profits statement. Income for the year to July 31, 1939, has increased from £409,925 to £425,376, for the 13 per cent. increase in output from 2,598,680 to 2,942,697 barrels more than offset the fall in Gulf Coast export prices, on which the group's crude oil price is based. Wells and development account requires £153,847, against £157,325, but the increased provision of £88,807 compared with £68,843 for depreciation has absorbed the increase in income, while taxation reserve receives £25,000. The directors have followed a liberal dividend policy, however, by raising the distribution from 12 to 15 per cent., which is covered with an earnings margin of only 0.9 per cent. General reserve thus remains unchanged at £100,000, while £65,249 is carried forward, against £59,175 brought in. The profits experience of the past three years is analysed below:—

	Years to July 31st		
	1937	1938	1939
Total income	268,553	409,925	425,376
Wells development, etc.	119,236	157,325	153,847
Depreciation	51,880	68,843	88,807
Fees	1,129	1,400	1,648
Taxation reserve	...	...	25,000
Ordinary shares:—			
Earned	96,308	182,357	156,074
Paid	70,000	120,000	150,000
Earned (%)	10.5	20.6	15.9
Paid (%)	7	12	15
Carried forward	46,818†	59,175‡	65,249

† After issue expenses, £38,666. ‡ After £50,000 to general reserve.

The directors' report records a maintained rate of expansion in development and production during the year, while additional oil storage accommodation has been installed and the reorganisation of by-products plant completed. These changes are reflected in the balance sheet, which reveals an increase in development account from £712,540 to £743,903 and in plant from £436,413 to £522,754. At the meeting a year ago the chairman envisaged circumstances in which an increase in capital resources would be required. The fall in cash and investments from £175,245 to £136,752 against a current dividend distribution of £150,000 suggests that such an increase may not be very far distant. The company's outlook, however, depends partly on the consolidation of efficiency from its larger-scale operations and partly on the trend of Gulf Coast prices. War-time demand, together with the company's excellent technical and oil reserve position, should ensure the former. And from brief war-time experience the price factor is already operating in the company's favour. Shareholders, however, would welcome any information regarding the newly revised sales contract with United British Oilfields of Trinidad (to whom the company sells its entire output) which the chairman may be able to give. A war-time equity valuation is now given to the £1 shares, at the current price of 50s., to yield £6 per cent.

* * *

Sub Nigel Results.—A rise in the average gold price from 139s. 9d. in 1937-38 to 146s. 8d. per ounce in 1938-39 is responsible for the 4½ per cent. increase in Sub Nigel's gross gold proceeds to £3,664,083. Small increases in tonnage mined and milled were offset by a decline in value from 14.173 to 13.750 dwt., and the change in costs per ton was negligible, since a fall of about 5d. in mining expenses was counterbalanced by a similar increase in general charges. The main features of the accounts are summarised in the next column.

	Years ended June 30th		
	1937	1938	1939
Ore milled	(tons) 685,000	707,100	726,800
Yield per ton	(dwt.) 14.501	14.173	13.750
Value per ton	(s. d.) 101/10.9	99/0.4	101/1.1
Profit per ton	(s. d.) 68/5.8	65/9.7	67/7.3
Gold proceeds	(£) 3,490,473	3,501,263	3,664,083
Total profits	(£) 2,354,088	2,337,606	2,472,481
10s. shares:—			
Earned	(£) 1,235,770	1,355,481	1,390,491
Paid	(£) 1,392,188	1,328,906	1,328,906
Earned (%)	146.5	153.0	157.0
Paid (%)	165	150	150

Carry forward

† After debiting £179,869 from reserve.

The comparatively small increase in earnings for the shares is entirely due to the treatment of capital expenditure. Total expenditure was, in fact, considerably lower, at £158,780 against £240,902, but whereas in 1937-38 the charge was met entirely out of working capital, half of it was charged to revenue in 1938-39. In the latest year, reserves have been augmented by £104,409 profit on the sale of part of the Vlakfontein and Sparwater interests. This is considerably larger than a capital profit of £31,408 in 1937-38, but in the latter year new money had been provided by the share issue of November, 1937. Development work in 1938-39 was on about the same scale as in the previous year, and at the end of June reserves were 351,000 tons higher at 2,584,000, the value as compared with the previous year being 0.4 dwt. lower at 13.9 dwt. although the stoping width was 1½ inches higher. Quite apart from the rise in the gold price, some small increase in profits is expected from an extension to the reduction plant. Capital expenditure, however, has some relevance to dividend prospects. Sub Nigel 10s. shares now stand at £9 10s.

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* * *

West Witwatersrand Areas Position.—"West Wits," which derives revenue from sales of properties and rights to subsidiary mining companies, has been severely hit by the stagnant Kaffir market and by the difficulty of obtaining funds for new mining development. No transactions similar to the initial formation of Venterspost, followed in 1936-37 by the sale of the Libanon rights for £500,000, and a year later the Blyvooruitzicht sale, involving £342,000, have been recorded during the year to June 30th. The Driefontein formation, of course, has been held up for some time; hence the year's transactions are mainly concerned with changes in the three main holdings, and have resulted in a gross profit of £74,196, compared with £284,432. After geological expenditure of £74,008 and other charges, however, a deficit of £34,852 has resulted, against a surplus of £190,461, and a corresponding reduction in the carry-forward to £299,297 is involved. The Blyvooruitzicht holding has risen from 9,282 to 645,782 10s. shares owing to the purchase of shares in 1938-39 from the proceeds of the sale of properties and rights in 1937-38. The Venterspost holding is slightly reduced from 1,120,000 to 1,053,000 10s. shares, and the Libanon interest at the date of the balance sheet was temporarily lower at 950,000, against 975,000 10s. shares. But since June 427,500 additional Libanon shares have been bought at 12s. 6d., so that in the absence of new finance, practically the whole holding of £277,076 in cash at June 30th (against £156,852 a year earlier) has presumably been invested. Exploratory drilling operations will require less expenditure in future, as the programme is nearing completion, and only three boreholes were in course of drilling at the end of the financial year. Meanwhile, Venterspost has reached an important stage in its history, for part of the reduction plant is being erected, and the whole plant, with a nominal capacity of 100,000 tons a month, is expected to be working by the end of 1939. Available ore reserves at June 30th last were estimated at 2,044,000 tons, averaging 4.8 dwt. over a stoping width of 90.8 inches. Development footage in 1938-39 was 63,522, against 32,028 feet, and the year's gross expenditure was £1,320,030, against £789,925. Libanon (whose capital is now £2,465,000) has advanced No. 1 shaft to 3,585 feet—

technical difficulties were encountered in the latter half of the year—and No. 2 to 1,804 feet. In No. 1 shaft the main reef was intersected at 3,217 feet, and over half the shaft's perimeter gave values of 4.94 dwt. over a channel width of 50 inches. Blyvooruitzicht also have experienced delays in shaft-sinking owing to the intersection of a fissured water-bearing zone, but No. 1 shaft has been advanced 719 feet to 1,412 feet. The current price of West Wits 10s. shares is 58s. 9d., and, in view of the financial problems facing developing mines at the moment, their speculative character needs no emphasis.

Commonwealth Mining Report.—The latest Commonwealth Mining report is important in two respects. It contains the first profit and loss account to be published since the company's formation in 1934; and, secondly, it shows the effects of the capital reorganisation of May, 1939. The 50 per cent. cut in the former share capital of £1,212,500 and the consequent reduction of the 5s. shares to 2s. 6d. was followed by the Stock Exchange Committee's refusal to grant permission to deal in the shares—a refusal which has led in turn to the Board of Trade investigation into the company's affairs in response to the directors' own application. Total profits for the year to May 31, 1939, consisting almost entirely of dividends and interest receivable, are £41,688. After fees and miscellaneous expenses, there is a balance of £32,573 to be carried forward, the whole of the previous balance on revenue account having been used in connection with the capital reduction scheme. Yellowdine Investments, in which Commonwealth has approximately a half interest, paid the latter a dividend of £A36,215, while its working profit of £A165,389 was obtained from a production of 26,519 oz. fine gold valued at £A241,826. Comet Gold Mines produced 5,188 oz. valued at £A47,575, and although no reference is made to a dividend, a working profit of £A29,444 was obtained. Neither the directors' report nor the balance sheet shows precisely how the Commonwealth profit figure is composed. The auditors' certificate refers only to the losses of four subsidiaries and to the fact that two subsidiaries have not yet made profits or losses, but this definition does not apply to revenue from "investments in other companies," which stand in the balance sheet at an aggregate of £298,114 (against £308,213 for the subsidiaries), and include Yellowdine and Comet. Mainly as a result of the capital reduction, total assets stand at £642,579 against £1,363,231,

but the auditors' certificate is given "subject to the value of the company's investments." The year's transactions have included further advances to subsidiaries of £37,707, other increases in investments and advances of £42,703, and an increase in the Comet interest from £18,400 to £32,400. Some improvement in the 1939-40 profits should arise from the Phoenix mine, but the shares cannot lay serious claim to investment merit.

The Week's Company Profits.—The number of companies issuing reports is now returning to more normal dimensions, and our usual analysis of profit and loss accounts on page 113 contains 34 companies for which comparable figures are available. Net profits of these companies, at £1,855,000 against £1,911,000, show a fall of 3 per cent., while aggregate net profits of 1,864 companies reporting in 1939 to date are £228,928,000, or 8 per cent. less than the £248,570,000 earned by the same companies for the previous year. The week's results are discussed in preceding Notes on page 103 under the heading "Shorter Comments."

Company Meetings of the Week.—Reports of company meetings will be found from page 107 of this issue. Baron F. A. d'Erlanger informed shareholders of *Leach's Argentine Estates* that the proposed National Sugar Law in its present shape would safeguard the interests of labour, consumer and producer alike. The development of the Calilegua Estate was continually under consideration. At the meeting of *Imperial Smelting Corporation*, Viscount Horne looked forward to the completion of plant reorganisation within the next three or four months, when the agreed maximum output of 60,000 tons of zinc would be easily achieved. Sir Louis Vaughan pointed out that the profits of *Parnall Aircraft* had been struck after conservative tax provision and without including certain subsidiaries' profits. Dr Hans Pirow showed that the increased milling capacity of *Consolidated Main Reef Mines* would permit closer mining to average grade, with maintained profits. At the *Modderfontein East* meeting Mr W. M. Frames declared that the company's present mining area could now be worked without incurring further heavy capital expenditure. At the meeting of *British Rubber Estates of Java*, Mr James Davenport declared that, following a year of progress and consolidation, next year's figures should show an improvement.

THE STOCK EXCHANGES

London

Note: All dealings are for cash

FURTHER progress in the stock markets has continued on the lines that have been apparent for a fortnight or so. There is greater freedom of dealing, and on the whole prices are slowly rising, the gilt-edged market in particular having returned to more normal conditions. At best, however, activity is on a low scale, and the improvement in prices, both in gilt-edged and equity stocks, was not maintained later in the week.

Substantial advances in gilt-edged in the earlier part of the week found the market short of stock. War Loan, for instance, rose on Monday by the remarkable amount of 1½, and the next two days saw further gains of ½ each. Other stocks, notably Conversion 3½ per cent., Old Consols and Local Loans rose correspondingly. Prices were mostly above the official minima, the Defence issues breaking through this level for the first time. Business in home corporations was again on a freer basis. In the Dominions section, which followed the lead of home gilt-edged, Australian stocks were prominent, and

interest was also taken in Canadian issues. Among foreign bonds, Japanese loans advanced steadily, and there was quiet support for Brazilians. European issues, among which French Railway bonds were the most noteworthy, were firmer on the whole. *Home rails* were rather quiet, but interest broadened in mid-week, and there were useful gains in prices. There was a certain amount of business in the prior stocks at the unofficial minima.

In spite of a little slackening of interest in mid-week, the industrial market continued to go ahead quietly. But demand remained selective, and movements were by no means uniform. There were several small gains in iron and steel shares. B.S.A. fell sharply on the dividend reduction, while among others Tube Investments hardened in mid-week. On consideration of the good outlook for the industry, coal shares—among which Shipley were prominent—rose strongly early in the week, and on the whole maintained their gains. Interest in electrical equipment issues had for some time been rather spas-

modic. But demand revived noticeably towards mid-week, after some previous slackening of support. Aircraft and motor shares made an irregular and uninspiring showing, though prices were firmer to begin with. Textiles, under the lead of J. and P. Coats and Patons and Baldwins, continued to advance. Among Breweries, Watney Deferred led a rally on Tuesday which was well-sustained into mid-week. Tobacco shares were also a good market, but some profit-taking on Wednesday caused a slight setback. Newspaper issues were in demand on Tuesday and Wednesday. Harrods and Marks and Spencer were prominent in an active stores market, while United Dairies and J. Lyons were favoured among provision and catering issues. Modest gains were the rule in the miscellaneous section on Monday, and though further advances were recorded on Tuesday, by mid-week prices became irregular.

The firmer tone in oil shares was maintained after the week-end, while on Tuesday the news of the increased petrol price favourably influenced

"Shell" and Anglo-Iranian. Cheerful sentiment continued into mid-week, when all sections of the market recorded further fractional advances. Rubber shares were in demand on Wednesday following the advance in the commodity. The improvement in tea share prices this week has been accentuated by shortage of stock.

Mining markets were quiet on Monday, though prices were tested changed for the better. Producing shares were supported early in the week, but an irregular tendency developed in mid-week. Among developing issues, Vlakfontein were in early demand and were supported on Wednesday by other speculative issues. Finance shares have also been firmer this week, but West African issues remain a quiet and featureless market. Rhodesian copper shares advanced on Monday, but sentiment turned dull later in the week. Tin shares improved fractionally on Wednesday.

"FINANCIAL NEWS" INDICATORS

1939	Total Bargains	Corres. Day 1938	Security Indices	
			30 ord. shares*	20 fixed int.†
Oct. 13	2,780	6,030	71.1	110.5
" 16	2,865	6,040	72.3	111.2
" 17	2,920	6,030	73.1	111.4
" 18	3,225	6,315	73.2	111.8
" 19	3,180	6,115	73.1	111.8
1939 High...	...	...	88.0	123.5
Low...	...	...	Mar. 10 66.4	Jan. 3 109.6
			Sep. 28	Oct. 4

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

ACTUARIES' INVESTMENT INDEX

It is hoped that publication of the Actuaries' Investment Index may be resumed shortly.

New York

WALL STREET was still marking time at the opening of trading this week. On Tuesday, however, opinion gained ground that the war had started in earnest. Aircraft, chemical and steel issues were marked up sharply, and the paradoxically cheerful sentiment of foreign financial centres further contributed to the buoyant tone. At the close the Dow Jones industrial average touched 154.56, a rise of 3.72 on the day. Despite a strong opening on Wednesday, profit-taking among steel shares gradually spread to other markets and prices closed a point below Tuesday's levels. *Iron Age* estimates steel mill activity at 91 per cent. of capacity, an increase of one per cent. on the week.

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

WEEKLY AVERAGES					
	1939		Oct. 4, 1939	Oct. 11, 1939	Oct. 18, 1939
	Low Apr. 12	High Jan. 4			
347 Ind'l's....	92.8	114.5	110.9	111.5	113.4
32 Rails.....	23.3†	32.5	32.5	32.5	33.0
40 Utilities...	77.8	89.9†	84.9	85.2	86.2
419 Stocks...	79.3	95.6	93.9	94.4	95.9
Av. yield*...	4.42%†	3.31%	3.75%	3.74%	3.69%

* 50 Common Stocks. † Aug. 2nd. ‡ Aug. 23rd.

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

Oct. 5	Oct. 6	Oct. 7	Oct. 9	Oct. 10	Oct. 11
124.9	124.6	123.6	123.9	124.2	125.0
Oct. 12	Oct. 13	Oct. 14	Oct. 16	Oct. 17	Oct. 18
(a)	124.0	123.7	124.1	127.6	126.7

(a) Closed for Columbus Day.
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
October 12	Closed (a)	Closed (a)
" 13	740	6,810
" 14	250	2,950
" 16	490	4,930
" 17	1,840	10,560
" 18	1,400	8,770

* Two-Hour Session. (a) Columbus Day.

New York Prices

Close Latest		Close Latest	
Oct. 19, 1939	Oct. 19, 1939	Oct. 19, 1939	Oct. 19, 1939
1. Rails and Transport			
Atchafalaya	30½	32½	32½
Balt. & Ohio	7½	7½	7½
Ches. & Ohio	42½	43½	43½
G.N. Ry. Pf.	29½	31½	31½
Illinois Cent.	15	15½	15½
N.Y. Central	20½	21½	21½
Norfolk	11	11½	11½
Pennsylv. R.	25	26½	26½
Southern	17	17½	17½
Southern Ry	19½	20½	20½
Union Pac.	100	102	102
2. Utilities and Communication			
Am. W. Works	13½	13½	13½
Con. Edison	30¼	30½	30½
Col. Gas & El.	7¼	7½	7½
Nat. Pwr. & Lt.	8½	8½	8½
N. American	22½	23½	23½
Pac. Gas & El.	29½	29½	29½
Pub. Serv. N.Y.	38½	39½	39½
United Corp.	23½	23½	23½
Un. Gas. Imp.	137½	137½	137½
Amer. Tel.	163	165½	165½
Inter. Tel. For	51½	51½	51½
West. Union	32½	34½	34½
Radio	5½	6½	6½
3. Extractive and Metal			
Am. Col. Mill	20½	21	21
Beth. Steel	88½	91½	91½
Republic St.	26½	27½	27½
U.S. Steel	75½	77½	77½
Am. Metal	26½	26½	26½
Am. Smelting	54½	56	56
Anaconda	33½	34	34
Cerro de Pas.	38½	41½	41½
Int. Nickel	39½	41½	41½
Kennecott	39½	41½	41½
U.S. Smelt.	64½	64½	64½
4. Manufacturing			
Alcoa	14	14½	14½
Socony V.	13½	13½	13½
Stan. Oil Cal.	28½	29½	29½
Stan. Oil N.J.	47½	48½	48½
Texas	46	47½	47½
5. Retail Trade, etc.			
Mont. Ward	53½	56	56
Sears Roebuck	78½	81½	81½
Woolworth	39½	40	40
Nat. Dairy	157½	16	16
Am. Tob. Co.	89	80½	80½
Nat. Distillers	23½	24½	24½
6. Finance			
Com. Credit	46½	47	47
Com. Inv. Tr.	51½	52	52

Capital Issues

CAPITAL ISSUE TOTALS			
Week ending	Nominal Capital	Conversions	New Money
October 21, 1939	Nil	Nil	Nil
To the Public	Nil	Nil	Nil
To Shareholders	Nil	Nil	Nil
By S.E. Introduction	Nil	Nil	Nil
By Permission to Deal	47,551	...	50,523
Savings Certs., week to Oct. 14, 1939	Dr. 250,000	...	Dr. 250,000
Year to date			
	Including Conversions	Excluding Conversions	
1939 (New Basis)...	107,683,674	85,157,732	
1938 (New Basis)...	246,252,302	224,505,892	
1939 (Old Basis)...	71,023,052	49,592,973	
1938 (Old Basis)...	177,121,743	156,355,428	

Destination (Excluding Conversions)			
Year to date	U.K.	Brit. Imp. ex U.K.	Foreign Countries
1939 (New Basis)...	57,633,052	25,278,948	2,245,732
1938 (New Basis)...	170,806,047	50,849,668	2,850,177
1939 (Old Basis)...	33,432,882	15,840,091	320,000
1938 (Old Basis)...	130,913,375	22,621,981	2,820,072

Nature of New Borrowing (Excluding Conversions)			
Year to date	Deb.	Pref.	Ord.
1939 (New Basis)...	44,162,640	8,169,172	32,824,920
1938 (New Basis)...	137,116,878	15,958,905	71,430,109
1939 (Old Basis)...	36,808,921	2,688,459	10,919,413
1938 (Old Basis)...	125,591,813	9,752,053	21,011,562

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.

ISSUE TO SHAREHOLDERS ONLY
S. E. Opperman, Ltd.—Issue of 600,000 2s. ordinary shares at 2s. 1½d. per share, in proportion of two for three held. Treasury consent to the issue has been given. If increase approved, the invitation to subscribe will be posted on October 26th.

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 (a)	Total	Payable	Prev. Year
BANKS				
Hambros Bank	6½*	...	Oct. 31	8*
Nat. of Australasia	3*	...	...	3*
INSURANCE				
Commercial Union	15*	...	Nov. 14	20*
Northern Assurance	35*	...	Nov. 2	35*
TEA & RUBBER				
Batak Rahr Rbr	...	2½	...	5
Batu Rata Rubber	...	3	...	5
Eastern Sumatra Rbr.	...	4.16	...	8½
Lenggeng Rubber	...	5	...	10
Pearanger Rubber	...	5	...	6¼
Ragalla Tea	2½*	...	Nov. 6	4*
Sumatra Para Rubber	...	3	...	4½
Tali Ayer Rubber	...	3½	...	5
MINING				
Anglo-Burma Tin	...	15(b)	...	10
Geveer Tin	...	7½*	...	10*
Kuala Kampar Tin	(g) 12½*	...	Nov. 7	10*
Rhodesian Anglo-Am. (g) 6¼	11¼(g)	...	Nov. 1	15*
INDUSTRIALS				
Austin Reed	4*	...	...	5*
Balkis Ord.	(c) 2½	5	...	5
Do. Deferred	...	5	...	5
Birm. Small Arms	...	6	...	10
Bursledon Brick	2½*	6½	...	11
Burt. Boulton, etc.	2½*	5	Nov. 10	6
C.N.A. Investments	12½	...	Dec. 1	12½
City of Lon. Real Prop.	2*	...	Dec. 11	2*
Deb. Sec. Investmt.	3½*	...	Oct. 30	3½*
Dick (W. B.) Hldgs.	5*	...	...	4*
Dubarry Perfumery	7½*	...	...	5*
Energien Foods	8*	...	Nov. 1	8*
Friars Invest. Trust	1½*	...	Oct. 26	1½*
Hall (L.), Edmonton	5*	...	Oct. 25	7½*
Holbrough Brooks	3½	5	Oct. 31	7½
Indust. & Gen. Trust	4½*	...	Nov. 1	4*
Inv. Mort. Security	4½	7½	Nov. 11	10½
Kirklees	6	...	...	2½
Morris (Herbert)	15½*	30g	Oct. 27	32½*
Portsmouth News	5*	...	Oct. 24	7½*
Prices Trust	12½*	25	...	50
Ragusa Asphalt	5*	...	...	5*
Sec. Mort. & Trust	3½*	...	...	3½*
Sec. Edin. Inv. Trst.	7½	10	...	10
Sec. Scot. Mortgage	3½*	5½	...	5½
Skefko Ball Bearing	7½*	...	...	10*
Tube Investments	13½*	23½	Dec. 6	23½
United Premier Oil	6½*	...	...	5*
Wilson Gas Meters	...	7½	...	15
UNIT TRUSTS				
British General	4.2	...	Oct. 16	4.6
Midland and Southern	3.80	...	Nov. 1	4.00
Provident Investors	3½	...	Oct. 15	3½

(a) Less tax 7s. in the £ unless stated otherwise.
(b) Less tax at 4s. 10d. in the £. (c) Less tax 8s. 6d. in the £. (d) Equal to 12 per cent. net on old capital.
(e) Paid on an increased capital. † Free of tax.

SHORTER COMMENTS

Company Results of the Week.—WEST HARTLEPOOL STEAM NAVIGATION have experienced a somewhat heavy reduction in net profits from £105,813 to £79,285, though no comment is offered in the report. Owing to a small reduction in total sales and to their irregular nature, which has entailed uneconomical fluctuations in production, RENOLD AND COVENTRY CHAIN total profits have fallen from £216,804 to £148,782. Satisfactory progress is recorded by FERRANTI, LTD., whose total profits amount to £354,736 against £279,605. In addition to the 6 per cent. tax free dividend, there is also a special distribution of

Industry and Trade

Cost of Living and Sliding Scale Wages.—On September 30th the average level of the retail prices of the commodities included in the cost-of-living index, calculated by the Ministry of Labour, was 65 per cent. above the level of July, 1914, compared with only 55 per cent. on September 1st. This was chiefly due to the increased cost of foodstuffs, which rose from 38 per cent. above July, 1914, to 50 per cent. during the month. A jump of this size—the largest since October-November, 1920—is of importance to industries which have wage agreements with a sliding-scale based on this index. Some are confined to particular districts, but many are national agreements. In some cases there is a sliding-scale addition to a basic wage, in some a standard wage for fixed levels of the index and in others changes are made in wages when the index has moved a fixed number of points up or down. Many have a lower limit to the scheme, and in some industries the sliding scales have ceased to operate because the index has reached or passed this point. When the cost of living is falling wage agreements based upon it tend to fall into disuse, but when it is rising there is a likelihood that other industries or districts will adopt this method of keeping real wages comparatively stable. In July, 1933, the Ministry of Labour estimated that the wages of 1½ million people were subject to such adjustments, and the figure has probably not changed very much, though it may be expected to increase now. The principal industries and services in which there are cost-of-living sliding-scale agreements include branches of the metal, textile, clothing and wood-working trades, building and allied industries, transport, public administration and public utility services, as well as a number of the smaller light industries.

Dearer Petrol.—On Tuesday morning the retail price of "pool" petrol was advanced from 1s. 6d. a gallon, at which level it had been fixed when rationing was introduced on September 16th, to 1s. 8d. a gallon in England and Wales; corresponding increases in price were made in the outlying parts of the British Isles. This week's increase is the inevitable consequence of higher prices on the world market, the depreciation of sterling in relation to the dollar, and the heavy increase in shipping costs. The price of 64-66 gravity motor fuel (65 octane rating), f.o.b. Gulf ports, has been marked up from 5 cents a gallon at the end of August to a level of 6.50-6.625 cents, equivalent at the current rate of exchange to an advance of 1.125d. per

Imperial gallon. Representative quotations for tanker freights are virtually unobtainable at present, but there is little doubt that recent advances have added well over 1d. a gallon to the c.i.f. cost of petrol. Add to this the heavy increase in overhead charges which the distributing companies have suffered as a result of the restriction of civil consumption, and it becomes obvious that this week's advance in the retail price is insufficient to offset the rise in costs. Hence, although the pill was sugared by the simultaneous announcement of more generous rations for certain classes of consumers, a still higher price in the near future is not unlikely.

Co-operative Trade.—The sales of the Co-operative Wholesale Society for the six months ended July 8th were valued at £57.7 millions, an increase of £1.6 millions or nearly 3 per cent. over the corresponding period of 1938. This is regarded as a satisfactory rate of progress, taking into consideration the fact that the average prices were lower than in the first half of last year. Total supplies from the Society's factories fell in value by about £250,000 to £20.3 millions, although the quantities recorded substantial increases in most sections. Supplies from the Society's flour mills, for instance, were valued at £4.1 millions, a fall of 15 per cent. in value, while the quantity of flour and offals sold rose by nearly 7 per cent. On the other hand, tea sales increased in value by 5 per cent., but the weight of tea sold fell by 3 per cent. to 31.3 million lb. in the six months. The value of milk sales also increased, to £2.6 millions, and this further extension has led to the acquisition of land at Chepstow and Rhyl for new dairies. The directors of the C.W.S. have recommended the payment of an interim dividend of 4d. in the £ on the trade of the Society-members, with an additional 3d. in the £ on purchases of the C.W.S.'s own manufactures. They have decided to suggest to the delegate meetings this month that the referendum on bazaar trading shall be shelved until the end of the war.

Even without this extension of facilities the co-operative retail societies are responsible for a very large amount of retail sales. In 1938 total sales amounted to £263.3 millions, an increase of 5 per cent. from the turnover in 1937. There are 1,085 retail societies, of whom six have each a membership of more than one million persons. In

SHORTER COMMENTS

(Continued from page 103.)

undertaken owing to the outbreak of war. KIRKLEES, LTD., net profits are more than doubled at £38,459. Production and sales were higher, and methods of manufacture were improved.

MISCELLANEOUS

Leach's Argentine Estates.—Profit for the year to March 31, 1939, £194,059 (£197,188). Ordinary dividend 6 per cent. (7 per cent.). Sugar crop, 1938, 29,018 tons, against 26,051 tons. Nearly all subsidiary branches show increase in trading profits for the year.

Morris (Herbert), Ltd.—Net profit, year to July 31, 1939, £203,636 (£202,445); total dividend 30 per cent. tax free against 32½ per cent. tax free on a larger capital; to reserve, £20,000 (£20,000); carry forward increased by £11,394 to £81,761.

Venesta, Ltd.—No final dividend is to be paid for year to June 30, 1939. An interim dividend of 4 per cent. was paid in May; previous year's dividend 10 per cent.; net profit, £110,834 (£100,544).

Peruvian Corporation.—Payment on November 1st to holders of the first

mortgage debentures of £1 per cent. on account of Coupon No. 91, due on October 1, 1935, is announced. The amount of the debentures outstanding is £3,946,900.

Central Argentine Railway.—The directors are unable to recommend any dividend on the 4½ per cent. preference stock and 6 per cent. cumulative preference stock for the year to June 30, 1939. Dividends on both these stocks were unpaid the previous year.

Rhodesian Anglo American.—Final dividend of 6½ per cent., making 11½ per cent. for year to June 30, 1939, less tax at 4s. 3.46d. Dividend for previous year was 15 per cent. Profits, before writing down investments by £20,468, tax and directors' additional remuneration, fell from £826,401 to £662,329.

Carrier Engineering Company.—Net profit, year to June 30, 1939, £100,007 (£82,346); tax, N.D.C. and E.P.T. absorb £12,683 (£1,226). Ordinary dividend raised from 25 to 50 per cent. To second preference shares redemption, £5,000; carry forward, £66,669 (£66,094).

Booker Bros., McConnell and Company.—It is proposed to merge this company with Corentyne Sugar Company by means of an exchange of shares: two 6 per

cent. cumulative preference £1 shares and one £1 ordinary share in Booker Bros. for twelve \$1 Corentyne shares; net assets of Corentyne Company excluding goodwill are valued at £456,656. Extraordinary meeting of Booker Bros. shareholders will be held at 11.30 a.m. at 14 Trinity Square, E.C.3, on October 30th.

Indian Iron and Steel Company.—The recommended dividend of Rs. 1-8-0, or 15 per cent. per share (free of Indian income tax), for year to March 31, 1939, is not yet passed for payment. Pig iron production from April 1, 1939, to September 30, 1939, was 297,322 tons, and coke production 325,586 tons. During this period 335,167 tons of pig iron was shipped from the works. The adjourned ordinary general meeting will be held on November 16th at 11 a.m. at 12 Mission Row, Calcutta.

Ferranti, Ltd.—Total profit year to June 30, 1939, £354,736 (£279,605); general charges, £218,687 (£154,349); to depreciation, £36,619 (£33,203); net profit, £79,383 (£68,263); ordinary dividend 6 per cent. tax free, against 6 per cent. less tax; to special reserve, £20,000, against £15,000 to general reserve; carry forward, £63,041 (£56,658); bank overdraft of £234,729 has been repaid.

1938 there were 8,404,688 members and, since most of these have dependants, the number of consumers of the goods bought in these societies is very considerable. The retail societies are taking an active part in the Government's scheme of food distribution and rationing since three-quarters of their total turnover is in foods.

War Wool Prices.—Some weeks ago it was known that the British Wool Control had agreed to purchase the whole of the exportable surplus of the Australian and New Zealand wool clip during the war. It has been announced that the Wool Control and the Dominion authorities have agreed on a price of 10.75d. per lb. for Australian wool and of 9.8d. per lb. for New Zealand wool. These prices, which have been fixed in sterling, will be in force during the war and a full year thereafter. Owing to the difference in exchange rates, these prices will be increased by about 3d. per lb. to the Dominion exporters. As the average price per lb. of Australian wool in the twelve months ended last June was 10.39d. (Australian) per lb., it is considered that wool growers will receive a fair price for their product, while the British wool trade is assured of ample supplies at a known price. It has also been arranged that each Dominion will share equally with the Wool Control any profit made by the resale of their wool to other countries.

German Electrical Industry.—The May issue of the monthly publication of the Deutsche Bank gave a review of recent developments in the German electrical industry which has now added interest in view of the strains which the war must have set up. Since 1933 the production of electric power has more than doubled; the index compiled by the Institut für Konjunkturforschung rose from 84.6 (1929 = 100) on the average of 1933 to 174.4 on the average of 1938, when some 55 milliard kilowatt-hours were produced in the old Reich. In the same period the capacity of the power stations increased by only 11 to 12 per cent. Consequently, the industry has had great difficulty in meeting the peak demand which occurs each year in December. In the last winter, when the index of the I.K. registered a monthly peak of 208, against 183 in December, 1937, all the productive reserves had to be used. Further, the budgeted increase for 1939 and 1940 in the output of "ersatz" materials would bring a further strain on the already overburdened industry. The Deutsche Bank estimated that the production of one ton of "buna"—the artificial rubber—needed 40,000 kilowatt-hours. Also the electrification of some parts of the railway system was proceeding rapidly, with correspondingly increased demands on the electrical industry. Altogether, it was expected that the annual output of electrical power would have to be increased by 2 to 3 million kilowatt-hours in the next few years, at a capital cost of about Rm. 750 millions, to meet this new demand.

Rubber and the Barter Agreement.—A few weeks ago the British Government opened an office in Mincing Lane to purchase rubber for shipment to the United States under the terms of the barter agreement. So far, however, very little has been purchased, but it is believed that the existence of this agreement, under which the British Government has to supply rubber at 8d. per lb., is one of the principal factors which has led to the rapid increase in the export quotas in the last quarter of this year and to the relatively low price of rubber in London. In spite of the fall in sterling and the increased cost of marine insurance and freights, the London price of spot standard sheet has only risen by about 20 per cent. since the end of August, while the New York price has risen by more than 40 per cent. from the same date. Considerable purchases have been made in London by New York merchants and high prices have also been paid for rubber shipped from the Dutch East Indies to unknown destinations. Thus by a curiously paradoxical twist, the presence of a single large buyer in the market seems to be depressing the price. It is very questionable whether the question of rubber prices is not

being treated on far too departmental a basis. Most of the profits that would be earned by a higher rubber price would be subject to the British E.P.T., but a higher price would be the means of earning precious dollars. To extort a monopoly price from America would be bad business and bad politics; but it seems equally misguided to prevent the changed conditions of demand and supply from having what would be their normal effect of raising prices.

American Commodity Stocks.—For some years the military authorities in the United States have been urging their Government to acquire larger stocks of essential commodities which are not produced in the United States. So far American measures in this direction have been limited to the temporary prohibitions on the exports of a few raw materials, such as tinplate scrap, and to arranging for the future acquisition of rubber and tin under the Anglo-American barter agreement. Congress has now authorised the expenditure of 100 million dollars on the purchase of strategical materials, and as a preliminary step the Bureau of Mines has begun a monthly census of stocks, production and consumption of important minerals.

Horticulture in War.—War economy will affect in very different degrees the various branches of market gardening. While British production of vegetables and of hard fruit has much increased in the last twenty years, the increase in consumption has grown faster and imports provide to-day, as in the last war, a valuable supply of fresh foods, some of which must be replaced by home production. The Ministry of Agriculture has recommended to the agricultural executive councils in important horticultural districts that growers of flowers and luxury vegetables such as asparagus should be required, at each replanting, to devote an increasing area to the cultivation of ordinary vegetables. Growers in the Scilly Isles and the south-west counties have been asked to grow more winter broccoli, early potatoes and other early vegetables, which come on the market at a time when home-grown vegetables are scarce. Other districts have been advised to concentrate on carrots and onions, large quantities of which are imported annually, while owners of glass houses should concentrate on tomatoes and early salads. Some of the rich fen land which has in the last ten years been employed in growing bulbs will have to revert to cereals, potatoes or carrots, but the Ministry has wisely stated that sufficient land may be made available to maintain stocks of rare varieties both of bulbs and plants. In view of the large quantities of apples, bananas and oranges now grown in the Empire an increase in the area under orchards will not generally be permitted, particularly as new plantings take several years to come into bearing.

Cotton Trade Problems.—The Lancashire cotton industry is now facing two important problems, the application of the operatives for a 20 per cent. advance in wages and the decision of the Cotton Board to place some control upon prices for goods. Negotiations between the employers and the trade union officials have now been started; and it is not expected that there will be much difficulty in reaching some amicable agreement, but the workpeople will not obtain their full demand. The claim for higher payment has been strengthened by the rise in the cost of living, but the employers may suggest a bonus on wages for a limited period, rather than a general increase in standard wages. In trade circles there is a certain amount of uneasiness as to the effect of any decision by the Cotton Board on "fixed standard margins" for spinners of yarn, but some official announcement is expected about the end of this month. While profit margins are now more remunerative than before the outbreak of war, some leading spinners during the last week or two have refused to sell on any terms whatever, except to firms working on Government contracts, on the grounds that the uncertain position makes it impossible to quote a price.

INDUSTRIAL REPORTS

Coal

Sheffield.—There is much activity in the inland coal market, and demand generally is strong. Supplies are adequate in most classes, and larger outputs are being made from many collieries. There is a better demand from gas and electricity undertakings, but the rationing scheme is limiting household requirements. A steady inquiry exists in the export trade, and actual business is on a rather larger scale. Supplies of all qualities are ample.

*

Glasgow.—Business remains active, and, where possible, steps are being taken to augment outputs to meet the growing demand. The control arrangements appear to be working smoothly, although the household rationing scheme is not yet fully under way. Both coastwise and export trades are improving, and in the latter a still larger business would be possible but for the restricted supplies on offer.

*

Cardiff.—The inland demand for industrial classes, and particularly for coking qualities, is exceptionally heavy, and at some pits production is higher than it was a year ago. The export position is relatively less favourable, but it represents approximately 95 per cent. of the average weekly shipments during the current year, and about 80 per cent. of the peak figures of last June. In the determination of the direction of trade particular regard is being paid to those markets where return cargoes of food-stuffs and raw materials are locally available.

Iron and Steel

Sheffield.—Control arrangements in the iron and steel market are working smoothly, and on the whole supplies are adequate to needs. There is a steady demand for all types of iron, but fair quantities are available, and there appears to be no likelihood of a shortage. Despite the ever-increasing volume of defence work in this area, a good volume of ordinary commercial orders is being handled, both for home and export markets.

*

Glasgow.—A good deal of the steel output is absorbed by local shipbuilders, and new orders for sections and plates are exceedingly heavy. Most of the production in this area is for Service or A.R.P. requirements, but some commercial orders are also being undertaken. In most cases delivery promises are indefinite. Stocks of some raw materials are getting low, as there have been delays in delivery of pre-war contracts; but it is believed that regular supplies of both home and Continental material will soon be available.

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Middlesbrough. As no Cleveland foundry iron is being produced, the removal of the 33½ per cent. import duty on pig iron has had little effect in this district. Users are obtaining supplies from other areas. The possibility of ordinary transactions in manufactured

steel is limited by Government priority and by the revision of prices expected on November 1st.

*

Cardiff.—The latest weekly return under the tinplate pooling scheme gives an output of 67.59 per cent. of capacity, compared with 49.77 per cent. in the corresponding period last year. Bookings are very heavy; contracts for deliveries up to the end of next May exceed 6½ million boxes, but a larger current rate of output is prevented by the scarcity of steel bars. Export trade is fairly good. The sheet mills are well employed, and pig-iron and steel ingot output is exceptionally high.

*

News from Abroad.—The recent revival on international steel markets has made further progress, and consumers who had not been in the market since the outbreak of war have started to cover their quite substantial requirements. The Scandinavian countries, South America, the Near East, Spain and Portugal have recently placed orders with Belgian exporters at advanced prices. Producers, on the other hand, were reluctant to sell large tonnages, and have limited export sales, owing to the absence of information on raw material supplies and future costs. In comparison with those ruling at the end of August, f.o.b. prices have increased by about 20 per cent.

Textiles

Cotton (Manchester).—Raw cotton fluctuations have been narrow, with prices slightly higher. Favourable advice of the progress of the new American crop have been received. It is a long time since Lancashire's output was so well absorbed, and there is no difficulty in selling if early delivery can be promised. Owing to extensive commitments, however, demand has been rather less vigorous than in September. Difficulties have been experienced in arranging export contracts for piece-goods, and there is more competition in certain outlets. Some encouraging orders have been booked in the home trade. There has been considerable pressure for delivery against Government contracts.

THE COMMODITY MARKETS

THE American commodity markets remain steady, but there has been a resumption of the upward trend in prices. Lubricating oils, in particular, have benefited from a strong export demand. Moody's index of daily prices in the United States rose from 167.8 (December 31, 1931 = 100) to 169.2 in the week ended last Wednesday, thus overtaking the decline recorded since the early days of September.

Metals

In the United States copper, lead and spelter prices remained unchanged during the week, although visible stocks are declining, and the demand continues

to be active. Markets in London are still suspended. Dealings in tin were almost at a standstill on the London Metal Exchange this week owing to the scarcity of supplies, and prices for both cash and three months forward have remained at the maximum level of £230 per ton. After Monday's market it was announced that the pool will release only limited quantities each day for urgent civil requirements, and these will be allocated by a special sub-committee. The maintenance of the British maximum price has diverted much tin to the United States of late, but the increased export quotas will shortly increase supplies to the London market.

Grains

Wheat prices have remained steady both at Chicago and Antwerp. In the United States large supplies are being offered against Government loans, and supplies are also piling up in Canada. With the English harvest now being threshed out and the large stocks accumulated before the war, it is thought probable that little wheat will be shipped here in the immediate future. Reports from Australia suggest a crop about equal to the 160 million bushels produced last year. Much-needed rain has fallen in the South-West American wheat belt, but more is wanted. Very little maize is available either on the Continent or in this country, and the slow decline in Chicago prices continues.

Miscellaneous Commodities

Oils and Oilseeds.—The control has made further purchases of groundnuts, linseed, etc., chiefly from Indian shippers. The Argentine Ministry of Agriculture estimates that the exportable surplus of linseed has been reduced from 173,000 tons on September 23rd to 130,000 tons, which compares with 296,000 tons at this time last year. In the United States the outturn of linseed is now estimated at 436,000 tons, and more than 85 per cent. of the crop had been sold by the beginning of this month. Trade in England continues under licence; particular attention is given to supplies for makers of margarine and edible fats.

*

Rubber.—Interest in spot and nearby rubber has continued to expand, and the proposed exchange of British rubber and tin with Russian timber gave a further stimulus to the market. Spot prices for standard sheet are some ½d. per lb. higher than a week ago, and there has also been an improvement in quotations for distant deliveries, though the large premiums paid some weeks ago for these dates have disappeared.

*

Furs.—At the close of the London fur sales supplies were limited and prices, particularly of squirrel, Persian lamb from South Africa and musquash, again rose.

COMPANY MEETINGS

IMPERIAL SMELTING CORPORATION, LIMITED

NATIONAL IMPORTANCE OF ZINC SMELTING INDUSTRY

THE NEW EMPIRE SCHEME

The tenth annual general meeting of Imperial Smelting Corporation, Limited, was held, on the 19th instant, in London.

The Right Hon. Viscount Horne of Slamannan, P.C., G.B.E. (the Chairman), in the course of his speech, said:—The accounts show a net surplus of £100,930, against £103,327 in the previous year. The amount available for distribution was £181,736, against £173,947 at the date of the preceding balance.

Two major adverse factors affected the earnings during the year, viz., (1) a fall in the average price of spelter for the twelve months from £16 15s. 1d. to £14 0s. 3d., and (2) a reduction in output with a consequent decline in gross revenue and increase in costs.

In the first half of the year the effect of these two factors was most severely felt, and we regarded it as necessary to limit the dividend payment on our 6½ per cent. preference shares to 1½ per cent. In the second half of the year we made a fair recovery, due to the partial completion of our new plant and to improved conditions in the metal market together with better general trade in the group as a whole. Just as in the first half we felt it necessary to cut our preference dividend in the face of a certain decline in revenue, so in dealing with the final dividend, in the face of an upward trend in our trade and profits, we felt justified in increasing our distribution, even at the expense of reducing our carry-forward. We paid 4½ per cent. on October 9th, and the accumulated arrears on our preference shares amount now to only 2½ per cent. Given the continuance of the improvement in our business since March last, I would expect that all arrears of preference dividend will be wiped out during the current year.

During the year the reorganisation and partial re-equipment of our Avonmouth and Swansea Vale zinc plants entailed an expenditure, including overheads, of £84,000, of which approximately £63,000 was met from capital and the balance was drawn from our reserves for repairs and maintenance. The reduction in the output of metal naturally had a temporarily adverse effect on operating costs. I am hopeful that within the next three or four months our full programme of plant reorganisation will be completed, and that we shall then be easily able to produce the 60,000 tons of zinc, which is the maximum which we are entitled to supply under our arrangement with the other Empire producers.

THE EMPIRE ZINC SCHEME

In our report we referred to the agreement reached between the Empire zinc producers and ourselves with the approval of the Import Duties Advisory Committee, to whom the question of the zinc supplies of the United Kingdom was referred by the Government. The agreement thus concluded was ratified by H.M. Government on May 26th last and is now established by law. Under this agreement the duty on foreign zinc imported into the United Kingdom was raised from 12s. 6d. to 30s. per ton. The protection for our product was thus increased, and we are enabled to obtain a fairer price for our metal. Further, the producers from the Empire overseas agreed to pay to Imperial Smelting Corporation, Limited, on behalf of the National Smelting Company, Limited, which embraces all our zinc smelting activities, a subvention of 10s. on every ton of zinc imported and sold by them in the United Kingdom. This subvention to us will, I estimate, give us in a year of normal imports approximately £1 million on a production of 60,000 tons per annum. Moreover, both per ton on a production of 60,000 tons per annum. This scheme for the benefit of the export of zinc manufactures. This scheme takes the form of granting a rebate of the increased duty to zinc consumed in British manufactures when exported.

As part of the arrangement we have agreed to limit our zinc production to 60,000 tons, which, you must remember, has a certain adverse effect on our costs since our works at Avonmouth, Swansea Vale, Bloxwich and Seaton Carew were originally designed to produce 85,000 tons of metal per annum.

While we believed that it would have been greatly to the advantage of the nation if the Government had forced an increase rather

than a decrease in production, we felt that we were justified in agreeing to the curtailment to 60,000 tons. On the whole the results of the new scheme will, I am confident, be a source of strength to us and enable the zinc industry to be carried on at a reasonable profit. Our chief regret is that we had to wait nearly four years for such a scheme, during which period we suffered severely. The Government, however, at long last recognised the national importance of zinc smelting in this country. The events of the last eight weeks have not only proved the accuracy of our judgment and justified all our representations, but the wisdom of the Government in deciding that the industry must be maintained.

EFFORTS TO ENSURE ZINC SUPPLIES

I think it is not unfair for me at this point to refer to our efforts to secure Government recognition for the national importance of the zinc smelting industry in this country. During the Great War the nation and its allies suffered bitterly through paucity of zinc supplies. The Government then, after the closest survey of the position, decided that an increase in the production of zinc in the Empire, and particularly in the United Kingdom, was essential for the country's defence. A policy necessary to achieve this objective was formulated, but unfortunately only partly put into operation. In Canada and Australia particularly as well as in Rhodesia, great developments took place, but the efforts to establish the industry on an economic basis in this country were hampered in many ways. I do not think I am overstating the facts when I say that during the last six or seven years those who invested their capital and concentrated their efforts in establishing an industry so clearly vital to the country's very existence, were never given a fair chance. I wonder what our opponents of yesterday are thinking to-day? The zinc we produce—every ounce of it—and the sulphuric acid produced with it—every drop of it—are now wanted to meet the urgent requirements of industries engaged in work of extreme national necessity. I hesitate to think what the position would have been to-day if we had succumbed to the hostile tactics of some people more interested in their own concerns than in the safety of the nation. There are others, however, who should be praised. Had it not been for the constant sympathy and practical help given by the great producers of zinc concentrates, such as North Broken Hill, Limited, Broken Hill South, Limited, the Zinc Corporation, Limited, and others interested in the Empire industry, we should probably have been forced to close down altogether with the effect of depriving the country of its entire domestic production.

Turning to our other activities, our sulphuric acid deliveries again show improvement.

The trade of our subsidiary and associated companies in zinc alloys, zinc oxide, zinc dust, lithopone, zinc sulphide, cadmium, Cuprinol and in fertilisers was very satisfactorily maintained during the year, and it has since shown substantial improvement in practically all departments.

WAR WORK

The greater part of our total production is now supplied direct to H.M. Government. Furthermore, a considerable part of the balance goes indirectly into Government work. It would be improper for me to enter into details of our arrangements with the Government, but I would like to emphasise that, while the terms are reasonable to the industry and shareholders, we have, in making them, had as our objective the supply to the Government of a vital raw material upon terms which entirely free us from the risk of a charge that we were in any way attempting to profit by the war. Further, I think it is fair for me to say that the terms offered by us to the Government must have proved helpful to the Government in its negotiations with other suppliers.

As to the future—subject to our ability to maintain production—I have no doubt that the results of the current financial year will give you satisfaction and make up in some measure for the disappointment of the past.

The report and accounts were unanimously adopted.

PARNALL AIRCRAFT, LIMITED

RAPID PROGRESS

FINAL DIVIDEND OF 7½ PER CENT.

The fourth ordinary general meeting of Parnall Aircraft, Limited, held on the 18th instant. Sir Louis Vaughan, K.C.B., K.B.E., D.S.O., the chairman, who presided, in the course of his speech, said:—An examination of the balance sheet will show the very rapid progress that has been made during the past twelve months, particular reference being made to the items of stocks, which have increased from £54,937 to £169,591; work in progress increased from £152,819 to £2,197, debtors and prepayments increased from £188,045 to £33,862, investments in subsidiary companies increased from £52 £46,075.

The profit figure of £127,818 is arrived at after calculating on a conservative basis the company's tax commitments in accordance with the provisions of the recent National Budget. It must be pointed out that until your company's profit standards are agreed, such provisions can only be estimated. The proposals contained in my statement to shareholders dated June 2, 1939, to pay a final dividend of 7½ per cent., will, after providing for income tax, give approximately £1,000 to be carried forward.

Your board feels that, despite the fact that this figure appears low, it is necessary to redeem the promise made in that statement. Moreover, in view of the fact that a very conservative view has been taken of the company's possible tax commitments, and that profits from some of our subsidiaries are not included, they feel justified in recommending this final dividend.

In this connection it should be borne in mind that a very real reserve, not shown in the accounts, exists in the equity of the company's claim against the Air Ministry in respect of the inventions assigned.

FUTURE PROGRAMME

Our programme for the future is very heavy. You will appreciate the magnitude of the work in hand when it is realised that at present we are, in addition to our own manufacturing resources, either controlling or employing the manufacturing facilities of not less than 33 outside firms to assist in our production. Our manufacturing organisation, manned by executives of long and specialised experience, has made history in its rate of development and its capacity to deal with the intricacy of varied designs and applications. Production has increased throughout the year, and is still rapidly increasing. I am glad to say that we are up to our schedule.

POSITION OF SUBSIDIARY COMPANIES

Powered Mountings, Limited.—The date for the completion of the balance sheet of this subsidiary did not permit its current trading results to be included in our balance sheet. I may state, however, that its output forms a substantial proportion of our total activities. The programme in hand is extensive; deliveries are up to schedule, and our apparatus is proving satisfactory in service.

Magnal Products, Limited.—This subsidiary was formed to safeguard our supplies of magnesium and other light alloy castings. Although production only commenced six months ago, it is most satisfactory to be able to state that Magnal Products, Limited, now supply a large percentage of magnesium and aluminium castings to our main factories. Its attendant machine shop will also soon be in full production. Light alloys have a very big future in civil developments, and we anticipate that this subsidiary will prove one of our company's most valuable assets.

Our claim against the Air Ministry is in the hands of our legal advisers, who are preparing the case for the arbitrator agreed between the Air Ministry and your company. The outcome of this arbitration cannot be anticipated, but your directors are satisfied that the value of the inventions, their contribution to the country's defence, and your company's achievements in their application will be treated equitably.

The achievements of the past year have called for exceptional efforts on the part of all the members of our staff and merit special reference. It is due to their energy and enthusiasm that our objectives have been attained in so short a time, and every credit should be accorded to them.

The report and accounts were unanimously adopted, and the final dividend of 7½ per cent. as recommended was approved.

The retiring director (Lieutenant-Colonel L. V. Stewart Blacker, O.B.E.) was re-elected and the auditors having been reappointed, the proceedings terminated with a hearty vote of thanks to the chairman, directors and staff.

MODDERFONTEIN EAST, LIMITED

(Incorporated in the Union of South Africa)

PROGRESS OF REORGANISATION

INCREASED ORE RESERVES

The annual general meeting of Modderfontein East, Limited, was held, on Wednesday, the 18th instant, in Johannesburg.

Mr W. M. Frames, who presided, moved the adoption of the report and accounts.

Commenting on the accounts, the chairman said that provision for taxation and for lease consideration together represented over 46 per cent. of the company's total profit. The Gold Producers' Committee had urged the Government to grant some relief should there be an increase in working costs, and the latter had announced that it would consider the question in the light of evidence which the Committee might submit to it from time to time. The Committee would, of course, keep the position under close observation, and it was hoped that appropriate relief might be obtained from the Government should the occasion arise.

The reorganisation of mine equipment had been continued and an additional electric hoist had been installed at No. 5 shaft which would enable it to deal efficiently with the increasing requirements of that section for the transport of men and materials. With the renovation of surface equipment at that shaft, the big capital programme initiated about five years ago had been completed and it was gratifying to observe that the whole of the company's present mining area could now be economically exploited without the necessity for incurring any further heavy capital expenditure.

ADDITIONS TO PLANT

Since the close of the financial year ended June 30, 1933, the company had incurred capital expenditures upon new plant or extensions totalling £304,000. The programme had included the installation of new winding engines and electrically driven compressors at Nos. 1 and 5 shafts, a new storage bin at No. 1 shaft, new headgears at Nos. 3 and 5 shafts, and the sinking and equipment of two incline shafts—namely, No. 3 and Clover inclines—from the 19th level to the 27th and 32nd levels respectively. At the reduction works the additions had included 5 crushers and 4 tube mills with the associated treatment plant.

The chairman quoted figures giving the working profits and the results of milling operations for the period July 1, 1933, to June 30, 1939, to show the gradual progress effected coincidentally with the carrying out of the capital programme.

VALUE OF RESERVES

Continuing, the chairman said that, during that period, the available ore reserve had been increased from approximately 4,000,000 tons to 6,500,000 tons with a fall in the average value from 4.7 pennyweights to 4.1 pennyweights. That drop in value was attributed to the lowering of the pay limit, in conformity with the increase in the price of gold and the reduction in working costs, and to the decline in the average value of ore disclosed by development in an easterly direction. Shareholders would be interested to learn that, if the company were to receive 168 shillings per ounce fine for its gold, the further reduction in the pay limit which would be possible would result in the available ore reserve being increased to approximately 9,100,000 tons, an increase of about 40 per cent.

The total footage advanced in development during the year, at 49,122 feet, had shown a further decline, largely owing to the shortage of native labour. The footage classed as payable had been 11,890 feet as compared with 15,450 feet for the previous year.

The further appreciable increase in available ore reserves was therefore particularly gratifying and reflected the beneficial influence of lower working costs and the good results obtained by stoping in the creation of additional reserves.

BLACK REEF FORMATION

At the last annual meeting reference had been made to the significant results being obtained in the development and mining of the Black Reef formation upon mines lying to the west of Modderfontein East. A number of boreholes were now being drilled in that series and to determine the geological conditions under which that formation occurred.

The chairman recalled that in 1936 the company applied for the lease of the undermining rights on an area of approximately 1,387 claims on Farm Klipfontein No. 11. That application had been

unsuccessful, although the company had held a prospecting permit for seven years in respect of that proclaimed ground. The Mining Leases Board had declared its decision to withhold its recommendation to the Government as to the disposal of the area until further knowledge had been gained of the economic possibilities of that portion of the Rand as a whole. The company had now submitted an application for the more promising southerly portion of 276 claims which could be readily prospected and worked by the extension of the company's workings from No. 5 shaft. The report and accounts were adopted unanimously.

CONSOLIDATED MAIN REEF MINES AND ESTATE, LIMITED

(Incorporated in the Union of South Africa)

RECORD TONNAGE MILLED

DR HANS PIROW'S SPEECH

The annual general meeting of the Consolidated Main Reef Mines and Estate, Limited, was held, on Wednesday, the 18th instant, in Johannesburg.

Dr Hans Pirow, chairman of the company, in moving the adoption of the report and accounts, said that the tonnage milled, amounting to 2,106,000 tons, had again constituted a record. In comparison with the results of the previous year, yield and revenue had been lower by 0.268 of a pennyweight and 7d. per ton milled respectively, against which there had been a drop in working costs of 11d. per ton milled. The working profit, therefore, had shown an increase of £78,993 to £662,578.

INCREASED MILLING CAPACITY

Capital expenditure on equipment had amounted to £52,637. Included in that sum was the cost of a number of items required to increase the milling capacity of the plant by approximately 20,000 tons per month. It was gratifying to note that the enlarged plant was working very satisfactorily.

A serious shortage of native labour had been experienced during the greater part of the year. By exercising the greatest possible economy in the use of available labour, the management, nevertheless, had succeeded in increasing the development accomplished for the year by 1,956 feet.

As a result, the ore developed had been greater by 166,000 tons, but the average value had been lower by 0.3 of a pennyweight per ton. This was reflected by an increase of 61,800 tons in the available ore reserve. The estimated stoping width and average value had been reduced by 0.8 of an inch and 0.2 of a pennyweight per ton respectively.

EXPLORATORY WORK

Exploratory work in the area to the west of Bantjes Dyke, to which reference had been made at the last annual meeting, had continued throughout the year and considerable footage had been accomplished. The area immediately to the west of the dyke was, however, much faulted and reef values exposed had been erratic. Much work still remained to be done before the possibilities of that area could be assessed, but latest results on the 44th and 50th levels were encouraging.

In view of the drop in the average value of ore developed during the year and the resultant decrease in the average value of the ore reserve, which had been experienced over several years, the increase in the milling capacity of the plant referred to above had been decided on after a careful investigation of all the factors involved. As a result of the increased mill capacity it became possible to mine an average grade of ore which conformed more closely to the reduced value of the ore reserve and, at the same time, to maintain profits.

WORKING COSTS

The decrease in the average working costs per ton, together with the larger tonnage milled, actually had resulted in an increase in the total profits, and dividends had been raised by 2½ per cent. for the past year.

Continuing, he said:—Whether the new level can be maintained will naturally depend on future working costs, particularly in view of the fact that the Government has decreed that all producers of gold in the Union must sell their gold to the Reserve Bank at a maximum price of 150s. per ounce. This is a question which obviously concerns the industry as a whole. It has, therefore, been taken up by the Gold Producers' Committee and strong representations have been made to the Government for some relief to meet a rise in working costs.

Shareholders will have seen from a recent announcement in the Press that the Government has declared itself prepared to deal with this question, when it arises, in the light of such information as the Committee may submit to it as to the extent of the increase and the circumstances causing it. Shareholders may rest assured that full and adequate information will be submitted to the Government, and it is thus hoped that a suitable allowance will be made by the Government to offset any appreciable rise in working costs. The report and accounts were adopted unanimously.

LEACH'S ARGENTINE ESTATES, LIMITED

INCREASED OUTPUT

The twenty-seventh ordinary general meeting of Leach's Argentine Estates, Limited, was held, on the 13th instant, at Seale, near Farnham.

Baron F. A. d'Erlanger (vice-chairman), in the course of his speech, said that the trading results at £194,000 were approximately £3,000 less than last year. The directors recommended a final dividend of 3 per cent. on the six per cent. cumulative preference stock and a dividend of 6 per cent. on the ordinary stock. The general reserve now stood at £383,042, or £5,242 more than last year.

As to the proposed National Sugar Law mentioned by the chairman last year, discussions had taken place by the Senate on the wording of certain clauses, and it was hoped that at any time now the Lower Chamber might give their approval and return it to the Senate for passing. In its present shape the provisions of the Bill would appear to safeguard the interests of all parties—labour, consumer and producer of cane and sugar.

With regard to the 1938 crop, they produced 29,018 tons of sugar, against 26,051 the previous year, and the yield was 9.66 per cent., against 9.52 per cent. While the output showed a moderate increase over the previous year of nearly 3,000 tons, the productions of neighbouring factories were considerably in excess of their normal output. These, together with the general increase in production, accounted for the high figure of 464,000 tons for the country. Their subsidiary branches practically without exception had shown a noticeable increase in their trading profits.

The development of the Calilegua Estate was a matter continually under consideration. This estate had great possibilities for the growing of practically all crops and fruits, for it was assured at all times of a regular water supply.

They had had this year a very successful crop, having produced a total of 32,054 tons of sugar from the milling of 324,607 tons of cane, which gave an average yield of sugar to cane of 9.76 per cent. This production was 3,036 tons more than the 1938 figure. The report and accounts were unanimously adopted.

BRITISH RUBBER ESTATES OF JAVA, LIMITED

SOUND FINANCIAL POSITION

The seventh ordinary general meeting of the British Rubber Estates of Java, Limited, was held, on the 17th instant, in London.

Mr James Davenport (the chairman), in the course of his speech, said that the peak pressure of the restriction screw had synchronised with their financial year. He said that in no spirit of criticism; on the contrary, he was convinced that restriction was bringing the rubber industry to a sound basis again.

In the year under review, as compared with 1937-38, they had cropped less rubber, tea and coffee. The reduction in the rubber crop was 822,523 lbs., in tea 124,421 lbs. and in coffee 3,860 cwt. The effect of those reduced crops might be summarised by stating that expenditure on the estates had been reduced by £7,258 while the revenue from crops showed a diminution of £33,455. The smaller crops accounted for £30,234 of that, leaving only £3,221 due to the lower prices prevailing.

From those figures it was clear how seriously the profits had suffered from the smaller crops harvested.

The past year had been one of quiet progress and consolidation on the estates. The release for rubber for the first half of their new financial year was likely to be at the rate of about 67½ per cent., against 47.5 per cent. in the year under review, and, as the International Tea Committee had increased the exportable percentage from 90 per cent. to 95 per cent., he hoped he was not being too optimistic when he said that when they met in twelve months' time he believed they would have some better figures to submit to the shareholders.

The report was unanimously adopted.

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week ended October 14, 1939, total ordinary revenue was £10,327,000, against ordinary expenditure of £9,284,000, issues of £15,250,000 under the Defence Loans Acts, and £40,000 issued to sinking funds. Thus, including sinking fund allocations but excluding issues from defence loans, the deficit accrued since April 1st last is £244,104,000, against £191,787,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Estimate, 1939-40 (b)	April 1, 1938, to Oct. 15, 1938	April 1, 1939, to Oct. 15, 1939	Week ended Oct. 15, 1938	Week ended Oct. 15, 1939
ORDINARY REVENUE					
Income Tax	390,000	68,455	58,010	5,382	584
Sur-tax	70,000	8,900	9,310	190	180
Estate, etc.,	75,500	40,230	42,220	1,270	1,320
Duties...	17,000	10,080	8,930	310	310
Stamps...	25,000	7,800	12,990	600	350
N.D.C. ...					
Other Int. Revenue					
Duties...	1,250	590	390	...	...
Total Rev.	578,750	136,105	131,850	7,752	2,434
Customs...	239,600	122,518	143,111	4,538	5,021
Excise...	132,850	59,020	64,140	1,620	1,880
Total Cust. and Excise	372,450	181,538	207,251	6,158	6,901
Motorduties P.O. (Net Receipt)	22,000	9,166	8,511	523	...
P.O. Fund	400	5,740	3,104	1,700	550
Crown Lands Rec. from Sun. Loans	1,600	...	...	...	...
Misc. Rec.	13,650	3,962	3,490	...	139
Total Ord. Rev.	995,180	340,814	363,794	16,201	10,327
Self-balancing P.O. and B'dcasting	83,449	39,060	41,946	...	950
Total	1,078,629	379,874	405,740	16,201	11,277

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	Estimate, 1939-40 (b)	April 1, 1938, to Oct. 15, 1938	April 1, 1939, to Oct. 15, 1939	Week ended Oct. 15, 1938	Week ended Oct. 15, 1939
ORDINARY EXPENDITURE					
Int. & Man. of Nt. Dt. Pays. to N. Ireland ...	230,000	130,434	132,064	4,111	1,066
Other Cons. Fund Ser.	10,000	3,969	3,961	...	...
Total	240,000	134,403	136,025	4,111	1,066
Sup. Serv. a	118,371	391,071	462,489	13,250	8,000
Ditto, plus loans*	168,614	391,071	572,739	13,250	23,250
Total Ord. Expend.	143,011	527,128	602,198	17,599	9,284
Issues from Def. Lns. Spt-Bat. P.O. and B'dcasting	502,430	...	110,250	...	15,250
Total	1,514,360	566,188	644,144	17,599	10,234

* Supply Services, after addition of issues under Defence Loans Acts: (a) excluding expenditure being met from loans; including £500 millions Vote of Credit; allows for supplementary estimates and other changes since April, 1939, and for estimated saving in war Budget; (b) After allowing for changes in war Budget of September 27, 1939.

After raising Exchequer balances by £124,320 to £2,569,959, the other operations for the week (as shown in the next column) raised the gross National Debt by £14,720,000 to about £8,522 millions,

excluding "other capital liabilities" and not allowing for issues to sinking funds since April 1, 1939.

DEBT INCREASES (£ thousands)		DEBT REPAYMENT	
Treasury bills...	9,620	Nat. Sav. Certs.	250
Pub. Dept. Adv.	5,350		
Total	14,970	Total	250
OTHER RECEIPTS		OTHER ISSUES	
Bullion repaymt. ...	100	P.O. and Teleg.	400
Land Settlement ...	7	N. Atl. Shipping ...	30
		Av. Trade Gtes.	25
		Ang.-Turk. Cr.	1
Total	107	Total	456

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1939, to October 14, 1939, are shown below:—

Ordinary Exp. (£ thousands)		Ord. Rev. (£ thousands)	
Issues under Def. Loan Acts ...	602,198	Gross borr. 358,992	
Misc. Issues (net) ...	110,250	Less—	
Inc. in bices.	4,567	Sinking fds. 5,700	
		Net borrowing ...	353,292
Total	717,086	Total	717,086

FLOATING DEBT (£ millions)

Date	Treasury Bills		Way and Means Advances		Total Floating Debt	Floating Assets
	Tender	Tap	Public Depts.	Bank of England		
1938						
Oct. 15 1938	526.0	383.6	45.8	...	955.4	429.0
July 8 1939	489.0	563.0	45.3	...	1,097.3	608.3
" 15 1939	494.0	562.8	43.1	...	1,099.8	605.8
" 22 1939	499.0	558.1	43.1	...	1,100.2	601.2
" 29 1939	504.0	568.5	46.9	...	1,115.2	611.2
Aug. 5 1939	510.0	570.7	45.5	...	1,125.2	615.4
" 12 1939	510.0	570.7	45.5	...	1,125.2	615.4
" 19 1939	510.0	570.7	45.5	...	1,125.2	615.4
" 26 1939	510.0	570.7	45.5	...	1,125.2	615.4
Sept. 2 1939	510.0	570.7	45.5	...	1,125.2	615.4
" 9 1939	510.0	570.7	45.5	...	1,125.2	615.4
" 16 1939	510.0	570.7	45.5	...	1,125.2	615.4
" 23 1939	510.0	570.7	45.5	...	1,125.2	615.4
" 30 1939	510.0	570.7	45.5	...	1,125.2	615.4
Oct. 7 1939	510.0	570.7	45.5	...	1,125.2	615.4
" 14 1939	510.0	570.7	45.5	...	1,125.2	615.4

TREASURY BILLS (£ millions)

Date of Tender	Amount		Average Rate %	Per Cent. Allotted at minimum Rate
	Offered	Accepted for		
1938				
Oct. 15 1938	50.0	72.6	45.0	15 5.57
July 7 1939	40.0	63.3	37.0	16 8.32
" 14 1939	35.0	64.5	35.0	15 8.99
" 21 1939	35.0	68.6	35.0	14 8.61
" 28 1939	40.0	73.8	36.0	14 4.08
Aug. 4 1939	35.0	67.9	30.0	13 7.9
" 11 1939	30.0	58.6	30.0	14 0.7
" 18 1939	30.0	63.1	30.0	15 7.39
" 25 1939	30.0	60.4	30.0	14 5.44
Sept. 1 1939	40.0	56.3	40.0	14 3.48
" 8 1939	50.0	60.2	50.0	12 0.98
" 15 1939	55.0	86.5	55.0	66 1.25
" 22 1939	55.0	96.3	55.0	48 9.83
" 29 1939	50.0	97.0	50.0	42 6.63
Oct. 6 1939	50.0	103.0	50.0	40 8.28

On October 13th applications at £99 9s. 8d. per cent. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday, and Friday of following week were accepted as to about 24 per cent. of the amount applied for and applications at higher prices in full. Applications at £99 9s. 10d. for bills to be paid for on Saturday were offered in full. £50.0 millions of Treasury bills are being offered on October 20th.

NATIONAL SAVINGS CERTIFICATES

Sales in		Number	Purchase Price
Thirty-nine weeks to :—			
Oct. 1, 1938			£
Sept. 30, 1939		24,200,812	18,150,608
Week to :—		21,034,288	16,525,681
Oct. 1, 1938			
Sept. 23, 1939		484,284	363,213
Sept. 30, 1939		321,424	241,068

BANK OF ENGLAND RETURNS

OCTOBER 18th, 1939
ISSUE DEPARTMENT

Notes Issued: £		Govt. Debt: £	
In circuit.	530,316,055	Other Govt.	11,015,100
In Bnkg. Department	49,849,088	Securities... 565,760,625	
		Other Secs. 2,962,251	
		Silver Coin 262,024	
		Total	580,000,000
		Am't of Fid. Issue ...	580,000,000
		Gold Coin & Bullion (at 168s. 0d. per oz. fine) ...	165,143
		Total	580,165,143

BANKING DEPARTMENT

Props. Capital £		Govt. Secs. £	
Rest ...	14,553,000	Other Secs.: Discs., etc.	3,223,491
Public Depts. *	12,009,566	Securities ...	23,250,356
		Total	26,473,847
Other Depts.: Bankers ...	116,445,247	Notes ...	49,849,088
Other Accts.	38,535,268	Gold & Silver Coin ...	844,018
		Total	184,703,117

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

THE WEEK'S CHANGES (£ thousands)

Both Departments		Compared with	
		Oct. 18, 1939	Last Week
COMBINED LIABILITIES			
Note circulation		530,316	+ 4,717
Deposits: Public		12,010	+ 1,099
Bankers'		116,445	+ 270
Others		38,535	+ 1,138
Total		697,306	+ 5,025
Capital and Res.		17,713	+ 18
Total		715,020	+ 5,043
COMBINED ASSETS			
Govt. debt and securities		684,312	+ 6,854
Discounts and advances		3,224	+ 178
Other securities		26,213	+ 1,578
Silver coin in issue dept.		262	+ 53
Gold coin and bullion		1,009	+ 38
Total		715,020	+ 9,300
Res. of notes & coin in banking department, Proportion of reserve to outside liabilities		50,693	+ 4,754
Bank, dept. ("proportion")		30.3%	+ 2.9%

COMPARATIVE ANALYSIS* (£ millions)

	1938		1939	
	Oct. 19	Sept. 27	Oct. 4	Oct. 11
Issue Dept.: Notes in circ.	486.4	541.8	538.7	530.3
Notes in banking dept.	40.0	38.3	41.4	49.8
Govt. debt and securities	199.8	576.4	576.7	576.8
Other sec.	0.0	3.3	2.9	3.0
Silver coin	0.0	0.2	0.2	0.3
Gold, valued at s. per f. oz.	326.4	0.1	0.2	0.3
Total	84.96	168.00	168.00	168.00
Deposits: Public	33.8	19.8	15.3	10.9
Bankers'	90.9	107.1	106.0	116.7
Others	35.8	40.5	40.9	39.7
Total	160.5	167.4	162.2	167.3
Govt. Dept. Secs.	104.9	120.3	113.6	114.3
Discounts, etc.	8.0	2.5	2.4	3.0
Other	23.9	23.9	22.3	21.7
Total	136.8	146.7	138.3	129.0
Banking dept. reserve	41.4	39.0	42.1	45.9
Total	25.7	23.2	25.9	30.3

* Government debt is £11,015,100; capital £14,553,000.

OVERSEAS BANK RETURNS

NOTE.—The last returns of the Banks of Poland and of Bohemia and Moravia appeared in The Economist of September 2nd; and of Danzig, of August 26th. The latest return of the Bank of Turkey appeared in our issue of September 9th; Reichsbank, of October 7th; Denmark, Estonia, Greece, Hungary, India, International Settlements, Japan, Latvia, Norway, Portugal and Roumania, of October 14th.

U.S. FEDERAL RESERVE BANKS Million \$s

12 U.S.F.R. BANKS	Oct. 20, 1938			
	1938	1939	1939	1939
Gold certifi. on hand and due from Treas.	11,197	14,622	14,726	14,769
Total reserves	11,581	14,964	15,050	15,111
Total cash reserves ...	374	334	315	332
Total bills discounted	6	6	7	6
Bills bt. in open mkt.	1	1	1	1
Total bills on hand ...	15	12	12	12
Industrial advances ...	2,564	2,826	2,765	2,748
Total U.S. Govt. secs.	2,586	2,844	2,784	2,766
Total bills and secs.	15,002	18,660	18,636	18,814
LIABILITIES				
F.R. notes in circ.	4,289	4,678	4,758	4,756
Aggregate of excess rr. bank res. over reqts.	3,270	5,280	5,400	5,510
Deposits — Member bank reserve account	8,693	11,549	11,739	11,907
Govt. deposits	609	619	404	349
Total deposits	9,644	12,949	12,884	12,954
Cap. paid in and surplus	309	312	312	312
Total liabilities	15,002	18,660	18,636	18,814
Reserve to depts. and F.R. notes ...	83.1%	84.9%	85.3%	85.3%

U.S.F.R. BANKS AND TREASURY COMBINED				
RESOURCES				
Monetary gold stock ...	14,008	16,902	16,973	16,991
Treasury and Nat. Bk. currency	2,746	2,915	2,924	2,923
LIABILITIES				
Money in circulation...	6,668	7,236	7,346	7,336
Treasury cash and de- posits with F.R. Bks.	3,379	2,891	2,642	2,561

BANK CLEARINGS

Publication of the weekly returns of Town Clearing, Metropolitan Clearing, Country Cheque Clearing is suspended until further notice.

PROVINCIAL

(£ thousands)

No. of working days	Four weeks ended			Week ended Saturday		Aggregate from January 1 to	
	Oct. 1, 1938	Sept. 30, 1938	Change	Oct. 15, 1938	Oct. 14, 1938	Oct. 15, 1938	Oct. 14, 1938
BIRMINGHAM	6,874	6,409	- 1.4	1,892	1,773	95,394	93,921
BRISTOL	2,668	3,588	+40.4	804	1,129	32,228	35,848
BURTON	4,614	6,130	+32.9	1,200	1,482	51,691	55,119
HULL	2,956	2,649	- 6.5	686	619	34,094	32,020
LEICESTER	2,491	2,702	+ 8.5	765	802	28,692	28,867
LIVERPOOL	19,278	18,880	- 2.2	4,674	4,311	212,481	200,634
MANCHESTER	30,885	35,107	+ 13.6	8,892	9,565	377,325	387,993
NEWCASTLE	5,164	4,462	- 9.8	1,303	1,307	61,704	60,423
NOTTINGHAM	1,601	1,549	- 0.9	477	365	20,312	19,616
Total: 9 Towns	76,731	81,476	+ 10.9	20,693	21,353	913,921	914,441
DUBLIN	23,599	21,536	- 5.8	6,599	7,608	255,301	248,887
LEEDS	3,207	2,013	- 36.9	709	425	38,976	40,683
SHEFFIELD	3,114	2,013	- 36.9	709	425	38,976	40,683

* Suspended publication. † Clearing of suburban cheques through local clearing discontinued from September 7, 1939. ‡ 41 weeks. § On a working-day basis.

MONEY RATES

LONDON

	Oct. 12, 1939	Oct. 13, 1939	Oct. 14, 1939	Oct. 15, 1939	Oct. 16, 1939	Oct. 17, 1939	Oct. 18, 1939	Oct. 19, 1939
Bank rate (changed from 4% Sept. 28, 1939)	3	3	3	3	3	3	3	3
60 days' bank rate	2 1/8-2 1/8	2 1/8-2 1/8	2 1/8-2 1/8	1 7/8-2 1/8	1 7/8-2 1/8	1 7/8-2 1/8	1 7/8-2 1/8	1 7/8-2 1/8
3 months' bank rate	2 1/8-2 1/8	2 1/8-2 1/8	2 1/8-2 1/8	2 1/8-2 1/8	2 1/8-2 1/8	2 1/8-2 1/8	2 1/8-2 1/8	2 1/8-2 1/8
4 months' bank rate	2 1/8-2 1/8	2 1/8-2 1/8	2 1/8-2 1/8	2 1/8-2 1/8	2 1/8-2 1/8	2 1/8-2 1/8	2 1/8-2 1/8	2 1/8-2 1/8
6 months' bank rate	2 1/8-2 1/8	2 1/8-2 1/8	2 1/8-2 1/8	2 1/8-2 1/8	2 1/8-2 1/8	2 1/8-2 1/8	2 1/8-2 1/8	2 1/8-2 1/8
Discount Treasury Bills								
2 months	2	2	2	1 7/8	1 7/8	1 7/8	1 7/8	1 7/8
3 months	2	2	2	1 7/8	1 7/8	1 7/8	1 7/8	1 7/8
6 months	2	2	2	1 7/8	1 7/8	1 7/8	1 7/8	1 7/8
Short	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4
13 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4
14 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4
15 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4
16 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4
17 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4
18 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4
19 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4
20 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4
21 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4
22 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4
23 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4
24 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4
25 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4
26 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4
27 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4
28 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4
29 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4
30 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4	1 1/2-2 1/4

Comparison with previous weeks

	Bank Bills			Trade Bills		
	3 Months	4 Months	6 Months	3 Months	4 Months	6 Months
1939						
Oct. 21	3 1/4	3 1/4-3 5/8	4 1/2	5	4 1/2-5	5-5 1/2
Oct. 28	2 1/4	2 1/4	2 3/4	3 1/4-3 1/2	3 1/4-4	4 1/2-4 3/4
Oct. 5	2 1/4	2 1/4	2 3/4	3 1/4-3 1/2	3 1/4-4	4 1/2-4 3/4
Oct. 12	2 1/4	2 1/4	2 3/4	3 1/4-3 1/2	3 1/4-4	4 1/2-4 3/4
Oct. 19	2 1/4	2 1/4	2 3/4	3 1/4-3 1/2	3 1/4-4	4 1/2-4 3/4

NEW YORK

The Irving Trust Company cables the following money and exchange rates in New York:

	Oct. 19, 1938	Sept. 20, 1938	Sept. 27, 1938	Oct. 4, 1938	Oct. 11, 1938	Oct. 18, 1938
Call money	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4
Time money (90 days' mixed coll.)	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4
Bank acceptance (90 days)	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4
Members—eligible, 90 days	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4
Non-mem.—eligible, 90 days	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4
Commercial accept., 90 days	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4

AMERICAN WHOLESALE PRICES

		Oct. 11, 1939	Oct. 18, 1939
GRAINS (per bushel)—			
Wheat, Chicago, Dec.	83 3/8	85 1/4	85 1/4
Wheat, Minneapolis, Oct.	71	71 3/4	71 3/4
Maize, Chicago, Dec.	50 3/8	50 1/2	50 1/2
Oats, Chicago, Dec.	33	35 1/2	35 1/2
Rye, Chicago, Dec.	54 1/4	54 1/2	54 1/2
Barley, Winnipeg, Oct.	43 1/2	42 1/2	42 1/2
METALS (per lb.)—			
Copper, Connecticut	12.50	12.50	12.50
Export c.i.f.	11.75	11.75	11.75
METALS (per lb.)—cont.			
Lead, N.Y., spot	55.00	55.00	55.00
Spelter East St. Louis, spot	6.50	6.50	6.50
MISCELLANEOUS (per lb.)—			
Cocoa, N.Y., Accra, Oct.	5.01	5.18	5.18
Coffee, N.Y., cash	51 1/2	51 1/2	51 1/2
Santos, No. 4	7 3/4	7 3/4	7 3/4
Cotton N.Y., Am. mid., spot	9.18	9.22	9.22
MISCELLANEOUS (per lb.)—cont.			
Cotton, Am. Mid. Oct.	9.15	8.95	8.95
Lord, Chicago, Oct.	6.62 1/2	6.87	6.87
Petroleum, Mid.-cont. crude	102	102	102
33 deg. to 33-90, at well, per barrel	19 1/2	20 1/2	20 1/2
Rubber, N.Y., smoked sheet spot	102	102	102
Do. do. Nov. to Dec.	19 1/2	20 1/2	20 1/2
Sugar, N.Y., Cuban Cent., 96 deg., spot	3.60	3.50	3.50

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 Oct. 13, 1939 (£'000)			Aggregate Gross Receipts 41 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down—						
1938	1.8	0.4	2.2	106.9	17.8	124.7
1939	2.0	0.6	2.6	110.2	18.8	129.0
Great Northern—						
1938	10.4	11.8	22.2	469.6	375.3	844.9
1939	9.9	14.4	24.3	476.0	431.0	907.0
Great Southern—						
1938	32.5	50.4	82.9	1558.8	1645.4	3204.2
1939	31.4	60.6	92.0	1555.5	1748.8	3304.3

CANADIAN

	1939	1938	1937	1936	1935
Canadian National	41 Oct. 14	5,031,079	745,375	152,144,564	13,025,155
Canadian Pacific	41 Oct. 14	3,697,000	72,000	113,508,000	5,464,000

SOUTH & CENTRAL AMERICAN

(For heading, see Overseas Traffic, in first column)

Company	1939	Oct. 15	1938	Oct. 15	1937	Oct. 15	1936	Oct. 15	1935
Antofagasta	41	15,340	3,141	546,370	69,810				
B.A. and Pacific	14	1,180,000	24,000	17,305,000	654,000				
B.A. Gr. Southern	14	2,018,000	34,000	26,760,000	1,762,000				
B.A. Western	14	681,000	14,000	9,735,000	937,000				
Central Argentine	15	1,614,450	14,000	29,861,600	4,247,950				
Central Uruguay	14	1,623,386	16,270	21,899,400	1,418,577				
Nitrate	40	1,180,043	1,013	235,136	3,505				
United of Havana	15	1,180,043	851	93,744	22,062				
	14	1,180,043	1,049	270,628	10,844				

† Receipts in Argentine pesos. ‡ Fortnight. (a) Converted at official rate. (d) Receipts in Uruguayan currency. (e) Converted at "controlled free rate."

OVERSEAS WEEKLY TRAFFIC RECEIPTS

Name	Weeks Ending	Gross Receipts for Week		Aggregate Gross Receipts	
		1939	+ or -	1939	+ or -
Bengal & N. Western	26 Sept. 30	Rs. 17,93,406	- 1,50,515	Rs. 1,65,82,308	- 18,49,303
Bengal-Nagpur	24 Oct. 20	Rs. 25,81,000	+ 2,18,308	Rs. 4,78,69,136	+ 49,34,919
Bombay, Bar. & C.I.	27 Oct. 10	Rs. 30,17,000	- 3,000	Rs. 5,93,82,000	- 4,05,000
Madras & S. Mah.	20 Aug. 20	Rs. 17,23,000	- 79,934	Rs. 3,09,57,362	+ 12,58,025
S. Indian	24 Sept. 20	Rs. 15,58,035	- 46,611	Rs. 2,65,15,615	- 2,62,608

MONTHLY TRANSPORT RETURNS

Company	Months Ending	Receipts for Month		Aggregate Receipts	
		1939	+ or -	1939	+ or -
Int. Rlys. Cent. Amer.	8 Aug. 31	Gross \$425,770	+ 61,972	4,123,397	+ 304,783
		Net \$24,422	+ 45,493	845,362	+ 46,496
Mexican Lt. & Pwr.	8 Aug. 31	Gross \$550,109	- 68,738	4,710,204	- 840,771
		Net \$96,036	- 38,816	742,831	- 687,545
Singapore Traction	12 Sept. 30	Gross \$212,000	+ 30,000	2,482,000	+ 345,000

LONDON ACTIVE SECURITY PRICES AND YIELDS

NOTE: Yields on British Funds, Dominion and Colonial Government, Home Corporation, and Public Board Stocks are based on latest dealing prices allowing for accrued interest. Approximate dealing prices on October 12 and October 18 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, Year 1939 Jan. 1 to Oct. 18, inclusive		Name of Security	Price, Oct. 18, 1939	Change since Oct. 11, 1939	Yield, Oct. 18, 1939	Last two Dividends			Name of Security	Price, Oct. 18, 1939	Change since Oct. 11, 1939	Yield, Oct. 18, 1939	
Oct. 12	Oct. 18	High-est	Low-est					(a) (%)	(b) (%)	(c) (%)					
63 1/2	66 1/2	71 1/2	61	British Funds	Consols 2 1/2 %	62	£ s. d.	32 1/2	5 3	Nil	Brit. Overseas A £5	7 6	Nil	£ s. d.	
98 1/2	100 1/2	107 1/2	98	Do. 4 1/2 % (alt. 1957)	98 1/2	3 15 0	32 1/2	5 3	Nil	Chnd. of India £5	10 1/2	1 12	2 9	10 1/2	
93 1/2	93 1/2	96 1/2	90 1/2	Conv. 4 1/2 % 1944-49	93 1/2	3 6 4	12 6	8 6	3 1/2	3 1/2	Dist. of B. £1 fy. pd.	10 1/2	1 12	2 9	10 1/2
94 1/2	94 1/2	96 1/2	92 1/2	Do. 3 1/2 % 1948-53	94 1/2	3 10 6	52 1/2	43 9	5 1/2	5 1/2	En. S. & Aust. £5 1/2 p	46 3	+2 6	6 0	46 3
102 1/2	102 1/2	104 1/2	100 1/2	Do. 3 1/2 % after 1961	102 1/2	3 17 3/4	54 1/2	43 9	5 1/2	5 1/2	Hambros & Co. £3 p	60 1/2	+2 6	6 0	60 1/2
104 1/2	106 1/2	112 1/2	103 1/2	Do. 4 1/2 % 1940-44	100 3/4	3 13 2	10 1/2	55 1/2	10 1/2	10 1/2	En. S. & Aust. £5 1/2 p	46 3	+2 6	6 0	46 3
80 1/2	83	112 1/2	103 1/2	Do. 5 % 1944-64	103 3/4	3 13 2	10 1/2	55 1/2	10 1/2	10 1/2	Hambros & Co. £3 p	60 1/2	+2 6	6 0	60 1/2
88 1/2	89	93 1/2	79 1/2	Fund. 2 1/2 % 1956-61	79 3/4	3 13 0	59 1/2	43 9	5 1/2	5 1/2	En. S. & Aust. £5 1/2 p	46 3	+2 6	6 0	46 3
87 1/2	87 1/2	95 1/2	79 1/2	Fund. 2 1/2 % 1952-57	88 1/2	3 13 5	61 1/2	43 9	5 1/2	5 1/2	Hambros & Co. £3 p	60 1/2	+2 6	6 0	60 1/2
100 1/2	101 1/2	109 1/2	100 1/2	Fund. 3 % 1959-69	100 1/2	3 14 2	86 1/2	70	7 1/2	7 1/2	En. S. & Aust. £5 1/2 p	46 3	+2 6	6 0	46 3
94 1/2	95 1/2	99 1/2	94 1/2	Fund. 4 1/2 % 1950-60	94 1/2	3 18 3	6 1/2	45 1/2	8 1/2	8 1/2	Hong & S. £12 p	47 5	+2 6	6 0	47 5
92 1/2	92 1/2	96 1/2	91 1/2	Nat. D. 2 1/2 % 1944-48	87 1/2	3 14 2	86 1/2	70	7 1/2	7 1/2	Lloyds £5, £1 pd.	47 5	+2 6	6 0	47 5
102 1/2	103 1/2	108 1/2	102 1/2	Do. 3 % 1954-58	94 1/2	3 6 2 1/2	30 1/2	18 1/2	11 1/2	11 1/2	Martins £20, £12 pd.	71 1/2	+1 1/2	5 0	71 1/2
88 1/2	88 1/2	90 1/2	86 1/2	Victory Bonds 4 %	102	3 12 1	34 1/2	24 1/2	8 1/2	8 1/2	Midland £1, fy. pd.	76 3/4	+2 6	4 3 9	76 3/4
75 1/2	77 1/2	82 1/2	75 1/2	War L. 3 1/2 % af. 1952	88 1/2	3 17 6 1/2	71 1/2	44 1/2	7 1/2	7 1/2	Nat. Dis. £2 1/2 fy. pd.	43 1/2	...	5 0	43 1/2
91	91	99 1/2	91	Local Loans 3 %	73 1/2	3 17 0	45 1/2	39 1/2	8 1/2	8 1/2	N. of Ind. £25, £12 1/2 p	27	+1 1/2	7 8 0	27
55 1/2	57 1/2	64 1/2	55 1/2	Austria 3 % 1933-53	91	3 18 2	30 1/2	45 1/2	8 1/2	8 1/2	N. Prov. £5, £1 pd.	60 1/2	+5 1/2	5 0	60 1/2
66 1/2	68 1/2	76	66 1/2	India 2 1/2 %	55 1/2	4 6 9	91 1/2	54 1/2	9 1/2	9 1/2	Roy. Bk. of Scotland	40 5	+1 1/2	5 16 0	40 5
79 1/2	79 1/2	86	76	Do. 3 1/2 %	66 1/2	4 6 7	7 1/2	4 1/2	4 1/2	4 1/2	St. of S.A. £20, £5 pd.	12	+2 6	5 0	12
105	105 1/2	105	105	Do. 4 1/2 % 1958-68	105	4 8 3	26 1/2	18	40 1/2	40 1/2	Union Dis. £1	40 1/2	+2 6	5 0	40 1/2
95 1/2	96 1/2	106 1/2	95	Dom. & Col. Govts.	105	4 4 2	14 1/2	10 1/2	40 1/2	40 1/2	West. £4, £1 pd.	72 1/2	+2 6	4 19 6	72 1/2
100	100 1/2	102 1/2	95	Austr. 5 % 1945-75	95	5 5 0	9 1/2	68 1/2	2 1/2	2 1/2	Alliance £1, fully pd.	20	...	4 10 0	20
92	92 1/2	102 1/2	92	Canada 4 % 1940-60	98	3 19 7 1/2	68 1/2	2 1/2	68 1/2	2 1/2	Atlan. £5, £1 1/4 pd.	11 1/2	...	3 7 0	11 1/2
94 1/2	95 1/2	102 1/2	94 1/2	Nigeria 5 % 1950-60	103	4 12 11 1/2	29 1/2	19 1/2	25	25	Com. Un. £1, fy. pd.	7	-1	5 2 0	7
102 1/2	103	110	102	N. Zealand 5 % 1946	102	6 8 0	19 1/2	19 1/2	25	25	Lon. Acc. £1, 5/- pd.	75	-7	4 13 3	75
102 1/2	103 1/2	111 1/2	104	Queens. 5 % 1940-60	94 1/2	5 5 3 1/2	19 1/2	19 1/2	25	25	Lon. Lanc. £5, £2 pd.	23	+1 1/2	4 7 0	23
72	72 1/2	102 1/2	72	S. Africa 5 % 1945-75	102	4 12 1	13	40	35	35	N. Brit. Am. £1 1/4, 1/2 p	9xd	+1 1/2	3 2 0	9xd
72	72 1/2	102 1/2	72	Corporation Stocks	101 1/2	4 9 2	35 1/2	18 1/2	19 1/2	19 1/2	Northern £10, £1 1/2 p	14 1/2	+1 1/2	3 16 0	14 1/2
72	72 1/2	102 1/2	72	Bir. Ham 5 % 1946-56	101 1/2	4 9 2	35 1/2	18 1/2	19 1/2	19 1/2	Pearl (£1), ty. pd.	14 1/2	+1 1/2	3 16 0	14 1/2
72	72 1/2	102 1/2	72	Bristol 5 % 1948-58	102	4 14 6	9 1/2	68 1/2	2 1/2	2 1/2	Phenix (£1), fy. pd.	12 1/2	+1 1/2	3 14 0	12 1/2
72	72 1/2	102 1/2	72	L.C.C. 3 %	72	4 2 9	9 1/2	68 1/2	2 1/2	2 1/2	Prudential £1 A	24	...	4 2 0	24
72	72 1/2	102 1/2	72	Liverpool 3 % 1954-64	86 1/2	3 17 0	8 1/2	65 1/2	19 1/2	19 1/2	Royal Ex. £1, with 4s.	70 1/2	+1 1/2	2 17 0	70 1/2
72	72 1/2	102 1/2	72	Middx. 3 1/2 % 1957-62	93 1/2	3 19 0	8 1/2	65 1/2	19 1/2	19 1/2	Royal Ex. £1, with 4s.	70 1/2	+1 1/2	2 17 0	70 1/2
72	72 1/2	102 1/2	72	Foreign Governments	75	6 0 0	230	185	8 1/2	8 1/2	S. U. & N. £20, £1 pd.	72 1/2	+7 6	3 16 0	72 1/2
72	72 1/2	102 1/2	72	Arg. 4 1/2 % Stg. Bds.	75	6 0 0	230	185	8 1/2	8 1/2	Sun. L. £1 with 5/- pd.	72 1/2	+7 6	3 16 0	72 1/2
72	72 1/2	102 1/2	72	Austria 1930 5 %	38 1/2	11 16 9 1/2	113 1/2	7 1/2	6 1/2	6 1/2	Sun. L. Ass. £1 fy. pd.	6	...	3 6 9	6
72	72 1/2	102 1/2	72	Do. 4 1/2 % 1934-59	37 1/2	11 16 9 1/2	113 1/2	7 1/2	6 1/2	6 1/2	Investment Trusts	185 1/2	5	6 4 0	185 1/2
72	72 1/2	102 1/2	72	Belgian 4 1/2 % (36) 1970	57 1/2	25 0 0	214 1/2	160	6 1/2	6 1/2	Anglo-Am. Deb.	37 1/2	...	9 6 8	37 1/2
72	72 1/2	102 1/2	72	Bulgaria 7 1/2 %	10	25 0 0	214 1/2	160	6 1/2	6 1/2	Brit. Assets Trust	8 1/2	...	5 14 6	8 1/2
72	72 1/2	102 1/2	72	Brazil 5 % Feb. 1914	13	15 10 0	220	175	10 1/2	10 1/2	Charterhouse Inv. £1	163	...	7 8 8	163
72	72 1/2	102 1/2	72	Chile 6 % (1929)	13	15 10 0	220	175	10 1/2	10 1/2	Debtenture Corp. Stk.	37 1/2	...	10 16 2	37 1/2
72	72 1/2	102 1/2	72	China 5 % (1912)	18 1/2	22 17 0	237 1/2	195	8 1/2	8 1/2	For. Amer. & Co., Def.	87 1/2	...	8 0 0	87 1/2
72	72 1/2	102 1/2	72	Do. 5 % (1913)	25 1/2	3 3 2	118 1/2	77	4 1/2	4 1/2	Gen. & Gen. Ord.	180	...	6 16 3	180
72	72 1/2	102 1/2	72	Czechoslovakia 8 %	95	6 4 0	212 1/2	175	7 1/2	7 1/2	Invest. Trust Def.	200	...	6 16 0	200
72	72 1/2	102 1/2	72	Denmark 3 %	95	6 4 0	212 1/2	175	7 1/2	7 1/2	Lake View Inv. 10/-	11 3	...	8 0 0	11 3
72	72 1/2	102 1/2	72	Egypt Unified 4 %	64 1/2	3 3 2	118 1/2	77	4 1/2	4 1/2	Mercantile Inv.	15	...	6 3 1	15
72	72 1/2	102 1/2	72	French 4 % (British)	9xd	6 5 0	4 1/2	3 1/2	4 1/2	4 1/2	Merchants Trust Ord.	180	...	9 12 4	180
72	72 1/2	102 1/2	72	Ger. Dawes Ln. 5 %	9	6 4 0	212 1/2	175	7 1/2	7 1/2	Metropolitan Trust	3 9	...	6 16 9	3 9
72	72 1/2	102 1/2	72	Do. Young Ln. 4 1/2 %	9	6 4 0	212 1/2	175	7 1/2	7 1/2	Scottish Mort. &c.	142 1/2	...	6 13 0	142 1/2
72	72 1/2	102 1/2	72	Greek 6 % Stab. Ln.	17 1/2	13 16 3 1/2	180	160	6 1/2	6 1/2	Trustee Corp. Ord.	172 1/2	...	5 11 1	172 1/2
72	72 1/2	102 1/2	72	Hungary 7 1/2 %	15	30 10 0	30 1/2	16 1/2	10 1/2	10 1/2	United States Deb.	162 1/2	...	6 3 1	162 1/2
72	72 1/2	102 1/2	72	Japan. 5 1/2 % 1930	43	12 15 10 1/2	27 1/2	16 1/2	10 1/2	10 1/2	Financial Trusts, &c.	17 1/2	-3d	7 2 9	17 1/2
72	72 1/2	102 1/2	72	Do. 6 % (24) red. 1959	41	12 15 10 1/2	27 1/2	16 1/2	10 1/2	10 1/2	Brit. S. Afr. 15/- fy. pd.	8 9	...	9 0 0	8 9
72	72 1/2	102 1/2	72	Peru 7 1/2 % 1922	45	8 17 10 1/2	20 1/2	14 1/2	6 1/2	6 1/2	C. of Lond. R. Pty. pd.	17 1/2	+5/-	9 0 0	17 1/2
72	72 1/2	102 1/2	72	Poland 7 %	20	8 17 10 1/2	20 1/2	14 1/2	6 1/2	6 1/2	Daily Mail & Gen. £1	41 1/2	...	5 18 6	41 1/2
72	72 1/2	102 1/2	72	Roum. 4 % Con. 1922	6	31 0 0	31 0 0	31 0 0	31 0 0	31 0 0	Forestal £20, £5 pd.	17 1/2	...	8 0 0	17 1/2
72	72 1/2	102 1/2	72	U.K. & Arg. C. 3 %	71 1/2	4 3 11 1/2	20 1/2	14 1/2	6 1/2	6 1/2	Hudson's Bay Co. £1	20 1/2	+6d	4 3 0	20 1/2
72	72 1/2	102 1/2	72	Public Boards	103	£ s. d.	26 1/2	15 1/2	4 1/2	4 1/2	Invest. Trust Def.	200	...	6 16 0	200
72	72 1/2	102 1/2	72	C. Elec. 5 % 1950-70	103	4 12 11 1/2	13 1/2	9 1/2	10 1/2	10 1/2	Lake View Inv. 10/-	11 3	...	8 0 0	11 3
72	72 1/2	102 1/2	72	Lon. Pass. Transport	103	4 12 11 1/2	13 1/2	9 1/2	10 1/2	10 1/2	Mercantile Inv.	15	...	6 3 1	15
72	72 1/2	102 1/2	72	4 1/2 % "A" 1985-2023	107	4 6 8	68 1/2	46 1/2	3 1/2	3 1/2	Merchants Trust Ord.	180	...	9 12 4	180
72	72 1/2	102 1/2	72	5 % "A" 1985-2023	107	4 12 0	68 1/2	46 1/2	3 1/2	3 1/2	Metropolitan Trust	3 9	...	6 16 9	3 9
72	72 1/2	102 1/2	72	5 % "B" 1965-2023	102	4 17 3	113 1/2	75 1/2	12 1/2	12 1/2	Scottish Mort. &c.	142 1/2	...	6 13 0	142 1/2
72	72 1/2	102 1/2	72	"C" 1956 or after	65	2 6 0	91 1/2	64 1/2	4 1/2	4 1/2	Trustee Corp. Ord.	172 1/2	...	5 11 1	172 1/2
72	72 1/2	102 1/2	72	Met. W. B. "B" 3 %	74	4 6 0	79 1/2	55 1/2	13 1/2	13 1/2	United States Deb.	162 1/2	...	6 3 1	162 1/2
72	72 1/2	102 1/2	72	P. of Lon. 5 % 50-70	106	4 6 0	79 1/2	55 1/2	13 1/2	13 1/2	Financial Trusts, &c.	17 1/2	-3d	7 2 9	17 1/2
72	72 1/2	102 1/2	72	British Railways	28	1 15 9	69 1/2	52 1/2	14 1/2	14 1/2	Brit. S. Afr. 15/- fy. pd.	8 9	...	9 0 0	8 9
72	72 1/2	102 1/2	72	G.W. Ord.	24 1/2	Nil	47 1/2	36 1/2	10 1/2	10 1/2	C. of Lond. R. Pty. pd.	17 1/2	+5/-	9 0 0	17 1/2
72	72 1/2	102 1/2	72	L. & N.E.R. Def.	21 1/2										

BRITISH WHOLESALE PRICES

CEREALS AND MEAL				TOBACCO (per lb.)—				MISCELLANEOUS			
Oct. 10, 1939				Oct. 10, 1939				Oct. 10, 1939			
Oct. 17, 1939				Oct. 17, 1939				Oct. 17, 1939			
s. d.				s. d.				s. d.			
GRAIN etc.—				Virginia, stemmed and un-				CEMENT, best Eng. Portland, d/d site, London area—			
Wheat—				stemmed, common to fine				in paper bags 20 to ton (free, non-returnable)—(b)			
No. 2, N. Man. 496 lb. Antwerp				Rhodesian, stemmed and un-				s. d.			
Fine (Gaz. W. per cwt.)				stemmed				41 0 41 0			
*Antwerp, Rosale, 81 kilos.				Nyassaland, stemmed and un-				4-ton loads and upwards (per ton)			
Flour, per 250 lb.—				stemmed				s. d.			
Straight, d/d London—				East Indian				41 0 41 0			
Manitoba, ex store				{ Stemmed				CHEMICALS—			
Barley, Eng. Gaz., av. per cwt.				{ Unstemmed				Acid, citric, per lb., less 5% ...			
Oats.								" Nitric			
*Maize, "La Plata," 480 lb.								" Oxalic, net			
Antwerp								" Tartaric, English, less 5%			
Rice, No. 2 Burma, per cwt.								Alcohol, Plain Ethyl, per proof gal.			
MEAT—				COTTON (per lb.)—				Ammonia, carb. ... per ton			
Beef, per 8 lb.—				Raw, Mid-American				" Sulphate			
English long sides				Giza, F.G.F.				Borax, gran. ... per cwt.			
Argentine chilled hinds				Yarns, 32's Twist				" powder			
Mutton, per 8 lb.—				40's Twist				Nitrate of soda ... per ton			
English wethers				60's Twist (Egyptian)				Potash, Chlorate, net ... per ton			
N.Z. frozen wethers				Cloth, 32 in. Printers, 116 yds.				" Sulphate			
Lamb, per 8 lb.—				16 x 16, 32's & 50's				Soda Bicarb. ... per ton			
N.Z. frozen				36 in. Shirtings, 75 yds.				Crystals ... per ton			
Pork, English, per 8 lb.				19 x 19, 32's & 40's				Sulphate of copper ... per ton			
				38 in. ditto, 38 yds.							
				18 x 16, 10 lb.							
				39 in. ditto, 37½ yds.							
				16 x 15, 8¼ lb.							
BACON (per cwt.)—				FLAX (per ton)—				COPRA (per ton)—			
English				Livonian ZK				S.D. Straits, c.i.f.			
Danish				Pernau HD				HIDES (per lb.)—			
Dutch				Slanetz Medium, 1st sort				Wet salted Australia—			
Irish				HEMP (per ton)—				lian, Queensland—			
HAMS (per cwt.)—				Italian PC				Wet salted, Australia—			
Canadian				Manilla, spot "J2"				lian, N.S.W.—			
United States				JUTE (per ton)—				West Indian			
				Native 1st mks., c.i.f. H.A.R.B.				Cape, Jo'burg Ord.			
				Aug.-Sept.				Dry Cakes			
				Daisee 2/3, c.i.f. Dundee,				Drysalted Capes—			
				Oct.-Nov.				lian, N.S.W.—			
				SISAL (per ton)—				Market Hides, Manchester—			
				African, spot—				Best heavy ox and heifer			
				No. 1				Best cow			
				No. 2				Best calf			
				No. 3				INDIGO (per lb.)—			
				SILK (per lb.)—(a)				Bengal, gd. red-vio. to fine.			
				Canton							
				Japan				LEATHER (per lb.)—			
				Italian, raw, fr. Milan				Sole Bends, 8/12 lb.			
				WOOL (per lb.)—				Bark-Tanned Sole.			
				Lincoln wethers, washed				Shoulders from D.S. Hides.			
				Selected Kent wethers, greasy				" Eng. or WS do.			
				" blackfaced, greasy				Bellies from DS do.			
				Australian scrd. fleece, 70's				" Eng. or WS do.			
				Cape scrd. average snow white				Dressing Hides			
				N.Z. scrd. 2nd pieces, 50-56's				Ro. Eng. Calf, 20/35 lb. per doz.			
				Tops—				ROSKIN (per ton)—			
				64's warp				American			
				56's super carded				RUBBER (per lb.)—			
				48's average carded				St. ribbed smoked sheet			
				44's prepared				Fine hard Para			
				MINERALS				SHELLAC (per cwt.)—			
				COAL (per ton)—				TN Orange			
				Welsh, best Admiralty				TALLOW (per cwt.)—			
				Durham, best gas, t.o.b. Tyne.				London Town			
				Sheffield, best house, at pits				TIMBER—			
				IRON AND STEEL (per ton)—				Swedish u/s 3 x 8			
				Pig, Cleveland No. 3, d/d				2½ x 7			
				Bars, Middlesbrough				2 x 4			
				Steel rails, heavy				Canadian Spruce, Deals			
				Tinplates, per box				Pitchpine			
				NON-FERROUS METALS (per ton)—				Rio Deals			
				Copper—				Teak			
				Standard cash				Honduras Mahogany logs c. ft.			
				Tin—				English Ash Planks			
				Standard cash				English Ash Planks			
				Three months				VEGETABLE OILS (per ton net)—			
				Lead, soft foreign				Linsed, naked			
				Cash				Rape, refined			
				English, pig				Cotton-seed, crude			
				Spelter, G.O.B.—				Coconut, crude			
				Aluminium, ingots and bars				Palm			
				rolling billets				Oil Cakes, Linsed, Eng.			
				Nickel, home and export				Oil Seeds, Linsed			
				Antimony, Chinese				La Plata			
				Wolfram, Chinese				Calcutta			
				Platinum, refined				Turpentine			
				Quicksilver							
				GOLD, per fine ounce							
				SILVER, (per ounce)—							
				Cash							

THE BANK OF TAIWAN, LIMITED

(Incorporated in Japan)

Established 1899, by Special Imperial Charter of the Japanese Government, with authority to issue notes in Formosa.

Head Office: **TAIPEH, FORMOSA.** Central Office in Japan: **TOKYO**

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TRADE SUPPLEMENT

The Ministry of Supply

THE very existence of the Ministry of Supply is a tribute to the strength which Parliament and public opinion can exert, even in these days of government by decree. Ever since re-armament began in earnest, those who had experience of munitions supply in the last war persistently demanded that an organisation similar to the Ministry of Munitions should be set up. The Government, however, resisted this demand, and it was not until the invasion of Czechoslovakia in March, followed by the British guarantees to Poland, Roumania and Greece, that followed again by the introduction of conscription, that the Government at last realised that the normal peace-time arrangements for supplying defence equipment were inadequate. A Ministry of Supply was established, under Mr Burgin, with very comprehensive powers but a limited scope. It covered only the contracting departments of the War Office, the Royal Ordnance Factories, certain civil defence requirements, certain industrial requirements of the stocks of certain essential commodities. It was argued very strongly, in Parliament and outside, that the engineering resources of the nation could not be fully mobilised unless the Ministry of Supply also had authority for the supply of Air Force requirements, and possibly for Admiralty requirements as well. But the Government again resisted these arguments, attempting to answer them by setting up a war priorities committee of the Cabinet, on the lines of the committee set up in 1917, to settle disputes between the Service departments as they should arise. The scope of the Ministry was consequently unduly restricted, but at the same time it was given sweeping powers to insist upon priority for Government work on behalf of all

supplying Ministries, and it represented a vast improvement on previous forms of organisation. When war broke out, the first steps had been taken for the building of a proper machine for making the fullest possible use of the industrial resources of the country.

After eight weeks' decrees, the functions, scope and policy of the Ministry of Supply are beginning to become clear. In effect, the Ministry has two separate tasks. The first is to expand munitions output—to run the ordnance factories, to place contracts, to supervise contractors' expansion, to survey the engineering resources of industry and to find how best they can be used, to encourage and, if necessary, to compel industrialists to give priority to Government orders, and so on. The second is to control the supply and allocation of raw materials. Controls have now been established for iron and steel, non-ferrous metals, aluminium, hemp and flax, silk and rayon, jute, wool, hides and skins, leather, paper, timber, sulphuric acid, ammonium sulphate and other fertilisers, molasses and industrial alcohol. These Controls have full responsibility for, and control over, visible supplies; they fix maximum prices; in some cases they act as sole purchaser from abroad; they allocate supplies between consumers, and they generally exercise complete authority over their respective materials. The detailed administration of these powers varies from Control to Control, but the scope and objective are the same throughout.

As the war develops, the Ministry will become the biggest and most comprehensive trading organisation in the world. It has some restrictive functions, such as the curtailment of non-essential industries. But its main work is essentially creative—the use of our industrial resources

with greater efficiency and vigour than ever before, the transformation of peace-time raw material supply machinery into a large-scale trading organisation which will eliminate all waste and ensure a smooth flow of materials to industry and the achievement of a national economic effort both keener and more efficient than that of peace. Both in the policies of the Ministry and in its personnel the emphasis should be on the need for constructive work and vigorous executive action, rather than upon restrictive control.

Since the outbreak of war the Ministry has certainly displayed great activity in ordering munitions: a month ago Mr Burgin announced that orders had been placed to a total of £70 millions, that new ordnance factories were coming into production, and that a survey was being made of the nation's engineering resources. Criticisms have been directed against the regional organisation of the Ministry, and cases have been quoted in which firms competent to do Government work have been ignored. But there is not much doubt that substantial progress is being made and that the Ministry is ordering war material as fast as it can. Nevertheless, there appears to be some unwillingness to face long-term realities. The implications of the Ministry's energetic contracting must inevitably appear, sooner or later, in shortages of material and plant, first, in local bottle-necks and, then, over wide sections of industry. If this did not happen, it would be evidence that the Ministry was content to adopt the pace of the slowest sector of industry. Shortages should, therefore, be welcome evidence that production was expanding at the proper speed. Their appearance would mean that the point had been reached at which deliberate contraction of civil industry was necessary. If that point is not reached, then the industrial war effort will be inadequate.

The proper course, therefore, is for the Ministry of Supply to take full charge of the engineering and metal industries at once. The priority machinery should be put into operation as soon as possible, so that as soon as shortages appear they can be handled with the least confusion and disorganisation. The inevitable contraction of civil industry could thus be accomplished gradually and smoothly, for the Ministry would be able to foresee the appearance of bottle-necks and plan accordingly. The industrialist would become familiar with the working of the priority machinery, and that machinery would get over its initial difficulties at a time when there was still some slack in the system, and when mistakes would not be fatal. By the introduction of priority machinery the Ministry would be accepting from the start the responsibility for planning industry; it will be compelled to take that responsibility sooner or later, as the experience of the last war showed, and a vigorous decision now would cause very much less dislocation than will be created in a few months' time if the present state of affairs is allowed to continue.

The policy of the Ministry, however, as set out in an official memorandum explaining the Priority of Work Order of September 3rd, and in an answer to a question in the House of Commons last week, appears to be the precise opposite of this. The Ministry will take no initiative in industrial planning; it apparently intends to wait until the industrial results of its orders are plain and then to introduce a priority system. Apart from a general instruction to give precedence to work for Government Departments, for the maintenance of essential national services, and for exports, industrialists are requested to carry on with "Business as usual." The Ministry will wait until the shortages arise and will deal with them as they come. In other words, programmes will be based on the lowest common denominator of industry and the Ministry will spend its time trying to catch up with programmes rather than in shaping the industrial effort of the nation. When the inevitable shortages appear, industry will suddenly be required to cope with a complicated system of priority certificates, and this will create disorganisation at a crucial time. The Ministry will be unable to forestall shortages by quietly restricting supplies of materials to civil industry in advance.

The Ministry's policy, in fact, is a negative one. It leaves the initiative to the individual industrialist, and when the results of this appear in shortage, the Ministry will appear

as a purely restrictive agency. The industrialist in the arms-producing sector runs the risk of being unable to get important supplies; the industrialist in the non-essential sector will not know where he stands until his supplies are actually cut off.

Moreover, it appears that when the time does come for priority certificates, a number of different departments and committees will issue them. The proposed co-ordinating machinery was discussed in a Note on page 85 of last week's issue; even on paper it looks intolerably complicated and ill-adapted to the working of a cohesive planned policy. How far this machinery is in operation at all is uncertain. There is no evidence that consumers of raw materials are being refused supplies because their work is not of national importance. But, at the same time, some of the raw-material Controls appear to be issuing permits to purchase material according to priority schedules. Certain classes of steel consumers, for example, are excused from making application for licences and continue to receive supplies direct in the ordinary way. But in some other Controls all consumers who require more than a certain quantity must secure licences before their merchant may deliver at all. There appears to be very little cohesion between these priority schedules, although, evidently, if the licensing is more than a formality, its operation should not only be uniform over the whole field, but also thoroughly co-ordinated between its different parts. Otherwise appalling chaos may result: it is of little use giving a motor manufacturer licences for his steel and copper if he is refused any rubber.

This apparent unwillingness to deal with inevitable problems in advance and to make a constructive plan and put it into operation is intensified by the internal structure of the Ministry. Ultimate control is exercised by the Supply Council, an executive body consisting of ten men. Mr Leslie Burgin is chairman, and the under-secretary, Colonel Llewellyn, is the only other political representative. There are three civil servants and Service experts and five prominent industrialists and financiers, Lord Weir, Lord Woolton, Sir Andrew Duncan, Sir Peter Bennett and Mr Ashley Cooper. The balance which is thus created between civil servants, politicians and business men appears to be a reasonable one. But the industrialists, who are appointed as directors-general of various departments, are receiving no salary and are not working full-time for the Ministry, which must in effect share their services with the dozens of concerns in which they are actively interested. The principle appears to be the use of these industrialists' experience in an advisory rather than in an executive capacity. Yet the position of Director-General of Tanks and Mechanical Transport, for example, is surely an executive job and not an advisory one. The ability and drive of these outstanding executives is absolutely essential to the success of the economic effort, and they cannot be expected to do positive and vigorous work at the Ministry at the same time as they do their private work. A positive policy can be carried out only by industrial experts working full-time in the Ministry's service: the present method of using industrial experts makes a negative policy inevitable. This raises the difficulty, of course, of salary: evidently competitive commercial salaries must be offered to attract the best men into the Ministry's service for the duration. But that difficulty must be faced in the staffing of every war-time Department; it cannot be side-stepped by the acceptance of unpaid part-time services from men whose full-time powers of constructive work are urgently required.

In the staffing of the raw material Controls the same problem arises. So far the Minister has relied upon existing trade associations as far as possible, and where no trade association has existed the Control has been created from the resources of the largest firms. The British Iron and Steel Federation, for example, has in effect become the Iron and Steel Control; the leaders of the timber trade have become the Timber Control, and so on. These transformations have some immediate convenience, for the trade associations already have machinery in existence for doing many of the things that the Control does, and this policy does ensure that the Control is expertly advised on technical matters. But there are very real dangers of

abuse, for those in control may well be faced by awkward problems of divided loyalty. And there are dangers of inefficiency, for the controllers are apt to think too much in terms of "the industry" and not enough in terms of "the nation," and tend to keep in existence distribution machinery which is not necessary in war-time. It is virtually certain, if the war is fought thoroughly, that it will be necessary to compel some industries to do things they do not like; but no industry can be expected to be very good at applying compulsion to itself. These dangers can be avoided, and the confidence of the public and the industries concerned can be maintained, only if the experts are working full-time in the Ministry's service and on the Ministry's pay-roll, and if their impartiality and ruthlessness are beyond question. Already certain firms have expressed concern over the appearance of members of competing firms on the Control, and this is not a satisfactory state of affairs. The Ministry of Supply must not become an organisation for the feathering of nests.

These fundamental weaknesses of the Ministry's structure are of much greater public importance than those inefficiencies and uncertainties which have been the subject of most public criticism. The complaints of inability to get raw materials, of interminable delay in the issue of licences, of harsh treatment of outstanding contracts, and

of lack of co-ordination between the various Controls, represent the inevitable confusion which must occur in the building of a new administrative machine. Less hardship and inconvenience would have been created, no doubt, if the Government had taken the public into its confidence and had explained what was being done and why. But some measure of inconvenience was inevitable, especially as the Ministry was forced to plan on the assumption that London might become virtually uninhabitable in the first week of war. Much more significant is the basic inadequacy of the Ministry's present structure and policy, and there is urgent need that this should be remedied before shortages become acute and before the armed forces begin to spend material on the scale which will make the supply factor the decisive one. The crying need is for directing personalities at the very top whose minds are elastic enough to appreciate that this war can only be won by an industrial effort of gigantic dimensions, whose imaginations are vivid enough to foresee difficulties before they occur, and whose hands are free enough to enable them to build up the necessary organisation. The old Ministry of Munitions, inspired by Mr Lloyd George and staffed by a team of brilliant executives, met these requirements. The new Ministry of Supply has so far given very little sign of having taken the measure of its task.

The Treaty of Ankara

THE Tripartite Treaty that was signed by Great Britain, France and Turkey at Ankara on October 19th is no less welcome for being fully expected. It has been awaited ever since Mr Chamberlain announced on May 12th that Great Britain and Turkey had agreed to collaborate in order to resist aggression in the Mediterranean, that France and Turkey would make a similar declaration as soon as the question of the Hatay had been satisfactorily settled, and that all three Powers intended to conclude a Treaty more clearly and comprehensively laying down their obligations to each other. Negotiations began at once, and the text was ready before M. Sarajoglu's departure for Moscow on September 22nd.

The Treaty would, in fact, be more appropriately dated in May than in October, for it was the situation of May rather than that of October that it was designed to meet. That situation was overshadowed by Hitler's seizure of Czecho-Slovakia in March and by the Italian annexation of Albania in April. Soviet Russia was at that time negotiating about her entry into the Peace Front. The purpose of Great Britain and France was to bring diplomatic reinforcements to Roumania, who was fearful of German attack, and to Greece, who was watching Italy with concern.

For any such purpose Turkish collaboration was made necessary by geography. But Turkey was also linked diplomatically to the problem by a network of agreements. Apart from the long-standing Greco-Turkish Agreement, and the more recent Roumanian-Turkish understanding, were the most important of these diplomatic instruments were the Balkan Entente and the Montreux Convention. The Balkan Entente was concluded in 1934 by Roumania, Yugoslavia, Greece and Turkey. Each of these countries guaranteed the others against attack by a Balkan country (i.e. Bulgaria) or by any European Power in alliance with a Balkan country. The pact was a very comprehensive document of mutual assistance—indeed, too comprehensive, for Russia immediately pointed out that if she and

Bulgaria were to present their revisionist claims on Roumania simultaneously, Turkey would find herself involved in a breach of the Turco-Soviet Neutrality Agreement of 1925. Roumania was therefore prevailed upon to sign a declaration that, in the event of a conflict with Russia, she would expect no help from Turkey.

Roumania's security is also bound up with the Montreux Convention of 1936. The provisions of the Convention are complicated. But their most relevant terms can be summarised by saying that there are only two sets of circumstances in which warships of countries which have no

Black Sea coasts will be allowed to pass the Straits. One is if Turkey is at war, when she may please herself whom she admits or excludes. The other is when Turkey herself is not at war, but other Powers (e.g. Britain and France) are seeking admission to the Black Sea in order to honour their obligations—either the general obligation of the League Covenant or the specific obligations of a mutual assistance treaty binding Turkey and registered with the League—by going to the aid of a victim of aggression. In this case, there would seem to be a clear obligation upon Turkey, save

that she is entitled to please herself not only when actually at war but also when "threatened with imminent danger of war."

The new Treaty, taken together with this network of previous agreements, completes an ironclad system of guarantees designed to meet the menaces that were visible in May. Article 1 guarantees British and French aid to Turkey if she is a victim of aggression by a European Power; Article 2 is a mutual guarantee of assistance, should an act of aggression by a European Power lead to war in the Mediterranean. In Article 3 Turkey undertakes to lend France and Britain "all aid and assistance in its power" if they are involved in a war in fulfilment of their guarantees to Roumania and Greece. Articles 4 and 5 provide for consultation in the event of war under circumstances to which Articles 2 and 3 do not apply. And in the



Defence Measures

This summary, which will appear regularly (though not necessarily every week), is intended to provide a useful tabulation of legislation and other acts of governmental and semi-governmental bodies arising out of the war. It is not in any sense a diary of the war.

EMERGENCY LEGISLATION

Local Elections and Register of Electors (Temporary Provisions) Act

Provides that elections to local government bodies shall be suspended until the end of 1940, in accordance with the arrangement between the parties that such elections shall be suspended for the duration of the war. The date will be advanced from time to time as circumstances may require. (Passed October 19th.)

DEPARTMENTAL ORDERS AND INSTRUCTIONS

Agriculture. (October 19th)—The Minister of Agriculture announced that the period within which grassland must be ploughed to be eligible for the Government grant of £2 per acre is extended to March 31, 1940; that payment will be expedited; that prices will be fixed for next year's harvest at a sufficiently high level to ensure a reasonable return; and that purchases of cattle, sheep and pigs for food by the Ministry of Food after rationing begins will provide farmers with a guaranteed market. Farmers urged to increase their flocks of sheep at once. (October 24th)—Further explanation of the above measures given in a Ministry of Agriculture circular.

Air Raid Precautions. (October 18th)—Applications for payment of Government grant under Civil Defence Act for shelter provided in commercial buildings may now be made to the Ministry of Home Security.

Communications. (October 20th)—The sending of newspapers, books, memoranda, etc., out of the country otherwise than by post and without a permit to the British Empire, North and South America, France and the French Empire made possible by a War Office Order.

Food. (October 14th)—General import licence issued for melons and grapes arriving between October 17th and 31st. (October 16th)—Herring prices fixed by Ministry of Food Order. (October 23rd)—Prices of home-produced and near European fresh eggs raised by Ministry of Food Order.

Fuel. (October 13th)—Order by Mines Department pro-

hibiting the use of kerosene or paraffin in any motor vehicle. Ministry of Transport announce that from October 20th fuel ration coupons will be issued to public service vehicle operators on a fortnightly instead of a weekly basis. (October 17th)—Price of petrol raised from 1s. 6d. to 1s. 8d. per gallon. (October 21st)—Ration of gas and electricity raised from 75 per cent. to 100 per cent. of last year's consumption.

Insurance. (October 18th)—Scheme for insurance of vehicles used for civil defence announced by companies and underwriters after consultation with Government departments concerned. (October 24th)—The Government War Risks Insurance Office now prepared to insure against war risks passengers' effects when carried in British ships for all voyages in respect of which facilities for the corresponding insurance of cargo are available.

Labour. (October 22nd)—Age of reservation in a number of reserved occupations, including several engineering trades, metal working, machine tool-making and aircraft construction, amended to 18.

Raw Materials. (October 14th)—Agreement for Government purchase of Australian and New Zealand wool clips for the duration of the war and one clip thereafter. (October 16th)—Central purchasing pool to regulate imports of cattle hides and calf skins established by Ministry of Supply. (October 23rd)—New schedule of maximum wool prices announced; and imported merino and cross-bred wool and tops requisitioned by Ministry of Supply Orders. Campaign of the Iron and Steel Control to encourage recovery of scrap iron and steel commenced. Air Ministry announced voluntary scheme for control of allocation of orders for aluminium and magnesium light alloys and their distribution.

Shipping. (October 13th)—Minister of Shipping appointed.

Statistics.—Inquiries into production, etc., carried out by Board of Trade under Import Duties Act, 1932, and Census of Production Act, 1906, suspended during the war.

Trade. (October 18th)—Memorandum by President of Board of Trade to trade organisations stressing importance of maintaining exports. (October 25th)—Board of Trade Order prohibiting import, except under licence, of machinery and plant.

Transport. (October 18th)—Additional buses restored to service on many London routes.

NOTES OF THE WEEK

Success Abroad.—It was the Allies who picked upon economic warfare as the aptest instrument to penetrate the Reich's defences. Up to now it seems that the enemy has duly accepted the challenger's choice of weapons. Since the destruction of Poland the Nazis have made war at sea and in trade their chief aim. Their attacks on the British Fleet, the lynch-pin of the Allies' stranglehold on German commerce, have so far failed, and convoyed merchant ships have proved safe against the Nazis' first and second weapons, the U-boat and the bomber. Now the third weapon is at work—the fast armed raider; and the pocket-battleship "Deutschland" sank its first victim some days ago. Sinkings are still too few and far between to menace Britain's arterial trade, but they are rising again. The full force of the enemy's attack on, above and below the water has still to be developed. In Europe a parallel trade offensive to clamp the neutrals in a German bloc is going on. Neither facet of the Reich's economic warfare reflects much success: the captured American vessel "City of Flint" had to be taken by its German captor to a Russian port, because the approaches to Germany were barred; the wished-for hegemony of European trade can neither knock-out Britain nor fill up the gaps in Germany's supplies. Nor, indeed, do the neutrals want it.

—And Doubts at Home.—But we are told now that this is but preliminary skirmishing. Von Ribbentrop went near to declaring total war at last this week at Danzig—on Britain not on France—and Goering's own journal has forecast war raining down on the British Isles. The war we expected may indeed be coming. Nothing, however, can alter the fact that the Reich has had only small success so far. For the Allies the war has gone well and according to plan—abroad. The contraband control, the rooting-out of the U-boats, the mobilisation of two Armies on the Western Front, the loyalty of Turkey set beside the firm promise of vast aid from the Empire, symbolised by the meeting of Dominions Ministers in London this week, amply justify the confidence of the speeches broadcast in the past few days by Mr Hore-Faith and Mr Eden. Both touched on Germany's greatest failure—the fizzling-out of their drive to win victory by the making of a premature, ignoble and precarious peace. But only the first words of war have been written and the grimmer stages when they come will rest for their outcome on the progress of events at home—where British successes have so far been far less evident. A vast apparatus of control has been erected—of necessity—but it is at work in a cloud of secrecy and indecision. The inborn unwillingness

of the Government we have to clarify and co-ordinate its economic policy has become a matter for serious concern and anxiety. When the real strain of war comes it may well be here that the point of weakness is found. There is a grave lack of inspiration and leadership to take the good counsel that is coming from all quarters.

* * *

Not Quite His Master's Voice.—The significance of von Ribbentrop's speech was neither in its quantity nor its quality (both of which were rather less than we have come to expect from the Nazi leaders), but in its time and place. The only good reason for the speech was to provide a reply to the Anglo-French refusal of Hitler's "peace offensive"; in that case, given that the continuation of the war had to be more or less admitted, one would have expected the reply to come from Berlin, or at least from the heart of Germany. In the event it came neither from the heart nor from the head. It was made by one who has never hitherto been reckoned among the Nazi spell-binders and the place that was chosen was a newly-annexed city. Perhaps von Ribbentrop believed his lying and blustering would go down better with the Danzigers than with established Germans of the Reich. The strength of the mixture was unusually strong, and gave the impression of a man labouring to work off a sense of grievance. The projection of the Nazi will-to-war on to Britain and France was, of course, only what could be expected at this stage, especially from the very man who has for years advised Hitler that the Western Powers could not and would not go to war to oppose German conquest. In itself the speech contains nothing new, and its very sameness comes near to an admission of diplomatic defeat. Its effect on the home front can have been no more enthusiastic than the news that the tax-certificate plan for financing capital expenditure, evolved by Herr Reinhardt some months ago, is now officially admitted to have failed. It appears that the Reich Government was faced with the prospect of receiving a flood of the newly-issued tax-certificates in lieu of tax payments falling due in the near future; this would mean that the inducements offered to holders of the certificates not to exchange them or use them as legal tender have proved insufficient, and it may be noted that the negotiable value of the certificates has in fact fallen to 94 per cent. This faces the Ministry of Finance with a pretty problem in emergency financing, for it will not be enough to drop the scheme and say "perish all experimenters!": something will have to be found to stand in its place. A further step towards open inflation seems probable. If Dr Funk and his colleagues hesitate to take that step, it may be because they fear they are now approaching the point at which no amount of harsh restriction of supply and of purchasing power can obscure from the German people the fact that they are on the edge of financial ruin.

Magna est Veritas.—The strength of Britain's diplomatic position and the honour in which her cause is held abroad are founded on truth-telling more than on anything else. This fact is so fully recognised that it has become one of the main principles of British relations with the outside world. The more is the wonder that the Government apparently believes that its domestic prestige can better be supported by a certain lack of frankness than by truth-telling. Not (so far as we know) that there has been any deliberate prevarication, but the reasons given for Government action (or inaction) are so often not the really operative reasons that the public is beginning to suspect prevarication where there is none. A couple of examples will illustrate the point. In last week's first raid on the Firth of Forth the air-raid sirens were not sounded in Edinburgh. Why? The almost certainly correct explanation is that the arrangements broke down. But the Prime Minister informed the House of Commons that "as the attack was local and appeared to be developing only on a small scale, and as our defences were fully ready, it was not considered appropriate in this particular instance to issue an air-raid warning which would have caused dislocation and inconvenience over a wide area." The House of Commons may have believed this; the man in the street does not. He knows that it was considered "appropriate" to fetch the whole of London out of bed when one unidentified aircraft approached the coast, and he would have thought it "appropriate" to have warned at least the city of Edinburgh when German bombers were actually over the roof-tops. Or, again, the reason officially assigned for the decision to increase the ration of gas and electricity from 75 per cent. to 100 per cent. of the previous year's consumption was the unexpectedly large savings due to the black-out. This too puts an intolerable strain on the public's credulity, especially when it is not accompanied by any mention of the very well-known fact that the gas and electricity industries have been making vigorous protests against the quite unnecessary curtailment of their revenues. The plain truth is that the fuel rationing scheme had not been properly thought out. Why not say so?

* * *

The Proper Scope for Economy.—The House of Commons has rightly insisted, from the start of the war, on the paramount need for economy in Government expenditure, and there is a growing body of support for the proposal, which came originally from the Liberal benches, for the appointment of a Select Committee to operate on the same lines as that over which Lord Samuel presided during the last war. But at the moment it seems even more important to insist that the war will not be won by merely refusing to spend money. There are many examples to hand of quite foolish cheese-parings that are being forced upon the Ministries by Treasury control. The working of the contraband control is impeded, and the average period of delay for neutral shipping in the Downs is unduly

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extended, because the Ministry of Economic Warfare cannot get authority to employ a few more typists. According to credible report, the Treasury itself is saving money by filling up the gaps in its ranks from the redundant staff of the Victoria and Albert Museum. With universal agreement—in theory—on the need for every effort to increase our export trade, the Department of Overseas Trade has been decimated. The much-abused Ministry of Information has been subjected to a wave of economy as foolish as it was arbitrary. The one test that ought not to be applied to the efficacy of a Ministry of Information is what it costs, and if the Ministry has been staffed with mediocrities and amateurs, the reason is that it was not authorised to pay the salaries necessary to secure competent professionals. The officer in charge of the local office of a certain Ministry submitted a proposal to increase the efficiency of his staff by cutting its size and increasing the average salary. His proposal would have halved the total salary list; but it was rejected because the salaries he proposed to pay his senior assistants were higher than the Treasury will sanction for anybody who is not an established and entrenched Civil Servant. The one form of economy that will be fatal will be an economy of brain power. But it seems to be the only form of economy that the Governmental machine understands.

Russia and Scandinavia.—The Soviet Government likes to take its time when negotiating with other countries, and, after the experience of the past year, there will be no surprise that the Finnish negotiators are to return to Moscow on a further visit and seem likely to remain there for several days at least. The nature of the Soviet demands on Finland is being kept a close secret by the Finns, though there is reason to believe that they have been communicated to the Swedish Government; the main reason for this secrecy is presumably to preserve Russian "face" in case Moscow can be got to modify its original demands. It would seem that some modification has already taken place, but there is no substantial confirmation of the reports from various sources in Moscow that the Soviets are now asking in regard to the Åland Islands only for a supervisory control to make sure that the islands are not fortified. Meanwhile, the Soviet Government has recalled its Minister in Stockholm, presumably to report on the Swedish attitude to its pressure on Finland; and the German propaganda service has taken advantage of this to put about the rumour that, if Finland gives way, Sweden will be next on Russia's list. That sort of mischief-making is the obverse of the happy picture presented to the world this week of Russia and Germany hand-in-hand—comin' through the rye, indeed—on a deal whereby Russia supplies Germany with 1,000,000 tons of grain and feeding-stuffs, delivery to be made within two months. This should be an instructive test for German railway engineers.

Convoys and Contraband.—In a Note which was handed to the British Ambassador in Moscow during the night of October 25th the Soviet Government rejected the British case regarding contraband which has been accepted by other neutrals. The effect of the Soviet Note was to declare that the inclusion of goods such as food and clothing on the British contraband list was illegal under international law, and that the Soviet Government regarded as "wholly unfounded and arbitrary the demand for the obligatory calling (of ships at contraband inspection ports)" An interesting argument used in the Note was that all Soviet ships were State property and should not therefore be subjected to the compulsion applied to privately-owned ships. In general, the position seems clear. Under international law any item of goods may be declared by a belligerent to be contraband, the sanction being of course political and not legal. Other neutrals have recognised this and are at the moment negotiating trade

agreements in London. Their shipowners may soon receive, and accept, an offer of British convoy—even though their Governments, for obvious political reasons, would reject an official offer of convoy if it were made to them. The precise definition of contraband has always been difficult, and is likely to remain so. Injustices will occur whatever safeguards are taken. But the Soviet Government, after all, has had plenty of experience in the technique of ensuring the honesty of non-intervention, its representative having sat during most of the Spanish Civil War on the London Committee designed to that end. Perhaps we may have a German Non-Intervention Committee? But then it might be difficult to reconcile a declaration of economic as well as political non-intervention with the commercial references in the German-Soviet non-aggression pact. In the meantime, we may point out that the best proof (but not the only one) of our intention not to penalise the people of the U.S.S.R. is in the trade agreement lately signed in London for the exchange of Russian timber for tin and rubber, and in the fair hope that another agreement of that kind will shortly be signed.

A Continental System?—There is nothing new about Germany's plan for a vast reorganisation of European production and trade on a self-sufficient basis, cutting out all overseas trade and thus securing the dual purpose of safeguarding Germany's supplies and of crippling the economies of France and Britain. During the last war Friedrich Naumann's plan for *Mittel Europa* covered much the same ground as the present plan for a continental blockade against Britain and a four-year plan of *Grossraumwirtschaft*, and even the measure of absolute control exercised by the German armies, who in 1916 and 1917 were in physical possession of Eastern Europe from the Baltic to the Black Sea, did not prevent Germany's economic collapse in the following year. However, admitting that Germany's technical ability is greater now than in 1916 (a very sweeping admission), that the ground has been more carefully prepared and the smaller countries to the East are not already devastated by war, there still remain blatant flaws in the whole argument of self-sufficiency. For one thing it assumes that Germany is in a position not only to maintain her present volume of trade with other European countries but even actively to increase it. Now this assumption is quite untenable in face, for example, of the British loan of over £40 millions to Turkey, which, however dubious on a peacetime commercial basis, is obviously an effective instrument for breaking any attempt at a German monopoly of Turkish supplies. Finally, there remains the fact that certain vital materials are simply not produced in sufficient quantities in Europe, copper, for example, or tin, nickel, rubber, cotton or wool, while others, to be adequate, depend upon the readiness and ability of the U.S.S.R. to increase her exports. Germany admits that "the vast possibilities of Russia have been selected as the foundation" for the new continental system. A more hypothetical foundation can hardly be conceived.

Injuries to Civilians.—The repeated statement that in totalitarian war the whole population is in the front line carries with it certain important corollaries. Outstanding among these is the principle that civilians going about their ordinary business at home, as well as members of the fighting forces, are entitled to compensation in respect of injuries or death caused by war operations. This principle is embodied in the Personal Injuries (Emergency Provisions) Act which was passed on Sunday, September 3rd—a day on which it was unlikely to receive widespread and objective examination. The Personal Injuries (Civilians) Scheme, which set out particulars of the payment of allowances, was presented to the House on September 15th—another occasion when discussion was at a discount. Tuesday's debate on the petition that the Scheme should be annulled was therefore the first occasion on which

detailed Parliamentary comment was expressed. The sense of that comment was unmistakable. The Scheme as it stands is completely unsatisfactory. It discriminates against married women and against large families; its wording and the procedure of application for grants which it lays down are so cumbersome as to give rise to the presumption that obscurity was deliberately sought as a means to reducing expenditure; it contains also some accidental anomalies which can only be removed now by withdrawing the whole Scheme, since it ranks as an Order-in-Council and must be accepted or rejected by the House in its entirety; and it exceeds all previous measures giving power to Government departments by placing the disbursal of public money at the discretion of the Minister of Pensions. The motion to annul the Scheme was defeated, but there is now at least a possibility that it will ultimately be superseded. As was the case with the schedule of allowances for disabled soldiers and their dependants, too little attention has been paid to the possibility of eliminating hardship, while at the same time avoiding a greater total expenditure than is strictly necessary, by establishing a minimum level below which total resources should not fall in any instance.

Rationing Delays.—It is probably the case that the most common early reaction of consumers to the postponement of food rationing was one of grateful relief. But after nearly two months of eating and drinking on a peacetime scale (the consumption of meat, even allowing for the exceptional demands of the forces, has actually increased) the suspicion is growing that the delay in the introduction of schemes is due not to Governmental generosity based on solid plenty, but to lack of detailed preparation by the responsible department. For the spread of this suspicion there is ample excuse. Official statements, now to the effect that rationing was about to arrive, now that it had been again postponed, have succeeded each other with such rapidity that even the expedient of believing the most recent has broken down. In the meantime, there have been local shortages of butchers' meat, despite the fact that total supplies are apparently adequate; and there have been absolute shortages of the cheaper qualities of bacon and tea, with consequent difficulties in the poorer households. These things (except the bacon shortage, which is due to shipping difficulties) are clear evidence of defects in the distribution arrangements. Great allowances can be made—and have been made—for a department which is undertaking a thankless task, and which, like many others, probably based its arrangements on an assumption that air bombing would begin in the first days of the war. But there is a limit to such allowances. The Food (Defence Plans) Department has been in existence since 1936 and has had time to plan in detail and to work out a margin for emergency alterations. It might have been expected to foresee some of the major difficulties which have shot up from nowhere in the past few weeks and produced a curious Alice-in-Wonderland impression that the nearer rationing comes the farther away it gets. The would-be reassuring official statements made so far mean one or both of two things. Either the difficulties have not been foreseen or they have been deliberately concealed from the public. The realisation of these facts goes hand in hand with the realisation that the skeleton of future scarcity is sitting at the feast of present abundance.

Disorder in Evacuation.—The time has come to forget that the transport stage of evacuation two months ago was a great success. At present the whole process is crumbling. Even in the first instance too few of the women and children for whom evacuation was arranged actually went—675,000 school children out of a million and a-half went—all, 270,000 out of 500,000 in London, 25,000 out of in all, 270,000 out of 500,000 in London, 25,000 out of 100,000 in Birmingham, a third in Sunderland, and a quarter in Leeds. Ever since, the business of billeting and settlement has proceeded haltingly and with acrimony,

despite the fact that accommodation should have been easy because so many stayed at home. The most obvious trouble at first was financial. Allowances to hosts had to be raised, and then contributions from the parents of evacuated children had to be asked for. But the root trouble is social. The Englishman's age-old distaste for billeting in private houses is undimmed—nor, indeed, are most English houses suited for billeting. Both parties to evacuation feel that they are the chief sufferers: the hosts because they have been invaded without any choice in the matter; the refugees because they have been torn from their families. They both want their homes back again. They both tend to have the crazy notion that "there won't be any air raids now." So the drift back to danger has gone on—13,000 children back to Manchester, 20,000 back to London, 5,000 to Birmingham, and so on. The meaning of evacuation for the vulnerable urban areas is simply that no schools are open for the 900,000 children that never went or have come back. The Government's view that the schools there should not be opened is the right one—this week's new readiness to be evacuated from the raided area around Rosyth is significant; but it is wholly incompatible with the way in which evacuation has been permitted to fall to pieces—and not only evacuation, but education and juvenile welfare as well. The point is not simply that schools should not be opened in danger areas, but rather that there should be no children there to go to school. If there are air raids there will be chaos, simply because the obvious prerequisites for large-scale migration were wholly omitted from the evacuation scheme—camps to house the migrants, frame schools to educate the children, canteens to feed them, communal centres to interest and engage them, and war work of various sorts for the adult evacuees to do. The truth is that no one seems to have expected that evacuation would ever be needed.

Establishing A.R.P.—The civil defence organisation was built up on the dubious principle that all areas needed roughly the same degree of protection in terms of personnel. It would be the height of folly, now that it has been decided to reduce the number of paid A.R.P. workers, if the same principle were applied to the process of cutting down. To a point the outlines of the proposed reorganisation—which is to be welcomed on grounds both of efficiency and expense—are plain. The Auxiliary Fire Service, with its full-time "first line" standing always ready and its part-time reserves to be summoned in raids, is to be the exemplar for the other A.R.P. services, and the minimum weekly hours of work for regulars is now laid down—48 hours for women, 72 for men with at least

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ne continuous spell of 24 hours free each week. What is not known is by how much the numbers of full-time firemen and wardens are to be cut. In general terms Sir John Anderson has stated that the object now is to find the right-sized first-line nucleus for each service in each area, and then to work out the number of part-time reserves that would be required to supplement the regulars in actual raids—the ratio being plainly dependent upon the speed with which the reserves can be brought into action and the vulnerability of each area; and the first line should not normally exceed 50 per cent. of each service's total strength. There is nothing in these pronouncements to prevent a reasonable differentiation in personnel between "safe" and "dangerous" areas—at present the proportion of paid full-time workers in A.R.P. over the whole country is only 1 in 8. Sir John has rightly emphasised that there can be no question of any large scale demobilisation, and he has admitted that more paid and full-time workers will be needed in some places. Differentiation might be made even more specific. Certain zones, such as Thames-side, Tyne-side, the Humber, industrial Yorkshire, and parts of Eastern Scotland, might well be definitely listed as areas where no disbanding at all can be contemplated. Nor in the present rush to save money should considerations of quantity be permitted to over-ride considerations of quality. It is true that the only final test of the adequacy of A.R.P. is air raids. But the sort of practical tests which have lately been conducted with the fire services in London are invaluable, and it is far more important to find out whether the men and women now in service are likely to act efficiently under stress than it is merely to seek ways and means of giving them the sack. Criticism of A.R.P. has become fatuous. Simply because there have been no air raids yet, A.R.P. workers are being stigmatised as idle and parasitical. In actual fact they are simply the citizens who responded to calls for national service when others did not, and they are no more redundant because no bombs have fallen than the troops on the Western Front are redundant because no offensives have yet been launched.

Plain Words in Tokyo.—In these piping times of neutrality, it is by no means every day that an American Ambassador can be heard putting his foot down. But the unusual did happen on Friday of last week, when Mr Joseph Grew, United States Ambassador to Japan, told a mixed audience some plain truths about that fabled euphemism, Japan's "new order in China." To Western protests that the "new order" is neither new nor an order, the Japanese have always replied, even with a suspicion of petulance, that "you don't understand." Somewhere in that wide gap between the Japanese and the Western outlook the invasion of China has been transformed from the semblance of enlightened persuasion into that of barbaric conquest, and no amount of explanation, on one side or on the other, has availed to prevent that transformation. It might have helped if there had been more explanation on the British side, or at least more vociferation (for that seems to count as much, or even more), but neither the directors of our Far Eastern policy nor their representative on the spot have concurred in this view. Mr Grew's remarks therefore deserve our thanks. Those which have gone into print were timely and to the point. "Americans understand the proposed new order very well," he said, adding that they opposed it when they found it deprived them of long-established rights. On the Japanese complaint of American "legalism," he said, "If that term includes respect for treaties, official commitments, international law, and commercial equality, legalism is one of the cardinal principles of American policy." Nothing that Mr Grew said has been repudiated from Washington, and it would rather appear that he was directly speaking Washington's mind. This may mark a definite stiffening in the American attitude, or it may merely be taking advantage of the appointment of a more reasonable Japanese Government, whose Foreign Minister, Admiral Nomura, is known and liked in the United States. It may be that the Japanese, in playing up to the Americans, hope to weaken the British position. If so, they are likely to be disappointed, for it

is obviously in America's as much as in Britain's interest to hold the argument that, in negotiation with the Japanese over China affairs, "questions of a general nature" must be discussed by all the interested Powers.

Indian Misgivings.—The Indian Congress has now delivered its considered opinion on the Viceregal statement of British aims with regard to India (reported in *The Economist* of October 21st), and, as might have been expected, the opinion is not a complimentary one. The Congress Working Committee's resolution speaks of "an unequivocal reiteration of the old Imperialist policy." In their view the statement was "wholly unfortunate," and "in these circumstances the Committee cannot possibly give any support to Britain." Along with a warning against "hasty actions like civil disobedience and political strikes" goes the resolution that "the programme of resistance must be mensurate with the magnitude of the issue before the country and requires perfect discipline." However much Mr Gandhi may sympathise with the British cause, his sentiments can differ little from those expressed in the Committee's resolution, while other leaders have been far more emphatic in their condemnation of the Viceroy's statement than Mr Gandhi was. Reports from India speak vaguely of a forthcoming compromise, and of things not being as bad as they seem; but whatever may be the limits of Congress determination, it would obviously be political folly to under-estimate them or to allow it to be known that we were deliberately under-estimating them. We should assume that the Congress will do at least part of what they say. In that case, it would seem that something is now owing from the Viceroy or from the British Government, and it is to be hoped that the debate in the House of Commons on Thursday, held after *The Economist* went to press, will go some way to making up for a statement whose defects of form did nothing to compensate for a substance which was in any case bound to be disappointing to Indian Nationalists.

Politics in Bulgaria.—Behind the screen of a parliamentary procedure whose complexity is increased by autocratic qualifications, it would seem that King Boris is engaged in a genuine effort to obtain a Government which will be more representative of popular opinion. After months of intensive criticism in the *Sobranie* M. Kiosseivanoff, who has managed to stay in office since 1935 in the face of much opposition, resigned this week. Having broadened his Cabinet, it was the outgoing Prime Minister's intention to demand special powers. Sufficient powers to offset the disadvantage of a majority opposition in the *Sobranie* already existed; it is probable, though, that these powers would have been swamped by an unusually strong wave of popular feeling—and the storm signals have been flying for some time now. Whatever M. Kiosseivanoff may have had in mind, it may be deduced that the King thought otherwise, for in the past week he has had conversations with leading politicians to the end of forming a Government of which M. Kiosseivanoff would not be the head. It seemed that M. Moshanoff, the Speaker of the *Sobranie*, was billed for the post; but in the event he could only raise a small minority of supporters. Having failed to find an alternative, the King then came back to M. Kiosseivanoff, who actually got as far as announcing his Cabinet, only to be forestalled by the announcement of general elections. Here, again, there is a hitch in the explanation. In Bulgaria it is customary to allow at least two months' preparation before a general election is held; and on this occasion, owing to the uncertain political outlook, there seems little likelihood of the elections being held before February. Meanwhile, M. Kiosseivanoff and his reformed Cabinet will continue in office. The Prime Minister continues as his own Foreign Secretary, and M. Bojiloff, who by this time has acquired a rare experience of negotiating trade agreements with Germany, remains a the Ministry of Finance. No new Government is likely to affect foreign policy, for that is a dynastic preserve not to be poached upon by mere politicians.

THE WORLD OVERSEAS

The Soviets' Polish Conquests

(From a Correspondent)

DURING the second visit of von Ribbentrop to Moscow the demarcation line between the German and Russian armies in Poland was modified. Not the Rivers Vistula and San, as in the first plan, but the Narew, Bug, and San now constitute the frontier. The difference between the original line of demarcation and the revised one consists in the fact that while the first cut the territory which is essentially Polish in race and language into two halves, the second roughly marks off the White Russian and the Ukrainian lands from the purely Polish territories.

Western White Russia is a country incredibly poor, primitive and backward. Its peasant population dwell in huts, often suffering hunger and frequently knowing famine. The great estates belonging to big landowners are as poverty-stricken as the peasants' small holdings. In the cities and towns—mainly Jewish—the population carry on a poor trade and primitive handicrafts, vegetating unhelpfully without any prospect of a better future.

In politics the Western White Russian peasantry tended to gravitate towards Minsk, the capital of Soviet White Russia. Tales about a "free and independent White Russia" over the frontier, where there are no "noblemen" and where White Russian was used as an official language, profoundly agitated the imagination of the local peasant youth; and the Western White Russian *Hromada* grew up into a great political movement round about 1925-27. It was a national movement with a strong radical colouring, and at that time it had a few deputies in the *Sejm* (Parliament) in Warsaw. Their head, deputy Taraszkiewicz, was a former revolutionary and Polish patriot who took up the cause of the White Russians and became their patron and tribune.

For the quiet White Russian countryside this was a period of *Sturm und Drang*. The Polish authorities suppressed the peasant insurrections without mercy. The *Hromada* was put down, and the actions of the Soviet authorities contributed to the liquidation of the White Russian movement even more effectively than the persecutions of the Polish Government. The *Hromada* was for some unknown reason banned in Moscow as a heresy; and a few years ago Taraszkiewicz was shot in Moscow as a "Polish spy," even though he had come to Moscow straight from a Polish prison. News about the Soviet purges and about compulsory collectivisation cooled the pro-Soviet sympathies of the peasants of Polish White Russia. The White Russian country—whose national anthem begins with the words, "We slept long"—resumed its passive sleep—from which only the thundering of a world war and the march of the Soviet Army has awakened it.

Much more important for the Soviets than Western White Russia are the Ukrainian acquisitions. The newly acquired Ukrainian lands are very valuable from the economic point of view; and they possess a richer and more complex cultural and political tradition. This territory has an area of about 130,000 square kilometres, with over 9,000,000 inhabitants, of whom 70 per cent. are pure Ukrainians. About a fifth of the population here live in towns. The southern part of these lands, Eastern Galicia, is partly industrialised.

Here, too, are the oilfields (the importance of which has been much over-valued in the English Press). Just before the war the Polish technical press was complaining about the decline of these oilfields. The output has been falling progressively, and the reserve of oil was generally considered to be becoming gradually exhausted. Actually, agriculture and the industries connected with it (such as saw-mills and the manufacture of beet sugar, flax, hemp and hops) predominate here. About 30 per cent. of the agricultural zone in this region was until now the property of big landowners; less

than 50 per cent. belonged to peasants; and the remainder was State property. Social relations were still archaic and feudal. With the advent of the Soviet Army the big estates are to be broken up.

The agricultural reforms now being carried out in the lands under Soviet occupation correspond to the agricultural upheaval in Russia itself in 1917-18. The "liquidation" does not apply to all private agricultural properties, but only to large landed estates. The Soviet authorities establish their prestige in country districts, not as the enemies of property, but as the defenders of peasant proprietorship. In any case, it need not be surprising that, in the Soviet elections held on October 22nd, 91 per cent. of 4,780,000 voters in Western Ukraine voted for Bolshevik candidates; or that 91 per cent. of 2,700,000 voters in Western White Russia did the same.

Actually, there is a contradiction here between official Soviet agricultural policy in the "old" Soviet Ukraine and the new policy applied to the recently acquired lands. Eastwards from the former Polish frontier the independent small peasant holdings have been forced to give way to collectivisation. Drastic compulsory methods have been used which caused great dissatisfaction. Masses of peasants living on the Ukrainian frontier have been removed by the Soviets during the last few years into the interior of Russia and Siberia in order to clear the border districts from elements which were uncertain and unsatisfied. The unification of the reunited Ukraine now imposes on the Moscow Government a whole series of very delicate political and economic tasks. It is to be presumed that in the Polish Ukraine and Western White Russia the programme of collectivisation will not be applied in the near future. Moscow would not wish to surrender the prestige of a benefactor in the eyes of its new subjects. On the other hand, the toleration of Kulaks and individual property in the Western Ukraine may have an influence on the already weak morale of the collectivised peasant in Eastern Ukraine. Much water will flow down the Dnieper before the complete unification of the torn lands becomes an accomplished fact.

There are purely political considerations involved in this problem. The Western Ukraine under Polish rule had a relatively intensive political life. The Ukrainian movement comprised a very wide circle of parties and factions ranging from the Fascist Paliyev group to the National Democratic party *Undo*, and there were all sorts of Socialists reaching as far as a pro-Soviet Left wing. Years ago the pro-Soviet party, under the influence of the Communist party, *Selrob*, was a decisive force in the country. But, as in the case of the

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White Russian *Hromada*, the Ukrainian *Selrob* disappeared from the scene, not only on account of Polish persecution, but even more in consequence of the anti-Ukrainian action of Moscow. The destruction of the Ukrainian intelligentsia and the old Bolsheviks in Kharkov and Kiev made a deep impression on the Polish Ukrainians. Ruthless collectivisation in the Soviet Ukraine also left a marked trace in their memory.

The result was that for the last few years the Ukraine movement, in which the predominant place has been held by the *Undo* party, has advocated an anti-Soviet policy (which by no means denoted loyalty towards the Polish State). Thus, in the newly conquered Ukrainian districts the Soviets will have to face large and strong centres of opposition which may even influence the Soviet Ukraine itself, where ferment and clashes are still going on. Undoubtedly this is the chief anxiety of the G.P.U. police, who are already at work in the occupied areas.

Yet a united Ukraine would be a great national asset, especially economically. Its population is about 47 millions. Its wheat production is comparable with that of France. One-seventh of the world's rye, one-tenth of the world's barley and one-sixth of the world's sugar beet is produced in the Ukrainian lands. The output of pit coal is about equal to France's output seven years ago, and the production of oil is over 2,000,000 tons more a year than that of Roumania. But it will be a long time before there will be the political peace and social progress in all the Ukrainian lands for the Soviets to turn this abundance into real national wealth.

Neutral Sweden in War Time

[FROM OUR STOCKHOLM CORRESPONDENT]

SWEDEN is strongly affected by the war. Any hopes of a neutral country's "war prosperity" have certainly vanished. The defence of neutrality, which comprises mobilisation of the navy and the manning of coastal defences, will require exceptionally heavy taxes; blockade measures and contraband controls have hampered imports and, still more, exports. Sweden's traditional economic freedom has been lost in a cloud of decrees and restrictive regulations, and a full war economy has in fact been established. Though stocks of foodstuffs are sufficient—Sweden is self-sufficient with regard to foodstuffs—the British contraband control has already caused a shortage of some imported primary products, such as petrol. The use of private cars has been prohibited.

Sweden is entirely dependent on shipping for its commercial intercourse with other countries. It is therefore of vital importance that the State and private citizens should give evidence of an impeccably neutral attitude towards the belligerents which control access to Swedish ports. To this end the Government has taken under control practically the whole of foreign trade. All exports are subject to licence to exclude the possibility of re-exporting imported contraband goods.

When, on September 3rd, Germany blocked the Sound and the Danish passages by laying mines, Sweden had to face a completely changed situation. The Baltic Sea had become an area in control of the German navy and air forces. In the North Sea Swedish shipping outwards had to face the German contraband control, which in many cases resulted in the loss of ships and lives, and on the homeward trip the British contraband control considerably delayed supplies.

Since all States bordering the Baltic, with the single exception of Germany, are still neutral, trade actually in the Baltic can be carried on comparatively normally. And ships sailing from ports on the Swedish east coast bound for Great Britain or other overseas countries can now proceed safely in the Baltic as long as they remain in Swedish territorial waters, a belt of four sea-miles from the shore and navigable along Sweden's entire coastline in the Baltic and North Seas. The sole obstacle in the territorial waterway is the "Flint threshold," a narrow Swedish passage in the Sound, where only vessels of a maximum depth of 22 feet can pass.

In the Baltic and Beyond

The following table shows Sweden's foreign trade in the two distinct trade zones: zone A, comprising countries

bordering the Baltic; and zone B, in which Swedish shipping is exposed to heavy war risks:—

SWEDEN'S FOREIGN TRADE IN 1938

	A			B	
	Imports	Exports		Imports	Exports
	% of total	% of total		% of total	% of total
Germany	21.8	18.2	U.K.	12.2	23.3
Finland	1.0	4.7	Holland	3.9	3.5
Denmark	3.6	4.8	Belgium	3.4	3.0
Norway	3.5	6.6	France	3.1	3.2
Estonia	0.2	0.5	Rest of Europe	6.8	6.0
U.S.S.R.	0.4	0.9	Entire North		
Poland			America	17.1	9.5
and Danzig	3.5	2.0	Entire Latin		
Czecho-Slovakia	2.2	2.0	America	9.4	4.5
			Entire Asia	6.1	4.0
			Entire Africa	1.2	2.4
			Australia	0.6	0.9
Total trade in Zone A	36.2	39.7	Total trade in Zone B	63.8	60.3

The characteristic features are the preponderance of Sweden's trade in the dangerous zone B, and the dominating place which Great Britain, Germany and the two Americas hold in Sweden's foreign trade. These figures are only intended to show the general trend of Sweden's trade in normal times. They will certainly undergo considerable changes on account of the reduced exporting capacity of the belligerents as well as other war conditions.

Germany, Poland and Czecho-Slovakia account for about 75 per cent. of Swedish imports in zone A and take 60 per cent. of Swedish exports there. The bulk of imports from Germany (kr. 454 millions in 1938) consists of coal, textiles, machinery, motor-cars, iron and steel, while exports to Germany (kr. 335 millions) comprise iron ore (about 60 per cent. of total exports to Germany), iron and steel, paper, pulp and butter. Of the import items machinery will probably decline, since Swedish industries will certainly reduce their capital investments during the war, and imports of motor-cars will contract on account of petrol restrictions. The volume of exports may also undergo a reduction, partly for technical reasons, and partly on account of increased requirements for domestic consumption. This refers particularly to certain qualities of iron and steel and to butter.

Anglo-Swedish Trade

In zone B exports to Great Britain (kr. 430 millions in 1938) consist of pulp and paper (32 per cent.), timber (27 per cent.), foodstuffs (13 per cent.), and iron and steel (10 per cent.). Swedish exports to Great Britain are hampered, however, by the German blockade in the North Sea, which actually ruins all shipping bound westwards. As the maintenance of Sweden's exports to Great Britain is of equal importance to both countries, it is firmly hoped in Swedish exporting quarters that a system of British convoy will soon be put into effect in order to secure the supply of Swedish timber and pulp to the United Kingdom. Whether foodstuffs (i.e. bacon and butter) can be exported to the same extent as hitherto depends on the food situation in Sweden and on the supply of fodder cakes and maize from Latin America.

With regard to the 63.8 per cent. of Swedish imports shipped from the B zone it is hoped that Great Britain will be able to maintain her exports to Sweden. Imports from North America (kr. 357 millions in 1938) are expected to proceed normally. They consist chiefly of petrol, motor-cars, copper and raw cotton, while Latin America supplies this country with copper, maize, oil cakes, hides, coffee and some other commodities.

While neutral vessels bound to Swedish ports so far have not been seized or sunk by Germans, they are subjected to the British contraband control. Swedish importers, as well as public opinion in this country, have shown full understanding for the necessity of this emergency measure and Swedish shippers have loyally complied with the British contraband regulations and as a rule they voluntarily call at the contraband control bases. Frequent complaints have been raised, however, at the extreme slowness of the visitation procedure in the British bases, which in some cases has caused delays of up to a fortnight. It is obvious that such delays not only imply heavy losses to the Swedish State and to individual importers, but also hit the people of Sweden; the scarcity of commodities detained in British control ports compels the authorities to introduce rationing.

October 12th.

Safety First in Yugoslavia

[FROM OUR BELGRADE CORRESPONDENT]

It would be too much to say that the Yugoslav economy had been placed on a war footing, but radical changes have been made. The Government has taken steps to ensure sufficient stocks of food and raw materials. A comprehensive list of exports has been placed under State control and a credit of 620 million dinars has been voted for the purchase of food reserves, chiefly wheat, maize, meat and fats. A Foreign Trade Department and a Food Department have been given very wide powers. The Food Department will study not only storage, but also the control of production, distribution, prices and transport.

These measures are being supplemented by a stricter control of imports, both in order to reserve the existing devisen for actual necessities and to safeguard the currency. For the moment there is no strain on the dinar. The impossibility of importing from Western countries has lessened the demand for foreign currencies. Import difficulties are viewed seriously by industries using foreign raw materials—especially textiles, since textile materials make up the heaviest item in Yugoslav imports. The questions of bulk buying, perhaps even by the State, and the rationing of raw materials, are being examined. The present difficulties have already caused a rise in prices. A number of profiteers have been heavily fined—especially those who tried to raise food prices, since agricultural prices are actually falling, because exports have come to a standstill.

Since August, exports to Western countries have entirely stopped; Great Britain, France, Poland, Holland and Belgium have dropped out of the list of purchasers; while exports of timber and cyanide to Italy, of meat to Switzerland and to Egypt, have not yet made up the deficiency. Nor have the efforts of Germany to buy increased amounts of Yugoslav goods borne fruit. There are several reasons for this. First, there is the Yugoslav decision not to allow the exports of any foodstuffs the stocks of which do not exceed the planned reserves necessary for safety. This includes maize and haricot beans, the harvest of which was poor and their export prohibited. Secondly, Yugoslavia is determined not to let Germany's clearing debt to her, which already amounts to Rm. 14 millions, increase any further, but to insist on immediate payment in cash or goods for all exports. Thirdly, there are transport difficulties: Germany has detained a large number of Yugoslav trucks and barges, and Yugoslavia is therefore unwilling to send more until these are returned. Lastly, the Government wishes to strengthen Yugoslavia's political neutrality by maintaining a balance in all established trade relations, without allowing any country to obtain a position of dominance. The news of the forthcoming visit of a British trade delegation to Belgrade is reassuring.

October 11th.

Argentina and the War

[FROM OUR BUENOS AIRES CORRESPONDENT]

THE first repercussions in Argentina of the outbreak of war in Europe have been quite different from those of 1914. The volume of public opinion which is in favour of the Allies is greater now than it was then, but is much less demonstrative. Those who were in Buenos Aires 25 years ago remember manifestations in the streets, heated arguments, disturbances and scenes in restaurants and cafés. To-day there is notably less enthusiasm. The conflagration of 1914 took the world by surprise, whereas now the crisis has been working up for a number of years.

In financial and commercial circles, too, this war has caused much less immediate disturbance than its predecessor of 25 years ago. Now it has not been necessary to close the banks for a single day, and economic life has continued smoothly. The Government and the Central Bank have taken precautions. Argentina to-day is a much more developed country than it used to be, and, though foreign trade is still vital, internal trade and industry are much more important than they were 25 years ago. This war found Argentina in the act of drastically reducing imports so as to equalise her balance of payments. With the outbreak of hostilities the country was immediately threatened with a severe shortage of imported goods. Germany in recent years supplied the roughly 10 per cent. of Argentine imports, and since the war German ships have taken refuge in neutral ports and

the only German goods to reach Argentina have been a few cargoes in neutral, and chiefly Dutch, steamers. British and French steamers are scarce and are arriving much delayed. Other European suppliers of Argentina have found their communications cut or their ships have had to pass through minefields.

The Argentine Government has met the situation by relaxing many of the import restrictions. The modification of the rates of exchange, which are now virtually based on the United States dollar, makes the import of British goods cheaper. There are now two official import rates of exchange—of 15 pesos to the £ and 17 pesos to the £ respectively. Since exchange control was established the Government has used the different rates ruling so as to discriminate in favour of her best customers and also in favour of goods the import of which was considered particularly desirable (i.e. goods not produced in Argentina, goods which do not compete with a domestic industry, and raw materials and other products necessary for Argentine agriculture and industry). In the application of the rate of 15 pesos or 17 pesos no discrimination is made between countries, but the United States appears to be the country likely to benefit most.

On the outbreak of war it was expected that Great Britain and France would make very large purchases of cereals, linseed and meat. Soon after the outbreak grain prices rose considerably, but afterwards fell back. Wheat, the market price of which was around 4.50 pesos per 100 kilos before the war, rose to over 7 pesos and is now 6.40 (the Government having removed the basic price soon after war began). Maize reached 7.53 pesos per 100 kilos on September 21st and is now 7 pesos, while linseed having touched 20.40 pesos is now back to 16.60 pesos.

Despite a number of regulations prohibiting profiteering, retail prices have risen considerably. Internal business is quite brisk. For instance, cheques cleared through the Buenos Aires Clearing House in September totalled 3,412,610,500 pesos, compared with 3,105,483,000 pesos in September, 1938, and 3,400,720,600 pesos in September of 1937, which was an exceptionally prosperous year.

October 5th.

Japan's Markets

[FROM OUR TOKYO CORRESPONDENT]

THE outbreak of the European war appears on the face of it favourable for Japan's trade. Will Japan have a war boom such as she had in the last war? Conditions now are quite different from those which prevailed a quarter of a century ago. The contrast is very striking.

First, Japan has already been engaged in a major war for more than two years, and many industries are employed for the requirements of that war to the limit of their capacity. They are unable to undertake deliveries for foreign markets as they were in 1914. And war conditions have reduced the output of industries not directly concerned with armaments, which suffer from a shortage of raw material and labour.

Secondly, Japan's position in international politics has undergone a radical change during the past decade or two. She is now a black sheep in the eyes of the world. Most Western Powers might not readily supply raw materials to Japan, even if they could spare them, and accept finished products in return, as they did in the previous war.

Thirdly, overseas markets are now more or less closed, protected by higher tariff walls and other trade barriers. Some countries refuse to buy unless long-term credits are accorded, which Japan can ill afford to do. The purchasing power of food and raw-material producing countries will not

THE COMMERCIAL BANK OF SCOTLAND LIMITED

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PAID-UP CAPITAL . . . £2,250,000

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increase so rapidly this time, for some belligerent Powers do not possess any large stock of gold and foreign exchange resources to make increased purchases.

Finally, even the belligerent Powers, benefiting by past experience, would try their utmost this time to maintain their overseas markets, especially during the early phases of the war, and Japan's endeavours to increase exports would meet with strong resistance abroad.

The Export Outlook

Japan's export trade will thus benefit only to a very limited extent from the European war. Let us look at individual industries which are in a position to reserve part of their capacity for exports. The textile industry is one of the few trades which seem to stand a good chance of expanding their markets abroad, as a result of the possible disappearance or weakening of some of its rivals—Great Britain, for instance, in Empire markets and Germany in South America. Great Britain, however, will not in general allow Japanese penetration into her preserves; in British India the local textile industry has developed strongly; and a quota system is in force in Australia. There are difficulties in raw material supplies because of higher prices and a lack of transport facilities. The probable stoppage of Egyptian cotton imports will prove a serious blow to the trade, for the Japanese cotton mills now spin far more and finer yarn than they did twenty-five years ago. The same is true of other branches of the textile industry, with the possible exception of the silk trade, the raw material for which is produced entirely at home. Even in the case of silk, it should be remembered that there is now a formidable rival, rayon, which came of age during the past decade. As for lesser export industries, the possibility of increasing sales is small. The canning industry, for instance, is suffering from a shortage of packing materials.

It will be seen that Japan's export trade will not enjoy so high a degree of prosperity as it did during the last war—at least in the early stages of the war. But, in the event of a prolonged war in Europe and an early elimination of the Chiang Kai-shek regime in China, conditions would turn out far better for Japan.

September 20th.

WILLS'S THREE CASTLES CIGARETTES



"There's no sweeter Tobacco
comes from Virginia and
no better brand than the
'Three Castles'"

W. M. Thackeray, "THE VIRGINIANS"

10 for 9d. 20 for 1/6 50 for 3/8
100 for 7/2

This advertisement is set up in TIEMANN BOLD and KENNERLEY
ALIC. Tiemann Bold: designed by Walter Tiemann in 1927.
Kennerley Italic: designed by Frederic Goudy in 1911. T.T.207C

Spanish Trade

[FROM A CORRESPONDENT]

CONSIDERABLE headway has already been made with the work of reconstruction in Spain after the Civil War. An internal loan of 2,000 million pesetas was floated with great success at the end of September and is likely to be followed by others. Part of this money will be available to finance reconstruction.

Even more urgent is the problem of obtaining foreign exchange. Spain's trade has now been seriously dislocated by the outbreak of war. Under General Franco's regime Germany has been much the most important of Spain's customers and suppliers, taking half of her exports of pyrites and a large proportion of her iron ore and foodstuffs and sending in return machinery, motor cars and railway material. So far political considerations have prevented a switch-over to trade with the Allies, though *Hisma*, the Spanish-German trade organisation, has been dissolved. An informal embargo on exports to belligerents is still being maintained and Spanish ships are prohibited from trading with them. The principal effect of this has been to hold up shipments of iron ore to England.

Official policy favours compensated trade. So long as the Germans were in the field this meant trading with Germany. Now Germany is cut off by the blockade, and it is something of an irony that the doctrine of compensated trade, adopted from the Nazis, can only favour Great Britain. For Great Britain is now the only country which is both able and willing to purchase Spain's fresh fruit and vegetables, iron ore, cork and mercury on a large scale. The United States is anxious to sell but not to buy. Italy, largely a competitor, can supply few of Spain's needs and requires Spanish goods even less.

Before the Civil War Spain's principal source of imports (as is shown in the table below) was the United States, from whom in 1935 she bought £6.1 millions of goods more than she sold, according to Spanish returns, and £4.3 millions more, according to American returns. Great Britain, on the other hand, was Spain's best customer, and in 1935 imported £2.4 millions more from Spain than she exported to that country, according to Spanish returns, and £5.4 millions more, according to British returns.

SPAIN'S FOREIGN TRADE IN 1935

	Exports		Imports	
	£ mills.*	%	£ mills.*	%
United States	3.7	9.5	9.8	16.8
United Kingdom.....	8.5	21.7	6.1	10.4
Germany and Austria	5.0	12.8	8.2	14.0
France.....	4.6	11.7	3.3	5.6
Italy	1.3	3.3	1.8	3.0
All countries	38.9	100.0	58.3	100.0

* Gold pesetas converted at the rate of 15 to the pound.

Since the end of the Civil War these conditions have been repeated with a much lower total volume of trade. Under General Franco's regime imports from Great Britain have been sadly reduced. Exports of British goods to Spain only amounted to £367,000 in the three months following the end of the Civil War, compared with £960,000 in the same period of 1938. On the other hand, British purchases from Spain amounted to £2,296,000 in the second quarter of 1939, compared with £2,455,000 in the second quarter of 1938. Taking re-exports into account, the Spanish Government accumulated during April, May and June this year a sterling balance on visible trade of £1,764,000.

The state of trade between Spain and the United States has been the exact opposite of trade with Great Britain. In the period from April 1st to July 31st the United States sent £1,224,000 worth of goods to Spain and took in exchange £727,000. American exporters have been making great efforts to regain their former position in the Spanish market. A contract was recently made for 2½ million bales of cotton—enough to keep Catalonia's mills supplied for a year. Inquiries have also been made in the United States for coal, machinery and railway material. But the difficulty of paying for Great Britain, provided British manufacturers can meet Spanish requirements. Negotiations with the British Government were in progress before the outbreak of war, but on a number of points, including the settlement of the clearing debt due to Great Britain at the outbreak of the Civil War, Spain's urgent requirements for reconstruction and Great Britain's need to export, a quick decision to re-establish trade relations is in the interests of both countries.

Germany at War

(An objective account of economic trends in the Reich compiled weekly by the editorial staff of The Economist from German and neutral sources.)

IN general, the first measures of Germany's new War Economy, though they have shown a remarkable talent for comprehensive and centralised organisation, have clearly revealed Germany's outstanding weaknesses. There is a shortage of fats, metals, minerals and textile fibres, for supplies of which Germany normally relies upon imports, mainly from enemy or overseas countries.

Over a third of the Reich's total fat supplies are now quite inaccessible. A new decree to regulate the production and price of soap lays down that, in future, soap must be mainly manufactured from fatty acids, especially synthetic acids and kaolin (commonly called white clay). Maximum retail prices are fixed; and the controller of the soap industry is provided with a special fund to be employed for the purpose of reducing raw material prices to manufacturers if they show a tendency to rise.

The most severe restrictions have been imposed on the textile industry. In 1938 three-quarters of the total supply of textile raw materials came from abroad. Now, much of this is cut off. First of all, the entire supply of textile raw materials was requisitioned by the authorities. Then, a decree was published permitting only the most essential textile goods to be made at all. Now, there is a schedule of priorities for the use of textile materials: first, for the forces; secondly, for public institutions, hospitals, etc.; thirdly, to meet industrial demands; fourthly, for export manufactures; and, fifthly, for civilian clothing.

It is planned to make an appreciable increase in the output of synthetic textile fibres. Output of rayon, which was 65,000 tons in 1938, is to be 80,000 tons in 1939-40. Output of celowool, which was 150,000 tons in 1938, is to be doubled in 1939-40. Even if this is done there will be a shortage of over 50 per cent. compared with the total supplies available last year.

There is a drive to grow more food. A 25 per cent. increase in potato production is aimed at for next year; and this year's German sugar crop is estimated to yield 2.54 million tons of sugar against 2.13 million tons in 1938. To this crop must be added 525,000 tons produced in Bohemia and Moravia, and 60,000 tons in Slovakia. Poland produced 630,000 tons in 1938, of which 231,824 tons were produced in the Western provinces of Pomorze and Poznan.

Hitherto Germany's successes in agricultural self-sufficiency depended largely on a very high consumption of fertilisers. It has now been decreed that the total consumption of fertilisers must be reduced to the level of 1936-37. Compared with 1938-39 this is roughly a decrease of 17 per cent. During the Great War consumption of fertilisers decreased by roughly 50 per cent. with disastrous results. Rationing of phosphates is especially severe. Soya bean output (for food and fodder) is being pushed. In 1931-35 70 hectares in Austria were under soya. Last year it was 500 hectares. This year it is 800 hectares.

Officially, general prices have fallen. The index of wholesale prices (1913 = 100) fell from 107.1 in August to 106.9 in September, while the cost of living index fell from 127.3 to 125.7. Actually, there have been many illicit increases in prices. In the Press a great many examples are given of shopkeepers being fined heavily for raising prices.

Footing the Bill

Total revenue in 1939-40 has been estimated by Secretary of State Reinhardt at Rm. 24,000 millions, against Rm. 17,700 millions in 1938-39, the increase to come from the 50 per cent. increase in income tax and all capital taxes. The estimate is optimistic. If the strict control of prices, wages and profits is effective it is not conceivable that the proceeds of indirect taxes should increase; the yield of Customs will certainly fall; and the yield of direct taxes will not rise proportionately to the advance in the rates of tax.

There is widespread fear of inflation. The backbone of war finance is reduced civil consumption, and this is being done by direct and stringent rationing measures as well as by higher taxation.

It is important to notice in passing, as illustrating the drive to increase exports and in particular to capture Scandinavian markets, that there will be absolute priority in the case of the Industriebank credits for export purposes. Products formerly exported to South America and other countries now cut off

are being offered to Scandinavia. There were considerable stocks on hand for export when the war began.

The Government's aims in war finance—no inflation, no deflation, strict control of prices and wages and the taxing-away of war profits—were stated by Dr Funk at the opening of the Vienna Autumn Fair a fortnight ago. It is not clear that these aims are being achieved. It is true that the pressure on the Reichsbank has eased as the following returns show:—

(In Rm. '000,000)

	Oct. 7, 1938	Aug. 31, 1939	Sept. 6, 1939	Sept. 30, 1939	Oct. 7, 1939
Assets					
Gold and foreign currency	76.5	76.95	76.7	76.9	76.7
Bills and cheques	7,337	10,272	10,592	10,105	9,754
Reuten banknotes	...	22	79	159	156
Advances	19.6	59.7	32.0	23.5	20.9
Secs. for note cover	847.6	1,012.7	1,062.9	1,333.6	1,348.7
Other assets	1,090.7	1,875.8	1,806.5	1,603.8	1,397.1
Liabilities					
Notes in circulation	7,540.9	10,906.7	10,969.0	10,995.0	10,695.4
Daily maturing liabilities	887.0	1,480.3	1,111.1	1,601.7	1,393.4
Other liabilities	371.5	561.8	704.9	555.2	569.0
Cover of circulation	1.01%	0.71%	0.70%	0.70%	0.72%

But there is no indication about the development of the other banks. By decree, monthly statements for the banks will be replaced by statements for every two months—but the results will not be published.

Current articles on war finance hint now at possible war loans—an idea which was said to be out of the question during the first stages of the war. The total national debt incurred by the Reich stood at the end of June, 1939, at Rm. 32,910 millions, against Rm. 11,690 millions at the end of March, 1933. Bills held by the banks, including the Reichsbank, increased from Rm. 5,636 millions in 1933 to Rm. 15,659 millions at the end of April, 1939.

Moreover, it is now reported that the new German finance plan, introduced only last March, has broken down. By this, instead of raising money by loans or Treasury bills, the Government put out tax certificates to be used by the authorities as means of payment for two-fifths of the value of the orders they placed. One type of tax certificate was repayable at face value after six months, the other type at face value plus 12 per cent. after three years. The whole idea was to anticipate future tax revenue, but it inspired little confidence and the market value of the certificates fell to 94 per cent. of face value, despite assurances that the number of certificates issued would be strictly limited. Now the system has been definitely abandoned.

There is increased activity in promoting foreign trade with neutral countries. Dr Funk contended at the opening of the Vienna Autumn Fair that Germany would be able to maintain 80 per cent. of her total foreign trade. The movement of the German-Dutch Clearing account shows that Germany has probably maintained exports to Holland, whereas imports from Holland have clearly decreased. Germany's clearing deficit having fallen from fl. 42.25 millions on August 23rd to fl. 34.31 millions on October 7th. A similar fall in the Clearing deficit with Switzerland is also expected. The cause is the British contraband control, which restricts re-exports from countries like Holland and Switzerland to Germany. Hence the "improvement" in the balance of trade on clearing account.

Even before the war Germany experienced a considerable shortage of skilled workers. Now technical training has been regulated by several decrees. Generally speaking, the decrees aim at reducing the percentage of unskilled workers in employment. Skilled occupations important for war industries will be supplied with apprentices according to a priority list. The list is headed by agriculture, coal mining, metal industries, building and chemical industries. On leaving school boys and girls must register with Labour Exchanges, and every contract between employer and apprentice requires permission from a Labour Exchange. In some highly skilled trades the training period has been raised from 3 to 3½ years.

There are very many advertisements for skilled workers. All skilled workers evacuated from vulnerable towns must register. And a decree has ordered forced labour for women between 15 and 70 years of age.

THE BUSINESS WORLD

Films and Cinemas

THE war has provided the film industry—a term here intended to include the exhibition as well as the production of films—with some hard nuts to crack. First came the problem of keeping the cinemas open in spite of external conditions imposing increasing discomfort on patrons. Next there was the threat to the future supply of American films to this country owing to the Government's policy of drastic restrictions on cash payments. Third, there was the plan, which was known to be under consideration at the Board of Trade, to suspend the quota provisions of the Films Act for the "duration," which was expected in some quarters to destroy the struggling British production industry beyond all hope of resuscitation. And, finally, there was the certainty that even if an artificial demand was created for a much larger number of British films, neither the finance nor the technical personnel was available to ensure the satisfaction of this demand. In addition, in spite of prospective reductions of cinema attendances and the threatened deterioration of film quality, the industry was expected to maintain a high level of cheerfulness among the people and to permit an extensive use of its screens for propaganda purposes. It never could be easy to reconcile these different, apparently conflicting and even contradictory, elements in the situation; and the various Government departments responsible for different aspects of the problem do not appear to have been notoriously helpful or unduly energetic in removing or diminishing the widespread uneasiness in every department of the industry.

And yet it is not impossible to achieve a large measure of reconciliation between the conflicting interests. No one expects the Treasury to be wholly indifferent to an industry which might export more than £6 millions to America in the first year of war. On behalf of the Treasury, the Board of Trade is said to have invited consideration of two alternative proposals—the first that imports of American films should be reduced to about 150 feature subjects, or by from 60 to 70 per cent.; or, second, that only 20 per cent. of the cash due to American companies be remitted now, the balance to be "frozen" till after the war. It is not surprising that both these courses are completely unacceptable to the trade. The first would produce such chaos and confusion in distribution, and such steep price increases for the exhibition of films, that an enormous proportion, possibly as many as one-half of the cinemas, would have to close. In that case it is obvious that the other vital function of the cinema, to provide relaxation, amusement and entertainment to the population in these anxious times, could not be realised. The second proposal would react on production in Hollywood, which depends to the extent of about 30 per cent. of the average cost of American pictures on the sums received from Great Britain. If remittances are withheld, even partly or temporarily, then the Hollywood studios could not maintain their pictures at their present quality level and would be compelled to retrieve the situation by means of possible economies. Already some substantial economies have been put into force. Reduction of permanent staffs by 2,500 persons and slashing of salaries of all who remain on the studios' pay-roll—from "Moguls to minions," as one American writer describes it—by 30 per cent. or more, are reported. These economies alone, however, are incapable of completely

bridging the gap between cost and world earnings, and a cheaper class of picture of less entertainment value would probably be the unavoidable result.

On the other hand, American companies have demonstrated their capacity to make films in British studios which have been successful both here and in America, and are believed to have shown very satisfactory profit returns to the producers. If this is true, it could not be regarded as any very great hardship if instead of remitting funds arising from the exploitation of American films in this country, the owners of these funds were asked to finance the production of a number of British films, which could then be exported to America. If agreement on this principle could be reached, the activities of the studios would be immediately revived and much of the existing unemployment among film workers would vanish.

It should not be overlooked that, in addition to American companies here exploiting the films of their parent organisations in America, many American films are distributed by British companies here. Payments for these films are generally made by lump sums and cash participations in the earnings of these films throughout the year. The restrictions on these payments would obviously be the same as in the first case, and therefore would lead the way to the production of British films here to be financed entirely or in part by these funds. In the interests of British film production, any tendency to introduce and extend barter principles in the trading methods of the industry is to be welcomed.

Contrary to the experience of producers, exhibitors have been surprisingly successful in procuring substantial mitigations of the adverse conditions with which they were threatened when war broke out. Except in the central core of the inner circle of the West End of London cinemas all over the country are now permitted to remain open till 10 p.m. They are relieved of the cost of external display lighting and of a large proportion of their advertising in the Press and on hoardings. The cheap midday charges for admission have been withdrawn, and in many centres it is expected that Sunday opening will be permitted in districts where encampments of troops are established. The combined effect of all these changes should bring box-office takings in the neighbourhood of 90 per cent. of normal and profits approximating to normal levels. In some quarters thought is being directed to the possibility of raising prices, and the conviction is growing that when the price of everything about us is rapidly rising it cannot be expected that the price of the cinema seat should alone remain stationary. On the other hand, tradition dies hard, and it is felt that increased attendances will be better for aggregate receipts than raised prices. If these forecasts should be borne out by experience, and if also the threatened increase in films rentals should not materialise—and there is no very good reason why it should—the exhibitor may look forward to closing his annual accounts with a satisfactory profit showing.

Examination of the film situation which has developed here since the war does not justify any bouquets being handed out to any of the Government departments concerned with the production of films. It is difficult to understand the inordinate delay of the Board of Trade in arriving at such a decision as would make the conditions of

future operation clear to every British production interest. Meanwhile the studios are silent, unemployment is abnormally high, losses are mounting and technical staffs are disintegrating. Conferences, meetings, endless discussions about new plans are taking place daily, and even hourly, but the end is not in sight. The Ministry of Information also is supposed to be concerned with the film industry and has created a film division under the direction of Sir Joseph Ball. Nothing has so far been made known of the functions of this division, but they are believed to

include everything that might make the film industry an effective instrument of propaganda, at home and abroad, in the broadest sense of that term. Anxious eyes have been turned constantly to this division for some encouragement of the production of special types of short films, and especially for some financial help for the production of unremunerative but otherwise highly desirable types of films. Though this department has been in existence for six weeks, nothing is known of the Government's intentions on these matters. It is high time this silence was broken.

Germany's War Economy—III

Germany's Iron and Steel

AN outstanding problem which faces the directors of the German economy, and one to the solution of which a vast amount of energy and ingenuity has been applied, arises from the fact that Germany is dependent upon imports for two-thirds of her total annual consumption of iron ore. This fact dominates the whole situation in heavy industry and is therefore best examined before all other aspects. The magnitude of imports and their relation to total supplies are set out in the following tables.

GERMAN SUPPLIES OF IRON ORE (In million metric tons of iron content)				
	Average 1935-37		1938	
	Total Supplies	Imports as per cent. of total	Total Supplies	Imports as per cent. of total
Old Reich	10.4	78.0	12.8	75.0
Reich, Austria and Czechoslovakia...	11.8	73.5	14.9	69.7
Poland	0.3	52.2	0.6	50.2
Total	12.1	72.9	15.5	68.9

IMPORTS OF IRON ORE INTO GERMANY (In million metric tons of iron content)				
	Average 1935-37		1938	
	Supplies	Per cent. of total	Supplies	Per cent. of total
From Sweden	4,647	57.3	5,550	57.2
Norway	336	4.1	726	7.5
Luxembourg	252	3.1	546	5.6
Spain	579	7.1	850	8.7
Total of these countries	5,814	71.6	7,662	79.0
Total imports ...	8,112	...	9,702	...

The remaining 21 per cent. (about 2 million tons in iron content) of German imports in 1938 were supplied by France.

The story of Germany's dependence on foreign iron ore does not end here. Her net imports of iron and steel scrap increased from an average of 323,000 tons during 1935-37 to 1.1 million tons in 1938. The enormous increase in steel production in 1938 was, in fact, mainly achieved by the use of scrap. The total scrap consumption of the German iron and steel industry increased from 7,650,000 tons per annum in 1935-37 to 11.5 million tons in 1938. Imports of scrap in 1938, therefore, constituted 9.7 per cent. of the total consumption.

The significance of these figures has naturally not been missed, and from 1936 on Germany has been developing a plan of moderate self-sufficiency in iron and steel. The so-called Four Year Plan included a Plan 1 and a Plan 2. Plan 1 fixed the home output of iron ore at 18 to 20 million tons in 1940 (as against 15.5 million tons in German control at present) and the steel output at 21 million tons. Plan 2 stipulated an iron output of 25 million tons and a steel output of 24 million tons. The additional ore is to be mined in the Salzgitter area, where at the same time blast furnaces with a final capacity of 4 million tons are being built. Construction was begun in 1937 and the first set of furnaces is scheduled to begin operation this month. During 1940 it is expected to reach an output of 2.5 million tons of pig iron.

A comparison of the figures of the Four Year Plan

with those of the tables of total supplies and imports make the significance of the former perfectly clear. An increase of Greater Germany's output of iron ore from 15 million tons to 20 million tons (about 2 million tons in metal content) would replace the imports from France. It is, however, very doubtful whether Germany will be able to achieve this increase during the next two years. In fact, without an increase of iron ore imports from Sweden, Germany's iron and steel output must decrease during the first years of the war. The newly conquered ore deposits of Poland need a longer period of development. Last year's output amounted to 880,000 tons.

The position in German pig iron and steel production is no better. The figures are given in the following table:

GERMAN OUTPUT OF PIG IRON AND STEEL (Million metric tons)				
	Average 1935-37		1938	
	Pig Iron	Steel	Pig Iron	Steel
Old Reich	14.7	18.1	18.7	23.0
Reich, Austria and Czechoslovakia ...	16.2	20.2	19.9	24.7
Poland	0.6	1.2	0.9	1.6
Total	16.8	21.4	20.8	26.3

Of the total the pig iron output of the Saar territory constituted 12.5 per cent. during the period 1935-37 and 11.4 in 1938, and the Saar steel output 10.6 and 9.8 per cent. respectively. These amounts have been lost, at least for the time being, by the fortunes of war, and, in view of the fact that the Saar works in any case depended upon French ore, the chances of early recovery here are small. In fact, until the Goering works begin operation and until the conquered capacity of Poland can be fully used, a considerable decrease in steel output is inevitable.

The question whether Germany will be able to maintain her exports to neutral countries again arises in this connection. There was a considerable decrease of net exports of iron and steel manufactures in 1938. Moreover, the share of the neutral countries in Germany's net exports has grown from 40 per cent. in 1935-37 to 51.9 per cent. in 1938. It may be possible for Germany to continue to supply neutral countries with iron and steel manufactures at the present level, but this will not be done easily.

In any case, if exports are to be maintained Germany must economise steel consumption at home. Some indication of how far economies may go is given by the fact that during 1938 45 per cent. of the total iron and steel output was used in the building industry. For motor roads consumption increased from 94,908 tons in 1937 to 130,121 tons in 1938. A conservative estimate puts the consumption of the machine industry (including armaments) at 30 to 35 per cent. of total iron and steel

BRITANNIC ASSURANCE COMPANY LIMITED

(Established 1866)

Annual Income - - - - £6,800,000
Assets - - - - £32,000,000
All classes of Life, Fire, Accident,
Motor and General Insurances transacted

Chief Office: BROAD ST. CORNER, BIRMINGHAM, 1

consumption in 1938. If private building were to cease altogether Germany would probably be able to meet any military demand for iron and steel, but any reduction of supplies of ore from neutral countries would remove even this austere possibility.

The dependence of the German iron and steel industry on the help of neutral countries, and especially on that of Sweden, is thus clear. This fact reveals the significance of the so-called *Wehrwirtschaft*. The Four Year Plan is, in fact, intended to replace imports of ore from France only. While this plan has been in progress German exports to neutrals have been carefully maintained.

In sum, Germany commands in this war, as compared with that of 1914-18, the total iron and steel capacity of Imperial Germany as well as that of the Austro-Hungarian Empire. At the same time the scheme to replace Lorraine ore by supplies mined in Middle Germany is well under way. But home supplies are still far below consumption and as in the case of coal, which was examined last week (*The Economist*, pages 94-95), the strain will be great, and the situation will be complicated by the fact that both the coal and iron and steel industries are working to capacity. Advance in one cannot be considered without constant and detailed reference to the possibilities of progress in the other. This complication is sufficiently difficult to overcome, but even less amenable are the problems which arise out of the obvious necessity to maintain and increase imports and at the same time to discover means to pay for them. Some reduction of German imports of iron ore is certain. The British blockade and the cutting off of French supplies ensure that. Whether there will be a further fall depends mainly on Sweden; and both the possibility of a reduction of Swedish supplies to Germany and the substitution of an alternative market depend on the course of

Allied policy. Events in the unspectacular sphere of economic warfare can turn the scale.



The circles, squares and triangles on the above map show the position only of the various mineral deposits and iron and steel works in German control. Their relative sizes expressed as percentages of the respective total outputs are as follows—Coal: Ruhr, 52 per cent.; Silesia, 29 per cent.; Aix-la-Chapelle, 3 per cent.; Saar, 6 per cent. Lignite: Senftenberg, 26 per cent.; Leipzig, etc., 43 per cent.; Cologne, 30 per cent. Iron Ore: Middle Germany, 30 per cent.; Siegen, 12 per cent.; South Germany, 20 per cent.; Austria, 17 per cent.; Lahn and Dill, 8 per cent.; Czechoslovakia, 8 per cent.; Poland, 5 per cent. Pig iron and steel: Ruhr, 61 per cent.; Silesia, 9 per cent.; Saar, 10 per cent.; Czechoslovakia, 4 per cent.; Poland, 8 per cent.

Finance and Banking

Back to 2 Per Cent.—The Bank of England reduced its official discount rate on Thursday from 3 to 2 per cent. The 3 per cent. figure has thus lasted four weeks, during the greater part of which it has been wholly ineffective. Last Friday the discount market syndicate seemed to throw all discretion to the wind in applying for the Treasury bills at slightly below 1½ per cent. Even so, it only obtained 59 per cent. of its applications, despite the abstention of several members from the tender and the almost complete failure of the usual outside tenderers to obtain bills. The assumption of an imminent reduction in Bank rate reflected in the results of this Treasury bill tender has thus been fully justified. Already the open market rate for three-months Treasury Bills has fallen to 1½ per cent. In view of the inevitable expansion in coming months in the issue of Treasury bills the open market rate should be kept at least over 1 per cent. The adjustment of the structure of money and discount rates has now returned to that which obtained during the previous 2 per cent. Bank rate period. The clearing banks' deposit rate has returned to ½ per cent., the short loan rate is 1 per cent. against bills, and 1½ per cent. for loans against all other eligible bonds. The clearing banks are expected to resume purchases of "stale" Treasury bills at about 1½ per cent. Immediately after the Bank rate reduction became known these maturities were being bid for by running brokers at 1½ per cent., suggesting that there were buyers for these bills at 1½ per cent.

Where are the Tap Bills?—The Exchequer returns since the outbreak of the war, read in conjunction with the data on the distribution of Treasury bills, provide an intriguing problem. Between August 26th and October 21st the increase in the floating debt required to cover the excess of current expenditure over revenue has amounted to £156,500,000. Of this total, £147,800,000 is provided by the increase in the Treasury bill indebtedness. Again subdividing this total only £36,000,000 of this expansion in Treasury bills can be accounted for by

bills issued through the weekly tenders; the much larger balance of £116,800,000 represents Treasury bills that have been issued through the tap. Up to now, therefore, the current deficit, swollen as it has been by two months' war expenditure, has been financed "on the cheap" by the issue of tap Treasury bills direct to public departments at the quite nominal rates of interest which such bills bear. It is usually a comparatively easy matter to guess the destination of so large an increase in the Treasury bills issued through the tap. Movements of such magnitude in this total are normally geared to the operations of the Exchange Equalisation Account in the foreign exchange and gold markets. On this occasion, it is difficult to effect this reconciliation. During the whole of the period in question, rigid control of the exchange market was in operation, and, during the last three weeks at least, the authorities were receiving in substantial quantities the foreign exchange assets handed over under the Defence Regulations and the gold gradually disbarred by Continental interests in the London market. The Exchange Equalisation Account may, over the same period, have been losing dollars and other exchange in connection with the Government's war purchases, but not in amounts sufficient to outweigh the initial abnormal inflow.

Extra-Budgetary Funds.—The search for the destination of these additional tap bills must therefore cover other public departments and extra-Budgetary funds. A few of the latter will probably have supplied in the aggregate a score or so of million pounds for investment in Treasury bills. The unemployment insurance fund has been running a surplus at the rate of at least £500,000 a week. The Government's scheme for war risk insurance on stocks has already brought in £13,300,000, while the premiums received by the marine war risks insurance pool must have exceeded the losses already paid by several millions. The surpluses of these funds will probably have found temporary investment in Treasury bills issued

directly through the tap. A further £14 millions of tap bills was issued to the Issue Department of the Bank of England in the first week of September, when the final gold revaluation prior to the transfer of the Bank's gold reserve to the E.E.A. took place. All these possibilities taken in their aggregate still fail to provide anything like an adequate explanation for the recent increase in tap bills. We are, therefore, driven to find that explanation in the emergence of special and unprecedented features in the issue of Treasury bills. Now that the borrowing powers of the E.E.A. are unlimited it would be possible for the Treasury to issue tap bills to this account and for the account to resell them in the open market through the usual channel. Indeed there have been suggestions recently of "back door" selling of bills to the clearing banks. Again, the semi-official tenderers for Treasury bills who in the past applied for their bills through the Bank of England at the weekly tenders may now be satisfied from the tap issue. Central banks in the sterling area may well have taken more than their usual share of such bills in recent weeks. It is evident, however, that the scope for additional issues of tap bills must be limited and that further expansion in the floating debt will have to find a truer expression in the amount of Treasury bills issued to the market through the weekly tender.

Japan on the Dollar Standard.—Japan has this week shifted the standard on which the exchange value of the yen is based from sterling to the United States dollar. The change has been made without affecting the value of the yen. The link between the Japanese currency and the dollar has been forged at the rate of 23½ cents to the yen. This is the parity indicated by the rate of exchange of 1s. 2d. at which the yen was previously pegged to sterling, and the sterling dollar rate of \$4.03. Japan's decision can cause no surprise. The yen has never been a genuine member of the sterling group of currencies. Japan has never been an adherent to the Tripartite Agreement and the technical arrangements for maintaining the stability of the yen at its sterling peg have at all times been essentially unilateral. The Japanese desire to maintain those

arrangements must inevitably have been affected by the control to which sterling became subjected at the outbreak of the war. A controlled currency, assets expressed in which might become inconveniently blocked, is not a particularly desirable monetary standard. That the Japanese authorities delayed so long before shifting the peg from sterling was no doubt due to the highly convenient depreciation of sterling which took place during the days immediately preceding and following the outbreak of the war. This movement gave the Japanese authorities a welcome opportunity of devaluing their currency without seeming to do so—merely by keeping the peg with sterling unchanged at 1s. 2d. Having benefited by this depreciation, the Japanese are now making the best of both worlds by shifting the peg—at its depreciated level, of course—to the dollar. The monetary authorities in Manchukuo and in the Northern Provinces of China are following the lead given by Tokyo, as indeed they must, since the yuan currencies circulating in their respective areas are themselves based on the yen.

U.S. Gold Stocks.—Gold continues to pour into the United States, and this week the country's monetary gold stocks passed the \$17 billion mark—reaching the unprecedented total of \$17,010,033,770. This figure represents about 65 per cent. of the world's total published gold reserves (including the published exchange fund holdings). Since the outbreak of the war the U.S. Treasury gold reserve has risen by \$372 millions, of which the British Empire—Canada, Great Britain and Australia—have provided a considerable part. The imports of gold from Canada into the United States represent in part newly-mined metal, but this movement has probably been supplemented by the transfer to the United States of some of the Exchange Equalisation Account reserve accumulated over recent months in Canada. For the year to date the U.S. gold stocks have already risen by \$2,498 millions, which compares with increases of \$1,751 millions for the whole of 1938 and of \$1,586 millions for 1937. With the United States' merchandise export surplus stimulated by belligerent purchases and with American tourist expenditure

MONEY MARKET NOTES

THE reduction in Bank rate to 2 per cent. had been preceded by further falls in other discount rates. These were heralded by the result of the Treasury Bill tender last week, when the average rate of discount worked out at £1 14s. 3.39d. per cent., which was well below the clearing banks' rate for money market loans against Treasury Bills. The banks reduced their buying rate for January maturities to 1½ per cent. and for December to 1¼ per cent. last Saturday. The market's rate for the three months' bank draft was lowered at the same time to 1½ per cent., but in the course of the week a further reduction to 1½ per cent. was made.

The Bank Return shows only small

changes on last week's. The return of notes from the public and the banks' tills is slowly continuing, the fall in the note circulation this week amounting to £3.2 millions. The fall has only partly been offset by a reduction of £1.5 millions in Government securities and by a net reduction of £200,000 in other securities; but there have been small transfers to public deposits and other deposits so that the rise in bankers' deposits is limited to £400,000.

In the foreign exchange market the Continental neutral currencies were steady until Wednesday, when belgas declined by 10 cents to 23.90-24.10, Swiss francs by 2 cents to 17.80-95 and guilders from 7.50-57 to 7.52-58. On

the other hand, the official rates for Swedish and Norwegian crowns were unchanged; although among free market rates Finnish marks showed a further slight depreciation on Tuesday to 210 marks sellers. Sterling has been rather easier in New York and has been quoted at 4.01-2.

Most of the offerings of silver have been on American account and for forward delivery. This, however, has been largely offset by buyers taking advantage of the wide discount in the forward price, which on Friday of last week was as much as 1½d. This big difference attracted buying of forward, and by Thursday the discount had contracted to only ½d.

MONEY MARKET RATES

	Oct. 27, 1938	Oct. 19, 1939	Oct. 26, 1939
Bank Rate.....	2	3	2
London Deposit Rate ...	1½	1	1½
Short Loan Rates:			
Clearing Banks	1½-1*	2-2½†	1-1½
Others	5½-¾	1½-2	1-1½
Discount Rates:			
Treasury Bills (3 mth.)	9½	178	15½
Three months' bank bills	9½	115½-2	11½

* Viz. 1½ per cent. for loans against Treasury bills and other approved bills and British Government securities within six months of maturity. † ¾ per cent. for loans against 1 per cent. Treasury bonds and other gilt-edged stocks within six months of maturity, 1 per cent. for loans against other collateral. ‡ Viz. 2 per cent. for loans against Treasury bills and British Government securities; 2¼ per cent. for loans against other collateral.

THE BANK RETURN

	Oct. 26, 1938	Oct. 11, 1939	Oct. 18, 1939	Oct. 25, 1939
£ mill.				
Issue Dept. Gold	326.4	0.2	0.2	0.2
Value per oz. fine	85s.	168s. 0d.	168s. 0d.	168s. 0d.
Notes in circulation	482.5	535.0	530.3	527.1
Banking Dept. Reserve	43.9	45.9	50.7	53.9
Public Depts.	25.0	10.9	12.0	12.6
Banks' Depts.	100.0	116.7	116.4	116.8
Other Depts.	35.5	39.7	38.5	39.2
Govt. Secs.	107.6	114.3	107.5	106.0
Dis. & Adv.	4.2	3.0	3.2	4.6
Other Secs.	21.6	21.7	23.3	21.7
Proportion	28.1%	27.4%	30.3%	31.9%

THE BULLION MARKET

Date	Gold		Silver	
	Price per ounce fine*		Price per oz. standard	
			Cash	Two Mths
1939	s. d.	d.	d.	d.
Oct. 20	168 0	23½	211½	211½
" 23	168 0	23½	22½	22½
" 24	168 0	23½	22½	22½
" 25	168 0	23½	22½	22½
" 26	168 0	23½	23½	23½

* Bank of England's official price.

abroad reduced to a mere shadow of what it has been in recent years, everything points to a further acceleration in the inflow of gold into the United States. The only retarding factor that suggests itself is the possible liquidation by belligerent Governments of dollar securities taken over from their nationals. This influence, however, will probably be more than neutralised by a further influx of Continental but neutral capital which will be seeking in the New York markets and in the guise of dollars the security which Europe does not very confidently provide to-day.

* * *

Russian Gold and Germany.—It would be premature at this stage to attach any sinister significance to the news of consignments of Soviet gold to Germany. Recently it was announced that 17½ tons of such metal had gone there, but it need not be supposed that this metal is remaining in Germany and that it forms the price paid by Russia for a political settlement of the Baltic littoral questions on terms so unexpectedly favourable to her. The consignments must be regarded as continuing the shipments of Soviet gold which before the outbreak of the war and the virtual closing of the Baltic found their way direct to London in Soviet ships. Russia is at the present moment dependent on the proceeds of her gold exports for balancing her international payments. The programme of industrial re-equipment has recently reached a peak; and in consequence the maintenance of adequate foreign currency balances has come to necessitate, not the liquidation of accumulated gold reserves, but the sale of the current output of newly-mined metal. It is this gold which, now that the Baltic is closed, is making its way across Germany to the international markets. Further evidence of its journey beyond Germany is provided by recent weekly returns of the Netherlands Bank, which show persistent increases in the gold reserve.

Investment

Gilt-edged, Bank Rate, and Borrowing.—The power of credit expansion has rarely found more dramatic expression than in the gilt-edged market's sweeping advance this week. A fortnight ago, the majority of stocks were still frozen to minimum prices, and such fractional gains as were recorded seemed precarious indeed. This week, leading stocks have risen a point at a time and buying has become institutional and large-scale in character, compared with the small business (largely originating in the provinces) which was the mainspring of the earlier recovery phase. The imminence of the first war loan is

Stock (in order of redemption)	Min. Price	Oct. 12, 1939	Oct. 23, 1939	Oct. 24, 1939	Oct. 25, 1939	Oct. 26, 1939	Rise Oct. 18-26	Rise Oct. 26, over Min.
4½% Conversion 1940-41...	100½	102¼	102½	102½	102½	102½	1½	1½
5% Conversion 1944-64...	103½	104½	106½	107	107½	107½	1½	3½
2½% Nat. Def. Bds. 1944-48	94½	94½	95½	96½	96½	97½	1½	2½
2½% Conversion 1944-49...	91½	91½	91½	93½	94	94½	3½	2½
3½% War Loan, from 1952	88½	88½	92½	93½	94	94½	2½	5½
3% Conversion 1948-53...	94½	94½	94½	94½	95½	95½	1½	1½
4% Consols. 1957	98½	98½	101½	102½	102½	102½	2½	4½
2½% Funding Loan 1952-57	88½	88½	89	89½	90	90½	1½	1½
3% Nat. Def. Loan 1954-58	92	92	92½	92½	93	93½	1½	1½
4% Funding 1960-90	100½	100½	102½	103½	104	104½	2½	3½
3½% Conversion, from 1961	87½	87½	91½	92½	92½	92½	2½	5½
2½% Funding 1956-61	79½	80½	82½	83½	83½	83½	3½	4
3% Funding 1959-69	87½	87½	88½	89½	90	90½	3½	2½
2½% Annuities	60½	63½	66	66½	67	67½	1½	7½
2½% Annuities	68½	68½	71	72	72	72½	1½	3½
2½% Consols.	62	64	67	67½	68½	68½	1½	6½
4% Victory Bonds	102	102	102½	103½	103½	103½	1½	1½
1% Stk. (Ir. Land Act) 1905-30	67	67½	71	72	73	73½	1½	6½
1% Stk. (Ir. Land Act) 1905-30	73½	75½	78½	79½	79½	79½	1½	6½

* Ex interest October 25.

Silver Imports Banned.—A Board of Trade Order published on Wednesday of this week prohibits the import of silver into Great Britain except under licence. Ever since the imposition of exchange control the authorities have been most reluctant to grant exchange permits in respect of imports of silver into this country, but this deterrent has not proved sufficiently effective. Owing to the free market for sterling in New York it has been possible for arbitrage operators in the United States to take advantage of the premium in the price of sterling over the American price for imported metal by shipping silver to this side and to cover their exchange. A considerable amount of silver is at present on the way from America to this country, and it is understood that these imports will be allowed to enter the country without licence. Licences are only likely to be granted for essential commercial requirements of the metal. The immediate effect of the ban must be to accentuate the shortage of spot silver which has been a feature of the London market for some time past and to cause the price to rise. On Thursday the quotation rose from 22½d. to 23½d. Fortunately there are the Indian Government stocks available in London to relieve any pressure, and this metal should again be available at 23½d. It will be interesting to see whether the Indian Government follows the British lead of subjecting all silver imports to licence. Since most of the silver passing through London was merely on its way to India the retention of a wholly free market in India might merely mean the loss of *entrepôt* trade and of the resultant commission earnings for London. The Indian Government, however, has other means at its disposal if it wishes to stop the import of foreign silver. It has sufficient stocks of demonetised metal to achieve by price policy what in this country had to be done by prohibition. As a final aspect of the B.O.T. Order there is its likely repercussion on American silver policy. The prohibition of imports into Great Britain tends to emphasise the isolation of the United States as a supporter of silver.

widely assumed, and indeed preparation has proceeded so effectively, particularly in the past week, that a loan of short-dated type could be issued at any moment which the authorities cared to choose. Thursday's reduction in Bank Rate confirms this conclusion. A cut of one per cent. has generally been assumed to be the psychological fare for an issue, though the gilt-edged market—perhaps for this very reason—only found sufficient virtue in Thursday's decision to restore the fractional losses which had been recorded earlier in the day. Clearly, however, the authorities have established themselves in complete control of the market, and even Mr Keynes's postulated 2½ per cent. borrowing maximum is not entirely out of relation to present conditions in the market. It is hardly likely that the Treasury will let the present opportunity mature for much longer, even though their first act may not be to issue the series of loans to investors large and small which must ultimately be expected. The omens still favour a special short-dated issue primarily for the money houses.

Equity Prices in September.—The Actuaries' Index (which will in future be issued monthly instead of weekly as hitherto) has now been calculated for three dates in September. The figures thus provide a valuable measure of the reaction of individual equity markets to the first phases of war. In the following table we have extracted the price indices and yields of seven of the more important groups, judged by the movement of prices between August 29th and September 26th. It will be noticed that no calculation has been attempted for September 5th, on which day prices were either nominal or unobtainable.

Group and No. of Secs.	Prices (Dec. 31, 1928=100)				Yield %			
	Aug. 29	Sept. 12	Sept. 19	Sept. 26	Aug. 29	Sept. 12	Sept. 19	Sept. 26
Banks, etc. (10).....	96.4	95.8	84.7	85.7	4.78	4.81	5.47	5.39
Aircraft (5).....	64.4	59.3	52.7	51.6	11.03	12.03	14.14	13.96
Coal (8).....	75.7	76.2	74.8	74.7	6.58	6.71	6.82	6.88
Iron, steel (19).....	52.3	52.3	46.9	47.5	7.02	7.07	7.89	7.74
Oil (4).....	70.0	73.8	73.8	72.2	6.85	6.42	6.36	6.45
Shipping (7).....	11.8	17.5	15.9	15.7	4.48	3.59	3.85	3.89
Breweries, etc. (20)	110.6	102.8	88.5	92.0	5.87	6.32	7.35	7.05

The total index of 160 industrial shares showed surprisingly little change in the first transition from near-war to war itself, for between August 29th and September 12th it revealed only a slight reaction from 57.9 to 57.3. Subsequently, however, the index fell to 51.8 on September 26th, a figure which, of course, has since been comfortably exceeded, thanks to the unfreezing of the gilt-edged market. Changes in the average yield figures reflect not merely these movements in prices, but also the decisions by many boards of directors to adopt a very conservative distribution policy on the outbreak of war. The detailed table above shows that bank shares proved distinctly vulnerable in the first month of war. Among the groups directly influenced by war conditions it is noticeable that iron and steel shares, as a whole, fell comparatively slightly and recovered earlier than the majority of groups. The behaviour of coal issues, again, has been distinctly satisfactory, while oil and shipping shares from the first have discounted the effects of war in bullish fashion. Aircraft issues, on the other hand, have fallen as severely as any group. Brewery issues recovered from their first fears of war taxation, although they were still a depressed group at the end of September, offering a return of 7.05 per cent.

* * *

"Local Mortgage Offers."—An Investment Note under this title in *The Economist* of September 30th discussed the absence of control by the Capital Issues Committee over local mortgage issues, and offered reasoned arguments why the free offering of such securities through the medium of outside houses was open to objection. It may be recalled that in a table accompanying this Note a loan of £45,000 on behalf of Welwyn Garden City Urban District Council was cited, bearing interest at 5 per cent., for a six-year term. These particulars were extracted from an offering list issued by an outside house. We have received a letter from the chief financial officer of the Council which states that the Council did not give authority to any outside house to offer any loan for any specified period at a fixed rate of interest. Our remarks, it need hardly be added, were not directed against the credit or *bona fides* either of the local authorities concerned or of the issuers of the offering statement. It was emphasised, indeed, that the securities were sound in their class. Our comments were grounded on the wider issue that if the offer of generous terms on short-dated securities of this type was extended it might adversely affect the whole structure of interest rates, at a time when it is vitally important that rates should be kept as low as possible. While, therefore, we must regret any annoyance or embarrassment which may have been caused to Welwyn Garden City Urban District Council by our comments, their general validity must remain unaffected by the detailed corrections which the Council has been good enough to communicate.

* * *

New "Ex-Dividend" Ruling.—On October 30th a new ex-dividend rule will come into force. The effect of the rule, which was passed by the Committee for General Purposes last Monday, is, broadly, that stocks deliverable by transfer deed (except registered debentures) go ex-

dividend on the Monday preceding the closing of the company's books. The full text follows:—

Rule 111 (2)

Securities deliverable by Deed of Transfer (except Registered Debentures), also Stock, Units of Stock and Shares which are dealt in in both Bearer and Registered form, shall be made ex-dividend on the first business day of each week on or preceding the first or only day on which the Transfer books are closed for payment of the dividend or if information does not reach the Secretary of the Share and Loan Department in time to enable the Security to be made ex-dividend on that date then the Security shall be made ex-dividend on the first business day of the following week.

Under the old rule, which was based on the fortnightly Account, registration of securities bought ex-dividend could not be effected before the closing of the books. Under cash dealings, however, in which transactions are being completed with greater speed, it has become necessary to rule out the possibility that a transferee of securities bought ex-dividend might register his holding before the dividend is paid. The new weekly rule will thus ensure that the transferee of securities bought ex-dividend does not obtain both delivery and dividend.

Company Notes

London Transport Report.—It is, perhaps, fortunate that war has put in suspense any considered judgment on London Transport's financial position. "C" stockholders may complain that they are still in the dark regarding the basis on which they will receive war-time compensation, but at least they are not compelled to look too closely into the doleful facts which emerge from the Board's report to June last. As the absence of any final payment on the "C" stock indicated, earnings were limited to the 1½ per cent. paid as interim dividend. This rude shock, which has left the stock stupidly marooned at the official minimum price of 65, could almost be represented as the outcome of an economic conspiracy to defeat the Board's efforts to achieve standard dividends. The London Area Pool has provided a puny increase of £167,472 in London Transport's pooled receipts, which amount to £30,925,912, against £30,758,440 for 1937-38. This is the first important pointer in the distressing results for the year, of which there was no inkling in the evidence submitted to the Railway Rates Tribunal earlier this year. This showed that the Pool's gross receipts were estimated to reach £42,351,000 and London Transport's share, after pooling, to £31,190,000. The actual figure of £42,457,763 for the Pool shows a mild improvement on the estimate, but London Transport's share has not come up to expectations. This is partly explained by an actual fall in the main-line railways' contributions to the Pool (a reflection, surely, of recession during the greater part of the year) and in higher expenses which the companies charged against the Pool. But the Board's own charges also increased, from £24,923,256 to £25,140,163. Its renewals reserve policy remained unaffected by war, and hence the renewal provision was raised by £145,000 to £2,570,000 to take account of additional assets and higher replacement costs. Finally, the comparison with 1937-38 is affected by the non-repetition of the special income-tax credit of £230,000 brought into account in that year. The general financial results of the Board are summarised in the table on page 140.

* * *

The highly-g geared nature of their net traffic receipts is well illustrated by the fall from £3,930,293 in 1936-37 (a year affected by the central bus strike, though in the Board's favour) to £3,359,590 for the latest year. This fall of £570,703 over the past two years is itself equivalent to 2½ per cent. on the "C" stock. Two other factors, however, have played their part in the final distribution. The amount of interest payable to the London Electric Transport Finance Corporation has increased from £351,841 to

	Years ended June 30th		
	1937	1938	1939
Ore reserves, end year...	91,769,128	87,498,099	110,426,774
Ore mined	2,880,300	3,126,100	2,816,000
Blister copper, smelted	69,560	75,253	68,262
Revenue (per long ton)	51.022	45.569	44.129
Expenses per ton (before depreciation)	21.880	22.151	21.322
Copper sales	3,549,042	3,421,707	3,012,354
Total profit	2,078,203	1,816,380	1,613,377
Taxation	456,500	512,000	645,000
Depreciation	175,000	200,000	200,000
Other expenses	113,295†	41,312	41,173
Ordinary stock—			
Earned	1,333,808	1,063,064	727,204
Paid	998,133	757,089	634,196
Earned %	106.9	28.1	17.2
Paid %	80*	20	15
General reserve	200,000	250,000	100,000
Special charges	20,000	57,255	...
Carry-forward	263,120	261,841	254,852

† Including £72,638 service on debentures since redeemed.
* Also 200 per cent. capital bonus.

26 per cent. higher than a year earlier—and incidentally higher even than when the mine started production—at 110,427,000 short tons, owing mainly to the discovery of additional ore in the Roan Antelope Extension and to the devising of a method of mining the pillar of ore under the Luanshya river. Much experimental work has also been done with the radial drilling method of sub-level mining developed in Canada. Meanwhile the company's copper production has been rising (the rate has risen from 5,753 to 6,300 long tons a month), the mines are working at a satisfactory capacity and demand, and consequently relatively stable controlled prices are assured. It is not surprising that Mr Beatty expects war-time earnings to be satisfactory, though they may well be vulnerable to E.P.T. The 5s. units now stand at 15s.

THE STOCK EXCHANGES

London

Note: All dealings are for cash

GILT-EDGED stocks have provided further striking advances this week, and turnover has shown a marked improvement. In the equity markets the advance in the funds has further assisted the general tendency towards firmer quotations, but this has been accompanied, however, by quiet conditions.

This week has seen almost a boom in the gilt-edged market. With falling bill rates and a shortage of stock, prices advanced sharply, and the reduction of the Bank rate on Thursday proved that the market's persistent optimism had at length been justified. On Monday, War Loan rose as much as 1½, and although later advances were not so spectacular, their cumulative effect was considerable. Conversion 3½ per cent. showed corresponding gains, and the solid basis of the gilt-edged revival is emphasised by the improvement in dated stocks. There is more fluidity in home corporation issues, though scope still exists for greater freedom in dealing. Dominion stocks went ahead smartly, and some New Zealand issues, for instance, rose as much as 2 points on Tuesday. In the foreign bond market, South America was the main attraction, Argentine and Brazilian issues rising fractionally but steadily. European stocks made a mixed showing, with a tendency towards firmer prices. A tentative revival of hopes of Government compensation terms assisted the home rail market early in the week, though there was a

trifling reaction in the ordinary stocks later on. In contrast with previous weeks, however, preference stocks and the prior charges were the centre of attraction, and under the influence of gilt-edged were dealt in above their unofficial minima. Among foreign rails, there was renewed interest in Argentine issues.

The industrial market lacked exciting features and business remained on a small scale, but there was a firm and cheerful undertone, and fractional price increases persisted. Iron and steel shares were firmer than of late and, despite a small turnover, showed a number of moderate gains. The interest in coal shares which was renewed a week or so ago continued, and the leading issues recorded satisfactory gains. Electricity supply and also gas shares recovered on news of the increased domestic ration. Electrical equipment issues again showed a firm upward trend. Motor and aircraft issues were fairly steady, but lacked the upward impetus apparent in other sections. The trend in textile and rayon shares was rather more hesitant than in the recent past. Movements, however, remained within narrow limits. Helped initially by the beer output figures, brewery shares were well supported, and there was also a firmer trend in the leading tobacco issues. Stores and provision and catering issues improved, though the gains were of a fairly modest order, and a selective demand was reported for the principal miscellaneous securities.

The Week's Company Meetings.—Reports of company meetings will be found from page 147 of this issue. The Roan Antelope Copper Mines chairman's statement and the Trinidad Petroleum Development meeting are discussed on page 141. Mr Leslie Martin promised shareholders of Indian Iron and Steel that quarterly progress statements would be published in future, though certain types of confidential information could not be made known. Viscount Stonehaven informed shareholders of Tanganyika Concessions that the company's general position since the capital reorganisation showed steady improvement. Net receipts of the Benguela railway and price of copper were already better than in the corresponding period of 1938. The remarks of the chairmen of New Modderfontein Gold Mining and Nourse Mines on the price of gold are discussed in a Note on page 141. At the meeting of Blyvooruitzicht Gold Mining, Dr Pirow discussed the problem of flooding encountered in shafts Nos. 1 and 2. Once this zone of disintegration has been intersected, the company's geologist anticipated normal sinking operations. Mr R. B. Bannan informed shareholders of Singapore Para Rubber Estates that the current year's replanting programme involved completion of the 100 acres begun in 1938 and preparatory work on the 100 acres to be replanted in 1940.

The Week's Company Profits.—This week our usual analysis of profit and loss accounts, appearing on page 155, contains 36 companies, whose net profits of £1,460,000 are 15 per cent. less than the total of £1,720,000 earned by the same concerns in the previous year. Aggregate net profits of 1,900 companies reporting in 1939 to date total £230,388,000, against £250,290,000, and continue to show a fall of 8 per cent. The week's results are discussed in preceding Notes and on page 143 under the heading "Shorter Comments."

Though the oil share market remained depressed after the week-end following the publication of the Trinidad Leaseholds preliminary figures, Continental support for the leaders on Tuesday caused a rather firmer market. "Shell" and Royal Dutch were well supported in mid-week, while Eagle issues were marked up on the payment of the half-year's preference dividends. Rubber shares continued their recent advance at first, and prices ruled steady at the best levels in mid-week. Tea issues were marked up substantially, due rather to shortage of stock, however, than to heavy buying orders.

The mining market was somewhat featureless on Monday, but prices of producing Kaffirs hardened later in the week, led by Sub Nigel and Geduld. Developing counters, however, have been more in evidence, Vlakfontein

"FINANCIAL NEWS" INDICATORS

1939	Total Bargains†	Corres. Day 1938	Security Indices	
			30 ord. shares*	20 fixed int.†
Oct. 20	3,205	6,565	73.1	111.8
" 23	3,475	6,650	73.4	112.1
" 24	3,540	6,720	74.1	112.7
" 25	3,615	6,785	74.5	113.2
" 26	3,570	6,095	74.5	113.5
1939 High...	...	...	88.0	123.5
Low...	...	...	Mar. 10 66.4	Jan. 6 109.6
			Sep. 26	Oct. 4

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

leading an advance to higher levels on Monday, prices being well maintained on Wednesday. Finance shares followed the trend of the producers. Good September quarter reports from West African companies stimulated interest in the shares, and improvements were general. Rhodesian coppers maintained their prices in quiet trading, while tin shares forged further ahead, assisted by the shortage of stocks.

We are officially informed that Mr Douglas Stewart Hughes and Mr Thomas Ogilvie Falconer, trading as Hughes and Falconer, were declared defaulters upon the Stock Exchange on October 19th.

ACTUARIES' INVESTMENT INDEX

The September prices and yields are discussed in an Investment Note on page 138. Publication will in future be monthly.

New York

WALL STREET was listless after the weekend. Aircraft and motor issues were marked up on news of orders from the French Government, while the slight decline in steel mill activity failed to influence steel issues. On Tuesday, retail and merchanting shares were firmer, but it required a sharp rally of war stocks on Wednesday to establish any definite trend. First-class bonds and second-grade speculative rails have been firmer this week. The Dow Jones industrial average improved from 153.86 last Saturday to 155.48 at the close on Wednesday. The American Iron and Steel Institute estimates steel mill activity at 90.2 per cent. of capacity, compared with 90.3 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			Oct. 11, 1939	Oct. 18, 1939	Oct. 25, 1939
	Low Apr. 12	High Jan. 4	Oct. 11, 1939			
347 Ind'ls....	92.8	114.5	111.5	113.4	114.9	
23 Rails....	23.34	32.5	32.5	33.0	33.5	
40 Utilities	77.8	89.9†	85.2	86.2	87.5	
419 Stocks	79.3	95.6	94.4	95.9	97.2	
Av. yield*...	4.42%‡	3.31%§	3.74%	3.69%	3.63%	
	High	Low				

* 50 Common Stocks. † Aug. 2nd. ‡ Aug. 23rd.

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

Oct. 19	Oct. 20	Oct. 21	Oct. 23	Oct. 24	Oct. 25
126.4	125.9	126.7	126.4	126.6	128.6

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
October 19	1,160	7,800
" 20	790	7,660
" 21	540	3,150
" 23	970	6,300
" 24	1,160	7,380
" 25	1,690	8,900

* Two-Hour Session.

New York Prices

	Close	Lat-est	Oct. 19, 1939	Oct. 20, 1939
1. Rails and Transport				
Atchafalaya	32 1/4	33 1/4		
Balt. & Ohio	7 3/4	7 3/4		
Ches. & Ohio	43 1/8	43 5/8		
G. N. Ry	31 3/4	32		
Illinois Cen.	15 3/8	15 3/4		
N. Y. Cent.	21 3/4	22 1/4		
Norfolk	11 1/2	11 7/8		
Pennsylv.	26 1/4	26 1/2		
Southern Pac.	17 5/8	18 1/8		
Southern Ry	20 1/2	21 1/4		
Union Pac.	103	103 1/2		
2. Utilities and Communications				
Am. W. Works	13 5/8	13 5/8		
Con. Edison	30 1/8	31 3/8		
Edison	7 3/4	7 3/4		
Col. Gas & El.	22 3/4	23 1/2		
Nat. Power & L.	5 1/4	5 1/2		
N. American	22 3/4	23 1/2		
Pac. Gas & El.	30	31 1/8		
Pub. Serv. N.J.	39 3/4	40 3/8		
United Ind. & E.	2 3/4	2 3/4		
Un. Gas. Imo	13 3/8	13 3/8		
Amer. Tel.	16 1/4	16 1/4		
Inter. Tel. For.	33 3/4	34 3/8		
West. Union	33 3/4	34 3/8		
Radio	6 1/8	6		
3. Extractive and Metals				
Am. Can. Min.	20 1/2	21 3/8		
Beth. Stee.	9 1/8	9 3/8		
Republ. Ste.	27 1/2	28		
U.S. Steel	77 1/4	77 3/4		
Am. Metal	26 1/4	28		
Am. Smelting	55 1/2	56 1/8		
Anaconda	33 3/8	34 1/4		
Cerro de Pas.	41 1/4	40 3/4		
Int. Nickel	38 1/2	41 1/8		
Kennecott	40 3/4	42		
U.S. Smelt.	64 1/2	64		
4. Manufacturing				
Shell Union	14	14 1/4		
Acetylene Vap.	137 1/8	137 1/2		
Man. Oil Co.	29 1/8	29 1/2		
Man. Oil N.J.	48 1/2	48 1/2		
Texaco	47 1/2	48		
5. Retail Trade, etc.				
Ward	56	57 3/8		
Woolworth	40	41 1/8		
Wal. Dairy	15 1/8	15 1/8		
Am. Tob. Co.	80	81 1/2		
Nat. Distillers	24 3/8	25 3/8		
6. Finance				
Com. I. Credit	47	47 1/2		
Com. Inv. Tr.	52 1/4	53 1/2		

Capital Issues

CAPITAL ISSUE TOTALS

Week ending October 28, 1939	Nominal Capital	Conversions	New Money
To the Public	Nil	Nil	Nil
To Shareholders	Nil	Nil	Nil
By S.E. Introduction	Nil	Nil	Nil
By Permission to Deal	Nil	Nil	Nil
Savings Certs., week to Oct. 21, 1939	350,000	...	350,000
Year to date	Including Conversions	Excluding Conversions	
1939 (New Basis)...	108,033,674	85,507,732	
1938 (New Basis)...	246,404,900	224,718,490	
1939 (Old Basis)...	71,373,052	49,942,973	
1938 (Old Basis)...	177,021,743	156,255,428	

Destination (Excluding Conversions)

Year to date	U.K.	Brit. Emp.	Foreign ex U.K. Countries
1939 (New Basis)...	57,983,052	25,278,948	2,245,732
1938 (New Basis)...	171,007,844	50,860,469	2,850,177
1939 (Old Basis)...	33,782,882	15,840,091	320,000
1938 (Old Basis)...	130,813,375	22,621,981	2,280,072

Nature of New Borrowing (Excluding Conversions)

Year to date	Deb.	Pref.	Ord.
1939 (New Basis)...	44,512,640	8,169,172	32,824,620
1938 (New Basis)...	137,016,878	15,928,344	71,719,268
1939 (Old Basis)...	37,158,921	2,688,459	10,919,413
1938 (Old Basis)...	125,491,813	9,752,053	21,011,562

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.—Total profits of ROUND OAK STEEL WORKS have been reduced somewhat sharply from £188,424 to £127,462, although the 6 per cent. dividend is maintained. Trading results of ATKINSON-OATES MOTORS for 1938-39 have been satisfactory. The dividend, however, is reduced in order to conserve the company's resources. There has been a small but satisfactory improvement in SNEYD COLLIERIES' total profits from £87,381 to £90,669, but a higher transfer to taxation reserve has resulted in a lower net profits figure. LIGHT ALLOYS, LTD., report a record turnover, and a rise in net profits from £40,989 to £52,030. HERBERT MORRIS, LTD., net profits have been well maintained, and the report points out that orders on hand are now at a higher level than a year ago. The reduction in the VENESTA, LTD., total dividend from 10 per cent. to 4 per cent. is

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 (a)	Total	Pay- able	Prev. Year
	%	%		%
BANKS				
Bank of Montreal ...	2†	8	Dec. 1	8
Bank of N. Zealand...	5†	...	Dec. 9	5*
INSURANCE				
Guardian Assurance	5/-ps. ...	...	...	5/-ps. ...
Licences and General	6* ...	...	Nov. 30	6* ...
London & Lancashire	10/ps* ...	...	...	10/ps* ...
TEA & RUBBER				
Asahan Rubber	...	3	...	5
Chubwa Tea	5* ...	...	Nov. 30	5* ...
Kulim Rubber	...	3	...	6
Lunuva Tea, etc. ...	(w) 4* ...	...	Nov. 30	4* ...
New Dimbula Co. ...	c 18½†	(c) 22½	...	19
MINING				
Bangrin Tin	5* ...	...	Nov. 28	5*
General Mining	10* ...	...	Dec. 11	10*
Rawang Concessions	3¾* ...	...	Nov. 8	2½*
Siamese Tin	15* ...	...	Nov. 28	15*
Union Corporation ...	2/6ps* ...	...	Nov. 29	2/6ps*
INDUSTRIALS				
Amal, Ltd.	...	15	...	10
Ang.-Portug'ese Telep.	3* ...	...	Nov. 15	3*
Associated Gas	2½* ...	...	...	2½*
Barry and Staines ...	5* ...	...	Nov. 24	5*
Bristol Brewery	12½†	18	...	18½
British Match	2½* ...	...	...	2½*
Brit. Shareholders Tst.	2* ...	...	Nov. 17	5*(w)
Broadcast Relay	(n) 5* ...	17½	Nov. 7	22½
Burco	10†	...	...	3*
Cawnpore Electric	3* ...	(b) 5	...	5½
Cedar Investment ...	...	...	...	10*
Cerebos, Ltd.	10* ...	...	Nov. 11	5*
Clan Line	5* ...	...	...	5*
Clark's Bread	3½* ...	...	Dec. 1	3*
Clayton Deswandre ...	1½* ...	...	Nov. 25	1½*
Cont. Union Trust...	12½†	3½	...	10
Daily Mail Trust...	7½†	7½	Nov. 2	6¼
Dancer and Hearne...	7½†	7½	...	15*
Dick (R. & J.)	15* ...	...	Dec. 1	3*
Ever Ready (G. Brit.)	3½* ...	...	Nov. 1	10*
Greeff-Chemicals	10* ...	...	Nov. 20	10*
Handley Page	7½†	10	Dec. 10	10
Horden Collieries ...	(e) 5* ...	...	Nov. 16	5*
Invest. Trust Corp. ...	2* ...	...	Nov. 16	5*
Kalgoorlie Electric ...	5* ...	...	Nov. 16	5*
Laporte (B.)	...	2½	Nov. 16	4
London Maritime Inv.	12½†	15	Nov. 8	15
Lucas (Joseph)	2½*	...	...	10
Malkin Tiles	...	10	Dec. 6	7½*
McCarthy Rodway...	7½*	...	Dec. 1	1½*
Metal Agencies	10†	15	...	15*
Montevideo Gas	10†	...	Nov. 14	10*
Norhampton Brewery	...	2½	...	6
Pataling Royalties	...	...	Nov. 25	4
Perak Hydro Electric	(d) 4* ...	...	Nov. 15	7
Rubber Trust	(g) 4½†	(g) 7	...	2½*
Second Scot. Invest.	2½* ...	...	Nov. 22	4
Shrophire Electric A	7½†	15	...	27½
Shrophire Electric B	...	3	Nov. 17	6
Sthn. Stockholders. Tst.	10†	...	Nov. 15	15
Trinidad Leaseholds.	...	...	...	...
Waihi Investments ...	...	...	...	...
Wellworthy Piston ...	...	...	...	...
UNIT TRUSTS				
Century Fixed ...	Pence	...	...	Pence
Trust of Bank and In-	44	...	Nov. 1	59
surance	3-0850	6-3050	Oct. 31	6-5334

Industry and Trade

Regulation of Freight Rates.—During the past fortnight a scheme has been drawn up for regulating the freights in the coasting and French coal trades. On October 13th a schedule of maximum freight rates for the London coal trade was arranged between the Coasting and Home Trade Tramp Section of the Chamber of Shipping and the merchants engaged in the London coal import trade. The scale applies to cargoes above 1,450 tons, and it ranges from 10s. per ton for vessels of 1,450-2,000 tons from the Tyne, Humber, and South Wales ports to 8s. 6d. per ton for vessels of 3,750-4,000 tons. The rates from the Forth are 9d. higher for each of the four divisions into which the sizes of vessels have been classified. The scheme deals with loading and discharging hours, despatch, demurrage, and other conditions, and although it is of a voluntary character the Chamber of Shipping has appealed to owners to make a success of it if they are to prevent the alternative of more direct and effective Government control. The total quantity of coal imported into London amounts to between 15 and 16 million tons per annum. Even more extensive is the agreement which has been reached with the representatives of the French Transport Mission, now installed in London, for the regulation of the freight rates for the carriage of coal from the United Kingdom to North French and Bay ports. It affects a volume of traffic now totalling approximately 7 million tons per annum. A schedule of maximum rates, based on 10s. for Rouen, has been drawn up for all the French ports between Dunkerque and Bayonne; the rates are subject to differentials in respect of loading and discharging ports, and the size of the vessel employed. The rates, for example, for ports north of Brest average about 5 per cent. below the rate for Rouen, while for Bay ports the Rouen rate is subject to increases ranging up to 25 per

cent. for vessels sailing from Bristol Channel ports and up to 40 per cent. for vessels sailing from the Tyne. The basic size for cargo differentials is 3,800-4,500 tons, and for ships below this tonnage the scale provides for increases on the Rouen rate ranging up to 30 per cent. for vessels of less than 500 tons. The other conditions laid down govern loading hours, rates of discharge, brokerage, despatch, demurrage, and the other usual chartering arrangements, and it is to be at the option of shipowners whether fixtures are made for consecutive or single voyages. The scheme is, of course, subject to over-riding directions by the British Government, but it is agreed between the French Mission and the Chamber of Shipping that the French charterers shall transact their business through the usual trade channels, and that the parties to the agreement meet when required to examine any modification which experience may suggest to be desirable. The maximum rates are not as favourable as those hitherto ruling or as those now current for Spanish and Portuguese ports, but during the past few days many vessels, including a few neutrals, have been chartered under the scheme.

Wage Increases.—Higher wage rates, which will come into force almost at once, have been announced by a number of industries. Some of these changes are due to sliding-scale agreements already in force, but in other cases the increase in the cost of living has resulted in new wage agreements. It was announced on October 20th that a general advance of 12.64 per cent. on current standard piece price list wages will be paid from October 30th to workers in the spinning section of the cotton industry, and

SHORTER COMMENTS

(Continued from page 143.)

dividend to September 30, 1939, on the 7½ per cent. participating preference stock (ranking after the 6½ per cent.), was recently deferred. Further consideration to be given when the accounts to September 30, 1939, are made up.

Edward Lloyd Investment Trust.—The company is deferring payment of the half-year's dividend on the 5 per cent. redeemable preference stock.

Co-operative Wholesale Society.—The Society's proposal to establish bazaar stores has been deferred until the end of the war. The chairman has stated that for 25 weeks to July 8, 1939, the total trade of the C.W.S. was £57,665,227, an increase of £1,594,457 or 2½ per cent.

Lloyds Bank.—Viscount Weir has resigned from the board owing to pressure of public work.

Round Oak Steel Works.—Trading profits for year to June 30, 1939, £120,879 (£183,453). To depreciation, £31,889 (£32,052); debenture interest, £16,945 (£17,307); pension, £2,500 (same); N.D.C., £5,000 (£7,500); income tax, £35,000 (£40,000). Ordinary dividend 6 per cent., as before. To general reserve, £10,000 (£60,000). Carry forward, £15,315 (£18,157).

Daily Mail and General Trust.—Final ordinary dividend $1\frac{1}{2}$ per cent. making $3\frac{1}{2}$ per cent., tax free, for year to September 30, 1939, compared with $8\frac{1}{2}$ per cent., tax free, for preceding year. Net profit, £143,324 against £268,968.

Indian Iron and Steel Company.—The adjourned ordinary meeting will be held in Calcutta on November 16, 1939. It is proposed to pay dividends of 15 per cent., free of Indian income tax, as recom-

mended, on or after November 16th, to
shareholders on register September 27th.

Renold and Coventry Chain Company.—Trading profit year to July 2, 1939, £143,782 (£216,894). To taxation, £58,000 (£70,000); contingencies reserve, £9,126 (£2,141). Ordinary dividend reduced from 12½ to 10 per cent. Carry forward £22,541 (£28,912). In previous year, £35,000 was placed to general reserve.

Venesta, Ltd.—Total income for year to June 30, 1939, £259,834 (£231,989); depreciation, £19,283 (£19,289); net profits before taxation, £110,835 (£100,544); taxation, £30,000 (£15,000). Ordinary interim of 4 per cent., paid last May; no final distribution, as already announced (10 per cent. paid previous year). Carried forward, £98,759 (£66,470).

Mexican Eagle Oil.—Canadian Eagle Oil, in accordance with guarantee obligations, will pay on Mexican Eagle 7 per cent. first preference shares a dividend of 2s. 9-6d. for every 10 shares of 4 pesos each, payable in London, October 31st.

Shell Union Corporation.—Third quarter net income \$1,548,200 against \$3,534,000 a year ago. Increase largely due to smaller Federal income tax provision. Gross operating earnings last quarter, \$65,971,700 (\$67,978,700); depreciation, \$10,431,400 (\$9,488,400); interest, \$653,400 (\$773,600).

Canadian Eagle Oil.—Company has declared, on first preference shares, dividend of 4s. 2½d. for every 10 shares of \$0.3 (less 5 per cent. for Canadian and 7s. 6d. in the £ British income taxes). Payable in London, October 31st.

Horden Collieries.—Net profit for year ended September 30, 1939, £209,188 (£229,934). Final ordinary dividend maintained at 7½, making 10 per cent. for the year (10 per cent.).

Electrolux Corporation (of America).—Net profit after all charges and Federal income tax for nine months ended September 30, 1939, \$1,113,000, against \$1,513,140 for corresponding period in 1938. Net profit for the third quarter of 1939, \$294,389 (\$301,435).

North American Company.—Company and subsidiaries consolidated income statement for year to September 30, 1939, shows balance for common stock of \$15,490,059, equal to \$1.81 per common share against \$1.59 a year ago. The earnings of the company alone are equal to \$1.48 per common share as against \$1.60 a year ago. The electric output for the twelve months' period showed 9.26 per cent. increase.

Electrolytic Zinc Company of Australasia.—Gross profit for year to June 30, 1939, £A.522,209 (£A.584,435), after £A.100,000 (£A.145,000) for depreciation; net profit, £A.405,756 (£A.459,524); ordinary dividend 15 per cent. for year as before; carry forward, £A.182,358 (£A.166,602).

Wallis Tin Stamping.—Trading profit for year to June 30, 1939, after depreciation, £21,185 (£20,928); to tax and N.D.C., £5,384 (£5,549); to reserve, £5,000 (£5,000); carry forward, £5,833 (£3,988); ordinary dividend remains at 20 per cent.

Glynn's Lydenburg.—Working profit, year to July 31, 1939, £65,585 (£61,895); ordinary dividend 15 per cent. for year, as before. Carry forward, £47,177 (£43,529). Ore milled exceeded previous year's by 4,400 tons.

North Broken Hill.—Profit for year to June 30, 1939, £330,187 (£475,153) after depreciation, taxes, etc. Ordinary dividend 40 against 60 per cent. Plant expenditure for year £100,000 (£94,026), carry forward, £324,610 (£374,423).

October 28, 1939

a general conference is to be held within a month to consider wages in relation to the cost of living. On the same day, the General Council of the Weavers' Amalgamation agreed to an increase of 5 per cent. from November 20th and one of $7\frac{1}{2}$ per cent. from January 1, 1940. Thereafter rates will be changed according to the Ministry of Labour's cost-of-living index. Both these sections originally asked for 20 per cent. increases. On October 18th the Electrical Trades Union and the National Federated Electrical Association agreed that workers should receive an extra 3s. 6d. a week as a cost-of-living (war) addition without disturbing the existing National Standardised Wages Agreement. The Joint Standing Consultative Committee for the coal-mining industry has decided to increase miners' wages by 8d. a shift for adults and 4d. a shift for youths and boys from the beginning of November. This offer will be discussed at the delegate conference of the Mineworkers' Federation this week. After the rise of 10 points in the cost-of-living index since last July, the National Union of Dyers, Bleachers and Textile Workers published schedules in Bradford on October 19th with wage increases ranging from 11d. to 2s. 11d. per week for men and 8d. to 1s. 10d. for women; this will affect about 80,000 workers and remain in force for three months. There have been applications for higher wages in other industries, but decisions have not yet been reached. Agricultural wages have also been increased in a number of districts, including Oxfordshire, Worcester, Lincoln and Norfolk.

Higher Sheep Prices.—During the last few days a number of changes have been made in agricultural prices. The guaranteed minimum price for sheep has been abolished and will be replaced by a standard price of 1s. per lb. (dead weight?) which, it is hoped, will encourage a greater output of lamb and mutton. The standard price of pigs has been raised from 13s. 6d. to 14s. per score, in sympathy with the rise in bacon prices. Arrangements have also been made to speed up the payment of the ploughing grant; but even with this concession, it is felt that the county executive committees might be given powers to advance money to the smaller farmers who cannot at present meet the expense of ploughing and sowing extra fields. The provender trade has passed into the control of the Ministry of Food; supplies of feeding stuffs are now more readily available than in the first month of war, but there are still local shortages in some districts, which bear hardly on the specialist pig and poultry farms. Egg prices have also been raised to meet the usual seasonal decline in production. Another matter of great importance to farmers is the increases in standard wages, which have been granted by many of the County Wage Boards; for the first time since the post-war boom, one county, Lincolnshire, has raised the standard weekly wage to male workers to 40s. per week. Since the Minister of Agriculture has been holding long conferences with the labourers' union and with the N.F.U., it is presumed that the farmers' representatives have obtained from him an understanding that prices for agricultural products will be raised sufficiently in the coming year to meet this extra cost.

Cotton Board and Control.—Much uncertainty prevails in the Lancashire cotton industry as to the policy of the Cotton Board which was set up by the Government about five weeks ago. It is understood that sectional meetings have been held of the different branches of the spinning industry, from which the Board has secured a considerable amount of information. So far, however, the Government has not decided the powers of the Board, and as the delay is causing much confusion it was reported that the members of the Board would go to London to interview the Board of Trade and the Minister of Supply. A Bill has been introduced into the House of Lords to postpone the operation of the Cotton Industry (Reorganisation) Act, and it is quite evident that during the period of the war

the control of the industry will be in the hands of the recently-appointed Cotton Board. A declaration, therefore, of its powers and policy would be very welcome to the industry.

Wholesale Trade in Textiles.—The effect of the outbreak of war on the textile trade is revealed by the indices of wholesale trading in textiles calculated by the Wholesale Textile Association in collaboration with the Bank of England and published in the current *Board of Trade Journal*:—

INDEX OF WHOLESALE TRADE IN TEXTILES
(1937=100)

	Home	Export	Total	
Year				
1935 ...	96	83	96	
1936	99	90	99	
1937	100	100	100	
1938	94	82	93	
Month	1938	1939	1938	1939
January	50	53	84	75
February	73	75	80	74
March	116	118	88	84
April	101	96	66	67
May	98	105	67	93
June	83	94	80	83
July	62	65	79	77
August	69	83	81	74
September ...	126	159	100	74
October	124		83	
November ...	120		84	
December ...	106		90	

The rise between August and September is much greater than can be accounted for by normal seasonal movements and is entirely due to the increase in home trade. Retailers have been laying in large stocks, but public demand has also been heavier than usual. Although the figures for total and home trade are well above last year's levels, export trade shows a decline of 26 per cent. from September last year. There was no decline, however, between August and September. The manufacturing section is extremely busy on Government work and the increased wholesale trade should result in more civilian orders as well.

Leather under Control.—In the first week of the war, a Controller was appointed for the trades dealing in hides, skins and leather and maximum selling prices were fixed for home and imported hides, based on existing quotations. The object of this control was, of course, to assure supplies of leather at reasonable prices to the firms working on Government contracts for service footwear. Since the outbreak of war, however, prices of hides on international markets have risen steeply, under the influence of renewed American buying and the expectation of large sales to the belligerents. The following table of representative hide prices is taken from the *Leather Trades' Review*:—

RAW HIDE PRICES (pence per lb., c.i.f.)			
Type of Hide	Weight	Aug. 28	Oct. 16
Salted Frig. Argentine, Ox.....	25½ kilos.	5	8½
Salted Johannesburgs	60-65 lb.	4½	6½
D/S N.S.W. Meats	30-40 lb.	6½	9
Dry Karachi S.O.W.	13-25 lb.	7½	8½
		Cents per lb.	
Chicago, Colorado.....	60 lb. plus	10½	15
Calfskins	9-15 lb.	16½	24

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V.S.O.P.
LIQUEUR BRANDY

Consequently, it has been impossible in recent weeks for British traders to acquire any imported hides, and stocks at tanneries have been running down under the expanding demand from the boot and shoe manufacturers. A revised schedule of maximum prices has now been issued, with somewhat lower prices for home hides, while imported hides are freed from control.

The output of service footwear has been increasing steadily in the last six months, but at the outbreak of war there was a further transference of machinery from civilian to service production. The war has also brought a surprising spurt in retail demand which has depleted retailers' stocks. Further, the expectation of a rising price level has led to the immediate placing of large orders for future delivery. But the uncertainty over future leather prices, combined with a growing shortage of labour, has made manufacturers unwilling to quote. Unemployment in the boot and shoe trade fell to 7.5 per cent. of the insured workers in September, compared with 13 per cent. in August. The stoppage of imports from Germany and Czecho-Slovakia will also increase the pressure on the home trade; in the first eight months of this year, Britain imported from these countries footwear to the value of

£459,000, compared with £514,000 in the corresponding period of 1938.

The Fishing Industry.—Those concerned in the fish trades have suffered much from war conditions. Even before hostilities began, boats had to be recalled from the fishing grounds to safety, and subsequently a very large number of the newer and better equipped trawlers were taken over by the Admiralty for defence work. On top of the consequent shortage of fish came the official scheme for inland distribution, under which such limited quantities of fish as were available were mislaid. The inland trade has now returned to its normal channels, and the Ministry of Food has promised a list of maximum prices. The problems of catching remain. The depletion in recent years of the near fisheries has increased the importance of the distant waters, for which naval escorts and the commandeered trawlers are required. The Admiralty has agreed to release some of the fishing boats, and the conferences held last week between the trawler owners, the seamen's unions, the Admiralty and the Ministry of Food should result in an improvement in conditions. With the advent of rationing for meat and the seasonal increase in egg prices, an adequate supply of fish is of great importance.

INDUSTRIAL REPORTS

Coal

Sheffield.—Demand for most classes of coal and coke is strong and the increased outputs are readily disposed of. Inquiry and prospects on the export market are better, but licences for export are not issued until freight space has been arranged, and this hampers business to some extent. Efforts are being made to capture some former German trade.

Cardiff.—An increase in the requirements of public utility undertakings is expected from the relaxation of the rationing regulations, while in the export trade shipments at the South Wales docks have been more active than for the past two months. The stabilisation of freight rates in the French trade may ease the tonnage position. The price position has been disturbed by the wage concession to the workmen, but an announcement of an increase authorised by the Mines Department to meet the higher wage bill and dearer materials is expected.

Workington.—The landsale market has been eased by the rationing of household consumption, but production does not fully satisfy industrial requirements and those of Irish merchants building up stocks for the winter. Prices are very firm.

Iron and Steel

Sheffield. Adequate supplies are reaching consumers through Control operations, although basic pig production is barely equal to requirements. Finished iron business is on a much better scale. All steel materials are in demand and deliveries of iron and steel scrap are good.

Middlesbrough.—Output is maintained at a high level. Shipbuilding material is being supplied in larger quantities, but there is little steel available for general commercial purposes. Cleveland foundry pig iron can still be delivered from stock. Heavy steel melting scrap is in strong request and it may be necessary to increase imports.

Cardiff.—There has been a sharp improvement in the triplate export position. Although deliveries are well up to contract specifications, unexecuted commitments are accumulating and now total about 7½ million boxes, covering shipments up to the end of next May. Prices for inland consumption are unchanged, but for the foreign trade they are ruling up to 28s.-30s. per basis box. The latest output figures are 70.04 per cent. of capacity, compared with 54.47 per cent. a year ago.

Workington.—North-West Coast hematite stocks are exhausted. Temporarily, some relief was obtained by changing over a ferro-manganese furnace, but output is to be increased by the end of the year. Meantime, all forward buying is discouraged. Local absorption is substantial, and there are heavy deliveries to the Midlands, Scotland and South Wales.

News from Abroad.—Many consumers are anxious to cover current requirements as there are signs that prices will continue to rise. It is noteworthy that those on the Swedish market have already been increased by as much as 25 per cent. Producers are reluctant to contract large export orders owing to restricted output, but if raw material supplies can be augmented the satisfaction of current world demand will be facilitated. Transport conditions are easier, although the insecurity of delivery dates is still causing much inconvenience to buyers and sellers.

Textiles

Wool (Bradford).—Orders issued by the Ministry of Supply dated October 22nd fixed new maximum wool prices (which were accompanied by a schedule of prices at which wool will be issued to the trade) and provided for the requisition of imported merino and crossbred wool and tops, broken tops, noils and combing laps. Members of the London wool trade have issued a statement protesting that they have been ignored by the Control operating from Bradford. London has been the chief distribution centre and, as the clips from Australia, New Zealand and South Africa are to be handled by the Control, the London organisation seems to be threatened with extinction.

Jute (Dundee).—Production of yarn and cloth is insufficient for buyers' demands. Calcutta goods are overdue and there is a shortage of cloth and bags for immediate use. Spinners are seeking permission to employ women on night-shifts to increase output. Yarn prices are firm.

THE COMMODITY MARKETS

The trend in prices in most international markets for raw materials remains upward, though there has been no resumption of the speculative boom that marked the first few days of war. Bulk purchase by the Allied countries will have a dominating influence on commodity markets and while some recovery from the low price levels of this summer is probable, the purchasing authorities are not likely to pay unnecessarily high prices. In the United States grain markets have remained steady, but other prices have been irregular; Moody's daily index of commodity prices relapsed from 169.2

(Continued on page 151)

COMPANY MEETINGS

TRINIDAD PETROLEUM DEVELOPMENT COMPANY, LIMITED

INCIDENCE OF EXCESS PROFITS TAX

MR KENNETH MOORE'S ADDRESS

The annual ordinary general meeting of Trinidad Petroleum Development Company, Limited, was held on the 19th instant, at River Plate House, Finsbury Circus, London, E.C.

Mr Kenneth A. E. Moore, F.C.A. (the chairman of the company), presided.

The Chairman said: Gentlemen, when I addressed you a year ago I indicated that after a period of rapid development a phase of consolidation and of planned stabilisation of output had been entered upon as a matter of policy. The results disclosed by the accounts and reports which are before you to-day reflect that phase, and the best tribute to the soundness of that policy lies in the fact that we have achieved with the minimum of expenditure the desired production of some three million barrels of oil, and have succeeded, in a year of continuous depression in crude oil prices, in maintaining our profits around the £180,000 mark. At the same time much useful work has been done during the year to lay the foundations for a further expansion of production—storage capacity has been materially increased, the light products recovery plant has been duplicated, new pipelines and roads have been constructed, and the central depot has been completed and brought into use.

DRILLING ACTIVITIES

By the most careful organisation of drilling it has been possible with only four rigs in operation to achieve almost the same footage as was the case with 5 rigs in the previous year, and as you will have seen from the report, out of 49 wells drilled during the year, 48 are producers.

A minor but useful addition to our potential oil reserves has been made by the acquisition during the year of oil-mining leases covering about 1,000 acres.

Here, in London, in addition to normal management affairs, a matter of vital importance—namely, the contract under which our oil is sold—has engaged the attention of the board. The old contract would normally have expired in 1941. As the outcome of negotiations, the old contract has been superseded by a new contract with United British Oilfields of Trinidad, Limited, for a period of 10 years on terms which should operate to the advantage of both companies in their respective spheres. Your directors recommend a dividend of 15 per cent.

THE EXCESS PROFITS TAX

As regards taxation, it is impossible at present to make anything but an approximate estimate of the incidence of the new Excess Profits Tax in our case. On the face of it, however, businesses which in recent years have been and still are in the development stage will be severely hit and so far as can be seen from the Finance No. 2 Bill, which has recently been rushed through Parliament without the customary discussion, no serious attempt has been made to do rough justice in the case of young and progressive businesses or businesses which were in the process of resuscitation in pre-war years.

I think it is generally agreed that the evils associated with the old Excess Profits Duty arose principally from three fundamental causes:—

1. That many injustices and anomalies arose from the prescribed method of computation of the pre-war standard of profits whether that standard was based on profits or capital. These injustices were by no means all on the side of the taxpayer and it is common knowledge that certain industries escaped their moral liability, but on the other hand, for a variety of reasons, there were glaring discrepancies in the incidence of the duty as between individual businesses engaged in the same industry and as between various classes of industry.

2. There was introduced into industry an unhealthy element of extravagance in expenditure and disregard of control of wages and costs which gave impetus to the vicious spiral of rising prices, etc.

3. That the scale of taxation rose to heights at which many ordinarily honest people failed to remain so.

SUGGESTED SAFEGUARDS

I believe that these evils could be avoided to some extent on this occasion, or at least minimised, by the adoption of certain safeguards, including the following:—

(a) As regards the pre-war standard, that in addition to certain obvious detailed allowances for such matters as unremunerative capital, undue depression in a particular industry in the standard years, etc., there should be an over-riding provision giving the right of appeal in hard cases to a suitable tribunal for some measure of rough justice in the computation of pre-war standards, unlimited in scope as is Clause 13, Section 7, in the draft Finance (No. 2) Bill, as amended.

(b) As regards undue extravagance, etc., that there should be general Government control of the level of wages and restriction of competition for labour between various classes of industry and that increases in salaries should be liable to surcharge if unwarranted. Further, that on prima facie evidence of wanton extravagance in administration inspired by the knowledge that it was at the cost of the Exchequer, Inspectors of Taxes should be empowered to bring the matter before a suitable tribunal with power to inflict heavy penalties. While difficult to administer, this latter provision would no doubt act as a powerful deterrent.

(c) As regards dishonesty, the best way of minimising the possible deterioration of the morals of the business community in relation to taxation is to remove any feeling that the incidence of taxation is capricious and unjust. I believe the suggestion which I have already made for the introduction of the principle of rough justice in otherwise hard cases would go a long way in this direction.

Finally, there are two specific points among others in the present Bill which, if not met, will cause endless heart-burning, discontent and injustice:—

1. To limit the pre-war standard years to 1935, 1936 and 1937 may have been all very well for the armament industry, but to retain those years for industry in general is quite indefensible. I therefore suggest that the year 1938 should be added in the case of all businesses not subject to the original armaments profits duty, and that in addition in the case of undue depression in any industry in the four standard years a wider choice of years—say four out of the last six pre-war years—should be at the option of the taxpayer.

2. The Bill in its present form—particularly Clause 13, Section 7—does not adequately provide for the case of businesses, whether old or new, which were in the process of development or resuscitation in pre-war years and may still be in that process. Such businesses should have the right of appeal to a special tribunal with power to do full justice to the circumstances of each case.

POSITION OF THIS COMPANY

Our company, whose business is confined to the production of oil in Trinidad, affords a concrete example. Founded in 1918, it was for many years only partially successful in winning oil. In 1937, additional capital was provided and renewed efforts were made to increase production. Those efforts are beginning to bear fruit and the production and profits of the company have recently been doubled, not as a result of the war, but simply as a result of this fresh money and fresh effort. During the war this company will no doubt be required, in the national interest and regardless, perhaps, of ordinary commercial considerations, to increase its production very materially and, as matters stand at present, it will be saddled with an entirely unrepresentative pre-war standard based on the lower production and profits of the years 1935, 1936, 1937, and a large part of its profits will be absorbed by Excess Profits Tax, quite regardless of the fact that it will be exhausting its reserves of oil and thus, perhaps, mortgaging the future.

NOURSE MINES, LIMITED

LARGER QUANTITY OF ORE MILLED

SATISFACTORY RESULTS

MR W. M. FRAMES ON THE OUTLOOK

Mr W. M. Frames presided at the annual meeting of Nourse Mines, Limited, held in Johannesburg on Friday, October 20th.

In moving the adoption of the report and accounts, the Chairman reviewed the financial results and mentioned that provision for taxation at £84,378, equal to 28 per cent. of the total working profit, differed insignificantly from the amount shown in the appropriation account for the previous year.

CAPITAL EXPENDITURE

Continuing, the Chairman said that the heavy programme under the head of capital expenditure, chiefly in connection with new winding engines and stations, power supply and other items essential for the equipment of the deep-level section, had been impeded by shortage of native labour and by delays in delivery of plant. Gross expenditure on capital account had been £39,267, which was substantially less than the expenditure estimated at the beginning of the financial year. It was now anticipated that a sum of £35,000 would be spent upon the completion of this programme during the current financial year.

Two dividends totalling 21½ per cent. had been paid for the past year, representing an increase of 1½ per cent. when compared with the total declaration for the previous year, and the balance carried forward showed an increase of £10,843.

The quantity of ore milled had been 25,000 tons more than that milled during the previous year, and the total development footage had shown an increase from 20,997 to 24,436 feet. Payable results had been satisfactory, giving a total of 7,745 feet at 14.9 pennyweights over 18 inches. Detailed figures disclosed a decline in percentage of payability and in value as compared with the exceptionally favourable results prevailing during the previous year.

A GRATIFYING FEATURE

A marked improvement in the value of disclosures upon the Main Reef Leader, which reef had so far been of little importance in the deeper sections of the mine, was a gratifying feature of recent development. Disclosures on both reefs in the new area to the south of Goch Dyke, in which no appreciable stoping had yet been undertaken, continued to be very satisfactory.

Results in that area to the end of August could be classified as follows:—

	Footage on reef	Footage payable	Per cent.	Inch payable weights
Main Reef Leader	2,910	1,090	37.5	172
South Reef	12,685	10,045	79.2	330

Number 2 D Incline, from which this southern section has been developed, had reached its final depth on the 43rd Level and all deeper work would be performed from Number Three D Main Incline, which had been sunk with temporary hoists to below the 40th Level, and, now equipped with one of its two permanent winding engines, was making good progress.

Payable ore developed during the year had totalled 751,600 tons at 4.8 pennyweights and the increase in available ore reserves compared with the estimate at the end of the previous year had been 122,500 tons without any change in the average value.

TWO FACTORS IN THE OUTLOOK

Continuing, he said: As regards the prospects for the current year, two factors which are likely to have detrimental repercussions on the goldmining industry as a whole are, first, the Government's decree that all producers of gold in the Union must sell their gold to the Reserve Bank at a maximum price of 150 shillings per ounce fine and, second, as a consequence of the war, a rise in working costs, due to increased freight, insurance charges, etc. Full representations were made by the Gold Producers Committee and the Government has declared its readiness to deal with these questions when they arise in the light of such information as the Committee may submit to it.

Shareholders may rest assured that the Government will be kept fully informed of the position from time to time and it is hoped that a suitable allowance may be made to meet any material increase in working costs that may occur.

The report and accounts were adopted unanimously.

NEW MODDERFONTEIN GOLD MINING COMPANY, LIMITED

REVIEW OF PAST YEAR'S OPERATIONS

RESERVES NOW EXCEED 7,300,000 TONS

DR PIROW ON GOVERNMENT'S DECREE

Dr Hans Pirow, chairman of the company, presided at the annual meeting of the New Modderfontein Gold Mining Company, Limited, held in Johannesburg on Friday, October 20th.

In moving the adoption of the report and accounts, the Chairman reviewed the financial results for the year ended June 30, 1939. Referring to the dividend declarations, he said that two dividends of 25 per cent. each, declared during the year, had reflected the inevitable decline in distributions foreshadowed at previous annual meetings. Compared with the results for the preceding year, yield and revenue had decreased by 0.287 pennyweight and nimpence per ton milled respectively, while the total of ore milled had increased by two thousand tons.

RESERVES AND DEVELOPMENTS

The available ore reserved and re-estimated as at June 30, 1939, had amounted to 6,634,500 tons, averaging 3.5 pennyweights per ton over a stoping width of 49 inches, compared with 7,308,200 tons averaging 3.8 pennyweights over 49.2 inches on the same date in 1938.

The total ore reserve now stood at 7,324,800 tons, averaging 3.6 pennyweights over 48.8 inches, and showed a decrease of 671,800 tons compared with the previous year: the value and stoping width were lower by 0.2 pennyweight and 0.2 inch respectively.

Payable ore developed during the year, which had amounted to 700,190 tons valued at 3.1 pennyweights per ton over an estimated stoping width of 47.7 inches, had shown a decrease of 37,610 tons and an increase in value of 0.5 pennyweight per ton compared with the previous year.

That value, however, was considerably below the average value of the ore reserve, which had shown a gradual decline in both tonnage and value for the past few years. No improvement could be looked for in the grade of the ore still to be developed, and therefore it was expected that the decline in the value of the ore reserve would continue with corresponding decreases in the grade of the ore mined and in the yield.

REPRESENTATIONS TO GOVERNMENT

In these circumstances a rise in working costs, due to increased charges for shipping, insurance, etc., occasioned by the war, would have a most detrimental effect on the future of the mine as the result of the Government's decree that all producers of gold in the Union must sell their gold to the Reserve Bank at a maximum price of 150s. an ounce. As other gold mines would be similarly affected the matter was one which concerns the industry as a whole. It had therefore been taken up by the Gold Producers Committee, and strong representations had been made to the Government for some relief to meet a rise in working costs.

Shareholders would have seen from a recent publication in the Press that the Government had declared itself prepared to deal with this question, when it arose, in the light of such information as the committee might submit to it as to the extent of the increase and the circumstances causing it. Shareholders could rest assured that the Government would be kept fully informed of the position, and it was thus hoped that a suitable allowance would be made by the Government to offset any material rise in the working costs.

PROSPECTS OF ADDITIONAL TONNAGE

The Chairman added that there were good prospects of considerable additional tonnages of payable but low-grade ore being developed in the N.A. 1 and 2 Leaders and in the South Reef. Development on the Black and Kimberley Reefs had been continued, a total of 1,452 feet being accomplished by the end of last month. Some high values had been encountered in the Black Reef since the end of the financial year, the total payable footage amounting to 135 feet, with an average value of 11.1 pennyweights per ton over a reef width of 70 inches.

The importance of those results could not yet be assessed, but it was not expected that that reef would occur over an extensive area. Values in the Kimberley Reef had to date been wholly disappointing. The work of developing the Black Reef had been done by a neighbouring mine, and it was not intended to test the area further by developing from Number 1 Circular Shaft. Some further

exploration had also been done on the Bird Reef at Number 1 Rectangular Shaft, without, however, disclosing any payable reef.

EXTRACTION OF SHAFT PILLARS

The extraction of the shaft pillar at Number 1 Circular Shaft had proceeded satisfactorily. At Number 2 Circular Shaft much of the work necessary to ensure the safety of the shaft and of the pump chambers had been done, and the extraction of the pillar would be commenced at any early date.

The Chairman concluded:—A serious shortage of native labour was experienced for the greater part of the year and may, if it continues, result in some curtailment of the tonnage milled. In other respects operations are proceeding normally.

The report and accounts were adopted unanimously.

BLYVOORUITZICHT GOLD MINING COMPANY, LIMITED

PROGRESS OF SHAFT-SINKING

SOME UNEXPECTED DIFFICULTIES

DR HANS PIROW'S SPEECH

Dr Hans Pirow presided at the second annual meeting of the Blyvooruitzicht Gold Mining Company, Limited, held in Johannesburg on Friday, October 20th.

Moving the adoption of the report and accounts, the Chairman said that the issued capital of the company now stood at £2,450,000 in 4,900,000 shares, as the vendors had subscribed for and had been allotted 788,857 shares at par after cession of the mining lease to the company in April last. The balance of working capital on hand at June 30, 1939, had totalled £1,102,514, of which £1,008,734 was represented by cash after allowing for current liabilities.

Expenditure during the year had amounted to £577,630, making a total to date of £1,347,486 inclusive of property account. It had been estimated at the end of the financial year that further expenditure of approximately £120,000 had still to be incurred—chiefly upon permanent winding engines—in order to complete the surface equipment of the property for the sinking and development period. No estimate could yet be given with any confidence of the cost or speed of sinking the two main shafts to their final depths.

A TROUBLESOME ZONE

Practical difficulties of unexpected persistence and severity had been encountered in the sinking of both shafts. It had been hoped that, as indicated by the results of the shaft sinking and diamond drilling elsewhere in the dolomite of the Far West Rand, the troublesome, leached zone would extend to no considerable depth below the water level, which lies at approximately 400 ft. below the surface in

both shafts. Water bearing fissures had, however, been penetrated with varying frequency of occurrence throughout the work.

The unfortunate flooding of No. 1 Shaft, which occurred on June 30th, had resulted in the suspension of sinking operations for over nine weeks. A concrete plug or mat had to be put in the shaft bottom at a depth of 1,400 ft. below the surface or 1,000 ft. below water level. The task of sealing off the fissure and de-watering the shaft had been completed in four weeks, representing a fine engineering achievement which had reflected great credit upon the staffs of the mine and the cementation company.

SINKING PERIODS

Routine delays occasioned by cementation and concrete walling had been exceptionally heavy, and there had been relatively short time available for sinking under the unfavourable conditions which had generally prevailed during the year. At No. 1 Shaft the sinking period below water level was 364 days, of which 66.6 per cent. of the time was spent on cementation and concrete mats, 9.3 per cent. on walling, and 24.1 per cent. on sinking.

At No. 2 Shaft the sinking period below water level was 238 days, of which 71.6 per cent. of the time was spent on cementation and concrete mats, 8.9 per cent. on walling, and 19.5 per cent. on sinking. On average, sinking had been stopped twice a month for the drilling of a series of about 40 long pilot holes and for the injection of wall rock with cement. The consumption of cement had averaged 440 tons for each series of drill holes and on two occasions at No. 2 Shaft over 1,400 tons had been used in sealing off water tapped by one series of holes drilled in badly fissured ground. After each period of cementation the shaft had been sunk a further 25 ft. to 30 ft.

Rock conditions at the bottom of No. 1 Shaft had improved considerably over the last 100 ft., but the rock still contained fractures and narrow fissures which, under the heavy pressures required for cementation, cause a certain amount of difficulty and generally tend to retard progress. In No. 2 Shaft conditions had shown a good deal of improvement in the last 150 ft. sunk, but difficulties could be expected to recur until the shaft reached a depth of at least 1,500 ft.

DR BRIDGES' REPORT

A close study had been made of the core obtained in C.M. No. 1 borehole—situated 500 yards from No. 1 Shaft—by Dr R. J. Bridges, geologist of the Central Mining and Investment Corporation, Limited, who reported that evidence of leaching and fracturing in the dolomite diminishes rapidly between 1,400 ft. and 1,500 ft. "Below this depth," he stated, "the dolomite assumes a solid character, which is maintained throughout the core down to the Witwatersrand formation. It is reasonable to assume that as soon as the zone of disintegration has been passed through, normal conditions of sinking through the dolomite will be attained."

In conclusion, the Chairman said that at September 30th No. 1 Shaft had to be sunk, it was estimated, a further 2,500 ft. and No. 2 Shaft a further 3,000 ft. before reaching the Witwatersrand formation.

The report and accounts were adopted unanimously.

(Continued from page 146)

(December 31, 1931 = 100) to 165.6 in the week ended last Wednesday.

possible that the maximum price will be raised in order to diminish the wide margin between British and world prices.

Metals

Late last week it was announced that the Ministry of Supply has accepted the suggestions of the L.M.E. Sub-Committee for the settlement of open contracts for copper, lead and spelter at the official maximum prices. The first clearing of the L.M.E. is expected on October 31st. While dealings in the three metals remained small in this country last week, demand in the United States continued active, although prices were unchanged. Domestic production of copper, lead and spelter in the United States is gradually being extended. The market price for cash tin on the London Metal Exchange remains at £230 per ton. The turnover was again limited to about 25 tons per day which were allocated by a special Sub-Committee. It is believed that substantial quantities of tin ore are now arriving in this country and that as a result supplies will improve shortly, but it is

Grains

Markets in North America have been steady, under the influence of the prolonged drought in the winter wheat areas of the United States. Prices in Antwerp have eased with lower freight rates, but the delay in the arrival of ships due to the contraband regulations has diminished stocks. Arrangements have been made for the resumption of the purchase of Canadian wheat by the British authorities. The Ministry of Food some time ago raised the maximum price of English wheat to 24s. per quarter on farm, but even at this level the price was low compared with international markets and a further rise to 31s. 6d. per quarter has been authorised. Supplies of maize in this country are small, since the Import Committee has been concentrating on wheat imports. Prices of good brewing barley continue to rise in home markets.

Miscellaneous Commodities

Oils and Oilseeds.—Arrangements have been made for the Controller of Oils and Fats to pay the full market price ruling on August 23rd to owners of cargoes at sea on presentation of documents, thus putting them in funds to meet their obligations. Complaints are being made of delay in securing licences which enable crushers to obtain supplies, but a considerable volume of oilseeds is being allocated to the mills. The second forecast of the Argentine Ministry of Agriculture has raised the area sown to linseed by 247,000 acres to 7,657,000 acres.

★

Rubber.—The London market has been steady, with trading concentrated on the near positions; there has been a revival of interest in futures, but the uncertain outlook impedes trading in the more distant dates. Prices in New York showed a small decline on the week, but are still relatively higher than in London.

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week ended October 21, 1939, total ordinary revenue was £21,328,000, against ordinary expenditure of £18,702,000, issues of £13,000,000 under the Defence Loans Act, and £253,000 issued to sinking funds. Thus, including sinking fund allocations but excluding issues from defence loans, the deficit accrued since April 1st last is £241,730,000, against £182,981,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Estimate, 1938-39	April 1, 1938	April 1, 1939	Week ended Oct. 21, 1938	Week ended Oct. 21, 1939
ORDINARY REVENUE					
Income Tax	390,000	71,794	60,019	3,339	2,009
Sur-tax	70,000	9,130	9,530	230	240
Estate, etc.	75,500	41,500	43,740	1,270	1,520
Duties	17,000	10,230	9,630	150	700
N.D.C.	25,000	8,500	13,680	650	690
Other Int.					
Revenue Duties	1,250	650	400	60	10
Total I. Rev.	578,750	141,804	137,019	5,699	5,169
Customs	239,600	126,884	149,243	4,366	6,132
Excise	132,850	65,700	72,510	6,680	8,370
Total Cust. and Excise	372,450	192,584	221,753	11,046	14,502
Motor Duties	22,000	9,166	8,511	...	...
P.O. (Net Receipt)	400	7,490	4,004	1,750	900
P.O. Fund	1,600	...	...	...	...
Crown Lands	1,330	630	...	...	...
Rec. from Sun. Loans	5,000	4,056	3,490	94	...
Misc. Rec.	13,650	6,809	9,696	3,136	757
Total Ord. Rev.	995,180	362,539	385,123	21,725	21,328
SELF-BAL. P.O. and B'dcasting	83,449	39,810	42,896	750	950
Total	1,078,629	402,349	428,019	22,475	22,278

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	Estimate, 1938-39	April 1, 1938	April 1, 1939	Week ended Oct. 21, 1938	Week ended Oct. 21, 1939
ORDINARY EXPEND.					
Int. & Man.	230,000	131,639	137,116	1,205	5,052
Pays. to D.	10,000	3,969	3,961	...	...
Other Cons.	7,200	1,654	3,684	...	...
Fund Ser.	...	...	...	...	...
Total	247,200	137,202	144,761	1,205	5,052
Sup. Serv. (a)	118,711	402,552	476,138	11,481	13,650
Ditto, plus loans*	168,611	402,552	599,388	...	26,650
Total Ord. Expend.	1,430,911	539,814	620,899	12,686	18,702
Def. Loan	502,430	...	123,250	...	13,000
Self-Bal. P.O. and B'dcasting	83,449	39,810	42,896	750	950
Total	1,514,360	579,624	663,795	13,436	19,652

* Supply Services, after addition of issues under Defence Loan Act: (a) excluding expenditure being met from loans; including £900 millions Vote of Credit; allows for supplementary estimates and other changes since April, 1939, and for estimated saving in war Budget; (b) after allowing for changes in war Budget of September 27, 1939.

After raising Exchequer balances by £163,735 to £2,733,694, the other operations for the week (as shown in the next column) raised the gross National Debt by £1,548,000 to about £8,533 millions.

excluding "other capital liabilities," and not allowing for issues to sinking funds since April 1, 1939.

DEBT INCREASES (£ thousands)		DEBT REPAYMENT (£ thousands)	
Treasury bills	15,158	Pub. Dept. Adv.	3,660
Nat. Sav. Certs.	30		
	15,208		3,660
OTHER ISSUES (£ thousands)		OTHER REPAYMENTS (£ thousands)	
P.O. and Teleg. (Money) Acts	400		
N. Atlantic Shipping	62		
Anglo-Turkish Arms Credit	20		
Overseas Trade Guarantees	277		
	759		

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1939, to October 21, 1939, are shown below:—

Ordinary Exp. (£ thousands)		Ord. Rev. (£ thousands)	
Issues under Def. Loan Act	123,250	Gross borrs.	370,540
Misc. Issues (net)	5,326	Sinking fds.	5,953
Inc. in bices	234	Net borrowing	364,587
	749,709		749,709

FLOATING DEBT (£ millions)

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt	Floating Assets
	Tender	Tap	Public Depts.	Bank of Eng-land		
1938						
Oct. 22	526.0	379.3	41.4	...	946.7	420.7
July 15	494.0	562.8	43.1	...	1099.8	605.8
" 22	499.0	538.1	43.1	...	1100.2	601.2
" 29	504.0	568.9	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
" 9	495.0	631.3	47.9	...	1180.9	681.2
" 16	500.0	652.1	50.9	...	1202.6	702.6
" 23	505.0	663.7	47.5	...	1216.2	701.2
" 30	510.0	676.8	49.1	...	1235.9	725.9
Oct. 7	518.0	703.1	47.3	...	1268.4	750.4
" 14	531.0	699.8	52.6	...	1283.4	752.4
" 21	546.0	699.9	49.0	...	1294.9	748.9

TREASURY BILLS (£ millions)

Date of Tender	Amount		Average Rate %	Per Cent. Allotted at Minimum Rate
	Offered	Applied for		
1938				
Oct. 21	40.0	77.3	38.0	13 8.91
July 14	35.0	64.5	35.0	15 8.99
" 21	35.0	73.8	35.0	14 8.61
" 28	40.0	68.8	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	40.0	50.4	30.0	74 5.44
Sept. 1	30.0	56.3	40.0	74 3.48
" 8	50.0	60.2	50.0	72 0.98
" 15	50.0	89.2	50.0	71 1.12
" 22	55.0	86.5	55.0	66 9.83
" 29	55.0	96.3	55.0	48 9.83
Oct. 6	50.0	97.0	50.0	42 6.63
" 13	50.0	103.0	50.0	40 8.28
" 20	50.0	98.2	50.0	34 3.39

On October 20th applications at £99 11s. 4d. per cent. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted at about 59 per cent. of the amount applied for and applications at higher prices in full. Applications at £99 11s. 6d. for bills to be paid for on Saturday were allotted in full. £55.0 millions of Treasury bills are being offered on October 27th.

NATIONAL SAVINGS CERTIFICATES

Sales in		Number		Purchase Price	
Forty weeks to:—					
Oct. 8, 1938		24,832,798		18,624,598	
Oct. 7, 1939		21,475,168		16,856,341	
Week to:—					
Oct. 8, 1938		631,986		473,990	
Sept. 30, 1939		377,943		283,458	
Oct. 7, 1939		440,880		330,660	

BANK OF ENGLAND RETURNS

OCTOBER 25th, 1939

ISSUE DEPARTMENT

Notes Issued: £		Govt. Debt: £	
In circultn.	527,137,342	Other Govt.	11,015,100
In Bnkg. Department	53,047,671	Securities	565,692,750
		Other Secs.	2,933,053
		Silver Coin	359,097
		Amt. of Fid.	530,000,000
		Gold Coin & Bullion (at 168s. per oz. fine)	185,013
			580,185,013

BANKING DEPARTMENT

Props. Capital £		Govt. Secs. £	
14,553,000		106,041,164	
Rest	3,184,367	Discs, etc.	4,639,507
Public Depts.*	12,574,232	Securities	21,698,755
Other Depts.:		Notes	26,338,262
Bankers	116,761,200	Gold & Silver	53,047,671
Other Accs.	39,242,137	Coin	887,839
	156,003,337		186,314,936

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

THE WEEK'S CHANGES (£ thousands)

Both Departments		Compared with	
		Oct. 25, 1939	Last Week
COMBINED LIABILITIES			
Note circulation		527,137	+ 3,179
Deposits: Public		12,574	+ 565
Bankers		116,761	+ 316
Others		39,242	+ 707
Total outside liabilities		693,715	+ 1,591
Capital and rest		17,737	+ 24
COMBINED ASSETS			
Govt. debt and securities		682,749	+ 1,563
Discounts and advances		4,640	+ 1,416
Other securities		24,632	+ 1,881
Silver coin in issue dept.		359	+ 97
Gold coin and bullion		1,073	+ 64
Res. of notes & coin in banking department		53,936	+ 3,242
Proportion of reserve to outside liabilities—Banking dept. ("proportion")		31.9%	+ 1.6%

COMPARATIVE ANALYSIS* (£ millions)

	1938		1939	
	Oct. 26	Oct. 4	Oct. 11	Oct. 25
Issue Dept.:				
Notes in circ.	482.5	538.7	535.0	530.3
Notes in bank- ing dept.	43.9	41.4	45.1	49.8
Govt. debt and securities	199.8	576.7	576.8	576.7
Other sec.	0.1	5.1	2.9	3.0
Silver coin	0.0	0.2	0.2	0.4
Gold, valued at s. per f. oz.	326.4	0.2	0.2	0.2
Deposits:				
Public	25.0	15.3	10.9	12.0
Bankers	100.4	106.0	116.7	116.8
Others	35.5	40.9	39.7	38.5
Total	160.9	162.2	167.3	166.9
Bkg. Dept. Secs.	107.6	113.6	114.3	107.5
Government	4.2	2.4	3.0	2.2
Discounts, etc.	21.6	22.3	21.7	23.3
Other	133.4	138.3	139.0	124.0
Banking dept. reserve	45.3	42.1	45.9	50.7
"Proportion"	28.1	25.9	27.4	30.3

* Government debt is £11,015,100; capitals £14,553,000.

OVERSEAS BANK RETURNS

NOTE.—The latest return of the Bank of Turkey appeared in The Economist of September 9th; Reichsbank, of October 7th; Denmark, International Settlements and Portugal, of October 14th; Argentina, Canada, Egypt, Iran, Java, Lithuania, South Africa and Sweden, of October 21st.

U.S. FEDERAL RESERVE BANKS

Million \$'s

12 U.S.F.R. BANKS					
	1938	1938	1939	1939	1939
RESOURCES					
Gold certifs. on hand and due from Treas.	11,253	14,657	14,769	14,804	14,804
Total reserves	11,640	15,003	15,111	15,111	15,111
Total cash reserves	379	339	332	332	332
Total bills discounted	7	6	6	6	6
Bills bt. in open mkt....	1	1	1	1	1
Total bills on hand	8	7	6	6	6
Industrial advances	15	12	12	12	12
Total U.S. Govt. secs.	2,564	2,804	2,748	2,748	2,748
Total bills and secs.	2,587	2,822	2,766	2,766	2,766
Total resources	14,930	18,603	18,814	18,814	18,814
LIABILITIES					
F.R. notes in circen.	4,284	4,684	4,756	4,756	4,756
Aggregate of excess mr. bank res. over reqs.	3,280	5,330	5,510	5,510	5,510
Deposits — Member bank reserve account	8,740	11,621	11,907	11,907	11,907
Govt. deposits	584	552	349	349	349
Total deposits	9,698	12,945	12,954	12,954	12,954
Cap. paid in and surplus	309	312	312	312	312
Total liabilities	14,930	18,603	18,814	18,814	18,814
Reserve to depts. and F.R. notes	83.2%	85.1%	85.3%	85.3%	85.3%
U.S.F.R. BANKS ALTOGETHER					
TREASURY COMBINED					
RESOURCES					
Monetary gold stock	14,051	16,925	16,997	17,000	17,000
Treasury and Nat. Bk. currency	2,749	2,914	2,927	2,927	2,927
LIABILITIES					
Money in circulation	6,654	7,238	7,330	7,330	7,330
Treasury and Nat. Bk. deposits with F.R. Bks.	3,351	2,812	2,565	2,565	2,565

BANK CLEARINGS

Publication of the weekly returns of Town Clearing, Metropolitan Clearing, Country Cheque Clearing is suspended until further notice.

PROVINCIAL

(£ thousands)

	Four weeks ended	Week ended Saturday	Aggregate from January 1 to
	Oct. 1, 1938	Sept. 30, 1939	Change
No. of working days:—	24	23	%
BIRMINGHAM	6,874	6,409	-1.4
BRADFORD	2,668	2,588	-3.0
BRISTOL	4,814	6,130	+26.2
HULL	2,956	2,649	-10.4
LEICESTER	2,491	2,702	+8.5
LIVERPOOL	19,278	18,880	-2.1
MANCHESTER	30,885	35,107	+13.7
NEWCASTLE	5,164	4,462	-13.6
NOTTINGHAM	1,601	1,549	-3.2
Total: 9 Towns	76,731	81,476	+6.2
DUBLIN	23,599	21,536	-8.8
LEEDS	3,207	3,103	-3.3
SHEFFIELD	3,114	2,013	-35.4

* Suspended publication. † Clearing of suburban cheques through local clearing discontinued from September 7, 1939. ‡ 42 weeks. § On a working-day basis.

MONEY RATES

LONDON

	Oct. 19, 1939	Oct. 20, 1939	Oct. 21, 1939	Oct. 22, 1939	Oct. 23, 1939	Oct. 24, 1939	Oct. 25, 1939	Oct. 26, 1939
Bank rate (change from 4% Sept. 28, 1939)	3	3	3	3	3	3	3	2
Market rates of discount								
60 days' bank bills	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4
3 months' do.	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4
4 months' do.	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4
6 months' do.	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4
Discount Treasury Bills								
2 months	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4
3 months	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4
Loans—Day-to-day	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4
Short	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4
Deposit advances	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4
Discount houses at call	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4
At notice	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4	17 1/2-17 3/4

Comparison with previous weeks

	Short	Bank Bills	Trade Bills
	3 Months	4 Months	6 Months
Sept. 28, 1939	2-2 1/4	2-2 1/4	2-2 1/4
Oct. 5, 1939	2-2 1/4	2-2 1/4	2-2 1/4
" 12, 1939	2-2 1/4	2-2 1/4	2-2 1/4
" 19, 1939	2-2 1/4	2-2 1/4	2-2 1/4
" 26, 1939	2-2 1/4	2-2 1/4	2-2 1/4

NEW YORK

The Irving Trust Company cables the following money and exchange rates in New York:—

	Oct. 26, 1939	Sept. 27, 1939	Oct. 4, 1939	Oct. 11, 1939	Oct. 18, 1939	Oct. 25, 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 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2
Bank acceptances	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2
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 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2

AMERICAN WHOLESALE PRICES

	Oct. 18, 1939	Oct. 25, 1939
GRAINS (per bushel)		
Wheat, Chicago, Dec.	85 1/2	85
Winnipeg, Oct.	71 1/2	69 1/2
Maize, Chicago, Dec.	50 1/2	49 1/2
Oats, Chicago, Dec.	35 1/2	36 1/4
Rye, Chicago, Dec.	54 1/2	53 1/4
Barley, Winnipeg, Oct.	42 1/2	42 1/2
METALS (per lb.)—cont.		
Copper, Connecticut	12-50	12-50
Export c.i.f.		
METALS (per lb.)—cont.		
Copper, Connecticut	12-50	12-50
Export c.i.f.		
METALS (per lb.)—cont.		
Copper, Connecticut	12-50	12-50
Export c.i.f.		

New York on	Oct. 19, 1939	Oct. 20, 1939	Oct. 21, 1939	Oct. 23, 1939	Oct. 24, 1939	Oct. 25, 1939
London:—						
60 days	Cents 40 1/2	Cents 40 1/2	Cents 40 1/2	Cents 40 1/2	Cents 40 1/2	Cents 40 1/2
Cable	Unq't'd 40 1/2	Unq't'd 40 1/2	Unq't'd 40 1/2	Unq't'd 40 1/2	Unq't'd 40 1/2	Unq't'd 40 1/2
Demand	40 1/2	40 1/2	40 1/2	40 1/2	40 1/2	40 1/2
Paris, Fr.	2-27 1/2	2-27 1/2	2-27 1/2	2-27 1/2	2-27 1/2	2-27 1/2
Brussels, Bel.	16-80	16-78	16-80	16-79	16-74	16-72
Switzerland, Fr.	22-43	22-44	22-43	22-43	22-44	22-43
Italy, Lire	5-05	5-05	5-05	5-05	5-05	5-05
Berlin, Mark	40-10	40-10	40-10	40-10	40-10	40-10
Amsterdam, gldr.	53-10	53-11	53-10	53-09	53-11	53-10
Copenhagen, Kr.	19-32	19-32	19-32	19-32 1/2	19-32 1/2	19-33
Oslo, Kr.	22-73	22-73	22-73	22-72 1/2	22-72 1/2	22-73
Stockholm, Kr.	23-83	23-83	23-83	23-82 1/2	23-82 1/2	23-82
Athens, Dr.	Unq't'd	Unq't'd	Unq't'd	Unq't'd	Unq't'd	Unq't'd
Montreal, Can. \$	89-310	89-250	89-430	89-500	89-500	89-500
Japan, Yen	23-65	23-65	23-65	23-65	23-60	23-47
Shanghai, \$	7-80	7-80	7-95	8-35	8-75	8-30
B. Aires, Pso. (mkt. rate)	23-50	23-50	23-52	23-55	23-60	23-60
Brazil, Milreis	5-10	5-10	5-10	5-10	5-10	5-10

EXCHANGE RATES

(a) Rates fixed by Bank of England

London on	Par of Exchange per £	Oct. 20, 1939	Oct. 21, 1939	Oct. 23, 1939	Oct. 24, 1939	Oct. 25, 1939	Oct. 26, 1939
New York, \$	\$4-80 1/2	4-02-04	4-02-04	4-02-04	4-02-04	4-02-04	4-02-04
do. do.		4-04 1/2	4-04 1/2	4-04 1/2	4-04 1/2	4-04 1/2	4-04 1/2
Montreal, \$	4-86 1/2	4-43-47	4-43-47	4-43-47	4-43-47	4-43-47	4-43-47
do. do.		4-47 1/2	4-47 1/2	4-47 1/2	4-47 1/2	4-47 1/2	4-47 1/2
Paris, Fr.	124-20	176-177	176-177	176-177	176-177	176-177	176-177
Brussels, Bel.	35-00(a)	23-80	23-80	23-75	23-80	23-90	23-90
Amst'd'm, Fl.	12-107	7-50-57	7-50-57	7-50-57	7-50-57	7-50-57	7-50-57
Switzerl'd, Fr.	25-22 1/2	17-78-93	17-78-93	17-78-93	17-78-93	17-80-95	17-80-95
Stockh'm, Kr.	18-159	16-70-90	16-70-90	16-70-90	16-70-90	16-70-90	16-70-90
Oslo, Kr.	18-159	17-50-70	17-50-70	17-50-70	17-50-70	17-50-70	17-50-70
B. Aires, P. Pesos	11-45	16-90	16-90	16-90	16-90	16-90	16-90
do. do.		17-40	17-40	17-40	17-40	17-40	17-40

(b) Market Rates

London on	Par of Exchange per £	Oct. 20, 1939	Oct. 21, 1939	Oct. 23, 1939	Oct. 24, 1939	Oct. 25, 1939	Oct. 26, 1939
Tallinn, Ekr.	18-159	16*	16*	16*	16*	16*	16*
Riga, Lats.	25-22 1/2	20 1/4	20 1/4	20 1/4	20 1/4	20 1/4	20 1/4
Budapest, Pen.	27-82	22*	22*	22*	22*	22*	22*
Kovno, Lit.	48-66	23*	23*	23*	23*	23*	23*
Copenhagen, Kr.	18-159	20 1/2-21	20 1/2-21	20 1/2-21	20 1/2-21	20 1/2-21	20 1/2-21
Milan, Lr.	92-46	79-41(b)	79-41(b)	79-41(b)	79-41(b)	79-41(b)	79-41(b)
Belgrade, Din.	276-32	205*	205*	205*	205*	205*	205*
Sofia, Lev.	673-66	325*	325*	325*	325*	325*	325*
Helsingfors, Mk.	193-23	205*	205*	205*	205*	205*	205*
Alexandria, Pst.	97 1/2	97 1/2-58	97 1/2-58	97 1/2-58	97 1/2-58	97 1/2-58	97 1/2-58
Madrid, Pt.	25-22 1/2	39 1/2	39 1/2	39 1/2	39 1/2	39 1/2	39 1/2
Lisbon, Esc.	110	109 1/2	109 1/2	109 1/2	109 1/2	109 1/2	109 1/2
Istanbul, LT	110	510*	510*	510*	510*	510*	510*
Athens, Dr.	375	521(b)	521(b)	521(b)	521(b)	521(b)	521(b)
Bucharest, Lei	813-8	540*	540*	540*	540*	540*	540*
India, Rup.	†18d.	17 1/2-16	17 1/2-16	17 1/2-16	17 1/2-16	17 1/2-16	17 1/2-16
Kobe, Yen	†24-58d.	13 1/2-16	13 1/2-16	13 1/2-16	13 1/2-16	13 1/2-16	13 1/2-16
Hongkong, \$	†5-899d.	14 1/2-15	14 1/2-15	14 1/2-15	14 1/2-15	14 1/2-15	14 1/2-15
Rio, Mil.	40	31*	31*	31*	31*	31*	31*
Valparaiso, Pes.	40	90*	90*	90*	90*	90*	90*
Lima, Sol. (e)	17-38	22 1/2-24 1/2	22 1/2-24 1/2	22 1/2-24 1/2	22 1/2-24 1/2	22 1/2-24 1/2	22 1/2-24 1/2
Montevideo, \$	†51d.	22-24	22-24	22-24	22-24	22-24	22-24
Singapore, \$	†26d.	28 1/2-31	28 1/2-31	28 1/2-31	28 1/2-31	28 1/2-31	28 1/2-31
Shanghai, \$	†41-51	41-51	41-51	41-51	41-51	41-51	41-51
Bogota, Pes.	†6*	6*	6*	6*	6*	6*	6*

* Sellers. † Buyers. ‡ Pence per unit of local currency. § Par 8-23 1/2 since dollar devaluation on February 1, 1934. (a) Prior to devaluation on April 2, 1939. (b) Rate for payment at the Bank of England for Clearing Offices. (c) Nominal. (d) Official. (e) 90 days. (f) Mail Transfer.

FORWARD RATES

The following rates are for one month, which form the basis for dealings for other periods, to a maximum of three months.

London on	Oct. 20, 1939	Oct. 21, 1939	Oct. 23, 1939	Oct. 24, 1939	Oct. 25, 1939	Oct. 26, 1939
New York, cents	34p-Par	34p-Par	34p-Par	34p-Par	34p-Par	34p-Par
Montreal, cents	12p-Par	12p-Par	12p-Par	12p-Par	12p-Par	12p-Par
Paris, francs	Par	Par	Par	Par	Par	Par
Brussels, cents	4p-Par	4p-Par	4p-Par	4p-Par	4p-Par	4p-Par
Amsterdam, cents	11p-Par	11p-Par	11p-Par	11p-Par	11p-Par	11p-Par
Zurich, cents	3p-Par	3p-Par	3p-Par	3p-Par	3p-Par	3p-Par
Stockholm, ore	3p-Par	3p-Par	3p-Par	3p-Par	3p-Par	3p-Par
Oslo, ore	3p-Par	3p-Par	3p-Par	3p-Par	3p-Par	3p-Par

p = Premium. d = Discount.

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 Oct. 20, 1939 (£'000)			Aggregate Gross Receipts 42 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down—	1-8	0-4	2-2	108-6	18-3	126-9
1938	2-0	0-6	2-6	112-3	19-4	131-7
1939						
Great Northern—	9-0	11-5	20-5	478-6	386-8	865-4
1938	9-5	13-2	22-7	485-5	444-2	929-7
1939						
Great Southern—	29-9	50-5	80-4	1,588-7	1,696-0	3,284-7
1938	32-0	62-4	94-4	1,587-6	1,811-2	3,398-8
1939						

CANADIAN

(For heading, see Overseas Traffic, in next column)

	1939	1938
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LONDON ACTIVE SECURITY PRICES AND YIELDS

Note: Yields on British Funds, Dominion and Colonial Government, Home Corporation, and Public Board Stocks are based on latest dealing prices allowing for accrued interest. Stocks still at minimum prices are indicated thus: s. d. In the case of stocks of interest, the yield is calculated on the basis of the last date of payment, less income tax at the standard rate. Where stocks are demutually 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 1939		Last two Dividends		Name of Security	Price, Oct. 25, 1939	Change since Oct. 18, 1939	Yield, Oct. 25, 1939	Prices, Year 1939		Last two Dividends		Name of Security	Price, Oct. 25, 1939	Change since Oct. 18, 1939	Yield, Oct. 25, 1939
High	Low	(a)	(b)					High	Low	(a)	(b)				
79 1/4	64	71 1/4	61	Consols 2 1/2%	68	+1 1/2	5 1/2	32 1/2	5 1/2	6	5	Brit. Overseas A £5	7 1/2	...	4 1/2
111 1/4	98	107 1/4	98	Do. 4% (alt. 1957)	103	+2 1/4	3 1/2	12 1/2	8 1/2	3 1/2	3 1/2	Chd. of India £5	7 1/2	...	5 1/2
100 1/4	90	101 1/4	90 1/4	Conv. 2 1/2% 1944-49	93 1/4	+1 1/2	3 1/2	52 1/2	43 1/2	3 1/2	3 1/2	Gen. Bk. of Aus. 10/-	46 1/2	...	4 1/2
103 1/4	92	99 1/4	92 1/4	Do. 3 1/2% 1948-53	95	+2 1/2	3 1/2	75 1/2	54 1/2	3 1/2	3 1/2	Dis. B. £1 by pd.	46 1/2	...	4 1/2
104 1/4	90 1/2	99 1/4	87	Do. 3 1/2% after 1961	92 1/4	+2 1/2	3 1/2	10 1/4	5 1/4	3 1/2	3 1/2	En. S. & Aust. £5 3/4	60 1/2	...	7 1/2
105 1/4	100	104 1/4	100 1/4	Do. 4 1/2% 1940-41	102 1/4	+1 1/2	3 1/2	93 1/4	74 1/4	3 1/2	3 1/2	Hambros £10, £2 1/2 pd.	61 1/2	...	7 1/2
115 1/4	102	112 1/4	103 1/4	Do. 5% 1944-64	107 1/4	+1 1/2	3 1/2	10 1/4	5 1/4	3 1/2	3 1/2	Hone, and S. £125	£75	...	7 1/2
91 1/4	81	87 1/4	79 1/4	Fund. 2 1/2% 1956-61	83 1/4	+1 1/2	3 1/2	59 1/4	39 1/4	3 1/2	3 1/2	Lloyds £5, £1 pd.	47 1/2	...	5 1/2
97 1/4	88 1/2	93 1/4	87 1/2	Fund. 2 1/2% 1952-57	89 1/2	+1 1/2	3 1/2	8 1/2	6 1/2	3 1/2	3 1/2	Martins £20, £2 1/2 pd.	7 1/2	...	5 1/2
99 1/4	90	95 1/4	87 1/2	Fund. 3% 1959-69	90 1/2	+1 1/2	3 1/2	70 1/2	45 1/2	3 1/2	3 1/2	Mudland £1, by pd.	76 1/2	...	4 1/2
114 1/4	98	109 1/4	100 1/4	Fund. 4% 1960-90	104 1/4	+2 1/4	3 1/2	30 1/4	18 1/4	3 1/2	3 1/2	Nat. Dis. £2 1/2 by pd.	22 1/2	...	6 1/2
101 1/4	93	96 1/4	94 1/4	Nat. D. 2 1/2% 1944-48	96 1/4	+1 1/2	3 1/2	34 1/4	24 1/4	3 1/2	3 1/2	Nat. of Egypt £10	27 1/2	...	7 1/2
100 1/4	90	95 1/4	87 1/2	Do. 3% 1954-58	93 1/4	+1 1/2	3 1/2	44 1/4	32 1/4	3 1/2	3 1/2	N. Prov. £5, £1 pd.	60 1/2	...	5 1/2
112 1/4	100	108 1/4	102	Victory Bonds 4%	103 1/4	+1 1/2	3 1/2	45 1/4	39 1/4	3 1/2	3 1/2	Royal Exchange £1	75 1/2	...	5 1/2
103 1/4	90 1/2	98 1/4	86	War L. 3 1/2% alt. 1952	92 1/4	+1 1/2	3 1/2	16 1/4	9 1/4	3 1/2	3 1/2	St. of S.A. £20, £5 pd.	12 1/2	...	5 1/2
90 1/4	78	83 1/4	73	Local Loans 3%	79 1/4	+1 1/2	3 1/2	32 1/4	22 1/4	3 1/2	3 1/2	Union Dis. £1	40 1/2	...	5 1/2
101 1/4	90 1/2	95 1/4	87 1/2	Austria 3% 1933-53	91 1/4	+1 1/2	3 1/2	32 1/4	22 1/4	3 1/2	3 1/2	West. £4, £1 pd.	72 1/2	...	4 1/2
101 1/4	90 1/2	95 1/4	87 1/2	India 2 1/2%	58 1/4	+1 1/2	3 1/2	26 1/4	18 1/4	3 1/2	3 1/2				
95 1/4	85	90 1/4	78	Do. 3%	69 1/4	+1 1/2	3 1/2	18 1/4	10 1/4	3 1/2	3 1/2				
95 1/4	85	90 1/4	78	Do. 3 1/2%	69 1/4	+1 1/2	3 1/2	18 1/4	10 1/4	3 1/2	3 1/2				
117 1/4	110	115 1/4	105	Do. 4 1/2% 1958-63	105 1/4	...	4 1/2	2	2	4 1/2	4 1/2				
108 1/4	97	106 1/4	95	Dom. & Col. Govts.	99 1/4	+2 1/2	5 1/2	10 1/2	7 1/2	5 1/2	5 1/2				
101 1/4	97	101 1/4	98	Austr. 5% 1945-75	101 1/4	+1 1/2	3 1/2	11 1/2	7 1/2	3 1/2	3 1/2				
115 1/4	109 1/2	112 1/4	103	Canada 4% 1940-60	100 1/4	+1 1/2	3 1/2	11 1/2	7 1/2	3 1/2	3 1/2				
108 1/4	95 1/2	101 1/4	92	Nigeria 5% 1950-60	104 1/4	+1 1/2	3 1/2	11 1/2	7 1/2	3 1/2	3 1/2				
107 1/4	95	102 1/4	94 1/2	N. Zealand 5% 1946	96 1/4	+1 1/2	3 1/2	15 1/2	10 1/2	3 1/2	3 1/2				
112 1/4	97	110	102	Queens. 5% 1940-60	98 1/4	+1 1/2	3 1/2	15 1/2	10 1/2	3 1/2	3 1/2				
				S. Africa 5% 1945-75	103 1/4	+1 1/2	3 1/2	9 1/2	6 1/2	3 1/2	3 1/2				
115 1/4	101	111 1/4	104	Corporation Stocks	103 1/4	+1 1/2	3 1/2	4 1/2	7 1/2	3 1/2	3 1/2				
117 1/4	104 1/2	114 1/4	102	Brit. Am. 5% 1946-56	103 1/4	+1 1/2	3 1/2	4 1/2	7 1/2	3 1/2	3 1/2				
97 1/4	77 1/2	81 1/4	73	Do. 6% 1948-58	75 1/4	+1 1/2	3 1/2	4 1/2	7 1/2	3 1/2	3 1/2				
105 1/4	94 1/2	102 1/4	95	L.C.C. 3%	86 1/4	+1 1/2	3 1/2	3 1/2	2 1/2	3 1/2	3 1/2				
				Liverpool 3% 1954-64	86 1/4	+1 1/2	3 1/2	3 1/2	2 1/2	3 1/2	3 1/2				
				Mid. 3 1/2% 1957-62	94 1/4	+1 1/2	3 1/2	3 1/2	2 1/2	3 1/2	3 1/2				
96 1/4	78	85	73 1/4	Foreign Governments	77 1/4	+2 1/2	5 1/2	16 1/2	2 1/2	5 1/2	5 1/2				
102 1/4	89	98 1/4	85 1/2	Arg. 4 1/2% 1934-59	61 1/4	+1 1/2	3 1/2	11 1/2	7 1/2	3 1/2	3 1/2				
99 1/4	80	85 1/4	75 1/4	Austria 1930-50	45 1/4	+1 1/2	3 1/2	10 1/2	7 1/2	3 1/2	3 1/2				
36 1/4	31	34 1/4	30	Do. 4 1/2% 1934-59	59 1/4	+1 1/2	3 1/2	10 1/2	7 1/2	3 1/2	3 1/2				
37 1/4	32 1/4	35 1/4	31 1/4	Belgian 4% (36) 1970	16 1/4	+1 1/2	3 1/2	10 1/2	7 1/2	3 1/2	3 1/2				
10 1/4	9	10 1/4	9	Bulgaria 7 1/2%	14 1/4	+1 1/2	3 1/2	10 1/2	7 1/2	3 1/2	3 1/2				
60 1/4	57 1/4	59 1/4	55 1/4	Brazil 5% 1914-19	14 1/4	+1 1/2	3 1/2	10 1/2	7 1/2	3 1/2	3 1/2				
73 1/4	70 1/4	72 1/4	68 1/4	Chile 6% (1929) 5%	18 1/4	+1 1/2	3 1/2	10 1/2	7 1/2	3 1/2	3 1/2				
105 1/4	102 1/4	104 1/4	100 1/4	China 5% (1912)	23 1/4	+1 1/2	3 1/2	15 1/2	10 1/2	3 1/2	3 1/2				
99 1/4	94	100	94 1/4	Do. 5% (1913)	35 1/4	+1 1/2	3 1/2	15 1/2	10 1/2	3 1/2	3 1/2				
104 1/4	101 1/4	103 1/4	98 1/4	Czechoslovakia 8%	98 1/4	+1 1/2	3 1/2	23 1/4	17 1/4	3 1/2	3 1/2				
60 1/4	57 1/4	59 1/4	55 1/4	Denmark 3%	71 1/4	+1 1/2	3 1/2	17 1/4	12 1/4	3 1/2	3 1/2				
13 1/4	12 1/4	13 1/4	12 1/4	Egypt Unified 4%	9 1/4	+1 1/2	3 1/2	17 1/4	12 1/4	3 1/2	3 1/2				
46 1/4	44 1/4	46 1/4	44 1/4	French 4 1/2% (British)	9 1/4	+1 1/2	3 1/2	17 1/4	12 1/4	3 1/2	3 1/2				
34 1/4	32 1/4	34 1/4	32 1/4	Ger. Dawes 4%	18 1/4	+1 1/2	3 1/2	17 1/4	12 1/4	3 1/2	3 1/2				
58 1/4	56 1/4	58 1/4	56 1/4	Do. Young Plan 4 1/2%	18 1/4	+1 1/2	3 1/2	17 1/4	12 1/4	3 1/2	3 1/2				
60 1/4	58 1/4	60 1/4	58 1/4	Greek 6% Stab. Ln.	15 1/4	+1 1/2	3 1/2	17 1/4	12 1/4	3 1/2	3 1/2				
64 1/4	62 1/4	64 1/4	62 1/4	Hungary 7 1/2%	15 1/4	+1 1/2	3 1/2	17 1/4	12 1/4	3 1/2	3 1/2				
50 1/4	48 1/4	50 1/4	48 1/4	Japan 5 1/2% 1930	43 1/4	+1 1/2	3 1/2	13 1/4	9 1/4	3 1/2	3 1/2				
75 1/4	73 1/4	75 1/4	73 1/4	Do. 6 1/2% red. 1959	43 1/4	+1 1/2	3 1/2	13 1/4	9 1/4	3 1/2	3 1/2				
15 1/4	14 1/4	15 1/4	14 1/4	Peru 7 1/2% 1922	20 1/4	+1 1/2	3 1/2	13 1/4	9 1/4	3 1/2	3 1/2				
92 1/4	89 1/4	91 1/4	87 1/4	Poland 7%	20 1/4	+1 1/2	3 1/2	13 1/4	9 1/4	3 1/2	3 1/2				
				Roum. 4% 1922	73 1/4	+1 1/2	3 1/2	24 1/4	18 1/4	3 1/2	3 1/2				
				U.K. & Arg. C. 3%	73 1/4	+1 1/2	3 1/2	24 1/4	18 1/4	3 1/2	3 1/2				

Prices, Year 1939 Jan. 1 to Oct. 25 inclusive		Last two Dividends		Name of Security	Price, Oct. 25, 1939	Change since Oct. 18, 1939	Yield Oct. 25, 1939	Prices, Year 1939 Jan. 1 to Oct. 25, inclusive		Last two Dividends		Name of Security	Price, Oct. 25, 1939	Change since Oct. 18, 1939	Yield Oct. 25, 1939
High- est	Low- est	(a) %	(b) %					High- est	Low- est	(a) %	(b) %				
45 1/4	25	Nil	8c	Iron, Coal, & C. cont.	28 1/2	+1 1/2	5 1/2	43 1/4	20	7 1/2	Miscellaneous—cont.	55 1/4	+4 1/2	6 1/2	
89 1/4	84 1/2	1 1/2	5 1/2	Thornycroft, John £1	28 1/2	+1 1/2	5 1/2	43 1/4	20	7 1/2	Gallagher Ltd. Ord. £1	55 1/4	+4 1/2	6 1/2	
29 1/4	19 1/4	2 1/2	5 1/2	U. States Steel \$100	22 1/2	+1 1/2	5 1/2	43 1/4	20	7 1/2	Gaumont-Brit. 10/-	55 1/4	+4 1/2	6 1/2	
24 1/4	14 1/4	3 1/2	5 1/2	Un. Steel Cos. Ord. £1	22 1/2	+1 1/2	5 1/2	43 1/4	20	7 1/2	Gen. Refract. £10/-	55 1/4	+4 1/2	6 1/2	
24 1/4	14 1/4	3 1/2	5 1/2	Vickers 10/-	21 1/2	+1 1/2	5 1/2	43 1/4	20	7 1/2	Geston (D) 5/-	55 1/4	+4 1/2	6 1/2	
24 1/4	14 1/4	3 1/2	5 1/2	Ward (Thos. W.) £1	38 1/2	+1 1/2	5 1/2	43 1/4	20	7 1/2	Harrison & Cross, Df. £1	55 1/4	+4 1/2	6 1/2	
74 1/4	56 1/2	12 1/2	12 1/2	Whitehead & S. £1	61 1/2	+1 1/2	5 1/2	43 1/4	20	7 1/2	Harrods £1	55 1/4	+4 1/2	6 1/2	
67 1/4	58 1/2	15 1/2	2 1/2	Yarrow & Co. £1	61 1/2	+1 1/2	5 1/2	43 1/4	20	7 1/2	Hawker Siddeley (5/-)	55 1/4	+4 1/2	6 1/2	
								43 1/4	20	7 1/2	Imp. Airways £1	55 1/4	+4 1/2	6 1/2	
								43 1/4	20	7 1/2	Imp. Chem. Ord. £1	55 1/4	+4 1/2	6 1/2	
								43 1/4	20	7 1/2	Imp. Smelting £1	55 1/4	+4 1/2	6 1/2	
								43 1/4	20	7 1/2	Imp. Tobacco £1	55 1/4	+4 1/2	6 1/2	
								43 1/4	20	7 1/2	Inver. Nickel n.p.	55 1/4	+4 1/2	6 1/2	
								43 1/4	20	7 1/2	International Tea 5/-	55 1/4	+4 1/2	6 1/2	
								43 1/4	20	7 1/2	Lever & Unilever £1	55 1/4	+4 1/2	6 1/2	
								43 1/4	20	7 1/2	Lon. & Th. Oil Whl £1	55 1/4	+4 1/2	6 1/2	
								43 1/4	20	7 1/2	London Brick £1	55 1/4	+4 1/2	6 1/2	
								43 1/4	20	7 1/2	Lyons (J.) Ord. £1	55 1/4	+4 1/2	6 1/2	
								43 1/4	20	7 1/2	Marks & Spen. A 5/-	55 1/4	+4 1/2	6 1/2	
								43 1/4	20	7 1/2	Murex £1 Ord.	55 1/4	+4 1/2	6 1/2	
								43 1/4	20	7 1/2	Phillips (Godfrey) £1	55 1/4	+4 1/2	6 1/2	
								43 1/4	20	7 1/2	Pinchon Johnson 10/-	55 1/4	+4 1/2	6 1/2	
								43 1/4	20	7 1/2	Pricer Trust Ord. 5/-	55 1/4	+4 1/2	6 1/2	
								43 1/4	20	7 1/2	Randall Ord. £1	55 1/4	+4 1/2	6 1/2	
								43 1/4	20	7 1/2	Ranks Ord. 5/-	55 1/4	+4 1/2	6 1/2	
								43 1/4	20	7 1/2	Reckitt & Sons Ord. £1	55 1/4	+4 1/2	6 1/2	
								43 1/4	20	7 1/2	Sears (J.) Ord. 5/-	55 1/4	+4 1/2	6 1/2	
								43 1/4	20	7 1/2	Smithfield & Arg. Mt. £1	55 1/4	+4 1/2	6 1/2	
								43 1/4	20	7 1/2	Spillers Ord. £1	55 1/4	+4 1/2	6 1/2	
								43 1/4	20	7 1/2	Swed. Match. Bar. 25	55 1/4	+4 1/2	6 1/2	
								43 1/4	20	7 1/2	Tate and Lyle £1	55 1/4	+4 1/2	6 1/2	
								43 1/4	20	7 1/2	Tilling. Thos. £1	55 1/4	+4 1/2	6 1/2	
								43 1/4	20	7 1/2	Tob. Secrs. Ord. £1	55 1/4	+4 1/2	6 1/2	
								43 1/4	20	7 1/2	Triplex Safety G. 10/-	55 1/4	+4 1/2	6 1/2	
								43 1/4	20	7 1/2	Tube Investments £1	55 1/4	+4 1/2	6 1/2	
								43 1/4	20	7 1/2	Turner & Newall £1	55 1/4	+4 1/2	6 1/2	
								43 1/4	20	7 1/2	United Dairies £1	55 1/4	+4 1/2	6 1/2	
								43 1/4	20	7 1/2	United Molasses £1	55 1/4	+4 1/2	6 1/2	
								43 1/4	20	7 1/2	Willparr Mrs. Def. £1	55 1/4	+4 1/2	6 1/2	
								43 1/4	20	7 1/2	Wiggins. Tea Ord. £1	55 1/4	+4 1/2	6 1/2	
								43 1/4	20	7 1/2	Woolworth Ord. 5/-	55 1/4	+4 1/2	6 1/2	
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the advice of the Law Officers of the Crown; in the crucial case of detention without trial there is the right of internees to lodge objections with an independent Advisory Committee under Sir Walter Monckton or Mr Norman Birkett; and there is the fact that the powers have not yet been noticeably misused. Even so, such regulations depart too widely from established principles to be greeted without apprehension.

It was not simply on grounds of traditional liberty that the regulations were attacked on Tuesday. Critics vied with the Government's own spokesmen in their affirmation that exceptional powers, perhaps cutting clean across accustomed rights, might be needed in war to combat hostile propaganda and sedition and prevent disorder. When the debate closed, they were very ready to accept the contention of the Lord Privy Seal that it was essential for the regulations to remain in existence pending their agreed amendment. No one questioned the Government's demand for authority to deal effectively with aliens, with persons of hostile associations, with saboteurs, with malicious or enemy propaganda or with the chance perils of temporary civil dislocation. The burden of the Opposition's charges—which were freely echoed on the Government benches—was rather that the powers taken in fact went much further than was needed to accomplish these ends, and might easily be employed to smother legitimate discussion or to strangle quite harmless activities. The plea was made that more definite drafting might remove these dangers without doing damage to the defence of the realm.

It is not hard for writers in the Press, with the Government's powers to suppress any manner of political and economic information and to put a term at will to publication hanging over their heads like twin swords of Damocles, to share in the fears that found voice on Tuesday. It is easier still for men and women of deep and genuine pacifist convictions to apprehend the spread of official persecution when the strain and fever of war grow. There have been only small signs so far of any abrogation of the Prime Minister's pre-war promise that sincere conscientious objection to war would always be treated tenderly. But tribunals have not in every case been coldly fair, and the

honest pamphlets of peace propagandists have sometimes met with menaces from the police. It is scarcely realised that the fairest and most effective counter to peace propaganda is skilful publicity for the war itself by able leaders.

It is true that the harm done by treasonable mischief may often outweigh the damage done to civil liberty by stern precautions. The enemy propagandist is vastly cunning. It is among the honest native opponents of war that he sows his seed to weaken the war effort. It is he who swells the otherwise sincere cry for an end to the inconvenience of evacuation, because he wants chaos when the air-raids come. It is this tangled inter-relation of enemy and Opposition sentiment which makes the democratic defence of public safety so difficult. This is the reason why the severest impact of the defence regulations so far has fallen upon persons who are only nominally British, whose enemy upbringing or affiliations have brought them under threat of detention. In democracy no less than in other political systems the limits of freedom are set in the last resort by *raison d'état*.

Yet, not even the frankest admission of the perils of undue tolerance can disprove the need for the extreme vigilance against the danger of the oppressive use of authority. The proper principles of action are not hard to discover. In the first place, the need for each restraint should be openly stated, freely criticised and publicly proved. In the second, the fundamental rights of formal appeal and legal trial should be surrendered only in the direst extremity. In the third, these perilous powers should never be taken unless the occasion for their exercise is demonstrably likely to arise. Finally, the scope of such powers should be narrowed down to the finest limits necessary, lest the innocent should be made to suffer with the guilty.

These principles were in full sight on Tuesday. If the defence regulations emerge from their amendment with their jagged edges and loose ends cut away, it will be because a freely critical Parliament has done its duty, not only by the people it represents, but also by a Government which is still sadly unsure of the dizzy and dangerous heights which it is treading in the organisation of a war *à outrance*.

The Neutrals

BY the conventional measurement, there are seven Great Powers in the present-day world. Three out of the seven are at war, though they have not yet exerted their full strength against each other. The remaining four are neutral; but it is obvious that if all four, or three out of four, or even the two strongest, were to intervene on one side of the struggle in Western Europe, the effect would be decisive. Since the war of shot and shell has hardly yet begun, it can truthfully be said that the major campaign is being waged on the neutral front, with its four sectors at Washington, Moscow, Rome and Tokyo. In each of these four sectors there has been an engagement in the last few days, with results which, if they are decisive in no case, are significant in each. A rapid tour of the neutrals is the best method of assessing the progress of the war.

In the United States, the Bill to amend the existing Neutrality Act and remove the present absolute embargo on the export of munitions to belligerent countries finally passed the Senate by a vote of 63 to 30 on Saturday of last week. It is now in the House of Representatives, where a preliminary vote on procedure went in favour of the Bill's supporters and, unless all the prophets are badly misled, it will be law within a few days. This will be, when it is accomplished, a decisive step in American policy. It will mark the end of the belief that neutrality can be secured by complete isolation of the United States from European affairs and, in spite of all protestations to the contrary, it is obvious that the driving force behind the repeal of the embargo has been the all but unanimous desire of Americans to see a victory for France and Britain. America's sympathies, in

fact, are already most warmly and un-neutrally engaged.

It would be a mistake, however, to argue from this first premise down the track that would be laid out by European logic. The state of the American public mind on the great issue of war and peace is very complex, and a curiously paradoxical trend of opinion has been noticeable in the two months of the war. As opinion has hardened in support of the President and his desire to lift the arms embargo, it has also hardened against any more drastic form of participation. When war broke out, there was a fatalistic belief that America would eventually be drawn in, willy nilly. There is much more readiness now to believe in the possibility of permanent neutrality. In a poll of public opinion taken two months ago, very nearly half the people questioned were ready for America to enter the war if it were necessary to save Britain and France from defeat. This proportion had fallen substantially when the question was repeated a few weeks later.

These shifts in opinion are, of course, the result of the curious shape the war has hitherto assumed. It would be unjust to say that the average American is disappointed that the war has not been more violent. But he is finding it difficult—as we are in England—to adjust his mental attitude to the non-arrival of the horrors he had keyed himself up to expect. The consistently melodramatic bias of his press and radio in reporting foreign news has led him to suspect that there is some diplomatic dirty work behind the quiet on the Western front, and his suspicions emerge in the demand that the Allies should nail their colours to the idealistic mast by detailing their war aims. This mood would probably change as quickly as the corresponding feeling of frustration in England would wish

if the war were suddenly to wake up. The trend of events in the United States provides no good reason for modifying the pre-war estimate that, as the war proceeds, America will inevitably be drawn into greater and greater participation—not by subtle Allied propaganda or by the wicked machinations of international financiers, but by the pull of her own sympathies and interests. That process may possibly be rather slower and go somewhat less far than seemed likely three months ago; but the trend is still unmistakable.

The attitude of Soviet Russia is in some respects the exact opposite of that of America. Russia's neutrality is benevolent towards Germany, and abusive towards Britain and France—but still it is neutrality. This is the outstanding impression to be derived from M. Molotov's speech to the Supreme Soviet on Tuesday evening. There had been rumours from Berlin that some positive and concrete aid to Germany would be announced; but if these hopes were seriously entertained they were disappointed. M. Molotov developed the curious argument that because Germany wanted to eat her kill in peace she was no longer the aggressor. But the nearest approach to any substantial assistance to Germany was the promise of "political support in her efforts for peace." There was no hint of any assistance of a military nature.

The position of Russia in relation to Germany differs vitally from that of the United States relatively to the Allies. America is the world's largest exporter, rich both in materials and in manufacturing capacity, and as a result partly of geography, partly of legislation, she trades with one side only. Soviet Russia ranks after Denmark as an exporter, and she is anxious to trade with both sides—possibly more anxious to trade with the side that can pay in free exchange. And it may be guessed that Russia will be no more generous in granting credit to Germany than America will be in making loans to the Allies. The possibility of the United States giving any assistance to Germany can be dismissed from consideration. But can the Nazis feel quite sure that Soviet Russia will not some day join their enemies? It is to America's interest for us to win the war; it is by no means to Russia's interest that Hitler should emerge victorious. The worse our position seems to be, the greater is our chance of securing active assistance from America; the more desperate Hitler's position becomes, the greater is the chance that his Soviet friends will desert him. There can be no question where the balance of advantage lies in this comparison. Moreover, though German diplomacy in Washington is so much wasted breath, there is ample scope in Russia's present attitude for Anglo-French approaches in Moscow. The possibilities of expanding British-Russian trade are already being actively explored.

Italy, too, is in the process of defining her attitude. Since the war broke out, her policy has been strictly neutral—indeed, in view of the strength of the pre-war protestations of Axis solidarity she has been amazingly neutral. The momentum of the campaign against the "pluto-democracies" has not quite spent itself in the

Press, but Italian ambitions are turning away from Tunis, Corsica and Nice, where they could only be satisfied at the expense of France, to the Balkans, where they conflict with the ideas of Berlin and Moscow. The present Italian plan is to consolidate and lead a diplomatic and commercial bloc of Danubian and Balkan countries; its chances and implications are discussed in a Note on page 166. But the status of the Balkans is not the only question that has to be discussed between Italy and the Allies. There is also the problem of her trade with Germany and the possibility that she might be used to break the blockade. Italy might well resent a suggestion to ration her, and her resentment might take violent shape. But on the other hand, it is vital to us to stop any gap in the blockade, and if Italy were such a gap we should inevitably be forced—though many in London are reluctant to admit the fact—to take any risk necessary to close it. This is realised in Italy. A choice has to be made between a commercial policy which sails as close to the Allied wind as possible in favouring Germany, and one which finds compensation in increased trade with the Allies for the falling-off in Italian-German trade that is inevitable if the blockade is enforced. It is too soon yet to say with certainty which course Italy has chosen. But the conclusion of a commercial agreement with Great Britain, even though its terms are vague, is a favourable sign. And though too much significance should not be attached to Signor Mussolini's choice of this moment to "change the guard," the shifts in the personnel of his Government seem to point in the same direction.

Japan is the fourth Great Power that has had to change policy at short notice. The first exaggerated hopes based in London on the collapse of the Anti-Comintern Pact have faded. Indeed, having let it be known that it feels less bellicose than its predecessors, the new Japanese Government has retired into its shell again, the official spokesman denying that, for the moment, Japan had any intention of opening negotiations with Great Britain or America. The reason for this is to be found partly in the hardening of the American attitude noticeable in the Ambassador's recent outspoken speech, and partly in the desire to see what native support can be found for Mr Wang Ching-Wei's forthcoming puppet Government. But Japan is clearly concentrating on her own war, and she is most unlikely to be drawn into the European war except in pursuit of Far Eastern objects. She might come to terms, in fact, either with Soviet Russia or with the democracies; but she is unlikely to give active military support to either.

We have no reason to be dissatisfied with the diplomatic picture presented by this tour of the neutrals. At the present stage of the war, it is less essential for us to acquire new Allies (so long as we can trade with them) than to prevent Germany from escaping from her present throttling isolation. That isolation is now being emphasised and underlined by every turn of the diplomatic wheel. Germany's only external asset is the pleasure of hearing the Bolsheviks abuse Versailles, as they move forward into Germany's *Lebensraum*. What a glorious success for the second Bismarck!

The Importance of Exports—II

Exchange Control and Exports

THE opening article in the present series, which appeared in *The Economist* of October 21st, set out some of the urgent considerations that place the fostering of export trade at the very top of the list of matters that should engage the attention of the Government. We need to maintain our export trades so as to be able to pay for our food and raw materials without drawing upon our precious reserves of gold, foreign currencies and foreign securities. We need additional exports to enable us, in effect, to import man-power in the shape of finished goods. We need to safeguard our markets in order to soften the blow of the inevitable demobilisation of wartime industry after the war. We can use our export trade not only to fill the vacuum left by Germany's withdrawal from her overseas markets but to compete with her in the countries she can

still reach. For all these reasons the export problem needs to be given a rank of importance second not even to the problem of munition supply.

A wartime export policy should have two main objects constantly in front of its eyes. The first, obviously, is to increase the volume of our exports to foreign countries, more especially to those where exports earn free exchange. But the second object should be to see that the terms on which this increased volume of trade is done should be as favourable to us as possible. We must try not merely to increase the volume of our exports, but also to see that, on the average, each unit of our exports is exchanged for the largest possible volume of imports. In peace-time, these two objects are frequently alternative or even contradictory, since the object of public policy is

more often to reduce unemployment than to increase the available quantity of goods. Indeed, throughout the post-war era, years in which the terms of trade have been in our favour (that is to say, the prices of British goods have been high relatively to the prices of our imports) have been years of extreme depression and heavy unemployment in the export industries, and *vice versa*. We have, in fact, tried on more than one occasion deliberately to turn the terms of trade against us, either by raising the prices of imported raw materials (the declared object of British monetary policy from the Ottawa Conference onwards) or by lowering the price of British exports. But in this, as in so many other respects, the problems of war are the opposite of those of peace. Our problem is now—or soon will be—not to find work but to save man-power, and one of the first objects of an export policy must be to ensure that the product of one man-hour of British labour in the export industries is exchanged for the maximum possible volume of imports. And the change in policy is made possible by the fact that the volume of imports we desire, instead of being limited by the protectionist jealousy of home industry and agriculture, is now limited only by our ability to pay. In peace time, broadly speaking, the value of our exports is determined by the value of our imports. In war time, imports are limited by exports, except to the extent that reserves are drawn upon.

This change in circumstances helps to explain why the normal methods of stimulating exports are not practicable at present. The classical method is internal deflation, which creates unemployment, depresses wages and reduces the costs of the exporting trades. We have excellent reason, derived from our experience between 1925 and 1931, for knowing that this policy is extremely painful and very ineffective, and we cannot dream in war time, in any case, of pursuing any policy which depends upon creating idleness of labour and capital to produce its effect. The other normal method of stimulating exports is by depreciating the currency. This was done to a mild extent by the fall in the exchange value of sterling at the outbreak of the war—though it is doubtful whether the stimulus of a 14 per cent. drop in the exchange has been enough to offset the increased costs that war has imposed on exporters. Any further depreciation of sterling would have obvious disadvantages in exciting distrust and provoking controversy with the United States. But the decisive argument against it is that it would turn the terms of trade against us and increase the amount of British man-power that has to be exchanged for every ton of imports.

The normal methods are, then, neither possible nor suitable in present conditions. Indeed, it is very doubtful whether any general policy, acting on the whole range of Britain's imports and exports, would be appropriate. Circumstances differ from section to section of our overseas trade. For example, there are some countries whose economies are so closely integrated with our own that their national prosperity can be said to depend on British trade. There are others, like the United States, where our position is very much less strong. And there are others again, such as the Scandinavian countries, where the object of hurting Germany's trade is more important than that of helping our own. With such a divergent range of objects, opportunities and responsibilities, it is hardly conceivable that a single policy would be universally applicable. Clearly, our methods must be flexible.

To some extent, the necessary flexibility can be secured by treating different products differently. Thus, the most important commodities that the British Empire sells to the United States are tin and rubber; the bulk of American purchases comes from British sources, and the bulk of British sales goes to America. In a certain measure, then, the terms of British-American trade can be influenced through the prices of tin and rubber. But the limitations of this instrument of policy are all too obvious. There are not many commodities that fulfil all the requirements so conveniently as these two. A discriminating export policy must clearly have other tools ready to its hand. And an armoury of such tools is available for use in the technique of exchange control. Exchange control was not imposed with the direct object of stimulating exports. But it opens up possibilities of doing so that have not previously existed.

So long as a nation's currency is free and uncontrolled it can have only one value in the foreign exchange market. If a divergence appears between the value of the pound in Paris and its value in New York it is immediately ironed out by the process of arbitrage. But the imposition of exchange control makes it possible for a currency to have a number of different values for different purposes. The different values of the German Reichsmark have been notorious in recent years—so notorious, in fact, that the whole idea of discriminatory values for one currency has become odious. It would nevertheless be a mistake to rule out all possibility of adopting a modified version of the same technical device for sterling merely because it has been perverted in Germany to undesirable ends. Most of Germany's shifts and devices have been imposed on her because of her almost complete lack of any reserves of free exchange. With our very large reserves we have a much wider field of manoeuvre. There are two particular features of German exchange control which nobody would recommend for adoption in Great Britain. First, German exchange control is an attempt to maintain the "official" value of the Reichsmark far above its true economic level. Clearly, when exchange control is being manipulated in such a way as to place a wholly fictitious value on the currency, the stresses and strains to which it gives rise are at a maximum, as well as the intensity and complexity of the necessary controls. But the present exchange value of the pound sterling is not badly out of line with its real value, and it is to be hoped that it will be possible to maintain this relationship, at least so long as there is no violent inflationary spiral of wages and prices in Great Britain. Secondly, the device of creating different brands of Reichsmarks which can only be sold at a heavy discount has been used by Germany to mulct her creditors. There is no question of any similar action by Great Britain.

When these obvious abuses are removed, however, there are legitimate uses of differential exchange values for the same currency. In a world where all currencies were free this would admittedly not be true. But the present state of the world's currencies is not that of a single equitable plane. There are a large number of different planes maintained by a great variety of different national exchange controls and there is no one value of sterling that is right in all countries. A single exchange rate for sterling might make it over-valued in the United States and under-valued in Roumania. That, indeed, has been one of the difficulties facing British trade in countries with controlled exchanges for some years past. A system of differential prices for sterling would not, therefore, if it were properly designed, introduce any new disequilibria into the present state of international prices; it would protect British trade from the ill-effects of these disequilibria that already exist. Great Britain has, of course, an enormous vested interest in the freedom of the exchanges, and the advantages of differential exchange values would not have been enough, in peacetime, to justify the institution of exchange control. But having got exchange control and all its disadvantages, it would be foolish not to enjoy its advantages also by any simon-pure clinging to a single value of sterling in a world to which none of the old rules apply.

An elastic exchange policy conceived on these lines could adopt a different tactic for each different set of circumstances. For example, there are some countries in respect to which we can legitimately and successfully practise the technique of the exchange clearing which has been the outstanding feature of Germany's trade with the Balkans in recent years. This technique would involve fixing a rate which places a high value on sterling relatively to another country's currency. It is then possible for Britain to offer prices for that country's products which are very satisfactory to the producer without being excessively high in Great Britain itself. In this way, a large increase in the volume of trade passing from the other country to Great Britain can be stimulated. This leads to considerable sums of sterling being available to the other country, which can only be used, in whole or in part, to purchase British goods. Thus, not only is the volume of trade increased, but imports are paid for by exports at favourable terms of trade. This, as has been said, is Germany's

Balkan technique. In Germany's hands it has had serious drawbacks for the Balkan partners: they have found themselves with mounting balances in their favour in Berlin which they either could not or would not liquidate in the shape of German goods. Great Britain is in a position to offer free exchange for a defined fraction of her purchases. Moreover, the political hegemony that goes with German trade would not be exercised by Britain.

This technique, however, is applicable only to countries which are dependent for their prosperity on exports, where Britain is in a position to take a very large share of the total exports and where she consequently stands in a strong competitive position. In the United States, for example, none of these conditions is present, and a suggestion of an Anglo-American exchange clearing would, in any case, find no favour on either side of the Atlantic. Trade between Great Britain and the United States is, indeed, of an entirely different character. The price of British goods makes very little difference to the volume of them that America buys—far less difference than the state of American business activity. As a matter of record, in fact, America buys more British goods when they are dear than when they are cheap. In these circumstances, we have no possible interest to serve in making our goods, for sale to America, too cheap. We should rather try to maintain their price. In recent weeks the British authorities have been at some pains to keep the price of tin, and to a lesser extent of rubber, down. Tin has risen in New York less than the non-ferrous metals that America herself produces. This is a perfect example of the way in which the interests of foreign trade are being lost from sight. It is perfectly true, of course, that the British Government has to buy large quantities of tin and rubber for its own uses. But to conclude from this fact that the British interest is to have the price of tin and rubber as low as possible is very short-sighted. Sixty per cent. of the increased profits that would result from higher prices would, in most cases, revert to the British Treasury in E.P.T. And as for the remaining 40 per cent. it would be well worth while spending a few

more pounds in order to gain a lot more dollars. This does not mean, of course, that prices of goods that Britain sells to America should be arbitrarily levered up. But it does mean that no efforts should be made, as in recent weeks, to keep them artificially low.

A third group of countries, requiring a third form of export policy, is formed by those neutrals that are accessible both to Britain and to Germany—the so-called Oslo States and the Balkan countries. The peculiar significance of these countries in wartime is that while they represent much the most important part of the foreign trade that is left to Germany, they are not a vital source of materials for Britain. Our endeavours here should be less to secure favourable terms of trade for ourselves than to force Germany to accept unfavourable terms for herself. For example, both Britain and Germany sell coal to Sweden; we should beat down the price until Germany gets the minimum of foreign exchange for her exports. Both Britain and Germany buy butter from Denmark; we should bid up the price until Germany gets the minimum of goods for her foreign exchange. Our trade with these countries, in short, should be designed to result in the largest possible loss to ourselves. We can recoup ourselves elsewhere; Germany cannot.

It is clearly impossible to analyse all the complex possibilities of wartime export policy in a few short paragraphs. Enough has perhaps been said to illustrate the main point that is sought to be made here—that the new departure of exchange control creates, for the first time, a number of possibilities of so managing our exchange policy that a variety of different aims can be pursued at once. But to realise these possibilities it is essential that the whole subject should be closely analysed and carefully managed by a department specifically charged with the task. Otherwise our exchange policy will drift and our export trade will languish in the no-man's-land between the Treasury, the Ministry of Supply, the Board of Trade and the Ministry of Economic Warfare. This, and other problems of organisation, will be treated in a later article.

The Rise in Wages

THE sharp lesson of a rapidly mounting cost of living in Great Britain at the end of the last war, and of chronic inflation in Germany afterwards, produced at least one rule of thumb for war and post-war economic policy. It is that any price rise must be regarded as suspect. The rule applies to the price of labour as well as to the price of goods, with the consequence that any wage increase must be scrutinised, not merely for its industrial and social significance, but also for its relation to the general movement of prices at the time at which it occurs. If that movement is upwards, and if there is any reason to believe that the wage rise represents an attempt to overtake the price rise, then the suspicion that the two may be chasing each other up the scale of inflation is at once strengthened. The coincidence in the past few weeks of some twenty wage increases, touching practically every major branch of employment, with an unmistakable rise in the cost of living, therefore calls for close examination.

The first wartime wage increases appeared in the last week of September, and from such small beginnings as additional payments to seafarers for new risks and to shipyard workers and steelworkers' labourers in view of the increased pressure of work, the movement spread to all branches of textile working, to coal-mining, dock labour, the electrical trades, garment-making, agriculture and the numerous miscellaneous trades. At the same time the negotiations for a rise in railwaymen's wages, which had been opened before war began, were concluded; and the engineering unions, which had in fact declared a six months' truce to wage claims after securing an increase in June, informally raised the question of revision once again.

The numbers affected by and the amounts involved in these changes cannot be estimated accurately, but such figures as are available are impressive. The rise of 8d. per shift for adult miners and 4d. for youths will cost £5,500,000 in a full year. Railwaymen will benefit to the extent of at least a million pounds a year as a result of the recent compromise awards of the Staff Tribunal. In the textile trades the addition of 12.64 per cent. to current wages in the spinning section, 12.5 per cent. in manufacturing, 2s. per week for men and 1s. 2d. for women in dyeing and finishing, together with improved overtime rates for weavers, again involve sums running into millions. Numerous local concessions to agricultural labourers, an additional 3s. 6d. per week for electricians, 1s. a day more for dock workers, and rises for pottery workers, jute workers, garment makers and others also add up to millions. The total number affected cannot be less than two million men and women and is probably much greater.

These figures, incomplete and fragmentary as they are, give rise to a presumption that such wage changes as have already taken place would have been sufficient in themselves to have had some effect on retail prices. But in fact the sequence of cause and effect has been the reverse. In a majority of instances, the increases have been granted to meet an ascertained rise in the cost of living. Outstanding among the cases in which this reason was given were those of coal miners, textile workers and electricians. The rise in the Ministry of Labour's cost of living index by ten points in the course of September gave a statistical basis to the claims.

The central question is—are these changes inflationary in tendency? It is clear that this interpretation would

hardly have been widely supported in normal times. The addition of 8d. per shift to miners' wages and the raising of the weekly pay of Dorsetshire labourers from 34s. to 35s. would rather have been welcomed on social and humanitarian grounds than condemned as unhealthy signs of inflation. The same argument could be applied to a greater or less degree throughout the whole range of recent and contemplated changes. Nobody doubts that merchant seamen who risk their lives every day deserve some material recognition of the fact, nor that garment workers should be compensated for the heavy strain of clothing an expanding army. But in wartime, and particularly when there is little evidence of any concerted Government policy aimed at the prevention of inflation, the tendency is to interpret wage increases not in real terms but in geometrical metaphors. Changes which might in peacetime have been fitted neatly into the upward curve of recovery now appear as the initial arc of a vicious spiral. It is necessary to examine to what extent these fears are justified.

First of all, allowance must be made for the fact that the statistical difficulties of measuring wages and prices, which make any statement of the relation between the two subject to a large margin of error at any time, are multiplied a hundredfold in wartime. The twenty or so wage changes which have taken place since the war began represent as many different methods of calculating base rates and subsequent additions. To this must be added the fact that most increases now tend to be regarded as war bonus additions to a base rate and to collect around them new and improvised methods of negotiation and calculation. The tendency has been illustrated already in the textile trades, where several agreements have been made to assess future increases according to the cost of living. Statistical devices to take account of such complications as the substitution of women, boys and old men for those absorbed into the forces; the augmentation of skilled labour resources by means of dilution; changes in the character of work due to a swing over to munitions production; and the alteration of working conditions to provide for changes in personnel—combine to give any wartime index an air of Heath Robinsonian improvisation. Similarly, cost of living indices acquire, in addition to the limitations to which such devices are normally subject, new faults due to changes in domestic budgets through the cutting off or reduction of certain supplies, the adoption of substitutes and other adjustments. Professor Bowley has shown that a rough calculation of an index taking account of such changes gave in the last war a figure radically different from (and lower than) the usual Ministry of Labour index. In 1918, for example, the Labour Gazette index averaged 205 (base 1914 = 100) whereas the modified index stood at 180. All of these statistical difficulties add up to the conclusion that the calculation of real wages is immensely complicated by war conditions.

The results of an examination of statistical snags are not, however, entirely negative. On the contrary, they give the first practical guide to policy, which is that since wage increases based on the Ministry of Labour's cost-of-living index are likely to exceed in wartime what is justified by the actual increase in working-class expenditure, they must to that extent be checked. A second practical rule arises from the fact that, owing to the introduction of new labour and the presumed reduction of average efficiency, at least in the early stages of the war, wage rates are a more than usually imperfect guide to both the amount of the wage bill and to labour output. The practice of offering monetary "inducements" to increased output (particularly when it is indirectly assisted by Government contracts covering an excessive profit margin) is likely not merely to contribute directly to inflation, but also in many instances to fail in its purpose of securing a bigger and better output. In this way wages may again become an imperfect measure of production. It is, of course, unthinkable that all wartime needs will be met without recourse to this device. Indeed, there are social and political reasons why monetary inducements to higher production must and should be offered. But it is necessary to realise at the outset the inherent dangers of this method and to control its use accordingly. The above rules suggest

only elementary correctives to the major disease of mounting prices. Like the Prices of Goods Bill, they represent attempts to hold up the general movement by checking one section of it. And, like that measure, they are almost certain to fail unless they are supported by action designed to cut off the danger at its source. That source is the Government's taxation and borrowing policy, and it is here that pressure must be applied.

If an undue rise of wages, and consequently of retail prices, is in fact to be avoided, it can only be done by radical measures. Employers must be prevented from obtaining the means to offer extravagant wage inducements, and workers must also be cut off from the possibility of obtaining wage increases which would enable them to bid up prices. This can be done first by comprehensive and stringent taxation accompanied by safeguards against the passing on of such taxation from worker to employer, from one employer to another or to Government Departments which are falling over each other for contract tenders; and secondly by borrowing designed to absorb any real savings which may still result from genuine industry and enterprise and from the shortage of consumable goods. It would be completely unrealistic to assume that big profits and big wages will not be earned. The important point is to see that they are not spent in an unwise and disorderly manner. Taxation and borrowing may prevent this from happening. It is indeed a hard saying that the real wages of shipyard workers should not be allowed to rise during a war which follows twenty years of depression, but it is only one expression of the fact that sacrifices are required of all sections of the community lest inflation, with its even greater sacrifices, should follow. These are root-and-branch counsels, and since there is little immediate prospect of their adoption it is advisable to carry the argument to a final stage by examining a possible wage policy for circumstances in which inflation is a fact.

If it is desirable to prevent real wages from rising when there is no inflation, then it is critical to see that they do not do so after inflation has begun. Yet it is imperative in the interests of national health as well as of industrial efficiency to ensure that nobody who is now on the absolute subsistence level shall be pushed below it by a rise in the cost of living. The difficulty when the general price-level is rising is to allow of some rise of wages while at the same time making sure that it nowhere gives rise to increased consumption. This can only be done by the recognition of a minimum standard of subsistence. And this in turn involves, in the complexities of wartime, that some part at least of the increases in wages given to meet a rise in the cost of living shall be distributed in the form of family allowances. Once again the cure is radical. But wartime economic policy does not admit of patching and palliatives. The almost complete failure to control wage levels in the last war was due to Government and departmental reluctance to see the problem whole and to tackle it as a whole. Instead control was dragged in bit by bit until in the end attempts at regulation, although numerous and covering a considerable proportion of the industrial field, were fragmentary, unco-ordinated and consequently unsuccessful. Such mistakes, with all the waste and confusion they involve, can only be avoided by radical measures promptly applied. Universal family allowances based on need will no doubt impose sacrifices in some quarters—but inflation will impose greater sacrifices on all wage-earners.

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NOTES OF THE WEEK

Two Months of War.—Outside the field of world diplomacy, where German policy is still paying no dividends, the war remains a war of blockade and counter-blockade. In eight weeks the Allies have intercepted well over half a million tons of goods destined for the enemy, including large quantities of petrol, iron, aluminium, copper, phosphates, oils and fats. German shipping has virtually vanished from the high seas, and it measures the success of the British contraband control that the world is being swept by Nazi accusations of Allied inhumanity in robbing women and children of food. Actually, as the Minister of Economic Warfare made plain in an Empire broadcast on Wednesday, if the people of Germany lack food it is because of the arms and war policy of their leaders. A bare 5 per cent. of the goods taken by the contraband control has been food pure and simple, and this was cereals, of which the Reich has no scarcity. The 9 per cent. of oils and fats taken could readily be used for munitions instead of food, and the predilection of the Nazi rulers for guns in place of butter is well known. So far the limited war has brought great gains to the Allies. Not only is the weapon of blockade striking shrewdly. The raising, disposition and equipment of the forces have been able to proceed with efficiency in the calm of waiting, and there is time to screw the output of munitions and aircraft to a winning pitch. Yet the balance sheet is not solely one-sided. The enemy has contested the seas with determination. Compared with the same point in 1914, the Allies have fared, roughly, as badly in the loss of naval personnel, and very much worse in the loss of merchant tonnage. True, there was no submarine assault in 1914, though there were enemy raiders and naval squadrons at large, and the truer comparison is with 1917. But, despite the notable success of the Navy in destroying U-boats, there are still recurrent sinkings over wide stretches of the ocean, and two speedy and powerful Nazi raiders are out at sea. The maritime war will not be won without intensive and long-drawn-out endeavour: the North Sea is still not secure for friendly commerce, and there are many signs that the sharpest phase of air attack on the Fleet and vital ports may be still before us. It was Goering himself who calculated that to sink a battleship might be worth the loss of 100 bombing planes. While the struggle goes on we are slowly winning, but we cannot count on a quiet and uniformly successful winter.

Principles of Price Control.—The maximum price of British newsprint has been raised by an Order of the Minister of Supply to £17 a ton. Before the outbreak of war the price was £11 5s., so that the increase in two months amounts to 46.6 per cent. The prices of other varieties of paper have been increased in similar proportions. This is an outstanding example of the defects inherent in the present system of control. The Paper Control consists almost entirely of executives drawn from important paper-producing companies, and it is on its advice that the Minister of Supply makes his Orders. The principle that nobody shall be a judge in his own cause has obviously been violated. The point of that principle is not that nobody can be trusted to fix a reasonable price for his own product, but that nobody will believe it is reasonable even if it is. In the present instance, the justification is that the rise in price is needed to meet increases in costs, especially in the cost of imported wood pulp. But it would be difficult to justify, by reference to the c.i.f. prices of imported wood pulp, an increase of more than about £4 a ton in the price of newsprint. Why was no attempt made to ration the depleted supplies of wood pulp in order to keep the price as low as possible? Why should the whole burden be put upon the users of

paper and none on the makers, when neither is to blame for the circumstances that have made an increase possible? Will every effort be made to increase the supplies of Canadian newsprint, which is now much cheaper than British? What is the justification for the action of the Paper Control in commandeering paper makers' supplies of raw materials and then selling them back again at a price 50 per cent. higher—unless it is to justify an increase in the price of paper already decided upon for other reasons? How does the Government hope to avoid inflation if price-rises of this magnitude are to be not merely permitted, but ordered, on such inadequate grounds? There may be satisfactory answers to all these questions, but they are not very apparent; and the organisation of the Ministry of Supply by which every industry is allowed to issue Departmental Orders to its customers is a method of ensuring that every increase in price shall be greeted with the utmost suspicion and the fiercest opposition. Compared with the action of the Paper Control, the increase of 10 per cent. in steel prices is notably moderate and could be accepted without question, if only it were possible to feel sure that the previous prices were as low as could reasonably be expected.

Finland's Ordeal.—The negotiations between Finland and Soviet Russia are still in progress, though they may be nearing their decisive stage. On October 24th



Dr Paasikivi and M. Tanner left Moscow for Helsinki to obtain new instructions, since no settlement appeared possible on the basis of the second set of instructions issued a week earlier. Reports in the Italian Press that Russia was demanding certain islands in the Gulf of Finland, coupled with guarantees from Finland not to fortify the Åland Isles nor to adopt a foreign policy hostile to the

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the absence of imminent danger from air raids. The greater danger to life, limb and morale may very likely be still to come. The Government's decision to reopen schools was coupled with an earnest and anxious plea to evacuees to stay away. It might have been accompanied by a pledge to take the steps, in social welfare, camp building, communal catering, extended school provision and generally improved organisation, which evacuation has hitherto lacked. Or it might have been attached to a fresh programme to furnish much more shelter in the towns. The proper principle of civil defence is unalterable. It is "shelter or exodus." Evacuation grew because the widest provision of shelter against bombs was deemed impracticable. If evacuation cannot be made to work—which will be pitiable, if only because the vast majority of young migrants have been well and happy away—and if the prime object of safeguarding the normal activities of the nation cannot be achieved by this means, then there is only one way out. It is to give the fullest protection to young and old in the towns *in situ*. The virtues to national morale of mere bravado and insouciance are most evident when no danger seems in sight.

* * *

The Ministry of Information.—A Note in *The Economist* of October 21st, referring to the dismissals of members of the staff of the Ministry of Information, criticised the responsible Ministers, Sir Samuel Hoare, Lord Macmillan and Sir Edward Grigg, for not having defended officials who cannot defend themselves. So far as Sir Edward Grigg is concerned, this comment did him an injustice, as some part of his speech in the House of Commons on October 11th was devoted to arguing that criticism should be directed exclusively to those who were politically responsible for the Ministry. An apology is due to Sir Edward for the fact that these passages in his speech were overlooked. Since *The Economist's* comment was published Lord Macmillan has also come to the defence of his officials. This, so far as it goes, is satisfactory; but it does not lessen the injustice done to men who were first asked to leave their previous employments for the Ministry and then discharged without any reference to their personal competence but merely to the usefulness of the work they had been asked to do.

* * *

More Recruitment.—The Government's eyes have opened still more widely to the need to mobilise more men. Up to the age of 35, men may now volunteer for active service, though the quota taken will be limited in proportion to the successive batches of conscripts called up. Over 35, men may join a new Pioneers Corps to aid in the maintenance of supplies to the Forces—though the relation of this body to the mobile force of dockers which has been created and to trade union workers generally has not yet been explained. It is a welcome sign that inactivity on the Western Front and the absence of casualties are not being permitted to hide the necessity to make the maximum effort in terms of man-power, no less than in terms of shot and shell and aircraft. It is simple sense to take advantage from the eagerness of men of all ages to do their bit. It is military wisdom to enrol and train men before the heat and burden of total war have to be borne. Relatively, Britain has the pull over Germany even in man-power, because we are economically better placed to furnish the fighting services and arms industries over and above the provision of personnel to produce the necessities of life. It is imperative to exploit this advantage to the full.

* * *

The Quebec Elections.—It is not always that the general elections for the Canadian Provincial Legislatures have any imperial or international significance. The election held in Quebec last week, however, has a direct

bearing on the conduct of the war. Quebec is, in many ways, an unusual province. The majority of its inhabitants differ in language and religion from their fellow-citizens, and the French-Canadians of Quebec have often been to the Dominion of Canada what the Irish used to be to the United Kingdom. In particular, they were rootedly opposed to conscription in the last war, and some of those who spoke for them said they stood for Canadian neutrality in the present war. One of these was Mr Duplessis, the Provincial Premier, whose action in dissolving the Legislature was believed to be an attempt to make capital against the Federal Government out of this preference for neutrality. Mr Duplessis' desire to strengthen his position against the Liberal Government at Ottawa was the greater because Quebec is normally a Liberal stronghold and had an unbroken Liberal Government for four decades before Mr Duplessis' own victory, at the head of a coalition of Conservatives (rechristened the Union Nationale) and dissident Liberals (the Action Libérale Nationale), in 1936. The province has now returned to this traditional allegiance. The Liberals have won 68 seats out of 86 and Mr Duplessis is rewarded for his attempt at mischief-making by a crushing defeat. The election was fought on the sole issue of whether Canada should devote all her resources, though without conscription of man-power, to the task of winning the war, and the fact that so decisive an answer has been given in the Province whose enthusiasm was *prima facie* most open to doubt is an immense reinforcement of prestige to the Dominion Government. It is also an impressive demonstration that even skilled politicians can mistake the depths of feeling among the North American democracies.

* * *

Summi Pontificatus.—After his accession in March this year Pope Pius XII, in his intense desire for peace, avoided any major statement which might have been construed as a direct condemnation of the policy pursued by the European Great Powers, and as the summer wore on, and the gulf between the aggressive intentions of Germany and the predominantly pacific and defensive attitude of the West grew daily wider and more apparent, the Pope's earlier silence, succeeded in August by peace initiatives in which no real difference appeared to be drawn between aggressor and aggressed, seemed to some to carry rather too far the secular tradition of papal neutrality. Now, however, when all hope of avoiding conflict and of soothing the *furor Teutonicus* by a conciliatory attitude has vanished, the Pope comes forward, in his own appointed sphere of moral principles and spiritual values, to condemn those same evils of tyranny, lawlessness and aggression against which the Allies have taken up their arms. The encyclical "Summi Pontificatus" issued on October 20th contains a sustained attack upon the glorification of State power and the denial of any international society which lie at the root of Nazidom. Within the community of the nation, Pius XII reaffirms the dignity, the value, the inviolable rights of the individual citizen, based on "the common origin and the equality of rational nature in all men"; in the greater society of States, he attacks a conception of unlimited State sovereignty which "breaks the unity of supra-national society, robs the law of nations of its foundation and vigour, leads to violation of other rights and impedes agreement and peaceful intercourse." This insistence upon a "supra-national society" gives a key to the Pope's thought, for his most pressing concern is for the restoration of Europe on the basis of collaboration, modification of State sovereignty, arbitration, and international law, and in this context he addresses a moving appeal to the victors—and we cannot for a moment doubt that he has the West in mind—to exercise their discretion and moderation in the hour of triumph, "in the hour of temptation," in order to bring about a just and lasting peace based "not on the quicksands of ephemera standards dependent on selfish interests of groups and individuals, but on the unshakeable foundation of national law."

THE WORLD OVERSEAS

Mussolini Changes the Guard

(From a Correspondent)

AT a time when there is a tendency to read into every event an advantage or a setback to our cause, a certain caution is advisable in assessing the real significance of the Cabinet reshuffle which took place in Italy on October 31st. It may be, as the Germans assert, a mere "changing of the guard" to prevent "anybody getting stale in his job"; even so, since the last reshuffle took place as far back as the spring of 1935 and was connected at that time with important decisions in the sphere of foreign policy, there is some *prima facie* support for the idea that this week's changes have a definite international significance. The impression is confirmed by the nature of the dismissals and new appointments. The most outstanding figures among the dismissed, Signor Starace and Signor Alfieri for the civilians, Generals Pariani and Valle in the forces, have all been closely connected with a "forward" Axis policy and with the encouraging of close military and cultural relations between Italy and Germany. Signor Alfieri, in particular, from the advantageous position of Minister of Propaganda, has been largely responsible for the tone of the Italian Press in the last eighteen months, with its perverid protestations of Axis solidarity and its consistent attack upon the *decadenza pluto-democratica* of the West. The various appointments appear to have brought men of different calibre to the new posts. General Graziani, who becomes Chief of Staff, is well known as a wary and orthodox soldier unlikely to commit his country to perilous escapades. He was, moreover, in Abyssinia throughout the forging of the Axis, and only returned in November, 1937, when it was already a *fait accompli*. Consul-General Muti, who replaces Signor Starace in the key position of Secretary to the Fascist Party, is less well known but has the reputation—as one of the Fascist "old-guard"—of being uncompromisingly anti-Communist, a significant point in face of Germany's endeavour to put across her new Soviet friendship. Perhaps we may leave the question as to whether the changes really presage an important re-orientation in Italian foreign policy to the German Ministry of Propaganda. An official statement has already denied that the reshuffle "represents a change in the fundamental policy of the Italian Government." Such a statement coming from such a source is probably the most encouraging feature of the whole affair.

The Economic Front

In the sphere of economic policy, the changes are no less significant and seem to point in the same direction—towards a lessening of both direct and indirect German influence. The re-orientation of Italian economy in the direction of autarky, initiated before the Abyssinian war, came, once the Axis connection had been forged, to be more and more inspired by a German spirit and by German models. The ideal of a free economy under comparatively light governmental control which was laid down in the "Charter of Labour" of 1927, gave ground rapidly before theories of a State-controlled economy in which individual initiative and private property were subordinate to the Government and the overriding economic needs of the nation as a unitary economic whole. Among the most enthusiastic supporters of what was rapidly becoming a *Wehrwirtschaft italienischer Art* was Signor Starace who, as Secretary of the Party (a post which roughly corresponds to that of Home Secretary), was responsible for all economic decrees emanating from the Party, and these tended more and more to produce a system of mitigated State socialism, in which the State invaded a wide range of economic activities left hitherto to private citizens. Signor Starace was also responsible for the campaign against Jewish business interests and took a leading part in carrying through the "aryanisation" of business, another direct inspiration from the other end of the Axis. It is

interesting to notice that the new Minister of Corporations, Signor Ricci, formerly lost his post as Secretary of the Party Movement owing to differences of opinion with Starace. By his new appointment he occupies a key position in the Fascist economy and his former divergence from the Staracean school of thought seems to presage a re-orientation in internal policy; the choice of Consul-General Muti to succeed Signor Starace points in the same direction, for Muti's determined anti-Communism, carried over into the economic sphere, leads him to distrust radical experiments in State control.

It is harder to read any political significance into the substitution of Signor Tassinari for Signor Rossoni at the Ministry of Agriculture. It is true that Signor Rossoni, after bringing to a more or less successful conclusion the "Battle of Wheat" (by securing Italy self-sufficiency in a year of good harvests) had recently initiated a system of forced quotas and deliveries for big estates, a practice introduced in Germany soon after the Nazi revolution. But Signor Tassinari, until now Under-Secretary to the *Bonifica Integrale* (land reclamation) has to his (very great) credit the Government schemes of drainage and resettlement which have been carried through in the North (in the valleys of the Po and Adige) and on the Pontine Marshes. It is therefore impossible to see in him an opponent to State planning and initiative.

Taking the changes in general, one is forced to the conclusion that the keenest exponents of a close German connection coupled with autarky and a growing dependence upon Germany's *Grossraumwirtschaft* (in 1938 Germany's share of Italy's total foreign trade amounted to 25 per cent.) have been replaced by men of less revolutionary temper who, in some cases (Riccardo as Minister of Exchange, for example, or Serena as Minister for Public Works), have so far attracted little attention. However, it is still too early to draw from this fact conclusions of a more far-reaching nature. Italy has changed her guard. It does not necessarily mean that she has changed her front.

Difficult Days in Belgium

[FROM OUR BRUSSELS CORRESPONDENT]

THE war has seriously troubled the Belgian economy. Although no official figures have yet been published, it is generally admitted that Belgium has more than 500,000 men under arms, men who make up the most active part of the population. It is a big burden for a country of less than 8½ million inhabitants. One of the consequences of this mobilisation is that the Treasury has to face extra expenditure of at least 300 million francs a month. More serious is the curtailment of industrial activity on account of so many men being called away from the mines and agriculture.

The second reason for the unsatisfactory state of Belgian economy arises from the fact that the country is, primarily, a transformer of imported raw materials. Normally Belgium imports copper and other ores for conversion into refined metal, as well as enormous quantities of textile materials which are partially re-exported as finished or semi-finished products. But, at the present time, Belgium has no certainty of being able to secure the raw materials she wants. The British control holds up ships in the Downs. The Belgian Government has been negotiating continuously with the authorities in Great Britain, and an improvement has been recently observed in the entry of ships into Antwerp.

Coal Output Too Low

Belgium possesses one precious advantage—her coal field. There will be a great demand for coal in Europe, and Belgium should be able to export as much as she wishes. Unfortunately the output of coal is at present insufficient owing to the lack of miners. Some 18,000 miners out of 130,000 are now under arms. An effort is being made, however, to release them progressively. Again, there are usually about 20,000 foreigners working in the mines, of whom a number are Poles or Czechs now enlisted in the forces constituted in France. Finally, additional Belgian miners are difficult to find, in spite of the existing large number of unemployed. Mining is not highly thought of, and it demands a degree of skill and experience.

In January, 1937, the Belgian Government made the error of reducing the working hours from 48 to 45 per week. As a result coal output per man, which was already relatively small because of the difficult nature of the seams worked, has been still further reduced. Daily production is only about 760 kilos per miner, compared with 1,170 kilos in England and more than 1,500 kilos in Germany and Holland. Leading authorities believe that Belgium should increase the hours of work in mines, and the need is not even contested by the leaders of the trade unions. But—for political reasons—the Belgian Government hitherto has shrunk from decreeing a return to the 48-hour week, though it is freely forecast that this will have to be done, under the pressure of a shortage of coal to exchange against the French ore that the Belgian metal trades must have.

The present unsatisfactory situation is reflected in the increase in the number of unemployed. The principal causes of this increase were the fact that the men who went daily to work in France found it impossible to cross the frontier when war broke out and the stagnation prevailing at the port of Antwerp. These causes have partly come to an end, and the number of unemployed has fallen from 235,000 in mid-September to 195,000—these figures including persons partially as well as wholly unemployed. It is well known, too, that the total includes a large proportion of unemployables—by reason of age or other disabilities.

Severe Rise in Prices

The deepest anxiety of the Government and the population is due to the rise in prices. The memory of the German occupation from 1914 to 1918 remains vividly in the minds of the people, who as soon as this war began thought of the scarcity and high prices which then ruled. In consequence abnormal purchases were made even of those provisions of which there could only be a temporary scarcity. For instance, although the country's production of sugar is much above normal needs, sugar was not to be had in the shops. There was even a ridiculous panic over salt, the price of which was raised by unscrupulous shopkeepers (who have been prosecuted) from 60 centimes a kilo to 2 francs 50 centimes.

At present the situation is moving back to normal, but the rise in prices has been greater in Belgium than in many other places. The index of wholesale prices published at the beginning of October showed an increase of 19 per cent., whereas in Switzerland and in Holland the increase was only about 10 per cent. Retail prices have risen 6 per cent, because of the marked rise in such articles as soap. As salaries and wages are generally based on the index of retail prices, the Government is now trying to find a way of preventing an undue rise in salaries and wages, on the ground that the cost of living has obviously not increased as much as average retail prices.

In general, stocks of food and raw materials do not seem too well assured. After the Munich crisis last year it was shown that supplies were not at all sufficient, and a programme of provisioning was drawn up. But that programme

was still only partly carried out when the war came, and, perhaps more than any other country, Belgium has now to study economy. Still, in all probability, Belgium will be able to work for foreign countries—neutral or at war—and this will bring in a supply of means of exchange which will permit her to continue importing what is necessary. Belgium possesses, in fact, a power of production which should be useful to all her neighbours. But her own military needs must not be allowed to bring about a complete economic paralysis. That is why clear-sighted critics are urging upon the Government the need to ensure that mobilisation is maintained in such a way as to allow business undertakings to carry on.

This is necessary from the financial point of view as well. Public expenditure is exceeding revenue, even on the ordinary Budget, owing to the decline in fiscal receipts and the increase in unemployment. As for the extraordinary Budget, which comprises public enterprises which cannot be abandoned as well as the cost of mobilisation, it will have to be financed by a loan which so far has not been possible. For two months the Treasury has been carrying on by recourse to the National Bank, which, on account of the intense hoarding now prevailing, has been able to engage in "open market" operations without resorting to positive inflation. But it is a precarious position.

October 27th.

American Business Caution

[FROM OUR NEW YORK CORRESPONDENT]

IN the middle of October it is estimated that the index of production is in the neighbourhood of 120—say 20 per cent. above the average for the first half of this year. The index is now at about the level reached in 1929 and again in the winter of 1936-37; and on neither occasion was the level maintained for more than a few months. The index is not adjusted for the growth of the population, and consequently the present level should not be interpreted as implying that the country is now as generally prosperous as it was a decade ago.

Further, the index is heavily weighted by steel production. Since the rise in steel output in recent weeks has been exceptional, it is probable that the movements of the index rather exaggerate the general recovery. Finally, it is widely believed (although this must be a matter of opinion) that production is running above actual consumption. With these qualifications, it may still be said that our economy has been lifted, not to a boom level, but into what might be called the lower reaches of the zone of prosperity.

This is not, as far as one can tell, a war boom. There is a notable absence of report or even rumours of war orders, or even of unusual export activity. In general, comment no longer emphasises the "prospects" of enlarged exports. Indeed, the contrary opinion is not wanting—that U.S. exports to Europe may shrink, and that if there is any marked increase in exports to Latin America, it will only be the consequence of subsidies.

It is now generally recognised that the vigour of this autumn's recovery is the consequence of a hurried replenishment of stocks. We had been in a buyers' market for over two years, and the steady shrinkage of bank loans was evidence of the prolonged and extensive liquidation of stocks. Over most of that period, the price level was falling, at once evidence and cause of the progressive reduction of stocks. The abrupt rise in prices due to the shock of war in early September was, in turn, both evidence and cause of the fresh building up of stocks.

Warnings and Portents

The fact that the index of production has now reached a level never very long maintained in the past, and the interpretation of this increase in activity as reflecting the replenishment of stocks, has proved conducive to caution. For a few days in early September, speculation was rampant; but business leaders were prompt and outspoken in warning the public (and each other, for that matter) of the hazards of riding the boom too hard. The memories of the sky-rocket devaluation boom of 1933—and of 1936-37—reinforced the warnings.

The warnings were timely. At the moment, as we saw above, it seems quite likely that production is out of step with consumption. Some hesitation, or even a recession—

of a "statistical" character—is predicted by many, and would of itself be neither surprising nor disturbing. The basic question of whether the recovery can be continued to and maintained at a level which will represent diffused well-being or reasonably full employment lies where it has been for a long time. During a decade of almost continuous depression, our economic plant and equipment has not only not kept pace with the growth of population and the developments of technology, but in the aggregate it appears to have actually deteriorated—although there are conspicuous exceptions to this generalisation.

During this decade, not merely was investment in economic plant and equipment largely suspended, but there seems to have been a net "disinvestment." In this decade, capital already invested in plant and equipment yielded little or no net return, and consequently provided neither the funds nor the incentive for further investment or even for full maintenance.

It seems demonstrable that deflationary forces continued to influence our economy long after the monetary signs had turned in the opposite direction. It is the rapidity, the irregularity, and the nature of the current upturn that suggest caution, rather than the belief that our economy has reached a level intrinsically unsupportable. If there is any validity at all in the concept of a "normal" level of business activity, it may plausibly be argued that it lies above rather than below the present level, high though that is in comparison with the first half of the year.

October 12th.

Emergency in Switzerland

[FROM OUR GENEVA CORRESPONDENT]

THE outbreak of the war found Switzerland ready to cope with all difficulties. The measures taken by the National Bank to prevent excitement and disorder on the financial market proved effective. As banking operations were not restricted there was no panic, and withdrawals, though higher than usual, were not exaggerated and were indeed more the consequence of economic necessity than of fear.

The position was very different at the beginning of September than in 1914. In 1939, exclusive of the special exchange fund, the Swiss national gold reserve amounted to 2,420 million francs, with another 288 millions in foreign currencies, that is, 2,707 millions against a banknote circulation of 2,066 millions. On October 7th the situation was about the same: the gold reserve was 2,697 million francs, and the banknote circulation had fallen to 2,043 millions. Switzerland has a gold reserve of nearly 2½ milliards of francs for a population of 4 millions, while the U.S.A., with a population of 130 millions, has a gold reserve of 70 milliards.

Such an enormous gold reserve might be a bait for some "ungilded" neighbours. The Swiss authorities have long ago been aware of that danger, and while about one-third of that gold has been kept in the country and hidden in secret vaults amid the mountains, the remainder has been deposited abroad in safe places, out of reach of would-be aggressors. At the same time as the army was mobilised and as part of the mobilisation plan, all gold and securities deposited in the private banks in the frontier districts were at once evacuated to the interior, mainly in the Alpine regions.

General mobilisation at first caused some havoc in trade and industry, principally owing to the sudden lack of labour. Now a number of workers have been temporarily demobilised and a number of unemployed absorbed. Things are progressively settling down in trade and industry, though conditions are far from being normal. The measures taken by the Government to prevent an undue rise in prices have proved satisfactory, though here and there some salesmen were heavily fined for having unduly raised their prices.

Trade and Transport

Foreign trade was deeply affected by the outbreak of war, as the September foreign trade returns show. During that month, imports were valued at roughly 98 million francs—a fall of 51 millions compared with August—and exports at 64 millions—64 millions less than in August. The biggest drops were recorded in exports to Germany, Great Britain and France, while there was a rise in exports to the U.S.A., Spain and Russia.

Mobilisation resulted in a drop in the number of unemployed, which, owing to seasonal causes, is usually on the rise in September. At the end of the month there were 22,500

unemployed, a fall of 1,500 compared with August, and 13,900 compared with September 1938.

The issuing of ration cards for foodstuffs will begin at the end of October. November rations will be: 1,500 grammes of sugar per person per month (about three pounds); 250 grammes of rice; 750 grammes of macaroni; 250 grammes of dried vegetables (peas, beans, etc.); 750 grammes of barley and oatmeal, 2,500 grammes of flour, semolina and maize, and 750 grammes of oil and butter. At this rate existing stocks will last over one year. There will be no restriction for the present on the sale of bread, meat, potatoes, butter and cheese. The delivery of coal is not so far subjected to rationing, but it is somewhat reduced and subject to State authorisation. The provisional petrol measures taken a month ago will remain in force until more definite restrictions are set up. Meanwhile the price of petrol has risen from 1s. 8d. a gallon to 2s. 2d.; it will, it is said, rise to 2s. 7d. in November and to 3s. 3d. in December. The rise is partly due to increased transport rates, transport charges from Genoa by rail or from Marseilles being higher than by barge along the Rhine from Rotterdam to Basle.

October 14th.

Roumanian Trade Control

[FROM A CORRESPONDENT]

ON October 1st the Roumanian Government introduced new measures for the control of foreign trade and for payments abroad. In future no exports may be made without licence from the Exchange Office, and the licences which the Office will issue are to be valid one month from the date of issue though this delay may in certain cases be shortened. Export contracts valued at more than 5 million lei are to be submitted to the Exchange Office, without the approval of which the contracts have no legal standing. Licences are, of course, non-transferable.

The Exchange Office has also complete powers of supervision over imports. Import licences will be issued only to importers who require the goods for their own factories or for direct wholesale or retail transactions.

The Exchange Office is charged with the task of balancing the cost of imports against the proceeds of exports in the case of each country dealt with. The proceeds of exports will be distributed on the following basis:—

1. 45 per cent. for State debts abroad, including public debt, armaments, etc.
2. 30 per cent. for the purchase of raw materials.
3. 25 per cent. for the purchase of other essential commodities and the payment of essential services.

Exchange obtained from the proceeds of exports in the case of free-exchange countries will be negotiated in the proportion of 30 per cent. at the official rate at the National Bank. The remaining 70 per cent. may be negotiated by exporters on the free market. The first *tranche* will be reserved for Government purposes; the second, representing 70 per cent. of the value of exports, will be used for the payment of imports, through the intermediary of recognised banking institutes.

* * *

Hungary: A Correction.—On page 91 of *The Economist* of October 21st, it was erroneously recorded that the note circulation had risen from 879 million pengös at the end of July and 1,038 millions at the end of August to 7,087 million pengös on September 30th. The September 30th figure should obviously have been stated as 1,087 millions.

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Germany at War

(An objective account of economic trends in the Reich compiled weekly by the editorial staff of The Economist from German and neutral sources.)

IN two months the Reich has completed a carefully planned system of War Economy. The supreme controlling body, the Council of Ministers for Defence, has been reinforced by regional Defence Committees in each Army district. These bodies—which represent the civil authorities and not the Nazi Party—have authority to direct economic activity, and work in close collaboration both with Army commanders and business organisations. In principle, at any rate, economic centralisation for war purposes—it is worth noting that there is a certain degree of special decentralisation for Austria—has been carried through without removing the particular responsibility of private employers.

In practice, however, now that control over profits, prices and wages has been made so stringent, some doubt is being expressed as to whether private bankers, industrialists and merchants have still a function to perform. The economic journal *Der Deutsche Volkswirt* combated this view in a leading article on October 20th, maintaining that War Economy depends more than ever on the private industrialist. The State had not and would not abolish private ownership of capital. The point was that War Economy required sacrifices in the shape of smaller private profits or even losses (it would seem from Dr Funk's October 16th speech that, pending industrial reorganisation, losses are to be spread over the whole community), and the final decision whether production should be expanded or controlled had necessarily to be made by the State in wartime. But, the article emphasised, the function and responsibility of the private employer remained. The employer was admittedly compelled to cut wages to the 1936 level, but he was at the same time responsible for maintaining the efficiency of his workers unimpaired. So far employers had responded "magnificently."

Industry and the State

Clearly, industrialists are troubled about the progressively "Socialist" character of the German economy. At present it is the financial policy which strikes at profits as well as wages which is the subject of their guarded complaint. For the first few weeks of the war the decree reducing wages enabled employers to increase their profits. But this was stopped by a further decree compelling employers to pay over the difference to the Exchequer pending an arrangement by the Price Commissar to bring prices down in proportion to the lowering of wages—and fines ranging from Rm. 1,000 to Rm. 300,000 have been imposed upon shopkeepers and traders for unjustified price increases. Profits are now under firm control. Before the war industrialists were able to make some sort of stand against absolute State control by "self-financing," that is, by financing capital expenditure out of profits. Under war conditions this is no longer possible, and they are wholly dependent financially on the State.

Financial Policy

It is true that the issue of tax certificates, which appreciably reduced the liquidity of the industries receiving them in payment, has been suspended. By the end of July the total of tax certificates issued had risen to Rm. 2,279 millions from Rm. 1,498 millions at the end of June. (The floating debt, which was Rm. 7,979 millions at the end of June, had fallen to Rm. 7,938 millions at the end of July.) Now, with the certificates suspended, the Government has had to resort after all to the issue of Treasury bonds. Of Rm. 500 millions issued to finance capital expenditure on the railways, Rm. 200 millions have been already subscribed by the banks. October 31st was decreed a National Savings Day, and the keynote of propaganda is that war finance must be based on savings.

Increased financial pressure has compelled the Government to impose a special additional tax contribution on all communes. Of each of the local taxes raised by the communes the following percentages must be delivered to the Reich Treasury: 2½ per cent. of the real estate taxes in the case of property devoted to agriculture and forestry; 5 per cent. of all other real estate taxes; 7½ per cent. of taxes on industrial undertakings; and 10 per cent. of the special communal income tax, which is additional to the Reich income tax. Last year these percentages would have yielded Rm. 1,385 millions. In the current year the Minister of Finance expects to get Rm. 1,250 millions.

The capital levy imposed on the Jews in the autumn of 1938 has not realised expectations. The rate of 20 per cent. has not brought in Rm. 1,000 millions as expected. It has been increased by a further 5 per cent. to be paid on November 15th.

The new Statute of the Reichsbank on the basis of the law of July 15th was issued on October 20th. The only new regulation is the introduction of Advisory Councils. Central and regional Councils have already been appointed by the President of the Reichsbank for a period of three years; and last week the Central Advisory Council held its first meeting in Berlin.

[The latest Reichsbank return will be found in its normal place on page 188.]

* * *

Output Campaign.—The drive to increase production is intensive. Scarcely a day passes without reports of some new factory in operation. The first two blast-furnaces of the Hermann Goering works in Salzgitter began work on October 20th. In Saxony a factory manufacturing a fibre akin to cotton from the waste of home-grown flax and hemp has been opened. In Hesse-Nassau a potato-flake factory has started with a capacity of 15,000 tons—potato-flakes are used for food and feeding-stuffs. Recent company reports for the year ending last September show considerable increases in capital expenditure as well as raised production of synthetic petrol, coal and machinery. The aircraft factory *Focke Wulf-Bremen* increased its capital from Rm. 2½ to Rm. 5½ millions; the electrical firm *Siemens Reiniger* from Rm. 10 to Rm. 12 millions; the shipping company *Schlesische Dampfer* from Rm. 3½ to Rm. 5½ millions; and the oil crushing firm *Noblee and Thoeer, Hamburg*, from Rm. 3 to Rm. 5 millions. The Industrie-Bank has granted credits of Rm. 100 millions in the first week of its working.

Large-scale migration of factories is going on. The advertisement columns are full of inquiries for factory premises in Middle or Eastern Germany. The reasons are: evacuation from the Saar and Rhineland; and the advice given to manufacturers switched from peacetime to wartime production to establish themselves in safe areas. There are reports that the entire machinery of Rhineland factories has been moved. To the many decrees controlling labour has been added an Emergency Service decree compelling all workers to do public service, i.e. repair air-raid damage, when required.

* * *

The number of unemployed persons is put at 100,000. Of these perhaps one-third can be absorbed. The shortage of labour, and especially of skilled labour, is very acute.

* * *

Food and Trade.—It has been estimated, in connection with the shortage of vegetable oils, that 50,000 tons of beech nuts might be collected annually. The oil yield would be 10,000 tons, or 1.6 per cent. of normal oil seed imports. There would be a by-product of 25,000 tons of cake to be used for feeding-stuff. The occupation of Poland will add 24 million tons of potatoes to the Old Reich's huge crop of 50 million tons. In September Reich exports were maintained at pre-war level to both Switzerland and Yugoslavia, though the former Czech and Austrian share in Yugoslav trade was not held. There are to be forced export pools in industry.

Germany hopes for ample oil from Roumania. The fall in oil output this year, and indeed since 1937, is put down to systematic curtailment by companies under British control. Yugoslavia has agreed to extend barter transactions to a number of commodities for which payment in foreign currencies has hitherto been demanded—such as copper, metal ores, hides and skins. Part of Yugoslavia's annual supply of 300,000 fat pigs will also be bartered; and, in exchange for German coal, iron goods, machinery and chemicals, Yugoslav supplies of wheat, feeding-stuffs and fruit will be increased. The exchange rate of 14.3 dinars to Rm. 1 will be unchanged.

THE BUSINESS WORLD

Investment and War—VI

Steel Shares in Wartime

AN analysis of the wartime outlook for steel companies' shares may serve as an appropriate introduction to the technique of estimating industrial equity share prospects during a national emergency. The process has three well-defined stages. Investors, in the first place, should examine the probable wartime trend of production in each industry as a guide to the course of gross earnings, having due regard to abnormal but not entirely unpredictable factors such as price movements, Government control, etc. The second step is to assess the various charges which have to be met before gross earnings emerge as net profits—including special wartime costs and Government taxation. The final stage involves an examination of the capital structure of each company, to discover how far a given movement, up or down, in net profits is likely to affect the dividend outlook for its ordinary shares, having regard to the incidence of debenture and preference payments and the extent of probable reserve allocations.

Steel shares are among the most obvious war equities, but the average investor's attitude towards them, to-day, is understandably conservative, in view of their record during and after the last war. The industry's profits history since 1914 has three distinct chapters. Chapter I is summarised by the following table of index numbers, based on *The Economist's* annual computations of representative company earnings (after debenture interest):—

IRON, COAL AND STEEL CO. PROFITS, 1915-22 (1914=100)			
1915	89	1919.....	138
1916	119	1920.....	64
1917	143	1921.....	66
1918	135	1922.....	78
Av., 4 war years	122	Av., 4 post-war years	87

Although *The Economist's* grouping includes more than steel companies, properly so-called, its chief constituents are, in fact, the heavy steel producers of Great Britain. Profits, it will be seen, suffered a setback in the early stages of the war, but advanced sharply in 1916 and 1917. For the rest of the war, however, despite increasing steel production, the Excess Profits Duty, and other factors held steel profits rigidly pegged down. The post-Armistice boom ended earlier in steel than in most other industries. Average profits, in fact, for the four war years were little more than one-fifth above the pre-war level, while in the four post-war years, as a whole, shareholders fared appreciably worse than before the war. During the next ten years their experience was even more depressing:—

IRON, COAL AND STEEL CO. PROFITS, 1923-32 (1914=100)			
1923	92	1928.....	35
1924	66	1929.....	51
1925	27	1930.....	42
1926	18	1931.....	22
1927	32	1932.....	15
		Av., 10 years	40

During the decade which preceded the granting of protection to the industry and the setting up of the Iron and Steel Federation, profits averaged only 40 per cent. of the pre-war level. In the year of the coal strike, 1926, and again in 1932, when conditions were the worst for over half a century, net earnings were less than one-fifth of those of 1914. The renaissance which began with the Government's new interest in the industry's affairs, and was

carried on, first, by Britain's general industrial recovery and, subsequently, by the arms programme, was reflected in a revival in net profits, by 1938, to the neighbourhood of the wartime average.

IRON, COAL AND STEEL CO. PROFITS, 1933-38 (1914=100)			
1933	28	1936.....	90
1934	52	1937.....	119
1935	67	1938.....	125
		Av., 6 years	80

For the six recovery years 1933-38, as a whole, the mean level of profits was still 20 per cent. below 1914. In short, the industry's profit record (as shareholders saw it) in the Great War was satisfactory but unspectacular; between the war and the great depression of the 30's it was almost incredibly bad, while in the years immediately preceding the present war, it was rapidly improving.

The almost complete absence of special "war buying" of leading steel shares is probably mainly due to instinctive fear lest history should repeat itself. Whether this attitude is justified may, however, be questioned. The present war is still in its early stages, but the omens certainly seem to favour a flatter trend of steel profits in this war than the last—and probably a less depressing experience afterwards. Rightly or wrongly, the principle of fixing steel prices with reference mainly to changes in production costs, which the Steel Federation adopted—presumably with Government approval—two or three years ago, is still the wartime policy of the Steel Control. This week's price adjustments, of which particulars are given in a Note on page 183, do not, the industry claims, do much more than reverse the reduction made at the beginning of this year. That reduction, it is true, left prices close to the peak of the boom year 1937, but the industry has always maintained that the peak levels would have been much higher but for the Federation's restraining influence. And the proceeds of the present increase are all to be paid into a central fund to cover the increased cost of imported materials, especially higher freights. Without crediting the present control (a significant part of whose personnel is drawn from the industry itself) with uncommercial altruism, it seems reasonable to conclude that, unless matters go sadly awry, or a shortage of materials becomes acute, or Britain goes in for an orgy of inflation, steel prices may rise further before the war is over, but not to anything like the extent of the last war and post-war period. Our next table shows that between 1914 and 1920, for example, the prices of representative grades of pig iron and steel rails more than quadrupled—only to fall to about 50 per cent. above the pre-war level in the course of the next two years.

PRICES 1914-22			
Pig Iron (Cleveland G.M.B. No. 3) (Per ton)		Steel Rails (Middlesbrough) (Per ton)	
s.	d.	£	s. d.
End of—			
June, 1914	51 6	6	
1914	54 0	6½	
1915	78 0	11	
1916	87 6	11½	
1917	95 0	10½	
1918	95 0	10½	
1919	160 0	17½	
1920	225 0	25½	
1921	100 0	9½	
1922	91 0	9	

All district reports show that steel production is even now running at a very high level, and the economies of a large-scale steel output are proverbially great. But any dramatic rise in steel profits is likely to be checked by other factors besides the Steel Control's price policy. Although the increased plant capacity laid down during the boom in 1937 is now coming largely into production, the maintenance of a wartime output may necessitate recourse to some of the older plant which, even in 1937, was deemed uneconomic and costly. And the incidence of wartime taxation will be heavy. It is fortunate for the industry that it had largely rehabilitated its profits position before 1936 and 1937, the years which most companies will choose as their standard for excess profits tax. But even in 1938, the profits indices given above suggest that earnings were running about 20 per cent. above the 1936-37 level.

Broadly, it seems probable that profits in the immediate future may rise only slightly, or even fall temporarily. The operating companies are being called on, for the time being at least, to absorb the rise in home costs generally, including an estimated £4,000,000 for installing anti-glare devices, only part of which will be covered by Government grant. There should, however, be a moderate, though not spectacular, upward trend in earnings as the war proceeds. In that event, the increase will be greatest, for ordinary shareholders, in those companies whose "gearing" is highest. How widely the "gearing factor" may vary between the different companies is shown by the next table:—

"GEARING" OF CAPITAL AND PROFITS
(Based on latest reports of companies named)

	Baldwins	Dorman Long	Guest, Keen and Nettlefolds	South Durham Steel	Stewarts and Lloyds	United Steel Cos.
Issued Capital: Amount (£'000) of:						
Debentures	Nil	4,212	1,493	1,050	2,470a	3,844
Preference	2,087	3,521	6,535	300	2,000a	9,650
Ordinary	2,495	2,094*	6,434	938†	5,881a	13,494
Total	4,582	9,827	14,462	2,288	10,351a	23,494
Proportion (%) of total capital represented by—						
Debentures	Nil	42.9	10.3	45.9	23.9	28.5
Preference	45.6	35.8	45.2	13.1	19.3	None
Ordinary	54.4	21.3	44.5	41.0	56.8	71.5
Latest Profits (b):						
Overall rate earned on total capital (%)	7.6	9.4	7.5	5.3	14.1	5.8
Average rate paid on deb. and pref. (%)	5.5	6.1	5.3	4.6	5.3	4.6
Rate earned for ord. (%)	9.3	21.6*	10.2†	6.3†	20.8	6.3

* Preferred ordinary and ordinary combined. † Ordinary and "B" ordinary combined. ‡ Tax free.
(a) Before 1939 acquisition of Stanton Ironworks. After this acquisition capital issued is (in £'000): Deb., 2,470; Pref., 3,013; Ord., 7,268; Total, 13,351.
(b) As shown in accounts—usually after certain deductions for income tax.

Steel used to be reckoned a highly geared industry, but the capital reorganisation schemes of the last decade-and-a-half have effected a striking reduction in the burden of prior charges. Of the six companies in the above table, one—United Steel—has over 70 per cent. of its capital in ordinary shares, while two others—Baldwins and Stewarts and Lloyds—have well over 50 per cent., and two more—Guest Keen and South Durham—have over 40 per cent. of their whole capital in ordinary shares. Only Dorman Long can really be said to be "high-geared," as the term is generally understood. The consequence, as the last three lines of figures in the table make clear, is that although the earnings rate per cent. on ordinary shares is higher in every case than the overall rate on total capital, the difference is seldom very striking. The potentialities of these large companies may be studied more closely from the earnings table in the next column.

Almost without exception debenture and preference payments absorbed the whole, and more than the whole, of profits in the worst phase of depression. During the immediate pre-war years, however, this effective burden was being rapidly reduced as profits increased.

Although most of the companies shown had a slight profits setback in their last pre-war year, there were only two instances—Dorman Long and South Durham—where

TREND OF EARNINGS

Company	Profits (before Deb. Int.) (£'000)			Ordinary Capital (a)	
	Total	Taken by Deb. and Pref.	% of Total	Earned for Ord.	Earned (%) Paid (%)
Baldwins (Dec. 31)					
1931	97	97	100.0	Nil	Nil
1935	345	189	54.8	156	12.1
1936	409	163	39.9	246	15.5
1937	463	135	29.1	328	17.4
1938	347	115	33.1	232	12.8
Dorman Long (Sept. 30)					
1931	29	29	100.0	*Nil	†Nil
1935	569	364	64.0	*205	†Nil
1936	808	436	53.9	*373	†16.0
1937	899	439	48.8	*460	†23.3
1938	925	472	51.0	*453	†23.3
Guest, Keen and Nettlefolds (Mar. 31)					
1932	305	305	100.0	Nil	†Nil
1936	923	451	48.6	494	†7.7
1937	1,001	429	42.9	572	†16.0
1938	1,177	428	36.4	749	†11.6
1939	1,086	427	39.3	659	†10.2
South Durham Steel (Sept. 30)					
1931	24	24	100	§Nil	†Nil
1935	106	31	29	§75	†11.9
1936	130	33	25	§97	†14.8
1937	145	57	39	§88	†13.2
1938	121	62	51	§59	†10.1
Stewarts and Lloyds (Dec. 31)					
1932	120	100	83.5	20	0.5
1935	594	204	34.3	390	9.7
1936	775	228	29.4	547	13.9
1937	1,507	228	15.1	1,279	27.6
1938	1,459	235	16.1	1,224	26.0
United Steel Cos. (June 30)					
1931	Dr. 86	...	...	Nil	Nil
1936	673	143	21.3	530	10.4
1937	879	143	16.2	736	11.1
1938	906	143	15.8	763	11.8
1939	784	178	22.7	606	8.7

* Preferred ordinary and ordinary combined. † Ordinary only. ‡ Free of tax. § Ordinary and "B" ordinary combined. (a) Before income tax deduction, unless otherwise stated.

debenture and preference payment absorbed more than half net profits. In the case of the United Steel Companies, the proportion was little more than one-fifth, while in that of Stewarts and Lloyds it was less than one-sixth. But the two last columns of the table show that dividend policy, with very few exceptions, was decidedly conservative even before the war. If directorial prudence even then insisted on the retention of a significant part of divisible profits, shareholders can hardly look for the payment of earnings up to the hilt under more hazardous wartime conditions.

Nevertheless, the high dividend yields—and the higher earnings yields—now obtainable on "blue chip" steel shares, as shown in our final table, seem more than adequately to discount any possible temporary setback in net profits, seeing that some increase in earnings and dividends is probable later, though its scope may be limited.

SHARE PRICES AND YIELDS

	Price, Nov. 2	Yield (%) On Last Dividend	Yield (%) On Earnings
Baldwins Ord. (4/-)	5/9	7.0	8.9
Dorman Long Ord. (£1)	22/6	8.9	20.7
Guest Keen Ord. Stk. (£1)	21/10½	5.5†	9.3†
South Durham Ord. (£1)	27/6	7.3	7.3
Stewarts and Lloyds Def. Stk. (£1)	43/-	5.8	12.1
United Steel Stk. (£1)	22/9	7.0	7.7

† Tax free.

It is far too early yet even to guess at industrial investment conditions after the war. Where production has been swollen by special wartime demand, investors should be prepared to reconsider their policy, and to reverse engines, if necessary, when the time comes. It may well be, however, that if the wartime profits experience of the steel industry is destined to be less exciting this time than last the war's aftermath will be correspondingly less unpleasant. After all, the industry's difficulties in the decade-and-a-half after the Great War were due less to its own financial errors or misfortunes—for example, the unconscionably high price it paid for funding the cost of war time plant extensions—than to conditions making for reduced output and competitive power, which it may be hoped, will be non-recurrent.

Finance and Banking

Banks and Bill Rates.—After the reduction of Bank rate to 2 per cent. there was a momentary fear that in the process of adjustment to the new official rate the whole structure of open market rates might again become distorted by the intrusion of a clearing banks' buying rate for bills lower than their minimum rate for short loan accommodation. The fear arose out of the clearing banks' decision to fix their minimum money rate at 1 per cent. as against the ½ per cent. figure which obtained during the greater part of the previous 2 per cent. Bank rate period. It was further accentuated by the previous indications of the clearing banks' keen appetite for bills and by the suspicion that sooner or later one of these institutions would in competition break the rate and bid under 1 per cent. for eligible bills. This period of uncertainty, however, soon disappeared, and this week the trend of discount rates has been quite firm with the three months' rate at 1½ per cent., i.e. at a small but orthodox margin above the money rate. Last Friday's Treasury bill tender gave the lead in this steadying of rates. The market syndicate went for the bills at a rate close to 1¼ per cent., and though it only obtained a mere 31 per cent. of its requirements, its disappointment did not, as has so often happened after similar experience in the past, lead to an immediate competitive scramble for bills. The outside tenderers for bills, who, in some cases, went for a rate as low as 1⅛ per cent., got their full allotments—and in certain cases at least, have shown distinct symptoms of indigestion. They have proceeded to sell bills with a certain haste and assiduity which for the first time for some weeks has made the discount market a buyers' and not a sellers' market. The clearing banks have therefore found a good offering of bills, and there has been no need for competitive cutting of rates. The banks' buying rates thus remain 1½ per cent. for January maturities, while December bills—where available—are taken at 1 per cent. As long as the money rate remains at 1 per cent. the clearing banks may be expected to adhere to the present intention not to break the bill buying rate below the short loan rate.

The Expansion in Bills.—The prospects of this "gentlemen's agreement" being respected are enhanced by the massive expansion in Treasury bills which is now taking place. With the £55 millions of bills being offered this week the weekly issues are now running at a figure £25 millions in excess of maturities. Whether that margin between maturities and new issues is maintained must, of course, depend on the Treasury's plans for medium or long-term borrowing. But for the next few weeks at least it is on the floating debt that the whole burden of financing the deficit will continue to fall. As maturities will within a few weeks be rising to £50 millions a week we must be prepared for eventual weekly issues of bills rising to £70 millions. This expansion in the issue of Treasury bills will reduce to insignificance the offsetting movement in the volume of commercial paper. There is thus an important factor on the supply side of the bill equation justifying the steadier tone in discount rates which has already become apparent. Its effect will be all the greater as the banks have already remedied the deficiency in bill holdings which was revealed by the September figures. The individual statements for the final making-up day of October, which have already appeared, provide quite startling evidence on this point. They show substantial increases in the holdings of bills—due, where the items are shown separately, to of much larger portfolios of Treasury bills. This expansion has been the main contributor to an increase in deposits, while this movement in its turn has been accompanied by a corresponding movement in the volume of bank cash. Thus the credit position remains extremely easy. This week it has been further helped by the distribution of early November dividends and by the redemption of the £28 millions odd of Canada 3½'s. The credit background for

the coming Government loan operation is being well prepared.

India Bans Silver Imports.—The prohibition of imports of silver into this country except under licence, which was imposed last week, has now been followed by a similar decision on the part of the Indian Government. As we pointed out last week, the rational corollary to the step taken in this country must be the exclusion of silver imports into India either by means of direct prohibition or by readiness on the part of the Indian Government to sell silver out of its stocks at a price below the import parities. The first of these alternatives has been chosen. The reason underlying both decisions is the need to conserve the gold and foreign exchange resources of the Empire. It may, however, be questioned whether a substantial contribution to this particular cause has been made by the decisions of the British and Indian Governments and whether their ultimate result may not, in fact, be definitely inimical to it. The recent acceleration in imports of silver into Great Britain was the result of technical factors in the silver market position, where a short position has for some time existed and has led to the maintenance of a premium in the sterling price over the American parities. This state of affairs was obviously temporary in character and was being rapidly remedied by the arrivals of Mexican and Canadian silver. Indian demand for silver has recently been of very small dimensions and can readily be satisfied by sales from official stocks. The ultimate saving of exchange resulting from the prohibitions on imports are therefore likely to prove quite diminutive.

On the other hand, the restrictions, by banning the free import of silver into Great Britain and by thus restricting what was essentially a transit trade in this country, must strike a severe blow at the London silver market, reduce the commissions which it earns and the freights on the shipment of the metal to and from this country—in other words, reduce still further our urgently needed income from invisible exports. The details of the ban on British imports of silver are now beginning to emerge. Silver actually in process of shipment to this country on the day on which the prohibition was introduced (October 26th) will be allowed to enter freely. The immediate result of the prohibition was to send the London price to 23½d., at which level selling from the Indian stocks still in London began to exert a braking influence. With the news of the ban on Indian imports there was a natural reaction, since this development withdraws from the London market the main source of demand for silver. The market has thus been condemned to fall into extremely quiet conditions. When the present position has been balanced, all that will remain to be handled will be the satisfaction of the comparatively small industrial demand for silver in this country. The market has since Wednesday begun to fix the price of silver in the morning instead of the afternoon. It is open to question whether in a few weeks' time the whole procedure of fixing will be justified by the amount of business which the market will be called upon to transact.

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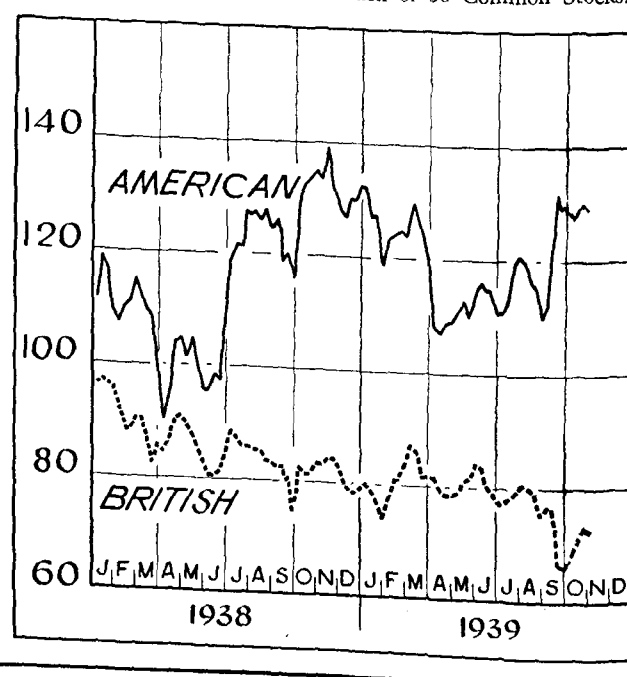
FOR ALL CLASSES OF INSURANCE

Investment

The Basis of Recovery.—The investment story of the second month of war is the story of the unfreezing of the gilt-edged market and the attempt, despite thin dealings in industrials, to develop a yield basis which fits the stark facts of war without having to take account, for the moment at any rate, of a *Blitzkrieg*. If the parallels beloved of the chartists are of any guidance to war conditions, it would appear that the London market is still in a bear phase. But if the month's recovery in British equities has not actually restored prices to the pre-war level, it is a gallant failure. The *Financial News* index of 30 industrial shares touched its highest wartime point of 74.6 on October 27th compared with a level of 77.5 on August 31st. The check to the progress of the industrial market towards the end of October, like the earlier recovery itself, is a faithful reflection of the gilt-edged market, whose major improvement has strangely enough subsided with the reduction of Bank Rate ten days ago. The two sections of the "House" are inseparable still, for while industrial costs are rising and the dislocation of civil business has not yet been offset by a complete wartime industrial regime, there is little that the equity investor can attempt to discount. Recent reports already show the burden of E.P.T. on companies whose equity prospects would normally be considered excellent. If taxation and Government control impose, in effect, a fixed ceiling for equity earnings, and if non-essential industries are to receive no compensating wartime business, the immediate outlook for equity investment would seem to have no greater attractions than the gilt-edged outlook, though this conclusion will doubtless be altered, and possibly at no distant date.

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.

MONEY MARKET NOTES

THE concentration of German troops near the Belgian frontier caused a weaker tendency in the belga; and the official quotation in London rose at the end of last week to 23.95-24.15 and by another 5 points on Monday to 24.00-24.20. Since then, however, the rate has been steady, and no further change in the quotation has been made. Guilders and Swiss francs have been unaffected by rumours of a German military initiative, and the rates are still 7.52-58 for the former and 17.80-95 for the latter. Among the free market rates, the Shanghai dollar has improved to 53d., compared with 5d. at the end of last week. This presumably reflects an improvement in Chinese export trade as a result of the big fall in the dollar during the past year. The Netherlands East Indies guilder has been included among the currencies which must be

surrendered to the Government; and the official rate has been fixed at 7.44-54, which is rather lower than the official rate for Dutch guilders.

The money market has been adjusting itself to the reduction in Bank rate and the new rates charged by the clearing banks for money market loans. That these were not reduced to their old level was taken as a sign that other rates would not fall to the pre-war level; and the result of last week's Treasury Bill tender, which gave an average rate of allotment of £1 3s. 8.83d. per cent., strengthened this view. The credit position has been easier than was indicated by the firmness of discount rates; but outside lenders, possibly as a result of the large quota of Treasury Bills they obtained last week, have not been

too well supplied with funds, and bond money on Wednesday was obtainable at only just below the clearing banks' minimum rate of 1½ per cent.

The Bank Return shows that the return of currency from circulation has been checked, for the note circulation shows a small rise of about £900,000, presumably owing to end-of-month requirements. Bankers' deposits would not have felt the effect of this withdrawal—for though Government securities are down slightly, there is a rise of £1.3 millions in other securities—had it not been for a rise of nearly £4 millions in other deposits, which has more than offset the fall in public deposits and the net rise in the security items. The result is a drop of £2 millions in bankers' deposits.

MONEY MARKET RATES

	Nov. 3, 1938	Oct. 26, 1939	Nov. 2, 1939
Bank Rate.....	2	2	2
London Deposit Rate ...	1½	1½	1½
Short Loan Rates:			
Clearing Banks:			
Others.....	1½-1*	1-1¼†	1-1¼†
Discount Rates:			
Treasury Bills (3 mth.)	1½	1½	1½-1½
Three months' bank bills	1½	1½	1½

* Viz. 1½ per cent. for loans against Treasury bills and other approved bills and British Government securities within six months of maturity. † ¼ per cent. for loans against 1 per cent. Treasury bonds and other gilt-edged stocks within six months of maturity. 1 per cent. for loans against other collateral. ‡ Viz. 1 per cent. for loans against Treasury bills and British Government securities; 1¼ per cent. for loans against other collateral.

THE BANK RETURN

	Nov. 2, 1938	Oct. 18, 1939	Oct. 25, 1939	Nov. 1, 1939
Issue Dept.				
Gold	326.4	0.2	0.2	0.2
Value per oz. fine	85s.	168s. 0d.	168s. 0d.	168s. 0d.
Notes in circulation	483.9	530.3	527.1	528.0
Banking Dept.				
Reserve	42.5	50.7	53.9	53.1
Public Depts.	14.1	12.0	12.6	10.5
Bankers' Depts.	109.5	116.4	116.8	114.8
Other Depts.	36.4	38.5	39.2	43.0
Govt. Secs.	102.4	107.5	106.0	105.3
Dis. & Adv.	10.4	3.2	4.6	5.6
Other Secs.	21.1	23.3	21.7	22.0
Proportion	27.3%	30.3%	31.9%	31.5%

THE BULLION MARKET

	Gold	Silver
Date	Price per ounce fine*	Price per oz. standard
	Cash	Two Mths.
1939		
Oct. 27	s. d.	d.
" 30	168 0	23½
" 31	168 0	23½
Nov. 1	168 0	23½
" 2	168 0	23½

* Bank of England's official price.

Gilt-edged Inferences.—The reduction in Bank rate from 3 per cent. to 2 per cent. last week has heralded nothing more conclusive than a check to and a modified resumption of the robust advance of gilt-edged during October. Those market observers who had convinced themselves, with reasonable arguments, that the stage had been set for the first instalment of wartime borrowing, are now rather less sure of their sense of timing. It would be idle to criticise the authorities for failing to act on a so-called psychological signal which has, in fact, proved something of an anti-climax. Borrowing policy, it is being realised, depends on successful monetary management, and while the authorities have demonstrated the strength of their hand they are not yet ready to play their aces. That strength is evident from the following table, which compares gilt-edged prices and yields over the period October 19th to November 2nd:—

Stock	October 19		Oct. 26	Nov. 2		Change, Oct. 19-Nov. 2	
	Price	Re-demption Yield %	Price	Price	Re-demption Yield %	Price	Yield %
4½% Conversion 1940-44	102½	3 0 0	102½	102½	2 16 0	5½	4 0
5% Conversion 1944-64	106	3 13 2	107½	107½	3 7 8	1¼	5 6
2½% Nat. Def. Bds. 1944-48	95½	3 1 5	97½	97½	2 19 6	1½	1 11
2½% Conversion 1944-49	93¼	3 6 4	94¼	94½	3 2 6	1½	3 10
3½% War Loan, from 1952	91¼	3 16 9	92¼	91½	3 16 5	1½	0 4
3% Conversion 1948-53	94½	3 10 9	95¼	96¼	3 7 7	1¼	3 2
4% Consols 1957	100½	4 0 4	102¼	103½	3 15 6	3½	4 10
2½% Funding, 1952-57	88½	3 13 2	90	91½	3 9 0	2½	4 2
3% Nat. Def. Ln., 1954-58	92½	3 12 5	93½	94½	3 8 6	2¼	3 11
4% Funding, 1960-90	101½	3 17 11	104¼	105	3 13 1	3½	4 10
3½% Conversion, from 1961	90¼	3 17 7	92¼	92	3 16 1	1½	1 6
2½% Funding, 1956-61	82½	3 13 9	83½	84½	3 10 7	2¼	3 2
3% Funding, 1959-69	88½	3 13 1	90¼	91¼	3 9 8	2½	3 5
2½% Consols	66½	3 15 0	68½	68	3 13 6	1½	1 6
4% Victory Bonds	102¼	3 17 2	103½	104½	3 14 1	2¼	3 1
3% Local Loans	78¼	3 17 2	79¼	79½	3 15 9	½	1 5

It may be significant that market emphasis has turned this week away from the notion of an ultra-short dated issue to a consideration of the possibilities of ten- to fifteen-year issues. Some of the existing stocks within this range, such as 2½ per cent. Funding and 3 per cent. Conversion, were among the last to float free of their minimum prices, and their subsequent progress has been modest. For some reason, their virtues received special emphasis on Thursday this week, when the gilt-edged market as a whole was easier. It is doubtful whether buying of these stocks was directly inspired, but it seems to have followed rather frequent suggestions in the "House" and elsewhere that this division of the gilt-edged market was destined for something better than the part of Cinderella. Such suggestions are not a safe indication of Treasury policy, but they may show from which direction the wind is blowing.

Foreign Bonds and the War.—German bonds, even in peace time, were distinctly dubious investments, and the fact of war has entirely justified the distrust with which they have long been regarded. An announcement of the Committee of British Long Term and Medium Term Creditors of Germany this week confirms the expected—that the paying agents have no funds in hand either for the next coupon or for amortisation on the Dawes and Young Loans, the 7 per cent. Austrian and the Austrian Credit Anstalt bonds, or on the Saarbrücken 6 per cent. Loan. There are likewise no funds for the next coupon on Konversionskasse 4 per cent. Sterling Bonds, though amortisation for the year ended October 31, 1939, has been effected in part by the delivery of bonds and fractional certificates for cancellation. Moreover, the agents have been authorised to pay out certain sums due before

September 3, 1939, on long- and medium-term "non-Reich" debts, though details are available only on inquiry from the paying agents. Funds accumulated before the outbreak of war have also come to the assistance of holders of Potash Syndicate of Germany 7 per cent. and 6½ per cent. 25-year loans, for Messrs J. Henry Schröder have been authorised to retain and use such funds in accordance with the loans' conditions to provide for a half-year's service of the 7 per cent. bonds and for the repayment on January 1st next of bonds of the 6½ per cent. loan drawn on October 31, 1939. The numbers of these bonds are to be published shortly, and an announcement will also be made concerning coupons which were due November 1, 1939. Hence the special security which the Potash loans have always enjoyed in peace has availed holders to some minor extent in war. Temporary arrangements continue to regulate payments on the Roumanian 7 per cent. Monopolies Institute Loans. The latest offer is recommended for acceptance by the British Insurance Association Investments Protection Committee and the Association of Investments Trusts, pending conditions which would permit a final scheme. It consists of a payment of 68 per cent. of the face value of coupons maturing on and after August 31, 1939. This rate strikes an average between the rate of 71 per cent. paid last February and 65 per cent. paid a year ago. Its reduction is a disappointment tempered, however, by the modesty of the cut under the inevitable difficulties of war.

Company Notes

Mitchells and Butlers' Results.—The Mitchells and Butlers' accounts for the year ended September 30, 1939, are the first among larger brewery companies to show the effects of the revision of the standard income tax rate. Profits, after provision for taxation and depre-

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ciation, show a decline during the year to September 30th of 5 per cent., from £686,730 to £654,027. Sales and trading profit actually increased, and the reduction in net profits was due to the incidence of income tax at 7s. 6d. in the £1. Debenture interest requires £50,000 against £37,387, and after preference and maximum ordinary dividends, a sum of £536,592 is available for the ordinary shares, compared with £575,561, which is equivalent to 26.7 per cent. against 26.8 per cent. Reserves again receive £100,000, while £659,988 is carried forward against £645,239 brought in. Profits distributions for the last three years are analysed below:—

	Years to September 30th		
	1937	1938	1939
Trading profit†.....	754,412	686,730	654,027
Directors' fees	2,500	2,967	2,533
Deb. interest	29,631	37,387	50,000
Preference divs.	45,000	43,500	39,000
Max. ord. div.	28,258	27,315	25,902

Ordinary shares:—

Earned	649,023	575,561	536,592
Paid	510,651	450,705	421,842
Earned (%)	29.2	26.8	26.7
Paid (%)	23	21	21

Property reserve	50,000	50,000	50,000
General reserve	50,000	50,000	50,000
Carried forward	621,581	645,239†	659,988

† After depreciation, income tax, N.D.C. and salaries.

‡ After writing off £1,198 deb. issue expenses.

The balance sheet shows an increase in fixed assets from £8,258,634 to £8,538,903, while working stocks have been raised from £740,554 to £789,332. Cash has decreased slightly from £1,065,369 to £1,014,441. During the year the company acquired the Highgate-Walsall Brewery Company and John Lord for a consideration which is not disclosed. The outlook for brewery companies is somewhat obscure. The incidence of stock insurance costs is a heavy burden, while the penny on the pint must affect consumption adversely. Mitchells and Butlers' shareholders, however, are to some extent fortified by the company's excellent financial position. Moreover, since the accounts do not mention any charge for E.P.T. (which, to judge from published profits, would not be large in any case) it may be assumed that war taxation, for the moment at least, will be limited to the relatively light incidence of N.D.C. The £1 ordinary shares stand at 70s. 6d., to yield £5 19s. per cent.

British Electric Traction Bonus Policy.—For many years past, the annual dividend on British Electric Traction deferred ordinary stock has been 5 per cent. in cash, together with a 10 per cent. capital bonus. With the growth of the undertaking, the rate of earnings has been steadily rising, and the ratio reached 59.4 per cent. for 1938-39. This year, however, instead of the usual 2½ per cent. cash interim dividend, the payment has been raised to 15 per cent., and it is announced that, if present conditions continue, it is expected that the final payment will also be in cash. No forecast is made of the total rate for the year, which does not end until March 31, 1940. Large possibilities are, of course, indicated by the 1938-39 rate of earnings, and since the interim payment now declared is already equal to the cash dividend and capital bonus rates of recent years, a more generous cash distribution policy in the course of a full year is plainly indicated. The directors, however, hope to be able to return to their capital policy when normal conditions are resumed. But regular capital bonuses to supplement small cash dividends would appear to be counter to the objectives of the new issue control. Moreover, the effects of war on the group's traction and elec-

tricity supply interests have yet to be measured. But the consequences, for the time being, compel a complete revision of the market valuation of the stock, which has always offered an exiguous cash return, but was the leading medium by which the surtax payer could legitimately avoid part of his burden. Shortly before the board's announcement, the deferred ordinary stock was quoted on the basis of 700-750. On this basis the bonus rights were worth roughly 65. Their disappearance has temporarily produced an over-proportionate fall in the stock to a notional level of 650—the official price is very wide, but it shows signs of some recovery and a greater steadiness. Until this week's announcement the stock offered a yield of about 9 per cent. on earnings, but appreciably less than 1 per cent. on the 5 per cent. cash dividend (after allowing for bonus rights), whereas at the present price of 650 it would provide a yield of 5 per cent. on a dividend of 32 per cent., or a 6 per cent. yield on a 38 per cent. dividend. The adjustment of price has thus been kept in reasonable relation to future cash dividend prospects.

Odeon Theatres Satisfactory Results.—The market has been well satisfied with the preliminary statement, and full report, of Odeon Theatres. Theatre profits amount to £404,013 for the 52 weeks to June 24, 1939, against £335,026 for the initial 54-week period, but owing to a substantial rise in investment income total profits have risen appreciably more, from £371,589 to £513,380. It is not entirely clear whether this improvement is to be ascribed to expanding business or to the larger number of units contributing to the profits. It will be recalled that earnings for 1937-38 were lower than had been expected, since a number of large cinema theatres were only operating for part of the financial period. The latest year has thus experienced the corresponding benefit, but the 38 per cent. rise in total profits is still encouraging. Taxation provision is increased from £60,000 to £100,000, and owing to the issue of £1,440,000 6 per cent. debenture stock, loan and debenture interest require £106,323 against £94,631. After charging the preference dividend of £93,789, earnings for ordinary shares amount to £209,878, compared with £122,224, and are equivalent to 37 per cent. against 19.8 per cent. The repeated 10 per cent. dividend absorbs £56,874 net, and is thus maintained on an extremely conservative basis, although £57,239 of the surplus is applied to writing off debenture discount. General reserve is increased by £50,000 and the carry-forward is £45,765 higher at £68,166. In the latter part of the financial year, companies owning 82 theatres, originally run under management agreements, were purchased, the consideration being provided from the proceeds of debenture stock issue (the desire to redeem which over a short period out of surplus profits would explain the conservative dividend), and the new assets are reflected in a rise from £508,144 to £1,241,751 in investments at cost, and from £18,677 to £1,126,011 in sums due from subsidiaries. The full gain from this expansion of interests will not, of course, appear until the 1939-40 accounts. Some loss of revenue has occurred from the temporary and compulsory closing of cinemas at the outbreak of war, but shareholders will welcome the assurance that in most areas receipts are now back to normal. It is, perhaps, not surprising that no comment is offered on the state of negotiations for the suggested Gaumont-British and Odeon merger. At the current price of 4s. 3d. Odeon 5s. ordinary shares yield £11 15s. per cent.

United Dairies Outlook.—At the United Dairies meeting a week ago, Mr Maggs followed his usual practice of amplifying the company's financial results by interesting trading statistics. In 1938-39 the 7,000,000 gallons increase in the amount of milk handled compared with an increase of 6,000,000 gallons in the previous year. On the other hand, reduced consumption per customer and in-

creased wages costs aggravated the reduction in the margin between buying and selling prices. Moreover, a fall of 6 per cent. occurred in retail sales of butter and eggs. But the incidence of war is naturally the main subject of concern to shareholders. Mr Maggs frankly reported that the first shock of war had resulted in a sharp reduction in milk sales virtually overnight, ranging from 36 per cent. in Central London to 20 per cent. in the outer area. The milk, however, had been successfully diverted to the manufacturing plants. Additional costs were inevitable, Mr Maggs explained, on account of higher prices for certain materials, A.R.P. and War Risk insurance, while it was impossible to reduce overheads in proportion to the fall in sales. On the other hand, the factories are now producing considerably more manufactured products than a year ago. The company's butter stocks have been commandeered, but butter is being made under Government control. The advent of control rules out any attempt to forecast profits, but shareholders will at least welcome the frankness of Mr Maggs' commentary.

Buenos Aires Great Southern.—The full report of Buenos Aires Great Southern shows that the passing of the first preference dividend was not due to any excess of caution, but that on the contrary the debenture service was itself uncovered to the extent of £76,064. Various factors combined to produce this disappointing result. Wheat traffic rose by £212,259 to £858,032 in 1938-39, but owing to the Government's policy of assistance most of the increase in wheat tonnage originated outside the B.A.G.S. system and was hauled over the Bahia Blanca North-Western section. Movements within the B.A.G.S. area were retarded, with a consequent depression in economic conditions and purchasing power. The final result was a fall of £192,319 in goods receipts to £4,996,960, while owing to reduced long-distance traffic passenger receipts fell by 4.74 per cent. to £2,755,053. The allocation of revenue is shown in the following table:—

	Years ended June 30th		
	1937	1938	1939
Operating receipts.....	10,992,266	10,879,900	10,515,187
Operating expenses	7,328,847	7,730,277	7,847,405
Total profit†	3,841,711	3,339,781	2,822,204
Exchange loss (net)	1,297,822	1,311,043	1,240,868
Renewals, etc.	282,336	227,750	...
Working agreements	546,949	580,674	574,360
Earned for deb. service	1,714,604	1,220,314	1,006,976
Deb. service paid	1,085,079	1,085,079	1,085,079
Prof. divs. paid	640,000	80,000	Nil
Carry forward	20,829	76,064	*47,961

* After transferring £50,000 from general reserve.
† Operating profit, plus dividends, etc., received.

Operating expenses rose by 1.52 per cent., as compared with a fall of 3.35 per cent. in operating receipts. This increase in costs is duly accounted for by higher maintenance expenses for rolling stock, which required £165,582 more. Running expenses fell, in keeping with reduced traffic, and as much as £62,715 was saved in fuel. Exchange differences were not quite so heavy a burden as in 1937-38, but despite some saving here and despite the absence of any provision from revenue for renewals (disbursements of £162,100 were charged to the fund), earnings for fixed charges fell by £213,338. Payment in full of the debenture service has required a transfer of £50,000 from general reserve and a draft of £28,103 on the carry-forward. For 1939-40 to date there is no indication of any reversal in the major trends of the past year.

Rhokana Corporation Report.—Three points stand out in the Rhokana Corporation report for the year to June 30th—the increase in production from 76,275 long tons of fine copper to 82,501 tons; the combination of increased costs with lower selling prices; and the swingeing

TWICE THE NEED FOR CARE!

On roads that are both

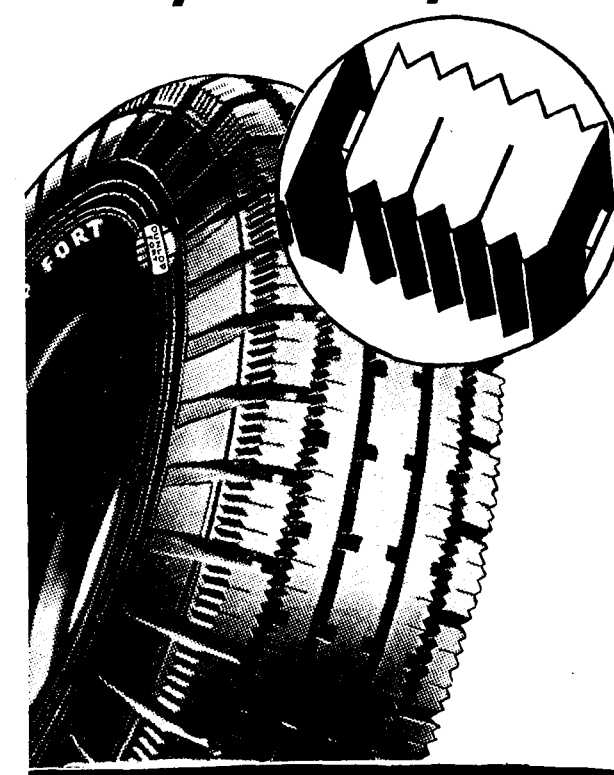
Dark AND Skiddy

the

"teeth-edge" grip of the

DUNLOP Fort TYRE

is doubly essential
to your safety



increase in taxation requirements. The first two factors were responsible for a slight reduction in operating profits from £2,158,486 to £2,136,041, although metal sales increased from £4,038,678 to £4,236,223. The gross dividend received from Mufulira Copper Mines was unchanged at £217,149, and after charging slightly increased sums for depreciation and development reserve, the balance available for appropriation is reduced from £2,166,692 to £2,116,398. Of this sum, however, taxation has absorbed the enormous amount of £750,000 (which would appear to cover every conceivable contingency), compared with £247,794 for 1937-38; no provision is made for general reserve account, which a year ago received £200,000; and the gross ordinary dividend is reduced from £1,562,501 to £1,250,001, and is itself short-earned by £23,603. The table below sets these adversities in relation to the expanding record of two previous years:—

	Years to June 30th		
	1937	1938	1939
Sales of metals	3,906,399	4,038,678	4,236,223
Operating profit	2,166,910	2,158,486	2,136,041
Div. from Mufulira	144,826	217,149	217,149
Directors' remuneration, etc.	54,025	54,025	54,072
Depreciation	78,084	85,396	91,827
Development	58,013	73,228	86,206
Taxation	94,258	247,794	750,000
Preference div.	82,500	82,500	90,000†
Ordinary shares:			
Earned	1,887,366	1,786,398	1,226,398
Paid	1,562,501	1,562,501	1,250,001
Earned (%)	79.8	74.8	49.0
Paid (%)	62.1	62.1	50
General reserve	300,000	200,000	...
Carried forward	231,507	255,404	231,801

† Including £7,500 redemption fund.

The report does not shed any appreciable light on the corporation's prospects in war. Production is de-restricted, so that it is possible that the corporation will be able to achieve an increase in copper production at least comparable with that of last year. Again, the controlled price is presumably not out of keeping with the objectives of the restricting companies themselves. One obscure feature is cobalt sales, which increased substantially last year to 2,247,562 lbs. compared with 1,662,771 lbs. for the previous year, and have made a substantial contribution to Rhokana's profits. Much of the output, however, has hitherto been disposed of to the Continent, and it seems unlikely that sales this year will reach such a high figure. In general, however, the Corporation's prospects are satisfactory. Subject to the claims of taxation, it seems reasonable to anticipate that profits during the current year should compare satisfactorily with those of the past year. The £1 shares stand at 10½, to yield £4 18s. 9d.

Mufulira and R.S.T.—During the year 1937-38 the Mufulira Copper Mine first showed its real paces. Under normal conditions, the results of the past year could be described as a further instalment of fructification. Output increased from 52,436 long tons of blister copper to 59,616 tons, and average costs were significantly reduced from £26.058 to £23.527 per ton. In combination, these two factors have offset the fall in the average price of copper from £46 17s. 10d. per ton to £43 0s. 6d. Mufulira's copper sales account, after adjustment for stocks, has increased from £2,458,747 to £2,565,039, while the operating surplus is up from £1,126,395 to £1,194,498, after operating expenses and railage (which was reduced, like coal charges, last year). It is worth noting, moreover, that the latest year's stock figure is more conservatively valued than usual, for some 9,000 tons of copper were taken at £25 per ton, compared with 8,000 tons in the previous year, while approximately identical quantities were taken at selling value in each year. But the major accounting fact, so far as Rhodesian Selection Trust shareholders (whose sole interest is in 64.07 per cent. of Mufulira's capital) are concerned, is the heavily increased burden

of taxation. Owing to the introduction of Excess Profits Tax and the increased standard rate, the tax provision has been increased from £270,000 to £459,000, and even the reduction in the general reserve provision from £150,000 to £125,000 still leaves the maintained Mufulira dividend uncovered to the extent of approximately £9,000. The following table presents the results of Mufulira and Rhodesian Selection Trust as a composite picture:—

	Years to June 30		
	1937	1938	1939
Mufulira Copper Mines			
Blister copper output (long tons)	37,230	52,436	59,616
Average cost per ton (£)	27.659	26.058	23.527
Average price per ton (£)	49.303	46.891	43.026
Copper sales	1,777,002	2,458,747	2,565,039
Surplus, after directors' remuneration, etc.	810,907	1,101,884	1,171,431
Debt interest	80,909	18,705	...
Replacements reserve	80,000	115,000	130,000
Taxation	75,000	270,000	459,000
Shares—			
Earned	516,415	698,179	582,371
Paid	336,248	487,360	466,353
General reserve	...	150,000	125,000
C. frwd. (after adjustments)	133,205	139,558	130,576
Rhodesian Selection Trust			
Dividends and interests received (gross)	294,454	431,891	432,905
Dividend paid	264,602	396,903	441,004
Dividend (%)	10	15	16½

That Rhodesian Selection Trust directors have decided to increase the dividend rate from 15 per cent. to 16½ per cent. argues a lively confidence on their part in the prospects of Mufulira under wartime conditions. Profits should, indeed, be satisfactory. But Mr Chester Beatty, in his statement to shareholders circulated with the accounts, emphasises the heavy burden of Excess Profits Tax which will fall on Mufulira, for the company's profits in the standard years were based on operations far below their present scale. Moreover, Rhodesian Selection Trust, since it does not hold 90 per cent. or more of Mufulira's capital, will also be liable to E.P.T. on its income from Mufulira—which represents virtually its entire revenue. So confident are the directors that this anomaly of double taxation will be altered that no provision for E.P.T. has been made in the Rhodesian Selection Trust accounts. It is an inequitable position, which clearly calls for revision. Rhodesian Selection Trust 5s. shares stand at 14s. 6d., to yield £6 3s. 2d. per cent.

The Week's Company Profits.—This week's analysis of profit and loss accounts on page 191 covers 42 companies, whose net profits of £2,650,000 compare with £3,148,000, showing a fall of 16 per cent. Aggregate net profits of 1,942 companies reporting in 1939 to date are £233,038,000, or 8 per cent. less than the total of £253,438,000 earned by the same companies a year earlier. The week's results are discussed in preceding Notes and on page 182 under the heading "Shorter Comments."

Company Meetings of the Week.—Reports of company meetings will be found from page 185 of this issue. Sir Louis Sterling informed shareholders of *Herrburger, Brooks* that liquid assets of the company almost equalled the issued capital, other liabilities amounting to only £13,502. At the meeting of *Beau Sejour Rubber*, Mr Oliver H. Meares estimated that the current year's harvest would exceed 600,000 lbs., at an all-in cost of not more than 6d. per lb. At the meeting of *Johore Rubber Lands*, Mr H. M. Graham disclosed that the company's standard production assessment had been increased in 1939 and that the estates were reported in good order. At the meeting of *Booker Brothers, McConnell*, at which the amalgamation with Corentyne Sugar Company was approved, Sir Alfred P. Sherlock declared that the merger would give the company an output equal to 5 per cent. of total United Kingdom sugar consumption.

THE STOCK EXCHANGES

London

Note: All dealings are for cash

UNTIL Thursday, when semi-short gilt-edged and industrials advanced, the market's appearance has been dull. There has been no general reversal of trend, but occasional small declines have been in contrast with the improvements of recent weeks. Movements, however, are rarely significant, and business remains on a small scale.

It was perhaps only to be expected that some profit-taking should check progress in the gilt-edged market. The week started with some realisation, which, though not heavy, more than offset buying support. Perpetual stocks lost up to about ½, and though the dated issues also were affected, the declines were more limited. Recovery ensued, however, in small stages, so that by mid-week net changes were small. Dated stocks have proved steadier on the whole than the undated issues. Home corporations were neglected, while Dominion stocks gained persistently. The latter were somewhat in contrast on Monday with the temporary setback in local stocks, and this contrast was also to be found in foreign bonds. There was some shortage of Far Eastern bonds, and both Japanese and Chinese loans rose appreciably except on Tuesday, when denials that negotiations had been opened caused some hesitancy. Argentine and other South American issues again improved. In the continued absence of news of compensation terms, interest in home rails sagged, and small losses were widespread, apart from a firmer tendency in mid-week, especially in debenture stocks. The upward trend in Argentine rails was not maintained throughout the week.

In the earlier part of the week dull conditions and slightly easier prices were the rule in the industrial market. By Wednesday, however, a steadier tone was apparent, and there was a little broadening of activity. Iron and steel shares were dull to begin with, except Thornycroft, though some recovery followed confirmation of the higher steel prices. Support for coal issues revived after a temporary relaxation of interest. Electrical equipment shares showed irregularity at first, and then became steadier. Motor stocks had no certain trend, though Standard responded to the good dividend, and aircraft issues remained firm but uninteresting. Textiles followed the general trend, and recovered after slight initial weakness. Rayon shares responded in mid-week to the higher yarn prices. After sharing in the general setback on Monday, breweries became firmer later on, and tobacco issues moved in accordance with the whole industrial market. Outstanding features were lacking in the stores and provision and catering sections. Gains were small and infrequent in the miscellaneous group, which had an easier trend early in the week. Shipping shares were an exception, and turned dull after a firm start.

The oil share market opened quietly on Monday with Royal Dutch on offer

New York

WITH no marked developments in Europe this week, Wall Street has found no basis on which to establish a definite trend. Prices have gradually eased and markets have been sluggish. Steel issues were offered on Tuesday and other leading war stocks slipped back in sympathy. Aircraft shares, despite good dividend announcements, failed to offer any resistance. The Dow Jones industrial average eased from 153.21 at the close on Monday to 151.60 on Wednesday. On the bond market, Government issues have been firmer this week, but speculative rails have not been tested. *Iron Age* estimates steel mill activity at 93.0 per cent. of capacity, an increase of 1 per cent. on the previous week.

New York Prices

	Close Latest	Oct. 26, 1939	Close Latest	Oct. 26, 1939
1. Rails and Transport				
Atchafalpa	32½	30½	Shell Union	15 14½
Balt. & Ohio	7¾	7½	Socony Vac.	13¾ 13¾
Ches. & Ohio	43½	42½	Stan. Oil Cal.	28¼ 27¾
G.N. Ry. P.	31½	29½	Stan. Oil N.J.	47½ 48½
Illinois Cent.	15½	15½	Texas	47¼ 47¼
N.Y. Central	22	20½	4. Manufacturing	
Northern Pac.	11½	11½	Briggs	26 24½
Pennsylv. R.	26	25½	Chrysler	92¼ 88½
Southern Pac.	17½	16½	Gen. Motors	55½ 53½
Southern Ry.	20½	20½	Boeing Airplan	29½ 29¼
Union Pac.	102½	100½	Douglas Air.	83¼ 84½
2. Utilities and Communications			United Aircraft	47 46½
Am. W. Works	13¾	12¾	Allied Chem.	182½ 178½
Con. Edison	31¾	31½	Dupont	182 179
Col. Gas & El.	7¼	7	Gen. Electric	41½ 40½
N. American	23½	22½	West'ise Elec	116 113¼
Pac. Gas & El.	30¾	30	American Can	108½ 108¼
Pub. Serv. N.J.	40½	40	Caterpillar	59¼ 56
United Corp.	2¾	2¾	Int. Harvester	63½ 61½
Un. Gas Imp.	14	14¼	Johns Manville	81 76
Am. Tel.	166½	167½	Corn Prods.	62½ 62
Inter. Tel. For.	5	5	I. Case & Co.	81 81
Westn. Union	33¼	31½	Glidden	19 18¼
Radio	6	5½	Celanese of A	28 28
3. Extractive and Metal			Eastm'n Kod	161 162
Am. Mol. Mill	20¾	20	Loews	37½ 36½
Beth. Steel	91½	89	20th Cen. Fox	15¾ 14¾
Republic St.	27½	26½	5. Retail Trade, etc.	
U.S. Steel	76¾	74½	Mont. Ward	56½ 54½
Am. Metal	27½	26½	Sears Roebck	84½ 84½
Am. Smelting	55½	53	Woolworth	41½ 41¼
Anaconda	33¾	32½	Nat. Dairy	16½ 16
Cerro de Pas.	40	38½	Am. Tob. B.	81½ 81
Int. Nickel	40½	40½	Nat. Distillers	24½ 24½
Kennecott	40½	39½	6. Finance	
U.S. Smelt.	64	62½	Comcl. Credit	47½ 46½
			Com. Inv. Tr.	53 52

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			Oct. 18, 1939	Oct. 25, 1939	Nov. 1, 1939
	Low	High	Apr. 12	Apr. 4	Apr. 1939	Apr. 1939
347 Ind's....	92.8	114.5	113.4	114.9	112.0	112.0
32 Rails....	23.3	32.5	33.0	33.5	32.1	32.1
40 Utilities	77.8	89.9	86.2	87.5	86.8	86.8
419 Stocks	79.3	95.6	95.9	97.2	94.9	94.9
Av. yield*	4.42%	3.31%	3.69%	3.63%	3.76%	3.76%
	High	Low				

* 50 Common Stocks. † Aug. 2nd. ‡ Aug. 23rd.

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

	Oct. 26	Oct. 27	Oct. 28	Oct. 30	Oct. 31	Nov. 1
	127.1	126.5	126.1	125.9	124.6	124.7
1939 High	130.3	January 4th				
April 8th						Low: 98.8

ACTUARIES' INVESTMENT INDEX

The Actuaries' Index of fixed-interest securities for October measures the sharp recovery in gilt-edged stocks and fixed-interest securities since the end of September. The index for Old Consols has jumped from 110.5 to 120.6 (December 31, 1928 = 100) though the latter figure is still 7.2 points below the level for October, 1938. It is hoped to publish a selection of the Actuaries' equity indices for October next week. The usual monthly particulars of fixed-interest securities are given below:—

Prices (Dec. 31, 1928 = 100)			
Group (and No. of Securities)	Oct. 25, 1938	Sept. 26, 1939	Oct. 31, 1939
2½% Consols (1)	127.8	110.5	120.6
Misc. ind. deb. (14)	119.7	98.6	103.1
Misc. ind. pref. (26)	112.4	93.9	98.9

Yields (%)			
Group	Oct. 25, 1938	Sept. 26, 1939	Oct. 31, 1939
2½% Consols	3.49	4.04	3.70
Misc. ind. deb.	3.98	4.83	4.61
Misc. ind. pref.	4.38	5.22	4.95

TOTAL DEALINGS IN NEW YORK

	Stock Exchange	
	Shares 000's	Bonds \$000's
1939		
October 26	1,680	9,290
" 27	1,060	6,290
" 28	480	3,300
" 30	640	5,700
" 31	1,010	7,170
November 1	790	6,580

* Two-Hour Session.

Canada

THE war continued to exercise an enlivening influence upon Canadian stock markets in October. With a revival of both investment and speculative activity, something like a boom has been in progress. Apart from stocks which will be unaffected by the war, prices have advanced over a wide range, aircraft and munitions stocks being outstanding favourites. The impression now prevails, however, that their profits will be drastically curtailed by taxation. Pulp and paper stocks have also forged further ahead and construction stocks were active early in the month since a great deal of construction work will be involved in the Empire's air training programme. Western grain issues have also improved, while liquor stocks have moved ahead in the belief that imports will be restricted. Later in the month higher quotations were recorded for textiles and the utilities. Base metal stocks have advanced steadily but gold stocks have changed little on balance. The "Investors' Index of the Bureau of Statistics which stood at 100.2 on September 29th, and was almost unchanged at 100.6 on October 4th, rose to 105.1 on October 15th. The bond market has been active and strong, the Bureau's index of long-term stocks having risen from the year's low of 108.5 for the week ending September 14th to 111.2 for the week ending October 12th.

	Oct. 1939	Nov. 1939		Oct. 1939	Nov. 1939
Bell Tel.	161	164	Int. Petrol ...	2412	2659
Can. Car.	1512	1778	Brazil Trac. ...	754	878
Do. pref.	2612	30	Brit. Col.		
Power Corp. ...	954	1118	Power "A"	23	26
Dome Mines ...	2612	29	Do. "B"	2	212
Hollinger	13	1414	Can. Cement ...	678	754
McIntyre	48	5634	Int. Nickel	4512	4878
B. of Monr'l. ...	189	210	Massey Harris ...	758	712
Bk. of Nova ...	290	311	Montreal Lt. ...	2934	30
R. Bk. of Can. ...	178	175	Quebec Pow. ...	16	1612
C. Bk. Com. ...	154	16212	Shawinigan ...		
Can. Pac.	754	612	Steel Co. of ...	2114	2418
Cock. Plow ...	10	912	Canada	8312	8612

Foreign Bourses

Paris		Oct. 1939		Oct. 1939	
		Oct. 1939	Oct. 1939	Oct. 1939	Oct. 1939
3% Rentes	67.10	70.85	Chargeurs	395	500
4% Rentes	69.20	74.25	Reunis ..	2010	2230
4% Rentes	69.20	74.25	Rio Tinto	63,100	65,350
Banque de	5,800	6,350	R. Dutch...	150	170
France de	1,190	1,322	Chartered	39	55
Credit	14,900	16,490	Ford	39	55
Lyonnais	31.00	35.75	Johnnies ...		310
Suez Canal					
Wag. Lits.					

(b) No quotation.

Berlin		Sept. 1939		Oct. 1939	
		Sept. 1939	Sept. 1939	Sept. 1939	Sept. 1939
Dresdner	104.50	104.0	Siemens	201.00	195.50
Bank	115.25	114.62	Veren.	93.00	91.38
A.E.G.	156.88	157.87	Stahlw.	37.75	48.62
Parben In.	123.00	126.25	Hapag ...		
Rh. Stahlw.					

Amsterdam

	Oct. 1939	Nov. 1939		Oct. 1939	Nov. 1939
21% Dutch	63	6512	A.K.U.	2878	301115
51% Ger.*	10	11	Ford Motor	330	319
Philips Lp.	13614	14014	Del. B. To.	108	121
Neth. Ship.	116	11512	Ryl. Dutch	283	27312
Lever Bros.			Hand. Am.	370	399
& Unilever..	9312	10012			

* With transfer certificate.

Capital Issues

CAPITAL ISSUE TOTALS

Week ending November 4, 1939	Nominal Capital	Conversions	New Money
To the Public	Nil	...	Nil
To Shareholders	Nil	...	Nil
By S.E. Introduction	60,000	...	63,750
By Permission to Deal	4,358,706	...	14,009,237
Savings Certs., week to Oct. 28, 1939 ...	150,000	...	150,000
Year to date	Including Conversions	Excluding Conversions	
1939 (New Basis) ...	122,256,661	99,750,719	
1938 (New Basis) ...	253,852,239	232,105,829	
1939 (Old Basis) ...	71,586,802	50,156,723	
1938 (Old Basis) ...	163,402,695	162,636,380	

Destination (Excluding Conversions)

Year to date	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1939 (New Basis) ...	72,119,053	25,365,934	2,245,732
1938 (New Basis) ...	177,886,251	51,369,401	2,850,177
1939 (Old Basis) ...	33,996,632	15,840,091	320,000
1938 (Old Basis) ...	137,188,327	22,627,981	2,820,072

Nature of New Borrowing (Excluding Conversions)

Year to date	Deb.	Pref.	Ord.
1939 (New Basis) ...	44,662,640	8,205,416	46,868,056
1938 (New Basis) ...	137,374,908	16,122,721	78,608,200
1939 (Old Basis) ...	37,308,921	2,688,459	10,983,163
1938 (Old Basis) ...	125,391,813	9,847,005	27,397,562

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.

FORTHCOMING ISSUE

Newcastle and Gateshead Water Company.—Tenders to be invited for £350,000 5 per cent. ten-year preference stock at minimum of par. Company will also place with Seymour Pierce and Company £150,000 4½ per cent. ten-year debenture stock at a net price of 99.

SHORTER COMMENTS

Company Results of the Week.—Profits of PERAK RIVER HYDRO-ELECTRIC POWER have been seriously affected by reduced tin output in 1938-39, the monthly load being reduced from 85 to 50 per cent. Current prospects are, however, much brighter owing to quota increases. Total profits of DAILY MAIL AND GENERAL TRUST, 62 per cent. of whose investments are in newspaper and newsprint businesses, have fallen from £354,832 to £191,353. LAMBERT BROTHERS have experienced a disappointing fall in trading profits from £123,193 to £55,737, but the 15 per cent. dividend is repeated after crediting a dividend of £15,200 paid out of the previous year's profits by a subsidiary, and £10,000 from contingencies reserve. The works of SAMUEL OSBORN AND COMPANY have been well employed, and a 15 per cent. dividend is again payable. The experience of shipbuilding companies continues to be satisfactory. Net profits of FAIRFIELD SHIPBUILDING AND ENGINEERING have risen from £171,570 to £264,659, and in addition to the 1938-39 preference dividend, five years' arrears are entirely cleared off. The full BIRMINGHAM SMALL ARMS report shows total profits of £848,538 against £630,424. Expansion of the undertaking is reflected in the consolidated balance sheet, which shows fixed assets at £6,013,900 gross against £5,551,688.

MISCELLANEOUS

Brown Bayley's Steel Works.—For year to July 31, 1939, net profit is £128,784 (£154,449). Ordinary dividend maintained at 15 per cent. tax free.

Fairfield Shipbuilding and Engineering.—Profit for year to June 30, 1939, after depreciation, £286,609 (£193,520, when £70,000 was charged for depreciation). Preference shareholders receive 6 per cent. for current year and 30 per cent. for 5 years 1932 to 1936. To contingencies, £50,000 (£100,000). To general reserve, £100,000 (£45,000). Carry forward, £44,897 (£20,238). Cash stands at £514,524 against £40,783.

London Midland and Scottish Railway.—This company states that no information can yet be made available regarding the financial proposals of the Government. Interest on the 5 per cent. redeemable debenture stock, 1952, will be paid on November 15th.

United States Steel Corporation.—Net income for third quarter 1939, \$10,420,000 (\$13,309,761 for June quarter and a net loss of \$5,847,791 for September quarter of 1938). After preferred dividend balance per common share is 47c. (Dr. 57c. and \$1.40.) For first nine months of 1939 net income totalled \$12,390,000 against \$12,150,000 or \$3.44 per preferred share.

Peruvian Corporation.—Gross receipts year to June 30, 1939, £804,092 (£948,631); net receipts, £93,943 (£144,587); debit balance for year, after fixed charges, etc., £266,665 against a debit of £201,699; deficit at net revenue carried forward increased from £1,243,390 to £1,510,055.

Central Argentine Railway.—For year to June 30, 1939, gross receipts are £9,421,112, against £9,315,262; working expenses, £7,174,398 (£7,401,431); operating profit, £2,246,715 (£1,913,831). Deduct exchange loss, £962,984 (£915,040); add other income, £32,757. Debenture interest, etc., absorbs £1,280,559. Surplus is £35,929, making carry forward £263,963 (£228,034). Of gross receipts, passengers, £2,302,103 (£2,483,553); goods, £5,607,457 (£5,233,916).

Selfridge and Company.—Mr H. Gordon Selfridge, Junior, has resigned from the boards of this company and of William Whiteley, Ltd. He retains his connection with the Gordon Selfridge Trust and Selfridge Provincial Stores.

Perak River Hydro-Electric.—Working revenue fell from £500,662 to £246,455 in year to July 31, 1939. Expenses of generation, £26,691 (£95,017); distribution, £38,916 (£50,516); management, £18,494 (£18,575). Net profits, £55,374 (£179,638). Ordinary dividend is 2½ against 6 per cent. Carry-forward, £4,889, against £19,921.

Birmingham Small Arms Company, Ltd.—Company's preliminary statement discussed in *The Economist*, October 21, 1939, page 100. The combined balance-sheet of the company and its subsidiaries shows that floating assets have risen from £4,101,524 to £4,763,174. Fixed assets, £2,774,212 (£2,465,817). Trading profit, £848,538 (£630,424). Ordinary dividend reduced from 10 to 6 per cent. Carry-forward, £280,154 (£212,624).

Daily Mail and General Trust, Ltd.—Dividends received in year to September 30, 1939, £191,353 (£354,832). Ordinary dividend reduced from 8½ to 3½ per cent., free of income tax. Investment reserve, £938,876 (£920,527).

Lambert Brothers.—Total income year to June 30, 1939, £81,746 (£133,640). To investment depreciation, £7,490 (£12,082). To tax and N.D.C., nil (£14,500). Net profit, £72,256 (£105,058). Dividend and bonus is maintained at 15 per cent. Carry-forward, £95,847 (£100,788).

(Continued on page 190)

Industry and Trade

Dearer Steel.—On November 1st steel prices were increased by about 10 per cent.; this more than cancels the reductions made at the beginning of the year. Price changes for representative materials are given below:—

CHANGES IN IRON AND STEEL PRICES

	Reduction on January 1st		Increase on November 1st	
	£	s. d.	£	s. d.
Pig iron	0	7 6	0	9 0
Billets	0	10 0	1	0 0
Joists, sections	0	12 6	1	0 0
Plates	0	17 6	1	0 0
Re-rolled products, tested	0	18 0½	1	4 0
Sheets	1	0 0	1	7 6

† 12s. for untested material.

The advance in prices has been prompted by the heavy rise in the cost of imported materials, due largely to higher freight rates. While shipowners are quick to refer to the disparity between the controlled rates and those obtained by neutrals, the controlled rates themselves, in whose determination the shipowners have an important voice, are far above pre-war rates. The fact is that the cost of imported ore, for example, has risen by about 75 per cent., largely because of the jump in freight rates. In all fairness, the iron and steel industry could scarcely be asked to shoulder the increase in the price of imported materials, especially as domestic conversion costs are also advancing. It has therefore been decided to raise a fund for compensating steel producers for the rise in the cost of imported materials; this fund is to be constituted by the addition to prices announced on November 1st. A policy of varying prices with changes in costs is, of course, open to criticism; but in this particular instance there is undoubtedly some justification for compensation. Since no compensation is being paid for the rise in domestic costs, the profits of the industry are likely to fall rather than to rise. If the industry had followed the example of many others which raised their prices to cover the general increase in costs with "something in hand" for a further advance, it would have invited strong criticism. It is to be hoped that the Controller of the industry will be able in future to withstand pressure for indiscriminate price advances.

Jump in Retail Trade.—The monthly retail trade returns prepared by the Bank of England and published in the *Board of Trade Journal* are among the few statistical series which have not been discontinued. The figures for September, the first month of the war, are particularly interesting in that they reflect the general reaction of the public and the effect of the re-distribution of the population as a result of evacuation. In comparing the figures of last September with those of the corresponding month last year, it must be remembered, however, that the crisis in September, 1938, gave rise to a fall in the demand for apparel and household and furnishing goods and to a sharp rise in sales of food in Central and West End London. The total value of average daily sales in September showed an increase of 13.9 per cent. over the figure for the corresponding month last year. Although average prices have shown an increase (the official index of the cost of living rose by 6.5 per cent. between October 1, 1938, and October 1, 1939), there can be no doubt that the outbreak of war has prompted consumers to lay in stocks. The increase in purchases of food and perishables, at 11.7 per cent., was below the average. Purchases of clothing showed a marked expansion and there was a heavy demand for blankets and blackout materials. Business in the furnishing, hardware and sports and travel departments was less satisfactory. It is noteworthy that, in spite of the sharp increase in food sales, the value of retailers' stocks at the end of September was no less than 20.9 per cent. higher than a year ago. Moreover, retail stocks of clothing have shown little reduction except in the case of boot and shoes. Analysed on a geographical basis, the return show a sharp decline (– 27.5 per cent.) in sales in Central and West End London. In Suburban London, however, they were as high as a year ago. All other districts on the other hand, show a substantial increase.

VALUE OF SALES AND STOCKS COMPARED WITH YEAR AGO (a) By Groups of Merchandise

	Average Daily Sales		Stocks (at cost)
	September	February-September	
	%	%	%
Non-Food Merchandise:—			
Piece-goods	+ 37.9	+ 0.1	– 3.2
Women's wear	+ 16.3	+ 4.3	– 1.2
Men's and boys' wear	+ 17.9	+ 4.9	+ 0.4
Boots and shoes	+ 36.7	+ 9.7	– 7.4
Furnishing departments	Nil	– 1.8	+ 0.1
Hardware	– 15.5	– 3.2	+ 1.3
Fancy departments	+ 11.5	+ 3.4	+ 3.1
Sports and travel	+ 0.6	– 2.9	– 2.5
Miscellaneous and unallocated	+ 17.3	+ 6.4	– 0.1
Total—Non-food merchandise	+ 16.4	+ 3.8	– 1.3
Food and Perishables	+ 11.7	+ 3.8	+ 20.9
Total—All Departments	+ 13.9	+ 3.8	+ 0.1

(b) By Geographical Divisions

District	Non-Food Merchandise	Food and Perishables	Total Sales	Stocks (at cost)
				End September
Scotland	+ 16.3	+ 8.7	+ 12.3	+ 2.2
North-East	+ 28.9	+ 13.2	+ 20.4	– 1.7
North-West	+ 28.1	+ 12.6	+ 20.0	– 1.7
Midlands and South Wales	+ 34.7	+ 17.1	+ 23.7	+ 0.7
South of England	+ 35.2	+ 18.2	+ 26.2	+ 3.6
London—Central and West End	– 28.4	– 21.7	– 27.5	– 2.0
London—Suburban	+ 0.3	+ 2.8	+ 1.9	+ 1.1

ing, hardware and sports and travel departments was less satisfactory. It is noteworthy that, in spite of the sharp increase in food sales, the value of retailers' stocks at the end of September was no less than 20.9 per cent. higher than a year ago. Moreover, retail stocks of clothing have shown little reduction except in the case of boot and shoes. Analysed on a geographical basis, the return show a sharp decline (– 27.5 per cent.) in sales in Central and West End London. In Suburban London, however, they were as high as a year ago. All other districts on the other hand, show a substantial increase.

Fall in Overseas Trade.—A fall in the volume of British overseas trade was to be expected in the first month of war. The unavoidable delay in the organisation

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of a comprehensive convoy system, the commandeering of vessels to transport the Expeditionary Force to France, the closing of the Mediterranean for three weeks, and the cutting off of all German and most Scandinavian trade, all contributed to this decline. Compared with September, 1938, the value of British imports fell by one-third and of British exports by 42 per cent., while the value of transit trade fell by 56 per cent. But it is impossible to tell how far these changes are due to changes in quantities and how far to movements in price; the trade returns for September publish only the summary tables of the total values of the major classes, and no quantities are given. The interruption of trade with the Baltic countries is reflected in the decline of £14.7

U.K. IMPORTS AND EXPORTS (£000)

	1937	1938	1939	Change between 1938 and 1939	Per cent.
<i>September</i>					
Total Imports.....	87,844	74,991	49,924	-25,067	-33.4
British Exports.....	44,261	39,809	23,087	-16,722	-42.0
Re-exports.....	5,206	4,038	2,371	-1,667	-41.3
Total Exports.....	49,469	43,847	25,458	-18,389	-41.6
Excess of Imports over Exports	38,375	31,144	24,466	-6,678	-21.5
Transshipments under Bond.....	3,248	2,913	1,274	-1,639	-56.3
<i>Nine Months ended September</i>					
Total Imports.....	742,566	691,014	655,686	-35,328	-5.1
British Exports.....	389,652	346,660	336,709	-9,951	-2.9
Re-exports.....	59,375	46,344	38,675	-7,669	-16.7
Total Exports.....	449,027	393,004	375,383	-17,621	-4.5
Excess of Imports over Exports	297,539	298,010	280,303	-17,707	-5.9
Transshipments under Bond.....	27,747	23,968	22,864	-1,004	-4.2

millions between September 1938 and 1939 in the value of imports of food and drink and of £1.4 millions in the value of imported wood. A considerable recovery in British foreign trade will probably be recorded in the October returns.

Cotton Reorganisation Postponed.—The long-debated schemes for the statutory reorganisation of the cotton industry have now been postponed for the duration of the war. The Cotton Industry (Reorganisation) (Postponement) Bill which was passed on Tuesday has this effect. In ordinary circumstances the provisions of the original Act concerning the elimination of redundant machinery and the establishment of minimum prices would automatically have come into force on November 4th. The reasons for postponement are plain. War demands have already begun to absorb excess capacity, and so far as price control is still required it should be aimed at imposing a maximum rather than a minimum. But the reasons against leaving the industry entirely to its own devices are even plainer. On the negative side, Lancashire must be safeguarded against a repetition of the utterly disastrous over-capitalisation which took place at the end of the last war. And on the positive side the cotton industry must be encouraged to make the most of the opportunity which the war offers to put production on the most efficient basis and to recover some of the lost export markets. Military demands which are at present keeping a considerable proportion of the industry busy cannot continue on their present expanding scale, and in any case they could never employ all Lancashire's capacity. Quite obviously exports must play an increasing part in the upward movement. No better field could be found for that expansion of export industry which is so badly needed. The fact that the cotton industry employs so much female labour is a safeguard against any undue drain on man-power which may yet be needed in the fighting forces. But these benefits will not be secured without conscious regulation, and it is welcome news that a Cotton Control to fix maximum prices, arrange priorities and collect returns for stocks is in contemplation. A case could easily be made out for empowering such a Control to fix minimum as well as maximum prices. The original Act should in any case come into operation as soon as the war is over, and any experience in the working of minimum price

regulations would be valuable. Even if such regulations were never used during the war no harm would be done.

More Wage Increases.—The upward trend in wage rates has continued in the past week. Dock workers have been granted an extra shilling a day, a concession which will benefit some 120,000 men; this rise follows a similar increase granted in 1937. A war bonus of 10 per cent. on existing time and piece rates has been granted to 30,000 workers in the women's garment trade in London; it is hoped that the rise will be extended to cover all workers in this trade throughout the country. A delegate conference of the Mineworkers' Federation has accepted by a majority vote an offer of the colliery owners of an addition to wage rates of 8d. a shift for men and of 4d. a shift for boys. This increase will apply nationally and is estimated to cost about £5½ millions a year. The Jute Trade Board, which was faced with an application for a 25 per cent. rise in wage rates, has granted an immediate increase of 7½ per cent., to be followed in January by a further increase of 5 per cent. An advance of 2s. per week for men and of 1s. 6d. per week for women workers in certain textile centres was announced last Saturday; this increase, which has been granted on account of the rise in the cost of living, covers about 10,000 workers, and will cost about £15,000 a year.

International Trade in Metals.—The cancellation this week of the existing export licences for tin has removed the last link between the non-ferrous metal trade in Great Britain and that in neutral countries. Before the war the greater part of the metal supplies of European countries was obtained through the London Metal Exchange, and practically all the world trading in these metals outside the United States was based on the London metal quotations. This trade is now at a standstill. Export of copper, lead and spelter was prohibited immediately before the outbreak of war, and the official prices enforced by the Ministry of Supply are completely out of touch with market conditions. The New York market cannot supply a substitute, since prices there are influenced more by conditions in the domestic trade than by the international flow of supplies and demand. As supplies from the Empire are more than sufficient to meet the British demand, provided the initial dislocation of shipments due to the outbreak of war can be overcome, the return to more normal conditions on the London Metal Exchange would be of great value both to the domestic trade and to neutral countries.

Tin Prices.—Since the outbreak of the war tin prices abroad have risen far above the controlled London price. The International Tin Committee has attempted to bring foreign prices down to the controlled figure by successive increases in the quota. But despite the relaxation of restriction (on November 1st the quota for the fourth quarter of this year was raised from 70 per cent. to 100 per cent. of the basic tonnages) tin still fetches a much higher price abroad than in England. For example, the current price in New York is £308 per ton against the controlled price of £230 per ton in London. As a result, supplies are naturally being diverted to foreign countries, and stocks in Britain are being rapidly depleted. In time the International Tin Committee may be able to bring prices abroad into line with the controlled price in this country. But a policy which may have been laudable in peace-time is not necessarily so in war. The British Empire is a net exporter of tin (the United States is the largest consumer); consequently there is no reason now why prices should not be allowed to advance in order to increase the supplies of foreign exchange.

COMPANY MEETINGS

BOOKER BROS. McCONNELL AND COMPANY, LIMITED

CORENTYNE MERGER APPROVED

An extraordinary general meeting of Booker Brothers McConnell and Company, Limited, was held, on the 30th ultimo, at 14 Trinity Square, London, to consider resolutions increasing the capital and approving an agreement for amalgamation with the Corentyne Sugar Company, Limited.

Sir Alfred P. Sherlock (the Chairman) said that this was not a new idea, but was to some extent the result of the friendly relations which had existed between the two companies for many years and the logical outcome of present-day conditions in British Guiana, where they were faced with increased taxation and labour difficulties. The amalgamation would strengthen their management and another great gain would be the substantial economies which would result; it was just as easy to sell 120,000 tons of sugar as 90,000, and they also eliminated possible competition.

They proposed to exchange for every 12 shares of \$1 each of the Corentyne Company two 6 per cent. cumulative preference shares of £1 each and one fully paid ordinary share of £1. If the amalgamation scheme was approved, the board had agreed to purchase the goodwill of Curtis Campbell and Company's business in London for 20,000 6 per cent. cumulative preference shares or a payment in cash of £25,000, and had also arranged to take over the business of a subsidiary, Campbell Brothers, Carter and Company, Limited, at a price to be decided three years hence by their respective accountants, but not to exceed £2 for every £1 share. The nominal capital of that company was £25,000. It did a merchant business, and had been showing satisfactory profits for the past three years.

The assets which they were taking over were more than twice the amount of the proposed new issue, while the estimated profits amounted to rather more than three times the interest required to meet the dividend on those shares. The proposed scheme would put the company into the position of being one of the leading sugar companies; in fact, they would represent not less than 5 per cent. of the total consumption of sugar in the United Kingdom.

The resolutions were carried unanimously and the proposed increase of capital was approved at a separate meeting of the preference shareholders.

HERRBURGER, BROOKS, LIMITED

SATISFACTORY TRADING RESULTS

The nineteenth annual general meeting of Herrburger, Brooks, Limited, was held, on the 31st ultimo, at Winchester House, E.C., Sir Louis Sterling (the chairman) presiding.

The Chairman said: In my speech to you last year I stated that our trade, as with many others, was showing hesitancy in progress and that unfortunately that hesitancy still continued to be apparent. The international situation was then critical, and the most unfortunate aspect from our point of view was that the crisis occurred at a most important time, namely, the commencement of the winter trade season, and as a consequence our trade never had a chance of real recovery. Under these difficult circumstances, therefore, you may consider, as we do, that the results of the year's trading may reasonably be considered satisfactory.

The gross profit shows a considerable reduction, but this is offset to a large extent by reductions in expenditure.

The financial position of the company is one of great strength. Liquid assets alone almost equal the issued capital of the company, while liabilities amount to £13,502 only, a large portion of which provides for income tax liabilities accrued and accruing.

The immediate future is uncertain, and with a less favourable financial position your directors might have been forced to recommend to you the conservation of the company's resources, but they considered it only right to pass on to shareholders by way of dividend the profits made during the year, realising that income with a large number of people is at the moment difficult to maintain. A final dividend of 3 per cent., making 5 per cent. for the year, is recommended, and the carry-forward on profit and loss account is increased by £406 to £26,676.

There is undoubtedly a difficult time ahead. Your directors are fully alive to the position and will do all they can to safeguard your interests and resources. The high standard of our products is being maintained, and during the past year we have increased the range of our world famous "Schwander" products, a new action having been designed to fill the needs of the smaller type of upright piano to which modern tendency seems to lean.

The report and accounts were unanimously adopted.

BEAU SEJOUR RUBBER COMPANY, LIMITED

BRIGHT PROSPECTS

Mr Clive H. Meares, chairman, presiding at the annual meeting of the Beau Sejour Rubber Company, Limited, held in London on the 30th ultimo, said:—

It is a great pleasure to present you with accounts showing a profit of £4,596, only £175 less than last year on a crop 178,503 lbs. less than the crop of the previous year. This sum, with the profit carried forward from last year's accounts, gives us £8,954 to deal with. We propose to again pay a dividend of 4.16 per cent. (1d. per unit), leaving £4,803 to be carried forward.

Our cost of production rose by ½d. a lb., but our rubber fetched 1.08d. per lb. more. Buildings, bungalows, coolie lines and machinery figure at only £237, but their replacement value cannot be less than £6,000, which adds to the real value of our assets.

Regarding the current year, we are following a policy of complete safety. We expect to harvest a crop of over 600,000 lbs., or about 200,000 lbs. more than in the past year. This larger crop should decrease estate costs, but freights, insurance, packing material, etc., will cost more. I hope our all-in costs will not exceed 6d. a lb.

GOOD FORWARD SALES

We have already sold forward, October to June 30th, 151 tons of our crepe at a splendid price equivalent to 11d. a lb. London landed terms. We now have only about 60 tons of first grade and 33 tons of off grades (which are fetching within 1d. a lb. of first grade) left to dispose of. Including the July and August crops now sold, these forward sales will show us about £9,000 profit, while the 90 odd tons unsold should net us at the very least £3,000 profit, or not less than £12,000 for the year—our best prospects for many years.

These facts should result in an appreciation of our shares, which in September were quoted as low as 7½d., and even now are only priced at about 1s. 3d.—a figure obviously below their true value.

Our liberal maturing policy of the past two years has resulted in an increase in our standard production of 100,000 to 800,000 lbs. Our replantings and new plantations now amount to 90 acres and will be further increased shortly. All are planted with budded rubber of the most modern clones. Several of these are very scarce and rare clones, practically unknown in Ceylon but are very highly prized in Java. We hope before long to establish a connection for budwood sales from these valuable clones. The revenue per acre from the sale of budwood from scarce and wanted clones is, I believe, very substantial and a very valuable asset to the lucky estates specialising in them. I feel assured you can now look forward to a highly prosperous year and substantially increased dividends.

The report and accounts were unanimously adopted.

JOHORE RUBBER LANDS, LIMITED

IMPROVED OUTLOOK

The thirteenth ordinary general meeting of Johore Rubber Lands, Limited, was held, on the 31st ultimo, at Salisbury House, London.

Mr H. M. Graham, the Chairman, said that during the year they had harvested a crop of 400,900 lbs. of rubber. Of that quantity, 277,453 lbs. were sold in London at a price equivalent to approximately 8d. per lb. landed London. Sales in the East amounted to 42,379 lbs., and the balance, 81,068 lbs. in stock on the estate as at March 31st last, had been taken into the accounts at cost. Compared with the previous year, their sales in London represented a reduction of no less than 155,841 lbs., which, on the basis of the selling price realised, represented a loss of revenue equivalent to approximately 25,000. Their f.o.b. cost of 4.278d. per lb. compared favourably with last year's figure and must be considered very satisfactory, especially in view of the smaller crop harvested.

After providing for depreciation and all other charges, the net profit for the year amounted to £1,708. It was recommended that a dividend of 2 per cent., less tax, be paid for the year and the amount carried forward would be £7,969. In recommending the payment of the dividend they had had to encroach on their carry-forward to a slight extent, but, owing to the better prices now ruling, it was felt that they were justified in doing so.

The visiting agent stated in a report received shortly before the close of the financial year that the estate was in very good order throughout and efficiently and economically managed.

As regarded the future, the conditions which had reduced the profits during 1938-39 no longer existed. Export quotas for the current year should average 66 per cent., or approximately one-third greater than in the period under review. In addition, their

standard production assessment in 1939 had been increased and current year's exports, therefore, might well be 40 per cent. to 50 per cent. above those of the past year. In addition, the market price of the commodity had increased by approximately 2½d. per lb. He would be disappointed, therefore, if they could not present accounts a year hence which showed a decided improvement.

The report was unanimously adopted.

INDUSTRIAL REPORTS

Coal

Most collieries are increasing their output, but the larger supplies are well taken up. There is some improvement in the export market in many districts and an increased demand from public utility undertakings.

Sheffield.—Industrial, locomotive and public utility demand is good, but household supplies are in excess of the rationed quantities. Coke business is very brisk. Substantial tonnages are being exported, but the bunker trade is quiet.

Glasgow.—The inland market absorbs the major part of production. Industrial consumption is heavy and household buying has increased with the colder weather. Export of bunker supplies have been fully taken up.

Cardiff.—The volume of traffic at the docks is above the year's average weekly figures and inland deliveries are regular and adequate. An improved supply of neutral shipping is expected to lead to larger exports during the next few months.

Newcastle-on-Tyne.—Foreign inquiry continues below expectation, particularly from Scandinavia, and there are reports of German competition. Home trade is steady and increasing in Northumberland, though some Durham collieries are working short time.

Iron and Steel

The new schedule of steel prices was issued on Wednesday by the Ministry of Supply on the basis of an increase of £1 per ton for billets and corresponding rises for other materials. No time limit was fixed for the new prices. Production continues at a high level in all districts, with most of the output going to Government orders.

Sheffield.—Consumers are less interested in price changes than the placing of business, though it may soon be easier to satisfy commercial demand. Better orders have been booked by iron-makers and heavier supplies of basic pig are wanted. Export orders are increasing, particularly for mining and crushing machinery.

Glasgow.—Pig iron makers are extremely busy and despite the high level of steel output manufacturers have many unexecuted orders. Business is still being placed, although long periods are needed for delivery.

Middlesbrough.—Foundry pig iron consumers continue to draw supplies from other districts and not from abroad in spite of the withdrawal of the import duty. The steelworks are unable to keep pace with Government and shipbuilding requirements.

Cardiff.—Tinplate production has increased to 72.1 per cent. of capacity and exports are well maintained. The increased steel prices have led to revised tinplate prices, which are now quoted at 21s. 6d. per box f.o.t. works.

News from Abroad.—Deliveries against pre-war contracts have increased with improved transport facilities. An agreement for the exchange of French iron ores against Belgian coal has improved the latter's raw material position, but Belgium will not be able to meet the demands made upon her for steel. This is likely to lead to further price increases.

Textiles

Cotton (Manchester).—Business has been on a smaller scale and buyers are likely to be cautious until there is more information about the control of prices. Raw cotton developments have been featureless, but the United States "cash and carry" policy, if adopted, may be a bullish factor in Liverpool. The Government purchase of 1,750,000 cantars of Egyptian cotton has been welcomed. Cloth business is increasingly concentrated on Government contracts.

THE COMMODITY MARKETS

Metals

It was announced this week that an agreement had been concluded for the supply over a year of 210,000 (short) tons of Canadian electrolytic copper to this country. In New York, prices of lead, copper and spelter have remained unchanged, and buying was quieter than of late. On Wednesday, the International Tin Committee again raised the export quota for the current quarter, from 70 to 100 per cent. of the basic tonnages. At this level, permissible ex-

ports would reach about 52,000 tons, but as minehead stocks have been largely sold and supplies will have to be covered by new production, it is doubtful if this tonnage will be reached. All export licences for tin have been suspended by the Ministry of Supply, in order to conserve the home supplies; it is hoped that the increase in the international export allowances will assure consumers of adequate supplies and will lead to a reduction in the American tin price, which is still at 55 cents per lb. According to Messrs A. Strauss and Company, Ltd., the world's visible supplies of tin rose from 29,967 tons at the end of September to 37,175 tons at the end of October. New supplies in October, at 19,100 tons, are 8,968 tons up on the month and world consumption rose by 1,212 tons to 9,923 tons.

Grains

Drought persists in the south-west of the United States wheat belt, and germination there is very poor. International markets have been steady and there is no sign of a further rise in prices. The slow export of Canadian grain has led to some congestion at the ports; shipments from Vancouver have been negligible since the war, owing to the long voyage to Europe. A similar state of congestion exists in Argentina, where the surplus of the 1938-39 crop is still largely unsold, and the new harvest not far off. The British Ministry of Food raised last week the maximum price for home-grown wheat to 31s. 6d. per quarter. It is also proposed that, for purposes of calculating the wheat deficiency payments on the new crop, the accounting unit will be not the whole season but the periods between the changes in maximum prices; by this means, farmers who sold their wheat at the earlier price of 24s. per quarter will obtain a correspondingly larger payment from the wheat quota.

Miscellaneous Commodities

Oils and Oilseeds.—Allocations of seeds and nuts to the crushing mills and refiners are on a fair scale and production continues steadily; prices to trade consumers will be published later. Negotiations are in progress for future shipments, mainly from India, Egypt and West Africa at prices which have not been disclosed.

Rubber.—The market in London has remained steady, with an upward tendency in prices. In New York prices were on Wednesday a little higher than a week ago, but demand has been less erratic and the market steadier.

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week ended October 28, 1939, total ordinary revenue was £17,758,000, against ordinary expenditure of £16,102,000, and issues of £17,500,000 under the Defence Loans Acts. Thus, including sinking fund allocations but excluding issues from defence loans, the deficit accrued since April 1st last is £240,074,000, against £187,690,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Estimate, 1939-40	April 1, 1938	April 1, 1939	Week ended Oct. 28, 1938	Week ended Oct. 28, 1939
ORDINARY REVENUE					
Income Tax	390,000	76,510	65,991	4,716	5,972
Sur-tax	70,000	9,340	10,030	210	480
Estate, etc.					
Duties	75,500	42,890	45,310	1,390	1,570
Stamps	17,000	11,530	10,080	1,300	450
N.D.C.	25,000	8,940	14,310	440	630
Other Incl. Revenue					
Duties	1,250	670	420	20	20
Total I. Rev.	578,750	149,880	146,141	8,076	9,122
Customs	239,600	131,600	156,028	4,716	6,785
Excise	132,850	66,935	73,856	1,235	1,346
Total Cust. and Excise	372,450	198,535	229,884	5,951	8,131
Motor Duties	22,000	9,789	8,511	623	...
P.O. (Net Receipts)	400	7,590	4,204	100	200
P.O. Fund.	1,600	860	870	230	220
Crown Lands Rec. from Sun. Loans	5,000	4,056	3,529	...	39
Misc. Rec.	13,650	7,247	9,742	438	46
Total Ord. Rev.	995,180	377,957	402,881	15,418	17,758
SELF-BAL. P.O. and B'dcasting	83,449	42,310	44,846	2,500	1,950
Total	1,078,629	420,267	447,727	17,918	19,708

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	Estimate, 1939-40	April 1, 1938	April 1, 1939	Week ended Oct. 28, 1938	Week ended Oct. 28, 1939
ORDINARY EXPEND.					
Int. & Man. of Nt. Dt.	230,000	132,017	137,682	379	566
Pays. to Nt. Ireland	10,000	4,342	4,259	372	298
Other Cons. Fund Ser.	7,200	1,663	3,684	9	...
Total	247,200	138,022	145,625	760	864
Sup. Serv. (a)	118,371	421,923	491,377	19,371	15,238
Ditto, plus loans*	168,614	421,923	632,127	19,371	32,738
Total Ord. Expend.	143,091	559,945	637,002	20,131	16,102
Issues from Def. Lns. SELF-BAL. P.O. and B'dcasting	502,430	...	140,750	...	17,500
Total	83,449	42,310	44,846	2,500	1,950
Total	151,436	602,255	681,848	22,631	18,052

* Supply Services, after addition of issues under Defence Loans Acts: (a) excluding expenditure being met from loans; including £500 millions Vote of Credit; allows for supplementary estimates and other changes since April, 1939, and for estimated saving in war Budget; (b) after allowing for changes in war Budget of September 27, 1939.

After reducing Exchequer balances by £264,471 to £2,469,223, the other operations for the week (as shown in the next column) raised the gross National Debt by £16,128,000 to about £8,549 millions, excluding "other capital liabilities," and

not allowing for issues to sinking funds since April 1, 1939.

DEBT INCREASES (£ thousands)		DEBT REPAYMENT	
Treasury bills	17,012	Pub. Dept. Adv.	1,100
Nat. Sav. Certs.	150		
War Ln. Acts	66		
	17,228		1,100
OTHER ISSUES (Net)			
P.O. and Teleg. (Money) Acts	400		
N. Atlantic Shipping	40		
Anglo-Turkish Arms Credit	13		
Overseas Trade Guarantees	75		
Bullion Advances	20		
	548		

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1939, to October 28, 1939, are shown below:—

Issues (£ thousands)		Receipts (£ thousands)	
Ordinary Exp.	637,002	Ord. Rev.	402,881
Issues under Def. Loan Acts	140,750	Dec. in blces.	30
Misc. Issues (net)	5,874	Gross borr.	386,668
	783,626	Net borrowing	380,715
			783,626

FLOATING DEBT (£ millions)

Date	Ten-der	Tap	Public Depts.	Bank of Eng-land	Total Float-ing Debt	Float-ing Assets
1938						
Oct. 29	522.0	386.1	44.0	...	952.1	430.1
1939						
July 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
" 9	495.0	633.3	47.9	...	1180.9	681.2
" 16	500.0	652.1	50.5	...	1202.6	702.6
" 23	505.0	663.7	47.5	...	1216.2	701.2
" 30	510.0	676.8	49.1	...	1235.9	725.9
Oct. 7	518.0	703.1	47.3	...	1268.4	750.4
" 14	531.0	699.8	52.6	...	1283.4	752.4
" 21	546.0	699.9	49.0	...	1294.9	748.9
" 28	561.0	701.8	47.9	...	1310.7	749.7

TREASURY BILLS (£ millions)

Date of Tender	Amount			Average Rate %	Per Cent. Allotted at Minimum Rate
	Offered	Applied for	Allotted		
1938					
Oct. 28	35.0	72.5	35.0	s. 10 d. 9.78	48
1939					
July 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	53.4	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
" 15	55.0	89.2	55.0	71 1.12	47
" 22	55.0	86.5	55.0	66 1.25	100
" 29	55.0	96.3	55.0	48 9.83	45
Oct. 6	50.0	97.0	50.0	42 6.63	52
" 13	50.0	103.0	50.0	40 8.28	24
" 20	50.0	98.2	50.0	34 3.39	59
" 27	55.0	99.9	55.0	23 8.83	31

On October 27th applications at £99 13s. 10d. per cent. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted at about 31 per cent. of the amount applied for and applications at higher prices in full. Applications at £99 13s. 11d. for bills to be paid for on Saturday were allotted in full. £55.0 millions of Treasury bills are being offered on November 3rd.

NATIONAL SAVINGS CERTIFICATES

Sales in	Number	Purchase Price
Forty-one weeks to:—		
Oct. 15, 1938	25,446,489	19,084,866
Oct. 14, 1939	21,999,334	17,249,466
Week to:—		
Oct. 15, 1938	613,691	460,268
Oct. 7, 1939	440,880	330,660
Oct. 14, 1939	524,166	393,125

BANK OF ENGLAND RETURNS

NOVEMBER 1st, 1939

ISSUE DEPARTMENT

Notes Issued: £		Govt. Debt: £	
In circula.	527,965,691	Other Govt.	11,015,100
In Bnkg. De- partment	52,219,339	Securities	565,598,594
		Other Sects.	2,931,178
		Silver Coin	455,128
		Amt. of Fid. Issue	580,000,000
		Gold Coin & Bullion (at 168s. per oz. fine)	185,030
	580,185,030		580,185,030

BANKING DEPARTMENT

Props. Capital £		Govt. Sects. £	
Rest	14,553,000	Other Sects.	105,336,164
Public Depts.*	3,204,460	Duties, etc.	5,633,403
	10,540,260	Securities	22,033,245
Other Depts.:			
Bankers	114,802,301	Notes	27,666,648
Other Acs.	42,992,092	Gold & Silver Coin	52,219,339
	157,794,393		869,962
	186,092,113		186,092,113

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

THE WEEK'S CHANGES (£ thousands)

Both Departments	Amt. Nov. 1, 1939	Compared with	
		Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	527,966	+ 828	+ 44,015
Deposits: Public	10,540	- 2,039	- 3,593
Bankers	114,802	+ 1,959	+ 5,321
Others	42,992	+ 3,750	+ 6,556
Total outside liabilities	696,300	+ 586	+ 52,298
Capital and rest	17,758	+ 20	+ 58
COMBINED ASSETS			
Govt. debt and securities	681,950	- 799	+ 379,686
Discounts and advances	5,633	- 994	4,816
Other securities	24,964	+ 333	+ 3,758
Silver coin in issue dept.	455	+ 96	+ 395
Gold coin and bullion	1,055	- 18	- 326,667
RESERVES			
Res. of notes & coin in banking department	53,089	+ 846	+ 9,318
Proportion of reserve to outside liabilities—			
Bank dept. ("proportion")	31.5%	- 0.4%	+ 4.2%

COMPARATIVE ANALYSIS* (£ millions)

	1938		1939		
	Nov. 2	Oct. 11	Oct. 18	Oct. 25	Nov. 1
Issue Dept.:					
Notes in circ.	484.0	535.0	530.3	527.1	528.0
Notes in bank- ing dept.	42.5	45.1	49.8	53.0	52.2
Govt. debt and securities	199.9	576.8	576.8	576.7	576.6

OVERSEAS BANK RETURNS

NOTE: The latest return of the Bank of Turkey appeared in *The Economist* of September 9th; Denmark, International Settlements and Portugal, of October 14th; Argentina, Egypt and Lithuania, of October 21st; Australia, Estonia, Japan, New Zealand, Norway, Roumania and Federal Reserve Reporting Members, of October 28th.

U.S. FEDERAL RESERVE BANKS

Million \$'s	Nov. 3, 1938	Oct. 26, 1938	Oct. 19, 1938	Nov. 2, 1938
12 U.S.F.R. BANKS				
Gold cert. on hand and due from Treas.	11,288	14,696	14,804	14,839
Total reserves	11,664	15,030	15,157	15,188
Total cash reserves	868	325	340	340
Total bills discounted	1	1	Nil	Nil
Bills in open mkt.	1	1	Nil	Nil
Total bills on hand	9	7	6	6
Industrial advances	15	12	12	12
Total U.S. Govt. sec.	2,564	2,785	2,736	2,721
Total bills and sec.	2,589	2,804	2,753	2,739
Total liabilities	14,989	18,633	18,708	18,777
LIABILITIES				
F.R. notes in circ.	4,320	4,732	4,744	4,781
Aggregate of excess m. bank res. over reqs.	3,220	5,360	5,530	54
Deposits — Member bank reserve account	8,686	11,672	11,950	11,814
Govt. deposits	576	469	326	349
Total deposits	9,262	12,141	12,276	12,163
Cap. paid in and surplus	309	312	312	312
Total liabilities	14,989	18,633	18,708	18,777
Reserve to depts. and F.R. notes	83.3%	85.2%	85.6%	85.6%
U.S.F.R. BANKS AND TREASURY COMBINED				
Monetary gold stock	14,071	16,958	17,039	17,099
Treasury and Nat. Bk. currency	2,752	2,920	2,929	2,932
LIABILITIES				
Money in circulation	6,706	7,309	7,302	7,352
Treasury cash and deposits with F.R. Bks.	3,327	2,719	2,556	2,599

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

Nov. 3, 1938	Oct. 26, 1938	Oct. 19, 1938	Nov. 2, 1938
Total gold reserves	4920.6	7093.3	7215.7
Total bills discounted	2.6	2.6	1.8
Bills in open mkt.	0.2	0.2	Nil
Total U.S. Govt. sec.	815.4	884.7	866.2
Total bills and sec.	815.4	889.5	870.0
Deposits — Member bank reserve account	4341.3	6283.6	6404.9
Govt. deposits	576.0	469.0	326.0
Reserve to depts. and F.R. notes	87.0%	89.6%	90.0%

BANK OF FRANCE.—Million francs

Oct. 27, 1938	Sept. 28, 1938	Oct. 20, 1938	Oct. 13, 1938
Assets			
Gold	55,808	97,266	97,266
Bills: Commercial	17,502	21,077	15,303
Bought abroad	725	189	39
Advances on securities	3,865	3,611	3,604
Loans to State without interest: (a) general	3,200	10,000	10,000
(b) provisional	48,134	20,577	20,473
Provisional adv.	2,200		
Negotiable bonds	5,570	5,466	5,466
Sinking Fund Dept.	4,239	6,484	8,004
Other assets			
LIABILITIES			
Notes in circulation	110,446	144,562	144,239
Deposits: Public	3,612	2,141	2,167
Private	23,643	17,729	15,077
Other liabilities	2,911	3,219	2,989
Gold to sight liabilities	40.5%	59.0%	59.8%

* Not yet available.

REICHSBANK

Million Reichsmarks	Oct. 20, 1938	Sept. 21, 1938	Oct. 13, 1938	Oct. 6, 1938
Assets				
Gold and foreign currencies	6986.4	10,105.0	9754.0	9566.5
Bills and cheques	159.0	156.0	179.9	
Advances	19.8	23.5	20.9	24.8
Secs. for note cover	1075.8	1603.8	1497.1	1227.5
Other assets				
LIABILITIES				
Notes in circulation	7201.6	10,095.0	10,065.4	10,095.4
Daily maturing liab.	901.1	1601.7	1394.4	1445.4
Other liabilities	374.9	555.2	569.0	562.1
Cover of note circulation	1.06%	0.70%	0.72%	0.73%

* Figures not comparable.

NATIONAL BANK OF BELGIUM

Million belgas	Oct. 20, 1938	Sept. 21, 1938	Oct. 13, 1938	Oct. 6, 1938
Assets				
Gold	3,293	3,615	3,636	3,600
Silver and other coins	47	42	42	45
Foreign exchange, etc.	1,053	933	877	870
Bills and securities	807	920	1,014	1,002
Advances	54	194	153	151
LIABILITIES				
Notes in circulation	4,571	5,414	5,121	5,387
Deposits: Govt.	229	5	3	2
Other	369	211	207	187

NATIONAL BANK OF BULGARIA

Million levass	Oct. 15, 1938	Sept. 15, 1938	Oct. 7, 1938	Oct. 1, 1938
Assets				
Gold holdings	2,003	2,006	2,006	2,006
Balances abroad and foreign currencies	734	971	805	845
Discounts and advances	1,170	2,225	2,446	2,395
Advances to Treasury	3,468	3,417	3,417	3,417
LIABILITIES				
Notes in circulation	3,148	4,368	4,593	4,572
Sight liab. and deposits	3,226	3,068	3,172	3,168
Ratio, gold to sight liab. and notes	11.8%	27.3%	26.1%	26.2%

BANK OF CANADA.—Million Can. \$

Oct. 26, 1938	Sept. 27, 1938	Oct. 19, 1938	Oct. 12, 1938
Assets			
Reserve, of which	236	27	18
Gold coin and bullion	252	270	277
Securities	181.7	209.8	237.1
LIABILITIES			
Note circulation	178.6	207.8	230.3
Deposits: Dom. Govt.	30.9	38.8	47.5
Chartered banks	222.8	216.4	213.6
Reserves to notes and deposit liabilities	51.2%	57.1%	54.5%

BANK OF FINLAND

Million F. marks	Oct. 15, 1938	Sept. 15, 1938	Oct. 7, 1938	Oct. 1, 1938
Assets				
Gold reserve	620.5	1181.9	1180.8	1180.4
Foreign correspondents	2094.0	2032.2	1833.4	1800.2
Foreign bills, etc.	102.9	65.8	53.3	52.5
Int. bills and home loans	1466.7	1171.8	1287.6	1784.7
Finnish & foreign bonds	389.2	632.4	629.2	634.2
LIABILITIES				
Notes in circulation	2100.4	2457.5	2552.2	2308.2
Sight deposits: Govt.	198.5	254.4	86.9	
Other	1119.3	680.5	624.2	448.2
Cover to sight liab.	76.1%	87.6%	84.5%	73.9%

BANK OF GREECE.—Million drachmae

Oct. 15, 1938	Sept. 15, 1938	Oct. 7, 1938	Oct. 1, 1938
Assets			
Gold and for. exchange	3,583	3,437	3,563
State sec. in for. curr.	521	128	123
Bills discounted	742	837	831
Advances	7,753	12,589	12,634
State debt	3,788	4,083	4,084
LIABILITIES			
Notes in circulation	7,327	10,635	10,347
Dep. and current accs.	8,721	10,093	10,373
Foreign exch. liabilities	205	300	382

NATIONAL BANK OF HUNGARY

Million pengö	Oct. 23, 1938	Sept. 23, 1938	Oct. 15, 1938	Oct. 8, 1938
Assets				
Metal reserve	84.1	124.1	124.1	124.1
Gold coin and bullion	110.4	100.1	89.5	85.7
Int. bills, wts., & sec.	452.8	584.4	613.6	602.7
Advances to Treasury:				
Long term	193.0	246.7	247.4	247.4
Czech-Kr. exch.		95.4	95.4	95.4
LIABILITIES				
Notes in circulation	728.3	1012.7	996.9	959.4
Current accounts, and sight liab.	167.3	190.2	213.9	229.4
Cash certificates	66.0	99.0	93.5	93.5

† Includes pengö 30 millions short-term.

RESERVE BANK OF INDIA

Million rupees	Oct. 28, 1938	Sept. 29, 1938	Oct. 20, 1938	Oct. 13, 1938
Assets				
Gold coin and bullion	444	444	444	444
Rupee coin	709	752	724	726
Balances abroad	29	136	122	142
Sterling securities	622	645	745	745
Indian Govt. rupee securities	324	374	373	373
Investments	56	63	64	66
LIABILITIES				
Notes in circ.: India	1,707	1,928	2,017	2,003
Burma	65	101	102	100
Deposits: Govt.	139	142	119	131
Banks	185	154	187	197
Gold and sterling liabilities	50.8%	49.2%	51.9%	52.0%

BANK OF JAVA.—Million florins

Oct. 22, 1938	Sept. 23, 1938	Oct. 14, 1938	Oct. 7, 1938
Assets			
Gold and silver	137.62	147.36	145.78
Discounts, advances & other investments	76.32	79.69	79.68
Foreign bills	2.65	11.07	11.17
Other assets	68.81	53.27	56.84
LIABILITIES			
Notes in circulation	189.86	197.60	203.09
Deposits and bills	82.13	81.04	77.22

BANQUE MELLÉ IRAN

Million rials	Sept. 6, 1938	Aug. 7, 1938	Sept. 21, 1938	Sept. 7, 1938
Assets				
Gold	312.7	310.7	310.7	310.7
Silver	405.7	406.8	406.8	406.8
Discounts	261.9	362.2	362.2	395.0
Public departments	707.7	784.2	789.3	785.6
Other debit accounts	721.3	980.0	993.9	1002.0
LIABILITIES				
Notes in circulation	777.7	931.9	935.9	968.5
Public departments	533.7	604.8	596.8	566.2
Other credit accounts	1102.2	1311.8	1286.5	1338.1
N.B.—Market value is: † 491.6 million rials. ‡ 111.0 million rials. (Based on London price and exchange.)				

NATIONAL BANK OF JUGOSLAVIA

Million dinar	Oct. 22, 1938	Sept. 15, 1938	Oct. 7, 1938	Oct. 1, 1938
Assets				
Gold	1938	1939	1939	1939
Other foreign exchange	1,893	1,987	1,987	1,987
Discounts and advances	468	510	627	631
Government advances	2,243	2,230	2,258	2,790
LIABILITIES				
Notes in circulation	6,905	8,754	9,076	9,010
Sight liabilities	2,161	1,450	1,494	1,578
† Including Treasury credits, under Decrees of August 24 and September 16, 1939.				

BANK OF LATVIA

Million lats	Oct. 17, 1938	Sept. 9, 1938	Oct. 1, 1938	Oct. 1, 1938
Assets				
Gold coin and bullion	82.59	97.87	97.87	97.87
Silver coin	12.50	9.06	6.59	6.25
Foreign currency	42.44	36.68	29.91	27.92
Treas. notes and change	8.12	6.69	6.59	7.64
Short-term bills	52.30	62.09	61.33	61.99
Loans against securities	93.10	109.41	122.30	130.63
LIABILITIES				
Notes in circulation	82.03	116.50	115.37	118.83
Deposits & current accs.	144.62	124.08	127.81	128.66
Government accounts	54.33	65.13	60.92	62.03

NETHERLANDS BANK

Million florins	Oct. 24, 1938	Sept. 16, 1938	Oct. 7, 1938	Oct. 1, 1938
Assets				
Gold	1481.0	1104.4	1112.2	1112.2
Silver	18.6	7.4	10.0	11.2
Home bills, etc.	16.7	9.0	34.7	33.9
Foreign bills	4.1	1.6	1.6	1.6
Loans and advances in current account	298.3	233.7	225.9	218.0
LIABILITIES				
Notes in circulation	1014.2	1142.1	1111.0	1097.3
Deposits: Govt.	151.6	175.0	175.0	175.0
Other	673.6	336.4	315.5	326.8

SOUTH AFRICAN RESERVE BANK

Million £'s	Oct. 21, 1938	Sept. 13, 1938	Oct. 5, 1938	Oct. 1, 1938
Assets				
Gold coin and bullion	26.56	28.66	28.93	29.31
Bills discounted	7.27	7.11	7.14	7.14
Advances to Govt.	1.50			
Inves. & other assets	14.68	17.76	19.29	19.20
LIABILITIES				
Notes in circulation	16.04	18.18	18.80	18.29
Deposits: Government	2.40	3.57	3.15	4.35
Banks	24.31	25.08	26.32	25.10
Others	3.82	3.65	3.85	4.66
Cash reserves to liabilities to public	56.6%	57.0%	55.9%	56.1%

BANK OF SWEDEN.—Million kronor

SWEDEN.—Million kronor			
	Oct. 22, 1938	Sept. 23, 1938	Oct. 14, 1938
ASSETS			
Gold reserve	875.5	634.1	634.6
Govt. sec.: Swedish	82.0	187.1	198.1
Foreign	31.7	43.6	43.5
Gold abroad not res.	130.7	152.3	152.2
Bilcs. with for. banks.	388.4	415.3	351.5
Bills payable in Sweden	13.3	1.0	13.3
Bills payable abroad	402.0	16.7	9.9
Advances	27.4	74.8	84.7
LIABILITIES			
Notes in circulation	948.8	1148.2	1179.9
Deposits: Government	265.1	340.0	325.4
Banks and others	111.1	111.1	111.1

EXCHANGE RATES (Monthly Tables)

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 September 30, 1939.
Colombia.*	Sight selling rate on New York was 175 pesos per 100 U.S. dollars on October 3, 1939. This rate applies to holders of permits buying in the "open" market.
Ecuador.	Sight selling rate on New York was 15.08 sucres per U.S. dollar on September 30, 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 August 18, 1939.
Paraguay.	Exchange is quoted on Buenos Aires; the sight selling rate was 72.50 Paraguayan pesos per Argentine "free" paper peso on September 22, 1939.
El Salvador.	Sight selling rate on New York was 2.50½ colones per U.S. dollar on September 30, 1939.
Venezuela.	Sight selling rate on New York has been maintained at 3.19 bolívares per U.S. dollar since April 27, 1937.

* Exchange controls are operative in these countries.

OVERSEAS BANK RATES

Changed From To	Changed From To
Amsterdam..... Aug. 28, '39	Madrid..... July 15, '35
Athens..... Jan. 4, '37	Montreal..... Ma. 11, '35
Batavia..... Jan. 14, '37	Oslo..... Sept. 22, '39
Belgrade..... Feb. 1, '35	Paris..... Jan. 3, '39
Berlin..... Sept. 22, '32	Pretoria..... May 15, '33
Brussels..... May 5, '39	Tallinn..... Oct. 1, '35
Bucharest..... Aug. 24, '35	Riga..... Jan. 1, '39
Budapest..... Oct. 9, '39	Rio de Janeiro..... May 31, '35
Calcutta..... Nov. 28, '35	Rome..... May 18, '36
Copenhagen..... Oct. 9, '39	Sofia..... Aug. 15, '35
Helsingfors..... Dec. 3, '34	Stockholm..... Dec. 1, '33
Kovno..... May 14, '39	Zurich..... Nov. 25, '36
Lisbon..... May 11, '36	Tokyo..... Mar. 11, '38
New York Fed. Reserve..... Aug. 26, '37	Wellington..... Nov. 22, '38
	Irish..... Sep. 28, '39

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.

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 (a)	Total	Pay-able	Prev. Year	Company	*Int. or Final (a)	Total	Pay-able	Prev. Year
BANKS					Glenfield & Kennedy				
Bank of N.S. Wales.....	6½-pst	17	Dec. 24	17	Goodyear Tyre, etc.,	5½	20	Oct. 31	22½
Royal of Scotland.....	8½	16	Nov. 15	6½	Gr. Universal Stores	5½	20	Oct. 31	22½
INSURANCE					Higson's Brewery.....	5½	8	Nov. 1	6
Legal and General.....	20*	Jan. 1	15*	6½	Kenward and Court	5½	8	Nov. 1	6
Thames and Mersey.....	6½*	Nov. 15	6½	3½	Lake View Investment	(c) 2½	9½	Dec. 1	2½
RAILWAYS					London City Estates.....	2½	2½	Dec. 1	2½
Metrop. Assented.....	2½	3½	Nov. 4	3½	Makin (J. and J.).....	5*	5*	Nov. 1	5*
TEA & RUBBER					Manley and Regulus	5*	5*	Nov. 1	5*
Craighead Tea.....	3*	Nov. 10	3*	3*	Mansfield Brewery.....	8*	8*	Nov. 25	2½
Nuwara Elyia Tea.....	(h) 3*	Nov. 14	4*	4*	Marconi Int. Marine	(v) 2½	2½	Nov. 15	2½
Tanjong Malim Rub.	2½	Nov. 22	3½	3½	Meters Ltd.....	2½	2½	Nov. 28	2½
MINING					Mitchells and Butlers	1½	21	Nov. 27	10
Broken Hill South.....	10*	Dec. 15	10*	10*	Nat. Fertilizers.....	10	10	Nov. 27	10
Jantar Nigeria Co.....	10	Dec. 4	37½	17½	Odeon Theatres.....	7½	12½	Nov. 15	15
Nth. Kalgurli (1912)	50*(b)	5	17½	17½	Rayne (H. and M.).....	7½	12½	Nov. 15	15
Renong Tin.....	5	Nov. 15	17½	17½	Sanitas Trust.....	5	5	Nov. 15	15
INDUSTRIALS					Scottish Nat. Trust.....	5	5	Nov. 15	15
Aberdeen Trust.....	10*	Dec. 6	5	5	Sec. Scottish Nat. Trst.	12½	12½	Nov. 15	15
Aircrow Co.....	10*	Dec. 6	5	5	Smethwick Forgings	7½	12½	Nov. 15	15
Anglo-Iranian Oil.....	2½	Nov. 16	17	17	Spencer (Walter).....	7½	12½	Nov. 15	15
Asstd. Prov. Picture.....	2½	Nov. 16	17	17	Standard Motor.....	22½	22½	Nov. 15	15
Backus and Johnston's	3*	Nov. 20	2½	2½	Stroud Brewery.....	10½	17½	Nov. 15	15
Bolands.....	12*	Nov. 2	12*	12*	Tizer, Ltd.....	5*	30	Nov. 10	7½
Brampton Brewery.....	12*	Nov. 2	12*	12*	Watson (Joshua).....	3*	30	Nov. 10	7½
British Alkaloids.....	15*	Nov. 2	12*	12*	Westland Aircraft.....	3*	30	Nov. 10	7½
British Elec. Traction	15*	Nov. 2	12*	12*	Williams.....	3*	30	Nov. 10	7½
Brown Bayley's Steel	10½	Nov. 15	3*	3*	Yorkshire Amal. Colls.	2½	2½	Nov. 15	15
Calcutta Tramways.....	2½	Nov. 15	3*	3*	UNIT TRUSTS				
Clydesdale Investmt.....	3½	Dec. 12	15	15	Investors Gas, etc.....	4-143	Nov. 1	3-5565†	
Delhi Electric.....	4*	Dec. 12	15	15	Keystone Certs.....	4-38785	Oct. 31	5-70728†	
Field (J. C. and J.).....	5*	Nov. 15	7½	7½	National Fixed "A".....	7-2088	Nov. 15	7-0268†	
First Re-invest. Trust	3½†	Nov. 15	7½	7½					

SHORTER COMMENTS

(Continued from page 182)

Standard Motor Company, Ltd.—Preliminary statement shows profits for year to August 31, 1939, £322,492. Gross profits for 1937-38, £288,137, and net profits, £130,366. Ordinary dividend 25 per cent. against 22½ per cent. for previous year.

Westland Aircraft, Ltd.—This company is paying a dividend of 6 per cent. tax free on a capital of £400,000, for year

to June 30, 1939, compared with 8 per cent. less tax on £250,000 for previous year. Net profit, £52,012 (£24,530).

General Motors Corporation.—Net profit for third quarter, 1939, \$8,627,000 (\$5,368,000). After preferred dividend, balance equals 15c. per \$10 common share, against 7c. For first nine months net income totalled \$109,620,000 (\$33,387,000), or \$2.39 per share, against 73c. Net sales in third quarter \$187,193,000 (\$171,808,000). Unit sales were 195,364 cars and lorries, against 181,796.

Celanese Corporation of America.—Consolidated statement for year to September 30, 1939, shows net earnings \$4,876,134 (\$1,857,336) for quarter to September 30, 1939. Net earnings, \$1,234,034 (\$1,325,099). Nine months' net earnings to September 30, 1939, \$4,261,808 (\$1,865,000). Cash dividend of 50c. has been declared on common stock, plus a stock dividend of 2½ shares for 100 held. This is first common dividend since 1937, when \$2.25 was paid.

(Continued on page 195)

Investment

TRANSPORT RECEIPTS

British Railways and London Transport Board.
Publication of Weekly Traffic Returns is now Suspended.

IRISH RAILWAY TRAFFICS

	Gross Receipts, week ended October 27, 1939 (£'000)			Aggregate Gross Receipts, 43 weeks (£'000)		
	Belfast and Co. Down	Great Northern	Great Southern	Belfast and Co. Down	Great Northern	Great Southern
938	2.1	20.8	77.7	129.1	886.3	3,362
939	2.6	23.0	90.2	134.4	952.7	3,489

CANADIAN

(For heading, see Overseas Traffic, in next column)

	1939	1938	1937	1936
Canadian National	42	Oct. 21	5,192,453	562,155
Canadian Pacific	42	Oct. 21	3,583,000	63,000
			117,091,000	5,401,000

OVERSEAS WEEKLY TRAFFIC RECEIPTS

Name	Weeks Ending	Gross Receipts for Week		Aggregate Gross Receipts	
		1939	+ or -	1939	+ or -
Bengal & N. Western	1	Rs. 7,99,752	-	Rs. 7,99,752	-
Bengal-Nagpur	27	Rs. 29,92,000	+8,19,232	Rs. 5,39,54,512	+61,91,849
Bombay, Bar. & C.	28	Rs. 30,41,000	+1,08,000	Rs. 6,24,23,000	+5,13,000
Madras & S. Mahratta	23	Rs. 18,97,000	+1,15,850	Rs. 3,49,62,619	+17,09,225
S. Indian	27	Rs. 13,82,227	-1,78,520	Rs. 2,94,63,441	-4,517

† 10 days.

SOUTH & CENTRAL AMERICAN

		1939				
Antofagasta	43	Oct. 29	£18,520	+ 300	579,420	- 69,980
B.A. and Pacific	17	28	£1,123,000	- 49,000	20,741,000	- 590,000
B.A. Gt. Southern	16	21	£2,131,000	- 51,000	30,728,000	- 1,963,000
B.A. Western	16	21	£682,000	- 55,000	11,113,000	- 864,000
Central Argentine	17	28	£1,694,600	+ 34,350	33,101,950	+ 4,110,550
Central Uruguay	16	21	£149,592	+ 293	2,504,979	+ 153,742
			£16,621	- 780	269,978	- 4,059
Leopoldina	42	21	£1,919,000	- 291,000	75,265,000	- 1,537,000
Nitrate	40	15	£7,646	+ 851	93,744	- 22,062
United of Havana	17	28	£16,695	+ 3,189	306,386	+ 17,711

† 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 Debenture Interest	Amount Available for Distribution	Appropriation			Corresponding Period Last Year	
					Prefce. Amount	Ordinary Amount	Rate	Carried to Reserve, Depreciation, etc.	Balance Forward
Breweries and Distilleries									
Brown (Matthew) and Co.	Sept. 30	38,104	112,894	150,998	56,000	24,144	9	9,750	61,104
Higson's Brewery	Sept. 30	16,274	73,702	89,976	27,500	36,000	8	26,476	64,871
Kemp Town (Brighton)	Sept. 30	16,112	91,625	107,737	30,000	49,500	12	12,000	16,237
Mitchells and Butlers	Sept. 30	645,239	601,494	1,246,733	39,000	25,903	7(b)	100,000	659,988
Rochdale and Manor	Sept. 30	12,109	3,675	15,784	2,184	1,706	2½	...	11,894
Financial, Land, etc.									
Balkis, Ltd.	Aug. 31	2,003	5,261	7,264	...	4,563	5	2,701	5,743
C.N.A. Investments	Sept. 30	8,265	82,092	90,357	25,000	62,075	12½	1,450	1,832
Daily Mail and Gen. Trust... ..	Sept. 30	111,673	143,325	254,998	60,000	83,136	3½†	...	111,862
Real & Deb. Cpn. of Setlnd.	Aug. 31	66,716	65,314	132,030	20,000	30,233	11	...	81,797
Rio Negro (Argentina) Land	June 30	9,040	1,615	7,425	...	...	...	...	7,425
Tecka (Argentina) Land	June 30	19,358	11,233	30,591	...	12,000	6	...	18,591
Waihi Investments	Sept. 30	2,448	4,255	6,703	...	4,835	3	...	1,868
Iron, Coal and Steel									
Fairfield Shipbuilding, etc.	June 30	20,238	264,659	284,897	90,000	...	...	150,000	44,897
Lambert Brothers	June 30	100,788	97,236	198,024	10,312	84,375	15	7,490	95,847
Osborn (Samuel), and Co....	July 31	68,193	75,797	143,990	7,183	29,179	15	15,000	92,628
Rubber and Tea									
Bantam (Java)	June 30	15,195	10,307	25,502	...	6,000	4	7,500	12,002
Banteng (Selangor)	Apr. 30	4,612	1,941	6,553	...	...	...	1,280	5,273
Batu Matang	June 30	2,145	1,255	3,400	...	...	...	656	2,744
Bukit Lintang	June 30	10,544	1,353	11,897	...	1,040	4	...	10,857
Glen	June 30	1,293	908	2,201	...	350	2½	500	1,351
Mini Mini (Nyasaland)	June 30	1,624	4,502	6,126	...	3,562	12	1,000	1,564
New Hayoep	June 30	1,638	307	1,945	...	...	...	...	1,945
South Malay	June 30	1,643	109	1,752	...	...	...	...	1,752
Tambora	June 30	4,242	2,292	6,534	...	...	...	2,000	4,534
Trusts									
Aberdeen Trust	Sept. 30	10,548	15,955	26,503	6,261	5,565	6	...	14,677
Cedar Investment	Sept. 30	23,707	28,455	52,162	7,931	14,859	5	5,000	24,372
Colonial and Gen. Invest.	Sept. 30	9,348	7,223	16,571	5,569	...	...	...	11,002
First Re-investment	Oct. 15	1,638	15,446	17,084	...	12,824	7½	...	4,260
Phoenix Investment	Sept. 30	14,062	16,393	30,455	9,969	3,250	2	...	17,236
Second Edinburgh Investmt.	Sept. 30	102,450	50,109	152,559	19,913	20,550	10	...	112,096
Sec. Trust of Scotland	Sept. 30	29,632	23,090	52,722	11,554	11,144	7	...	30,024
Other Companies									
Birmingham Small Arms	July 31	212,624	(d) 228,807	441,431	20,275	109,792	6	31,210	280,154
Bucknall (Henry)	May 31	2,681	4,525	7,206	...	...	...	4,068	3,138
Burco, Ltd.	Sept. 30	10,207	25,648	35,855	...	12,534	17½	11,815	11,506
Bursledon Brick	June 30	5,211	5,899	11,110	1,232	2,386	6	2,700	4,792

LONDON ACTIVE SECURITY PRICES AND YIELDS

NOTE: Yields on British Funds, Dominion and Colonial Government, Home Corporation, and Public Board Stocks are based on latest dealing prices allowing for accrued interest. Stocks still at minimum prices are indicated thus \$.

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

Prices Year 1938				Prices Year 1939 Jan. 1 to Nov. 1, inclusive				Prices Year 1939 Jan. 1 to Nov. 1, inclusive				Prices Year 1939 Jan. 1 to Nov. 1, inclusive				Prices Year 1939 Jan. 1 to Nov. 1, inclusive			
High-est	Low-est	High-est	Low-est	High-est	Low-est	High-est	Low-est	High-est	Low-est	High-est	Low-est	High-est	Low-est	High-est	Low-est	High-est	Low-est		
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BRITISH WHOLESALE PRICES

CEREALS AND MEAT				TOBACCO (per lb.)			
Oct. 24, 1939				Oct. 24, 1939			
Oct. 31, 1939				Oct. 31, 1939			
Wheat—				Virginia, stemmed and un-			
No. 1. N. Man. 496 lb. f.o.b.				stemmed, common to fine			
Vanc. Eng. Gaz. av., per cwt.				Rhodesian, stemmed and un-			
Rosale, 450 lb. f.o.b.				stemmed			
Flour, per 250 lb.				Nyassaland, stemmed and un-			
Straits, d/d London				stemmed			
Manitoba, ex store				East Indian			
Barley, Eng. Gaz., av. per cwt.				Stemmed			
Oats, " "				Unstemmed			
Maize, La Plata, 480 lb.							
Rice, No. 2 Burma, per cwt.							
MEAT—							
Beef, per 8 lb.							
English long sides							
Argentine chilled hinds							
Mutton, per 8 lb.							
English wethers							
N.Z. frozen wethers							
Lamb, per 8 lb.							
N.Z. frozen							
Pork, English, per 8 lb.							
BACON (per cwt.)							
English							
Danish							
Dutch							
Irish							
HAMS (per cwt.)							
Canadian							
United States							
OTHER FOODS							
BUTTER (per cwt.)							
Australian							
New Zealand							
Danish							
CHEESE (per cwt.)							
Canadian (new)							
New Zealand							
English Cheddars							
Dutch							
COCONA (per cwt.)							
Accra, g.t.							
Trinidad							
Grenada							
COFFEE (per cwt.)							
Santos sup. c. & f.							
Costa Rica, medium to good							
Kenya, medium							
EGGS (per 120)							
English (15 lb. and over)							
Danish (15 lb. and over)							
FRUIT—							
Oranges, Brazilian (Peras) boxes							
" S. African (Val. Latrs.) bxs							
Lemons, Malaga							
Apples, Virginian							
Grapes, Jamaican (M.S.)							
Pears (Californian) B. Hardy							
LARD (per cwt.)							
Irish, finest bladders							
U.S.							
PEPPER (per lb.)							
Black Lampong (in Bond)							
White Muntok (f.a.q.) (in Bond)							
POIATOS (per cwt.)							
English, King Edward, Siltland							
Wibsch, King Edward (per ton)							
SUGAR (per cwt.)							
Centrifugal, 96, prpt. shipm.							
Refined London							
Granulated, 2 cwt. bags							
Cubes, 1 cwt. cases							
Pieces, 2 cwt. bags							
Soft Brown, 1 lb. cartons							
West India Crystallised							

(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 ruling at time of delivery and all contracts and quotations subject to war clause.

(c) Higher Pool prices in some zones.

RAW COTTON delivered to Spinners

Variety ('000 bales)	Week ended		From Aug. 1 to—	
	Oct. 13, 1939	Oct. 20, 1939	Oct. 21, 1939	Oct. 20, 1939
American	22.7	24.3	230	228
Brazilian	7.5	4.4	45	101
Peruvian, etc.	3.9	5.2	22	51
Egyptian	4.4	6.3	57	64
Sudan Sakei	5.2	5.1	42	49
East Indian	2.1	3.1	97	64
Other countries	2.3	2.1	29	39
Total	48.1	50.5	522	596

WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week ended		From Aug. 1 to	
	Oct. 21, 1939	Oct. 28, 1939	Oct. 21, 1939	Oct. 28, 1939
N. America	314	255	8,014	5,807
Argentina and Uruguay	337	496	1,700	5,136
Australia	...	...	2,834	612
Russia	...	...	3,669	114
Danube and Dist.	139	162	1,642	1,574
Other countries	...	...	442	268
Total	790	913	18,301	13,511

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From ('000 quarters)	Week ended		From Apr. 1 to	
	Oct. 21, 1939	Oct. 28, 1939	Oct. 21, 1939	Oct. 28, 1939
Argentina	114	252	8,715	10,940
Atlantic America	51	39	11,158	799
Danube Region	4	9	2,286	1,104
S. & Africa	...	...	863	2,350
Indo-China, etc.	42	25	1,200	998
Total	241	325	24,222	16,188

Special Statistics

OVERSEAS TRADE RETURNS

IMPORTS (Value C.I.F.)				
	Month ended September 30		Nine months ended September 30	
	1938	1939	1938	1939
I.—Food, Drink and Tobacco—				
A. Grain and Flour	£ 6,031,031	£ 2,255,215	£ 59,023,977	£ 42,438,807
B. Feeding-stuffs for Animals	1,034,103	455,919	8,598,251	7,317,843
C. Animals, Living, for Food	936,447	1,063,460	6,026,600	6,935,807
D. Meat	7,493,614	6,004,318	68,835,189	68,249,274
E. Dairy Produce	6,719,024	4,932,034	60,893,422	56,647,100
F. Fresh Fruit and Vegetables	2,868,890	1,605,804	29,721,076	27,779,053
G. Beverages and Cocoa Pre- parations	4,831,237	1,409,762	33,166,414	27,352,341
H. Other Food	4,824,637	3,583,994	38,590,187	41,630,109
I. Tobacco	2,940,207	1,707,450	14,242,602	10,830,967
Total, Class I	37,679,190	23,017,956	319,097,718	289,181,301
II.—Raw Materials and Articles Mainly Unmanufactured—				
A. Coal	988	1,961	10,160	12,745
B. Other Non-Metalliferous Mining and Quarry Products and the like—	364,692	299,176	3,576,442	3,907,772
C. Iron Ore and Scrap	462,987	648,348	9,643,124	7,172,318
D. Non-Ferrous Metalliferous Ores and Scrap	1,009,254	1,206,428	12,426,774	12,400,340
E. Wood and Timber	4,397,626	2,972,852	30,714,170	30,063,928
F. Raw Cotton and Cotton Waste	1,814,501	2,423,761	22,622,963	18,961,605
G. Wool, Raw and Waste, and Woollen Rags	1,740,178	1,248,675	33,500,978	36,208,558
H. Silk, Raw, Knubs and Noils	137,749	212,079	1,594,640	1,472,848
I. Other Textile Materials	744,724	411,982	8,376,478	9,430,869
J. Seeds and Nuts for Oil, Oils, Fats, Resins and Gums	2,538,420	1,624,486	24,692,821	23,303,874
K. Hides and Skins, Un- dressed	1,375,765	524,970	13,973,660	12,527,306
L. Paper-making Materials...	1,108,859	578,679	11,914,839	10,337,095
M. Rubber	841,181	599,816	9,624,287	6,108,037
N. Miscellaneous Raw Ma- terials and Articles mainly Unmanufactured	1,455,220	757,901	7,731,172	7,131,716
Total, Class II	17,992,144	13,511,114	190,402,508	179,039,011
III.—Articles Wholly or Mainly Manufactured—				
A. Coke and Manufactured Fuel	779	225	5,831	4,887
B. Pottery, Glass, Abrasives, etc.	605,714	210,403	5,508,588	4,611,964
C. Iron and Steel and Manu- factures thereof	780,682	1,163,969	12,164,417	12,415,178
D. Non-Ferrous Metals and Manufactures thereof...	3,368,232	2,535,610	30,643,996	29,172,554
E. Cutlery, Hardware, Imple- ments and Instruments	544,477	255,504	5,196,528	4,795,566
F. Electrical Goods and Apparatus	259,239	124,888	2,264,154	2,066,108
G. Machinery	1,634,956	1,418,660	16,553,422	18,726,034
H. Manufactures of Wood and Timber	500,573	239,996	4,755,201	4,252,439
I. Cotton Yarns and Manu- factures	253,928	115,391	2,319,673	2,031,233
J. Woollen and Worsted Yarns and Manufactures	368,561	131,442	2,830,737	3,039,401
K. Silk Yarns and Manu- factures	481,745	75,516	3,718,298	3,309,170
L. Manufactures of other Textile Materials	397,081	346,939	3,421,796	5,407,217
M. Apparel	683,930	171,854	6,386,298	5,323,620
N. Footwear	2,171,806	1,567,379	2,207,310	2,512,740
O. Chemicals, Drugs, Dyes and Colours	1,170,142	858,433	9,244,282	12,011,331
P. Oils, Fats and Resins, Manufactured	5,597,711	2,364,634	34,007,806	34,165,086
Q. Leather and Manufactures thereof	582,351	323,499	4,793,826	5,761,964
R. Paper, Cardboard, etc.	1,137,187	802,560	10,778,018	11,400,021
S. Vehicles (including Loco- motives, Ships and Air- craft)	278,933	173,157	3,331,120	3,340,648
T. Rubber Manufactures	54,676	137,634	595,458	797,567
U. Miscellaneous Articles wholly or mainly Manu- factured	1,724,336	1,388,006	15,769,559	16,747,971
Total, Class III	18,697,039	12,994,699	176,496,318	181,892,699
IV.—Animals not for Food...				
	376,401	211,108	2,541,570	2,429,549
V.—Parcel Post				
	246,703	189,390	2,475,597	3,143,097
Total	74,991,477	49,924,267	691,013,711	655,685,657

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The Progress of the War

THE statements that the Prime Minister has been
 making to the House of Commons are in future to
 be made at fortnightly rather than at weekly intervals.
 This is, indeed, an appropriate change, for in this kind of
 static warfare Mr Chamberlain has sometimes been hard
 put to it to find material for his report on "the progress
 of the war" and the weekly speeches have been little more
 than a recital of departmental activities. But the present
 is, nevertheless, an appropriate time to review the
 state of the war and to attempt to estimate whether it is
 being won or lost. And, since the fuller information avail-
 able to the Government is matched by the much greater
 reticence that they must necessarily observe in assessing
 results, the citizen must make up his own mind without
 official assistance.

Outside our own borders the war seems to be pur-
 suing an eminently satisfactory course. The defeat of
 Poland in a very unequal struggle was, in any case, to be
 expected, and only its rapidity came as a surprise. On the
 Western front the Allied armies, French and British, have
 been able to take up their positions without interference.
 They have all the advantage they would have had in the
 last war if the German advance had been halted in the
 Saar instead of on the Marne. A German attempt to turn
 the Allies' left flank by trampling on the neutrality of the
 Low Countries is by no means to be excluded, and would
 pose a number of strategic problems. But this time the
 Allied armies are in position, ready to cope with any such
 danger. The Germans would not again overrun Belgium
 without meeting the resistance of an equally strong army.
 In the air the isolated combats that have taken place seem
 to have demonstrated the excellence and even the
 superiority of the Allied machines. At sea, as Mr Churchill
 demonstrated to Parliament on Wednesday, there is a list
 of successes that outweigh the incontestable losses that

have occurred. On the fourth front of active service over-
 seas, that of diplomacy, the balance of advantage simi-
 larly rests with the Allies.

All these, however, are merely the results of the pre-
 liminary fencing. The real war has yet to begin. The
 reason why the Allies have not taken the offensive is obvious
 to all but the impatient minority. We are still, in some
 respects, less plentifully equipped, and time is on our side.
 But why have the Nazis not delivered the lightning blow
 of which they have so often boasted? It was held up for
 a time by the peace offensive. But that is now officially at
 an end. Why, then, do they hesitate any longer? The
 argument that Goering has forborne to give the order for
 a full-scale attack on England because of his feelings of
 humanity has excited derisive laughter even in Berlin. A
 more probable reason is that the Nazis were caught plan-
 less by the unexpected determination of Britain and
 France. To attempt a short war now by a ruthless attack
 might, if it failed, ensure that they were defeated in a
 long war by using up their material reserves. There are
 very difficult problems of high strategy to be solved in
 Berlin. Perhaps the decisions have been taken. The activity
 of the Dutch and Belgian Governments, resulting in a new
 offer of mediation, are perhaps to be regarded not as the
 last shot in the German peace offensive, but as the open-
 ing defensive gun in a new campaign to acquire air bases
 in Holland, protected from land attack by a neutral Bel-
 gium. For this and all other desperate sorties of the
 beleaguered Germans we must be ready. But until the
 German armies cross a fresh frontier we can be well con-
 tent with the policy of standing on guard on the Maginot
 Line. A "quiet war" at this moment suits our book far
 more than Hitler's.

Standing on guard, however, will not always be the right
 policy. So long as it is successfully continued we cannot

B

lose the war—but, equally, we cannot win it. The justification, in high strategy, for merely holding the frontiers now is that, behind the frontiers, we can be preparing that overwhelming superiority of military force which is the only certain way of winning the war. Far too many people are slipping into the comfortable belief that if we merely hold on, Germany will crack beneath her internal strains and surrender to our terms without a major battle ever being fought. This is possible. We know that the morale of the German people is bad and that of some of their leaders little better. The blockade will, in time, produce acute shortages of a number of vital commodities, and it is always possible that the Nazis may be overthrown by a far more reasonable Government. But is it at all likely that, say, the Reichswehr will form a Government that would voluntarily offer to evacuate Poland and Czechoslovakia, the one a conquest of the German army, the other an area of the utmost strategic importance in the middle of Germany's *Lebensraum*?

The blockade is, indeed, a weapon of the utmost potency. But it will hardly win the war alone. If the war remains "quiet," German needs of materials will be so much smaller, and the blockade correspondingly less effective. And though time is on our side for a few years, we must not forget the possibility of such an energetic development of transport and natural resources in Russia as would convert a German-Russian alliance into what it is not to-day, a means of breaking the blockade.

The real purpose of the blockade is to serve as a fulcrum which will give our military effort all the more leverage. It is unlikely that the blockade will lead to a crumbling of the Siegfried Line. But if we continue an airtight blockade with a development to the utmost possible extent of our potential superiority of military strength we shall, in eighteen months' or thirty months' time, have an army on the Western front so greatly superior in weight of manpower and metal-power and so dominant in the air that we can launch an attack on an enfeebled Germany with the certainty of quick success. To plan for that is the only sure way of winning the war. And it follows that though the war could be lost on land, at sea or in the air, it can only be won at home.

Finland and Russia

LIKE Belgium and Holland, which have shown this week unmistakable signs of acting under duress, the Scandinavian countries are having to direct their neutrality as best they can in the hope that time and a military defeat for Germany will avert the dangers of aggression they now fear. For the moment Russian pressure on Finland has relented, perhaps in time with Hitler's pressure on the Low Countries and the new "peace offensive" which that pressure has introduced. But both Finland and her Northern neighbours recognise that the danger to their freedom and independence still looms large from the east.

Finland's is a strange situation, one of aggression threatened almost *in vacuo*, since no one is either willing or able to help her. Perhaps it may helpfully be conceived in terms of concentric circles of interest. At the bullseye there is Finland herself, stoutly resisting an attempt to wrest from her that freedom of decision which, after centuries of foreign domination, she at last obtained in 1917. Beyond Finland stand the other Scandinavian States, now under Germany's shadow; and beyond them again runs a whole chain of interests from London to New York. Between the innermost and the outermost of these concentric chains of interest lies an insulation of geographical distance and political impotence; but a storm at the centre may cause outward-flowing ripples to link up with the periphery, and it is presumably a realisation of this important if simple hydrostatic fact that has spurred the Soviet Government to adopt with Finland a very different attitude from that with which they browbeat the Baltic Republics into submission. To the Western peoples Finland represents something imaginable and real, whether as an honourable debtor

It is precisely in this respect that there is most ground for disquiet. Our war effort is enough to hold the Maginot Line now. It does not look like being enough to break the Siegfried Line in 1941 or 1942. To do that we must plan on a truly gigantic scale; but there is little sign of our doing so in any direction. Are we, for example, doing enough to mobilise our man-power? We have there an enormous advantage if only we will use it. Great Britain requires the labour of only 660,000 persons in agriculture and export industry to provide food for 10,000,000 consumers; Germany has to use 1,400,000 persons for the same purpose. Are we mobilising the extra 750,000 workers in every 10,000,000? Are we planning the production of munitions on an adequate scale? The official programme of aircraft production is to turn out more than twice as many machines as were being produced at the outbreak of the war. Will this be enough to overtake the German production, still less to treat the Germans' communications, when the time comes, as they treated the Poles? The Ministry of Supply is equipped to produce as much as can be produced with the existing industrial organisation of the country. Is this enough? The official attitude on food rationing seems to show no conception of the fact that we cannot exert our maximum effort without deliberately reducing the consumption of food, whether the food is physically available or not. We are in grave danger of doing only as much to win the war as can be done without inconvenience or dislocation. But totalitarian war cannot be won in our spare time.

The strength of our position is, in fact, its weakness. Our strength lies in the fact that Hitler can only win by a successful attack now. Our weakness lies in the fact that, to win the war, we must attack some time. The permanent maintenance of the present *status quo* would be a victory for Hitler. The only way to escape from the paradox is to make quite sure that when 1941 or 1942 comes we are not in Hitler's present dilemma of knowing that an early attack is the only way to victory, but knowing also that the means are not present for a successful attack. We must prepare, not for the war of 1939, but for the war of 1941. For that we need 1941 leadership.

or as a producer of Olympic runners. *Finlandia* celebrates no chance upstart people.

The comparative gentleness of that attitude should not be allowed to mask the urgency of the Soviet Government's demands on Finland. They are no mere luxury indulged in by a dictatorship intoxicated with easy conquest. For the sake of its standing with world opinion the Soviet Government would doubtless have preferred to leave Finland alone. But in the circumstances that was impossible. Half a victory in the Baltic would be worse than no victory at all, for with half a victory everything might once again be lost—including the military prestige of the U.S.S.R.

The Soviet Government needs to establish itself on the Finnish coast and on islands in the Gulf of Finland (though much more doubtfully at Petsamo on the Arctic coast) as a necessary precaution against German military action in the future. The only way to protect the newly-acquired Estonian, Latvian, and Lithuanian bases—and, indeed, the only way to obtain full value from their acquisition—is by securing a foothold on the opposite coastline. As an appendix to this the Soviet Government must also provide for the contingency of a German attempt, later on, to seize the Aaland Islands, placed in a position of great strategic value in the mouth of the Gulf of Bothnia astride the iron ore route from Lulea to the Kiel Canal. M. Molotov's indignant denial that the Aaland Islands were in question will misguide no one who realises what a multitude of meanings diplomatic phraseology can cover.

In their replies the Finns have shown a wise and sober judgment. They let it be known, notably by broadcast to

the United States, that they were hard pressed, but, to spare Soviet prestige in case the demands were modified, they kept the nature of the pressure to themselves. That was left for M. Molotov to reveal.

To accede to all that is asked of them would recreate something like pre-1917 conditions, when Finland was administered as a Grand Duchy of the Tsarist Empire. In fact, they are understood to have gone as far as to accede to at least two-thirds of the Russian demands, including the cession of four small islands in the Gulf of Leningrad hard by the Soviet naval base of Kronstadt. As a proof of their determination they have mined the approaches to the port of Hanko—which also figured on the Russian list—and there is at present no sign of their giving way to the Soviet demand for a naval base there.

The military aspect of their resistance can be passed over in a few sentences. Round a nucleus of 30,000 regular soldiers Finland can count on at least 300,000 men of excellent morale, led by generals who have already had experience of fighting the Russians. Finnish artillery and small arms factories have been working for some time past in collaboration with the Bofors unit in Sweden, just as British engines have been supplied to the aircraft works at Tammerfors. The terrain is unusually difficult for an invader, especially if he relies on mechanised arms, for Finland has 70,000 lakes measuring more than 200 yards in length. From the direction of Leningrad the invaders would have to pass the narrow neck between Lake Ladoga and the sea, no easy matter even without having to reckon with a determined defence.

While the landing of men on the Finnish coast is generally considered to be of great difficulty, the capital of Finland lies only ten to fifteen minutes' flying from the Estonian coast. Air bombardment on the scale practised by the Germans in Poland would meet with even less resistance than the Polish air force was able to provide.

Even if the Finns could not hold out for long, their defeat would still be no walk-over. And since world opinion will most vehemently condemn an attack upon Finland (while, it must be admitted, doing nothing whatever to prevent one), the Soviet Government, avid always for prestige, may prefer to get all it can while the going is good and to wait for the remainder until the European confusion provides another opportunity.

The second concentric chain of interest is that formed by the Scandinavian States and by Germany. Here is the most curious feature of all that has happened. While the Bolsheviks have spread their poison westwards the honest Aryan has sat by with an expression on his face of imbecilic satisfaction. He has recalled from the affected lands those settlers of mediæval Germany who first set up their homesteads along the eastern Baltic so many centuries ago. He has done nothing to protect what is so patently his vital interest. It is therefore quite safe to assume that he will not send again to Finland the military help which was the instrument of her emancipation twenty-two years ago.

In the same way we may expect the other Scandinavian States to withhold military help—though not necessarily economic help, if there is time to send it—from a beleaguered Finland. Norway and Denmark have neither the opportunity nor the inclination to assist. The only conceivable circumstances in which Sweden could consent to take up arms in defence of Finland would be at Germany's instigation, and on the most sanguine forecast the time for

that is not yet. And if Sweden were to embroil herself with Russia at this stage, no matter with what reservations, she might find herself obliged to provide the Germans with guarantees that their iron ore supply would not be tampered with or delayed, and that, in short, would entail a partial occupation.

If the improbable were to happen after all, and Sweden found herself unable to stand by while Finnish independence was destroyed, then events would be much more likely to flow from the second circle of interest to the third, and reach the outside world, than from the first to the second. With Scandinavians at war with Russia—and it should be repeated that this is an extremely unlikely contingency, while it is quite unthinkable that they should be at war with Germany—then Britain and France might possibly conceive their interest in an attempt at military intervention. Even so, the Baltic is a difficult sea for naval manoeuvre; Germany commands the only way in; and beyond that there is scope only for an attack from the Arctic coastline, a chill and perhaps fruitless business at the best of times. But so long as Finland was alone, Britain and France could not consider antagonising Russia in a venture that would be even more desperate than the defence of Poland, any more than Germany, whose interests far more strongly dictate an independent Finland, would consider opposing Russia's present demands. Britain and France are doing what they can to restore a more orderly world; that is the only assistance they can give to small States on the other side of Germany.

The conclusion, then, is that nothing but Finnish courage now stands between the Soviet Government and the realisation of its aims. Why do they still hesitate to apply to Finland the treatment they meted out to Poland and the Baltic Republics? They must know that, unless they strike now while the iron is hot, they may not be able to strike at all, for otherwise it may be tempered and rendered un-malleable by the German military machine. They know that Britain and France are preparing for three years of war against Germany, that the United States will intervene in Europe only on the occasion of some distant and hypothetical peace settlement. Their inventive faculty being what it is, they do not lack for arguments. Why hesitate?

There is only one answer to that question. It is that neither Stalin nor his advisers have yet made up their minds to embark on a policy of naked imperialism. Militarised points on the Finnish coast might improve Russia's strategic strength against Baltic attack; but the Soviet Government must know that their seizure from a free people is justified on none but imperialist grounds. They hesitate because they can perceive some of the consequences of invading Finland: the final destruction of their claim to be the upholders of decency in international affairs, the hardening of democratic opinion against them, the secret hostility of Germany, the direct comparison with Hitler and Poland. It is not the "Polish landlords" they will be fighting against this time, but the Finnish peasant; not "a corrupt Polish State," but one of the most democratic communities the world has ever seen.

These are arguments which must weigh with Stalin. Evidently he has not yet made up his mind. But it may be possible to read into the comparatively moderate tone of speeches lately made by Soviet leaders an indication that Stalin does not mean to brand himself irredeemably with the mark of the aggressor.



The Importance of Exports—III.

New Markets for Britain

IT is not enough, as has been sufficiently emphasised in previous articles, for a wartime export policy to aim merely at the maintenance of the volume of British exports. Our foreign purchases will go up in volume and in value, and if we are to avoid a dangerous depletion of our reserves of gold and foreign assets the volume and value of our exports must also be increased. But exports cannot be increased just by turning a handle; somebody has to be persuaded to buy British goods who has not bought them before. It is beside the point to preach an increase in exports unless it can be proved that there is scope for it.

The volume of international trade, however, is not rigidly limited to a fixed amount—still less any one country's share in it. Much could undoubtedly be done to expand British exports by the general remedies of improving salesmanship or lowering price. Some increase will follow automatically from the enhanced prosperity of the countries that produce raw materials—though since their prosperity will be derived mainly from our purchases, we can hardly hope to do more than recover in exports some part of the increase in our imports. Much the best opportunity for an expansion of British trade arises from the fact that Germany is cut off, for the duration of the war, from trade with the outside world. This article is devoted to an inquiry into the possibility for Britain of stepping into Germany's shoes in the markets she has been compelled to abandon. The extent of these markets is shown below:—

GERMANY'S OVERSEAS EXPORTS, 1938

	German Exports	
	In Rm. millions	In £ millions @ Rm. 20 = £1
Mediterranean countries (a) ...	406.8	20.3
United Kingdom ...	350.9	17.5
British Empire ...	349.1	17.5
U.S.A. ...	149.0	7.5
Central and S. America ...	588.8	29.4
Asia (b) ...	256.1	12.8
Total of above ...	2,100.7	105.0
All countries ...	5,256.9	262.8

(a) France and French Mediterranean possessions, Spain, Spanish Morocco, Portugal, Egypt.
(b) China, Japan, Siam, Dutch East Indies.

Germany's trade with these countries, therefore, made up about two-fifths of her total exports last year, and its value, omitting the exports to the United Kingdom itself, came to about £90 millions even on the lowest reasonable valuation of the Reichsmark. Here, clearly, is a large and promising field for British export expansion.

Germany's overseas exports were naturally made up of a large number of different items. Ten items, however, make up roughly three-quarters of the total: they are (in approximate order of value) iron and steel wares, machinery, electrical appliances and machinery, coal and coke, chemicals and dyes, machine tools, vehicles, textile piece-goods and paper. There are some of these—machine tools and chemicals—in which Great Britain might be unable to supply the same order of goods as were bought from Germany; this is borne out by the fact that the

GERMANY'S OVERSEAS EXPORTS, 1938 (Rm. millions)

	Coal and coke	Textile and piece-goods	Iron and steel wares*	Machinery	Electrical machinery & appliances	Total of foregoing	Total exc. coal and coke
Mediterranean countries	102.2	12.4	11.1	75.9	31.6	266.2	164.0
United Kingdom	5.4	21.0	35.6	53.6	11.9	125.1	125.1
British Empire	5.4	13.9	15.6	58.3	21.2	177.6	172.2
U.S.A.	0.3	2.2	15.4	11.9	2.0	31.9	31.6
Cent. & South America	17.3	25.1	121.0	50.3	36.9	251.6	236.3
Asia	0.2	2.3	69.2	38.6	16.3	126.6	126.4
Total of above	125.4	79.9	367.3	248.4	120.0	981.0	855.6

* Includes pig iron, steel plates and finished goods.
† Of this, Rm. 86 millions represents coal transported overland to France.

United Kingdom itself was a heavy purchaser of these goods from Germany. Five categories of goods may therefore be picked out for special attention. They are those which Great Britain is *prima facie* well equipped to supply, and they make up almost half of Germany's exports to the overseas countries. The figures are shown in the table at the foot of the preceding column.

The table illustrates even more clearly the important place that Latin America plays in Germany's overseas trade. When coal is eliminated (and the German sales of coal to France are hardly comparable with the other items in the table), Latin America becomes by far the most important region. What is more, it is the only region where German trade has successfully ousted British trade in recent years. Latin America is not only the largest market vacated by Germany, but the one where least pioneering on the British part should be necessary. Latin America, in short, is a test case, and it may appropriately be considered in more detail.

Latin America is at the moment having to adapt itself, for the second time in twenty-five years, to the economic consequences of hostilities in Europe and the blockade of Germany. From the Rio Grande to the Straits of Magellan there is scarcely a republic which is not reaping the bitter fruits of barter with Germany. In Uruguay a huge hydro-electric plant was being built on the Rio Negro by German engineers with German material in exchange for shipments of meat and wool. Earlier this year the Argentine Government agreed to barter wheat for locomotives and rolling stock. One shipment of wheat was dispatched to Germany, but it was intercepted by the British Navy. No German locomotives have been sent. From Brazil, compensation trade brought Germany large orders for steel and railway equipment, which cannot now be fulfilled. Many of the smaller republics have been left with large quantities of aski-marks now valueless. In addition the interruption of shipping services, the general uncertainty and the confusion following the introduction of war controls in Great Britain have placed temporary difficulties in the way of trade with this country. Reports from several republics speak of scarcities of iron and steel, machinery, coal, cellulose, paper, chemicals and many other raw materials and semi-manufactures.

If the violence of the initial dislocation of trade is less than in 1914, it is because in the intervening quarter of a century Latin America has become more industrialised and less dependent on trade with the outside world, and above all because Great Britain has surrendered to the United States her former place as Latin American Trader No. 1. The United States is already making active plans to fill the gap. The Moore-McCormack Line has sold fourteen freighters to Brazil and the Import-Export Bank has granted a credit amounting to 65 per cent. of the cost. United States exporters have accepted orders for coal, rails and locomotives from Brazilian railways. Plans are being considered for exploiting Brazil's vast deposits of iron ore and producing 300,000 tons of steel a year in Rio de Janeiro with the aid of United States capital. The Import-Export Bank has granted Chile a credit of \$5 millions for the purchase of United States goods. On a smaller scale the same story is to be told throughout Latin America.

United States business men are hoping that not only German but also, as in the last war, British and French trade will fall into their hands. But how to proceed? The problem of exporting does not exist; but the problem of securing payment is causing many headaches in Washington. Past experience with large loans to South American Republics has been such as to put a taboo on them second only to that on war loans to Europe. The lesson of the many defaults has not been forgotten. It is recognised that in the long run they can only export who also import. But the obstacle is that most of the principal products which Latin America sells are those of which the United

States has an abundance at home. Very few of Latin America's principal products—coffee is one of the few—find a ready market in the U.S.A. The United States' neutral status thus does not give her any overwhelming advantage, and a number of other circumstances favour Britain. Our purchases from Latin America are large and likely to increase. We buy more than £90 millions of goods from Central and South America and sell less than £40 millions. Apart from this import surplus with the whole continent, we have an import surplus with each republic separately, with the single exception of Colombia. The pound sterling is cheaper than it was. Many of the products recently bought from Germany were formerly obtained from us and only diverted to Germany by way of barter and compensation agreements. Now is the opportunity to recover the trade we have lost.

Anglo-Argentine trade alone has resisted the pressure and disturbances of the twenty-five years' truce. Apart from the £41 millions spent in the Argentine, mainly on the traditional meat and cereals, the outstanding import item now is the £14 millions' worth of Venezuelan petroleum, which we purchase either direct from Venezuela or from the refineries in the Dutch West Indies. Our exports to Brazil have dropped to a mere £5 millions, and apart from the Argentine and Uruguay no other republic takes more than £1 million of goods from us. Long past are the days when we supplied all Latin America with coal, iron and steel, railway equipment and machinery. An inordinate proportion of our reduced exports has consisted in recent years of textiles, a very precarious class of goods in view of the rapid rise of local industries. In 1937 this proportion was more than a third in our trade with the Argentine, and was as high as three-quarters in our trade with Colombia. The fact that half our exports to Chile consisted of textiles in 1937 is eloquent not of our success in competing with the protected local industry but of our inability to maintain our other exports.

It is therefore clear that a sales campaign in Latin America must in the first instance be directed to the recapture of orders for the products of our heavy industries, particularly iron and steel and machinery. We should certainly be able to supply the extra demand for coal from Brazil and the Argentine, but we shall have to face strong competition from the U.S.A. in any bid for the trade in iron and steel, machinery and railway equipment. But if we cannot recapture trade here, we cannot recapture it anywhere. The gap in the supply of textiles left by the cessation of imports from Germany is small, and in this field we have to face triple competition from Italy, Japan and local industries. To increase our hold on the market for textiles will not be easy.

In the Argentine we enjoy preferential treatment, we have established channels of trade and we are likely to maintain, if not increase, our purchases of Argentine meat and cereals. Though the German share in Argentine imports has been small, Argentina constituted Germany's second most important market in Latin America. A bid

by us to replace that trade ought to be successful. It is, indeed, already rumoured that in exchange for the 170,000 tons of beef and 30,000 tons of mutton we have recently agreed to purchase, the Argentine will give to British firms its orders for locomotives and rolling stock.

The gap in imports caused by the cessation of trade with Germany is largest in Brazil and Chile, and these should be *prima facie* the most promising cases for a British campaign. We could gain a favoured entry by increasing our purchases of their goods. Brazilian cotton and meat are useful to us, but we have alternative sources of supply. Copper can be obtained within the Empire and with a shorter shipping haul than from Chile. The Chilean and Brazilian markets offer considerable opportunities, but in them we shall have to face much stronger competition from the U.S.A. than in the Argentine or Uruguay.

Of the other republics, our chances will be highest where we are an important purchaser. This applies to Venezuela, to Cuba, from which our purchases of sugar will increase, and to Bolivia. But in these three republics—and, indeed, in all the rest—United States influence is strong. No easy task awaits British traders in these parts.

This very brief survey of the possibilities in the South American market sharply illumines the futility of supposing that the British exporter can be expected to seize the opportunities of his own initiative. The biggest opportunity is in the industries that make, or use, metal. But what steel or engineering firm in Great Britain is going to devote energy and thought to a far-off market when there is a war to be equipped at home? Yet the quantities are not large. German exports to Central and South America of the more finished grades of steel wares were only 175,000 tons in 1938 and the value of machinery only about £3 millions. Even in the middle of an armaments race, these quantities can be spared—and if they were spared might be the means of recapturing a trade that will be valuable to us during the war and invaluable after it.

The individual problems are doubtless different elsewhere from what they have been shown to be in this one market. But their nature has at least this much in common—that they can only be solved by Government action. British exports to South America will flourish only if there is an elastic exchange policy, a decision to allocate materials for the purpose, and to see that they are used, a price policy that does not expect South Americans to bear the costs of our armament programme, a shipping service not noticeably inferior to that with the United States. None of these things are within the reach of the individual exporter, or of the export industries organised in trade associations, or of a junior and neglected department of State. They are attainable only by an exercise of organising initiative on the part of the War Cabinet itself.

The task will, doubtless, be difficult and costly. But the alternative is still further decay in our export industries and impairment of that ability to call on the resources of the whole world on which our ability to win the war unconditionally depends.

Checks on Public Spending

YET another institution of the last war is to be brought back. In 1917 a Select Committee of the House of Commons was set up to scrutinise national expenditure and suggest economies; and it was not until 1920 that this body, which prepared a series of extremely useful reports, was allowed to lapse. This week the Chancellor of the Exchequer has announced the Government's intention to propose the appointment of a similar Select Committee on National Expenditure to deal with all expenditure connected with the war, whether civil or military. Its composition and terms of reference are not yet known. This announcement coincides aptly with the introduction into the Commons of the National Loans Bill, giving the Government mandate powers to borrow at will. It was the abandonment of the practice of specifically approving

loans for specific purposes, as well as the absence of the usual Estimates of expenditure, which led to the demand in the last war for novel Parliamentary machinery to impose new checks on spending; and there can be no question at the present time that the public will welcome the organisation of its political representatives to keep extra watch and ward over finance.

It will be a mistake, however, if the Committee is regarded simply as an *ad hoc* fortification against wartime waste. It is true that the spending of £7 millions or more daily breeds chances of extravagance which must be countered by all possible means; but it is equally true that there are strict limits to the economies which a Select Committee, sworn as it must be to make no attempts to tamper with Cabinet policy, can achieve. It is as the latest in a

long series of expedients to reinforce Parliament's control over public finance that the Committee must rather be regarded.

This is a problem of the Parliamentary method which has never yet been satisfactorily solved. The constitutional position is quite clear: "the Crown demands money, the Commons grant it." Twenty years ago the present Prime Minister's brother, then Chancellor of the Exchequer, put it plainly: "It is with no disrespect to this House (he said) that I say that it is not an efficient body for checking expenditure." It never has been. It is for the Ministers of the Crown to apply for taxes and grants, and the responsibility of Parliament is simply to register its confidence in the Government by voting what is asked for or, alternatively, to turn the Government out of office. Nor would it be feasible for more than six hundred M.P.s—or even a select few of them—to pass judgment with speed and authority upon, say, more than 1,500 pages of detailed Estimates. No attempt is made to do so. Debates on Estimates are no more than general discussions of policy.

This does not mean that there are no checks at all on public expenditure. Expenditure is the handmaid of policy, and in the approval or disapproval which Parliament can give to Cabinet policy lies the chief restraint on over or under-spending. In the nineteenth century, however, it began to be thought that, since the Commons were now firmly committed by the rigid party allegiance of their majority to accept the policies devised by the Cabinet—at once Ministers of the Crown and party leaders—Parliament's power to exercise control over the details of finance, as distinct from the trend of policy, had been surrendered. There was no wish to abrogate the Cabinet's authority to devise policy and, through policy, expenditure. But there was a movement to erect machinery to make more sure that public money was spent by the Departments only as the Cabinet had asked and Parliament had approved, and to use that machinery to furnish reports and recommendations on ways and means, consistent with Cabinet policy, of spending more wisely and more efficiently.* In 1861 the Public Accounts Committee of the Commons was set up to examine the audited accounts of public expenditure. In 1866 the independent Office of Comptroller and Auditor-General, without whose sanction no public money can be paid out, was created. In the reports and memoranda of the Committee and the Comptroller a body of advice and precedents has been built up which is of great value.

It is this desire of Parliament to safeguard economy by scrutinising the details of expenditure that gives a long-term significance to the new Select Committee which is now promised. The work of the Public Accounts Committee is *ex post facto*. Its findings cannot influence current expenditure; and just over fifty years ago it was authoritatively suggested that, in addition, a Committee of the Commons on Estimates should be created, to give the details of *proposed* expenditure that minute examination which the whole House could not give. In 1912, 1913 and 1914 a Select Committee was set up to examine Estimates and suggest savings. It failed; the Estimates were too bulky and unintelligible for it to be possible for the Committee to examine them fully and make proposals in time to influence the year's spending; it lacked both staff and expert assistance. On the outbreak of war, with the disappearance of Estimates, the Select Committee went too.

The belief that Parliament should have some early check on current expenditure persisted. It was underlined by the vast outpouring of money to pay for the war; and this was the origin of the 1917 Select Committee on National Expenditure. This body's report for 1918 stated well the rationale for its existence; it expressed the view that there was in fact no Parliamentary control over expenditure and that the Treasury's control over spending Departments was no substitute for Parliamentary control. In 1920 the Committee lapsed, but the long-standing problem remained; and in the following year another Select Committee on Estimates, to examine such Estimates as it thought fit and to recommend economies, was set up. It

* See "Parliament." By W. Ivor Jennings. Cambridge University Press. 548 pages. 15s. A notable new study of Parliamentary procedure which includes an excellent survey of the history of financial control.

has been re-appointed every year since, and in 1926 a Treasury official was appointed as its expert adviser. It has not been a great success.

The limitations of the Select Committee on Estimates were neatly summed up by Sir Malcolm Ramsay, the Comptroller and Auditor-General, in 1931. It had effected no substantial economies, he said, and much of what it had done, in the way of securing improvements in the form in which Estimates were presented, could equally well have been done by the Public Accounts Committee. Sir Malcolm put his finger precisely upon the weakness of all attempts to increase control of expenditure by the Commons when he spoke of "the difficulties inherent in any attempt to institute detailed examination and control by the House of Commons without offence to the cardinal doctrine of Cabinet and Ministerial responsibility."

The fact is that there is only one body fitted to check and scrutinise all the details of Departmental expenditure before they are voted. That is the Treasury. In October every year the Treasury calls upon the Departments to prepare draft Estimates, and it is only after detailed "vetting" by the Treasury that the Cabinet approves the final Estimates which are presented to Parliament in the following March. The position is not wholly fortunate, for the Treasury's departmental passion for economy and symmetry in expenditure may not infrequently override wider interests. But it is the duty of Departmental Ministers and the Cabinet to prevent their Estimates from being fitted too painfully into the Treasury frame. It is not possible for Parliament to do so. The Select Committee on Estimates has found itself compelled to rely upon its Treasury adviser to draw attention to points worthy of its notice just as the Public Accounts Committee, incapable as it is of ransacking every detail, depends very largely on the guidance of the Comptroller and Auditor-General.

This is not to say that Parliament's deep desire to watch the details of expenditure more closely is in vain. In the last war the Select Committee on National Expenditure was able to draw attention to conspicuous cases of waste in the rush of wartime spending; and the Public Accounts Committee, which works regularly and smoothly with the Treasury and the Comptroller and Auditor-General, is yearly able to point defects in Departmental finance with the force of Parliamentary criticism. Given the powers and conditions of work which many decades of experiment suggest such a body needs, the new Select Committee may be an appreciable aid to economy.

It will need the right personnel—all the Members of Parliament, irrespective of party ties, whose knowledge of public finance is well known should be included. It will need access to outside and expert advisers—men who are neither politicians nor civil servants but business men and economists of weight. It will need an adequate staff of trained assistants. It will need to be in full and continuous contact with the Treasury without being dependent upon it either for advice or information. It will need complete access to the records and persons of all spending Departments. It will be futile if it is starved or restricted.

Even so, even if the Select Committee is fully furnished with all the powers and assistance it requires, its scope will be strictly limited. The long tale of attempts to reinforce Parliament's financial control makes this clear. In 1912 Mr Lloyd George stated the principles which must govern all such attempts: the Government must not be deprived of its responsibility for expenditure as well as policy; the Commons must not be deprived of its responsibility to approve or reject the Government's proposals; no Committee can be permitted to trench upon questions of policy. The new Committee can add strength to the accountability side of Parliamentary procedure. It can act as the Commons' eyes and ears. It can do little more.

If waste and extravagance are to be avoided it is to the Government and the Treasury that we must look. It is the complex economic policy which they devise that will decide. It is there that the lesson that neither weakening parsimony nor otiose expenditure can be tolerated when the nation's tentative resources are being mobilised for war must be brought home. The Select Committee can assist in this process of instruction, and it can bring to light cases and examples. That is why its advent is so very welcome

Defence Measures

EMERGENCY LEGISLATION

Cotton Industry (Reorganisation) (Postponement) Act
Postpones the operation of the Cotton Industry (Reorganisation) Act of August, 1939. (Passed October 31st.)

Prices of Goods Act

Aims at preventing a rise in the prices of certain goods, to be specified in Board of Trade Orders, to a higher level than that which is justified by unavoidable increases in costs due to the war. (Passed October 31st.)

DEFENCE REGULATIONS

The following additions and alterations to Regulations under the *Emergency Powers (Defence) Act* were made by Orders-in-Council dated October 19th.

Part II. Public Safety and Order

42A. Nomination of sheriffs may be postponed by Order and alternative arrangements for nomination made.

Part III. Shipping and Aircraft

46A. Board of Trade may institute prosecutions for offences against Regulations 45A (Supervision of employment in British ships and aircraft), 45B (Preventing employment abroad of enemy aliens as agents for ships and aircraft) and 46 (Control of trade by sea).

Part IV. Essential Supplies and Work

53 (Amendment). Provision made that property requisitioned under this Regulation (which covers requisitioning of property other than land) may be dealt with irrespective of mortgages, pledges or liens attaching to it; and that vessels, vehicles and aircraft may be acquired by the serving of a notice, and will be similarly freed from obligation.

60A. Compulsory closing of retail shops at 6 p.m. (7.30 p.m. on special shopping days), on and after October 30th. Local authorities may order certain modifications of these hours.

62 (Amendment). Application of this Regulation (which provides for control of cultivation and termination of agricultural tenancies) to all agricultural holdings, as well as to land of which the Minister of Labour has taken possession. The Minister of Agriculture is empowered to make contracts for the occupation by any person of land of which possession has been acquired under the Regulation.

63A. Provides for the killing and disposal of deer, hares and rabbits in order to prevent damage to crops in Scotland.

Part V. General and Supplementary Provisions

100 (Amendment). Definition of the term "port," when used in the Regulations, extended to include a mooring or anchorage.

DEPARTMENTAL ORDERS AND INSTRUCTIONS

Agriculture. (October 25th)—Committee appointed to advise Minister of Agriculture on matters affecting poultry industry.

Air Raid Precautions. (October 25th)—New system of sounding warnings only when air attack on a district is probable approved. (October 26)—Home Office experimenting with modified street lighting system which could be left alight when air raids are in progress. Uniforms for A.R.P. workers designed and on show. (October 31st)—Government steel shelters on sale to public. Instructions issued for action to be taken on licensed premises in air raids. Design approved for armlets to be worn by clergymen who have to move about the streets in air raids. (November 4th)—Black-out period shortened to begin half-an-hour after sunset and end half-an-hour before sunrise. (November 6th)—Places of entertainment permitted to remain open until 11 p.m. (November 7th)—London shop hours extended to 8 p.m. on Saturdays and 7 p.m. on other days. Scheme for lighting L.M.S. suburban trains announced.

Aliens. (November 7th)—Ministry of Home Security authorises local authorities to enrol aliens in civil defence services.

Communications. (October 30th)—War Office statement that trade literature packed with exported goods is not covered by prohibition of export of printed matter, etc.

Compensation and Allowances. (October 27th)—Civil servants to retain benefit of existing arrangements for com-

pensation for injuries or death where these are superior to Government scheme for civilians killed or injured by air raids.

Education. (October 25th)—Technical schools and institutes to reopen as soon as work to provide air-raid protection is begun. (November 2nd)—Available schools to be reopened in vulnerable areas.

Evacuation. (October 27th)—Local authorities to submit returns showing number of women and children evacuated under Government schemes who have returned to their homes.

Finance (November 7th)—Borrowing powers on which a National Loans Bill will be founded conferred on Treasury.

Food. (October 26th)—Maximum prices of dried fruits revised by Order. (November 1st)—Bacon and butter to be rationed from middle of December; registration necessary for purchases of sugar; ration books to be issued at once. (November 6th)—Maximum prices of eggs raised by Order. (November 7th)—Pig prices raised by 1s. a score dead weight by Ministry of Food Order. (November 8th)—Minister of Health recommends housing authorities to relax regulations to allow of keeping of pigs and poultry for food by householders.

Fuel (November 7th)—Increase of 1d. per gallon in prices of Pool fuel oil and Pool Diesel oil for road vehicles. (November 8th)—Gas-producer apparatus for road vehicles recommended by Secretary for Mines.

Industry. (November 1st)—First meeting of Joint Advisory Council for Industry, composed of members of British Employers' Confederation and Trade Union Congress General Council.

Labour. (November 3rd)—Changes in schedule of reserved occupations, reducing age of reservation in some occupations and releasing all men with previous flying experience.

Munitions (November 8th)—Display of samples of munitions stores to assist firms engaged in supply announced by Ministry of Supply.

Raw Materials. (October 29th)—New maximum prices for wool; all wool in United Kingdom, having been produced in United Kingdom, Isle of Man or Eire, requisitioned. (November 1st)—New prices fixed for iron and steel products; further products added to list of those whose maximum prices are fixed. (November 4th)—Pit-head price of coal raised by 1s. a ton in England and Scotland and 1s. 4d. in Wales.

Services. (October 26th)—Recruiting opened for new Auxiliary Military Pioneer Corps of men between 35 and 50. (October 27th)—Voluntary enlistment opened for Cavalry of the Line, Royal Armoured Corps, Royal Artillery, Royal Engineers (certain trades) and Infantry of the Line, for men between 22 and 35. (October 30th)—Certain policemen allowed to enlist in fighting forces.

Shipping. (November 7th)—Chartering of 15 neutral cargo vessels for British trade announced.

MAXIMUM RETAIL PRICES

Commodity and Unit	Nov. 1, 1939	Nov. 8, 1939	Last change
Butter	1b.	1s. 7d.	Sept. 23
Coal*	Average week ending August 25, plus 1s. (Welsh 1s. 4d.)		Nov. 4
Condensed milk:—			
Full cream sweetened	7s pts. tin 4s. 4d.	4s. 4d.	Oct. 5
Skimmed	13s pts. tin 3s. 4d.	3s. 4d.	
Dried fruits:—			
Currants	1b. 7d.	7d.	Oct. 26
Apricots	1s. 3d.	1s. 3d.	
Plums and prunes	8½d.	8½d.	
Raisins	1b. 8d.	8d.	
Eggs:—			
Home-produced fresh doz., min. weight 15 lb. per 120 eggs	2s. 9d.	3s.	Nov. 6
Near European fresh doz., min. weight 15 lb. per 120 eggs	2s. 6d.	2s. 3d.	Nov. 6
Lard (Imported)			Original price
Margarine			Price ruling at end of August
Meats			Price ruling at end of August
Potatoes (Grade A)	7 lb. 8d.	8d.	Sept. 16
Canned salmon	1's flat tin 1s. 7½d.	1s. 7½d.	Original price
Sugar:—			
Granulated	1b. 4½d.	4½d.	Sept. 27
Cubes	1b. 5d.	5d.	Sept. 27
Tea			Price ruling at end of August
Petrol	gal. 1s. 8d.	1s. 8d.	Oct. 17

* Voluntary maximum.

Trade. (October 30th)—Goods in Schedule C of Export of Goods (Prohibition) (No. 2) Order no longer require an export licence for shipment to Palestine and Egypt. (November 2nd)—Board of Trade requires that goods imported from a number of European neutral countries shall be accompanied by a certificate that they are not of enemy origin. Import Licensing Department will now consider applications for import licences for goods imported under bond for re-export whether further processed in this country or not. (November 7th)—Appointment of British Supply Board in Canada and the United States to co-ordinate purchases in those countries. Further amendments by Board of Trade to list of firms in foreign countries with whom dealings are not permitted.

Transport. (October 30th)—London Transport decides to abolish first class travel in January, 1940. (October 31st)—War Office recommends settlement of appeals against assessed figure for impressed vehicles by agreement rather than in County Court. (November 2nd)—Instructions by Ministry of Home Security for use of flares in streets and additional lighting on vehicles in thick fog.

Miscellaneous. (November 1st)—Use of outdoor fireworks, and of indoor fireworks audible in any place to which the public have access prohibited by Order. (November 7th)—Emergency regulations by Ecclesiastical Commissioners authorise them to make temporary income grants to parochial clergy as a wartime measure.

NOTES OF THE WEEK

Crisis in the Low Countries.—When, on Tuesday morning, the world heard of King Leopold's overnight conference with Queen Wilhelmina at The Hague, two explanations seemed possible. Either the two sovereigns, both of whom wield considerable political influence, were about to announce measures of military collaboration in defence against a menace that comes only from the East, or they were about to offer once more their good offices in the service of mediation. After a flurry of denials, the second explanation proved correct. On Tuesday it was revealed that a joint offer to mediate had been sent to the belligerents, in our case directly to the King. Up to the time of going to press no official replies had been returned, though unofficial comment was uniformly sceptical of the chances of acceptance. By a fortunate coincidence, a statement of British war aims was in fact made by Lord



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Halifax on Tuesday evening. On the German side, Hitler's violent speech in Munich on the following day seemed to mean a direct negative. In fact, there is reason to suspect that the project of issuing a joint Dutch-Belgian appeal was not the prime cause of King Leopold's unprecedented visit to Holland (for although formal exchanges have been made in the past, this is the first time in history

that the sovereigns of Holland and Belgium have admitted their interdependence and that of their two countries by collaboration in time of peril). The existence of a German threat to the Low Countries has been implicit for days and weeks past in the movement of troops and the play of strategy; on Monday information began to reach London, and continued to trickle through during the next two or three days, of a German demand to the Dutch and Belgian Governments which made that threat explicit. A few weeks ago the threat seemed to be mainly directed against Belgium, with the object of turning the flank of the Maginot Line. But more recently the talk has turned to the possibility of an invasion of Holland to secure bases for an air attack on England. One report, unconfirmed in detail, stated that the German Government had demanded of Belgium unconditional guarantees of neutrality—and the inference could only be that Belgium was being asked not to go to the assistance of an invaded Holland nor—what would be more important—give passage to the French and British armies. If this report and others like it have even as much substance as the coolest judgment is likely to award them, then the mediation offer takes on a very different aspect. In that case, King Leopold and Queen Wilhelmina are merely strengthening their moral position against the day when they receive the full blast of German pressure. Their next problem, whether they welcome it or not, must obviously be that of military collaboration. The Belgians need Dutch help to keep an invading German army out of Limburg and thus narrow the invader's front; if the Dutch mean to retreat behind the inundation line which runs from the Zuyder Zee east of Utrecht to the estuary of the Scheldt, then there is no comparable service which they can receive from the Belgians. The remaining possibility is that the two nations will fight as one unit: at the moment there is no evidence to support this.

War at Sea.—It was a one-front war against Britain that Hitler declared again at Munich this week. This is what the war has been in fact ever since Poland was slaughtered; and the House of Commons was crowded on Wednesday, not only because it was Mr Churchill who was to speak, but also because it was the kernel of hostilities so far that he had to speak about. The First Lord began with a frank confession. When H.M.S. "Royal Oak" was sunk four weeks ago, with the loss of more than 800 lives, the first reaction of very many people was that there had been serious negligence. Not a few felt confirmed in their impression that the Navy was somewhat too confident of its ability to repel all the menaces of a much weaker maritime Power. The first official view was that the disaster had been mainly due to the skill and daring of the U-boat commander. An inquiry was instituted. This week Mr Churchill confirmed the initial doubts. Six weeks after war began the anchorage at Scapa Flow was not proof, as it should have been, against submarine attack. Neither its physical defences nor its patrols were at full strength. This has been a salutary lesson, and it is

fortunate that the First Lord himself has never been a victim of over-optimism. This, indeed, was his theme on Wednesday. He has not abated his belief that the U-boat can be mastered and that it will always be possible in the war to bring in the country's essential supplies. The net loss to British shipping in the first two months of war, setting tonnage lost against tonnage captured or newly built, was less than one-third of one per cent. of the total; and in cargo there was a net gain of 100,000 tons. U-boat losses are running at the rate of some three each week. The convoy system is in full swing. There are three times more hunting craft at work than when war began; and the largest merchant ships have been defensively armed. But the danger to shipping from U-boats, aircraft, raiders and mines is still great. The Germans are building two U-boats a week and, even if their likely losses are counted in, they may have about eighty available in the New Year. Further serious losses are certain. Mr Churchill's confidence is of the right kind. It is that, with care and courage, we can certainly ride the storm with safety. But he refuses to shut his eyes to the tempest, and he could have found no better, or more melancholy, justification for this attitude than the tragedy of the "Royal Oak."

American Neutrality Revised.—The amending Neutrality Bill was signed by President Roosevelt, with due ceremony, at noon on Saturday, November 4th. Thus all belligerents are now permitted to buy all forms of munitions and armaments in the United States, provided they have the funds to pay cash and the shipping to take the goods away. In practice, of course, this benefits Great Britain and France only, and the passage of the Act has accordingly been made the text of attacks on America by the Nazis and by those practised non-interventionists, the Soviets. To Britain and France the permission to buy in America will be very welcome and immediate advantage will be taken of it, especially in the case of aircraft. At the same time the scale of Allied orders is being exaggerated in America. "Cash and carry" is a very severe limitation, and it may be taken for granted that every effort will be made to obtain supplies elsewhere before orders are placed in America. We have large reserves of gold, dollars and securities that could be drawn upon in case of need, but it would be very improvident at this stage of the war to formulate a deliberate policy of using them. Indeed, it may well be that the main effect of the Neutrality Act will be, not to increase the volume of Anglo-French purchases from the United States, but to concentrate them upon armaments to the exclusion of other American goods. In America itself, the effect of the lifting of the embargo on Allied purchases has been almost overshadowed by the effect of the new bans placed upon the movements of American shipping by the Presidential proclamation that accompanied the signature of the Act. Mr Roosevelt has chosen, with undoubted prudence, to define the European "combat area" very strictly, with the result that no American ship may now call at any European port between Bergen and Bilbao. This has been a shock to American shipping companies, which had confidently expected to be allowed to continue trading with Ireland, and possibly with Denmark, Holland and Belgium. Steps have been taken to transfer the register of American liners to Panama (and also, incidentally, to recruit non-American crews), but this type of evasion is frowned upon and any attempt to sell American ships outright to foreigners would certainly be forbidden. Since the shipowners have little confidence in their ability to make a living on other routes, they are apparently condemned to pay the monetary forfeit for America's latest attempt to erect legislative buttresses of neutrality. More will certainly be heard of the ruinous effects of the new Act on the American ambition to build up a flourishing mercantile marine.

Coal and Gas Prices.—The increases in the prices of gas and coal which were announced on Friday of last week produced dismay among consumers and also among a public which watches with apprehension each

rise in the general price level. It so happens that the cases of the London gas companies and the colliery owners do not present a firm ground on which to make a stand against the upward movement of prices. The gas companies are putting forward an argument which is not entirely unreasonable when they say that reduced consumption has increased their unit costs of production so much that they are compelled to raise prices, though 2½d. per therm is almost certainly an unreasonably big jump; and the colliery owners, despite the fact that their argument partly rests on precisely the opposite ground that consumption is on the increase, are probably justified in seeking to pass on to the consumer, in the form of a rise of a shilling per ton in pit-head prices, some part of their growing costs per unit. The cost situation in these two cases is in fact so entirely different that it is possible to seek the same remedy for diametrically opposed troubles. But the fact that prices can be put up in one case because consumption is falling and in another because it is rising is in itself a danger signal. The argument which in these instances has a basis of incontrovertible fact can have in other instances no better foundation than a particularly pernicious variety of economic casuistry. Something may perhaps be done to counter this by a strict official scrutiny of the cost arguments which are advanced. Something may also be done by pointing out that now is the time to use the financial reserves of companies rather than to expand them, and that the attempt to secure hostages to fortune by putting up prices in anticipation of cost increases is both dangerous and unpatriotic. The colliery owners did in fact seek to anticipate future cost increases and are now nursing their wrath because their claims were not fully met. The gas companies were less ready to seek present compensation for future troubles, but even their carefully phrased statement contained a forecast of further cost increases to come. It is pretty certain that they will come unless taxation, rationing and price control are fitted into a single concerted attempt to nip inflation in the bud.

Rationing and Irrationality.—The realities of the question of food rationing are being buried deeper and deeper under a mountain of confused thinking and special pleading. The assistance which Sir Samuel Hoare gave to Mr Morrison in his attempt in the House of Commons on Thursday to excuse the continued delay in the introduction of effective arrangements had the net result of rendering confusion worse confounded. Indeed the arguments used were of such a nature that it was possible to conclude that this end was deliberately sought. The reasons for an immediate introduction of rationing are surely plain enough. The efficient organisation of a wartime economy requires that the practice of living on stocks should be

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ended; that the assistance which rationing gives to the attempt to control prices should be secured; that the existing unequal distribution of foodstuffs should cease; and that shipping should be economised by a cutting down of imports which are not strictly necessary. The most misguided feature of the Government's policy is its attempt to twist these arguments into reasons, not for introducing rationing, but for delaying it. Sir Samuel Hoare's claim that rationing should only be applied where there was actual scarcity was nothing less than an admission that economy will not be enforced until existing stocks have been squandered. His statement that the public's liberty should not be interfered with ignored the plain fact that freedom of choice has already been reduced, and in some cases removed, by unequal distribution of short supplies. But his claim that action should be delayed until conditions became more "normal" was the *pièce de résistance*, ignoring as it did the elementary fact that to expect conditions to become normal of their own accord in wartime is to expect the impossible. Normality in the matter of food supplies can only be established by prompt and determined Government action.

* * *

Financing War.—The National Loans Bill was presented to Parliament this week, and its technical implications are discussed in a Note on page 220. The Government is given blanket powers for a year to raise war loans as well as to borrow a further £250 millions to meet needs arising between the end of the financial year and the next Loans Bill. This week's discussions revealed nothing about the Chancellor's intended borrowing policy. They simply gave the Commons yet another chance to run over the principles of war finance. Mr Pethick-Lawrence stated the right principles well. The dangers, he said, were: extravagant charges for war contracts; inadequate taxation; gathering inflation; and rising rates of interest. The immediate tasks, he suggested, were: to guard against inflation; to press down short-term interest rates; to force up the prices of gilt-edged securities to lower other interest rates; and to raise loans in small batches at low and decreasing rates of interest. Meanwhile the Government's own economic policy remains cloudy. It will not be by its borrowing technique alone that this policy will be judged. It will be by the co-ordination of measures to turn over to the Government all the resources of plant, material, labour and savings needed to maximise war output as swiftly and fully as possible. A widely ramified schedule of plans to cut down civilian consumption in an orderly way is imperative. Clear proof that the diverted resources will be used with unfaltering efficiency to win the war is equally urgent.

* * *

Axis or Apron String?—The twenty-first anniversary of the victory of Vittorio Veneto and of the Italian armistice has been celebrated in an atmosphere of fervour and gratitude, but with far less display of Italy's *bellicosità fascista* than is customary. Instead of the main emphasis falling on martial reviews and parades, a field Mass at the tomb of the Unknown Warrior held the centre of the celebrations in Rome and Signor Mussolini's speech was singularly free from threats or provocation. Italy is settling down—its leaders cautiously, its people with intense relief—into the comparative comfort of a ring-side seat and although the press still warns the world that Italy is ready at any moment to leap fully armed into the arena, it is generally admitted that Italian interests are not involved in

the present conflict and that Italy will be able to keep clear of the struggle "because she does not choose to be tied to anybody's apron strings." The change of metaphor barely disguises the pointed reference to the Axis. What—apart from the Axis—are Italy's entanglements? What shadow of an apron string exists apart from that "band of steel" which since May has united her to her German ally? If Italy now "does not choose to be tied" and says so, then there appears to be little point in preserving the fiction of the Axis. Possibly some such idea was in Field-Marshal Goering's mind when he caused rumours of his impending visit to Rome to be sharply contradicted after they had been officially confirmed in Berlin. The rumours came from sufficiently reliable Italian sources to suggest that they had some foundation, but the German denials make it clear that—for the time being at least—Goering is not prepared to risk a rebuff. Meanwhile Italy is continuing to back her passive policy of steering clear of the hostilities with efforts to consolidate a position of influence in the Balkans. The Notes exchanged between the Greek and Italian Governments on increasing the scope of their friendly co-operation on the basis of the existing Treaty of Friendship and Collaboration can be counted as a rather small milestone along Italy's Balkan way. And Signor Gayda's pointed attack on Soviet aims in South-Eastern Europe, with the open references to Soviet pressure and propaganda, will remind Italians that their way south-eastwards is far from being a primrose path.

* * *

The Saga of the "City of Flint."—Even a war must have its silly season, and the "City of Flint" has come to convey at least a hint of a Loch Ness monster. Yet, in spite of the air of fantasy which clings to the "City's" peregrinations in the frozen North, this saga of an American ship and its German prize crew raises several interesting points in international law and may yet lead to far-reaching international complications. The "City of Flint" was bound for Britain with a cargo which included contraband when she was stopped on October 9th by the "Deutschland" and a prize crew put on board to bring her to German waters. The crew of the British steamer "Stonegate," sunk three days previously, was also transferred to the "City." Five days later the ship made her first appearance off the coasts of Norway and put into Tromsø on the plea that her water supplies had run short. The Norwegians—basing their case on Article 2 of The Hague Neutrality Convention—held the holding of the "Stonegate" crew to be a "hostile act" and had them released. Then the "City of Flint" set to sea again, to reappear in Murmansk. Now the legal situation created by the entry of a prize ship into a neutral port is governed by Article 21 of The Hague Convention, which lays it down that "a prize may be brought into a neutral port on account of unseaworthiness, stress of weather, or want of fuel or provisions." It must leave as soon as "the circumstances which justified its entry are at an end." If it fails to do so, the neutral must intern the crew and release the ship. At first it appeared as though the Russians were complying with the law, but suspicion was aroused when every attempt of the American Ambassador to obtain information was unavailing—and confirmed when, on October 28th, it was announced that the "City of Flint" had left Murmansk still under the control of her prize crew. The Russians maintained that no breach of neutrality law had taken place since the Germans had put in for engine repairs.

* * *

Thereafter the "City of Flint" appeared to be making cautiously for Germany in Norwegian territorial waters. However, at Haugesund a halt was called and the Commander asked permission to anchor and set ashore a sick American. A Norwegian naval surgeon examined the sailor and did not agree that the case warranted a landing at Haugesund. The commander was informed that he must leave, but on November 3rd he preferred to anchor, and the Norwegian Government had no choice but to intern the prize crew and release the "City of Flint."

The German Government immediately despatched a protest, which Norway refused to accept. The fate of the "City of Flint's" cargo is apparently undecided. It may be sold in Bergen, or the ship may run the risk of making for Kirkwall, but whatever the outcome the final stages of the voyage are mysterious enough. Once the "City of Flint" had entered Norway's territorial waters, the British Admiralty reported that the ship had a clear run to Germany. Why, then, did it risk capture by further delay? Moreover, the whole incident of the invalid American appears highly suspicious. The Norwegian doctor pronounced the man—apart from a slight leg injury—to be fit. When, acting on this report, the authorities told the German commander to leave he agreed, and only subsequently gave the order to drop anchor. Then, when asked to give his reasons, he replied "On an order from my Government." It is difficult to escape the conclusion that the Nazis, seriously embarrassed by the whole affair, framed the whole incident in order to avoid incurring American displeasure and at the same time to lay up a rod in pickle for Norway—possibly as an excuse for intervention later on.

* * *

Pressure on the Balkans.—Balkan statemanship has never been redeemed from its errors earlier than the eleventh hour, and seldom even then, so that its present critical condition should not be judged as desperate as it superficially seems to be. There appears at last to be some substance in the proposal to create a group of States which would have sufficient cohesion to withstand outside threats of aggression. By the end of this week negotiations with this aim in view had been conducted through the diplomatic channel by the Roumanian and Turkish Governments working in close understanding with the Greek Government, having tacit support from Britain and France, and enjoying a fair hope of Italy's active collaboration. If the negotiations move forward without serious hitch, this nucleus will be extended to Yugoslavia and to Hungary; meanwhile an advance will be made towards Bulgaria. If the negotiations now under way fail as hopelessly as others which they succeed—and the Germans and Russians are already working for their failure—then no amount of guarantees from outside will avail to prevent Hitler or Stalin intervening with enough success to destroy either the independence or the peace of the Balkans—or both. There is little comfort in the reflection that the roads have ceased to be passable until the beginning of next March: Balkan Governments have havered for so long over their rights and claims that, unless a better spirit is now in command, another three or four months will make no difference. The time for agreement is now.

* * *

The Deadlock in India.—In developing several stages further, the breach between the Congress Party and the Government of India has come no nearer to being closed. The failure of the Tripartite talks between the Viceroy, Mr Prasad for the Congress Party, and Mr Jinnah for the Moslem League, is disturbing evidence of the distance which must be covered before agreement comes in sight. In the House of Lords on Tuesday Lord Zetland made it clear that the British Government were not prepared to concede the key Congress demands, for a declaration on Indian independence and a readiness to stand aside while an Indian Constitution was worked out and made law by a constituent assembly of the Indian people—which, of course, means to say an assembly with a Congress majority. It is the British Government's thesis that agreement must first be reached on the communal question, for until the Moslem League is ready to co-operate, with the knowledge that its rights as a minority are being effectively safeguarded, no kind of Constitution will offer to India the public peace which British administration at least ensures. The tripartite talks made no progress because Mr Prasad refused to discuss with Mr Jinnah anything in the nature of a compromise, and this attitude has received confirmation in the resignation of five Congress Minis-

tries and the expected resignation of three others. It is wholly unfortunate that they should resign just when the good work they have done was receiving general recognition; but, although it would be dangerous to assume that their action is intended primarily as a gesture, there seems to be some hope that they will find it possible to return to office if and when a compromise is arrived at. It is essential to have that compromise, and to have it quickly. If it can be got by the giving of further assurances of our sincerity and good will, then those assurances must be given at once. For it seems that we are on the verge of a most tragic misunderstanding. While there can be no doubt that the British Government is genuinely anxious to rid itself of the responsibility of having to rule an unwilling India and of the accusation sometimes made by ignorant or malicious neutrals that it is "holding down" India, it is nevertheless true that the contrary view has obtained firm footing among wide sections of Hindu opinion. The Viceroy has declared his intention to go on trying for a compromise. He must receive every possible assistance from Westminster. That assistance might well take the form of declaring what the Government are prepared to do (i.e. broadly to accept any solution on which there is substantial agreement in India) instead of repeating what they will not do. Negation, even with justice on its side, gets nowhere.

* * *

South Africa's War Effort.—Since General Hertzog resigned both the premiership and the leadership of the United Party on the neutrality issue he has made no pretence of bowing to the majority decision, but is actively engaged in denouncing General Smuts for allowing "British-thinking jingoes" to drag the Union into a war and even talks of a "possible secession from the Commonwealth." Dr Malan, leader of the dissident Nationalists, has joined General Hertzog to form a United Afrikaans front with the propaganda appeal of "the Afrikaans nation sacrificed to selfish British interests." Actually (as usual in Nationalist politics) an air of unreality clings to the whole affair. If General Smuts' action in "plunging South Africa into a war" is examined in greater detail it will be found to fall far short of total immersion. The South Africans are limiting their military activity to the defence of the Union with a possible extension to other British territories in Africa, although the Nationalists reserve the right to fight this. General Smuts gave the key to the South African plan of campaign when he announced on September 7th that "it is for the Union to give its physical support. . . in all questions of trade, finance and shipping." He elucidated the position more fully on November 4th, when he announced that as a result of South Africa's neutrality "an era of prosperity was dawning," and he expressed his surprise at the Nationalists' objection to a state of affairs in which "with Great Britain buying South African products and the British Navy protecting South Africa's shores and conveying her ships, markets remained open." Others might well share the General's astonishment, but is the objection really so fundamental? Even General Hertzog has declared he did not wish to break all links with Britain, and even a 100 per cent. Afrikaans domination could hardly compensate the material losses bound up with breaking the British connection.

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THE WORLD OVERSEAS

Wartime Trade in South-Eastern Europe

(From a Correspondent)

THE countries of South-Eastern Europe have without exception remained neutral. So far their decision has not given them the advantages of neutrality or opened up any clear prospect of such advantages in the near future. Feeling in the business world there is naturally depressed.

The problem confronting them is no easy one. They must maintain deliveries to Germany and accept the risk of not getting paid, or else they must limit deliveries and face the danger of political or even military reprisals. Their trade relations with the Western belligerents are comparatively insignificant, while business with Poland, too, must now be taken as on German account. In 1938, the picture was as follows:—

SOUTH-EAST EUROPEAN TRADE WITH THE BELLIGERENTS IN 1938

	Imports from		
	Great Britain	France	Germany
	(Percentages of total imports)		
Bulgaria	7	4	58
Greece	13	1.5	31
Hungary	6	1.5	48
Roumania	8	8	50
Turkey	11	1.3	50
Jugoslavia	9	3	50

	Exports to		
	Great Britain	France	Germany
	(Percentages of total exports)		
Bulgaria	5	1.5	63
Greece	8	3	41
Hungary	8	2	50
Roumania	11	5	36
Turkey	3.5	3.5	46
Jugoslavia	10	1.5	50

There is, of course, a demand in the belligerent countries for the foodstuffs and raw materials of South-Eastern Europe. In Germany the demand is urgent. But, although South-Eastern Europe has an abundance of food and immense natural riches, a sudden epidemic fear of shortage has broken out. Rationing has been imposed on certain articles, coming chiefly from abroad, such as petrol, newsprint and sugar, while in Greece even supplies of butchers' meat and biscuits have been curtailed. Nearly everywhere an inventory of stocks of important goods has been called for. In most of the countries extensive export prohibitions have been decreed. In Yugoslavia permission must be obtained for the export of many agricultural products, timber, mining products, chemicals, leather and metals. Apart from fruit, wine and eggs, practically the entire export trade of the country is forbidden. Even before the outbreak of hostilities Bulgaria had partly decreed a comprehensive export prohibition, affecting all articles in which any export trade worth mentioning had been taking place. At the outbreak of war, Greece placed a general embargo on exports, but later modified it to permit the export of wine, figs, olives and olive oil.

The trend towards more stringent and centralised control of exports is still growing, while stocks are increasing alarmingly in spite of the favourable sales possibilities. The present situation cannot last. Even in wartime Germany is keeping up lively commercial-political activity; she is sending economic delegations to all the South-Eastern European capitals, and is prepared to make bulk purchases. In Roumania, where there is the formal question of extending the German-Roumanian agreement concluded in March, Germany has achieved some successes; and some positive gain to her may also result from the wartime trade agreements which her delegates are now negotiating.

Whether the results will be an asset to South-Eastern Europe is more than doubtful. Trade with Germany is based

exclusively upon the clearing system; that is to say, payment is made by deliveries of German goods. The agrarian South-East tends to be swamped with German dyestuffs, aspirin, typewriters, electrical apparatus, and so on, for which there is only limited use. Even tractors are of small use on account of the peasant style of agriculture and motor cars are not very useful in view of the state of the roads.

This was what happened under the clearing system in peace-time. Under the compulsion of altered circumstances it is possible that the South-East may be willing to accept payment in high-class German products, but it is pretty certain that Germany is not in a position at present to export large quantities of road-building machines or artificial manures, and there is some anxiety about a possible decline in quality. These were the facts which resulted in the breakdown of economic negotiations between Germany and Yugoslavia.

Stubborn Advance

Nevertheless, it must be clearly borne in mind that Germany has still an indisputable advantage in South-Eastern trade. This is due to three circumstances: to the successful intensification in recent years of her South-Eastern commercial interests; to the much improved transport conditions; and, strangely enough, to Germany's currency technique—which still produces the effect of a stable mark in clearing business, whereas the pound sterling and the French franc show a depreciation of about 15 per cent. Every advantage once gained is stubbornly defended, and, furthermore, the Nazis have not been satisfied merely with buying and selling. They have opened shops everywhere, in many cases entrusted with unofficial Gestapo and consular functions. They have gained influence in banking—in which they have recently been greatly helped by the automatic affiliation of Austrian and Czechoslovakian banks controlling South-Eastern interests. They have established personal contacts by flooding the territory with commercial travellers, and by sending engineers and mechanics with every sizeable delivery of machines. Such close relations are bound to prove firm even in wartime, though the willingness of the one party may steadily diminish.

Trade with Germany can be carried on entirely by railway—away from submarines, blockades and high insurance rates—and it is certain that Germany will endeavour to supply the necessary wagons wherever German interests have to be maintained. Nor can the significance of the Danube as a means of transport be forgotten. Traffic on the Danube proceeds without hindrance, and is also being speeded up by means of rapid motor-boats—though, in very cold weather, the river freezes over and stops all traffic.

Trade with Western Europe is very different. Part of the trade between the westerly Balkan countries and Western Europe might perhaps be carried on over the expensive railway route through Upper Italy and France. But, even if the high railway rates could be absorbed in the price, there would still remain the increasing demurrage due to congestion of the railways—especially in France.

Moreover, the problem is perhaps even worse on the import side. That portion of overseas raw material imports to South-East Europe, such as rubber, cotton, metals, etc., which used to be trans-shipped at German ports, must now find some other route. Only Belgian and Dutch ports are possible and, if the goods came on by German railway, the English blockade control might be made more severe. There remains only the complicated and expensive railway route through France and North Italy.

It is probable that an attempt will be made to direct overseas transit trade to South-Eastern Europe through Italian ports, particularly as close relations have for a long time existed with Trieste. In order to cope with this task, the Italian harbours, railways and other means of transport would have

to undergo modifications. No great change can yet be discerned in shipments through Italy for South-Eastern European account.

Currency Policy

Finally, a crucial factor in the development of South-Eastern trade is the depreciation of the pound sterling. Some of the currencies of South-Eastern Europe were more or less tied to the pound, and inter-State trade was often invoiced in pounds. The South-Eastern countries reacted to the fall of the pound in very different ways. Greece formally retained its attachment to the sterling block by depreciating the drachma in proportion to the decline of the pound, i.e. by causing a corresponding rise in the other currencies. This is the more remarkable, because Greece has to import many important articles of food and most raw materials. Bulgaria, on the other hand, has neither depreciated the pound nor raised the rates of other currencies, though whether this artificial parity can long be maintained remains to be seen. In Roumania, too, all official exchange rates have been kept unaltered, but a portion of the trade in foreign currencies can be carried on in an open market. Hungary has struck a compromise by dropping the exchange rate of sterling by 6 per cent. and raising other foreign currencies by 9 per cent., so that the pound-dollar exchange is exactly the same in Budapest as it is in the other international money markets.

The most important decision was taken by Yugoslavia, which has completely severed itself from the pound; all exchange rates in Belgrade were maintained, except those of the pound and the French franc, which were dropped by 15 per cent. This is significant, in view of the economic negotiations which are to take place between England and Yugoslavia. It would appear that Belgrade is so optimistic about the possibilities of exports to Great Britain that it is believed exportable surpluses can easily be sold at a dinar exchange rate advanced in relation to sterling. At the same time, the new rate is designed to procure cheaper raw materials from abroad.

The war has so far caused disturbance to South-Eastern European trade. Relations with most foreign connections, whether customers or suppliers, have been dislocated. An attempt will be made to maintain established relations as far as possible, and it will certainly be feasible in wartime to dispose of surpluses of agricultural produce. But it must not be forgotten that South-Eastern Europe as a whole is very largely self-supporting. It produces foodstuffs, timber, metals, mineral oil, raw materials for textiles, etc., and there is considerable industrial capacity. It will not be surprising if the steady political *rapprochement* between all the South-Eastern and Balkan countries also grows into close economic co-operation.

Wars and the China Trade

[FROM OUR HONGKONG CORRESPONDENT]

HONGKONG is adapting itself to a new set of wartime conditions. For over two years its trade has been subject to fluctuating circumstances in China, and its life affected by the influx of refugees. The war in Europe has now brought trade under Government control; and the disruption of shipping, the sharp rise in freights and insurance charges and the restriction of exchange are all factors interfering with the normal course of commercial life. Older residents cast their minds back twenty-five years and find history repeating itself in many respects. The censorship of letters and telegrams, the control of shipping, the internment of enemy aliens, the liquidation of enemy firms and the alleged profiteering in provision stores, are all instances of this.

On the other hand, Japan is no longer an ally. There is no German Far Eastern fleet to menace the Colony; and, with greatly increased defences and a larger garrison, there has so far been no reason to mobilise the Volunteer Force. The last European war brought an era of prosperity to the Colony which ended abruptly when the world depression of 1920-21 set in. With a hinterland suffering through warfare, and access to it barred by the invader, the position of Hongkong's entrepôt trade is vastly different now from what it was in 1914-18. Then China was an expanding market, and with the disappearance of German influence—that is, until the onset of Japanese competition—British merchants had the field almost entirely to themselves.

It is true that the import trade was handicapped in the last war by ever-rising prices and short supplies, but, as world

commodities increased in value, so did bar silver, on which was based the currency of China. The rise in the value of the Chinese dollar would normally have discouraged exports, but world scarcity kept up the demand for China produce, and real wages were scarcely affected by the abnormal conditions outside China. To-day, the entrepôt trade of Hongkong is not likely to revive so long as South China remains occupied territory. The main hope for the Colony rests in its local industries, which continue to expand and may find new markets hitherto supplied from Central Europe.

The Home Government's wartime measures for the control of exchange and trade within the Colonial Empire have been relaxed in the case of Hongkong, in order to avoid disturbing the entrepôt trade and financial machinery of this Colony. The local Government has power to acquire foreign exchange from British subjects, but it is not proposed to interfere with legitimate transactions for financing trade, and with the co-operation of the principal British and foreign banks the Government hope to suppress speculation in exchange. Then again, it has been found impracticable to set up a system of licensing imports and exports, but in order to discourage import business which may involve drawing on the Empire's exchange resources, duties on petrol and foreign wines and spirits have been appreciably increased; and it is intended to check the import of certain articles of luxury, unless it can be proved that they are destined for markets outside the Colony.

The Cost of Defence

The normal Budget for 1940-41 has been introduced, together with a special wartime Budget. The former covers 15 months and shows a small deficit. The estimates for 1939 were drawn up on the assumption that trade would decline considerably, but so far the figures have been very little below the level of 1938, and the revenue of the Colony is expected to amount to over \$40 millions (\$1=1s. 3d.), or about 10 per cent. above the original estimate. The surplus fund amounts to about £13½ millions, and for the moment the financial position of the Colony is a happy one.

The special wartime Budget aims at raising about \$10 millions, part of which will be used to meet the expense of local defence and the remainder, some \$7 or \$8 millions, paid direct to the Imperial Exchequer as a war contribution—in addition to the normal military contribution of \$6 millions per annum. To meet these proposals the Government has decided to introduce an income tax for the first time in the Colony's history, and considerable opposition is already apparent.

Previous suggestions for the introduction of an income tax have always met with the objection that it would be borne mainly by the European community and that, besides wholesale evasion by the rich Chinese, it would lead to a flight of capital. The latter objection can now be ignored, since the control of exchange will presumably prevent any transfer of funds. The successful working of collection will depend upon the efficiency of the officials responsible for organising the necessary departmental machinery. They will be without expert supervision, as, owing to the war, the original intention of bringing an expert out from home has been abandoned. The Government can be credited with having studied the income tax problem in all its aspects, but they will find

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it difficult to persuade the community that the expense of collection and the possible disturbance to trade and capital justify the venture.

October 19th.

American Labour Costs

[FROM OUR NEW YORK CORRESPONDENT]

ON October 24th, the second stage of the Wages and Hours Act took effect. A year ago, the first stage fixed the maximum working week at 44 hours, and the minimum wage at 25 cents an hour. At that time, the index of production was below 100; few concerns were working a longer week than 44 hours; and it was estimated that only about 300,000 persons were affected by the minimum wage. So the first step was taken without perceptible disturbance.

The second step prescribes a maximum working week of 42 hours and a minimum wage of 30 cents an hour. The index of production is now somewhere about 115-120; it is estimated that concerns employing between 12 and 13 millions come within the provision of the Act, but of these only 2 or 3 millions are affected by the shorter week; and only about 700,000 are affected by the minimum wage provision. While the change is too recent to have shown any consequences, the Press has not reported any particular fears, though it may be remarked parenthetically that the metropolitan Press has been so pre-occupied with foreign affairs that domestic developments have received small attention.

As this Correspondence has suggested from time to time, the theory of the short working week has been widely accepted in America since 1930. During the early years of the depression, in the form of the spread-the-work movement, it had some success in providing employment—although it resulted in a low weekly wage and, probably, a somewhat higher labour cost. In the recovery, its influence was less traceable, for the short week was lengthened gradually, while the more effective organisation of labour pushed hourly wages up rapidly. In this way, weekly wages climbed back to the pre-depression level for a shorter week.

But, over most of the period since 1930 (indeed, over all, except for the brief interlude of the winter of 1936-37), the American economy was operating at so low a level of activity that comment could not go beyond conjecture. By and large, the American mass-production economy has an extremely large investment in plant and equipment per worker; and this equipment was installed on certain hypotheses of "normal" operations. Below this level "normal" cost calculations are disturbed, and when this set of calculations was further affected by a drastically shortened week (whether by convention, bargain or law) and rapidly rising hourly wage rates, it was not easy to fix the cause of the ensuing or attendant phenomenon—the persistently low profit margin.

The present time may afford a clearer test. The level of industrial production has approximately regained that of the winter of 1936-37; hourly rates are about what they were then and have recently been fairly stable (in contrast to the fast upturn three years ago); and the current legal

week is about the same as the conventional week was then.

The immediate consequences on workers' earnings and on labour costs are not self-evident, and there has been surprisingly little analytical comment in the Press. The 42-hour week is not a convenient unit, as our industry is set up, for it neither fits the week of five 8-hour days nor the Saturday half-holiday. A fair number of concerns had worked the 44-hour week, and these will presumably either try to adjust to a 40-hour week or retain the 44-hour week with two hours of overtime. The increase in minimum hourly wages benefits fewer than one worker in 15, and these are rather concentrated in a few industries. Any general move to the 40-hour working week would mean a reduction in weekly earnings for far more workers than those whose wages would be raised. On the other hand, two hours of overtime would represent some increase in unit labour costs, unless—and this may be decisive—the recent increase in demand and rise in prices introduced compensatory factors.

The economy is neither so active as to be assuredly capable of absorbing increased costs nor so inactive as to make adjustments categorically impossible. The change is therefore inaugurated under rather auspicious circumstances, and for that reason more conclusive comment may be possible later. American economic thinking has in general been so fascinated by such glamorous subjects as cyclical budgets, spending programmes, excess reserves, and so forth, that so prosaic a subject as labour costs has sometimes seemed too pedestrian to deserve the attention of the Muse of Economics.

Boom in Building

The September business indices contain no surprises, as the earlier weekly data had caught the main features.

BUSINESS INDICES
(1923-25 average = 100)

	Adjusted for seasonal variation		
	1938	1939	Sept.
Industrial production (total)	90	103	p110
Manufactures (total)	89	104	p110
Durable	69	92	p103
Non-durable	107	115	p117
Minerals	97	91	p110
Construction contracts, value (total)	78	73	p79
Residential	56	67	p73
All other	96	78	p83
Factory employment (total)	89.9	95.6	...
Durable goods	76.4	84.8	...
Non-durable goods	102.7	105.9	...
Factory payrolls (total)	81.6	89.8	...
Durable goods	68.1	81.6	...
Non-durable goods	96.7	99.0	...
Freight-car loadings (total)	64	70	77
Miscellaneous	69	74	82
Department store sales (value)	86	89	p92
Department store stocks (value)	67	68	...

p Preliminary.

The residential building figure is worth noting—about 40 per cent. above the rather high level of a year ago. It is estimated that above 450,000 dwelling units will be constructed this year—mostly single family dwellings. There is a fair chance that the number of single family dwellings built this year will equal or surpass the best year of the 20's, though not the total number of residential units built then. Considering the rapid drop in the birthrate in recent years, this is an achievement of no small proportions.

October 27th.

Economic Strain in Holland

[FROM OUR AMSTERDAM CORRESPONDENT]

ALREADY, less than two months after the outbreak of hostilities in Europe, it is only too evident that the war is leaving its mark on the financial and economic structure of neutral Holland. For mobilisation the Minister of Defence has submitted a Bill to Parliament authorising an increase in the Defence Budget of 100 million guilders. The bringing of the mobilised forces on to a war basis and their main

War Economy in Sweden

[FROM OUR STOCKHOLM CORRESPONDENT]

THE aggressive attitude of the Soviets in the Baltic has naturally weighed on the economic situation of Sweden. We are being forced to bear substantial material sacrifices in order to strengthen our defences against all eventualities.

To supply war material and maintain under arms an adequate force until January, 1940, the Government needs supplementary revenue amounting to about kr. 600 millions (£ = 16.80 kr.); but, in view of the soundness of Sweden's State finances, this can be raised without much lowering the standard of living of the people. From State funds and various reserves nearly kr. 200 millions are available, while the rest of the deficit will be met by direct and indirect taxation and by public loans.

As the political situation has brought pressure on the bond market, interest rates have gradually risen and a new public loan can hardly be issued at a lower rate than 4 per cent. net yield.

The rising interest rates and rising prices for iron and steel products have caused a setback to the building industry, which for several years has been our main economic support. An investigation of the building market under prevailing circumstances, carried out by the Social Board, has revealed a decline in building activity, after the outbreak of war by 58 per cent. compared with the corresponding season in 1938.

Active Trade

Foreign trade in September was unexpectedly well maintained, particularly with regard to pulp and timber—our principal staples. Aggregate exports in September were valued at kr. 131 millions, compared with kr. 154 millions in September, 1938; and aggregate imports at kr. 179 millions, compared with kr. 178 millions. Exports of chemical pulp amounted in September to 199,000 tons, against 131,000 tons in September, 1938; but sales of mechanical pulp had contracted from 29,000 tons to 18,000 tons. Exports of pulp and timber to Great Britain and France have naturally suffered from German blockade measures. Since the beginning of the war the Germans have sunk 13,727 tons of Swedish shipping, or about 0.87 per cent. of Sweden's merchant fleet, the total draught of which is 1,582,000 tons.

In spite of war economy, business activity is so far keeping up well, though all import prices are rising, largely on account of exceptionally high shipping costs. Thus the freight index compiled by the Svenska Handelsbanken (based on average 1935 = 100) jumped in September from 125 to 289 and in October to 481. The wholesale price index rose in September from 111 to 118 and the cost of living index from 107.3 to 108.4 and in October to 110.1. Industrial employment is still satisfactory. The number of registered unemployed in September was 7,100, which is normal for this time of year.

November 4th.

Higher Cost of Living

Retail prices are undeniably showing a pronounced tendency to rise. This applies not only to such products as cheese, butter and margarine, but also to soap, petrol, wool, etc. The cost of living has risen, too.

INDICES OF PRICES AND THE COST OF LIVING, 1939

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.
General	70.2	69.9	69.8	69.8	70.0	69.9	70.1	70.5	75.4
Raw materials	53.5	54.2	54.9	54.8	55.8	56.8	56.5	56.8	66.8
Finished products	74.5	74.3	74.5	74.6	74.8	74.8	74.6	75.4	78.8
Food	73.6	72.4	70.8	70.6	70.4	69.2	70.6	70.3	74.7

Wholesale Prices (1926-30 = 100)

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.
General Index	138.2	138.2	138.2	138.2	136.0	136.0	136.5	139.1	139.1

There was a tremendous increase in the volume of retail trade during the first month of the war. Already the Government has had to ration sugar, and—with the object of conserving supplies of petrol—maximum speed limits for motor vehicles and the prohibition of Sunday motoring have been enforced. The price policy of the Government is directed primarily at preventing any unjustifiable rise in the cost of living. In addition to supervising rents and fuel prices, special attention will be devoted to the prices of all primary means of subsistence. In the present stage it is impossible to say whether it will be necessary for the Government to supplement the present policy by more rigorous measures.

More Unemployment

Under present circumstances, numerous enterprises are experiencing difficulties in securing necessary raw materials and in finding export outlets for their products. Agriculture and market gardening are experiencing the latter difficulty particularly keenly, and are undoubtedly passing through a critical period. These conditions have inevitably resulted in a slight increase in unemployment—despite the fact that so many men have been called to rejoin the colours. The number of unemployed persons registered at the Labour Exchanges was 189,500 in the week ended August 26, 1939; 201,200 in the week ended September 16, 1939; and 203,400 in the week ended October 7, 1939—it should not be overlooked, however, that unemployment always tends to rise in the autumn.

Exports Nearly Halved

The outbreak of war has been very adverse to our foreign trade. Obstacles to transport by land and water; insurance difficulties; the embargoes proclaimed in many countries immediately on the outbreak of war; delays in the issue of export licences from here and abroad; all these have combined to curtail imports and exports to a serious extent. In the first month of the war exports suffered to a proportionately greater extent than our imports. From 92,050,000 guilders in August, the value of exports receded to 66,350,000 guilders in September—a fall of about 28 per cent. In comparison with last year the drop was still larger, exports being 35 million guilders down when compared with September, 1938. To find a September with such low export figures one has to go back to 1935.

Imports, however, declined to a far smaller extent, the value dropping from 126,867,000 guilders in August to 106,066,000 in September—a decline of 16 per cent. The decline compared with September, 1938, was lower, too, being only 10.8 million guilders.

Foreign trade not only declined in value but also in volume. For September the total volume of exports was only 668,000 tons (last September it was 1,262,000 tons)—a fall of 45 per cent. The volume of imports fell from 2,317,000 tons in August to 1,942,000 tons in September—a decline of 16.3 per cent.

October 25th.

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Germany at War

(An objective account of economic trends in the Reich compiled weekly by the editorial staff of The Economist from German and neutral sources.)

AGREEABLE surprise is being expressed that the course of the war so far has allowed the very rigid plan for War Economy to be relaxed. It is being said that the economic agreement with Russia and the fact that several important substitute industries are beginning operations in the coming winter have together made it possible to maintain much more production for civilian purposes than was originally intended. It is even being claimed that stocks of raw materials will be sufficient to meet the additional war demand until 1941-42. Actually, of course, if War Economy has not yet been fully needed, it is because large-scale warfare has not yet started.

Industry is scarcely so satisfied. There are complaints that factories cannot be regimented like infantry battalions. There are protests that small and middle-sized factories are not being fairly treated in the distribution of orders; and the advertisement pages of the Press every day contain announcements by firms that they are willing to do this or that war work. Industrialists are also anxious about the levelling-down of profits and wages. An article in the *Frankfurter Zeitung*, while agreeing that sacrifices all round are imperative, pleads that fair profits and fair wages are essential for efficiency.

* * *

Financial Policy.—After the suspension of the issue of tax certificates, the first big capital issue, amounting to Rm. 500 millions for the State Railways, has been followed by two important industrial loans. The *Kloekner Works* (iron and steel, motors, airplanes, and machinery) have issued a loan, amounting to Rm. 4 millions, the second part of a total loan of Rm. 12 millions. The market absorbed this loan without difficulty. The first part of Rm. 2½ millions of another industrial issue, which will eventually amount to Rm. 10 millions, was made by the leading smelting company, *Frankfurter Metallgesellschaft*.

Conditions in the money and capital market in Germany show every sign of a plethora of money and capital. Various explanations are being put forward. The Press agrees on two causes: first, the suspension of tax certificates; and, secondly, the long pause in issuing industrial loans. The official Reichsbank returns (recorded on page 231) certainly justify talk about a plethora of capital. Discount rates on daily maturing bills were also exceptionally low during the last week in October, ranging from 1½ to 2½. The true causes are clear: consumption is strictly rationed; and there is some inflation.

One interesting point is that tax certificates may still be used by industrialists to make remittances to other industrialists. The question is now being debated whether a substitute—*ersatz*—will be provided for the tax certificates. The special bills (*Wehrmachtverpflichtungsscheine*) which were instituted early in the war for the fighting forces to meet their payments (*The Economist*, October 14th, page 52) have been limited to Rm. 500 millions. It is generally assumed that at present no new bills will be necessary because the Government has been able to meet all financial requirements from ordinary revenue and the issue of Treasury bills. It is being forecast that revenue will rapidly increase, and the latest figures relating to the second quarter of the current financial year are adduced in evidence. Total revenue in the quarter amounted to Rm. 6,179 millions, against only Rm. 4,633 millions in the second quarter of the financial year 1938-39.

* * *

Wages and Labour Conditions.—It is now possible to give some account of the numerous wartime decrees regulating wages and social services. On September 4th wages were generally reduced to the level of 1936. A decree dated September 27th suspended holidays, and double wages as a substitute for holidays were forbidden at the same time. The saving, it was laid down, should be used to bring about reductions in prices. Here the point is that, until the saving is used to lower prices with the consent of the Price Commissar, it must be paid into the Treasury. Another decree suspended the laws restricting working hours for women as well as for adolescent workers. The need to get official permission before changing jobs was made general for all trades. The Trustees of Labour were given extended powers to

regulate wages; and the decree of March, 1939, making all Germans liable to compulsory labour services, was amended to apply to short-term and long-term emergency services. On October 27th wage rates were completely stabilised.

It is interesting to notice that, in the case of workers on short time, benefit payments are being made to bring their earnings up to half their normal average earnings in a fortnight of 80 hours' work, with a 10 per cent. addition for each dependant up to a maximum. There is no means test; and the fact that these payments are being extended to more industries suggests that there is a good deal of short time.

One feature of social policy is an extensive medical service at the factories. In all important factories workers are being regularly examined to prevent a falling off in efficiency. Doctors trained in industrial psychology are also being called in to advise managers as well as workers on suitable transfers to jobs vital for War Economy. Goldsmiths and watchmakers, for example, are being thus transferred to armament industries.

* * *

Food Supplies.—There is great optimism about the deal with Russia to send one million tons of feeding stuffs. If delivery is made, Germany will be able to use these cereals to alleviate the shortage of fats. She has already concluded an agreement for the supply of her normal requirements of cereal feeding stuffs from Roumania. These Russian supplies would be sufficient for fattening an extra 2 million pigs. Germans do not forget the large-scale slaughter of pigs in 1915 (8 millions, or 32 per cent. of the total pig population) for lack of feeding stuffs, which also caused a fall in the number of dairy cows from 9.5 millions to 8.1 millions. The significance of the deal with Russia may be appreciated from the fact that the average import of feeding stuffs (excluding oilcake and pulse) amounted to 1,421,000 tons during the years 1935-38.

The shortage of skilled labour in agriculture is still serious. Appeals for increased output are numerous, and meanwhile harvesting potatoes and sugar beet is proceeding very slowly. For the next rationing period, due to begin in the middle of November, certain increases have been announced, because of the relatively favourable development of food supplies.

* * *

Trade and Transport.—The export drive is being steadily pursued. Preparations are being made for standardising export goods in order to increase output for export purposes. Advertising and export propaganda have been centralised by the *Deutsche Werberat*, a committee for advertising and economic propaganda. Meanwhile, the prolonged trade discussions with Switzerland have been concluded. Switzerland undertakes to make advances against the blocked clearing account. Coal and iron are excluded from the clearing and included in a new compensation scheme. Considerable pressure seems to have been exerted on Belgium for increasing trade with Germany.

The transport situation is still difficult. Large numbers of experienced railway workers and engineers have been drafted to Poland. Through services via the Polish Corridor are already running over two temporary bridges crossing the Vistula. Direct communications between Berlin and Cracow have been resumed, but the railway from Poznan to Warsaw is still not running. In Germany reductions in freight rates for iron ore and coal on inland waterways have been decreed, and rates for coal to Baltic ports have been reduced to three-fifths of the normal rate. The number of private cars allowed to run has been definitely restricted to 15 per cent. of those on the roads before the war.

* * *

Cellulose.—One example of the increasing use of substitutes is the cellulose industry. The consumption of fir for manufacturing cellulose has fallen from 40 per cent. in 1935 to 25 per cent. in 1938. Pine, beech and straw have been substituted for fir. Now experiments are being made with maize-straw, ordinary reeds and potato leaves. The annual demand for cellulose for textile fibres is expected to increase to 400,000 tons.

Books and Publications

Understanding Italy

READING Miss Hentze's well-written account* of that misbegotten experiment, the Italian parliamentary regime, which reached the climax of its inefficiency in the years preceding 1914, one is chiefly struck by the comparison with the Italy of twenty-five years later. The mistakes, misjudgments, misunderstandings of Parliament had brought a divided people, their pride unshielded in any way from the disillusion which was to befall them, into a war which few of them understood and scarcely a majority of them wanted. That might not have been disastrous if there had been a continuity of leadership capable of carrying out an intelligent foreign policy, well enough informed to foresee its implications, and sufficiently strong-minded to weather temporary unpopularity. Reality was all the other way; and it was not for nothing that the post-war Italian Chamber was astonished to hear Mussolini devote one of his earliest speeches in their presence to a dissection of Italian foreign policy and a discussion of what it ought to be. The tradition of Depretis, that foreign policy was an irrelevant luxury, was woven into the later, still more disastrous, tradition of Giolitti, that parliamentary democracy meant anything except convinced co-operation; the fabric would have muffled the most excellent of intentions, and gagged, as it did Salandra and Orlando, the most liberal-minded of men. If there had been no strong man it would have been necessary, as many regretfully saw, to invent one; though that does not mean to say, of course, that Mussolini's development of full-blooded dictatorship, accompanied by rigorous civil repression, was what the country most needed. Alongside Giolitti's *trasformismo*, the dictatorial regime can make a very good showing, but it is still debatable whether the spirit of Italy that was cast at Caporetto and tempered in the battles of the Piave and at Vittorio Veneto could not have borne a finer flower, even in face of post-war disillusion, than it has. The Italians of to-day hold aloof from war for reasons which, at bottom, are not vastly different from the hesitations of 1914, but they do so with few of the dangers that they ran then. To shield their pride and foster their self-confidence they have *l'Italia imperiale*, and, what is far more important, they have decisive leadership. They have to-day that continuity of foreign policy which they so sorely lacked in the thirty or forty years before the last war; in refusing to accept Poland as a *casus belli*, they can meditate on the Mediterranean as *vita, non via*, and it is the peculiar merit of Mussolini to have reckoned always with that excess of moral fervour in which Italians, at moments of crisis, are wont to find justification. For an understanding of Italy's position in 1939 it is necessary to know what it was in 1914. Miss Hentze provides an answer.

* "Pre-Fascist Italy." By Margot Hentze. Unwin. 394 pages (with Index). 16s.

Shorter Notices

"Oils and Fats: Production and International Trade." Two volumes, No. 4 and No. 5 in the series. *Studies of Principal Agricultural Products on the World Market*. Published by the International Institute of Agriculture, Rome. Volume I: Vegetable Oils and Fats, 345 pages, L.25. Volume II: Fats and Oils of Animal Origin. Production and consumption of fats in leading importing countries, 423 pages and 14 diagrams of international price developments, L.25.

These two volumes provide an exhaustive survey of fats and oils. The entire field of oil plants, oil trees, oilseeds, and animal fats and oils is covered in six sections. An extremely useful attempt to estimate total world production, world trade, and world consumption reveals the importance of oils and fats in the economy of all countries. During the last four decades the production and consumption of vegetable oils have both steadily increased. New methods of refining have made more vegetable oil available for human consumption, and the industrial consumption of vegetable oils has steadily

fallen. Mineral oil and its by-products have been substituted for vegetable oils. Since the Great Depression vegetable oil has been competing more intensively with animal fats, i.e. butter, lard, and tallow. Margarine, which once contained a high percentage of land animal fats, is now almost entirely manufactured from whale oil and vegetable oil. The policy of agricultural self-sufficiency in Europe has had a very marked influence on the international trade in fats and oils. Great Britain became the last free market for butter imports, and in the United States of America Government measures have affected the production of lard. But there has been very little change in the leading exporting and importing countries. Argentina, India, Manchukuo, the South Sea Islands and Africa provide the bulk of exports, and the leading importing countries are Great Britain, Germany, France, Holland, etc. With Denmark the British Dominions have become the most important butter exporters. These two volumes furnish a vast amount of statistical material, and their value would increase if certain tables could be revised. The export figures for lard (on page 105, volume ii) show a misprint for 1934. The 1935 maize imports of Austria (on page 87, volume ii) should read 386.9 instead of 3,869.8. But every student of the fat and oil markets of the world will look forward to a continuation of the valuable tables for 1937 and 1938.

"Loose-leaf War Legislation." Edited by John Burke. Hamish Hamilton (Law Books) Limited. Weekly parts. 5s. per part.

In wartime it becomes at once more difficult and more necessary for all citizens to attempt to convert the legal fiction that the subject knows the law into something approaching a practical reality. The attempt, in so far as it is aimed at grasping the whole mass of emergency Acts and statutory rules and orders, is obviously doomed to failure. A practical compromise is some kind of tabulated guide to which individuals may turn for the terms of Acts by which they are particularly affected or for a definite signpost to orders-in-council which they may require. Such a guide is provided by the above publication, which represents an intelligent and imaginative attempt to meet a wartime need. It includes, in its weekly parts, the full text of emergency Acts and numbered and classified lists of statutory rules and orders. The difficulty of constant alterations and additions to existing measures is surmounted by a resort to the loose-leaf principle. Such a combination of enlightened enterprise and practical ingenuity deserves success.

Books Received

- World Economic History Since the Great War.* By J. P. Day. (London) Macmillan and Company. 161 pages. 3s. 6d. net.
- Business Cycles.* By Joseph A. Schumpeter. Two volumes. (London and New York) McGraw-Hill Publishing Company. 66s. the two volumes.
- Ethiopia. An Empire in the Making.* By F. Quaranta. (London) P. S. King. 120 pages. 7s. 6d. net.
- The Incidence of Income Taxes.* By D. Black. (London) Macmillan and Company. 314 pages. 12s. 6d.
- Strategic Mineral Supplies.* By G. A. Roush. (London and New York) McGraw-Hill Publishing Company. 485 pages. 33s. net.
- The Economics of Soviet Agriculture.* By L. E. Hubbard. (London) Macmillan and Company. 316 pages. 12s. 6d. net.
- The Evolution of the Classical Wage Theory.* By M. T. Wermel. (London) H. Milford. 190 pages. 14s. 6d. net.

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THE BUSINESS WORLD

Utilities Under Pressure

IN the first month of war, gas and electricity supply shares showed a fall in values which the benighted townsman can readily understand. Between August 22nd and September 26th the Actuaries' index of gas stocks fell from 95.4 to 85.1, while the electricity share index fell from 112.8 to 91.5. Compared with a decline in the equity index from 58.9 to 51.8 these are serious falls. Some recovery has followed the withdrawal of domestic rationing, especially in electricity shares, the index of which stood at 99.3 on October 31st, but last week's statement of the six main London gas companies shows that the market's apprehensions regarding gas stocks have been fully justified. Few generalisations apply consistently to all gas and electricity companies. The investor can only examine for any particular company the effects of the factors which at present affect all utilities: the black-out and its secondary effects, such as the extension of summer time and the shortening of shopping hours; the company's area, on the assumption that evacuation areas will be the worst hit unless they are also industrial areas; its type of load—that is, the relation of domestic to industrial consumption; and cost-price relationships and their consequences for ordinary stockholders whose dividends are subject to statutory regulation.

As in the Great War, there has been a tendency to exaggerate the effects of the black-out, for obscured lighting does not always involve extinguished lights. In 1937-38 street lighting absorbed only 1.5 per cent. of total electricity sales in units, but the proportion is as high as 5 per cent. for gas. Conclusions based on such an average will be misleading for individual companies with important street-lighting contracts, but it is worth recalling that in 1938 only 2.7 per cent. of the Gas Light and Coke gas revenues were derived from street lighting. In large towns, however, the reduced lighting load for shops and offices may have important consequences for the electricity companies. These cannot be precisely stated, but in 1937-38 23.2 per cent. of total sales, amounting to 7,081 million units by company undertakings, was for lighting, heating and cooking. The importance of the commercial user is even better illustrated by an analysis of sales amounting to 16,539 million units in 1937-38, of which 26 per cent. was consumed on domestic premises, 16 per cent. by shops and offices and 57 per cent. by factories. This analysis does not tell the full story, for domestic consumption pays a higher price. But granted the maintenance of the power

load and no sharp fall in domestic load—both reasonable assumptions—the consequences of the black-out alone do not seem serious for electricity concerns.

As for locality, one fact is clear: London is a depressed area. The most pessimistic investor can hardly have expected the outstanding fact in the London gas companies' detailed apologia which prepared the way for an increase of 2½d. per therm in price—that sales of gas in September fell by 25 per cent. Any corresponding gain which may have occurred in country areas can hardly compensate ordinary stockholders, even through the devious channels of holding companies. In northern industrial districts, where evacuation has not been on a large scale, demand may have been less seriously affected, but even here the indulgence granted to domestic consumers cannot be regarded as a permanent escape from rationing.

The load factor is no less important. Of total gas sales (in therms) 60 to 70 per cent. is supplied to domestic consumers (of which about three-quarters is used for cooking) and from 10 to 20 per cent. is used industrially, though the industrial use of gas is rising and varies very much between districts. On the other hand, some 45 per cent. of the total sales, by units, of electricity, is for power, though this proportion is lower than it was owing to the rapid increase in domestic consumption. But there are wide variations in the power load of leading electric supply companies, as the first of the accompanying tables shows. The broad hypothesis can be accepted that, after an initial period of dislocation, industrial requirements of electricity will be well maintained—again with the possible exception of London, whose light and semi-luxury industries are more largely dependent on peace-time prosperity. From the revenue point of view, however, electricity supplied for lighting, heating and cooking brings in most of the money. In 1937, 50.6 per cent. of working revenue of all companies came from this load. The trend of domestic consumption and revenues is indeed hard to predict, but if the depressing experience of the London gas companies is not necessarily typical of other large gas companies (the industrial load of Sheffield Gas, for instance, is as much as 60 per cent.), it should apply still less to electricity companies. But with a theoretical ration equal to last year's consumption, coupled with the probability of increased prices eventually, no increase in the remunerative domestic electricity load can be expected.

TABLE I. ELECTRICITY UNDERTAKINGS

Company	Total revenue 1938*	Ordinary Stock, 1938			Price		Power propn., 1937†	
		Earned	Paid	Rate	Aug. 23	Latest	Rev.	Units
		Amt.						
B'mouth and Poole	£'000 523.0	£'000 84.4	15.6	15	61/3xd	58/9	% 12	% 17
Clyde Valley‡	1415.5	266.8	11.3	8	36/3	33/9	71	85
County of London	5273.8	1037.5	20.6a	10½a	41/6	36/3	24	42
Metro. Elec. Supply	1948.6	353.5	11.8	12	45/7½	36/10½	27	37
Mid. Elec. Corp.	645.3	106.2	15.7	9	39/4½	36/3	68	89
Nth. Eastern Elec.	1509.9b	433.5	8.7c	7	29/6	27/6	65	88
Yorks Elec. Power...	1469.0	427.3	23.6	8	35/-	33/9	100	100

* Including investment or miscellaneous income. † Percentage of sales (other than bulk supplies) for power; calculated from Electricity Commissioners' report. ‡ Equity earnings shown after contingency fund allocation. (a) On old capital of £5,832,109. (b) Total profits. (c) After pref. participating rights.

TABLE II. GAS UNDERTAKINGS

Company	Revenue, 1938		Basic Rates		Ordinary Stock, 1938		Price	
	Total	Gas	Price	Div.	Earned	Paid	Aug. 23	Latest
					Amt.	Rate		
Commercial Gas ...	£'000 792.7	65	d. 11	5	£'000 73.3	4.1	4½	52½
Gas Light and Coke	13650.3	65	11	5	1065.9	5.6	5.6	17/-
Newcastle Gas	1,242.5	72	7.2	5	124.8	5.1	5	20/6
Sheffield Gas	934.7	96	7	5a	90.3	...	6½	135
South Met. Gas	3,942.6	67	11	5	372.5	5.6	5½	77½
South Suburban	1,526.5	67	11	5	98.1	6.5	6	103½
Wandsworth, etc.	1,701.9	67	11	5	88.4	...	7	109½

* Proportion of total revenue derived from gas; remainder chiefly from residuals and rentals. † This price per therm does not necessarily apply throughout the area. ‡ Includes rentals. (a) Or 7 p cent. on stock issued since 1929.

Both gas and electricity companies are experiencing a rise in costs whose limits cannot yet be foreseen. Coal has already risen substantially, and the London gas companies' statement also refers to such items (applicable also to electricity companies) as civil defence expenditure, the heavy increase in the cost of coal transport, and compulsory stock insurance. Yet, while it is important, even a substantial rise in the cost of coal does not decisively govern the price either of gas or of electricity. An increase in coal prices of 5s. a ton means an additional cost per unit of electricity (assuming 1.42 lbs. of coal per unit) of 0.038d., or assuming a production of 75 therms per ton of coal, 0.8d. per therm of gas. An increase in coal costs is thus more important for gas than for electricity companies. Many of the latter, moreover, are automatically protected by the coal clauses in bulk sales contracts, and increased revenue from the operation of these clauses may help to meet the higher costs of other items. For electricity companies, the difficulty is not, primarily, one of increased direct costs, but of spreading heavy standing charges over a smaller output or an abnormally distorted load. It lies, in fact, in the precise reversal of the conditions which have made for reduced charges in recent years. On the other hand, the heavy expenses incurred in recent years in promoting the increased domestic use of electricity should be largely saved.

For gas companies, as distinct from suppliers of electricity, revenue from residuals is important. The second of the accompanying tables shows the relation of rentals and sales of residuals of certain large companies to total revenue. It will be noted that in London rentals and residuals supply about one-third of gross revenue. Coke is the principal source of residuals revenue, but as supplies vary with gas production, any decrease in gas consumption would automatically reduce the volume of coke sales. Gas prices, moreover, are important not merely for their effect on the trend of consumption, but also for their relevance to equity dividends, under the basic price system. The limitations of this system of regulation of dividends are best described in the words of the Joint Committee on Gas Prices which reported in 1937: "The Basic Price system controlled not the price of gas, nor the profit, nor even directly the dividend. It controlled the authority to pay a dividend. . . ." The old sliding scale system was only suitable under stable economic conditions, and many gas companies during and after the Great War saw their dividends slide, if not out of existence, at least to low levels (although profits were available) owing to the sharp rise in the price of gas. In 1919, for instance, the Gas Light and Coke Company was forced to obtain statutory authority to pay a dividend of 3 per cent. Under the more modern basic price system (which makes use of average prices as distinct from the highest price charged to a consumer), ordinary stockholders may receive, in addition to a minimum permitted dividend, a proportion of the notional saving to consumers which is represented by the shortfall of actual average prices below basic prices. The company may not necessarily earn sufficient profits to enable it to pay the highest permissible dividend, nor need it take advantage of its full dividend powers even when profits are available. The increase in gas prices, however, has put the average for the six London companies well in excess of their basic prices, as shown below:—

	Prices per therm (d.)		
	Basic	New	Excess
Commercial Gas	11	12.50	1.50
Gas Light and Coke	11	12.25	1.25
South Metropolitan Gas	11	12.25	1.25
South Suburban	11	12.90	1.90
Tottenham and District	11	12.10	1.10
Wandsworth	11	11.50	0.50

In a full year, accordingly, these companies will be unable to pay more than the prescribed basic dividends on their ordinary stocks. Moreover, while there is no obligation to reduce dividends below the statutory minimum when prices are above the basic price, in practice a reduction would probably be necessary owing to insufficiency of profits. In this connection, it is well to note the London companies' claim that the price increase will not make good the loss of revenue.

A plan similar to the basic price system applies to London electricity supply companies, whose ordinary stockholders may receive in addition to a basic 7 per cent., one-sixth of the notional saving due to the excess of standard over actual prices. For other companies there may be a scale method of computing maximum dividends. Thus the ordinary stock of North-Eastern Electric Supply Company is entitled to a standard dividend of 8 per cent. subject to increase or reduction of ¼ per cent. for every 1¼ per cent. by which the average obtained per unit is below or above 2½d. In actual fact, sales in 1937 yielded 0.68d. per unit, but the dividend rate last year was 7 per cent.—actually below the standard. In contrast to the gas companies, indeed, the statutory limitation of electricity supply dividends is in most cases inoperative. The actual dividend is nearly always far less than the theoretical maximum which a company would be entitled to pay if profits or policy permitted.

Broadly speaking, gas companies emerge less favourably than electricity companies from this first estimate of the effects of war. There is scarcely any aspect of war from which they can gain substantially. Their only protection against rising costs and reduced output is a price increase which, in view of the dependence of the gas industry (with few individual exceptions) upon domestic requirements must discourage consumption. Electricity supply companies are usually less sensitive to the fortunes of particular districts, and it is reasonable to expect that even in war the demand for industrial power should increase. The 1935 Census of Production showed that out of 7,594 million units purchased by industry in 1935, 30 per cent. were taken by the iron, steel, engineering, shipbuilding and motor trades, and a further 12 per cent. by the textile trades. But while the long term outlook for electricity supply shares has its reassuring features, 1939 and possibly 1940 must be looked upon as a time of dislocation.

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The Corporate Trustee

THE war has led to what can justly be called a boom in will-making. And since the uncertainty of life affects prospective executors as well as testators, there has been a noticeable growth in the decision to make use of the services of a Corporate Trustee. The trustee departments of the banks and insurance companies are working at high pressure, and the business of corporate trusteeship, which in 1914 was little more than an idea, is now an established part of the economic and social mechanism of the country.

The term "corporate trusteeship" scarcely needs explanation. The conception of an individual person entrusted with the administration of another's property is familiar, and it is a simple step to the idea of a corporate body or institution, say, a bank or an insurance company, undertaking similar responsibilities. In its stricter interpretation trusteeship means the administration of property under instruments of trust, such as wills and settlements; and, although there are nowadays many and varied forms of quasi-trusteeship, such as the management of properties and investments on behalf of their owners, and divers sorts of custodian trusteeship under Unit Trusts and the like, it is trusteeship in the more formal sense that will be mainly under discussion in this article—though it must not be forgotten that under the relevant Acts of Parliament a trust can be created verbally.

There is good reason here for thus adhering to the strict use of the term. The corporate form of trusteeship which it is proposed to examine is apparently confined to the countries that have shared in the heritage of English common law—the parts of the British Empire and the United States of America; and in all these countries the legal rules that have been made to impose public control over private trustees for the avoidance of fraud have referred in the main to formal trusteeship under specific instruments.

Corporate trusteeship, carried on by banks and insurance companies, has been practised in parts of the British Empire for over half a century, and in the United States for even longer. The Massachusetts Hospital Insurance Company, Boston, obtained powers to administer property in corporate trust as early as 1818, and the Fire Insurance Company, Ltd., New York, secured similar powers only four years later. In Australia the Trustee Executor and Agency Company of Australia commenced operations sixty years ago; and in England, too, there were early scattered cases of corporate trusteeship. The Trustees Executors and Security Insurance Company (now known as the Trustees Corporation) took powers to transact corporate trustee business as far back as 1887, and a number of other insurance companies followed suit early in this century. But corporate trusteeship as a wide-flung movement in England dates from 1908, when the office of Public Trustee was created, twenty-nine years after a similar office had been instituted in New Zealand.

The office of Public Trustee was created in this country after pressure which had lasted for almost a quarter of a century. The step was taken to protect the interests of persons whose property was held in trust. In 1895 a special committee had been set up to examine existing trust legislation in the light of the losses sustained owing to inefficient and fraudulent administration. "The evidence shows (the Committee reported) that large sums of money are annually misappropriated by private trustees, that much loss and consequent suffering is caused and that the chief sufferers are the poor and helpless." Nevertheless, prejudice against any increased measure of public control was strong, and the prejudice of lawyers was allied in many cases to their vested interests. A number of Bills to implement the Committee's findings proved abortive; but, finally, the pressure of opinion prevailed, and the Public Trustee Act was passed in 1906.

The Public Trustee Office opened on January 1, 1908—with a staff of six officials. To-day Sir Ernest Fass has a

staff of about 1,000, and he has some 40 responsible Trust Officers under him. The business of the Office has grown astonishingly in its single generation of life. In the latest recorded year of its operations over 35,000 cases were accepted; and the funds under its administration add up to over £280 millions. Side by side with the advance in the Public Trustee's scope and authority, corporate trusteeship by banks and insurance companies has made striking progress. The establishment of the Public Trustee was the signal for joint-stock banks to engage in trustee business, and the rapidity with which their Executor and Trustee-ship Departments have expanded, especially since the War, is truly remarkable. It is impossible to obtain comparative figures of the trustee business of the "Big Five" banks, but one bank is said to have personal trust funds under its care in excess of £100 millions; and it is at any rate safe to assume that the total trust funds held by all the banks (excluding debenture trusteeships) amount to many times those held by the Public Trustee. The banks are acquiring new business at a much greater rate than the Public Trustee; and in the wide scope of their activities and their vast branch organisations, the banks possess almost unlimited opportunities for new executor and trustee business.

There are some people, however, who criticise the expediency of banks acting as corporate trustees. Their argument is that the rôles of executor and trustee, on the one hand, and banker, on the other, are scarcely compatible; and it is claimed that insurance companies are preferable as trustees to banks. Other persuasive reasons are advanced: insurance companies, it is pointed out, normally carry a large team of experts—actuaries, investment specialists, surveyors, assessors, etc. One insurance company, specialising in trustee work, is reported to have £40 millions in its charge in private funds (as well as £150 millions in debenture trusts)*; and several insurance companies are keenly alive to the possibilities of this sort of business, as a producer both of general business and goodwill. Yet the corporate trustee business transacted by the insurance companies is still small compared with that done by the banks.

The statistical development of corporate trusteeship is thus notable. But the legal background against which this growth has proceeded is no less important. No consideration of the history and status of corporate trusteeship would be complete without reference to the so-called "Birkenhead Acts," which did so much fourteen years ago to codify and simplify trust law in this country. These include the Trustee Act, 1925, the Administration of Estates Act, 1925, the Law of Property Act, 1925, and the Settled Land Act, 1925. The titles more or less speak for themselves, and these measures not only clarified and revitalised trust legislation, they also put trust corporations on the map. From their clauses emerged the definition of a trust corporation—or, to be more precise, a statement of its qualifications to act. Such a corporation can now for all practical purposes be defined as

The Public Trustee or a Corporation constituted under the law of the United Kingdom or any part thereof, having a place of business there and being empowered by its constitution or Articles of Association to undertake trust business; it must also be either

- a company incorporated by special Act or Royal Charter; or
- a company having a share capital for the time being issued of not less than £250,000, of which not less than £100,000 shall have been paid up in cash.

Such bodies are specially privileged in their procedure. Under the Birkenhead Acts, for instance, they have no

* The figures quoted in this article exclude the £80 millions invested by the public in the Unit Trust movement, in respect of which banks and insurance companies act in the approximate capacity of custodian trustees.

longer to prove wills by the laborious procedure of appointing one of their officials as syndic; they have other privileges, too, which are denied to individual trustees; and in these respects trust corporations stand ordinarily on an equal footing with the Public Trustee.

There is, however, one privilege possessed by the Public Trustee which other trust corporations do not have; and with some justice the corporations tend to view it as inequitable discrimination against them. Trust corporations cannot charge their fees, unless such fees are specifically provided for in the actual trust document, while the fees of the Public Trustee, on the other hand, are automatically payable whether or not such provision is made. As a result, banks and insurance companies have often to refuse to take the transfer of existing trusts. This is a hindrance to business whatever the grounds for the discrimination may be, especially since the scale of fees charged by banks and insurance companies is appreciably lower than that of the Public Trustee. Inasmuch as the Public Trustee is forbidden by law to make a profit, this comparison makes the fees of the banks and insurance companies look very low, and it is not clear whether or not the banks and insurance companies set out to run this branch of their business on profitable lines. At any rate, no attempt seems to be made to apply strict costing methods to it; and, indeed, this would not be easy, since with one exception their trust business is operated on departmental lines which makes it extremely hard to estimate the true overheads that should be attributed to it. It is likely that profit making is not the real object, and that banks and insurance companies look upon their trustee departments as service departments, acting usefully for the general good of their respective companies.

Thus it is the banks and insurance companies who, with the Public Trustee, have developed corporate trusteeship

in England. Their method of transacting executor and trustee business as a side line to banking or insurance is in complete contrast to the practice in the United States. There such business is transacted by trust companies specialising mainly in trustee work. Nor does the distinction end here. Apart from Unit Trusts English trust companies for the most part derive their business from wills and trusts (including debenture trusteeships); in America it is the management of personal funds (sometimes loosely referred to in this country as advisory trusteeship) that has become highly developed. Many Americans seem quite content to leave their financial affairs in the hands of a trust corporation which, within certain prescribed but often very wide limits, buys and sells securities, collects dividends, prepares tax returns, pays accounts and generally takes charge of its clients' financial affairs. There seems no desire on the part of Englishmen to follow the example of their American cousins, though this may be partly due to the fact that, although catered for, this kind of business has not yet received the publicity it may deserve.

What of the future of corporate trusteeship? Despite the figures quoted, which indicate that a very large measure of progress has been made, the movement is still in its infancy. It is still the exception to appoint a corporate trustee; and in some parts of the country very little real headway has been made at all. The attitude of the legal profession is no longer one of open antagonism; but it is very watchful and savours somewhat of passive resistance. Banks are only just beginning to tap the vast possibilities of this type of business, and insurance companies have been slower still to realise its full potentialities. But the fact that so much progress has already been made, although corporate trusteeship has not yet been taken up wholeheartedly by the banks and insurance companies, augurs well for the future. The stage seems set for a great advance during the next ten years.

Finance and Banking

Sterling Weakens.—The passing of the United States Neutrality Act has been followed by an appreciable weakening of sterling in the "free" market in New York. As compared with the official middle price of \$4.03 the rate has this week been as low as \$3.76. The movement is generally interpreted as a "psychological" reaction to the expectation of increased British purchases of war materials in the United States and therefore of increased pressure on sterling exchange. "Psychological" explanations of exchange movements should always be suspected—and usually with complete justification. There has admittedly been some speculative offering of sterling against dollars in the free market and where that market is so narrow the offering has had an effect disproportionate to its magnitude. Any offering of sterling based on the likely exchange effects of post-Neutrality Act purchases by the belligerents in the American markets appears, however, to be unintelligently argued. These purchases will in whole be made by the Governments concerned. In so far as they originate from Great Britain they will be financed by direct exchange and gold transactions undertaken through the machinery provided under the Tripartite Agreement and will only affect the rate of exchange if and when the authorities decide that the dollar-sterling ratio should be changed. There is little prospect of such a decision at this early stage. It should, however, be realised that the present official rate of \$4.03 has not the rigidity of the \$4.75 peg at which the dollar-sterling rate was held during the 1914-18 war, during the latter part of which sterling was grossly overvalued. If changes in relative purchasing power make an appropriate adjustment in the rate of exchange desirable that adjustment will presumably be made. But there is no semblance of a need for it yet. When choosing the \$4.03 level due and welcome care was taken to provide just that margin of sterling undervaluation for which the occasion called.

Exchange Loopholes.—In addition to these unimportant speculative sales of sterling, the free market in New York has probably been fed by the departure from London of funds whose conversion into foreign currency has been denied the facilities of the official market rate. As the foreign exchange control is steadily tightening, the temptations for forbidden transactions to take the more expensive road of the free market is increased. Moreover, that temptation can still be yielded to, as the foreign exchange regulations place no great obstacle in the way of a transfer of sterling funds to a foreign account. The formality preceding such a transfer is of the most cursory character, and, once it is completed, the funds in question can find their way to the free market without the slightest difficulty. Most of the sterling offered in the free market is probably the proceeds of sales of securities which have been encouraged to some extent by the unfreezing of the gilt-edged market. The volume of volatile liquid funds held here by foreigners has now been reduced to negligible proportions. This is not to say that foreign balances in London are nearing exhaustion. It is true that the experience of merchant banks might suggest this. Most of these houses hold to-day but a small fraction—in certain cases one-tenth—of their former foreign deposits. But their loss has in part at least been the gain of the clearing banks. The latter's foreign deposits fell sharply up to last August, but since the outbreak of hostilities they have probably increased on balance. This is a direct result of the foreign exchange regulations, which have diverted business to the "authorised" dealers. With this foreign exchange business has gone the balances of the foreign institutions, for which the clearing banks are now providing the rôle of principal London correspondent. In fact, it is already evident that the chief impact effect of the war on the City has been to give the joint-stock banks a great advantage over their private competitors.

Exchange Account Secrecy.—Sir John Simon announced in the House of Commons this week that the periodical publication of the position of the Exchange Equalisation Account will be suspended during the war. The decision can cause neither surprise nor resentment. The gold reserve at the disposal of the authorities is now concentrated in the Exchange Account, and the state of that Account was clearly among the first items of information to be withheld from the enemy. There can be no cavilling at the temporary disappearance of these statistics. The last published statement of the Exchange Account showed a gold holding of 40,490,000 ounces, while at the same time the Issue Department of the Bank of England held 30,460,000 ounces. This combined holding would, at to-day's price of gold, be worth £671,580,000. Between March 30th—the date to which these figures referred—and the outbreak of the war the Account must have lost an appreciable amount of gold—to estimate how much would involve calculations from which we must under present circumstances be excused. Since the outbreak of the war, on the other hand, the Exchange Account must on balance have been the recipient of foreign exchange. By the Currency (Defence) Act of 1939 the borrowing powers of the E.E.A. were freed from their previous limitations. Sir John Simon was pressed this week to state whether these powers of additional borrowing had been utilised. He refused to be drawn. There was no reason for such reticence. If the additional borrowing powers had been availed of, more Treasury bills would have been issued to the E.E.A. and the fact would have been duly recorded in the weekly Exchequer returns.

B.I.S. Deposits.—As was to be expected of an institution intended first to smooth out the financing of reparations payments and then to provide a kind of financial counterpart of the League Covenant, the B.I.S. is being hit fairly hard by the war. The balance sheet showing the

position at the end of October reveals a substantial contraction over the first two months of war in all items susceptible of being reduced. Central banks' short-term and sight deposits have fallen from 53,823,126 Swiss francs to 20,174,685 Swiss francs. Among the long-term deposits, the French Government Guarantee Fund of 23,109,788 Swiss francs has been wholly withdrawn. The Annuity Trust Account of 153,096,250 Swiss francs, representing funds provided in the main by France and Great Britain and re-invested in Germany, remains unaltered. So does the long-term German Government deposit of 76,548,125 Swiss francs. The maintenance of these two "dead" items, which together make up more than half the balance-sheet total, tends to hide the importance of the changes which have occurred in the more active elements of the balance-sheet. The reduction in deposits has been met by liquidating gold, reducing the cash holding and allowing commercial and Treasury bills to run off. These changes in the balance sheet do not measure the whole of the contraction in the bank's business. Earmarked gold held in custody for the account of Central Banks is not included in the balance sheet. After the Czech gold incident one may assume that the bulk, if not the whole, of this business of the B.I.S. has vanished.

Treasury Bill Inflation.—The increase in the supply of Treasury bills is by far the most important feature of the money and discount markets. It has already led to a firmer tone of discount rates, and this week we have seen the first reaction from the downward movement in open market rates which set in soon after the rise of Bank rate to 4 per cent. Whereas the rate for February maturities had fallen to 1½ per cent. at the beginning of this week it has since firmed up to 1⅞ per cent. and the movement has gained significance from the identity of the clearing bank quarters which have led it. The rapidity with which the clearing banks are filling up with Treasury bills is indicated by the October statements, which are dominated by

MONEY MARKET NOTES

THE break in sterling in New York, which brought the rate on Thursday down to 3.76, had no effect on the official rates quoted by the Bank of England. Among the free market rates, however, there have been some appreciations against sterling, Danish crowns, for instance, being quoted on Wednesday at 20.21, compared with 20.50-21.50 on Monday, and lire on Thursday at 76½, compared with 78. The Shanghai dollar and the yen have also appreciated against sterling in sympathy with the movement in the free market in New York, although the Chinese exchange, which had risen to 5½d., fell again on Wednesday to 5¼d. Guilders have been unaffected by rumours of German threats against Belgium and Holland; the belga actually recovered on Tuesday some of the losses recorded last week, the official

quotation falling by 10c. to 23.90-24.10, but on Thursday it weakened sharply to 24.05-24.25.

In the money market discount rates have remained firm. At last week's Treasury Bill tender, in spite of the enormous total of applications, which amounted to £102.6 millions, the fall in the average rate of discount was only slight, the £55 millions of bills on offer being allotted at £1 3s. 4.39d. per cent., compared with £1 3s. 8.83d. per cent. on the previous Friday. There has, consequently, been little change in other rates. The clearing banks have continued to quote 1 per cent. as their buying rates for December bills and 1½ per cent. for January. The market discount rate for the three months' bank bill has been firm at 1¼-1½ per cent. The credit position has been easy, in spite of the

fall in bankers' deposits shown in the Bank return.

The chief feature of the Bank return is a big fall in bankers' deposits to the lowest figure since the outbreak of war. As it coincides with a big rise in public deposits it is presumably due to the incidence of Treasury Bill payments and maturities. Other deposits, which in last week's return were swollen by factors connected with the repayment of the Canadian 3½ per cent. loan and the call made on the new Sudan stock, are down by £1.5 millions. The note circulation shows another small rise at £528.4 millions, but no attempt has been made to offset this rise and Government securities are down by £3.1 millions. There are also small reductions in other securities, so that the fall in bankers' deposits is £12.9 millions.

MONEY MARKET RATES

	Nov. 10, 1938	Nov. 2, 1939	Nov. 9, 1939
Bank Rate.....	2	2	2
London Deposit Rate ...	1½	1½	1½
Short Loan Rates:			
Clearing Banks	1-1½	1-1½	1-1½
Others.....	1½-5/8	1½-5/8	1½-5/8
Discount Rates:			
Treasury Bills (3 mth.)	1½	1½-11/16	1½-11/16
Three months' bank bills	17/32-3/16	17/32-3/16	17/32-3/16

* Viz. 1½ per cent. for loans against Treasury bills and other approved bills and British Government securities within six months of maturity. ¾ per cent. for loans against 1 per cent. Treasury bonds and other gilt-edged stocks within six months of maturity, 1 per cent. for loans against other collateral. † Viz. 1 per cent. for loans against Treasury bills and British Government securities; 1¼ per cent. for loans against other collateral.

THE BANK RETURN

	Nov. 9, 1938	Oct. 25, 1939	Nov. 1, 1939	Nov. 8, 1939
Issue Dept. £ mill.	326.4	0.2	0.2	0.2
Gold Value per oz. fine	85s.	168s. 0d.	168s. 0d.	168s. 0d.
Notes in circulation Banking Dept.	482.7	527.1	528.0	528.4
Reserve ..	43.7	53.9	53.1	52.8
Public Depts.	15.9	12.6	10.5	21.3
Bankers' Depts.	109.5	116.8	114.8	101.9
Other Depts.	35.5	39.2	43.0	41.5
Govt. Secs.	101.6	106.0	105.3	102.2
Dis. & Adv.	11.1	4.6	5.6	5.5
Other Secs.	21.0	21.7	22.0	21.9
Proportion	27.9%	31.9%	31.5%	32.0%

THE BULLION MARKET

	Gold	Silver
Date	Price per ounce fine*	Price per oz. standard
		Cash Two Mths
Nov. 1939	s. d.	d.
Nov. 3	168 0	23½ 16
" 6	168 0	23½ 16
" 7	168 0	23½ 16
" 8	168 0	23½ 16
" 9	168 0	23½ 16

* Bank of England's official price.

TABLE No. II
INDIVIDUAL RESULTS OF TWENTY-ONE BRITISH GROUPS IN U.S.A. FIRE INSURANCE

Company or Group	1937			1938		
	Premiums	Underwriting Profit		Premiums	Underwriting Profit	
		Amount	Per cent. of Prem.		Amount	Per cent. of Prem.
Atlas	785,000	35,000	4.5	724,000	Dr. 1,000	Dr. 0.1
Eagle Star	450,000	Dr. 12,000	2.6	407,000	Dr. 18,000	Dr. 4.4
Caledonian	353,000	6,000	1.6	356,000	Dr. 19,000	Dr. 5.3
Commercial Union ..	2,656,000	236,000	8.9	2,496,000	225,000	9.0
Century	453,000	Dr. 86,000	19.0	337,000	5,000	1.5
Employers' Liability ..	506,000	45,000	8.8	512,000	45,000	8.8
General Accident	423,000	18,000	4.2	386,000	35,000	9.1
London Assurance ..	952,000	31,000	3.2	916,000	71,000	7.8
London and Lancs. ...	1,457,000	69,000	4.7	1,378,000	86,000	6.2
North British and Mercantile	3,430,000	189,000	5.5	3,191,000	213,000	6.7
Norwich Union	854,000	65,000	7.6	848,000	30,000	4.0
Phoenix	645,000	30,000	4.6	628,000	7,000	1.1
Prudential	1,289,000	89,000	6.9	1,262,000	82,000	6.5
Royal	584,000	42,000	7.2	548,000	55,000	10.0
Pearl	1,696,000	79,000	4.7	1,313,000	6,000	4.7
Royal	4,140,000	419,000	10.1	3,848,000	333,000	8.7
Liverpool and London and Globe	2,284,000	240,000	10.5	2,196,000	187,000	8.5
Royal Exchange	707,000	45,000	6.3	784,000	Dr. 5,000	Dr. 0.6
Scottish Union and National	664,000	73,000	10.9	641,000	26,000	4.1
Sun	887,000	7,000	0.8	898,000	72,000	8.0
Yorkshire	575,000	5,000	0.8	535,000	21,000	3.9
	25,790,000	1,625,000	6.3	24,204,000	1,456,000	6.0

The decline in underwriting profits to the lowest level since 1933 is marked by the recording of underwriting losses by four groups in 1938, compared with only two groups in 1937. Part of the 6 per cent. decrease in premium income doubtless resulted from reductions in premium rates, following the unusually favourable underwriting experience of recent years. But underwriting results last year appear to have been slightly more favourable than in 1937, for it is known that heavy claims arose from widespread damage done by the hurricane in September, 1938.

Forward Silver Premium.—The situation in the silver market has been notable this week for the reappearance of a premium on the forward quotation. For many months the uncertainties of U.S. silver policy in combination with the shortage of spot silver in London had caused the forward quotation to remain at a discount—often abnormally wide—on the cash price. The uncertainties regarding official silver policy in the United States remain. But the shortage of immediately available supplies is beginning to ease owing to the arrival in this country of silver shipped from America while free arbitrage between the two countries was possible. Moreover, the prohibition of silver imports into the United Kingdom and India except under licence has introduced an altogether new element into the position. The market is now faced with the prospect, rather than with the actuality, of a shortage of silver, since the position is still being eased by arrivals of metal shipped before the ban came into force and will before long lose that support. As soon as the forward price dipped below the figure of 23½d., at

British Fire Insurance in the United States.—A Finance Note on page 18 of *The Economist* of October 7th gave particulars of last year's experience of British

TABLE No. I
AGGREGATE RESULTS OF TWENTY-ONE BRITISH GROUPS IN U.S.A. FIRE INSURANCE

Year	Premiums	Underwriting Profit	
		Amount of Profit	Per cent. of Premiums
1932	23,546,000	Dr. 507,000	-2.2
1933	22,851,000	1,430,000	6.3
1934	24,314,000	1,614,000	6.6
1935	24,507,000	2,471,000	10.1
1936	24,711,000	1,683,000	6.8
1937	25,790,000	1,625,000	6.3
1938	24,204,000	1,456,000	6.0

offices in miscellaneous insurance in the United States. The accompanying details relating to fire insurance are compiled on the same basis. Underwriting profits have been adjusted to allow for unexpired risks by allowing 40 per cent. of current premium income, and exchange has been taken at \$4.86½ to the £. The first table shows that aggregate fire premiums of 21 British offices or groups in respect of United States' business declined from £25,790,000 to £24,204,000, while underwriting profit represented 6 per cent., against 6.3 per cent., of premiums. Individual results are shown in Table II.



**FOR ALL
INSURANCE
NEEDS**

Head Offices:
LIVERPOOL LONDON
North John St. Lombard St.

which it is generally understood that the Indian Government will continue to sell from its London stocks, speculative forward buying of silver made its appearance in the market. With the restriction on silver imports, the U.S. Treasury price for imported metal has ceased to be the effective anchor to which the sterling price is tied. The essential problem for the London market now is that of finding some source from which its minimum requirements can be met—not that of absorbing the huge amounts of silver which threatened to arrive here had the sterling price retained its premium over the U.S. parity. That influx can no longer take place since its road is barred by the import ban. But the Indian Government's London stock provides a source of supply which, being inside the country, has no import ban to hinder it. Since 23½d. is the price at which this silver is believed to be available, that is the new anchor to which the market price in London is likely to be tied.

* * *

War Risk in Life Insurance: A Swiss Solution.

It is not only in Great Britain that the problem of how to deal with the enhanced risk of death in wartime is plaguing the life insurance offices, and a solution has been found for the problem in Switzerland that is certainly

novel and may have features that would be worth examining in this country. The Swiss scheme has been drawn up by the Federal insurance office, and applies to all life policies of any sort written by Swiss insurers after September 2, 1939. If Switzerland is involved in hostilities, the holders of all policies issued since that date, whose insurance is wholly or partly in force during the war, come under the obligation to pay, one year after the end of the war, an extra premium to meet all claims caused directly or indirectly by the war. For this purpose the experience of the different offices is averaged out. The additional premium as well as the claims to be admitted as being war claims and the contributions to be made by the companies out of their actuarial reserves are all to be certified by the Government, and a prescribed portion of any claims becoming due during the war will be retained to cover the additional premium. For those whose insurance is still in force when the additional premium is assessed, payment can be made either by payment of additional premiums during the life of the policy, or by an extension of the period of premiums or by reduction of the assured sum. This scheme is obviously an attempt to extend the principle of mutuality to the particular problem. But its obvious defect is that it is to apply only to policies taken out since September 2nd, and the *corpus* of policies to which it can apply is therefore necessarily small.

Investment

Cross Currents in Gilt-edged.—No decisive movements in gilt-edged can be reported this week. The impetus which carried the market ahead during the latter half of October was largely an infiltration of the previous advance in the short-dated issues into the longer stocks. During the past week, however, no decided preference for "shorts," "mediums" or "longs" has made itself evident. There has been no speculative buying of stocks like National Defence 3 per cent. Loan, such as occurred last week on the hypothesis that the Treasury's choice would be given for a fifteen-year stock when the time comes for borrowing. Instead, the shorts and the longs have been favoured on alternate days, without making any real headway on balance. On Tuesday, for example, it was the dated stocks'

Stock	October 19			Price Nov. 2	November 9			Change in yield Oct. 19-Nov. 9
	Price	Red.	Yield		Price	Red.	Yield	
4½% Conversion 1940-44	102½	0	0	102½	102½	0	0	s. d.
5% Conversion 1944-64	106	3	13	107½	107½	2	14	6
2½% Nat. Def. Bds. 1944-48	95½	3	1	97½	97½	2	18	0
2½% Conversion 1944-49	93¼	3	6	94½	95	3	2	2
3½% War Loan, from 1952	91¼	3	16	91½	91½	3	16	3
3% Conversion 1948-53	94½	3	10	96¼	97	3	6	2
4% Consols 1957	100½	4	0	103½	103½	3	15	7
2½% Funding, 1952-57	98½	3	13	99½	99½	3	10	0
3% Nat. Def. Loan 1954-58	92½	3	12	94½	95½	3	7	9
4% Funding 1960-90	101½	3	17	105	105½	3	12	6
3½% Conversion, from 1961	90¼	3	17	92	92½	3	16	0
2½% Funding 1956-61	82½	3	13	84½	85¼	3	9	1
3% Funding 1959-69	88½	3	13	91¼	91¾	3	9	1
2½% Consols	66½	3	15	68	68	3	13	6
4% Victory Bonds	102½	3	17	104½	105½	3	12	9
3% Local Loans	78¾	3	17	79½	79½	3	15	8

day, but on Thursday the longs, after falling somewhat abruptly, recovered virtually the whole of their losses. The filtration process, however, has reinvigorated the trustee lists, and has particularly assisted Australian and New Zealand stocks. War will not fail to assist their respective

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: Walbrook, F.C.4, and 45 Pall Mall, S.W.1

economies, at a time when assistance will be welcomed. The recovery, however, has not spread fully through the home corporation lists. Such general manifestations of the spread of falling interest rates into all fixed-interest categories are important in that they suggest that the investor is quite prepared to accept the new yield basis. But they throw no light on the National Loan timetable. Nor has Sir John Simon provided any clue this week in Parliament.

* * *

National Loans Powers.—The disappointment which the market expressed at this omission from Sir John Simon's statement on National Loans powers on Tuesday hardly seems convincing. The National Loans Bill is a formal measure, which gives authority to the Treasury to borrow for defence purposes; hence no specific guide to the actual terms of borrowing was really to be expected among its empowering provisions. Clearly, as the Chancellor showed, the terms of any loan must remain unknown until the actual moment when the loan is being issued. To discuss and authorise the details of an issue in Parliament is a method unknown even in peacetime, and while the questions at issue in war are greater, and views on war finance are apt to be sharply divided, by that very fact anticipatory debate of any national loan would be prejudicial to its prospects. The new Bill will provide authority for borrowing for the first stage of war to March, 1940, and will, of course, be renewed at yearly intervals thereafter. The Treasury may borrow any sums needed for supply to that date, together with an extra £250 millions, the latter sum being intended to bridge the gap between the end of the financial year and the passage into law of the second National Loans Bill. This general and direct authority will supersede the Treasury's existing powers, including those conferred under the Defence Loans Act. The total powers under the latter provide for borrowing £800 millions, of which £695 millions (including the £502 millions which is being borrowed during the current financial year) have been used. The balance of £195 millions will be merged in the general powers to be conferred under the new Act, which in essence is identical with the provisions of the War Loans Acts of the war of 1914-18. While Tuesday's discussion will be searched in vain for specific indications of loan policy, Sir John Simon reiterated his intention of appealing to all classes of investors, and announced that

the proceeds of Savings Certificates would be made directly applicable to the purposes of war, and not, as hitherto, applied to the redemption of debt.

* * *

Foreign Bonds in October.—The recovery in the foreign bond market in October has been naturally speculative, but it gathered impetus towards the end of the month, particularly in the Far Eastern group (whose movements are described in greater detail in the following Note). The complete index of bond prices compiled by the Municipal and General Securities Company rose from 45.2 to 49.6 during October (average January-June, 1934=100) and the improvement was general throughout the component indices. South American bonds have advanced 15 per cent., from 49.0 to 56.1, and Egyptian issues have also been markedly active. Recent movements of the complete index and component series are reproduced below:—

End of Month	Europe	Near & Far East	Egypt	South and Central America			Complete Index	Under-forecasted Bonds	De-forecasted Bonds
				States	Provinces	Total			
1938	(28)	(31)	(4)	(35)	(11)	(46)	(109)	(53)	(56)
April	89.8	77.3	98.5	69.8	51.4	64.9	75.3	79.1(30)	71.8(39)
May	86.6	74.9	98.4	63.0	47.2	58.8	70.8	78.6(49)	68.1(60)
June	90.2	68.5	98.0	65.9	51.2	62.0	71.4	75.7(48)	67.6(61)
July	92.0(27)	67.7	97.5	65.4	53.4	62.3	71.6(108)	75.0(44)	68.5(64)
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	95.2	59.4	45.3	55.7	68.4	75.0(42)	63.3(65)
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	68.9	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	56.0
April	55.7	59.1	74.0	54.2	41.4	50.8	57.6	59.9(40)	53.1(66)
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(72)
August	63.2	45.0	71.6	49.1	36.6	45.8	50.2	53.3(33)	46.4(73)
September	46.3	40.6	68.6	49.0	36.3	45.6	45.2	48.5(31)	41.4(75)
October	48.1	43.7	75.3	56.1	41.6	52.3	49.6	53.0(30)	45.6(76)

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

As anticipated, the October coupon of the German Dawes Loan was not paid, and although no payment has been made on the Czechoslovakia 8 per cent. Loan, the bonds have advanced on hopes of payment being eventually made from Czech funds blocked in this country. Roumania has announced the payment at the rate of 68 per cent. of face value on the 7 per cent. Monopolies Loan August coupon, while Guatemala has finally announced payment of the June coupon of the 4 per cent. external bonds.

* * *

Advance in Far Eastern Bonds.—The recovery in both Chinese and Japanese bonds during the past fortnight has rivalled the advance in the gilt-edged market itself. Since October 25th the senior Chinese Customs issue, the 4½ per cent. loan of 1898, has jumped 20 points, and since the eve of the outbreak of war Japanese 5's of 1907 have advanced 18 points. The reason for the spectacular improvements which are shown in the table below are not difficult to discover:—

	1937-38		1939		Aug. 31, 1939	Oct. 25, 1939	Nov. 1, 1939	Nov. 8, 1939	Rise Oct. 31-Nov. 8
	High	Low	High	Low					
Chinese									
4½% 1898	104¼	64	78	39	39	45	59	20	24
4½% 1908	101	56	58	40	26	35	50	24	20
5% Reorg'n. 1913	101½	40	55½	31	24	34	44	20	20
5% 1912	95¼	36½	39½	20	16½	23	32	15½	15½
Japanese									
5% 1907	84½	30	45½	33½	38	47	51½	13½	13½
6% 1924	94½	38	52½	39	43½	52	58½	15	15
5½% 1930	88¼	35	52	42	44½	53½	60	15½	15½

The London market is, in fact, growing more impressed with the chances of a cessation of hostilities in the Far East, although it has naturally not considered in any great

detail the form which an armistice might take. There is, however, a good deal of logic in the assumption that Russia's European diversions have assisted the chances of a settlement. Chinese issues, moreover, have been assisted by the news from Chungking that payments of principal and interest on the three loans floated on May 1, 1938, had been sanctioned for November 1st, their due date, while payments on account of principal and interest on the National Defence loan have also commenced. These issues are largely held internally, and secured on the salt and income tax revenues. Hence they afford no guidance regarding the resumption of payments secured on the customs revenues of which the Chinese Government is obtaining hardly any part, nor of payments generally in external currencies. The loan of 1898 would, of course, be the first to share in any resumption of payments both in view of its seniority and of the fact that it would normally be repaid in the course of the next few years. The market has certainly interpreted these hopes in very decisive fashion.

* * *

Industrial Profits in October.—Industrial disorganisation since the outbreak of war, and the last-minute revision of accounts necessitated by the alteration in the standard rate of tax in the war Budget, have jointly reduced the number of company reports in October to sub-normal dimensions. In October, 114 companies reported total net profits of £7,029,095, compared with earnings for the same companies of £7,611,632 in the preceding year, representing a decline of 7.7 per cent., compared with a fall of 10.6 per cent. in the profits of 73 companies reporting in September. Comparative figures are set out below:—

INDUSTRIAL PROFITS 1937-39

Year and Month	No. of Cos.	Net Profits*	Change on prev. year	Year and Month	No. of Cos.	Net Profits*	Change on prev. year
1937		£	%	1938		£	%
Oct.	177	14,884,260	+26.9	Oct.	163	14,279,785	-7.06
Nov.	206	23,579,407	+20.25	Nov.	231	23,784,389	-6.53
Dec.	152	18,101,112	+14.66	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	+9.14	March	293	41,440,326	-11.57
April	225	28,481,318	+17.15	April	233	24,067,714	-11.57
May	320	45,915,238	+11.42	May	302	46,863,324	-6.29
June	260	38,076,415	+11.09	June	257	35,104,850	-8.33
July	181	16,530,811	+3.44	July	189	14,383,201	-6.30
Aug.	81	8,300,386	-7.16	Aug.	74	7,812,400	-6.65
Sept.	112	7,962,024	-10.31	Sept.	73	6,057,165	-10.58
				Oct.	114	7,029,095	-7.65

* After debenture interest.

Iron, coal and steel profits, the largest group last month, show a decline of 4.5 per cent., from £2,380,689 to £2,272,082, while the profits of 30 miscellaneous companies show a comparable fall from £2,058,684 to £1,974,707. Although the experience of these groups has been relatively better than the average, they provide a rather narrow basis for assessing the immediate profits outlook.

Company Notes

J. Lyons Dividend Policy.—For the first time in fourteen years, the directors of J. Lyons and Company have been compelled to alter a dividend policy which had become virtually traditional. They have decided to pay an interim dividend on the £1 ordinary and "A" ordinary shares of 5 per cent., against the usual interim of 8½ per cent., which for many years past has been followed by a final distribution of 14½ per cent. In an accompanying statement, the directors show that this reduction is due partly to caution and partly to the not surprising expectation that earnings will be reduced in the current year, which ends on March 31st. Although results in the first six months were relatively satisfactory, a reduction in the

interim payment has been necessary because the "effect of war on the full year's trading must be an unknown quantity." Evidently the maintenance of full pre-war earnings is not to be expected, and hence the stable dividend basis on which J. Lyons ordinary shares have hitherto been valued has for the time being disappeared. The precise effect of war on the group's profits is difficult to estimate, owing to the directorial control over the parent company's profits, though it must needs be serious. Strand Hotels, Limited, its subsidiary, however, shows a reduction in earnings for dividends for the year ended September 30, 1939, to £83,000 compared with £123,000 in each of the previous three years. The directors record a "drastic reduction" in business immediately before and since the outbreak of war, but the disclosed reduction of £40,000 in profits is a consequence of the decision to limit the preferred ordinary dividend rate for 1938-39 to the 7 per cent. preferential rate, and to suspend the 7 per cent. participating dividend which has been paid in recent years. J. Lyons ordinary shares have fallen from 90s. to 87s. 6d. on the dividend announcement. Their yield basis is clearly uncertain, but even on the assumption that the final dividend will be maintained, they would return no more than £4 7s. 3d. per cent.

* * *

Austin Motors' Successful Year.—The preliminary profits of Austin Motors for the year to July 31, 1939, indicate a very satisfactory year. The statement shows that gross profits have advanced from £1,282,828 to £1,609,580. Increased provisions for maintenance and depreciation (£893,360 against £674,170) and for taxation (£300,000 against £175,000) have more than absorbed the rise in trading profits. These provisions, together with the allocation of £105,000 to contingencies against £45,000 for the previous year, reflect the impact of war on distributable profits. In consequence, the ordinary dividend has been halved, from 30 per cent. to 15 per cent., while earnings are reduced from 40 per cent. to 19.3 per cent. The directors recommend, however, subject to Treasury approval, a capital bonus of 4 per cent. Austin, like Standard Motor, has an assurance of turnover from Government contracts and the shadow factory, but, as the latest figures indicate, the burden of taxation, already accentuated by the company's rather highly "geared" capital structure, will be severe. The 5s. "A" stock now stands at 16s. 3d. to yield £5 0s. 9d. ex rights valued at 7d.

* * *

Standard Motor Record.—At last year's meeting, the chairman of Standard Motor prophesied "the most successful year in the history of the company." This prophecy has been duly fulfilled, despite all the uncertainties of the motor trade in 1938-39. Profits for the year to August 31, 1939, total £456,774 and show an increase of 59 per cent. on the 1938 figure of £288,137. The directors' report does not detail the reasons for this spectacular improvement, but it can readily be attributed to higher sales of the home market for low horse-power cars, an improved position, lower costs, and successful models. Most ordinary shareholders have a chance to share in the proceeds. Last year, when requires £131,489 compared with £114,757 in 1938, and while taxation has soared from £40,000 to £150,000, the special A.R.P. expenditure requires £40,000. The directors recommend an increased dividend of 25 per

cent., against 22½ per cent., for 1938, covered by approximately the same margin of earnings. Profits for the last three years are analysed below:—

	Years to August 31,		
	1937	1938	1939
Gross profits	423,051	288,137	456,774
Interest and fees	3,271	3,014	2,793
Depreciation, etc.	119,034	114,757	131,489
Taxation	100,000	40,000	150,000
A.R.P. expenditure	...	...	40,000
Ordinary stock:—			
Earned	200,746	130,366	132,492
Paid	138,000	117,450	117,000
Earned (%)	58.2	25.0	28.2
Paid (%)	40	22½	25
To reserve	50,000	...	...
Carried forward†	59,942	64,646	75,138

† After £10,000 to employees' fund in 1936: £5,000 in 1938 and 1939; and £3,212 issue expenses in 1938.

The balance sheet reflects the year's increased turnover. Creditors and accrued charges have advanced from £376,967 to £565,270, stocks from £546,806 to £608,950 and debtors from £70,551 to £169,045. A cautious capital investment policy is indicated, however, in the slight increase of fixed assets from £1,156,257 to £1,186,237, while two new liquid investments valued at £148,783 have appeared (including Building Society deposits of £70,211) and cash holdings are still considerable at £488,409. The directors take a conservative view on the prospects of car sales and look to Government orders, especially for the three shadow factories, for the bulk of future income. Despite the relatively light incidence of E.P.T. on the company, the effect of total taxation and control of contract prices may well establish a ceiling for dividends little higher, if at all, than the latest payment, on the basis of which the £1 ordinary stock units, quoted at 11s. 6d., yield £4 7s. per cent.

* * *

B.S.A. Prospects.—To mitigate the disappointment for Birmingham Small Arms stockholders of the dividend reduction—which was largely due to the increased demands of taxation—Sir Alexander Roger's remarks on the outlook at this week's meeting should give grounds for cautious optimism. The reduced distribution was also due, in part, to the need for financing a larger volume of stocks, which had caused pressure on liquid funds which, it was hoped, would be only temporary. Moreover, provision has already been made for costs arising out of the transition from peace to wartime operations. Increased profits during the year were principally due to increased turnover, towards which the recently constructed plant had contributed, to generally improved efficiency and to internal financing from liquid resources. One of the most encouraging features, however, has been the expansion of the export trade in which Daimler buses, motor cycles, pedal-cycles, machine tools and Sheffield steel products have been outstanding. The Daimler Company's motor car plant is being successfully adapted to war work, the aero-engine shadow factory is "an outstanding success" and several other subsidiaries are fully occupied with armament contracts. Sir Alexander, however, shares the view of other experienced industrialists that some measures of Government control of industry have been ill-conceived, and he provided a reasoned case in his speech for the appointment of advisory committees drawn from industry to assist the controllers. The maintenance of satisfactory profits by B.S.A. would seem assured, but the possibility that the board of E.P.T. Referees might allow the company special clemency is important, for its profits in the standard years were sadly depressed.

* * *

Odeon Theatres Meeting.—Publication of the Odeon Theatres report was intentionally delayed beyond the usual date of issue so that the annual meeting could be held after the first impact of war had been ascertained. Reassurances regarding the effect of the war on takings

were contained in the directors' report, and they were further emphasised at last Tuesday's meeting by Mr Oscar Deutsch. Some revenue was lost during the period of compulsory closing, but attendances have now returned to normal in most areas, and in some theatres even peace-time records have been broken. These statements will be welcomed by shareholders. Mr Deutsch's speech also showed that the expansion of interests evident from the report was actually greater than appeared. The expansion of properties in the balance sheet followed the purchase of three theatres just before the end of the year, while the increase in interests in subsidiaries represented the cost of acquiring, and advances to, 88 companies operating 98 theatres, of which 82 theatres were taken over on the basis of cost, excluding goodwill and equipment. War has put out of reckoning any question of amalgamation with Gaumont-British, for in view of the altered international conditions, it has naturally been decided not to proceed with the discussions.

* * *

Central Argentine Recovery.—Though the final surplus is insufficient to permit any payment of preference dividend arrears, the Central Argentine results for the year to June 30, 1939, are satisfactory from two points of view. A small rise in gross receipts of 1.1 per cent. has been accompanied by an actual decline of 3.1 per cent. in working expenditure. The increase in total profits is partly offset by a higher charge for exchange differences and by a payment for general interest, but the surplus of £35,929 by which fixed charges are covered, small though it is, provides a welcome contrast to the deficiency of 1937-38. The main features of the revenue account are summarised below:—

	Years ended June 30,		
	1937	1938	1939
Passenger receipts	2,511,408	2,483,553	2,302,103
Goods receipts	7,800,786	5,233,916	5,607,457
Total gross receipts ...	12,217,048	9,315,262	9,421,113
Working expenses	8,460,156	7,401,431	7,174,398
Total profits†	3,788,969	1,948,053	2,279,471
Exchange differences ...	1,320,123	915,040	962,984
Other expenses	22,968	...	24,823
Debt interest, etc.	1,249,639	1,255,735	1,255,735
Earned for dividend ...	1,196,239	Dr. 222,722	35,929
Prof. divs. paid	1,036,307	...	...
Carry-forward	450,757*	228,034	263,963

† After crediting investment income. * After £157,435 to contingencies.

A good wheat crop is entirely responsible for the small rise in gross receipts. In quantity, the wheat carried rose from 989,773 to 2,604,968 metric tons, while receipts from this source rose by a still greater proportion to £1,806,443. The actual increase of £1,164,535 thus more than compensated for a reduction of £527,289 to £611,053 in the maize traffic, and of £181,450 to £2,302,103 in passenger receipts. The report does not comment on the railway's ability to achieve lower working expenses. The reduction, however, is of an all-round character, including a fall in maintenance, locomotive running (both fuel and wages), and traffic expenses (mainly wages). The revenue account, moreover, has been charged with £21,601 net for renewals, whereas the renewals fund bore the entire charge in 1937-38, when £384,979 was spent. In 1938-39, gross expenditure on renewals was £152,089, towards which profit on sales of material, etc., contributed £71,590 and renewals fund £33,323. The recent revival in profits is satisfactory in comparison with the exceptionally poor year 1937-38, and holds out hopes that greater agricultural prosperity and relief from exchange difficulties in Argentina as a result of the war may assist the senior stocks in due course.

* * *

B.A. Western Position.—The latest results of B.A. Western have been influenced by the same factors as for Buenos Aires Great Southern. The substantially in-

creased carriage of wheat, common to all systems, was largely due to the Government's policy of assistance. While affording relief, this policy was not accompanied by any real prosperity in export trade and in the areas across which the wheat was hauled, so that long-distance passenger traffic, for instance, actually declined. And the decrease in Government traffic and a slackening of public works activity was of some importance for the railways. B.A. Western's gross receipts from the carriage of wheat rose by £179,908 to £288,486, while livestock receipts yielded an increase of £33,154, or 3.83 per cent. These two gains more than sufficed to offset such declines in other important items as passenger (£35,048), maize (£42,547) and Government traffic (£55,242). The final net increase of £82,355 in gross receipts is thus a change in the right direction, but is less than might be expected in a normal year, and, in the general manager's view, is considered disappointing. The revenue accounts of the past three years are analysed below:—

	Years ended June 30,		
	1937	1938	1939
Operating receipts	3,735,632	3,340,028	3,422,383
Working expenses	2,971,985	2,891,093	2,999,028
Rentals, etc., received ...	213,775	210,763	228,375
Total profit	977,422	659,698	651,730
Exchange differences ...	299,488	229,562	216,514
Misc. expenses	119,473	92,472	89,929
Deb. and note interest ...	457,774	454,774	461,420
Earned for divs.	100,687	Dr. 117,110	Dr. 116,131
Prof. divs. paid	104,332	...	...
General reserve	...	Dr. 100,000	Dr. 125,000
Carry-forward	29,560	12,451	21,318

The rise in working expenses is more than accounted for by rolling stock and other maintenance, and running expenses show a small decrease. Revenue has been charged with £63,375, the actual net expenditure on renewals, whereas in 1937-38 a similar charge was met entirely out of renewals funds. As this company has only non-cumulative preference capital it is not piling up arrears, but fixed charges were short-earned by about the same amount as in 1937-38, and another draft upon general reserve is necessary to meet them. In November, 1938, £310,000 of 5½ per cent. collateral debenture stock was issued, so that in a full year a further slight increase in fixed charges will be necessary.

* * *

The Week's Company Profits.—Rubber companies form a considerable proportion of the 38 companies whose profit and loss accounts are analysed in our usual table on page 236. Net profits of these 38 companies at £1,992,000, against £2,387,000, show a fall of 16½ per cent. Aggregate

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net profits of the 1,980 companies reporting in 1939 to date are £235,030,000, or 8 per cent. less than the £255,826,000 earned by the same companies a year earlier. The week's results are discussed in preceding Notes and on page 225 under the heading "Shorter Comments."

Company Meetings of the Week.—Reports of company meetings will be found on page 229 of this week's

issue. The chairmen's remarks at the *Birmingham Small Arms Company* and *Odeon Theatres* meetings are discussed in Notes appearing on page 222. Mr George Balfour informed shareholders of *Perak River Hydro-Electric Power Company* that the improvement in the load handled by the plant in August and September had justified the declaration of a dividend for the "slump" year to July 31, 1939. This improvement was likely to be maintained, so that satisfactory results should be achieved in the current year.

THE STOCK EXCHANGES

London

Note: All dealings are for cash

The past week has brought no new trend in the stock markets. Conditions are quiet, but the undertone remains firm, and apart from a slight weakening towards mid-week, on the fears for the security of Holland, there have been many instances of fractional improvement. In the absence of solid reasons to induce a pronounced movement one way or the other, the markets continue to run on an even keel.

The gilt-edged market began brightly, with quiet buying all round. This support, however, tended to weaken later, and towards mid-week slight losses owing to selling partly offset the initial gains. The leading undated stocks rose about ½ on Monday, then failed to rise further, and on Wednesday gave way a little, so that changes on the week have been unimportant. Dated issues made a rather better showing, and showed a little more resistance than the perpetual stocks to the slackening of interest towards mid-week. Home corporation issues were very firm without producing any movements of interest. Among Dominion stocks Australian and New Zealand issues continued to advance strongly, their advance not being checked by the greater volume of selling on Wednesday.

In the foreign bond market Chinese issues advanced on news of the 1938 Gold Loans interest payment and Japanese bonds improved until checked by profit-taking. South American bonds continued to be favoured, with Brazilian issues prominent. European stocks tended to harden, though in varying degrees. Among home rails the prior charges, now released from the unofficial minimum prices, were again in demand and a number of debenture stocks improved. Preference and guaranteed issues remained firm while the ordinary stocks tended to harden after initial dullness. After early gains, Argentine rails made a mixed showing.

The trend in industrials was similar to that in the gilt-edged market. Business was on a small scale but there was a steady demand and slight price improvements in the leading equities, followed by a slackening of interest in mid-week. Iron and steel shares were more interesting than of late and apart from some mid-week irregularity, showed a number of useful gains. Thornycroft continued to rise before the dividend announcement and Indian

Iron were a feature. The electrical equipment section entirely lacked excitement, but quotations were steady. Motor issues remained in the background, while aircraft shares were firm on the whole. Support for textile and rayon issues revived, and these groups were consistently firm. Breweries made a mixed showing, and moved within small limits. There was occasional support for Distillers. The tobacco leaders followed the general trend of the industrial market. Strength was shown by the stores group, Woolworth being a firm spot. The leading stocks in the miscellaneous section showed strength at first, though they made a more mixed showing towards mid-week. Among shipping shares, P. and O. deferred were firm, both before and after the dividend announcement.

Oil shares have been out of favour this week. Trinidad issues were on offer on Tuesday and sales of the leaders in mid-week on an unwilling market depressed prices. The maintained firmness of the commodity has favourably influenced rubber shares, prices advancing over a wide front in the early part of the week. Better-class tea shares have been in demand, but price movements have been exaggerated by shortage of stocks.

The mining market has been listless this week. Producing Kaffirs were marked up on Monday and Tuesday, but the decision of Central Mining to pass the interim dividend reversed the trend in mid-week. Trading has been quiet in developing issues. Finance shares, after a promising start, turned heavy on the Central Mining announcement. West Africans have made small gains this week. Rhodesian coppers advanced on Monday but an irregular tendency developed later. Among the other base metals, tin shares were in demand after the week-end, prices being well maintained towards mid-week.

"FINANCIAL NEWS" INDICATORS

1939	Total Bargains†	Corres. Day 1938	Security Indices	
			30 ord. shares*	20 fixed int.†
Nov. 3	3,925	5,865	74.5	114.7
" 6	4,640	6,195	74.7	115.2
" 7	4,485	6,645	75.4	115.3
" 8	4,390	6,265	75.2	115.6
" 9	3,095	6,485	74.9	115.6
1939 High...	...	...	88.0	123.5
Low...	...	...	Mar. 10 66.4	Jan. 3 109.6
			Sep. 26	Oct. 4

* Approx. total recorded in S.E. List. † 1938 = 100.

ACTUARIES' INVESTMENT INDEX

Over the first two months of war the Actuaries' combined index of 160 representative ordinary shares lost, and practically regained, 6 points. The index, which stood at 57.9 on August 31st, fell to 51.8 by September 26th, and recovered to 57.6 on October 31st, the corresponding yields being 5.96, 6.77 and 6.26 per cent. The following selection of component indices, however, shows that coal, shipping, oil and cotton shares stand higher than on the eve of war:—

Group (and No. of Securities)	Prices (Dec., 1928 = 100)			Price, 1939 High
	Aug. 29, 1939	Sept. 26, 1939	Oct. 31, 1939	
Insurance (10).....	100.0	82.0	92.8	116.8
Coal (8).....	75.7	74.7	85.1	85.1
Cotton (5).....	19.3	20.7	24.2	27.6
Elec. light, etc. (16).....	108.1	91.5	99.3	120.1
Oil (4).....	70.0	72.2	72.2	85.6
Shipping (7).....	11.8	15.7	14.5	15.7
Brew. and Dist. (20).....	110.6	92.0	104.0	120.0

Group	Yield (%)			Price 1939 Low
	Aug. 29, 1939	Sept. 26, 1939	Oct. 31, 1939	
Insurance.....	4.78	5.39	4.98	82.0
Coal.....	6.58	6.88	6.25	74.0
Cotton.....	3.79	4.21	3.57	19.3
Elec. light, etc.....	5.07	6.01	5.55	91.5
Oil.....	6.85	6.45	6.60	69.3
Shipping.....	4.48	3.89	4.09	11.3
Brew. and Dist.	5.87	7.05	6.40	92.0

We are officially informed that Mr William Ralph Philip Hayward ceased to be a member of The Stock Exchange on November 2, 1939.

New York

AFTER the increased activity among war stocks on Friday and Saturday of last week, following the repeal of the Arms Embargo, Wall Street opened after the week-end with a considerable volume of profit-taking, particularly among aircraft, steel, copper and motor issues. Turnover was further influenced by pre-holiday sentiment and the continued inability of domestic shares to respond to improved dividend announcements. The markets were closed on Tuesday for Election Day. On the resumption of trading, war stocks were irregular, but other domestic issues advanced fractionally. The Dow Jones industrial average slipped back, however, from 152.36 last Saturday to

Capital Issues

CAPITAL ISSUE TOTALS

Week ending	Nominal Capital	Conversions	New Money
November 11, 1939	£21,139	£2,000	£23,139
To the Public	Nil	Nil	Nil
To Shareholders	Nil	Nil	Nil
By S.E. Introduction	278,096	302,765	580,861
By Permission to Deal	278,096	302,765	580,861
Savings Certs., week to Nov. 4, 1939	200,000	200,000	400,000
Year to date	122,759,426	100,233,484	222,992,910
1939 (New Basis)	259,797,490	238,051,080	497,848,570
1938 (New Basis)	71,786,802	50,356,723	122,143,525
1938 (Old Basis)	186,562,146	165,795,831	352,357,977

New York Prices

Close Latest		Close Latest	
Nov. 9,	Nov. 10,	Nov. 9,	Nov. 10,
1939	1939	1939	1939
1. Rails and Transport		Shell Union.....	
Atchafalpa	30½ 29½	148 131	
Balt. & Ohio	42 41½	Socony Vaccum.....	139 134
Ches. & Ohio	42 41½	Stan. Oil Cal.....	274 278
G.N. Ry. Pf.	29½ 28¼	Stan. Oil N.J.....	48¼ 48
Illinois Cent.	15 14½	Texas	47½ 47
N.Y. Central	21 20¼	4. Manufacturing	
Northern Pac.	11 10½	Briggs	24½ 24
Pennsylv. R.	24½ 24½	Chrysler	88 87¾
Southern Pac.	16½ 16½	Gen. Motors	54½ 54
Southern Ry.	20 18¾	Boeing Airplan	30 28
Union Pac.	100¾ 101½	Douglas Air.....	84¾ 84½
2. Utilities and Communications		United Aircft.	47½ 48½
Am. W. Works	12½ 12½	Allied Chem.	175½ 173½
Con. Edison	31 31½	Dupont	179½ 178
Col. Gas & El.	7¼ 7	Gen. Electric	40½ 39½
N. American	22½ 22½	West'bn Elec	113¼ 111¼
Pac. Gas & El.	30½ 31¼	American Can	106 106½
Pub Serv N.Y.	40½ 40	Caterpillar	56 55½
United Corp.	25½ 25½	Int. Harvester	61½ 62½
Un. Gas Imp.	14½ 14½	Johns Manville	77 77
Amer. Tel.	168 168½	Corn Prods.	63¼ 62
Inter. Tel. For.	5 4½	CI Case & Co.	82¼ 81
West. Union	28½ 28	Glidden	18¼ 18
Radio	5½ 6½	Celanese of A.	28 27½
3. Extractive and Metal		Eastm'n Kdk	16¼ 16¼
Am. Rol. Mill	19½ 18½	Loews	36¼ 35½
Beth. Steel	88¼ 85½	20th Cen. Fox	14½ 14½
Republic St.	26 25	5. Retail Trade, etc.	
U.S. Steel	74½ 73	Mont. Ward.	54½ 53½
Am. Metal	26½ 25½	Sears Roebck	85½ 85½
Am. Smelting & Ref.	52¼ 52¼	Woolworth	41¼ 41
Anaconda	32¼ 32¼	Nat. Dairy	16½ 16½
Cerro de Pas.	38½ 39¼	Am. Tob. B.	81¼ 81
Int. Nickel	40¼ 40½	Nat. Distillers	24¼ 24
Kennecott	39½ 39½	6. Finance	
U.S. Smelt.	62 62½	Comcl. Credit	46¼ 47
		Com. Inv. Tr.	51½ 52

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).

Group	Yield (%)			Price 1939 Low
	Aug. 29, 1939	Sept. 26, 1939	Oct. 31, 1939	
Insurance.....	4.78	5.39	4.98	82.0
Coal.....	6.58	6.88	6.25	74.0
Cotton.....	3.79	4.21	3.57	19.3
Elec. light, etc.....	5.07	6.01	5.55	91.5
Oil.....	6.85	6.45	6.60	69.3
Shipping.....	4.48	3.89	4.09	11.3
Brew. and Dist.	5.87	7.05	6.40	92.0

* 50 Common Stocks. † Aug. 2nd. ‡ Aug. 23rd.

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

Nov. 2	Nov. 3	Nov. 4	Nov. 6	Nov. 7	Nov. 8
124.9	126.0	125.6	124.7	(a)	123.8
1939 High: 130.3 January 4th. Low: 98.8 April 8th. (a) Market closed Election Day.					

TOTAL DEALINGS IN NEW YORK

1939	Stock Exchange	
	Shares 000's	Bonds \$000's
November 2	850	6,600
" 3	1,820	8,020
" 4	1,420	3,760
" 6	1,270	5,220
" 7	(a) Closed	(a) Closed
" 8	1,070	7,810

* Two-Hour Session. (a) Election Day.

MISCELLANEOUS

Horden Collieries, Ltd.—Profit, year to September 30, 1939, after depreciation, tax and contingencies, £209,186 (£229,984). Debenture interest, £30,448 (£31,873); sinking fund account, £28,807 (£27,305); to general reserve, nil (£20,000); ordinary dividend 10 per cent., as before; carry forward, £77,431 (£77,500).

Peninsular and Oriental Steam Navigation.—Final dividend on deferred stock 3 per cent., making 5 per cent. for year to September 30, 1939, plus cash bonus ½ per cent. or 6½ per cent. in all. For previous year dividend was 5 per cent. plus a bonus of 3 per cent.

Central Mining and Investment.—This corporation is not paying an interim in respect of 1939. The question of the distribution for 1939 will be considered when the final accounts are available. Interim dividend for 1938 was 3½ per cent.

Hoyle (Joshua) and Sons.—Gross profits for year to September 30, 1939, £128,417 (£138,883). Net profit, £34,704 (£46,480). Ordinary dividend maintained at 5 per cent.

General Motors Corporation.—A dividend of \$1.25 has been declared, making \$3.50 in 1939 compared with \$1.50 in 1938.

Trinidad Leaseholds, Ltd.—The company's preliminary profits statement was discussed in *The Economist* of October 28, 1939, page 141. The balance sheet at June 30, 1939, shows total assets £5,218,935 (£5,256,070). Stocks, £794,649 (£850,628). Cash, £707,995 (£844,210). Crude oil: produced, 4,773,901 barrels (4,313,011); throughput, 11,156,813 barrels (10,475,928); sales, 10,749,911 barrels (10,062,282). Oil profits, etc., £901,779 (£948,519).

Yarrow and Company.—Profits for year to June 30, 1939, after depreciation, £65,642 (£45,867). Ordinary dividend 10 per cent. plus 10 per cent. bonus, making 20 per cent. tax free against 20 per cent. less tax. To general reserve, £35,000 (£15,000). Carry - forward, £28,034 (£27,392).

International Nickel Company of Canada.—Regular quarterly dividends of 50c. per common share makes \$2 in year 1939 (same).

Ardath Tobacco Company.—Net profit for year to June 30, 1939, £404,807 (£449,533), after provision for increased war taxation. Tax free ordinary dividend reduced from 12 to 10 per cent. Carry-forward, £272,174 (£251,366).

Prince Line, Ltd.—Profits for year to June 30, 1939, before depreciation, £144,637 (£166,620). Ordinary dividend maintained at 2½ per cent.

Baird Television.—A motion by the debenture holders (unopposed by the company) for the appointment of a receiver and manager was granted in the Chancery Division on November 3rd. Mr Wilfred Harrison, of Messrs Price, Waterhouse and Company, was appointed, and leave given to enforce security.

Qualcast, Ltd.—The accounts of the company were discussed in *The Economist* of September 30, 1939, page 613. The directors then delayed their dividend recommendations, but have now declared a final dividend of 10 per cent. and a cash bonus of 10 per cent., making 30 per cent. for the year, as before. Carry-forward, £36,288 (£39,814).

Buenos Ayres and Pacific Railway.—Gross receipts year to June 30, 1939, £6,563,161 (£6,469,595). Net receipts, £1,610,532 (£1,353,333). Differences in exchange, £708,589 (£708,978). Debit balance, £826,322. Debit balance June 30, 1938, £5,705,663. Total debit balance, £6,531,985.

SHORTER COMMENTS

Company Results of the Week.—Substantial progress is shown by the accounts of YARROW AND COMPANY, who report that all departments have been busy, and that many orders have been received for water-tube boilers. Net profits are 43 per cent. higher at £65,642. The full report of TRINIDAD LEASEHOLDS shows total profits of £918,300 against £977,147. The volume of sales increased, but average prices obtained fell, especially in the U.K. petrol market. Rubber companies continue to record lower profits, though the decline varies widely in severity. There is also no change in the reduction of net revenue reported by nearly all investment trusts. A 10 per cent. fall in ARDATH TOBACCO COMPANY net profits has been accompanied by a reduction in the tax free dividend from 12 per cent. to 10 per cent. The directors of QUALCAST are recommending the total dividend of 30 per cent. which had been indicated in the report, but held in abeyance for a time. In spite of some reduction in net profits, JOSHUA HOYLE AND SONS repeat the 5 per cent. dividend.

Industry and Trade

Confusion in Cotton Trade.—The cotton industry is in a state of confusion as a result of the uncertainty concerning the functions of the Cotton Board. About the middle of September the Board of Trade and the Ministry of Supply thought it advisable to appoint a Cotton Board, which consisted of Sir Percy Ashley, representing the Government, and leading employers and trade union officials. The Board at once set to work with the object of making sure that the Government had priority in securing supplies of manufactured goods. The Board also thought it desirable to do everything to assist the export trade. But the members of the Board in vain asked the Government to give it the requisite powers, and the discussion in the House of Commons on the Cotton Industry (Reorganisation) (Postponement) Bill revealed some difference of opinion between the Board of Trade, the Ministry of Supply and the Cotton Board concerning its functions. Surprise has been expressed in Lancashire at Mr Oliver Stanley's statement that "it was essential that any individual or body with executive power should be completely divorced from any personal or pecuniary interest in the trade itself." If Mr Stanley's statement represents the policy of the Government, it is asked why the Board was ever constituted in its present form. It is understood that the Cotton Board wishes to establish standard profit margins for yarn. Owing to the big Government demand for heavy cloths, coarse yarns have advanced in price very rapidly and the margin of profit is now wider than it has been for many years. The Cotton Board is also credited with the intention of placing a levy on raw cotton imports to provide a fund for subsidising the export of manufactured goods. The uncertainty concerning the Board's functions is having an adverse effect upon business in Manchester and it is consequently hoped that the Government will reach an early decision.

International Steel Markets.—The International Steel Cartel, of which Germany was a prominent member, ceased to function as a result of the outbreak of the war. On the other hand, a measure of co-operation still exists between France, Britain and Belgium. The domestic requirements of these countries have tended to expand with the intensification of re-armament since the outbreak of the war. Moreover, in the United States internal demand has risen sharply with the recovery in business activity, and crude steel production in that country is now at the rate of 93 per cent. of the industry's estimated capacity. As a result, the international steel market has become a sellers' market. The extent to which international steel prices have risen since the outbreak of war is shown by the advance in Belgian export prices given below:—

EXPORT PRICES F.O.B. ANTWERP
(in £'s gold per ton)

	September 1st	November 1st
	£ s. d.	£ s. d.
Merchant bars	5 5 0	6 12 6
Joists	4 17 6	6 12 0
Angles	4 18 0	6 12 6
Wire rods	5 5 0	7 0 0
Plates ½-in. and over	5 12 6	7 10 0

Compared with these increases, the 10 per cent. rise in British domestic prices appears comparatively small. The future course of steel prices on the international market depends in a large measure on developments in the United States; if the expansion in business activity in that country is maintained, there is little likelihood of a reduction in prices.

More Money for Farmers.—The rise in freight rates and the fall in the value of sterling in the last three months have led to a very considerable advance in the landed prices of many imported goods, including cereals. At the outbreak of war, the Ministry of Food fixed a maximum price for current sales of English wheat, and this price has twice been raised, in conformity with the trend in prices of imported wheat, until it now stands at 31s. 6d. per quarter. On Wednesday, Mr Morrison announced that the standard price for wheat under the Wheat Act will be raised for the current year from 45s. to 49s. 6d. per cwt.; the standard price for oats will similarly be raised from 24s. to 27s. a quarter. Since farmers are being asked to increase their production of cereals, these higher prices may be necessary; but as there is an abundance of wheat in Canada, Australia and Argentine available at low prices, the policy of subsidising home production of staple cereals need not be pursued indefinitely to satisfy the N.F.U. The increase in the basic pig price, announced this week, from 14s. to 15s. per score dead weight, was not unexpected. Wholesale prices of all types of bacon have been increased to cover the higher costs of imported bacon, which provided in 1938 nearly 7 million cwts. out of the 9½ million cwts. eaten in this country, and in view of the possible interruption of supplies from Denmark, by far the largest exporter, an increase in home production is desirable.

Butter Supplies.—In 1938 the inhabitants of the United Kingdom ate some 10½ million cwts. of butter, of which only 900,000 cwts. was home produced; in addition, about 4½ million cwts. of margarine was consumed, mainly from imported seeds and oils. Supplies of the latter have been well maintained and, under the Ministry of Food, the output of margarine is being increased, but imports of butter have been affected both by the withdrawal of British ships from the Baltic and by the temporary interruption of shipments from Denmark. In 1938, Denmark supplied one quarter and the Baltic countries 12 per cent. of the British imports of butter, while Australia and New Zealand sent 46 per cent. At the outbreak of war, stocks in cold storage had just passed their seasonal maximum, which is usually reached at the end of July. The latest figures, which relate to August 26th, show that about 577,000 cwts. were then in store, a quantity about equal to three weeks' consumption at the pre-war level. There is no reason to believe that these stores have been appreciably reduced; the initial deficiency in supplies was probably made good by increasing home production and by the fall in consumption which is the natural result of the increase in prices. In future, shipments from the Dominions will probably be increased sufficiently to offset the loss of the 1,160,000 cwts. of butter which was formerly drawn from the Baltic. From the point of view of existing supplies, therefore, there is probably no reason for the immediate rationing of butter. The argument for its introduction is based on the wisdom of preparing against future events, such as the fall in butter production in Denmark and Holland if those countries cannot obtain sufficient cereals to feed their livestock.

American Shipping.—The banning of United States ships from European ports in belligerent countries had been expected as a necessary consequence of the Neutrality Act. But the extension of the ban to all ports in the Baltic, in Sweden, Denmark, Belgium, Holland and

in Norway south of Bergen represents a further heavy loss to American trade. The Chairman of the House of Representatives Committee on Merchant Marine is reported to have stated that the embargo would involve about 90 vessels of about 600,000 gross tons, out of a total merchant sea fleet of 8.9 million gross tons. The exclusion of American ships from British waters is not likely to affect greatly the volume of shipping at British ports; the following table shows that in 1938 American vessels provided less

NET TONNAGE OF U.S.A. VESSELS WITH CARGO AT
BRITISH PORTS

	1936	1937	1938	Jan.-July	
				1938	1939
	('000 net tons)				
Eire:—					
Entered from	91.4	106.3	89.1	49.4	58.7
Cleared for	48.4	67.3	67.3	45.8	51.4
Northern Europe:—					
Entered from	824.0	921.6	737.7	458.8	383.1
Cleared for	69.1	76.0	84.0	45.4	83.3
Europe, Atlantic and W. Medit.:—					
Entered from	24.0	...	42.1	17.2	3.3
Cleared for	...	...	...	...	35.4
Other Medit.:—					
Entered from	...	...	19.7	10.6	...
Cleared for	...	...	...	...	...
North America:—					
Entered from	2,075.0	3,222.6	2,130.7	1,288.4	1,068.7
Cleared for	1,567.4	1,555.4	1,490.9	872.3	762.1
Central Am. and W. Indies:—					
Entered from	86.1	43.6	91.7	72.1	57.6
Cleared for	...	1.4	...	...	...
Other Areas:—					
Entered from	5.9	8.5	7.9	...	9.0
Cleared for	...	...	4.5	4.5	...
Total:—					
Entered	3,106.4	3,302.7	3,118.8	1,895.4	1,580.5
Cleared	1,684.9	1,700.1	1,645.8	968.1	932.2
All tonnage at British Ports:—					
Entered	67,415	70,420	68,372	39,296	39,206
Cleared	56,818	61,390	58,879	33,090	34,963

than 5 per cent. of the net tonnage entered with cargo. Even with the increased cargo traffic across the Atlantic, the British mercantile fleet can easily take the place of the American, but it is to be expected that American competition on other lines will be correspondingly increased.

Dearer Oil Products.—Following the advance in the price of petrol, which took effect on October 17th, the whole range of petroleum products has now been added to the list of commodities the price of which has been raised as a result of the war. During the past week the Petroleum Board has announced increases in the price of liquid oil products amounting to 1d. a gallon for fuel oil and ordinary diesel oil, 1½d. a gallon for kerosene, gas oil and diesel oil for road vehicles, and to as much as 2½d. a gallon for white spirit, which is used for various medicinal and industrial purposes. Higher prices will also be charged for such solid products as asphaltic bitumen and paraffin wax. Ruling wholesale prices for the principal products in England and Wales, inclusive of duty, are given below; higher rates are current in the outlying parts of the country:—

	Per Gallon.
Motor spirit, England and Wales	1s. 5½d.
Kerosene (vapourising oil), S. and E. Counties	8½d.
Kerosene (burning oil), S. and E. Counties	8½d.
Automotive gas oil, London district	1s. 2½d.
Diesel oil, ex Thames installation	6½d.
Furnace fuel oil, ex Thames installation	5½d.

This week's increases—which in most cases are the first to be made for a long period of time—appear to be justified by reference to the higher costs which the industry has had to bear since the outbreak of the war. On the Gulf export market, prices of all refined products are now considerably above those ruling at the end of August, while the rise in British import prices has been enhanced by the depreciation of sterling against the dollar. The rise in tanker freights is estimated to have added at least 1d. a gallon

to the cost of most oil products in this country, while insurance premiums and distribution charges have become more onerous. The statement of the Petroleum Board that this week's advance "only partly reflects the increases in costs since the beginning of the war" thus appears to be borne out by an examination of the facts. In the circumstances, further price advances in the near future cannot be ruled out of account.

Control of Timber Supplies.—Timber was one of the first commodities to come under the control of the Ministry of Supply. Restrictions were placed on the sale of stocks, the Timber Controller has taken over the arranging of imports and has enforced a schedule of maximum selling prices, based on the prices existing before the war. This schedule has given rise to two difficulties. As the prices apply to all sales from home stocks, country merchants and small dealers find they have both to buy and to sell at these prices, an arrangement which cannot continue indefinitely. Secondly, while these prices prevent a large measure of profiteering on stocks held in this country at the outbreak of war, they are at present hindering trade in timber which has arrived during the last few weeks; costs of freight and insurance have risen rapidly, and importers cannot in most cases sell at these prices without loss. Negotiations are also taking place within the timber trade for the setting up of an agents' commission pool, on the lines of that in operation at the end of the Great War. The transference of the bulk of British purchases from the Baltic countries to Canada inevitably affects very drastically the different branches of the timber trade; the pooling of some part of the commissions earned in the Canadian trade will partly compensate the importers of Baltic and Central European timber for their loss of business. Such an arrangement presupposes, however, that the Timber Controller will continue to use the existing agents in the import business. The existing scheme, by which the officials of the Timber Control, together with representatives of the Treasury and the Ministry of Shipping, will be responsible for the bulk purchase of imported timber, involves a very drastic reduction in the activities of the importers. Timber dealers are naturally trying to get these arrangements modified in order to preserve intact the structure of their trade, but if the war is indeed to last three years a centralised buying agency may be the most economic method of securing ample supplies of timber at reasonable prices.

Dearer Cement.—On October 27th the price of cement was raised by 2s. per ton and now costs 43s. per ton in the London area. In justification of the rise, which has been approved by the Government, the industry is pointing to the rise in the price of coal and other prime costs since the outbreak of the war. Although the demand for cement for civil purposes has shown a decline, the consumption for military purposes has registered a substantial increase. The percentage of insured persons unemployed in the cement, lime-kilns, and whitening industries fell from 6.0 in September, 1938, to 5.7 in August and 3.2 in September, 1939. If those figures are any indication of the activity of the industry, its overhead costs per ton must have shown a decline since last year. The profits of the leading concerns in the trade have been far from unsatisfactory in recent years, and it would be interesting to know the precise data on which the rise in prices was based.

**ELECTRICAL ENERGY AT ECONOMIC
RATES IN NORTH-EAST COAST AREA**
NORTH-EASTERN ELECTRIC SUPPLY Co. Ltd.
Carlisle House, NEWCASTLE-UPON-TYNE
SITES FOR WORKS Apply to the above Address for details

INDUSTRIAL REPORTS

Coal

THERE was a general increase on November 1st of 1s. per ton in the pit-head price of coal for the inland market, but there was some confusion regarding exports. Some districts have not yet increased the prices for the latter while others have raised them by as much as 1s. 4d. Both production and demand are well maintained in all districts.

★

Sheffield.—The price increase has not interfered with business and industrial demand is expanding, although householders are well supplied. There is a steady demand for coking smalls, blast-furnace coke, and central heating fuel. Substantial tonnages are being exported under licence.

★

Glasgow.—Collieries in Lanarkshire, Ayrshire and the Lothians have raised their f.o.b. rates, but those in Fife have kept prices unchanged. Business in all sections is good and available tonnage is readily taken up. Export trade is improving.

★

Newcastle-on-Tyne.—Export prices of Northumberland coals have been raised but not those of Durham. There is a brisk demand for steam classes and manufacturing coal, but business in the gas and bunker section is quiet.

★

Cardiff.—Production is well maintained and with more neutral tonnage available shipments are larger than the average for October. It is expected that the new inland price will add about 7d. per ton to the cost of coal to the iron and steel industry.

Iron and Steel

THE higher prices which came into operation on November 1st have caused no interruption to business and production continues at record levels in all districts. Delivery dates for commercial steel orders are lengthening but iron supplies are adequate for requirements.

★

Sheffield.—Good tonnages of ordinary and special steels are available for commercial purposes. The consumption of pig iron is heavy, finished iron business is improving and bar makers are busier.

Middlesbrough.—As the new prices are for no definite period deliveries will be charged at the rates ruling at the date of despatch. The output of East Coast hematite is absorbed as it becomes available. Sheet makers have sufficient steel to work at full pressure but increased imports of semi-manufactured steel and scrap are required.

★

Glasgow.—An unofficial strike of labourers and enginemen at the Clyde-bridge Works of Colvilles has interrupted production for several days and is still unsettled. Sheet makers are still exceedingly busy on both Government and commercial work.

★

Cardiff.—Tinplate output has improved to 73.27 per cent. of capacity, but unexecuted orders now exceed 7.75 million boxes. Applications are being received for wage increases in addition to those under the price sliding scale system.

Cotton (Manchester).—Raw cotton prices have risen as a shortage of freights is expected to follow the amendment of the United States Neutrality Act. The New York Cotton Exchange has estimated world supplies for 1939-40 at 49,362,000 bales, including 25,780,000 bales of American cotton. Yarn prices have advanced to meet the higher cost of raw cotton, but demand is maintained and many mills are working overtime. Cloth sales, though irregular, are encouraging, but the chief support for weavers comes from Government contracts.

★

Jute (Dundee).—Prices of raw jute, yarn and cloth are all dearer. The Indian Government has tried to fix a maximum price, but sellers have increased their quotations to £34 for the full group of Daisee 2/3 to Dundee. Deliveries of raw jute and goods from India are delayed and Dundee manufacturers are too busy to make substitutes.

★

Wool (Bradford).—Considerable progress has been made with the Wool Control and the scheme appears to be nearing completion. Manufacturers are exceedingly busy on both Government and civilian orders and much overtime is being worked.

THE COMMODITY MARKETS

Metals

WHILE supplies of lead, copper and spelter to consumers remain subject to licence, deliveries are more regular than in earlier weeks; no licences are being issued for exports. In the U.S.A. the metal market has been quieter with a fall in domestic sales. Prices were unchanged. A certain amount of export business in copper has been reported from New York.

Tin.—The maximum price remains at £230 per ton for all positions. The daily releases have again fluctuated between 25 and 50 tons. The tin market in New York eased when it was known that the tonnage afloat to the U.S.A. amounted to 19,793 tons on October 31st against 4,946 tons on August 31st. The New York price closed at 51 cents per lb., against 54 cents a week ago.

Grains

Sharp frosts have followed the prolonged drought in the south-west of the American wheat belt and the outlook for the new wheat crop has again deteriorated. Consequently, grain markets in Chicago remain steady. The Federal Surplus Commodity Corporation is making no attempt to encourage exports, as if the coming crop is small the present surplus of about 100 million bushels might be needed. Supplies of maize are still small in the United Kingdom.

Miscellaneous Commodities

Oils and Oilseeds.—Allocations of material to the refining and crushing mills are fairly liberal and deliveries are being speeded up. The revised list of prices issued this week provides for a small rise in the prices of cottonseed oil and whale oil; raw linseed oil remains unchanged at £36 per ton naked ex mill for large quantities. Shipments continue steadily from India, Egypt and the Plate. Quotations for the new linseed crop in the Argentine have hardened; its condition is generally satisfactory and harvesting is about to begin.

★

Rubber.—Markets both in London and New York have remained steady and prices show a small rise on the week. In London, standard sheet was unchanged while the price of Para rose by 4d. per lb.

COMPANY MEETINGS

PERAK RIVER HYDRO-ELECTRIC POWER COMPANY, LIMITED

IMPROVING OUTLOOK

The thirteenth annual general meeting of the Perak River Hydro-Electric Power Company, Limited, was held, on the 8th instant, at Winchester House, London.

Mr George Balfour, J.P., M.P. (the chairman) said that the accounts showed a very heavy decline in receipts and profits as compared with the previous year, but, he believed, not greater than shareholders would expect in view of what he had told them at the last annual general meeting and bearing in mind that during the last half of their financial year there had been serious disturbances on the Continent followed by the invasion of Poland, which had subsequently involved this country and our allies in war.

Last year he had pointed out that the load on their generating plants had dropped during 1937-8, but had ventured the opinion that they were then on a low level of output and that, short of any that world upheaval, they would see a better second half-year. That opinion had been falsified by the events just referred to. The units sold in 1937-8 were 214,000,000 and last year only 94,000,000.

REORGANISATION SCHEME FULLY JUSTIFIED

The figures showed that they had come through a "slump" year, which had tested their new financial structure. It was a great satisfaction to the directors, who had dealt with the financial reorganisation four years ago and had subsequently cleared off the prior lien debt, to know that under such conditions their reorganisation scheme had been fully justified. The scheme had been framed in an endeavour to ensure that even in such a bad year as they had just faced they should be able to meet all charges, including sinking fund, debenture interest and preference dividend, provided that they made prudent allowance, as they had done, for depreciation and writing off in prosperous years. He was glad to say that not only had they been able to achieve that, but they were able also to recommend a modest dividend on the ordinary shares.

Receipts from sale of current had dropped from £500,661 to £246,454. Operating expenses, on the other hand, were lower by £80,006. After various adjustments, the surplus amounted to £33,326, which the directors proposed to deal with in payment of a dividend of 2½ per cent. on the ordinary shares, less tax, leaving £4,888 to be carried forward. He would make it clear that if at the close of their account on July 31st last there had been no sign of improvement, and had the load on their plant remained stationary during August and September, they would not have recommended any dividend. When the time arrived to decide, the load had increased and the position of the company had so considerably improved, and was likely to be maintained, that they had felt justified in recommending the proposed dividend, bearing in mind that they had carried forward from the previous account £19,921, about £15,000 more than usual, and in previous years had made depreciation and other appropriation charges with a view to helping over a lean year. He was sure they had adopted the right course in making a special effort in recommending a dividend in this time of stress.

As to the position and outlook for the current year, in the absence of any conditions which would falsify a forecast, they could look forward to a satisfactory account.

The report was unanimously adopted.

BIRMINGHAM SMALL ARMS COMPANY, LIMITED

EFFECT OF TAXATION ON DIVIDEND

The annual general meeting of the Birmingham Small Arms Company, Limited, was held, on the 7th instant, in Birmingham. Sir Alexander Roger, the chairman, said that the board regretted being able to recommend only a dividend of 6 per cent., less tax, following the 10 per cent. paid last year for the first time for eight years, but N.D.C., E.P. and 2s. on the income tax, with the outbreak of war, had upset their intentions. Their profit earned in the stand dividend were not far to seek. They had a case for special consideration to put before the Board of Referees, but shareholders would agree that it was wise to provide for the maximum assessment, and they had therefore reserved £550,000 for taxation as compared with £100,000 last year.

The statement that their profit had increased by over 30 per

cent., taken by itself, was misleading. The reasons for the increase were increased turnover at a fair rate of profit, benefits of past capital expenditure, saving in interest and careful management with improved efficiency.

He did not wish to repeat the many criticisms of Government control and restriction of industry, but he would like to refer to a vital aspect of the situation. Industry appreciated the necessity for prompt action, but he suggested that the various controls had not had the benefit of representative expert guidance.

If the knowledge and guidance of leaders of industry, their respective organisations and the leaders of Trade Unions had been utilised to the full, it would have been possible to operate the controls satisfactorily. That could be achieved quite simply by appointing a competent and active Advisory Committee attached to each controller.

In conclusion, he expressed regret at being compelled to tender his resignation as chairman owing to pressure of work, adding that he would remain a director and that his place as chairman would be taken by Sir Bernard Docker.

Report unanimously adopted.

ODEON THEATRES, LIMITED

PROFIT ESTIMATE EXCEEDED

The second annual general meeting of Odeon Theatres, Limited, was held, on the 7th instant, in London.

Mr Oscar Deutsch (chairman) said that the theatre profit had amounted to £513,380—an increase of £141,811—and the directors were recommending the same dividend as last year, namely, 10 per cent., less tax, and were proposing to plough back into the business in some form or another approximately 73 per cent. of the year's available profit, thus carrying out their conservative policy with regard to distribution of profits.

At their last meeting he had given a short list of films which had been booked to their circuit which he had considered would be reflected in the accounts now before them, and he emphasised that point because of the equally satisfactory list of films, from both British and American studios, that the directors had so far already succeeded in securing for exhibition during the present financial year—they included "Lambeth Walk," "Mikado," "Spy in Black," "Goodbye, Mr. Chips," "Wuthering Heights," "Nurse Edith Cavell," "The Lion Has Wings," "Stage Coach," "Three Smart Girls Grow Up," "Q Planes," "Love Affair," and "Four Feathers," a list which, in his opinion, was unprecedented for its strength of box office pulling power, and had also the important feature of being in an unbroken line. They had, since the completion of the accounts under review, maintained their turnover as compared with the previous year, apart from the period of compulsory closing.

THE FILMS AND PROPAGANDA

The screen had come into its own as exercising a powerful influence on the public mind no less powerful than Press or radio. The Government had now recognised the power of the film industry in this particular respect by setting up what was perhaps the most important division of the Ministry of Information—the film division under the most able directorship of Sir Joseph Ball, a well-known and understanding friend of the industry for some time past.

The division had made a first-class start with Mr Alexander Korda's film, "The Lion Has Wings." On seeing the film he (the chairman) had taken immediate steps to secure the booking for their circuit at the earliest possible date in order to give Odeon patrons the opportunity of seeing this tremendously important film at its most topical moment.

While he was sure that they would not ask him to make any forecast as to the current year under present conditions, he could say with absolute conviction, based on a careful analysis of their business since the outbreak of war, that there was a widespread and national demand for the type of entertainment they provided, and whilst the company had lost money during the period when the theatres were compulsorily closed, they were back to normal in most areas, with an indication of increased demand.

The business they were doing in some areas was truly remarkable. Peace-time weekly records had been broken in the case of quite a number of theatres, and there was, as yet, no evidence of any material drop in the evacuation areas. That might be, of course, due to the attractiveness of the product they had been showing week after week.

Report unanimously adopted.

THE ECONOMIST

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week ended November 4, 1939, total ordinary revenue was £20,340,000, against ordinary expenditure of £24,193,000, issues of £30,500,000 under the Defence Loans Act, and £260,000 issued to sinking funds. Thus, including sinking fund allocations but excluding issues from defence loans, the deficit accrued since April 1st last is £244,187,000, against £205,467,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1939-40	April 1, 1939	April 1, 1939	Week ended Nov. 4, 1939	Week ended Nov. 4, 1938
ORDINARY REVENUE					
Income Tax	390,000	83,074	75,725	6,564	9,734
Sur-tax, etc.	70,000	9,530	10,380	190	350
Estate, etc.	75,500	44,630	47,030	1,740	1,720
Stamps	17,000	11,710	10,090	180	180
N.D.C.	25,000	9,490	14,920	550	610
Other Revenue					
Duties	1,250	690	430	20	10
Total I. Rev.	578,750	159,124	158,565	9,244	12,424
Excise	239,600	135,975	160,584	4,375	4,556
Total Cust. and Excise	372,450	204,275	235,748	5,740	5,864
Motor Duties	22,000	11,031	9,316	1,245	805
P.O. (Net Receipts)	400	8,730	5,104	1,140	900
P.O. Fund	1,600				
Crown Lands	1,330	860	870		
Rec. from Sun. Loans	5,000	4,130	3,529	83	
Misc. Rec.	13,650	7,321	10,089	73	347
Total Ord. Rev.	995,180	395,181	423,221	17,525	20,340
SELF-BAL. P.O. and B'dcasting	83,449	43,520	46,146	1,210	1,300
Total	1,078,629	438,701	469,367	18,735	21,640

Expenditure	Estimate, 1939-40	April 1, 1939	April 1, 1939	Week ended Nov. 4, 1939	Week ended Nov. 4, 1938
ORDINARY EXPEND.					
Int. & Man. of N. D.	230,000	116,287	151,787	14,269	14,105
Pays. to N. Ireland	10,000	4,619	4,606	277	346
Other Cons. Fund Ser.	7,200	1,663	3,773		90
Total	247,200	122,515	160,166	14,546	14,541
Sup. Serv. (a)	118,371	443,421	501,029	21,500	9,652
Ditto, plus loans	168,614	443,421	672,279	21,500	40,152
Total Ord. Expend.	415,571	565,936	661,195	36,046	24,193
Def. Lns. (b)	502,430		171,250		30,500
P.O. and B'dcasting	83,449	43,520	46,146	1,210	1,300
Total	1,001,450	612,706	778,591	37,256	55,993

* Supply Services, after addition of issues under Defence Loans Act: (a) excluding expenditure being met from loans; including £500 millions Vote of Credit; allows for supplementary estimates and other changes since April, 1939, and for estimated saving in Budget of September 27, 1939.

After raising Exchequer balances by £96,045 to £2,565,268, the other operations raised the gross National Debt by £35,039,000 to about £8,584 millions.

excluding "other capital liabilities," and not allowing for issues to sinking funds since April 1, 1939.

DEBT INCREASES (£ thousands)	
Treasury bills	23,744
National Savings Certificates	200
Public Department Advances	11,095
OTHER ISSUES (Net)	
P.O. and Teleg.	450
N. Atl. Ship.	30
OTHER REPAYMENTS	
Tithe Act	150
	480
	150

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1, 1939, to November 4, 1939, are shown below:—

Ordinary Exp.	£ thousands	Ord. Rev.	£ thousands
Issues under Def. Lns.	661,195	Gross Rev.	423,221
Loan Acts	171,250	Less—	
Misc. Issues (net)	6,204	Sinking fds.	6,213
Inc. in bices.	66	Net borrowing	415,494
	838,715		838,715

FLOATING DEBT (£ millions)

Date	Treasury Bills	Ways and Means Advances	Bank of England	Total Floating Debt	Floating Assets
1938					
Nov. 5	517.0	405.3	46.1	971.3	451.4
July 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	47.5	1126.2	616.2
" 19	510.0	570.1	47.5	1126.6	617.6
Sept. 2	500.0	618.3	49.2	1138.4	628.4
" 9	495.0	633.3	47.9	1176.2	667.5
" 16	500.0	652.1	50.5	1202.6	681.2
" 23	505.0	663.7	47.5	1216.2	701.2
Oct. 7	518.0	670.8	49.1	1237.9	725.9
" 14	531.0	699.8	52.6	1283.4	752.4
" 21	546.0	699.9	49.0	1294.9	748.9
Nov. 4	580.0	706.6	59.0	1345.6	765.6

TREASURY BILLS (£ millions)

Date of Tender	Offered	Applied for	Allotted	Average Rate	Per Cent. Allotted
1938					
Nov. 4	35.0	67.9	35.0	10	5.87
July 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
Sept. 1	40.0	56.3	30.0	74	5.44
" 8	50.0	60.2	50.0	74	3.48
" 15	55.0	89.2	55.0	72	0.98
" 22	55.0	86.5	55.0	66	1.25
Oct. 6	50.0	96.3	55.0	48	9.83
" 13	50.0	103.0	50.0	42	6.63
" 20	50.0	98.2	50.0	40	8.28
" 27	55.0	99.9	50.0	34	3.39
Nov. 3	55.0	102.6	55.0	23	8.83

On November 3rd applications at £99 14s. 1d. per cent. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week applied for and applications at higher prices in full. Applications at £99 14s. 2d. for bills to be paid for on Saturday were allotted in full. £55.0 millions of Treasury bills are being offered on November 10th.

NATIONAL SAVINGS CERTIFICATES

Sales in	Number	Purchase Price
Forty-two weeks to—		
Oct. 22, 1938	26,037,035	19,527,776
Oct. 21, 1939	22,505,755	17,629,281
Week to—		
Oct. 22, 1938	590,546	442,910
Oct. 14, 1939	524,166	393,128
Oct. 21, 1939	506,421	379,815

BANK OF ENGLAND RETURNS

NOVEMBER 8th, 1939

ISSUE DEPARTMENT

Notes Issued:	£	Govt. Debt...	11,015,100
In Circulation	528,372,100	Other Govt. Securities...	565,597,094
In Bkng. Department	51,821,036	Other Secs.	2,929,303
		Silver Coin	458,503
		Amt. of Fid. Issue	580,000,000
		Gold Coin & Bullion (at 168s. per oz. fine)	193,136
			580,193,136

Propos. Capital	14,553,000	Govt. Secs.	102,246,164
Rest	3,220,741	Other Secs.	5,451,503
Public Deps.*	21,266,709	Discs., etc.	21,922,908
		Notes	27,374,411
Other Deps.:		Gold & Silver Coin	935,059
Bankers'...	101,859,318		
Other Accs.	41,476,902		
	143,336,220		
			182,376,670

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

THE WEEK'S CHANGES (£ thousands)

Both Departments	Amt. Nov. 8, 1939	Compared with Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	528,372	+ 406	+ 45,682
Deposits: Public	21,267	+ 10,727	+ 5,329
Bankers'	101,859	- 12,943	- 7,639
Others	41,477	+ 1,515	+ 5,973
Total outside liabilities	692,975	+ 3,325	+ 49,345
Capital and rest	17,774	+ 16	+ 44
COMBINED ASSETS			
Govt. debt and securities	678,858	+ 3,092	+ 377,476
Discounts and advances	5,452	- 182	- 5,652
Other securities	24,852	+ 112	+ 3,773
Silver coin in issue dept.	459	+ 3	+ 371
Gold coin and bullion	1,128	+ 73	- 325,578
Res. of notes & coin in banking department...	52,756	+ 333	+ 7,640
Proportion of reserve to outside liabilities	32.0%	+ 1.5%	+ 5.1%

COMPARATIVE ANALYSIS* (£ millions)

	1938	1939		1938	1939
Issue Dept.:			Notes in circ.	482.7	530.3
Notes in banking dept.	43.7	49.8	Govt. debt and securities	527.1	528.0
Govt. debt and securities	199.8	576.8	Other securities	52.2	51.8
Bankers'...	0.1	0.3	Silver coin	57.6	57.6
Others	0.1	0.3	Gold	2.9	2.9
at s. p. f. oz.	326.4	0.2	at s. p. f. oz.	0.5	0.5
Deposits:			Public	84.96	168.00
Public	15.9	12.0	Bankers'	168.00	168.00
Bankers'	109.5	116.4	Other	10.5	21.3
Other	35.5	38.5	Total	114.8	101.9
Total	160.9	166.9	Bkng. Dept. Secs.	43.0	41.5
Govt. debt and securities	101.6	107.5	Government	168.3	164.7
Discounts, etc.	11.1	10.7	Discounts, etc.	105.3	102.2
Other	21.0	3.2	Banking	5.6	5.5
Banking	133.7	124.0	reserve dept.	22.0	21.9
reserve	45.0	50.7	"Proportion"	132.9	129.6
"Proportion"	27.9	30.3		52.8	52.8

* Government debt is £11,015,100; capital £14,553,000.

OVERSEAS BANK RETURNS

NOTE.—The latest return of the Bank of Turkey appeared in The Economist of September 9th; Portugal, of October 14th; Egypt, of October 21st; Estonia, and Federal Reserve Reporting Members, of October 28th; Bulgaria, Canada, Greece, Hungary, India, Iran, Jugo-Slavia, Latvia and South Africa, of November 4th.

BANK FOR INTERNATIONAL SETTLEMENTS.—(Million Swiss gold francs of 0.29 grammes)

ASSETS	Oct. 31, 1938	Aug. 31, 1939	Sept. 30, 1939	Oct. 31, 1939
Gold in bars	29.3	28.6	16.5	17.5
Cash	27.9	26.6	27.3	15.9
Sight funds	14.4	13.0	11.5	13.8
Bills and acceptances:				
(a) Commercial bills	153.6	135.1	124.0	109.5
(b) Treasury bills	47.5	42.1	52.1	48.5
Time funds at interest	52.1	35.6	33.0	26.6
Sundry bills & invests.	248.2	229.6	226.0	214.3
Other assets	12.9	1.6	3.0	6.2
LIABILITIES				
Cap. and reserves	149.3	150.1	150.1	150.1
Long-term deposits:				
(1) Annuity trust	152.8	153.1	153.1	153.1
(2) Govt. deposits	102.0	100.4	97.8	76.5
Short and sight depts.:				
(a) Central banks:				
Own account	110.9	53.8	40.2	20.2
For acct. others	2.2	1.7	1.4	1.5
(b) Other deposits	6.4	0.7	1.6	1.6
Sight deposits—gold	9.3	14.1	10.7	10.7
Miscellaneous items	52.9	38.2	38.6	38.6

U.S. FEDERAL RESERVE BANKS

12 U.S.F.R. BANKS	Nov. 10, 1938	Oct. 12, 1939	Nov. 9, 1939	Nov. 9, 1939
RESOURCES				
Gold certifs. on hand and due from Treas.	11,318	14,726	14,839	14,858
Total reserves	11,679	15,050	15,188	15,191
Total cash disbursements	352	315	340	324
Total bills discounted	8	7	6	6
Bills bt. in open mkt.	1	1	Nil	Nil
Total bills on hand	1	7	12	12
Industrial advances	15	12	12	12
Total U.S. Govt. secss.	2,564	2,765	2,721	2,687
Total bills and secss.	2,588	2,784	2,739	2,705
Total resources	14,939	18,636	18,777	18,607
LIABILITIES				
F.R. notes in circ.	4,356	4,758	4,781	4,817
Aggregate of excess m. bank res. over reqts.	3,130	5,400	54	5,350
Deposits—Member bank reserve account	8,546	11,739	11,814	11,749
Govt. deposits	578	404	349	348
Total deposits	9,654	12,884	12,953	12,875
Cap. paid in and surplus	309	312	312	312
Total liabilities	14,939	18,636	18,777	18,607
Reserve to depts. and F.R. notes	83.4%	85.3%	85.6%	85.9%
U.S.F.R. BANKS AND TREASURY COMBINED				
RESOURCES				
Monetary gold stock	14,091	16,973	17,099	17,132
Treasury and Nat. Bk. currency	2,755	2,924	2,932	2,935
LIABILITIES				
Money in circulation	6,764	7,346	7,352	7,409
Treasury cash and deposits with F.R. Bks.	3,315	2,642	2,599	2,611

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

	Nov. 10, 1938	Oct. 12, 1939	Nov. 9, 1939	Nov. 9, 1939
Total gold reserves	4858.1	7133.9	7170.4	7080.8
Total bills discounted	2.6	2.6	Nil	Nil
Bills bt. in open mkt.	0.2	0.2	Nil	Nil
Total U.S. Govt. secss.	815.4	877.2	860.6	847.8
Total bills and secss.	821.8	881.9	864.4	851.6
Deposits—Member bank reserve account	4252.8	6315.0	6256.1	6139.7
Reserve to depts. and F.R. notes	87.0%	89.8%	90.1%	90.2%

BANK OF FRANCE.—(Million francs)

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BANK CLEARINGS

Publication of the weekly returns of Town Clearing, Metropolitan Clearing, County Cheque Clearing is suspended until further notice.

PROVINCIAL

(£ thousands)

(X thousands)							
No. of working days :—	Four weeks ended			Week ended Saturday		Aggregate from January 1 to	
	Oct. 29, 1938	Oct. 28, 1939	Change	Nov. 5, 1938	Nov. 4, 1939	Nov. 5, 1938	Nov. 4, 1939
	24	24	%	6	6	262	260
BIRMINGHAM	8,383	7,551	— 9.9	3,260	2,720	102,402	99,937
BRADFORD	3,371	5,138	+ 42.5	1,453	1,432	55,727	59,870
BRISTOL	3,436	6,303	+ 22.7	867	1,071	34,771	39,200
HULL	2,781	2,671	— 22.4	926	996	36,828	34,285
LIVERPOOL	19,750	18,931	— 4.1	839	880	30,738	31,089
MANCHESTER	37,209	41,963	+ 12.7	5,854	5,505	228,365	215,676
NEWCASTLE	5,972	5,558	— 7.0	1,885	1,782	66,337	64,833
NOTTINGHAM	2,036	1,824	— 10.4	617	530	21,874	20,953
Total: 9 Towns	88,076	92,647	+ 5.2	27,403	27,520	983,702	985,812
DUBLIN	27,800	26,807	— 3.5	5,237	6,753	272,527	267,133
LEEDS*	3,995	2,085	— 52.4	985	1,632	42,209	47,709
SHEFFIELD†	4,370			1,373		42,867	

* Suspended publication. † Clearing of suburban cheques through local clearing discontinued from September 7, 1939. ‡ 44 weeks.

MONEY RATES

LONDON

	Nov. 2, 1939	Nov. 3, 1939	Nov. 4, 1939	Nov. 5, 1939	Nov. 6, 1939	Nov. 7, 1939	Nov. 8, 1939	Nov. 9, 1939
Bank rate (changed from 3% Oct. 26, 1939)	%	%	%	%	%	%	%	%
Market rates of discount	2	2	2	2	2	2	2	2
60 days' bank drafts	1 1/2-1 3/4	1 3/4	1 3/4	1 3/4	1 3/4	1 3/4	1 3/4	1 3/4
3 months' do.	1 1/2-1 3/4	1 3/4	1 3/4	1 3/4	1 3/4	1 3/4	1 3/4	1 3/4
6 months' do.	1 1/2-1 3/4	1 3/4	1 3/4	1 3/4	1 3/4	1 3/4	1 3/4	1 3/4
Discount Treasury Bills	1 1/2-1 3/4	1 3/4	1 3/4	1 3/4	1 3/4	1 3/4	1 3/4	1 3/4
2 months'	1 1/2-1 3/4	1 3/4	1 3/4	1 3/4	1 3/4	1 3/4	1 3/4	1 3/4
Loans—Day-to-day	1 1/2-1 3/4	1 3/4	1 3/4	1 3/4	1 3/4	1 3/4	1 3/4	1 3/4
Short	1 1/2-1 3/4	1 3/4	1 3/4	1 3/4	1 3/4	1 3/4	1 3/4	1 3/4
Deposit advances: Bk.	1 1/2-1 3/4	1 3/4	1 3/4	1 3/4	1 3/4	1 3/4	1 3/4	1 3/4
Discount houses at call	1 1/2-1 3/4	1 3/4	1 3/4	1 3/4	1 3/4	1 3/4	1 3/4	1 3/4
At notice	1 1/2-1 3/4	1 3/4	1 3/4	1 3/4	1 3/4	1 3/4	1 3/4	1 3/4

Comparison with previous weeks

Oct. 1939	Bank Bills			Trade Bills		
	3 Months	4 Months	6 Months	3 Months	4 Months	6 Months
Oct. 1939	%	%	%	%	%	%
Nov. 2	2-2 1/4	2 1/4-2 1/2	2 1/2-2 3/4	3 1/2-4	4-4 1/2	4 1/2-4 3/4
Nov. 3	2-2 1/4	2 1/4-2 1/2	2 1/2-2 3/4	3 1/2-4	4-4 1/2	4 1/2-4 3/4
Nov. 4	2-2 1/4	2 1/4-2 1/2	2 1/2-2 3/4	3 1/2-4	4-4 1/2	4 1/2-4 3/4
Nov. 5	2-2 1/4	2 1/4-2 1/2	2 1/2-2 3/4	3 1/2-4	4-4 1/2	4 1/2-4 3/4
Nov. 6	2-2 1/4	2 1/4-2 1/2	2 1/2-2 3/4	3 1/2-4	4-4 1/2	4 1/2-4 3/4
Nov. 7	2-2 1/4	2 1/4-2 1/2	2 1/2-2 3/4	3 1/2-4	4-4 1/2	4 1/2-4 3/4
Nov. 8	2-2 1/4	2 1/4-2 1/2	2 1/2-2 3/4	3 1/2-4	4-4 1/2	4 1/2-4 3/4
Nov. 9	2-2 1/4	2 1/4-2 1/2	2 1/2-2 3/4	3 1/2-4	4-4 1/2	4 1/2-4 3/4

NEW YORK

The Irving Trust Company cables the following money and exchange rates in New York:

	Nov. 9, 1939	Oct. 11, 1939	Oct. 18, 1939	Oct. 25, 1939	Nov. 1, 1939	Nov. 8, 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 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2
Bank acceptances—	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2
Members—eligible, 90 days	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2
Non-members—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 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2

AMERICAN WHOLESALE PRICES

	Nov. 1, 1939	Nov. 8, 1939
GRAINS (per bushel)—		
Wheat, Chicago, Dec.	86 1/4	88 1/4
Maize, Chicago, Dec.	50 1/2	50 1/2
Oats, Chicago, Dec.	36 1/2	36 1/2
Rye, Chicago, Dec.	53 1/2	53 1/2
Barley, Winnipeg, Dec.	42 1/2	42 1/2
METALS (per lb.)—		
Copper, Connecticut	12.50	12.50
Export c.i.f.		

New York on	Nov. 2, 1939	Nov. 3, 1939	Nov. 4, 1939	Nov. 6, 1939	Nov. 7, 1939	Nov. 8, 1939	Nov. 9, 1939
London—							
60 days	Cents	Cents	Cents	Cents	Cents	Cents	Cents
Cables	Unq't'd	Unq't'd	Unq't'd	Unq't'd	Unq't'd	Unq't'd	Unq't'd
Demand	399 1/8	399 1/8	397	394 1/2	397 1/2	397 1/2	397 1/2
Paris, Fr.	2.27	2.26 1/2	2.25 1/2	2.24	2.22	2.22	2.22
Brussels, Bel.	16.67	16.67	16.66	16.70	16.50	16.50	16.50
Switzerland, Fr.	22.43	22.43	22.43	22.43	22.43	22.43	22.43
Italy, Lire	5.05	5.05	5.05	5.05	5.05	5.05	5.05
Berlin, Mark	40.25	40.25	40.10	40.10	40.10	40.10	40.10
Amsterdam, Gldr.	53.10 1/2	53.10 1/2	53.10	53.10	53.08	53.08	53.08
Copenhagen, Kr.	22.73	22.73	22.72	22.72	22.72	22.72	22.72
Oslo, Kr.	22.73	22.73	22.72	22.72	22.72	22.72	22.72
Stockholm, Kr.	22.82	22.82	22.82	22.82	22.82	22.82	22.82
Athens, Dr.	Unq't'd	Unq't'd	Unq't'd	Unq't'd	Unq't'd	Unq't'd	Unq't'd
London, Can. \$	90.000	89.680	89.430	89.430	89.430	89.430	89.430
Japan, Yen	23.48	23.48	23.48	23.48	23.48	23.48	23.48
Shanghai, \$	8.75	9.05	9.15	9.15	9.15	9.15	9.15
B. Aires, Pso. (mkt. rate)	23.45	23.45	23.40	23.30	23.30	23.30	23.30
Brazil, Milreis	5.10	5.10	5.10	5.10	5.10	5.10	5.10

EXCHANGE RATES

(a) Rates fixed by Bank of England

London on	Par of Exchange per £	Nov. 3, 1939	Nov. 4, 1939	Nov. 6, 1939	Nov. 7, 1939	Nov. 8, 1939	Nov. 9, 1939
New York, \$	\$4.86 1/2	4.02-04	4.02-04	4.02-04	4.02-04	4.02-04	4.02-04
Montreal, Can. \$	4.86 1/2	4.04 1/4	4.04 1/4	4.04 1/4	4.04 1/4	4.04 1/4	4.04 1/4
do. do.	4.86 1/2	4.43-47	4.43-47	4.43-47	4.43-47	4.43-47	4.43-47
Paris, Fr.	124.20	4.47 1/4	4.47 1/4	4.47 1/4	4.47 1/4	4.47 1/4	4.47 1/4
Brussels, Bel.	35.00(a)	176-177	176-177	176-177	176-177	176-177	176-177
Amst'dm, Fl.	12.107	7.52-58	7.52-58	7.52-58	7.52-58	7.52-58	7.52-58
Batavia, Fl.	12.11	7.46-56	7.46-56	7.46-56	7.46-56	7.46-56	7.46-56
Switzerl., Fr.	25.22 1/2	7.58 1/2	7.58 1/2	7.58 1/2	7.58 1/2	7.58 1/2	7.58 1/2
Stockholm, Kr.	18.159	17.80-95	17.80-95	17.80-95	17.80-95	17.80-95	17.80-95
Oslo, Kr.	18.159	17.80-95	17.80-95	17.80-95	17.80-95	17.80-95	17.80-95
B. Aires, Pso.	11.45	17.50-70	17.50-70	17.50-70	17.50-70	17.50-70	17.50-70
P. Pesos		16.90-16	16.90-16	16.90-16	16.90-16	16.90-16	16.90-16

(b) Market Rates

London on	Par of Exchange per £	Nov. 3, 1939	Nov. 4, 1939	Nov. 6, 1939	Nov. 7, 1939	Nov. 8, 1939	Nov. 9, 1939
Tallinn, Ekr.	18.159	16*	16*	16*	16*	16*	16*
Riga, Lats.	25.22 1/2	201*	201*	201*	201*	201*	201*
Budapest, Pen.	27.82	22*	22*	22*	22*	22*	22*
Kovno, Lit.	48.66	23*	23*	23*	23*	23*	23*
Copenhagen, Kr.	18.159	203 1/2-213 1/2	203 1/2-213 1/2	203 1/2-213 1/2	203 1/2-213 1/2	203 1/2-213 1/2	203 1/2-213 1/2
Milan, Lr.	92.46	77 1/2-79 1/2	77 1/2-79 1/2	77 1/2-79 1/2	77 1/2-79 1/2	77 1/2-79 1/2	77 1/2-79 1/2
Belgrade, Din.	276.32	79 1/2-81 1/2	79 1/2-81 1/2	79 1/2-81 1/2	79 1/2-81 1/2	79 1/2-81 1/2	79 1/2-81 1/2
Sofia, Lev.	673.66	205*	205*	205*	205*	205*	205*
Helsingfors, Mk.	193.23	325*	325*	325*	325*	325*	325*
Alexandria, Pat.	97 1/2	210*	210*	210*	210*	210*	210*
Madrid, Pts.	25.22 1/2	39 1/2	39 1/2	39 1/2	39 1/2	39 1/2	39 1/2
Lisbon, Esc.	110	40 1/2-45	40 1/2-45	40 1/2-45	40 1/2-45	40 1/2-45	40 1/2-45
Istanbul, LT	110	510*	510*	510*	510*	510*	510*
Athens, Dr.	375	521 (b)	521 (b)	521 (b)	521 (b)	521 (b)	521 (b)
Bucharest, Lei	813.8	530-590	530-590	530-590	530-590	530-590	530-590
India, Rup.	118d.	171 1/2-175 1/2	171 1/2-175 1/2	171 1/2-175 1/2	171 1/2-175 1/2	171 1/2-175 1/2	171 1/2-175 1/2
Kobe, Yen	24.58d.	14.14-14 1/2	14.14-14 1/2	14.14-14 1/2	14.14-14 1/2	14.14-14 1/2	14.14-14 1/2
Hongkong, \$	14.78-15 1/8	14.78-15 1/8	14.78-15 1/8	14.78-15 1/8	14.78-15 1/8	14.78-15 1/8	14.78-15 1/8
Rio, Mil.	14.78-15 1/8	14.78-15 1/8	14.78-15 1/8	14.78-15 1/8	14.78-15 1/8	14.78-15 1/8	14.78-15 1/8
Valparaiso, Pes.	14.78-15 1/8	14.78-15 1/8	14.78-15 1/8	14.78-15 1/8	14.78-15 1/8	14.78-15 1/8	14.78-15 1/8
Lima, Sol. (e)	17.38	23 1/2-25 1/2	23 1/2-25 1/2	23 1/2-25 1/2	23 1/2-25 1/2	23 1/2-25 1/2	23 1/2-25 1/2
Montevideo, \$	51d.	21 1/2-23 1/2	21 1/2-23 1/2	21 1/2-23 1/2	21 1/2-23 1/2	21 1/2-23 1/2	21 1/2-23 1/2
Singapore, \$	28d.	28 1/2-30 1/2	28 1/2-30 1/2	28 1/2-30 1/2	28 1/2-30 1/2	28 1/2-30 1/2	28 1/2-30 1/2
Shanghai, \$	5-5 1/2	5-5 1/2	5-5 1/2	5-5 1/2	5-5 1/2	5-5 1/2	5-5 1/2
Bogota, Pes.	6 1/2*	6 1/2*	6 1/2*	6 1/2*	6 1/2*	6 1/2*	6 1/2*

* Sellers. † Buyers. ‡ 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. (b) Rate for payment at the Bank of England for Clearing Offices. (c) Nominal. (d) Official. (e) 90 days. (f) Mail Transfer.

FORWARD RATES

The following rates are for one month, which form the basis for dealings for other periods, to a maximum of three months

London on	Nov. 3, 1939	Nov. 4, 1939	Nov. 6, 1939	Nov. 7, 1939	Nov. 8, 1939	Nov. 9, 1939
New York, cents	34p-Par	34p-Par	34p-Par	34p-Par	34p-Par	34p-Par
Montreal, cents	34p-Par	34p-Par	34p-Par	34p-Par	34p-Par	34p-Par
Paris, francs	124p-Par	124p-Par	124p-Par	124p-Par	124p-Par	124p-Par
Brussels, cents	34p-Par	34p-Par	34p-Par	34p-Par	34p-Par	34p-Par
Amsterdam, cents	124p-Par	124p-Par	124p-Par	124p-Par	124p-Par	124p-Par
Zurich, cents	124p-Par	124p-Par	124p-Par	124p-Par	124p-Par	124p-Par
Stockholm, ore	34p-Par	34p-Par	34p-Par	34p-Par	34p-Par	34p-Par
Oslo, ore	34p-Par	34p-Par	34p-Par	34p-Par	34p-Par	34p-Par
Java, cents	212p-Par	212p-Par	212p-Par	212p-Par	212p-Par	212p-Par

MISCELLANEOUS (per lb.)

Nov. 1, 1939	Nov. 8, 1939		Nov. 1, 1939	Nov. 8, 1939
Cents	Cents		Cents	Cents
54.00	51.00	MISCELLANEOUS (per lb.)		
5.50	5.50	Cotton, Am. Mid. Nov.	8.87	9.13
6.50	6.50	Lard, Chicago, Dec.	6.40	6.25
		Petroleum, Mid.-cont. crude		
		33 deg. to 33-90, at well,		
4.61	4.58	per barrel		
		Rubber, N.Y., smdk sheet spot	102	102
5 1/4	5 1/4	Do, do. Dec.	20 1/8	20 1/4
7 3/4	7 1/2	Sugar, N.Y., Cuban Cent.,	2018	2014
9.18	9.47	90 deg., spot		
			2.95	2.95

Prices, Year 1939 Jan. 1 to Nov. 8,	Last two Dividends	Name of Security	Price, Nov. 8,	Change Nov. 1, 1939	Yield Nov. 8, 1939	Prices, Year 1939 Jan. 1 to Nov. 8,	Last two Dividends	Name of Security	Price, Nov. 8,	Change Nov. 1, 1939	Yield Nov. 8, 1939
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Exclusive			Name of Security			Inclusive			Exclusive			Inclusive			Exclusive			Inclusive						
High- est	Low- est		(a) %	(b) %	(c) %	1939	Change since 1939	1939	High- est	Low- est		(a) %	(b) %	(c) %	1939	Change since 1939	1939	High- est	Low- est		(a) %	(b) %	(c) %	
45/41 ₂	25/-	8 c	10 c	Iron, Coal, &c.—cont.			35/-	+3/9	6 ¹ / ₂	45 ³ / ₈	20 b	71 ¹ / ₂ a	Miscellaneous—cont.			55 ³ / ₈	...	£ s. d.	418 0					
897 ¹ / ₂	84/-	1 c	Nil c	Thornycroft, John			£1	-£2 ¹ / ₂	4/9	2/0	Nil c	Nil c	Gallaher Ltd. Ord. £1			2/6	...	Nil						
25/6	21/-	21/-	Nil c	U. States Steel \$100...			\$91 ¹ / ₂	-3d	12/-	6/9	16 c	Nil c	Gaumont-Brit. 10/-			9/-	...	Nil						
							22 ¹ / ₂ c						Gen. Refract's 10/-			25/-	...	8 0						
													Gen. Refract's (N.Y.) 54/-				...							

[illegible]

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					Correspondi Period Las Year	
					Dividend			Carried to Reserve, Deprecia- tion, etc.	Balance Forward	Net Profit	Div- ider
					Prefce. Amount	Ordinary Amount	Rate				
Breweries		£	£	£	£	£	%	£	£	£	
Cairnes, Ltd.	Aug. 31	8,081	8,647	16,728	4,072	2,561	4	1,500	8,595	7,353	
Longmore (William)	Sept. 30	9,266	6,092	15,358	...	5,819	50	...	9,539	10,562	
Iron, Coal and Steel											
Yarrow and Company	June 30	27,392	65,642	93,034	...	30,000	20†	35,000	28,034	45,867	
Motor, Cycle and Aviation	June 30	1,482	27,204	28,686	...	15,750	10	11,192	1,744	25,270	
McCarthy, Rodway	Aug. 31	64,646	303,981	368,627	...	117,000	25	176,489	75,138	245,123	
Standard Motor											
Oil											
Trinidad Leaseholds	June 30	145,930	521,614	667,544	...	245,918	15	293,623	128,003	779,878	
Rubber											
Anglo-Sumatra	May 31	6,441	7,523	13,964	...	6,000	7½	...	7,964	4,635	
Batak Rabit	June 30	6,323	2,125	8,448	...	1,875	2½	...	6,573	4,345	
Batu Rata (Sumatra)	June 30	3,080	7,259	10,339	...	4,500	3	2,200	3,639	11,378	
Beaufort Borneo	Apr. 30	3,563	5,095	8,658	...	...	...	3,900	4,758	10,446	
Broome	June 30	2,047	7,893	9,940	...	6,228	5	...	3,712	18,207	
Hevea (Johore)	June 30	2,438	360	2,798	334	...	...	...	2,464	6,488	
Jong-Landor	June 30	4,396	882	5,278	...	...	...	...	5,278	6,444	
Kamuning (Perak)	June 30	24,270	16,917	41,187	...	12,060	6	5,000	24,127	28,975	
Karmen	May 31	11,114	1,647	12,761	...	...	...	...	10,341	7,576	
Lewa	June 30	4,349	2,238	6,587	2,727	1,553	1½	...	2,307	9,764	
Preanger (Java)	June 30	879	1,254	2,133	...	...	...	...	791	3,618	
Rubana	June 30	16,007	9,264	25,271	...	8,250	2½	5,000	12,021	15,985	
Singapore United	June 30	6,890	2,855	9,745	...	2,193	3	729	6,823	12,471	
Sumatra Para	June 30	7,948	9,985	17,933	...	6,800	3	1,517	9,616	12,806	
Tali Ayer	June 30	16,239	11,032	27,271	...	10,500	3½	5,000	11,771	19,221	
Tanjong Malim	June 30	8,678	13,793	22,471	...	14,583	2.916†	...	7,888	35,632	
Textiles											
African Clothing Factory ...	June 30	85	23,115	23,200	...	...	...	...	475	(a)	
Hoyle (Joshua)	Sept. 30	76,752	59,704	136,456	5,100	10,125	7½	7,500	52,892	71,481	
North British Rayon	June 30	437	11,038	11,475	...	23,564	5	60,000	21,543	Dr. 10068	
Tea											
Gudalur (Nilgiri)	June 30	Dr. 9,149	1,101	Dr. 8,048	...	...	...	...	...	3,872	
Trusts											
Anglo-Scottish Amalgmtd....	Sept. 30	32,274	13,920	46,194	...	...	...	...	Dr. 8,048	362	
London Maritime Investmt.	Sept. 30	12,707	26,620	39,327	...	12,888	7	...	...	...	
Railway and Gen. Invest. ...	Sept. 30	13,739	29,118	42,857	17,188	8,125	2½	...	33,056	13,770	
Sec. Investors Mort. Security.	Sept. 30	20,050	67,845	87,895	14,682	8,383	4½	6,746	14,014	33,542	
Second Scottish Investment	Oct. 5	28,939	92,135	121,074	24,688	34,042	10	9,000	13,046	22,203	
Sec. Scottish Mortgage, etc.	Sept. 30	8,491	30,491	38,982	67,120	14,344	7	...	20,165	78,233	
Other Companies											
Ardath Tobacco	June 30	251,367	404,807	656,174	84,000	300,000	10†	...	39,610	103,920	
Arnott and Harrison	June 30	5,110	24,138	29,248	...	9,953	14.58	...	11,660	35,361	
Birrell, Ltd.	July 15	4,644	9,087	13,731	...	...	...	...	...	...	
Callender (George M.)	June 30	2,054	7,956	10,010	10,150	...	...	14,000	5,295	(a)	
Hillman Bros.	June 30	7,167	120,842	128,009	3,679	2,417	48½	...	3,581	8,723	
Morland and Impey	July 31	3,281	26,103	29,384	20,000	90,000	15	961	2,953	8,113	
North of Scotland Milling ...	Sept. 30	1,006	1,713	2,719	12,823	1,780	10	3,000	15,009	147,787	
Qualcast, Ltd.	June 30	39,813	55,982	95,795	612	1,329	10	12,328	2,453	32,173	
Total Profits, 1939, in £000's											
To November 4	No. of Cos.	79,098	233,038	312,136	44,829	123,250	...	60,476	83,581	253,438	
To November 11	1,942	79,973	235,030	315,003	45,111	124,283	...	61,157	84,452	255,826	

† Free of income tax. (a) No comparable figure.

MONTHLY STATEMENT OF BALANCES OF LONDON CLEARING BANKS
(000's omitted)

OCTOBER, 1939												
	Barclays Bank	Coutts and Co.	District Bank	Glyn, Mills and Co.	Lloyds Bank	Martins Bank	Midland Bank	National Bank	National Provincial Bank	West-minster Bank	Williams Deacon's Bank	Aggregate
ASSETS												
Coin, bank notes and balances with the Bank of England	£ 46,006	£ 2,113	£ 9,301	£ 3,553	£ 43,353	£ 10,478	£ 54,592	£ 3,110	£ 37,101	£ 41,698	£ 4,148	£ 255,42
Balances with and cheques in course of collection on other Banks in Great Britain and Ireland	14,361	590	2,098	3,326	15,106	2,049	13,703	329	6,420	9,424	2,478	69,88
Money at call and short notice	23,923	4,052	5,161	7,637	5,242	1,947	29,883	5,505	29,855	2,520	15,781	159,02
Bills discounted	65,504	1,419	10,073	654	57,431	5,382	59,631	1,407	37,312	49,514	711	289,02
Advances to customers and other accounts	97,374	6,969	29,317	12,368	107,769	31,004	113,505	14,444	75,415	105,368	11,603	605,12
Liabilities of customers for acceptances, endorsements, etc.	206,981	10,462	34,439	7,850	163,332	50,811	222,406	17,251	141,791	142,785	15,008	1,013,11
Bank premises account	14,544	750	3,816	29,762	7,806	16,921	358	18,120	29,648	5,431	2,082	131,91
Investments in affiliated banks and subsidiary companies	7,497	412	1,621	740	7,496	2,829	9,714	580	7,440	2,968	1,042	44,80
	7,015	...	...	...	3,624	...	8,016	...	2,514	2,992	...	24,16
Ratio of cash to current, deposit and other accounts ...	483,205	26,767	100,120	39,944	462,998	117,811	528,343	39,999	341,894	414,866	43,803	2,599,75
	10.41	8.80	10.81	10.38	10.63	10.24	11.28	8.73	12.13	11.38	10.65	10.9
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	78,19
Reserve fund	10,750	1,000	2,976	530	9,500	3,550	12,150	1,160	8,500	9,320	900	60,59
Current, deposit and other accounts	412,053	24,017	86,058	34,233	407,919	102,277	483,853	35,614	305,795	366,563	38,946	2,327,32
Acceptances, endorsements, etc.	14,544	750	8,110	3,816	29,762	7,806	16,921	358	18,120	29,648	2,082	131,91
Notes in circulation	...	...	...	...	...	...	...	...	...	...	...	...
Reduction of bank premises account	...	...	...	...	...	...	...	...	...	...	...	...
	483,205	26,767	100,120	39,944	462,998	117,811	528,343	39,999	341,894	414,866	43,803	2,599,75

BRITISH WHOLESALE PRICES

CEREALS AND MEAT

	Oct. 31, 1939	Nov. 7, 1939
GRAIN, etc.		
Wheat—		
No. 1, N. Man. 496 lb. f.o.b.	25 7½	25 6
Vane	6 0	6 6
Eng. Gaz. av., per cwt.	20 7½	20 7½
La Plata, per qtr.	...	...
Flour, per 280 lb.	22 0	22 0
Straights, d/d London	11 5	12 0
Barley, Eng. Gaz., av. per cwt.	7 5	7 8
Oats	23 9	24 0
Maize, La Plata 480 lb. f.o.b.	...	...
Rice, No. 2 Burma, per cwt.	...	...

MEAT		
Beef, per 8 lb.	5 8	5 0
English long sides	5 0	5 8
Argentine chilled hinds	...	...
Mutton, per 8 lb.	6 4	6 4
English wethers	2 8	3 7
N.Z. frozen wethers	3 7	...
Lamb, per 8 lb.	4 0	4 0
N.Z. frozen	5 1	5 1
Pork, English, per 8 lb.	6 0	6 0

BACON (per cwt.)	115 0	115 0
English	115 0	115 0
Danish	115 0	115 0
Dutch	115 0	115 0
Irish	...	...

HAMS (per cwt.)	125 0	125 0
Canadian	125 0	125 0
United States	...	...

BUTTER (per cwt.)	145 0	145 0
Australian	...	...
New Zealand	...	...
Danish	...	...

CHEESE (per cwt.)	68 0	78 0
Canadian (new)	66 0	75 0
New Zealand	...	...
English Cheddars	...	...
Dutch	...	...

COCOA (per cwt.)	27 0	27 0
Accra, s.f.	28 0	28 0
Trinidad	66 0	68 0
Grenada	58 0	58 0
...	65 0	65 0

COFFEE (per cwt.)	42 0	42 0
Santos sup. c. & l.	95 0	92 0
Costa Rica, medium to good	110 0	110 0
Kenya, medium	100 0	100 0

EGGS (per 120)	24 6	27 0
English (15 lb. and over)	17 0	19 6
Danish (15 lb. and over)	...	...

FRUIT		
Oranges, Brazilian (Peras) boxes	14 0	14 0
" S. African (Val. Lata.) bxs	13 0	13 0
Lemons, Malaga	8 6	8 6
Apples, Virginian	10 0	10 0
Grapefruit, Jamaican (M.S.)	21 6	18 0
Pears (Californian) B. Hardy	15 6	15 6

LARD (per cwt.)	46 0	46 0
Irish, finest bladders	54 0	54 0
U.S.	42 6	42 6

PEPPER (per lb.)	0 3½	0 3½
Black Lampong (Duty paid)	0 4	0 4
White Muntok (f.a.q.) (Duty paid)	0 5½	0 6½

POTATOES (per cwt.)	6 0	6 0
English, King Edward, Siltland	6 6	6 6
Wisbech, King Edward (per ton)	100 0	100 0

SUGAR (per cwt.)	Nom.	Nom.
Centrifugals, 96°, prpt. shimp.	...	...
c.i.f. U.K./Cont.	...	...
Refined London—	...	...
Granulated, 2 cwt. bags	36 10	36

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Back to School

ON Thursday the House of Commons found time to talk of another industry which has suffered heavily because of the war. The business of education has been very hard hit. True, the teachers have not been called to the colours. Nor have the State's grants to schools yet been cut. But schools have lost their pupils, pupils their teachers and teachers their employment, because of evacuation and civil defence measures. And the programme of reform in education, which was to have come nearer to fulfilment this year with the raising of the school-leaving age, has been stayed.

It is folly to cry out for the moon, and those speakers in the Commons who called for the continuation of improvements in education despite the war were unrealistic. The time to build a New Model Education, truly democratic, culturally satisfying and technically apt, is when the war is won. It must be a first charge upon peace; the cost in new buildings now would be insupportable; the cost in labour withheld from the farms and factories would be a clear weakening of the war effort. There will inevitably be a reduction in expenditure on education as the cost of the war mounts. The immediate task is not to make education better than it was before the war, but so far as possible to make it as good. In the crudest terms it is to get the nation's children back to school. And it will not be easy.

Quantitatively the present position is most disturbing. Over half the school children in areas which were scheduled to be evacuated are still at home, and only a negligible few of them are yet at school. In some dangerous districts the opening of schools for children over eleven years of age will now be permitted, upon proof that adequate shelter against bombing exists. In almost all, up to the present, the only shadow of schooling is given by itinerant teachers passing from house to house, or by the fleeting visits of older children to school buildings to snatch up instructions

for home work. Well over three-quarters of a million school children are running wild in the streets or staying restless indoors in precisely those places where the risk of air raids is greatest.

The crisis does not end with the vulnerable evacuation areas. Many more than half a million school children have been billeted in districts which are deemed to be relatively safe. But the number of schools there has not grown. At a blow the schooling of both the invaders and the resident children has been cut in half. Teaching is more often than not carried on in shifts to cater for the double contingent.

Thus in the evacuation areas there is virtually no education—though about a tenth of the evacuated schools in London and the provincial towns and cities have now been provisionally scheduled for re-opening—and in the reception areas there is little more than half-education. In the two together—that is, in something like half the country—education is working, quantitatively and quite apart from the grievous losses in the quality of schooling given, at the quarter speed. But even that is not the whole tale. There is the other half of Britain—the neutral areas which have lost and gained no children under the official evacuation schemes. It might be thought that schooling would be going on as usual here. Actually, this is far from the case. Only schools with adequate A.R.P. are allowed to open, and there are a surprisingly large number of districts where, though there is no exodus, there is no shelter either. It is in fact a remarkable thing that, while firms and factories in all parts of the country were compelled before the war by the Civil Defence Act to put adequate A.R.P. in hand, hosts of schools were left quite unprovided. To say that education was working at three-quarter speed in the neutral areas would be a marked over-estimate.

If considerations of quality are counted in, the situation is even worse. The evacuated school children have left their books and equipment behind—a grave loss for the

older pupils. Not a few schools have been broken up and scattered. Even where education has been resumed there has been no smooth taking-up of curricula and courses. The facilities and supplies of the reception areas, no less than their accommodation, are strained near to breaking point. It is not only that the volume of schooling has been cut. Education has become makeshift.

It is not the State-supported schools alone that have suffered. The so-called public schools and independent grammar schools have their fees and endowments to cushion the shock, but some of them have been hit as well—evacuated to unsuitable buildings or thrust, overcrowded and undertaught, into the premises of hospitable competers. The number of schools that have wholly escaped is small.

Nor is it only schools that have felt the draught. There is far more activity in the universities than there was in 1914, but it is going on in crowded or improvised surroundings. In London, colleges have been evacuated or taken over for official use. In Oxford and Cambridge, some colleges are filled to capacity with evacuees as well as members, while others stand empty until the Government needs them. Medical faculties are scattered over the West Country. Laboratories have been left deserted and their evacuated scientists are striving to work in unfitted rooms elsewhere.

Most serious of all, perhaps, side by side with the blow to science, is the plight of technical education. It is this that is most directly needed in the war effort itself, a fact to which the Government awoke early in the war. Every effort was ordered to get technical classes going again, but here again the old accommodation and equipment are lacking, while the black-out strikes harshly at the voluntary evening work which is the core of this kind of education. The professional examining bodies have announced the resumption of their examinations. Industrial employers are anxious that the courses to train skilled artisans should be got fully under way once more. In Germany, the time for training young people in certain key industries has actually been lengthened since the war began. This is one branch of British education where an improvement upon pre-war standards is practically required. Yet at present a skeleton of renewed classes is just hanging together.

It should be underlined that it is no falling-off in educational zeal that has brought about this distressing state of affairs. There has been no retrenchment yet, no deliberate cutting-down. The cause is A.R.P. It was a proper care for their safety which inspired the dispersal of school children. When war broke out there were no shelters at their schools, practically none in the streets they went through and by no means one for each of their homes. It is for civil defence that so many schools in danger areas have been taken over. It is a part of defence strategy that schools and colleges should be kept empty and waiting for future official refugees. The problem of education just now is a civil defence problem.

The bare bones of a solution can be readily sketched. The children must go back to school. By hook or crook technical education must be brought into a stage of activity greater even than before the war. The output of technicians and scientists must be kept up to meet war needs. The arts and the three R's, as well as the social training that schooling gives, must be kept clearly alive.

This is not vain aspiration or mere pedagogic yearning. Civil defence which does not permit the nation's necessary business to be carried on is not defence at all. There must be sacrifices, it is true. Peace-time outlay on education, in terms of money, men and materials, will be increasingly impossible as the war goes on. There is no room for extras. The task is to preserve the minimum of schooling for every child and to concentrate additional effort on meeting special wartime requirements. It is efficient and calculated spending and organisation that is wanted. At present a peace-time outlay coincides with waste and chaos. Education in wartime must necessarily be strung together with improvisations and patchwork. There is no need for it to be in a state of collapse.

This is no case for incontinent blame or reproaches. It was the shadow of the bomber which scattered the schools and that shadow is as black as ever. If it was wise for children to leave the vulnerable areas in September, it

is just as wise now. But certain facts must be recognised. Many children have gone home to danger. Many more never went away. They must now go back to school where they are. They must be given shelter enough to carry on their education. If this is not possible—and there are schools that are indefensible and others that cannot be released from other uses—the children must be induced by the pressure of persuasion upon their parents to move into safer places.

Schooling plus protection—by shelter or evacuation—this is the *sine qua non* of policy. Actually the weakest point is not in the danger zones, but in the reception areas. A main reason why so many children are still in danger is, admittedly, the desire to keep families together. Another is the friction and discomfort of billets. Yet another underlies both these—the absence of the anchor that satisfactory, regular, normal, full-time schooling in the reception areas would give. Attendance at school is by law compulsory as well as free, though evacuation is neither. If adequate schools were waiting in the safe areas for all likely evacuees, habitual law-abidingness would fill them—if the harsh problem of board and lodging could be solved.

The way it should be solved is obvious enough—by boarding schools. It is small hardship for moneyed people to send their children away to school, though they would shrink from lodging them in the private houses of strangers. The parents of the great day-school population shrink no less, but they are not given the alternative of boarding schools. This is what national school camps, of which at present only pitifully and negligibly few are planned, should have been. This is what large empty houses, public buildings and even hotels should be made into. It is towards the maintenance of these, on the catering and lodging side, that the parents' 6s. or 8s. a week should be going. It is schoolchildren and not civil servants (whose right to pre-empt first hotels and now huts, in contrast to the deprivations suffered by schools, is unfair and undeserved) who should have a prior lien on as many huments as can now be built with all speed. It is a matter for amazement that these were not part and parcel of the original evacuation scheme which has already been brought nearly to disaster by billeting difficulties and school congestion—even though fewer than half of the evacuees expected actually came. If such huddled schools and camps existed, if the responsibility of the community as a whole to see to the housing as well as the education of the children were recognised, the compulsory clauses of the Education Acts might fairly be invoked in the cases where schooling with A.R.P. in the vulnerable towns is not practicable.

They do not exist, and it will take time to establish them in appreciable numbers. The alternative course, to open the danger zones to the return of the children *en masse*, would be defeatist and, possibly, suicidal. It would also mean rashly surrendering all the educational advantages that belong to evacuation—access to the countryside for air and light and open spaces. An undoubted majority of the child evacuees like the new places they live and play in, however much some may dislike their billets and the schools they share. There are the seeds of a newly aware and sensitive generation here, if only they can be cultivated. Moreover, any wholesale return is impracticable. Not enough schools can be made available and safe for the children already in the vulnerable towns. Yet, if the present *impasse* persists, the drift back will continue and swell.

It is a two-fold policy that is wanted. It must be made possible in the evacuation areas for the children there to be educated in reasonable safety. It must be made possible in the reception areas for the children, locals and evacuees alike, to be fully educated in reasonable comfort with fair facilities, and for the evacuees to be housed without friction and unhappiness. The two tasks are directly related: if the first fails there will be correspondingly greater need for the second, and *vice versa*. There is no room for dogmatism—no excuse for demanding that all the evacuees must come home or, alternatively, that none should be permitted to return. The proof of the pudding is in the eating. The aim of civil defence is to enable the nation's business to be carried on. Education is the nation's business, and the children must go back to school.

The Church and Leviathan

THE struggle between the ecclesiastical and civil powers is latent in every society under almost any form of Government, but at some periods in history during which extreme interpretations of the rights of either side prevail, this latent antagonism is transformed into open conflict. We are living through such a period to-day. The Catholic Church, by reason of her claims and her intransigence, upholds a far wider conception of spiritual authority than any other church, while the new Leviathan, the totalitarian State, has advanced the frontiers of civil authority further than any previous form of government. Thus it is hardly surprising to find an extreme tension in the Church's relations with the great dictatorships, a tension usually tending towards a state of open warfare.

With the Soviet dictatorship, the conditions of strife are unremitting and endemic for, apart from its atheism, materialism and determinism, the Marxist creed by reason of its dogmatic nature and the faith it inspires is much more, in the Church's eyes, than a false political system. It is a rival church, an anti-Christ, and there can be no understanding of the Church's political attitude unless this fundamental opposition to Communism is fully grasped. Nevertheless, a distinction must be drawn between the Church's unswerving hostility to Communism and her attitude towards a government based upon Marxist principles. The Roman Empire had no more loyal citizens than the Christians it persecuted, and ever since the Church's teaching in the matter of the civil authorities has been based on obedience (short of sin) and acceptance for individual Christians of accommodation on the part of the Church. The fact that the civil authorities are Communist does not modify this principle. In 1922 the Church negotiated with Chicherin at Rapallo to secure a *modus vivendi* with the Soviet Government, and failure was due not to Catholic but to Communist intransigence. In Spain, the Holy See showed greater patience than the Spanish hierarchy and it was not until the summer of 1938, when three-quarters of Spain were already under General Franco's control, that the Vatican permitted the appointment of an official Nationalist ambassador. In fact, however bitterly the Church may oppose the spread of Communism, even a Stalin, once he assumes the mantle of Cæsar, can claim what is Cæsar's due.

The Church's policy *vis-à-vis* Fascism presents a far more complex problem. Unlike Communism, Fascism possessed no long philosophical tradition, no dogma, no detailed plan of campaign. In both Germany and Italy it was thrown up out of a welter of social unrest on the strength of an almost entirely negative programme. Once in power it reversed the process of most revolutions which tear down the façade of existing society but tend to leave its substance unchanged. Fascism upheld existing institutions, but so radically changed their economic and social substance that a new system was evolved. It followed that the Church, faced with this predominantly negative revolution, could only formulate her policy according to some system of trial and error. In so far as Fascism upheld existing forms of society, it satisfied her desire for order. In so far as it attacked Communism, it saved her from her worst enemy. She therefore sought a *modus vivendi*.

That this policy should have worked with very different degrees of success in Italy and Germany is due to the gulf which separates the practice of Fascism in the two countries. The Italians, because of their Catholicism, their Latin individualism, their peasant mode of life, offered a much less malleable material in the Dictator's hand. Fascism did not succeed in permeating the masses as a religious force, the Church was not faced with a serious rival in her own field. Here the character of Signor Mussolini played a part. Fascism for him was largely a matter of political expediency. His ideas on the frontiers between Church and State have not always coincided with those of the Holy See—as, for example during the Catholic Action controversy in 1931 or, again, over the racial laws in 1938—but he admitted their existence and by the Lateran

Treaty of 1929 ceded both real and metaphysical territory to the See of Peter. The Duce's *realismo* no doubt helped his decision; a country intent on Great Powerhood could hardly neglect the prestige bestowed by housing the Vicar of Christ.

The atmosphere in Germany was very different. The revolutionary ferment, the despair of the masses, the maladjustments of a vast industrial society coupled with the mystical traditions of the German people and the mystical turn of Hitler's mind were sufficient to transform National Socialism into a rival church. In a revolution of *Ersätze*, an *Ersatzglaube* inevitably appeared. The German episcopate were already aware that they were dealing with an unholy thing when in 1931 they condemned it for its resemblance to Bolshevism; in 1932 certain Bishops even forbade the sacraments to members of the Party. Yet in 1933 this opposition collapsed. The Nazis were now the State. This fact at once conferred a large immunity. Moreover they were—for the time being—statesmen. A Concordat was negotiated and Hitler made several pronouncements on the value to Germany of her "historic faiths." There were other grounds for hope. Nazism "upheld the social order" and fought Communism. Might not the Church hope for a *modus vivendi* on these grounds? Persecution when it came, came gradually and in veiled forms. Goebbels summed up the Nazis' attitude when he announced that he would make "not martyrs but criminals." Priests were tried first for "unpatriotic" violations of the currency regulations; in 1937 came the wave of immorality trials, in which every lute prohibitions on religious education were enacted, but the gradual closing of the Catholic schools had the same effect. The bishops were not forbidden to communicate with their people, but the Nazis censored their pastorals and suppressed the Catholic Press. After the rape of Austria, the last reason for restraint disappeared. Priests were imprisoned, the gutter Press hurled insults at the Pope, bishops were even expelled from their own dioceses. Yet the Episcopate, by reason of their earlier complacency, now seemed incapable of making a stand.

Nor did the Church break off relations. The Encyclical *Mit Brennender Sorge* appeared as late as 1937, the Papal Nuncio remained in Berlin. Although Pius XI's utterances on "the curse of nationalism" became more and more severe during 1938, an open breach was avoided. It was not only a question of "the things that are Cæsar's"; the Church was, in fact, unwilling to face a war on two fronts. Wherever the degree of persecution in Germany, it fell far short of that in Russia and Government Spain. German troops were fighting under Franco, Nazi propaganda everywhere was weakening and destroying Communist influence and thus, though indirectly, serving the Catholic cause. So long as the Nazis kept up the masquerade of defending Western civilisation against Bolshevism, the Church's position resembled that of France during Sanctions, when League principles were less important than keeping together some sort of front against Germany. So with the Church; she seemed readier to preserve a potential friend than to condemn a palpable enemy. In 1939, on the accession of Pius XII, the tension lessened. The Nazis called off their persecution and for a few months a measure of peace was restored. The motives underlying the change were diplomatic. The Germans needed the Papacy to underpin the Italian alliance and hoped to prevail on the Pope to bring pressure to bear on the Poles. They were still negotiating, without success, when the German-Soviet Pact was announced and the whole position transformed.

At one stroke the new Pact wiped out the hesitations and ambiguities which had marred Papal policy ever since the Nazi revolution. The Nazis dropped their anti-Soviet pretence and now the Church in country after country could take up the tale of the virtual identity of Nazism and Bolshevism and her utter condemnation of both. In Spain and Portugal and South America the swing over has been

remarkable and has weakened considerably the pro-German Right, while in Italy there can be no doubt that Catholic influence is playing an important part in safeguarding Italian neutrality. In Germany, inevitably, persecution has begun again, with particular virulence in Austria, the Protectorates and Poland, where priests and faithful suffer under the double indictment of religion and race.

It does not follow that the Church will openly break with the Nazi Government or depart from her traditional neutrality in international disputes. Yet the recent Encyclical *Summi Pontificatus*, however much the official German agency may describe it as "a clear demonstration of Nazi

theories" leaves us in no doubt as to the side on which the great influence of the Church will be thrown. The whole document reads as a powerful appeal for that vision of order under law which inspired Lord Halifax's recent broadcast and as an utter rejection of the claim to unlimited State authority—totalitarianism—which "breaks the unity of the supra-national society and robs the law of nations of its foundation." The Russian and the Nazi Cæsars are both arraigned before the Papal tribunal and the Church's policy gains in freedom and assurance for finding in these two Dictators but a single Janus-headed totalitarian foe.

True Democracy

BRITAIN'S aim in this war is by now well known. It is to win lasting peace by putting an end to aggression. It is the aim sought in the last war and lost in the years that came after. Nor can clear-cut victory in the field be seen as more than the vital first step. Two decades ago the view was that the spread of democracy and the abatement of national sovereignty through the League of Nations would consummate the peace made possible by the enemy's defeat. The project was sound. It failed because democracy was misunderstood and misapplied, and because sovereignty was too strong for the League.

The project has been reborn. It is by Federal Union among the States that the peacemakers now wish to end war for good when the Nazis have been finally beaten. Dictatorships seem innately to breed aggression, and democracy, too, is once more a pivot of peace plans. We are fighting, not so much to make the world safe for democracy as to make it safe by democracy. If that is not what we mean, then we are merely engaged in gang-warfare. And if democracy is our aim, we must be very clear in our minds what it is. In particular, we must give a clear answer to those who object that in fighting dictatorship abroad we are merely enshrining it at home.

Since we are trying to do again what we failed to do a generation ago, we should profit by past mistakes. One, the failure to achieve real and effective collective security among the nations, is only too evident. Another, the failure of democratic systems to fill their appointed rôle, is equally evident but less admitted. Few democrats have passed more painfully through the fires of post-war experience than Dr Benes, and it was Dr Benes who told an American audience, before the war clouds over Europe had burst into storm, that

One must have a right conception of democracy as theory and one must have the courage to put these theories into practice, rightly, justly and courageously. Otherwise all these great words about democracy are but vain words, words and nothing but words intended to cover the most vulgar, egoistic interests of ruling classes, parties and individuals.*

Dr Benes laid down the conditions for democracy's successful survival. Democracy in the future must accept an increase in the powers of government. The State must interfere more in the future with individual liberties. There must be a reinforcement and consolidation of the executive power. The factions weaknesses of the party system must be removed; the organs of democracy, parties, Press and public opinion, must function more appropriately to the real interests of the community. The social problems which came with the participation of the working class in politics must be solved; the needless remnants of aristocratic privilege must be swept away. Democracy must be as efficient, whether in war or in peace, as dictatorship.

These are not simply problems for less fortunate foreigners. Democracy, like charity, begins at home. If democracy is to be one foundation-stone of lasting peace and so a pivotal war aim, it is in our own institutions that it should first be sought. It is too seldom realised in Britain that our views about democracy are only one interpretation among many. By and large, democracy

* "Democracy: Today and Tomorrow." By Eduard Benes. Macmillan. 244 pages. 8s. 6d.

means to most Britons simply as few obligations imposed by the Government on individuals as possible. It is a concept inherited from Adam Smith and John Stuart Mill. It is kept strenuously alive by the facile tilting of the popular Press against "bureaucrats."

In actual practice, our interpretation is sadly defective. In the first place, other countries that have at least an equal claim to democracy are far from agreement with us. In the United States of America, for instance, democracy means equality between citizen and citizen. To Americans our own claims of democratic status are clearly vitiated by the taint of rank and privilege which moulds the upper strata of our society and shapes our educational system. Again, in France democracy mainly means, and has meant ever since the Revolution split up the lands of the *ancien régime* among the peasants, protection for the rights and property of small men. It means an individualism that our own economic system does not allow; and yet oddly enough, in our eyes, it comprehends the military conscription of every able-bodied man, in peace and war alike. It is a sobering reflection for our democratic pride and complacency that across the Channel to-day one in every eight in France's population is now compulsorily under arms—

We might debate the point. We might refer to what we should call the tyranny which is compatible with democracy in America—the intrusion, say, of Prohibition upon every home or the endemic hostility between the citizen and the policeman, which is more reminiscent of a Continental *Polizeistaat* than of what the Englishman means by a democracy. We might pick out the feebleness in Government policy to which the proprietary individualism of France politics has too often given rise in recent years. But it would scarcely be possible for us to win the debate. Not the least defect in the traditional British doctrine of *laissez faire* is that in practice it has ceased to operate. The "bureaucrat" was very nearly as active in peace-time as he is now in war. The advance of State Socialism in industrial supervision and public welfare has been the chief feature of the past generation's history. Only a casual glance at the course of British Budgets or the development of local government in that time would reveal how far from non-interference British democracy has actually travelled since the nineteenth century.

The point is that it is now dangerous blindness, when workable democracy is seen to be a *sine qua non* of both peace and prosperity, to think of it merely in terms of unrestricted individual liberty. We can no longer afford a state of political affairs in which theory is out of line with the other hand is doing daily. To a point the French, Government rules by plenary powers, renewed periodically by Parliament. There is no outcry that this is dictatorship. It is rather democratic government doing its job for the community, not halted and hampered by the fear to assume the necessary authority lest the rights and privileges of individuals should seem to be outraged.

It is precisely this lesson, that democratic governments no less than dictatorships must always have plenary powers in *posse*, without sacrificing their democratic and representative character, which needs to be learnt nowadays.

There is no restrictive penumbra of individual rights that can never be touched by government in administrative matters whatever the circumstances. There is no limit to the powers of ruling which can and should be taken by a government which has been freely chosen by the people and can be fully and openly criticised by any opposition. There is only the fabric of a fair judicial system to be retained always intact—the right to swift trial in open court by recognised processes, and only for breaches of a known law.

These, in fact, are the only safeguards that modern democracy needs—the perpetual right of the people through their representatives to change the Government if they are dissatisfied, free speech, free criticism, free opposition and protection by impartial courts against capricious oppression. However powerful the Government may become, so long as these safeguards are maintained, it is democratic. It is to perform its due tasks on behalf of the community that modern government has engrossed power. It would be impossible to establish and maintain minimum standards of social welfare without assuming wide powers over economic organisation. A disciplined democracy differs in another way from a dictatorship—in its objectives. The aim of democratic government, both economically and politically, is to create the conditions for an abundant life. The means to that end must be to control and curb the sectional interests which direct economic activity and ceaselessly press upon the political system to subserve their narrow claims. The true test of democratic policy in the economic sphere is whether it places the interest of the community of individuals before the interest of individuals.

The counter-cry to these views is that they mean the very totalitarianism we are fighting against. To conscript the individual citizen for national service, it is said, to restrict the rights of property or to interfere with the direction of economic affairs by business men, is to travel the Nazi road. The riposte is invalid. It betokens precisely that "lack of belief and faith in their own democratic principles, that lack of civic courage and that unacceptable utilitarian opportunism as to principle" which Dr Benes, from the depths of bitter experience, has condemned. It is only because Britain is an island that it has hitherto lacked a system of conscription to embody the clearly democratic idea of universal service to the com-

Germany's Vulnerability

THE general results of the first comprehensive census of production ever made in Germany were published in May this year, significantly enough by the Reich Office for Military-Economic Planning, under the title of "Die Deutsche Industrie." The census refers to the year 1936, but it allows a fairly close analysis to be made of the present general structure, and in particular of the geographical distribution, of German industry. The absence of such a census has hitherto been a serious gap in the otherwise voluminous body of German statistics, and is attributed by the official authors of this volume to the central diversion of interest in Weimar Germany from the finance economic problem of production to questions of money and prices. It may be pointed out that for once Great Britain, whose first census of production was made in 1907, can claim a lead of thirty years. Indeed, the German census follows fairly closely the well-marked statistical paths first defined in Britain, and can therefore be compared with the British census of production of 1935.

The authorship of "Die Deutsche Industrie" clearly indicates that it owes its origin less to the desire to increase production and the standard of life than to the requirements of a war economy. "In view of the raw materials position, a war economy must be, for Germany, of the nature of a planned economy, and its preparation must be based on thorough statistical planning," state the editors. The census was not undertaken with a view to publication, and it is declared that the results of most significance for war economics are "naturally withdrawn from the public eye." Gaps and absence of detail in some of the tables

show, in fact, that full particulars are not given for certain industries of military importance. Nevertheless, the general results seem to be fairly complete and enable some very striking comparisons to be made with British figures. It is of some interest at the present time to compare the geographical distribution of industry in Britain and Germany from the point of view of vulnerability to attack from the air. The location of two branches of industry deserves special attention—armament production and production for export. Specific details of armament output can be obtained for neither country, the German census, for example, being completely silent on the whereabouts and activities of the aircraft industry. But in both countries an approach can be made by considering such industries as iron and steel, engineering, motors and chemicals, which include the chief branches of the production of armament and armament materials. Export industry is as essential as the imported commodities—most of them vital for carrying on the war—for which it provides the means of payment. In war as in peace the Fuehrer's epigram, "We must export or die," applies to both Britain and Germany.

The German census, incidentally, is far more informative than the British on export trade, for it specifies the exports, not only of each industry, but also of each industry in each region. Every firm was required to state its "export quota"—an inquiry which might well be fruitful in this country. Tests of vulnerability can clearly be no more than approximate, but two obvious measures are applied in the attached table and map. The first test is simply one of

There are those who are afraid for freedom in the onward march of the State. They are the defenders of civil liberties. They would do well to examine the unfortunate consequences for the community of their doctrines of freedom when pressed too far in economic organisation. They would do still better to realise that the road to social justice and individual liberty can only run through the powerful intervention of a truly democratic government in the unequal clash of sectional interests. It is only organised and disciplined democracy that can be effectively democratic; and if peace by democracy is a prime war aim it is this that must be taken to heart.

distance. The most vulnerable regions of Germany for which separate particulars are given in the census have been divided into belts, each 50 miles wide, according to their distance from the French frontier or the North Sea coast. Regions which overlap the lines of demarcation are placed according to the position of their chief industrial centres.

The most satisfactory measure of the industrial importance of a region is its total "net output." Net output, which is similarly defined in the British and German censuses, refers to the selling value of production less the cost of the raw and semi-finished materials used. It thus shows the value of the actual work done, and is related to the value of the capital employed as well as to the number of workers and to the physical volume of output.

Vulnerability, however, depends not only on distance, but also on the extent to which valuable targets are concentrated. Thus the second test is the value of net output of each region divided by its area. The result, in terms of "net output per acre," however, is subject to important qualifications: the counties of Northumberland and Durham, for instance, and the State of Baden include a few highly industrialised towns and many thousand acres of agricultural land, moors and forests.

The first and most vulnerable belt of Germany, within fifty miles of the Allied air bases or the coast, comprises 11 per cent. of total German industrial output, 10 per

GEOGRAPHICAL DISTRIBUTION OF GERMAN INDUSTRY

	Percentage of German Net Output			Net Output per acre
	Total Industry	Heavy and Armament Industry	Export Industry	
Less than 50 miles—				Rm.
from West Front—				
Saar	1.3	2.0	1.7	965
Palatinate	1.6	1.6	2.5	402
Baden	3.7	3.3	4.1	338
from N.W. Coast—				
Oldenburg	0.4	0.3	0.3	99
Hamburg	1.6	1.5	2.0	3,160
Schleswig-Holstein	2.0	1.5	1.3	175
Total	10.6	10.2	11.9	330
50-100 miles—				
from West Front—				
Hessen	1.9	1.9	2.8	334
Hesse-Nassau	2.3	3.9	5.0	273
Württemberg, Hohenzollern	5.5	5.0	4.9	369
Total	10.7	10.8	12.7	328
100-150 miles—				
from West Front—				
Rhineland	15.1	19.3	20.9	856
Westphalia	9.7	13.2	11.3	665
Hanover	4.5	4.1	3.6	161
Bavaria (half)	3.8	2.3	0.3	...
Total	33.1	38.9	36.1	481

cent. of the heavy industries, which include armaments and armament materials, and 12 per cent. of export industry. About three-quarters of this is in the belt within 50 miles of France. These regions include the Saar, where the degree of industrial concentration compares with that of London, the Palatinate and the industrial areas of Baden. The Saar alone accounts for 11 per cent. of German pig-iron production, and the Palatinate for nearly 10 per cent. of the chemical industry (about which information is particularly scanty). Within 50 miles of the north-west coast (about 400 miles from England) is Hamburg, which contains 1½ per cent. of Germany's industry within 0.1 per cent. of its land surface. Hamburg accounts for as much as 16 per cent. of the "iron and steel construction industry" (mainly shipbuilding), of which it is the largest of the same industry, represented by the shipyards of Kiel. Oldenburg includes the port of Bremen.

Most of the industrial output of the 50 to 100 mile belt comes from Hesse-Nassau, with 10 per cent. of the chemical industry and important engineering and motor works, and Württemberg, with 8 per cent. of the machine industry and 13 per cent. of the motor industry.

The 100-150 mile belt consists chiefly of the two great industrial areas of Rhineland and Westphalia, which alone account for a quarter of the total output of German in-

dustry, and for nearly a third of the heavy industry and of the export trade, in less than 10 per cent. of Germany's land surface. These two provinces provide half the mining output, three-quarters of the pig-iron production, half the steel industry, and a quarter of the machine industry and the chemical industry. Further south, within the same distance from the frontier, are some of the chief industrial cities of Bavaria; Fürth-Nürnberg and Augsburg are just within the 150 mile radius, although Munich is outside. In default of more accurate information, it has been assumed that half the output of Bavaria is within the 100-150 mile belt.

In short, 50 per cent. of the total industrial output of Germany, 57 per cent. of the heavy industry, and 57 per cent. of the output for export, are produced within 150 miles—less than an hour's flight—of the west front, and an additional 3-4 per cent. of each total within 50 miles of the north-west coast. A further indication of the extreme geographical vulnerability of German industry is the fact that nearly a fifth of the total output is produced on the left of the Rhine.

It will not be forgotten that the governments of both Britain and Germany, conscious of the possibilities of war damage in some of their key industrial areas, have endeavoured to reduce the danger by encouraging or compelling, according to their respective techniques, a movement of industry away from the more exposed districts. It is difficult to measure the effects of this policy in Great Britain, but it will probably be conceded that nothing has been done on the scale of German efforts. Among the leading examples of the German policy of strategic location are the Hermann Goering works in Salzgitter (Brunswick), the Volkswagen works in Fallersleben (north of the Harz mountains), the Beuna works in Prussian Saxony and the aircraft factories in the new "central industrial region" around Dessau. These districts are about 250-300 miles from the west front but Fallersleben is only about 130 miles, and the others less than 250 miles, from the coast. German employment figures suggest, however, that the general picture has not changed substantially since 1936; indeed employment in the three chief western districts of Westphalia, Rhineland and Hessen rose 16 per cent. from 1936 to 1938, against a rise of 15 per cent. in Germany as a whole. The new developments in central Germany are a significant addition to German productive capacity in the heavy industries, but do not yet represent any appreciable transfer from the west.

Germany, then, is in a very vulnerable position in any intensive air warfare. Half her industry and more than half of her heavy armament industry is within very easy range of bombers based on aerodromes in Lorraine. A direct comparison between the vulnerability of Great Britain and that while hostile bombers can be, and are, based within a mile or two of the German frontier, there are no hostile bases within 240 miles, at the very nearest, of the English coast. The nearest British industrial area of any consequence to the German coast is Lincolnshire, which is 300 miles from the Frisian Islands. A round trip of 600 to 800 miles over the North Sea is not, of course, an obstacle comparable to the same distance flown over watchful and well-defended hostile territory. But it does mean that more fuel must be carried, and therefore fewer bombs, that warning of approach may be given much sooner, and that there is a greater chance of casualties on the way out or the return journey. Possibly, most important of all, it means that bombers cannot be conveyed by fighters.

To arrange British industry in similar belts, measuring from the East Coast, would, therefore, run the risk of making British industry seem more vulnerable than in fact it is. For example, something like a third of the whole of its armament industry (in 1935) is in Greater London, the Eastern district and the North-East Coast—that is, less than 50 miles from the coast; only about 10 per cent. of all industry and about the same proportion of armament industry is more than 150 miles from the east coast. But if we reckon one mile over the sea as being the equivalent of only one-third of a mile over hostile land, even London is 150 "hostile miles" from the nearest

German base—i.e. at the extreme edge of a radius that includes more than half of German industry. Detailed figures have, therefore, not been given for Great Britain similar to those contained in the table for Germany. But a rough comparison can be made as follows. Nearly half of total German industrial output, and distinctly more than half of heavy industry and export industry is within a total area of about 30 million acres (leaving out of account the thinly industrialised Hanover and Bavaria) not more than 150 miles from the French frontier. On the other hand, a

penetration of 100 miles into England, on top of 250 to 400 miles over the North Sea (i.e. a range of 100 to 230 "hostile miles" on the rough basis of three sea miles = one land mile) would be required to cover a little over half of total British industry and a little less than half of heavy industry. This British industrial area, however, is more concentrated, comprising about 20 million acres.

These facts may possibly explain why, in spite of the boasted superiority of the Nazi air fleet, Goering has hitherto been too "humane" to use it.

NOTES OF THE WEEK

Inquest on an Offer of Mediation.—It is difficult to see where the German Government have gained by their fireworks on the frontiers of the Low Countries; and it is easy to see where they have lost. They allowed the Allied Governments to make the first reply to the mediatory offer of Queen Wilhelmina and King Leopold, thereby putting themselves in the poorer position; they made no gesture which could substantially allay the fear that Holland might be invaded; and, as far as can be seen, they effectually destroyed any latent sympathy which the people of the Low Countries might have felt towards them. In face of the tempered replies of the King and the President—and it is interesting that the second was more specific in its war aims, in mentioning the restoration of Austria, than the first—the Nazis left themselves with no alternative but to offer, as they did, an unreasoning refusal. A sentence in the British reply will stand for the whole Allied attitude. The larger purposes for which we were fighting, it ran, were to secure that Europe might be redeemed "from perpetually recurring fear of German aggression, so as to enable the peoples of Europe to preserve their independence and their liberties," and to prevent any further resort to force instead of to pacific means in settlement of international disputes. The German Government replied, without the usual formalities, that this amounted to a "blunt rejection," and that the matter should therefore be considered as closed—and they added the now monotonous threat that the war was about to begin in earnest. Unless it be a lever for the domestic uses of propaganda, they have evidently gained nothing. They are now saying that the threat was invented by British and French journalists; the Dutch Prime Minister, running for the nearest port in a storm that was none of his making, hinted at the same explanation. Doubtless the Dutch military measures, and the exaggerated secrecy with which they were prosecuted, were well written up by correspondents on the spot; certainly the most was made of the rapid sequence of contradictory denials which emanated from The Hague; the hard fact remains that the Dutch feared an invasion from Germany, and feared it for reasons that were not invented by any newspaper.

It may, then, be asked why the Germans concentrated large bodies of troops on the Dutch and Belgian frontiers over a period of weeks. Two probable explanations offer themselves: first, that the concentrations were designed to test the spirit and size of likely resistance, whether a movement against Holland would involve Belgium, how far the Dutch were in earnest in preparing to fight; or, secondly, that the aim was to manoeuvre the British and French Governments into a discreditable position *vis-à-vis* an expressed German readiness for peace, and, at the same time, to present the German people with the appearance of British and French implacability. In the first case, it may be presumed that the German General Staff is now well informed on the military position; in the second, that the German people have had one more bandage wound over their eyes. For weeks the Nazis have been drumming up hatred against Britain. The mysterious bomb explosion at Munich, which Hitler escaped by the inter-

vention of Providence (or by the design of its Gestapo originators), has been grist in the Anglophobe mill, and doubtless the episode of the Hague peace offer can be turned to the same use. But these seem small compensations for having once more reminded the world that the present German Government must be resisted not only for the aggression they have already committed, but also for the aggression they may commit in the future.

Forced Saving.—The financial problem of war is to secure for the Government a proportion of the national income far higher than it takes in peacetime—and accordingly to leave to the public for their own spending a considerably smaller proportion than they are accustomed to. There is universal agreement that inflation must be avoided, but an equally universal inability to suggest means by which the yield of taxation can be raised to much more than its present level. But if the gap between taxation and expenditure is too large, the attempt to cover it by borrowing will certainly end in inflation, as it did in the last war. It is perfectly clear that unusual and unorthodox expedients will have to be adopted if the problem is to be solved. It is perfectly true, too, that if resources are to be obtained for the Government on an adequate scale they will have to be taken away, in some measure, from the consumption of those who do not pay income tax. The inescapable fact is that normal consumption must be reduced. The financial problem is to know how to do it.

Mr J. M. Keynes has propounded in two articles in *The Times* this week a solution that has the merit of shirking none of these awkward facts. Mr Keynes' plan is, in brief, that deductions, exceeding the present direct taxes, should be made at source from all incomes above the very smallest (e.g. 35s. a week for a single man). Out of the sums thus deducted, direct taxes on the present scale should be paid, and the balance should be credited to the individual's account in the Post Office Savings Bank.

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These balances would bear interest, but would be blocked for the duration of the war and released, by instalments, when needed to stimulate recovery from the post-war depression. A number of obvious objections to the plan can easily be listed: administrative complexities and awkward problems of equity. But there will be objections to anything as inherently objectionable as a new tax. Mr Keynes' plan has the wartime merit that it would raise revenue and restrict consumption. It would also have considerable post-war merits; the wage-earners would at last have some property, and the existence of a fund of potential consumer purchasing-power might be extremely valuable (if it were ever politically feasible to control its release in accordance with economic requirements). Moreover, it represents the only way by which the workers can enjoy any increased consumption (in the hereafter) for their present efforts. But the practicability of the whole scheme depends upon its reception by the trade unions. So far there is no sign that they have departed from the attitude that, whatever happens to anybody else, the standard of living of their members must not be touched.

Shipping Issues.—Tuesday's Commons debate on shipping was scarcely a debate at all. There was little or no clash of party views in a discussion which rather took the form of a symposium of facts, figures and opinions about the shipping industry for the benefit of the new Minister of Shipping, Sir John Gilmour. The immediate topic was freights: the rates received by British owners are up to 75 per cent. lower than those claimed by neutral shippers, who are quite legitimately taking advantage of the urgent call for shipping space; and the cost of fuel, supplies, wages and insurance has risen sufficiently far to suggest that the present official rates will have to be increased if actual losses are to be avoided. There was no wish among any members to lift freights to a level which would enable owners to make an undue profit out of the nation's necessity. There was a general realisation of the impetus to inflation that might result; and, since freight charges do not weigh so heavily in retail prices as is sometimes supposed, there was perhaps an over-strong fear of pressure on the cost of living. The most reassuring sign in the discussion was the ready appreciation, so dangerously long delayed in the last war, that freights are only a symptom, and that shortage of shipping space in relation to demand is the disease to be treated. It is not only loss by enemy action that causes shortage. A surprisingly large proportion of the Mercantile Marine is in service with the forces as auxiliaries, hospital ships and troopships. The delays caused by the convoy system—sometimes doubling the time of voyages—and the slower "turn-around" of ships due to port congestion cause shortage, not by reducing the number of ships available, but by diminishing the "velocity of circulation" of tonnage. It took over two years for the Government to realise this in the last war—and then the unrestricted submarine campaign came to dislocate good resolutions.

This time there should be no holding back. On the one hand, equitable and remunerative freights should be paid to owners, probably to a considerable extent through requisitioning in direct connection with schemes of large-scale Government purchase. On the other hand, available shipping space must be multiplied in a variety of ways: by orderly planning of voyages and re-routing according to the known course and scale of controlled war-time trade; by minimising delays due to convoy and port congestion; and by intensive shipbuilding. It is believed that city will be speedily taken over for Government orders or orders arranged by the industry and the Government in concert. A smooth and steady supply of ordinary cargo vessels, simply constructed but not tied to the wasteful new "standard" designs attempted in 1917-18, is a *sine qua non*. But more is needed. Since the last war two-

fifths of our shipbuilding capacity has been scrapped. New capacity will be needed, whatever our future losses, and it will only be forthcoming if it is planned, guaranteed remunerative employment and protected against undue price rises in the industries that serve the shipbuilder. The ultimate arbiter of freights is the supply of shipping space at hand to carry the trade that is deemed essential. It is the arbiter of the nation's security as well.

Return from Moscow.—After a fruitless sequence of eight conversations, at seven of which M. Stalin is reported to have been present, the Finnish delegation has returned once more to Helsinki. The issue upon which neither side would yield is believed to have been narrowed down to that of the port of Hanko, on the south-west coast of Finland, where the Soviet Government wishes to establish a naval base that would combine with the base at Baltic Port (in Estonia) to close the 45-mile wide mouth of the Gulf of Finland. The Finnish objection to ceding or leasing Hanko is sufficiently clear: by holding it the Russians would be able to close all access to Helsinki as well as to Leningrad. And while an enclave need not necessarily mean an increase of political influence within the country which cedes it—Zara, for instance, has never meant that to Yugoslavia—the cession of Hanko would unquestionably prejudice the independence of Finland and the freedom of its democracy. In these circumstances it is unhelpful for the Soviet Government to offer compensation, whether in kind or in cash, for nothing that they can offer will guarantee Finland's self-determination. The excuse offered by the Soviets for persevering in their demands is that Finland may one day become the stepping-off ground for a Great Power attack on the U.S.S.R., and that now is the time to nip such plans in the bud. The Great Power in question is clearly Germany, but for the time being the Soviet Government finds it convenient to hint that it might be a combination of Britain and France. Even so, it is reasonable to suppose that Finland would resist the suasion of the West as firmly as it has resisted that of the East. For the moment the Soviet Government is withholding the military action threatened in its newspapers; how long this moderation will last it is impossible to say, but current reports indicate that the negotiations may continue spasmodically for some time yet.

Pointers from Italy.—Italy's attitude towards the Allies continues to be grudging and distant. There is no reason why it should be anything else. The conditions which caused the Italian Press to lash itself into paroxysms of fury during the summer—the presence of Britain and France in *Mare Nostrum*, the guarantees to Greece, the friendship with Turkey—are all unchanged, except in so far as the Turkish pact has increased Franco-British influence and therefore provided fresh grounds for Italian hostility. Had Italy not preferred to remain neutral, her unfavourable position in the Mediterranean (which combines vulnerability with accessibility) would have made her the first sufferer in an Axis war. To-day, although she is neutral, this position is a virtual check on any freedom of action. She is giving vent to this irritation in the Press—for example, Signor Gayda's warning to Britain and France on November 12th "not to concern themselves with the Mediterranean problem and with the position and interests of Italy," and the general stigmatising of our reply to the Belgo-Dutch offer of mediation as another example of warmongering laced with hypocrisy. Such pin-pricks are not in themselves serious, but they are evidence of a temper too much smug acceptance of the theory that Italy is "a great and friendly nation." She may be great, she is not yet ready to be friendly. Nevertheless, there exists a community of interest between Italy and the West which has been much broadened, in Italian eyes, by Russia's westward move. Since the outbreak of war, Italian policy in the Eastern Mediterranean has been consistently conciliatory. We may

recall the reduction of garrisons in the Dodecanese and Albania, the exchange of Notes with Greece, the encouragement given to various Balkan efforts to lessen tension. Now comes further talk of a *rapprochement* with Turkey. Official broadcasts in both countries have included a warm exchange of compliments. Italy consoled with Turkey on the anniversary of Atatürk's death, Turkey congratulated Italy on the King's birthday. Again, these are only straws in the wind, but at least they show that the winds from Italy blow in a new direction. It would have been inconceivable three months ago to find official opinion in Italy welcoming signs of a Balkan *détente* such as the recent withdrawal of Bulgarian and Turkish troops from their common frontier. Here at least Rome and London are exerting complimentary and not contradictory pressure.

The War and Unemployment.—That the outbreak of war would cause dislocation in industry and an increase in unemployment was only to be expected. Actually, the total number of registered unemployed in Great Britain increased by 98,000 between August 14th and September 11th and by a further 101,000 between September 11th and October 16th. A year ago the number of registered unemployed in Great Britain rose by only 22,000 between August and October. Not unexpectedly, the increase in unemployment was concentrated in the administrative division of London, where the luxury trades are mainly centred; compared with August 14th the number unemployed in London on October 16th showed an increase of 140,000, against one of 199,000 for the country as a whole. Measured by the unemployment figures alone, the extent of the dislocation of business would seem to have been comparatively small. But the actual decline in industrial employment has been considerably more marked than the unemployment returns suggest, for many thousands of workers have been called to the colours or have volunteered for full-time service in the A.R.P. organisations. In so far as circumstantial evidence is any guide, production in essential industries has been fairly well maintained since the outbreak of war and has even increased in certain directions. At the same time, the existence of nearly 1½ million registered unemployed shows that much leeway remains to be made up before Britain's war potential is fully developed.

Soldiers' Families.—The realisation that to permit distress among the dependants of members of the fighting forces would be disgraceful and intolerable has sharpened. Last week the attention of all ranks was again officially drawn to the machinery of committees which has been set up to hear pleas of hardship and grant additional allowances. This week the basis of the committees' work has been broadened in two ways: the normal allowances for soldiers' children have been raised, and the special allowances authorised in cases of distress have been increased. The weekly allowance for the family of the lowest paid soldier with four children will be raised from 35s. to 39s. as from November 13th, and it will be possible from the same date to grant extra sums up to £2 a week (instead of, as before, a total of £2 including the normal grants) in cases of proved suffering. Rightly the rates are very much better than in 1914, which underlines the strides in military welfare which have lately been made. Already the normal allowances on the new scale are running at the rate of £37 millions a year for the Army alone. But whether hardship will be eliminated is still uncertain. Largely, it depends upon the Special Allowances Committee's interpretation of exceptional hardship—which Mr Hore-Belisha, when he announced the new grants, chiefly associated with high income, there should be a minimum income, proportioned to the size of the family, below which no soldier's allowances should be permitted to fall, and such a minimum would probably be higher than the smallest sums which will be paid under the new scheme.

Rationing Again Recedes.—The methods adopted by the Ministry of Food first to postpone rationing and secondly to find reasons for the postponement have run the whole gamut of plausibility and ingenuity and are now verging on the fantastic. The statement that schemes for butter and bacon would be put into operation not, as last announced by the Minister, in the middle of December, but in the New Year, was accompanied by two explanations. The first was that it was doubtful whether the registration of consumers with retailers could be completed by the former date. The second was that December is in any case a busy shopping month and that the introduction of rationing procedure at this point would throw retail business into confusion. It is difficult to believe that either of these was the real reason for yet another postponement. They have rather the appearance of formal statements to cover the fact that the Ministry and the War Cabinet are giving way to an irrational popular wish magnified and distorted by a disingenuous newspaper campaign. It is perfectly plain that registration can in fact be completed by any date that the Ministry cares to name—the sanction of going without supplies being sufficient to induce consumers to go through the simple formalities required. It is also obvious that the rationing of two commodities is not likely to cause more than a very minor interruption of Christmas shopping. The only thing which is not plain is how the Government intends to excuse those consequences of shortage and unequal distribution which come nearer every time rationing is postponed, or how it expects the necessary war effort to be forthcoming if the public is encouraged to believe that a reduction of consumption is unnecessary.

Evacuation in Question.—Cross currents of opinion about evacuation swirl and eddy in conversations and the pages of the Press. It is towards a considerable return to the vulnerable towns that the tide is turning. Few people counsel the return of children—though more of these are now in danger than have gone and stayed away. It is the firms and institutions who were evacuated that are now under fire. The cry is "Business as usual." It is argued that the whole working of business has been slowed down by the dispersal; that communications are impeded because firms are scattered broadcast; that cities are suffering seriously from the loss of purchasing power; that local services and utilities are being wasted here and overstrained there; that there is overcrowding and unhappiness in billets; and that staffs have to bear, not only the break-up of their family life, but also extra financial burdens. The indictment is impressive. But it should be remembered that it is an indictment of the original evacuation as much as of continued evacuation now. The chances of dislocating as of continued evacuation now, if it was again air attack—which might slow down business, if it was again concentrated in the towns, far more than evacuation has done—are just as great now as they were on September 3rd. Perhaps they were over-estimated then, but it would be foolish to suppose that the improvements made since in our defences have materially reduced the risk. In any case generalisation is useless. If a firm cannot do its job properly in evacuation then it should assuredly come back. It should never have gone, for the whole purpose of evacuation was to enable the country's business to be carried on.

THE WORLD OVERSEAS

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If it can function efficiently, and very many have found that they can, then it should stay where it is. Much of the adverse side of business evacuation, including staff disabilities, is due to hasty improvisation. Too many firms have housed their staffs well and smoothed away most of their difficulties for the critics to contend that undue personal suffering is an inevitable part of evacuation. The present agitation has three roots: genuine economic disadvantages; the absence of air raids; and a feeling that evacuation is not "British." Only the first can count; if the country's business cannot be carried on in the new way, then there must be some return to the old. But there can be no wholesale return while the danger of air raids persists. It is in the national interest, no less than in the interest of individuals, that discretion should remain regarded as the better part of valour.

Money for Broadcasting.—The wartime record of the B.B.C. has so far been mixed. The quality of its programmes has recovered from the low level of the first few days of war; this improvement has undoubtedly cost money, and its continuance will cost even more. But it is money well spent. Moreover, the reduction of the home service to a single programme has made it possible for the Corporation to carry the greater cost without outside assistance. Programme hours were reduced at the outbreak of war from 192½ hours per week for National and Regional, plus an indefinite amount of time put in by local programmes arranged by the various regional centres, to a fixed time of 120¼ hours weekly. The financial results of this change were stated by the Parliamentary Secretary to the Ministry of Information in answer to a question in the House last week. Current expenses for home and Empire services for September, October and November are expected to fall below the peacetime level by £200,000. So far this reduction has been largely offset by new capital expenditure due to wartime changes, but it is reasonable to expect that this expenditure will not continue indefinitely and that, in due course, an increased surplus will become available. But Sir Edward Grigg went on to say that this surplus will accrue as in mistake. The reasons why any new surplus should remain at the disposal of the B.B.C. are numerous and forcible. In the first place, licence holders have a right to their money's worth. The original Budget estimates for 1939-40 already included a net Exchequer receipt from licences of £466,000. That is surely enough to hand over, unless it is intended, as in the case of motor taxation, silently to drop the *quid pro quo* aspect, and to turn licence fees into a form of indirect taxation for general purposes. Moreover, since the war began listeners have been paying the same sum for a reduced amount of service. They are entitled to some improvement in quality to counterbalance this reduction of quantity. The fact that the maintenance

of the morale and good humour of the whole population is essential to the winning of the war points to the same conclusion. A public which needs relief from the fatigue and boredom of wartime, and has paid for it, should get it. The B.B.C. personnel are quite capable of arranging even better programmes if they are given a chance; the artists can be obtained if they are sufficiently well paid; and the listeners wait with open ears. They should not be prevented from getting what they want by false economy or disingenuous financial policy.

The Poland of To-morrow.—The Government of General Sikorski must be praised for undertaking that inquest on the policies of their predecessors from which, for obvious reasons, British and French opinion would wish to be spared. Changes in policy had to come; it is good that they should come spontaneously. The foreign policy of Pilsudski may be said to have been justified only on the assumption that Poland could become a Great Power within the measurable future; his Ukrainian expedition which so nearly ended in disaster but finally put an end to the proposed "Curzon Line," his non-aggression pact with Hitler, his unyielding policy towards Poland's weaker neighbours and towards the Czechs—these were all aspects of a gigantic gamble. His "heirs" took over a legacy of derring-do combined with insufficient means; but they did less than nothing to create the only sort of security that was practicable for a country in Poland's position between two Great Powers—a firm solidarity with other smaller States. In the autumn of 1938 the attitude of the Polish Government, it is true, fluctuated in tune with that of the Western Powers, but the failure of Britain and France to support Czechoslovakia does not therefore excuse the Polish ultimatum over "the lands beyond the Olza." It is possible that Teschen would have fallen to the Germans if it had not already been taken by the Poles; but had the Poles realised that Bohemia was their own outer bastion, the Czechs would never have been encircled and would probably never have capitulated. If this policy had led to war, it would have provided the Poles with a far better hope of victory than they could ever entertain again. To the outside observer it was matter for constant wonder that the Polish ruling clique—for in the latter years it amounted to little more than that—could carry their assumption of Great Power dignity quite so far with such very slender justification. Once more the Polish people, hard-working, patient, patriotic, have suffered from the follies of bad leadership. It remains to be seen that they have the courage to learn from past mistakes. If it were not for Dr Goebbels, it would be unnecessary to add that bad leadership is not a crime for which a nation can be justly assaulted and assassinated, or that if such crimes are allowed to be committed with impunity, even if they are committed against countries that have themselves made mistakes, there will be no safety for the most virtuous and unprovocative of nations.

The Awkwardness of Mr Wang.—Although the withdrawal of some of the British troops from North China, maintained there in accordance with the Boxer Protocol of 1901, was made to save the expense of building new barracks, the Japanese seem to have taken it as a friendly gesture; and that in itself goes far to illustrate the change in Far Eastern relations since the war broke out. The number of British troops in Tientsin and Peking, which are the garrisons referred to, was in any case small, and their reduction will not affect the course of the Tientsin dispute. For the moment this is in abeyance. It is being suggested that the much-disputed silver held in the British Concession should be devoted to flood relief projects in North China; but it is believed that the British Government has not yet made an approach to the Chinese National Government and that, until it does, the suggestion will be carried no further. Affecting as it does the whole question of treaty rights in occupied China, the dispute has from the first commanded close attention in Washington; and it now looks as if the Americans are stiffening in their defence

of treaty rights in order to compensate for any loosening in the British attitude through preoccupation with the war. We may expect to see Washington apply to any future disputes the principle which the British Government applied at Tientsin, that questions of a general nature must be discussed by all of the interested Powers. Meanwhile in Tokyo the atmosphere has become much pleasanter for all concerned. A new Soviet Ambassador recently took up his duties, and this week he was in consultation with the Japanese Foreign Minister; there is no good reason to suppose that their conversation went further than specific matters in dispute, such as that of the Soviet fisheries in Far Eastern waters. The Soviet Government is presumably as anxious as ever to sign a non-aggression pact with Japan; equally, there is probably no better reason now than there was eight years ago, when a pact was first suggested to them, for the Japanese to fall in with the idea. They might be expected to do that only as part of a far-reaching settlement. In Tokyo's condition of apparent harmony there remains only the awkwardness of Mr Wang. He is proving a far less pliable instrument than the Japanese, having seduced him from the Kuomintang, had hoped. Weeks ago they announced that Mr Wang Ching-wei would be elected Prime Minister of a South China Government, sitting in Nanking, before the end of November, and now it seems certain that they are going to be disappointed. Even so, there can be little praise for Mr Wang.

Australia Plans for War.—The Cabinet changes announced in Canberra on November 12th show that the Australians are tackling the problem of wartime organisation with an eye to the main problems which a war economy creates. Instead of acting as the only Minister responsible for all three fighting Services, Brigadier Street becomes Minister for the Army while Mr J. V. Fairbairn takes over the new Ministry for Air and Sir Frederick Stewart the Navy. Mr Menzies, the Commonwealth Premier, will himself become Minister for the Co-ordination of Defence. On the side of economic preparedness, an interesting innovation has been made in the shape of an Economic Cabinet, which (in Mr Menzies' words) will deal with "the economics of the war effort . . . the effect of the war on the national economy and with planning for peace." The setting up of such a body—provided the geographical problem of co-ordinating its labours at Canberra with those of the Defence Ministries at Melbourne is overcome—should go far to achieve Mr Menzies' aim of ensuring "the discharge of the Commonwealth's immense wartime tasks with the maximum efficiency and the fullest possible attempt to reconcile the normal needs of commercial life with the paramount necessity of winning the war." Countries which have not faced the problems of fitting a war economy on to a society organised for peace in so scientific a spirit would be well advised to follow the workings of the Australian experiment. There may be much to learn.

Dead Laws.—The Criminal Justice Bill, embodying all the penal reforms worked out in the Home Office in a generation and infused with Sir Samuel Hoare's constructive passion for an overdue amelioration in our penal system, has fallen a victim to the war. The Government has decided that the time to pass the Bill through the Report and final stages—its Committee stage was completed—will not be available. The Opposition's offer to support the Bill to a swift conclusion and to accept, though with reluctance, the elimination of the extremely controversial clauses abolishing flogging, failed to alter the Government's decision. The campaign to humanise the penal laws will have to be begun and waged all over again at some future date. The Bill, which might have made an epoch in welfare legislation, was really given its death-blow in peacetime—not so much by the savage and intransigent desire of a certain section of the Conservatives to retain corporal punishment, which delayed the measure,

as by the growing inability of Parliament with its present procedure to deal with the legislation brought before it. Of the Bills held up before war broke out only the Official Secrets Bill—devised to preserve the rule of law against undue executive encroachments—is to become law now. The stuffed pigeon-holes of Parliament will stand as a reminder throughout the war that something must be done about these unconscionable delays when peace returns.

Women and the Land Army.—On Saturday, Her Majesty the Queen paid due tribute to the war work of the women of the Empire, in their homes, in factories and offices and in the Forces. There is not the call here that has been heard in France, where women have been summoned to fill the places of five million mobilised men. Nor has the demand for women workers yet reached a real war scale—though before the war ends it may be that a large part of the two million or so of women not yet gainfully occupied but available for work will be absorbed. Meanwhile, close upon four millions of women are normally at work, over half a million have enlisted in civil defence services since last June and about 50,000 are serving with the three fighting services. In the last war land girls were needed in farming to take the place of men called to the colours as well as to furnish the personnel for expanded production. Early in this war some 25,000 women were enrolled for training as farm workers, but so far there has been little or no gap for them to fill. There has been no rush to the forces from the farms; the amount of voluntary enlistment allowed has been very small; a large section of agricultural labour is a reserved occupation; and even in the case of young labourers already liable to be called up for compulsory service, many exemptions and postponements (because of harvesting, etc.) have been made. There is scant room for women yet, which is the chief reason why only barely 2,000 of the 25,000 enrolled have found jobs. Only a small proportion have so far been trained. There is naturally no great inclination among farmers, to whom the engagement of Land Army members is left, to take on hastily-trained women so long as male labour is not seriously short. Meanwhile there is indignation, resentment and not a little material distress among women who left their homes and jobs to join up. Some of this is misplaced because—although there is now some controversy about it—it was made plain in the first official announcements that the women would not be needed in any great numbers for some months. There is no question that as the forces grow and output expands their services will be required. Even so the authorities' responsibility is undoubted. Many of the unemployed women will draw the dole, though some will not. None should be allowed to suffer for their loyal response. The best course would seem to be to extend their training and maintain them while so engaged. Farming cannot in any case be learned in a few weeks.

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THE WORLD OVERSEAS

The Swiss Elections

(By a Correspondent)

SWITZERLAND is one of the best-governed countries in Europe. Its cantons and communes make up a democracy about which we in England know only too little. Switzerland is a Confederation. Its Federal Parliament consists of a National Council, elected by the whole male population, and a Council of States, to which each canton sends two representatives—with several half-cantons each sending one. These two bodies are elected every four years; and since they then join together as a National Assembly to choose the seven Federal Councillors who will govern the country for the next four years, the fact that the latest Swiss national elections took place on the 29th of last month is a matter of no mean interest when democracy and dictatorship are at war just over the Swiss borders.

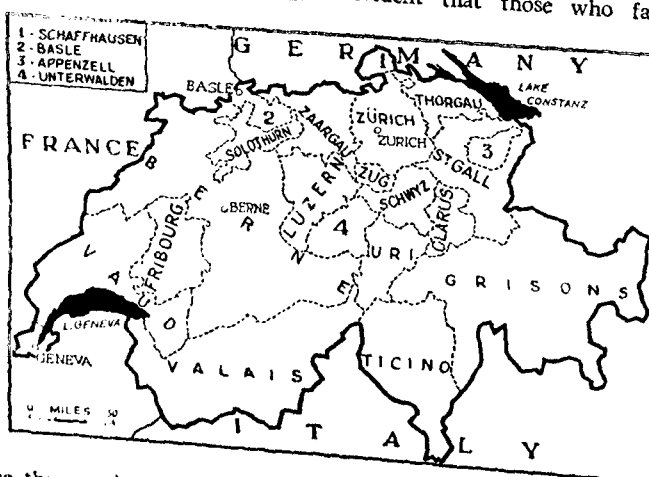
From the beginning of the war Switzerland has been fully mobilised to defend her neutrality. This means, since Swiss women do not vote, that a very large proportion of the electors were on duty on the frontier when the polls were held. Some people in Switzerland were in favour of automatically returning the old Chambers, without any voting, for another four years. It was in fact agreed that this should be done in eight cantons, including Lucerne, Vaud and Ticino, and also in one of the Appenzell half-cantons. In the other Appenzell, in Uri and the Unterwaldens, formal but unopposed voting took place. Out of 187 members of the National Council, 57 of those elected in 1935 were automatically returned or replaced this autumn; they included 21 Radicals, or *Freisinnige* as they are actually called by the German Swiss, 17 Catholics and 11 Social Democrats.

These Radicals, Catholics and Social Democrats, are the three main political parties. They had 48, 42 and 50 deputies, respectively, in the National Council elected in 1935, the Agrarian or Peasants' Party coming next with 21. The main executive body, the Federal Council of seven members, was then composed of four Radicals, two Catholics and one Agrarian, with the Social Democrats more or less occupying the rôle of official Opposition.

Each of the bigger parties had its young and progressive enthusiasts in 1935, Young Liberals, Young Catholics and Young Peasants, who were ready—especially, for instance, the Young Catholics of Lucerne—to co-operate with the parties of the Left. The Young Peasants, led by Dr Hans Müller, were strong in the canton of Berne, and succeeded in 1935 in returning an independent group of seven deputies to the National Council. Two other unprecedented events took place in the 1935 voting, mainly in the Canton of Zürich. One was the election of a group of seven deputies representing the *Landesring der Unabhängigen*, the other the election of Dr Richard Tobler. The seven deputies of the *Landesring* were the followers of a certain Herr Gottfried Duttweiler, a successful pioneer with American business methods who had established the so-called "Migros" big stores, and also for the amateur element in politics. Dr Tobler, on the other hand, was the leader of the *Nationale Front* which, with many cries for Swiss regeneration, preached anti-Semitism and anti-Marxism and praised both the domestic and foreign policy of Herr Hitler; from the spring of 1934 the Frontists gained seats, first on the town council of Zürich, then on the cantonal council.

The End of the Pro-German Front

Warning voices were raised at once that Dr Tobler, perhaps unconsciously, was the tool of the Nazis, who, like the Pan-Germans before them, planned to annex *Gau Schweiz* to Great Germany. It was not until 1936, however, that the Swiss public began to stand on its guard, and not until after the Munich Agreement that it utterly rejected the Frontists as in effect the representatives of Hitler; in the Zürich cantonal elections in March, 1939, they were turned out *en masse*. The Swiss public boycotted German goods, notwithstanding the contrary injunctions of the Federal Government, and the fate of Poland has done nothing to weaken the determined opposition of the Swiss—German-Swiss though most of them are—to the tenets and aggressive practices of National Socialism. Dr Tobler was condemned as the virtual agent of a foreign tyrant, and, with the national elections of October 29, 1939, in sight, he bowed to necessity and retired from the political scene. Before the nation went to the polls, it was evident that those who favoured the Nazis no longer counted.



The disappearance of the pro-German Front was only to be expected. The actual surprises of the 1939 elections themselves were the success of the two "bad boys" of Swiss politics, Herr Duttweiler and Monsieur Nicole. The *Landesring* not only maintained its five seats in the canton of Zürich and one in St. Gallen; to everyone's astonishment it gained two seats in the town of Basle, a very sensitive spot in view of its position on the frontiers both of Germany and of France. Herr Duttweiler's success is generally attributed to the novelty of account of the judicial convictions recorded in his dossier and his propaganda, and his general line of "Away with Jung and a number of literary people. He also shows eager demand for a thousand Swiss military aeroplanes in favour of a Swiss Maginot line. His pro-consumer attitude, too, prices. When, in September, the notorious Genevese Socialist, M. Nicole, declared himself in agreement with MM. Stalin and Molotov, the Swiss Socialist Party expelled him. Yet so strongly do French-Swiss Socialists react to the personality of M. Nicole that his group will send two Genevese representatives to the National Council against only one orthodox Social Democrat, while the Socialists of Vaud, where no voting actually took place, provide him with two more supporters.

The general result of the elections is a contraction, as it were, towards the centre. The two Communist deputies elected to the National Council in 1935 have now disappeared together with Dr Tobler. The Nicole dissident group in the Council consists of four, but the Social Democrats have fallen from 50 to 45 in strength, though they gained a seat in Zürich and Aargau. The Young Peasants, intermittent allies of the Socialists, lost one of the seats they won in 1935. The Catholic Conservatives, who stand for old-fashioned federalism, gained two seats; the anti-Socialist Radicals or *Freisinnige* did the same. Thus, since the Agrarians neither lost nor gained, the Government coalition is strengthened; and the Radicals have now replaced the Socialists as the

largest party in the National Council—which they were before 1935—in spite of the big industrial population in towns like Zürich, Winterthur and Basle. And the six National or Liberal Democrats, a group which is strong in French Switzerland and Basle, stand close in sentiment to the Radicals.

Since the voting for the Council of Estates (which is still unfinished) shows no appreciable change, the elections may be regarded as a display of democratic conservatism and stability and of cautious satisfaction with the Swiss *status quo*. The percentage of electors who voted was up to the average, and a good deal higher than in the wartime elections of 1914. From the Socialist side, both before and after October 29th, the cry of "Khaki elections" was raised, with the reproach that the Government parties were glad to exploit the war situation against the Left. Actually, it may safely be assumed that mobilisation did not appreciably distort public opinion—it only delayed the voting. The long-standing menace from Germany has turned the Swiss people firmly towards feelings of moderation and close national unity. The results of the elections simply reflect this sentiment; and from the international point of view, without any departure from the Confederation's strict neutrality, they spell a demonstration against Berlin and Moscow—and in favour of the West.

Economic Policy in France

[FROM OUR PARIS CORRESPONDENT]

PEACE time is over. French economic life is dominated by official controls. But there is no need for the controls to be operated dictatorially, because the keynotes in France just now are unity, discipline and co-operation. Nor is Parliament in cold storage. The Chambers will reassemble as arranged on November 18th, and M. Reynaud has announced that he would submit his Budget for 1940—entailing civil expenditure of 65,000 million francs—in good time to the Parliamentary Commissions. The Prime Minister—who keeps in close contact with Parliament through the Commissions—will have to ask for fresh plenary powers, since the present powers will lapse on November 30th. This will be only a formality, since M. Daladier's prestige and authority are greater than ever.

There is no difficulty which—even if censorship did not exist—could give rise to any serious opposition. The rise in prices—unfortunately price statistics have been suspended—is only seasonal. Markets are well stocked and, in face of lower consumption, they stay stable. Capital income is going normally into savings. Capital repatriation continues on a large scale and is invested largely in armament bonds, which now bring in an interest of 2½ per cent. for six months and 3 per cent. for a year. The Treasury is well supplied, and there is no need for the Government to go to the Bank of France for advances. The last three weekly returns of the Bank show "New Advances" unchanged at 5,000 million francs; and the fiduciary note issue, eight weeks after the beginning of war, is also unchanged at 144,000 million francs.

Economic Policy

The question which some experts are raising is how this country will face a prolonged war? The Minister of Finance has stated that the gold stock must be maintained and prices stabilised. Prices are controlled by local and central committees. Prices and food restrictions are forecast if any shortages should occur. Decrees have been published about agricultural products and foodstuffs to be put into force in the event of increases in price. Organisations have been set up to watch and ascertain local, departmental and national needs, and on the basis of this information the central Administration would make its decisions about import policy or restriction in the case of farm products and food.

The best way to safeguard prices, gold and supplies for the Army and the civil population would be to effect a revival in production and foreign trade—in spite of the war. The difficulty is to reconcile the needs of the forces with those of industry and business. A first step towards enlarged business would be to relax the rigid working of the machinery of war administration, which at present hinders the import of the raw materials and other products necessary for industry, and hampers road transport and communications.

The prime need after this first step is to revive export industries. The critical experts recognise that national security has first claim of the nation's resources. But they believe that greater freedom in business must be restored in the national interest, since vigorous private initiative and increased industrial and commercial efficiency will be the best guarantees that the country will be able to stand a long war and emerge victorious without incurring ruin at the same time.

Since the outbreak of war, and even after paying for huge orders from abroad, France's foreign exchange reserves have increased by 1,000 million francs. This "war chest," however, must be safeguarded, says M. Reynaud. Foreign orders must be paid with French work, that is, by developing the export of French manufactured goods. French exports to the United States were valued at 1,302 million francs in the first seven months of 1939 against 798 million francs during the same period of 1938, a result which is often due to considerations of exchange, but also to the last commercial treaty.

Financial Stability

One symptom of French financial stability is shown in the last statistics of the savings banks:—
(In million francs)

	Deposits	Withdrawals	Difference (+ = net inflow, - = net outflow)
August—			
From 1st to 15th ...	154	31	+ 123
" 16th to 31st ...	134	242	- 107
September—			
From 1st to 15th ...	105	1,118	- 1,012
" 16th to 30th ...	92	733	- 641
October—			
From 1st to 15th ...	57	98	- 41

The rapid fall in the net outflow, that is, in the difference between deposits and withdrawals, was even more remarkable in the single case of the Savings Bank of Paris, where the deposits began to exceed withdrawals as early as the end of September. This may be explained by the fact that people in the country and in small cities were much more disturbed than in Paris by the outbreak of war—war areas in the provinces were evacuated, etc. Nevertheless, the contrast is curious if one remembers how regularly Paris has been seized by financial panics since the last war.

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But the war may last a long time. The burden of the speeches of the leaders of Parliament to the *Conseils Généraux* on the occasion of their winter session was that French people must reduce their standard of living so that the greatest sums of money in taxes or loans might accrue to the State. But that depends also on the size of their incomes, that is, on the activity of the "civil sector" of the economy. Five million men have been taken away from civil life. A host of people have been evacuated from Eastern France. Business cannot but be dislocated thereby. But French prices are low relative to world prices. German competition in foreign markets has disappeared. An important section of French export trade is in luxuries, and the workers in the luxury industries are mainly women. Whatever the cause, several symptoms of a revival in activity lately have been received from many industries.

November 11th.

Canadian Business and the War

[FROM OUR OTTAWA CORRESPONDENT]

THE harvesting of the Western grain crop is virtually completed, and threshing returns show an increase over the earlier estimates of the total yield of wheat. The new wheat crop has been moving steadily to the markets, but export demand has been disappointing, with the result that visible stocks of wheat have been piling up—on October 6th the Bureau placed their volume at 306,364,555 bushels compared with 165,412,104 bushels on the parallel date in 1938. The elevators in Eastern Canada are jammed full of wheat because very little has been moving out of Montreal and other Eastern ports, and supplies from the Prairies are now being shipped to Vancouver. In Western Canada there is dissatisfaction with the wheat buying policy of the British Government, which for reasons of politics has been drawing freely upon the wheat supplies of countries like Argentina and Roumania and paying less attention to Canada's supplies, which it evidently wants to keep in reserve. Western papers have been protesting against the unfairness of this policy and pointing out that since Canada, unlike Argentina and Roumania, is in the Allied firing line, the economic and financial difficulties which would be created for her by a blockade of wheat should be considered in Downing Street.

Recently a delegation representing the Western wheat pools descended upon Ottawa and urged that the King Government take over the whole supply of Canadian wheat, shut down the "futures" market on the Winnipeg Grain Exchange, and guarantee the wheat producers a price equivalent to that paid the wheat-growers of Britain by their Government. If this step were taken, the Canadian Government would presumably expect the British Government to pay back its outlay on the wheat exported to Britain. The Government has not acceded to the request of the pools, but it is understood to have made strong representations in London about the situation which has developed.

The King Ministry last week undertook its first operation in war finance by borrowing 200 million dollars from the chartered banks on two-year Treasury notes bearing 2 per cent. interest. The money will be used partly for refunding a sterling issue in Britain which is now subject to immediate call, and partly for the general purposes of the Government. Canadian business is still in the process of making the adjustments necessitated by the measures of State control which have been imposed upon it, and the benefits of the expansion of industrial activity which war contracts make

certain have not yet been felt. The general index of the Bureau of Statistics has shown a downward tendency.

Week ended	Car loadings	Wholesale Prices	Bank Clearings	General Index
Oct. 8, 1938.....	80.9	74.2	101.8	109.5
Sept. 23, 1939	99.0	77.9	125.2	110.2
Sept. 30, 1939	95.8	77.9	112.5	108.1
Oct. 7, 1939	90.1	78.0	104.6	107.0

The latest employment bulletin of the Bureau of Statistics up to September 1st shows that, during August, the reporting firms increased the number of workers on their pay-rolls from 1,145,384 to 1,165,631, a gain of 1.8 per cent., which is larger than the average gain for August. The pulp and paper industries are profiting by war conditions, and the mining industry is also busy. In the manufacturing field the heavy industries, machinery and equipment plants and the textile mills have all increased their scale of operations and expect to be busy all winter. The war has also given a substantial stimulus to retail trade, and during September the sales of Canadian department stores were 45 per cent. above the August figure and 13 per cent. above the figure for September, 1938.

October 17th.

Pan-Americanism and British Trade

[FROM A CORRESPONDENT]

THE outstanding feature of Latin American trade over the past few years has been the penetration by Germany under the "compensation" or barter system. Due to steady European markets, particularly in Great Britain, for the wheat, meat, etc., produced by the River Plate countries of Argentina and Uruguay, these countries have largely escaped the "Aski" mark system, and business with Germany has been mainly on a clearing basis. In the case, however, of most of the other Latin American countries, particularly Brazil, Chile, Peru and the Central American "coffee" countries, which are mainly in a state of over-production, German exporters have prospered, much to the detriment of British trade. The following table shows the high proportion of imports into the principal South American countries represented by German products in the year 1938:—

	Percentage of Imports from Great Britain	U.S.A.	Germany
Argentina.....	18.3	17.6	10.1
Uruguay	19.8	12.0	16.8
Brazil	10.4	24.2	25.0
Chile	10.5	27.7	25.8
Peru	10.1	34.3	20.3

The British naval blockade has brought German "compensation" business with South America to an abrupt stoppage, and the extent to which Britain will now recover her supply and price level of British manufactured articles and the supply of export exchange arising from British purchases of primary products, such as wheat, meat, etc. In the case of foodstuffs should result in a large reciprocal supply of exchange for British products.

On the other hand, Europe's preoccupation with the war has presented the United States with a golden opportunity of capturing Latin American markets, which they have been quick to seize—assisted by the present Pan-American spirit throughout the Americas, which, as shown at the recent conference in Panama, is mainly concerned with keeping warfare from the American Continent. With their European markets either lost or dislocated, the Latin American countries must perform a march in step with U.S.A.—which is now offering ample export credits to Latin America through an Advisory Committee to study means of attaining the stability of monetary and commercial relationships between the American Republics.

Effective economic Pan-Americanism, however, is an ideal difficult or impossible of attainment, in view of the conflicting interests and difference of outlook in the various Republics. Nevertheless, Great Britain must adopt a long-term and constructive policy towards Latin American markets if the greater part of those which still remain are not to be lost.

November 12th.

Germany at War

(An objective account of economic trends in the Reich compiled weekly by the editorial staff of The Economist from German and neutral sources.)

A PROPAGANDA drive to strengthen the home front is concentrated, significantly, on the youth of Germany—as well as on workers in general and coalminers in particular. The Hitler Youth Movement has been reorganised; the various age groups have been allotted different tasks in the War Economy; boys and girls aged from 10 to 15 years have been mobilised to gather waste and scrap materials; boys aged from 16 to 18 years receive ordinary military training, and girls aged 20 to 22, having been medically examined for compulsory labour service, are soon to be called up.

Dr Ley, leader of the Labour Front, has held a number of meetings in big factories; and the mining section of the Labour Front has discussed working conditions in coal-mines—with a view to speeding up output. Everywhere speakers have emphasised the necessity for close comradeship between soldiers on the fighting front and workers at home, between industrial workers and peasants.

There is no difficulty in discovering reasons for this concerted propaganda drive. Severe rationing, a certain amount of economic disorganisation, longer working hours, reduced wages, and unemployment, chiefly in the form of short-time work in civilian industries, have undoubtedly produced much grumbling. Remedies have been promised, and some improvements have already been introduced. For the coming four months the general meat ration of 18 ounces per week will be increased by one ounce. The total fat rations remain unchanged, but the proportion of butter will be increased. Children will receive more fat, but their milk ration has been curtailed. For Christmas a small allowance of chocolate, confectionery and Christmas cake has also been promised. Everywhere applicants for clothing and shoe coupons have been urged to ask only for goods that they really need.

Unemployment.—For the first time since the beginning of the war, the President of the Unemployment Board, Dr Syrup, has made an official statement about the labour position. He explained that, though the transition to War Economy naturally compelled many factories to close down, the actual suspension of work in civilian industries had not been so great as was expected. Unemployment at the beginning of November was only half what it was at the beginning of October, 1938, when the official figure stood at 156,000. Unemployment caused by war was greatest in Vienna, Hamburg and Berlin. Dr Syrup called for a fair distribution of war orders over the whole of Germany and recommended short-time work instead of closing factories. Unofficial sources report very widespread short-time work, which is officially admitted by special benefit allowances for workers on short time (see *The Economist*, November 11th).

There has been an interesting official statement about the employment of women in war. Most forecasts, it is said, estimated the additional number of women necessary for replacing called-up workers at 6 millions. Some people had consequently demanded conscription of women for war-time labour service. All these forecasts have been proved wrong. So far the places of men in the war industries have been filled by women from the civilian industries—as well as by women who volunteered for work. It will not be necessary to employ women at work which only men can execute, declared an official of the Unemployment Board. So far as possible more married women will not be employed in factories. These statements undoubtedly show that unemployment has increased to a greater extent than was expected. An estimate putting the actual unemployment at one million is probably exaggerated. If, however, short-time workers are taken into account actual unemployment will probably amount to between 500,000 and 600,000. But this does not mean that the shortage of skilled workers has disappeared. In fact, almost every company report published during the last weeks speaks of the shortage of skilled workers.

Price Control.—As before the war the system of price control provides more loopholes than any other control. Apart from the general aim of reducing prices in proportion to wage reductions (still not much in practice) there seems to be no change at all in price regulations. Small signs, however, like a special decree demanding that price regulations be observed even for slot machines, show that shopkeepers are using every means to increase prices. The special

aims in war are to prevent prices from being raised to cover war risks; to base fixed prices on special regulations for the costing of raw materials; and to tighten up the control of cartel and monopoly prices.

The official index of the cost of living for October seems to show that wartime control of retail prices has been a success. The total index increased only from 125.7 (1913-14 = 100) in September to 125.8 in October, against 124.9 in October, 1938. An official comment explains that the increase in tobacco, beer and wine prices, caused by war taxes, has been offset by falls in potato and vegetable prices. The special index for fuel and light increased from 124.3 to 125.3 in October.

Share Values.—Treasury Bonds for Rm. 300 millions out of a total loan of Rm. 500 millions for the German railways have been oversubscribed. According to financial reports the issue did not affect the share markets. A survey of the development of share prices during the first two months of the war reveals considerable differences between different groups of shares. The total index of shares was slightly lower at the beginning of November than it was in August, 1939. Shares of companies situated in the evacuation areas lost heavily. Companies working mainly for civilian demand lost also. The shares of the leading textile company, *Christian Dierig*, fell from 189 on August 30th to 155 on October 31st. Gas and electricity companies generally advanced, and—strangely enough—the shares of two leading armament firms, *Deutsche Waffen* and *Rheinmetall Borsig*, fell considerably. Shares of potash and lignite companies generally advanced. This may be partly explained by the fact that the armament companies were already working at full capacity when war came, whereas coal, electricity and potash companies entered upon a new period of expansion after the outbreak of war.

Exports.—An interesting sidelight on Germany's efforts to maintain exports is provided by a report on the export position in the iron and steel industry. At the beginning of November the iron and steel industry is reported to have again reached the average volume of exports of the months before the war. Early in September, all non-military orders which could not be delivered by the end of the next few months were cancelled. The remaining orders only assured employment for two to three months. So far the losses in the Saar territory have been made good by the capacity conquered in Poland and by the new capacity of the *Hermann Goering* works in Salzgitter. Exports in semi-manufactures are still small, but export orders for shapes and angles will provide employment for the coming four to six months. The blockade, the report adds, has resulted in the price increases desired for a long time by the iron and steel industry.

Poland.—After the appointment of a civil governor for the occupied territory of Poland, Field-Marshal Goering has now organised a Central Trustee Department for Poland, with branches in all the important districts. This department will be responsible for the administration of Polish State property. It will further supervise economic administration generally as well as regulate finance. Later Goering will charge the department with special economic tasks. Reports on the economic reconstruction of the occupied territories show that the army established a so-called *Wehrwirtschaftliche* organisation and "technical commands." These groups were largely responsible for reconstructing coal mines, iron, steel and metal works and communications. In Polish Upper Silesia, the daily output of coal has already reached 70,000 tons, i.e. roughly 60 per cent. of the average daily output in 1938. Blast furnaces find considerable difficulty in securing supplies of iron ore and scrap, which were largely supplied formerly by Sweden and the United States of America. It is interesting to note that most of the new credit institutions organised in the Polish territory have now been converted into branches of the Reichsbank. Even Lodz and Kalisz are branches, which seem to indicate the intention to annex all industrial territory to the Reich and leave only poor districts to Polish Jews.

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Books and Publications

Birth of a Theory

THE classical wage theory, as formulated by Ricardo, was a critical synthesis of a number of earlier statements on wages in general. Some of these were purely economic and deductive reasoning; some were social and humanitarian arguments dressed up to look like theorems; and some were political and commercial special pleading. The whole mass had been constantly sifted and rearranged in the course of two hundred years of argument, and had become now confused and now ordered, according as the interests of the expositor were directed to dispassionate reasoning or heated and warped by popular controversy. Ricardo gathered together the threads into a coherent theory in which the concepts of the market price of labour, as determined by supply and demand; the natural price, indicated by the means of subsistence; and the processes whereby the two are equated, all had their proper place. And from this classical statement the threads of subsequent theoretical and social argument spread out. Mr Wermel's book* represents an attempt to trace the evolution of the constituent parts of the theory down to the Ricardian synthesis. It begins with sixteenth-century arguments for a lower wage level as a means to lower selling prices and greater competitive power in international trade—a phase which is summed up in a resounding passage from Thomas Mun concerning the contrast between the industry and parsimony of the Dutch and the decadence of the English,

of late years besotting ourselves with pipe and pot, in a beastly manner, sucking smook, and drinking healths, until death stares many in the face.

* "The Evolution of the Classical Wage Theory." By M. T. Wermel. (London) H. Milford. 190 pages. 14s. 6d. net.

INCOME TAX

IN THE NAPOLEONIC WARS

by

A. HOPE-JONES

Cambridge

Studies in Economic History

7s. 6d. net

Income Tax was introduced by Pitt the Younger to pay for the Napoleonic Wars. It was never popular, and when it was repealed a great show was made of burning all records of it. Mr. Hope-Jones has discovered that in fact duplicate copies were kept and have survived; on these important finds his study of the growth of a new financial institution is based.

CAMBRIDGE UNIVERSITY PRESS

Bit by bit the growing theoretical element is sifted from the mass of philosophical discourse and political polemics, and two main arguments running into the final formulation are pieced together. The first is the concept of the natural price of labour suggested by Sir William Petty, stated by Locke and developed by the Physiocrats, Adam Smith and Malthus. Always the argument harks back to the relatively firm ground of the means of subsistence. Side by side with this development and often entangled with it goes the idea of the price of labour as determined by supply and demand, which is found in embryo in the works of Sir Thomas Culpeper (1578-1662) and worked out by Sir Josiah Child, Pierre Boisguillebert, Cantillon, Quesnay, Turgot and again Adam Smith. A subsidiary theme concerning the effect of numbers on wages appears first as a statement of the causes and effects of migration between countries and trades and finally emerges as the full-blown Malthusian population doctrine. Mr Wermel picks his way through the mass of argument with a sureness which betokens an exhaustive scholarship and a lightness of step which is evidence of a virtue rare among scholars—willingness to efface the evidence of spade-work. Those who wish to enquire more deeply into the history of wage theory are directed along a well-signposted road, and those who have occasionally considered the advisability of reading the early fathers of economics for their own sakes are presented with an excellent stimulus. Mr Wermel has drawn attention both to the massive simplicity of their arguments and their frequent glimpses into the delicate abstruseness of later economic theory.

Shorter Notices

"The War on the Home Front." By G. D. H. Cole. Fabian Society. Tract No. 247. 16 pages. 3d.

A pamphlet on democracy in wartime by so outstanding a democrat as Mr G. D. H. Cole is an event of some importance. Mr Cole starts out from the fact that war exigencies multiply legislation and introduce a new element of planning into the life of the civil population. Planning as such does not disturb Mr Cole unduly. He is more concerned about the persons by whom it is exercised and the ends to which it is put. The right end, according to the Fabians, is socialism. On this point, naturally, democrats disagree. But few will quarrel with the methods which Mr Cole suggests for averting the danger that, in adopting measures in many ways similar to those of totalitarian States to secure efficiency in wartime, Great Britain may develop a form of Nazism of her own. Mr Cole wants more political education, the fullest use of Parliamentary methods of opposition and a determined attempt to turn the legal fiction that the citizen knows the law into an objective fact.

"Statistical Year Book of the League of Nations, 1938-39." Published by Allen and Unwin. 330 pages. Paper, 10s.; cloth, 12s. 6d.

It may truly be said that the League of Nations' statistical year-book becomes more useful every year. This new volume provides valuable additional information on population questions, both in regard to mortality and fertility in different countries; and it is interesting to note that, although in France the annual number of deaths has actually exceeded the number of births in the last four years, the French population is likely to experience a much slower decline over the period of the next generation than the English; while the German population, though still heading for a decline, has lately been showing signs of rising fertility.

Books Received

The Mechanism of Exchange. 5th Edition. By John A. Todd. (London) H. Milford. 276 pages. 7s. 6d. net.

The Science of Prices. 2nd Edition. By John A. Todd. (London) H. Milford. 246 pages. 6s. net.

Nazi Germany Can't Win. By W. Necker. (London) Lindsay Drummond, Ltd. 364 pages. 10s. 6d. net.

THE BUSINESS WORLD

Silver in Suspense

THE decisions of the British and Indian Governments to prohibit the import of silver except under licence introduce a new and important factor in the silver situation. Their importance is most apparent in the position of the London silver market, which has virtually been placed in cold storage by them. But by emphasising the isolation of the United States as the upholders of a metal of which they produce less than a quarter of the world's output, these decisions are likely ultimately to influence United States silver policy. Through that all-important link they may affect the fundamental prospects for the metal.

Let us first ask why the ban was imposed. The relevant Board of Trade Order was issued here on October 26th, and the Indian Government followed suit four days later. The reason for our initiative is not to be found in a parallel with the various Government controls of base metals and with the restrictions placed on free dealings in them. The ban was imposed here in order to prevent an unwanted influx of silver from abroad encroaching on our gold and foreign currency reserves. Since the London market was, in the main, the entrepôt out of which India's requirements were satisfied, the ban on imports into India followed as an obvious corollary to the decision taken here. Had it not been so, the restriction on silver imports into the United Kingdom would merely have involved the loss of commission and dealing profits earned by London, while the net loss of exchange to the Empire as a whole would have been no less; indeed, would have been greater by the loss of these invisible exports. One may, however, inquire how much foreign exchange is being gained by the ban. The United Kingdom is not, on balance, a silver-importing country. Here are the relevant figures for each of the last three years and for the first eight months of 1939—after which the statistics disappear:—

Year	Exports	Imports	+ or -
1936	18.1	17.1	+ 1.0
1937	9.8	20.3	-10.5
1938	29.3	18.1	+11.2
1939 (8 months)	6.6	5.8	+ 0.8
Total	63.8	61.3	+ 2.5

We lost no exchange on silver dealings during these three years and eight months, while during that period a reasonably active silver market was helping the balance of payments by its modest contribution to our income from invisible exports. It is true that since the end of last August imports of silver had been more than overtaking our export of the metal. This was the result of a largely artificial situation reflected in the rise of the sterling price of silver to a premium over the shipping parity from the United States. The reasons for this abnormality were two-fold. In the first place, it followed the development of a bear position built up during the summer when there appeared to be a probability of the United States discarding their silver policy. In the second place, the shortage of spot supplies in London connected with the initial attempts to cover this bear position was accentuated after the outbreak of the war by the exchange regulations. As the exporter of the silver to this country could not be sure of converting the sterling proceeds of his sales into foreign currency at the official rates, the arbitrage business in silver came to a temporary stop, despite the widening of the premium over import parity at which silver was quoted in London. This last factor, however, ceased to be operative with the development of a free market for sterling in New York in which

for a time silver was quoted at parity and even at a premium in relation to the official sterling-dollar rate. Thus shipments of newly-mined silver were arranged from the other side of the Atlantic, and their recent arrival has now remedied the shortage which existed in the London market.

These shipments may be presumed to have been the direct cause of the ban on imports. The ban, however, has all the appearance of being a "duration" measure. These particular shipments, on the other hand, were but an insignificant ebb in the flow of silver to the United States. How abnormal and precarious was that premium in the sterling price of silver was shown last Tuesday, when the offering of a mere 50,000 ounces—little more than £4,000 worth of silver—caused the spot price to fall by $\frac{1}{16}$ d. and the forward by $\frac{1}{8}$ d. to 23 $\frac{1}{8}$ d. for each. This suggests that it would not have needed much expenditure in the way of exchange to have allowed the sterling price of silver to fall to its traditional export point in relation to the United States Treasury price of 35 cents for imported metal. Besides, there might have been other ways of restoring this normal relation between the sterling and dollar prices for silver. The Indian Government has considerable and redundant stocks of silver, which may be placed in the neighbourhood of 160 million ounces. Of this total, rather over 10 million ounces are held in London. It was the readiness of the Indian authorities to sell at 23 $\frac{1}{8}$ d. which, in the recent days of acute shortage of spot silver in London, prevented the price from moving above this figure. Would it have involved a serious loss to make a little more of this metal available at the slightly lower price that would have prevented silver from making the eastward journey across the Atlantic? Neither this course nor readiness to allow silver arbitrage to remove the premium over the import point would have involved an ultimate cost comparable with that of putting the whole London silver market into cold storage for the duration of the war. The policy of the authorities in this matter bears some resemblance to the manner of obtaining roast pig described in Charles Lamb's famous essay.

Nor does the matter end there. The ban on free import point would have involved an ultimate cost on an ultimate repeal of the existing silver legislation in the United States. Towards the end of last June, the immediate chances of such a repeal were rated high. A reprieve was granted with the extension of the President's monetary powers, but the smouldering antagonism to the silver policy which flared up a few months ago remains in both Houses of Congress and can only be strengthened by the recent decisions of the British and Indian Governments. If revision of the United States silver policy occurred, and found its expression in a considerable depreciation in the market price of the metal, the British authorities would no doubt view the position with complete unconcern. That could not be true of the Indian Government, whose choice would no longer be that of selling silver at 23 $\frac{1}{8}$ d., or say 21 $\frac{1}{8}$ d., but a far more unpalatable one.

The fundamentals of the silver position are still charged with exceptional abnormality. The world's annual production is probably running above last year's figure of 264 million ounces. With the unrestricted output of copper, and other metals of which silver is a by-product, this output should expand quite irrespective of the price obtained for the metal. The consumption of silver by the arts may at the maximum be placed at 60 million ounces—the United States accounting for about half this total. That leaves about 210 million ounces to be absorbed. India in recent years has accounted for amounts varying from 10

million ounces in 1938 to 99 million ounces in 1936. For the present it may be assumed that the production of silver in Burma—which will enter India without licence—and that from Australia, which is expected to obtain licences without difficulty, will go far to satisfy Indian requirements. Together they amount to about 21 million ounces a year. Any balance required to satisfy hoarding demand in that country will be gratefully provided by the Indian Government out of its stocks. With Burma's and Australia's production provided for in this way, there remains a balance of some 190 million ounces to be housed and paid for. If there is to be no fall in the value of silver, the United States must step into this breach. Their task promises to be much smaller than it was last year, when the United States Treasury bought altogether 403 million ounces.

This gigantic total gives the United States silver policy a vested interest, and therefore a momentum which will be difficult to arrest. It makes the task of annually absorbing

the bulk of the world's production of silver pale into insignificance compared with the loss that would be incurred by jettisoning the silver policy. And yet the Silver Purchase Act is no nearer realisation than it was when that expensive experiment began in 1934. At its initiation, it needed 1,134 million ounces to bring the silver reserve up to one-third of the gold reserve—the prescribed ratio. Between then and the end of the year the United States Treasury had bought 1,584 million ounces of silver. But owing to the even larger acquisition of gold, it still needed a further 1,165 million ounces of silver to comply with the 1:3 ratio. During the current year the position has got steadily worse as the accumulation of gold in the United States Treasury has acquired record proportions. As long as the Silver Purchase Act remains on the statute books there will be more than ample room for housing in the United States all the silver the world cares to ship to that country. But for that very reason nothing should be done to undermine that statute.

The Rhodesian Copper Group

RHODESIAN copper companies follow a set course throughout the year. The autumn harvest of dividends and reports is complete, and the chairmen have added their comment. War conditions have introduced important changes for the companies, but the time-table at least is unchanged. This is normally the season for an estimate of the companies' prospects—an annual exercise in these columns, which has blended the certainty of the profuse supply of facts which the companies provide, with the excitement of such major "unknowns" as prospective production and prices. In previous years we have made the best possible guess of probable output, and have examined the consequences of changes in prices on profits. War conditions have made the task simpler in both respects, but they have added new and formidable complications to the task of assessing the companies' prospects. At the end of last week it was announced that the Rhodesian copper producers had reached agreement with the Government to sell a large part of their output to the Ministry of Supply, at a price based fairly closely on that prevailing at the outbreak of war. These are general terms, but they can be translated into something more concrete from the information already published by the companies. Shareholders can assume, in the first place, that the Rhodesian copper group will come nearer to capacity production as the war continues than they have ever done during the most prosperous peace-time period. Secondly, the immediate pre-war price for standard copper was

about £45 10s. per ton. The companies had already taken cognisance of this rise to the pivotal price by increasing the quota from 95 per cent. of standard tonnages to 105 per cent. from August 16th. The impact of war has confirmed the basic view that Rhodesian copper shares combine the merits of a peace-time equity with adequate wartime security.

Full production and standardised prices give the appearance of making the task of the estimator easier. But to translate these conditions into precise terms is no simple matter. Certain facts regarding production capacity are already known. Roan Antelope, for example, was producing at the rate of 5,753 long tons per month at the outbreak of war, and had increased its output to 6,300 tons per month by October 20th. In other words, its rate of output had been raised during the first six weeks of war from 105 per cent. to 115 per cent. of quotas. Mufulira's production was raised in similar proportion from 5,051 long tons to 5,500 tons. These rates would correspond to annual outputs of 75,600 and 66,000 tons respectively. Roan Antelope produced at approximately this rate in 1937-38, and if Mufulira has never achieved a yearly output of 60,000 tons—last year's total was slightly below this figure—the plant actually produced a burst in June, 1938, of 6,076 long tons, equivalent to an annual rate of 73,000 tons. In the meantime, smelter capacity has been further increased, so that to-day Mufulira contemplates a capital expenditure of only £100,000 to bring output capacity up to 96,500 long tons per annum.

As for Roan Antelope, schemes projected for completion in 1938-39 were calculated to raise output capacity to 10,000 short tons per month—or, say, 107,000 long tons per annum. Figures for Rhokana have never been published precisely, but at last year's meeting the chairman declared that capacity was largely in excess of this figure. Making an estimate on the basis of Rhokana's increased quota fifteen months ago, a capacity figure of 120,000 tons of copper per annum would have seemed reasonably close. At this week's meeting, however, it was disclosed that the company's production during one week of unrestricted production last December was at the rate of 12,720 short tons per month, or 136,000 long tons per annum—a figure which is very substantially in excess of last year's production of 82,500 long tons.

It would, of course, take time for the companies to develop full-capacity production, but that they will in due course achieve it is hardly open to doubt. It is true that the Ministry of Supply has contracted to purchase 420 million lbs. of electrolytic copper from Canada during the coming year, and true also that the French Government have bought 150,000 tons of copper in the United States at the price basis of 12½ cents per lb.—or, say, £70 per ton. But Rhodesia is the only source of supply strictly in the sterling bloc, and the consequent absence of any exchange problem in paying for her output means that it

will be largely absorbed in this country. But what is the price basis to be? It is described as a "satisfactory fixed price," and fixity in this context suggests that the responsibility for shipment and the risk of rising freights may not fall upon the companies. Prices such as £46 per ton for blister and £51 per ton for electro, which have been reblistered, would, in such circumstances, provide a very useful return for the companies. For comparative purposes it is worth setting out the companies' latest prime cost positions, after deducting realisation expenses:—

	(Per ton)
Rhokana :	
Blister	£21 17s. 5d.
Electro	£23 16s. 5d.
Roan Antelope :	
Blister	£18 16s. 10d.
Mufulira :	
Blister	£21 2s. 5d.

To these figures an extra sum of 10s. approximately should in fairness be added to cover administration expenses. But they are sufficiently low to enable shareholders to look forward to satisfactory trading profits while war lasts. Trading margins of the order of £25 per ton are in prospect. There may, of course, be a lively possibility of a rise in direct costs, but this would be tempered by two important factors. First, if the fixed price is an f.o.b. price, the major consequences of a sharp rise in freights would be avoided. Secondly, the prospective increase in output should itself tend to keep costs down, for a certain proportion of mining and smelting costs are in the nature of fixed charges which can be equalised over a larger output.

A substantial rise in output and a satisfactory profit margin are the outstanding features of the Rhodesian copper outlook. In normal years these twin features could be given much more accurate expression in terms of profits than the rather speculative estimates which we have published when reviewing the Rhodesian copper prospects in earlier years. Both prices and production are known—or can be estimated—within fairly close limits. Reasonable assumptions are possible for costs, and trading profits could be calculated without resort to a complicated exercise in three variables. At this point, however, the Excess Profits Tax introduces an insoluble difficulty in the presentation of net earnings estimates. As the tax stands at present, it will impose an extremely heavy burden on the companies, none of which had attained maturity in the standard years, 1936 to 1938. Mufulira directors are considering the possibility of claiming the benefit of a special standard—though the allowance made under the crude form of capital standards contemplated in the Finance Act is contemptuously small for developing companies of this type.

For Rhodesian Selection Trust, E.P.T. works with doubly adverse effect, for, since this company does not hold 90 per cent. or more of Mufulira's capital, it is itself liable for E.P.T. on its dividend income from Mufulira. Mr Chester Beatty has rightly claimed that this is a most inequitable position, and the company, finding it impossible to believe that the law will not be altered, made no provision for E.P.T. in its accounts to June 30th. Common to all companies last year was the increase in the standard rate of tax. Mr Francis Gibbs at the Rhokana meeting of this week has emphasised, in addition, the effect of the changed method of collecting Northern Rhodesian taxation, which involved the payment of 1½ years' tax during the past year. In the light of these explanations, the increase in Rhokana's tax provision from £247,794 to £750,000 can be understood, but it is none the less staggering. On a profits standard, perhaps, Rhokana is less vulnerable to E.P.T. than the other companies—at least, there has been a considerable steadiness in its revenues of the past three years, compared with which Mufulira is grievously penalised by its increasing profits. And while the directors of Rhokana estimate the effective capital employed in the business at almost £18 millions, compared with an equity capital of £2,500,002, and a preference capital of £1,500,000, this figure is not likely to be established for E.P.T. purposes.

The truth is that companies situated like the Rhodesian copper concerns find it quite impossible to make any

reasoned estimate of their prospective E.P.T. liabilities. It would consequently be expecting too much of a private investigator to attempt this task for them. Hence, there is no firm basis at present for estimating prospective dividends on Rhodesian copper shares on the basis of full production sold at pre-war prices. One fact, however, is outstanding. The current yields on the Rhodesian copper shares are discounting something more than the maintenance of last year's dividends. Rhokana £1 ordinary stand at 10½ to yield £4 16s. 5d. per cent., while Roan Antelope and Rhodesian Selection Trust 5s. shares, both standing at 14s. 3d., yield £6 11s. 10d. and £6 4s. 10d. per cent. respectively. The argument for increased profits, based on the prospective increase in production, is entirely valid, but the proportion of that increase which will be retained by equity shareholders is quite conjectural. Since the companies themselves are uncertain whether a profits standard or a capital standard or a modified standard will apply for the assessment of E.P.T. on their profits, it is obvious that the market must be very much in the dark in attempting to guess what future dividends may be. It may be significant, moreover, that Mr Chester Beatty at the Roan Antelope meeting emphasised that stockholders should be satisfied with "moderate earnings during the period of war unsettlement." It is difficult, indeed, to escape the conclusion that the Rhodesian copper shares, in war as in peace, continue to be distinguished by a fairly generous valuation of prospective profits and dividends. In a true equity sense they may offer less scope than some ordinary shares in home industries which have been on the verge of depression for some years past—such as cotton and shipping. They do not, in other words, provide a war hedge which can be turned to account to mitigate a general rise in prices. What they will offer is the prospect of highly satisfactory trading profits, since they have an assured market at remunerative prices for their product. But once their major expansion of output has been achieved, and the complicated problems of E.P.T. have been solved, the group promises to revert to a rather static wartime position analogous to that now occupied by Rand gold shares.

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ment of industrial yields has been relatively uniform. These exceptions, in addition to those already referred to, include a rise in the yield on shipping and oil shares, which were among the few groups to show an advance in the first

	June 6, 1939*	Aug. 29, 1939	Sept. 26, 1939	Oct. 31, 1939
<i>Above Average</i>	%	%	%	%
Aircraft	9.35	11.03	13.96	11.79
Building materials	7.09	8.16	9.24	8.48
Iron and steel	6.26	7.02	7.74	7.21
Motors	5.66	6.46	8.49	7.97
Gas	5.91	6.25	6.84	6.88
Breweries	5.50	5.87	7.05	6.40
Oil	6.36	6.85	6.45	6.60
<i>Below Average</i>				
Cotton	3.31	3.79	4.21	3.57
Electric light	4.69	5.07	6.01	5.55
Shipping	4.17	4.48	3.89	4.09
Miscellaneous	4.66	4.97	5.69	5.29
All classes	5.40	5.96	6.77	6.26

* 1939 low for industrials (all classes).

month of the war. There are symptoms of greater investment discrimination between industrial shares, though over the broad field it is still true to say that equities are subject to general rather than particular factors.

London Active Securities.—Since July, 1930, *The Economist* has regularly published a comprehensive list of London Active Security Prices and Yields occupying two pages. There is no want of evidence that this feature, which is unique in financial journalism, has been widely appreciated by investors. Any change, such as that introduced in this week's issue, therefore, deserves a word of explanation. The necessity to save space where possible has compelled the decision to reduce the size of the table by approximately one-third. In making this cut, we have been guided by the description of the feature, and have retained the most active of the securities included in the former table.

Outlook for Shipbuilding Companies.—Virtually all recent shipbuilding and marine engineering reports have presented very satisfactory results. One of the largest of these concerns is William Doxford and Sons, whose shares were not introduced to investors until 1937. The company's latest total profits show a rise of as much as 57 per cent., though it has been explained that part of this increase is due to credit taken in 1938-39 for profit on work done in the previous year. And while the dividend has been increased, this has involved no departure from the company's conservative distribution policy. Fairfield Shipbuilding have been able to pay off all preference arrears, and have had a better year than the published figures show. For the latest profits are struck after, instead of before depreciation, which took £70,000 in 1937-38. The R. and W. Hawthorn Leslie profits, upon which we commented in *The Economist* of October 7th, must be considered outstanding among all company results in recent months, though the company's direct armaments interests were expected to show a satisfactory return.

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 December 15th, 1939, to shareholders of record at the close of business November 20th, 1939.

By order of the Board. J. R. BRADFIELD,
Toronto, October 27th, 1939. Secretary.

Parsons Marine Steam Turbine Company have again made considerable progress, and a longer review of the results shows that profits have been rising consistently since the 1931-33 depression, and do not have the erratic character often associated with engineering profits. A similar rate of increase in total profits has been obtained by Yarrow and Company, whose water-tube boilers have been in demand by industrial and power plants and all of whose departments have been busy. A company to issue results more recently, John I. Thornycroft and Company, make motor vehicles as well as marine motors and motor-boats. Their 11 per cent. rise in total profits is satisfactory without being as spectacular as in earlier years. But their increased dividend still represents only about a sixth of available earnings. The results of the six companies mentioned above are summarised in the following table:—

Company (years to June 30th)	Total profits	Ordinary Shares		Current	
		Earned		Price and dividend	Gross yield
		Amt.	Rate		
Wm. Doxford:					
1937	270,986	223,150	56.2	10	32/6 (£1)
1938	175,031	101,679	24.3	10	
1939	274,794	147,380	28.6	12½	
Fairfield Shipbuilding:					
1937	223,679	131,729a	26.36	Nil	£9 (£10)
1938	263,520	171,570a	84.16	Nil	
1939	286,609	264,659a	153.66	Nil	
Hawthorn Leslie:					
1937	37,689	36,439	10.6	9	19/4½ (10/-)
1938	78,577	77,377	16.4	9½	
1939	162,015	160,815	40.7	12½*	
Parsons Steam Turbine:					
1937	40,364	21,654	10.3	10	— (£1)
1938	54,820	51,134	29.6	10½	
1939	75,827	71,383	29.3	10	
J. I. Thornycroft: (c)					
1937	125,502	125,257	29.1d	Nil	31/3 (£1)
1938	176,211	138,421	53.3	8	
1939	195,215	138,421	65.6	10	
Yarrow and Co.:					
1937	32,601	30,511	22.1	15	62/6 (£1)
1938	48,067	45,867	34.6	20	
1939	67,841	65,641	56.6e	20e	

* Also 50 per cent. capital bonus: dividend payable on increased capital. † Of which 2½ per cent. tax free. ‡ Also 50 per cent. capital bonus, and special bonus of 15 per cent. from profits (not subject to tax) on sale of investments. (a) Earned for preference shares. (b) After charging all preference arrears. (c) Years to July 31. (d) After one year's pref. and pref. ordinary dividend, and participating rights. (e) Tax free.

To the extent that shipbuilding and marine engineering companies are engaged on naval work, a satisfactory turnover can be assumed, though most of the companies are particularly vulnerable to E.P.T. Mercantile work, however, is subject to so many opposing factors that prospects cannot be summarised dogmatically. British shipping losses to November 15th totalled about 250,000 tons, which, in 2½ months, is a high rate in relation, say, to the 1,030,000 tons of new merchant tonnage launched in 1938—though the latter was well below capacity production. Over 60 per cent. of these losses occurred in the first month of the war, however, and the rate of loss over a longer period should prove to be much less. The most uncertain factor of all, however, is the relation between prices of new tonnage and costs, for the latter are subject to exceptionally wide fluctuations. Moreover, the construction of several ships of a single design can have an important bearing on the profits of an individual company—its absence, for instance, was the cause of the 1937-38 fall in Wm. Doxford's profits. Such standardisation represents a useful war-time economy and enhances the prospects of shipbuilders who adopt it.

Argentine Railways Reviewed.—The 1938-39 results of the four chief Argentine railways have been completed by the issue of the Buenos Aires and Pacific Railway report. Thanks to a modest rise of 1.45 per cent. in gross receipts to £6,563,161, and a 3.20 per cent. reduction in working expenditure, there is a satisfactory improvement in total profits from £1,496,765 to £1,742,463. After charging full debenture interest and all other expenses (including a net exchange difference of £795,215 against

(£670,549), the year's loss is slightly reduced from £914,117 to £826,322. The B.A. Pacific experience is, broadly speaking, similar to that of the other railways. A substantial rise in wheat traffic has not been accompanied by a real increase in prosperity, and improved revenue from the carriage of wheat has been offset in varying degree by lower receipts from other traffics. The B.A. Pacific maize receipts, for instance, fell by 39 per cent. to £217,043. The general reduction in working expenditure is due mainly to a saving in running expenses, due to a large extent to the wage reduction. On the whole, the past year has seen a change in the right direction for the railways, but it is disappointingly small in view of the remarkable 1938-39 wheat harvest. Meanwhile, war has altered the prospects of British-owned Argentine railways, without really clarifying them. Interest has revived in the exchange position, which was discussed by Sir Follett Holt at the Western meetings and by Mr W. Howard-Williams at the Central Argentine Railway meeting. Until the war the Argentine Government's buying rate for sterling was 15 pesos to an exporter, but the selling rate to an importer was 17 pesos. The railways, however, pressed for a better rate than the latter for their purchases of sterling, and obtained a preferential rate of 16 pesos. But since the war the rate for purchases of essential imports has been reduced to 15 pesos, and both B.A. Great Southern and Central Argentine should obtain an exchange advantage on their purchase of stores of £100,000 in a normal year. Mr Howard-Williams stressed that, as the next step in a logical sequence, the railways were now asking for a lower rate for their financial transfers also. Both chairmen pointed out that, on the one hand, Argentine prosperity and exports—and therefore the exchange rate—would tend to improve under war conditions, while on the other hand certain costs would increase. Shareholders may be disappointed, but scarcely surprised, that neither chairman would hazard an opinion as to which group of factors would prevail.

Lever Dividends and the Exchange.—War has worked to the advantage of shareholders of Lever Bros. and Unilever, Ltd., in at least one respect, for this company announced an interim dividend at the rate of 4½ per cent. on its increased capital, compared with a 4 per cent. interim for the year 1938. Lever Bros. and Unilever N.V., on the other hand, are maintaining the interim dividend at 3 per cent. This pleasing news for shareholders in the British company is due, of course, to the exchange "straddle" which governs the distributions of the two companies. The principle is that, taking account of the dividend on the same nominal amount of capital. In the capital calculation, however, the pound is taken at 12 florins. Hence, the appreciation of the florin from 8.10 before the outbreak of war to 7.55 has had the effect of increasing the sterling equivalent of equalised dividend to be presumed that the florin will not depart radically from the present rate a similar advantage may accrue to "limited shareholders" when the final declaration is made. At the same time, however, ordinary stockholders might well draw the distinction between a dividend permitted by an agreement between the two companies and the availability of profits of the limited company to pay such a rate. So far as the trading comparisons between the two companies are concerned, however, there is at least a presumption that the Empire interests of the British side will not fare worse than the combination of the Continental and United States interests controlled by Lever Bros. and Unilever N.V.

Tonic from Bass.—It is a real tonic for the market that Bass Ratcliff and Gretton, who are among the first of the large brewery companies to issue a report for the year to September 30th, should record a 9 per cent. rise in total profits, from £1,412,468 to £1,545,450. As the

company is not limited to a tied trading area, and since past profits have generally shown a rising trend (which can be partly ascribed to the growing demand for bottled beer), it might be unsafe to take the Bass results as a harbinger of the brewery report season which is now opening. But when every reservation is made, the improvement in Bass profits must be considered satisfactory, though they illustrate the now commonplace fact that equity earnings reflect increases in total profits in a smaller degree. The following table summarises the main features of recent profit and loss accounts:—

	Years ended September 30		
	1937	1938	1939
Total profits.....	1,474,681	1,412,568	1,545,450
Rents, rates, taxes	300,555	348,784	445,086
Renewals, etc.	105,562	100,158	86,055
Depreciation	186,401	82,030	105,537
Debit interest and fees ...	202,978	200,156	197,789
Preference dividend	68,000	68,000	68,000
Ordinary stock (tax free):—			
Earned	611,185	613,440	642,983
Paid	558,910	558,910	558,910
Earned %	27.3	27.4	28.8
Paid %	25	25	25
Carry forward	718,804	773,334	807,407*

* After £50,000 to reserve for contingencies.

Increased taxation provision absorbs a large part of the rise in total profits, while the reduction of £19,147 in provision for renewals and depreciation of physical assets is more than offset by an allocation of £28,551 for investment depreciation, corresponding to the year's reduction in the balance sheet values of British and Colonial Government securities, which formerly appeared at a book cost of £423,872. Without this investment depreciation provision, tax-free earnings for the ordinary stock would be about 30 per cent. For a number of years past the excess of earnings over distribution has been added to the carry forward, but on this occasion £50,000 of the surplus is placed to contingencies reserve, which now stands at £250,000. Few changes of importance appear in the balance sheet. The properties item continues to expand slowly, but the largest increase in assets is a rise of £121,975 in cash to £1,227,135. The report is presented without comment on past results or future prospects, but the brewery shareholder will presently be receiving sufficient indication of the effect of the war economy on brewery prospects. Bass £1 units yield £5 19s. 2d. gross at the current price of £6 9s.

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Agencies in: New York, Bradford, Manchester

Austin Motor Transition.—The 25 per cent. increase in Austin Motor's gross trading profits for the difficult year ended July 31st, from £1,282,828 to £1,609,580, is described rather laconically in the directors' report as "satisfactory." The 1938-39 models apparently fulfilled expectations, while the light commercial vehicles marketed during the year were an outstanding success. The balance sheet naturally reflects the increased turnover. Trade creditors have increased from £451,675 to £856,332 and debtors from £81,695 to £289,049. Fixed assets are shown at £5,874,381, compared with £5,676,601 a year ago, while depreciation reserve now stands at £2,353,888. The efforts of the directors "to stabilise and conserve the cash resources" by halving the ordinary dividend and declaring a capital bonus of 4 per cent. have been successful, for Treasury assent to the new issue has been obtained this week. Between July, when the accounts were closed, and September, there was every prospect of 1939-40 being a record year. Since then, however, the company's equipment and personnel have been placed at the Government's disposal and production for the domestic car market has virtually ceased. Every effort is being made, however, to fulfil the large volume of export orders received, while production at the shadow factory makes satisfactory progress. The indications are, therefore, that the change-over of activity from a peace to a war-time basis is being achieved with a minimum of dislocation.

Prices Trust Dividend Decision.—The review of the profits statement of Prices Trust and Prices Tailors which appeared in *The Economist* of September 16th, suggested that the postponement of a final dividend on Prices Trust ordinary shares might be, partially, a precautionary measure. This suggestion is confirmed by the full accounts. The war emergency Budget has necessitated an increase in the taxation provision of the operating company from £150,000 to £190,000 (though the increased figure more than covers current liabilities) and earnings for the ordinary shares are therefore reduced from an expected sum of £165,000 to £126,167. The dividend of £120,000 paid to Prices Trust compares with £200,000 for the previous year. In consequence, the latter's dividend is halved at 25 per cent., out of earnings of 29.1 per cent., against 49.5 per cent. The directors declare that the fall in profits is "attributable entirely to the fear of . . . war" which curtailed consumers' outlay after September, 1938, while a cautious reserve policy has doubtless been dictated by commodity war risks insurance, A.R.P. costs and contractual obligations to the Government. Nevertheless, a progressive policy was pursued during the past year, and 32 new depôts were opened against 27 the year before. For the future, the directors consider results since the accounts were made up "very satisfactory," despite the dislocation in the early weeks of the war. Moreover, the operating company has had over twelve months in which to arrange for the fulfilment of Government contracts. Hence profits, though presumably subject to control, should quickly accrue from the production of uniforms. Despite the prevailing interruption to normal consumers' buying, therefore, there are grounds for cautious optimism regarding prospects for the current year. The 5s. ordinary shares of the Trust stand at 23s. 1½d. to yield £5 8s. 3d.

Burma Corporation.—The reduced Burma Corporation dividend has been accompanied by a moderate fall in profits due partly to lower metal prices in 1938-39 and partly to the sharp increase in taxation, though the adverse factors were mitigated by a satisfactory reduction in costs. The 7 per cent. fall from £2,489,359 to £2,316,455 in the Corporation's total metal sales was due chiefly to a drop of £2 10s. 6d. in the average price of its principal product, lead, though there was also a slight decline in the production of refined lead from 77,700 to 76,950 tons. As for taxation, the rise of £68,188 in the allocation from revenue represents only about half the required increase, for in addition £67,500 has been transferred

from general direct to tax reserve. Profit and loss accounts for the past three years are summarised below:—

	Years ended June 30		
	1937	1938	1939
Metal sales, etc.	3,235,770	2,489,359	2,316,455
Operating expenses	1,463,396	1,473,505	1,350,739
Total profit†	1,749,064	1,007,973	941,087
Depreciation (and exch. loss)	54,987	57,525	56,599
Taxes and duties	502,283	293,493	361,681‡
Shares (tax free):—			
Earned	1,191,794	656,955	522,807
Paid	1,174,318	634,767	571,290
Earned %	13.0	7.2	5.7
Paid % (approx.)	12.85	6.95	6.25
Carry forward	64,320	86,508	38,026

† After deducting general expenses and fees, and adding other income.

‡ Excluding £67,500 transferred direct from general reserve.

The fall in profits would have been considerably worse but for an 8½ per cent. reduction in operating expenses—a satisfactory achievement for a year in which the amount of ore mined rose from 473,000 to 485,000 tons. About 70 per cent. of the total saving, however, is due to lower freight and shipping charges, which had been an element in the increase in costs in 1937-38. But a further 20 per cent. of the reduction in operating expenses is a genuine saving in treatment costs. It will be recalled that the final dividend was declared a month before the war, but the report, which is dated November 10th, shows that allowance has been made for increased taxation since the dividend was declared. Meanwhile current prospects are encouraging. The current controlled lead price is £16 12s. 6d. a ton, against the Corporation's 1938-39 average of £14 19s. 6d., while current silver prices are around 23½d. per oz., against 19.8d. Assuming an annual output of 75,000 tons of refined lead, and of 6 million ozs. of silver, a rise in the average price realised of 30s. a ton and 3d. an oz. respectively would mean an additional annual profit of about £187,000. On the other hand, the course of shipping and realisation costs will have considerable importance, for these charges absorbed over a third of operating expenses in 1938-39. At present the Rs. 9 shares yield £13 6s. per cent. gross at a price of 9s. 9d.

The Week's Company Profits.—Our usual table of profit and loss accounts, though presented in identical form, will in future appear on the same page with London Active Securities. This week it contains 48 companies (including a number of rubber and investment trust companies) for which comparable figures are available. Net profits of these companies for 1938-39 total £3,456,000 against £3,718,000 earned by the same companies a year ago and show a fall of 7 per cent. Aggregate net profits of the 2,028 companies reporting in 1939 to date remain 8 per cent. lower at £238,486,000 than the profits of £259,544,000 earned in the previous year. The week's results are discussed in preceding Notes and on page 264 under the heading "Shorter Comments."

The Week's Company Meetings.—Reports of company meetings will be found from page 268 of this week's issue. Reference is made to Mr F. L. Gibbs' speech at the *Rhokana Corporation* in a leading article on page 256. At the *Sumatra Para Rubber Plantations*, Mr H. A. Barrett pointed out that, although exchange depreciation and taxation would be adverse factors in the current year, both the exportable allowance and the level of rubber prices were higher now than a year ago. At the *Broome Rubber Plantations* meeting, Sir Lionel Smith-Gordon declared that 345 acres of old rubber had been replanted and 546 acres of new. The complete programme would provide 1,428 acres planted with high-yielding material. Mr J. Hewitt informed shareholders of *Goode, Durrant and Murray* that, despite last year's disappointing results, recently improved sales should be maintained.

THE STOCK EXCHANGES

London

Note: All dealings are for cash

In contrast with the easier tendency which prevailed on the Stock Exchange a week ago, there has been some improvement in the past six days. Quotations have tended to harden, particularly in the industrial market, and there has been a brighter undertone, but any marked expansion of business still fails obstinately to materialise.

On Monday *gilt-edged* stocks recovered most of the previous Friday's losses, and gains in the neighbourhood of ½ were frequent. The next session was rather quieter and saw little change on balance, until a more cheerful tendency towards mid-week brought renewed gains of around ½. There was no pronounced difference between the behaviour of dated and perpetual stocks. Home corporations remained unexciting and steady. The strong upward trend in Dominions loans prices continued, and there was a fair amount of activity. Australian and New Zealand stocks are the most favoured, and for some weeks the gains have been relatively better than those in British Government securities.

Among *foreign bonds* Japanese issues renewed their rise after a temporary setback on profit-taking, while Chinese loans were more hesitant. Brazilian issues advanced in mid-week, after remaining steady, and Argentine loans also were a firm spot. Among Europeans, Belgian issues recovered after an early setback on political fears.

Home rails did not share the general market tendency, owing to the new claim for increased wages. Both ordinary and preference stocks weakened (without, however, any real selling pressure), but with occasional exceptions debenture and guaranteed issues proved resistant. Argentine rails were again steady, and there was some renewal of interest in Canadian Pacific.

Though business remains on a small scale, the *industrial* market has been getting progressively brighter—even if only by modest steps. Towards mid-week in particular, a number of satisfactory company results found the market well disposed to respond. Iron, coal and steel shares showed a firmer trend after initial irregularity. Changes, however, were rarely substantial. Electrical equipment issues once again lacked uniformity of trend. General Electric and Crompton Parkinson were relatively firm. Aircraft and motor issues were uninteresting to start with, and then went ahead in mid-week, helped by the A.E.C. and Dennis announcements. Textile and rayon issues were quiet, but steady on the whole. Helped by the Bass report and satisfactory announcements from other companies, breweries were one of the best sections of the industrial market. Tobacco issues were a little firmer at first, and then held their ground. Provision and catering securities were a shade better, while

early in the week Marks and Spencer and Woolworths in the stores group hardened. Movements in the miscellaneous section were mixed. Lever and Unilever gained on Monday. Shipping shares were firmer for choice.

Turnover in *oil* shares has been small this week, but the increased price of pool petrol helped to maintain a steady tone. Eagle issues were in demand on Tuesday, while Lobitos and Steaua Romana (British) were a good market in mid-week, the latter advancing on the somewhat unexpected dividend declaration. The recent stagnation in *rubber* shares continues. Dealers held off the market pending the quota decision, and even after the announcement showed no immediate response. Tea shares have been firm, though trading has been small.

Mining markets have been quiet this week. Producing Kaffirs moved irregularly after the week-end, but the announcement of Gold Fields' final dividend was well received, and leading issues showed slight gains by mid-week. Developing issues followed the lead of the producers. Among finance shares, Gold Fields were outstanding, but otherwise movements were irregular. West Africans have not been tested this week. Among base metals, tin shares advanced on Monday, the cheerful tone being maintained later in the week on news of several good third-quarter profits. Rhodesian copper shares, after sagging on Tuesday, developed an irregular appearance, Rhokana offering resistance to further pressure.

"FINANCIAL NEWS" INDICATORS

1939	Total Bargains†	Corres. Day 1939	Security Indices	
			30 ord. shares*	20 fixed int.†
Nov. 10	4,320	6,275	73.9	115.5
" 13	4,490	6,445	73.6	115.8
" 14	3,540	5,970	74.0	115.9
" 15	3,805	5,815	74.3	116.1
" 16	3,396	5,660	74.4	116.2
1939 High...	...	...	88.0 Mar. 10	123.5 Jan. 3
Low...	...	...	66.4 Sep. 26	109.6 Oct. 4

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

New York

DESPITE a considerable reduction of turnover on Wall Street after the week-end, the recent easier trend of quotations was successfully checked. Domestic news exerted a major influence, motor shares advancing on hopes of a settlement of the protracted Chrysler labour troubles, while steels advanced tentatively, divided opinion on probable first quarter price policy exerting a cautious influence. War stocks have moved narrowly in the absence of new developments in Europe, while dealers have hesitated to extend commitments in home American issues in anticipation of a minor setback in

business activity after the New Year. On Wednesday, the Dow Jones industrial average eased from 149.77 to 149.53, compared with 149.09 the Friday before. The American Iron and Steel Institute estimates steel mill activity this week at 93.5 per cent. of capacity against 92.5 the week before.

New York Prices

Close Latest Nov. 9, 1939		Close Latest Nov. 16, 1939	
1. Rails and Transport		4. Manufacturing	
Atchafalaya... 28½	28½	Briggs... 23	23½
Balt. & Ohio... 6½	6½	Chrysler... 86	87½
Ches. & Ohio... 40½	41½	Gen. Motors... 54½	54½
G.N. Ry. Pf. 27½	27½	Boeing Airplan... 27	27½
Illinois Cent... 13½	13½	Douglas Air... 80½	80
N.Y. Central... 19½	19½	United Aircraft... 47½	47½
Northern Pac. 10½	10½	Allied Chem. 172	174
Pennsylv. R. 24½	25½	Dupont... 177½	178
Southern Pac. 16	15½	Gen. Electric... 38½	38½
Southern Ry. 18½	18½	West. Elec. 110½	112½
Union Pac. 100½	100½	American Can... 107	110½
2. Utilities and Communications		Caterpillar... 54	52
Am. W. Works 12½	12	Int. Harvester... 60½	62½
Con. Edison 30½	30½	Johns Manville... 75½	75
Col. Gas & El. 6½	6½	Corn Prods... 62	62½
N. American 22½	22½	11 Case & Co. 77	72½
Pac. Gas & El. 31½	31½	Glidden... 17½	17½
Pub. Serv. N.J. 39½	39½	Celanese of A. 27	27½
United Corp. 25½	25½	Eastm'n Kod. 162	162½
Un. Gas Imp. 14½	14½	Loews... 34½	35½
Amer. Tel. 168½	168½	20th Cen. Fox 14	13½
Inter. Tel. For. 45½	45½		
West. Union 27½	27½		
Radio 6	5½		
3. Extractive and Metal		5. Retail Trade, etc.	
Am. Mol. Mill 17½	18½	Mont. Ward... 53½	54½
Beth. Steel... 83½	84	Sears Roebuck... 82½	81½
Republic St. 23	23½	Woolworth... 39½	39½
U.S. Steel... 70½	70½	Nat. Dairy... 15½	15½
Am. Metal... 25½	25	Am. Tob. B. 79½	81½
Am. Smelting 51½	51	Nat. Distillers 23½	23½
Anacosta 32½	32		
Cerro de Pas. 38½	38½	6. Finance	
Int. Nickel... 38½	40	Comcl. Credit 46½	46
Kennecott... 61	61½	Com. Inv. Tr. 51½	51½
U.S. Smelt...			

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	Nov. 1, 1939	Nov. 8, 1939
347 Ind'ls....	92.8	114.5	112.0	111.2
32 Rails.....	92.8	114.5	112.0	111.2
40 Utilities...	77.8	89.9†	86.8	87.4
419 Stocks	79.3	95.6	94.9	94.4
Av. yield*...	4.42%†	3.31%†	3.76%	3.78%

* 50 Common Stocks. † Aug. 2nd. ‡ Aug. 23rd.

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

Nov. 9	Nov. 10	Nov. 11	Nov. 13	Nov. 14	Nov. 15
122.2	122.9	Closed (a)	123.1	123.8	122.5
1939 High: 130.3 January 4th. Low: 98.8 April 8th. (a) Armistice Day.					

TOTAL DEALINGS IN NEW YORK

1939	Stock Exchange	
	Shares 000's	Bonds 000's
November 9	1,200	8,200
" 10	1,090	6,750
" 11	Closed (a)	Closed (a)
" 13	650	6,130
" 14	780	7,080
" 15	630	7,580

(a) Armistice Day.

Capital Issues

CAPITAL ISSUE TOTALS

Week ending	Nominal	Con-	New
November 18, 1939	Capital	versions	Money
To the Public	Nil	Nil	Nil
To Shareholders	Nil	Nil	Nil
By S.E. Introduction	Nil	Nil	Nil
By Permission to Deal	374,101	Nil	565,278
Savings Certs., week to			
Nov. 11, 1939	100,000	Nil	100,000
Year to date	Including	Excluding	
	Conversions	Conversions	
1939 (New Basis)	123,424,704	100,898,762	
1938 (New Basis)	261,297,522	239,551,112	
1939 (Old Basis)	71,886,802	50,456,723	
1938 (Old Basis)	186,612,146	165,845,831	

Destination
(Excluding Conversions)

Year to date	U.K.	Brit. Emp.	Foreign
		ex U.K.	Countries
1939 (New Basis)	73,287,096	25,365,934	2,245,732
1938 (New Basis)	184,768,283	51,932,652	2,850,177
1939 (Old Basis)	34,296,632	15,840,091	320,000
1938 (Old Basis)	140,375,327	22,650,432	2,820,072

Nature of New Borrowing
(Excluding Conversions)

Year to date	Deb.	Pref.	Ord.
1939 (New Basis)	45,036,645	8,469,629	47,392,288
1938 (New Basis)	138,932,123	17,858,942	82,760,047
1939 (Old Basis)	37,608,921	2,688,459	10,983,163
1938 (Old Basis)	125,928,813	9,947,005	29,970,013

NOTE.—"Old Basis" includes only public issues and issues to shareholders only. "New Basis" includes all new capital in which permission to deal has been granted.

BY TENDER

Liverpool Corporation Bills.—Tenders will be received at the Bank of England, London, on November 20, 1939, to an amount of £1,000,000. The bills will be dated November 23, 1939, and are payable May 23, 1940.

Newcastle and Gateshead Water Company.—Offer for sale by tender of enough 5 per cent. redeemable preference stock at 100 minimum to raise £300,000. A Trustee stock. Redeemable at par February, 1950. Ranks with existing preference stocks: non-cumulative. Total issued capital (stocks), £2,910,000; loan capital, £1,414,507. Gross water revenue, 1938: £397,652.

SHORTER COMMENTS

Company Results of the Week.—Both BRISTOL UNITED BREWERIES and NORTHAMPTON BREWERY COMPANY show some increase in net profits for the year to September 30th last. In each case the dividend is maintained. BROWN BAYLEY'S STEEL WORKS again pay a 15 per cent. tax-free dividend, but total profits have fallen to £135,564, against £160,958. The full report of HORDEN COLLIERIES states that work was maintained up to the outbreak of war, but that since then shipping difficulties have caused irregular conditions. Investment trusts report lower revenue in most cases, though dividends are not always reduced in proportion. In particular, SCOTTISH NATIONAL ASSURANCE pay 5 per cent., and SECOND INDUSTRIAL 5½ per cent. BRITISH INDUSTRIAL PLASTICS report the receipt of large orders from abroad on the outbreak of war. Their total profits are £110,631 against £97,565. CRABTREE ELECTRICAL INDUSTRIES again pay 17½ per cent., though the company experienced a moderate reduction in dividends received. Total profits of the operating company are only 4 per cent. lower at £164,571. ELEPHANT TRADING (SOUTH AFRICA) HOLDINGS have been affected by a general trading recession, and are paying 12 against 15 per cent.

Argentine North Eastern Railway.

For year to June 30, 1939, net receipts £230,347 (£212,037). After other income, and exchange losses, debenture interest, etc., net loss is £19,262 (£37,703), making the debit forward £324,814. Interest moratorium on 5 per cent. "B" debentures was extended to end of 1939; further extension will be requested, but payment of some arrears is hoped.

Bristol United Breweries.—Net trading profit year to September 30, 1939, £93,877 (£82,642). Ordinary dividend and bonus remains at 18½ per cent. Carry forward, £51,179 (£43,339). Debtors, £30,055 (£20,016). Owing by subsidiaries, £118,850 (£99,650). Cash, £43,482 (£38,607).

British Industrial Plastics.—Trading profits year to September 30, 1939, £110,631 (£97,565). Working expenses, £32,077 (£38,243). To: Depreciation, £15,039 (£11,331); A.R.P., £3,109 (nil); special legal costs, £5,581 (£3,141); taxation, £20,000 (£10,000). Net profit, £22,404 (£22,185). Ordinary dividend raised from 6 to 8 per cent. Carry forward, £3,917 (£5,698).

Central Uruguay Railway Company of Monte Video.—Gross receipts year to June 30, 1939, £980,666 (£975,871). Working expenses, £786,951 (£798,600). Net receipts, £193,715 (£177,271). Full interest on 4½ per cent. debenture stock absorbs £51,750. To renewals, £136,970. Carry forward, £17,920 (£13,304).

Entre Rios Railways.—For year to June 30, 1939, net loss after interest, etc., is £35,691 (£45,914). Debit forward thus becomes £449,774. Since last report, further 12 months' interest arrears (bringing payment to October, 1937) on 4 per cent. debenture stock have been paid.

Fison Packard and Prentice.—Trading profit, year to June 30, 1939, £205,647 (£222,411); to depreciation, £23,720 (£21,174); taxation, £63,104 (£48,912). Ordinary dividend unchanged at 10 per cent.; to special depreciation, £7,500 (nil); carry forward increased from £40,307 (£37,295).

International Nickel Company of Canada.—Net profit for third quarter, 1939, \$8,811,368, against \$8,226,138 for previous quarter, or 57c. against 53c. per common share. Net profit first nine months, 1939, \$26,584,806 (\$24,284,371), or \$1.72 per share (\$1.56). Consolidated balance sheet, September 30, 1939, shows current assets \$80,281,340, including \$35,970,650 cash, against \$79,384,984 (\$40,422,819 cash) on December 31, 1938.

London Brick Company, Ltd.—Third interim dividend of 2½ per cent. on ordinary stock, making (with similar payments in June and September) 7½ per cent. to date for 1939. For 1938 three interims of 5 per cent. each were followed by a final payment of 5 per cent.

Northampton Brewery Company.—Trading profit for year to September 30, 1939, £260,903 (£218,075). Other income fell from £26,762 to £18,859. To depreciation, £72,539 (£67,024); taxation, £35,361 (£23,809). Ordinary dividend 15 per cent., as before. Carry forward, £71,631 (£57,593).

Pahang Consolidated, Ltd.—Mines profit year to July 31, 1939, £97,660 (£122,785). To reserves: taxation, £23,000; development, £10,000 (same); general, £6,802 (nil). To depreciation, £5,781 (£5,521). Ordinary dividend 10 against 20 per cent. Carry forward, £25,037 (£23,174). Value of tin realised £148,038 (£352,767).

Transvaal Gold Output, October.—Witwatersrand, 1,073,933 fine ounces; other districts, 28,279 fine ounces; total, 1,102,212 fine ounces. September total, 1,071,991 fine ounces. Native labour employment at end of October: Gold mines, 309,142; coal mines, 18,077; total, 327,219.

(Continued on page 271)

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 (a)	Total	Pay-able	Prev. Year
BANKS	%	%		%
Com. of Scotland "A"	7½	15	...	16
Eng. Scot. & Austln.	3½	7	Dec. 7	7
National of Scotland.	...	16	...	16
INSURANCE				
Sun Insurance	1/3ps*	...	Jan. 1	1/3ps*
Sun Life Assurance	1/10t	20	Jan. 1	20t
TEA & RUBBER				
Kuala Lumpur Rbr.	...	33½	Dec. 8	33½
Malaya General Co.	6½t	11½	Nov. 30	11½
MINING				
Cons. Goldfields S. Afr.	(c)10t	16½	...	20
G. Horseshoe (New)	...	25	...	16½
Gt. Boulder Prop.	12½*	...	Dec. 7	12½*
Kamunting Tin	...	5	...	16½
H.E. Proprietary	5*	...	Nov. 24	5*
Kramat Pulai	5*	...	Dec. 1	5*
Lake View and Star.	d12½t	50	Dec. 20	50
Do.	e12½*	...	Dec. 20	12½*
Mt. Lyell Mining	5t	7½	...	7½
Nigel Van Ryn	5t	2½	...	Nil
Pangnga River Tin	...	4	Dec. 7	13
Sons of Gwalia	20*	...	Dec. 21	20*
INDUSTRIALS				
Associated Equipment	4½t	47½	...	7½
Atlas Steel	27½t	42½	...	35
Benskin's Brewery	12½t	18½	Dec. 14	18½
Berger (Lewis)	...	13	...	15
Berisford (S. & W.)	12½t	18½	...	16
Boulton & Paul Air.	...	7½	...	Nil
Brit. Steel Construc.	...	7½	...	15
Butler Machine	...	17½	Dec. 5	17½
Butler (W.) and Co.	1½t	17	...	18
Chloride Storage	5*	...	Dec. 1	5*
Cons. Lon. Props.	5*	...	Dec. 15	3½*
Daily Mirror	5*	...	...	3½*
Dennis Brothers	83½t	116½	...	100
Ebonite Container	3*	...	Nov. 30	3*
Electrical Switchgear	...	10	...	16
Ensign Lamps	15t	25	...	25
Fison Packard, etc.	7½t	10	...	10
Grand Junction Co.	1*	...	Dec. 1	1½*
Hazell Watson, etc.	1½*	...	Dec. 1	3*
Johnson and Phillips.	7½*	...	...	5*
Lever Bros., etc.	(b)4½*	...	Dec. 1	4*
Lever Bros. (N.V.)	3*	...	Dec. 1	3*
London Brick	2½*	...	Dec. 2	5*
Madras Electric	2½*	...	...	2½*
Mellows and Co.	10*	...	Nov. 30	12½*
Morgans Brewery	7½	12½	...	15
Oil Wharves	35½t	7½	...	7½
Porritts and Spencer.	4½*	...	Nov. 30	4½*
Ranks (Ireland)	8½*	...	Nov. 30	8½*
Reckitt and Sons	5*	...	Jan. 1	5*
Sage (F.) Trust	5	5½	Dec. 15	5
Sec. Indus. Trust	3½t	5½	...	5½
Steaua Romana (Brit.)	...	2½	...	18
Sunday Pictorial	2½*	...	Dec. 14	3½*
Tecalemit	10*	15	...	18
Terry (Herbert)	10*	...	...	6½*
Wall Paper Mfrs. Def.	2t	6	Jan. 4	12½
Do.	5t	10	Dec. 14	10
Walmaleys (Bury)	8½t	14	...	13
Wigan Coal and Iron.	1*	...	...	Nil*
UNIT TRUSTS	Pence			Pence
American Industries	42	...	Nov. 15	0-6
Third Protected	1.9958	...	Nov. 30	2.622

* Free of income tax. (a) Less tax 7½ in £ unless stated otherwise. (b) Less tax 6/10 in £. (c) Less tax 5s. 10-12d. in £. (d) Less tax 3s. 8-80d. in £. (e) Less tax 3/6 in £.

ATLAS STEEL FOUNDRY COMPANY.—For year to September 30, 1939, final dividend 17½ per cent. plus bonus of 10 per cent., making with interim a total of 42½ against 35 per cent.

BOULTON AND PAUL AIRCRAFT.—An initial dividend of 7½ per cent. is being paid for year to July 31, 1939.

CELLON, LTD.—Ordinary interim dividend is being raised from 7½ to 10 per cent.

CONSOLIDATED GOLD FIELDS OF SOUTH AFRICA.—Final ordinary dividend, 10 per cent. (less tax at 5s. 10-12d.) for year to June 30, 1939, making 16½ against 20 per cent.

HOVIS, LTD.—Interim dividend on ordinary shares maintained at 7½ per cent.

JOHNSON AND PHILLIPS, LTD.—Interim ordinary dividend raised from 5 to 7½ per cent.

KAMUNTING TIN DREDGING.—First and final dividend 5 per cent. for year, against 16 per cent. for previous year (of which 8 per cent. was an interim).

LEGAL AND GENERAL ASSURANCE.—Interim dividend 20 per cent. less tax at 7s., against 15 per cent. tax free.

NORTHERN IRELAND ROAD TRANSPORT BOARD.—It is proposed to pay on "A" stock all arrears of interest to June 30, 1939.

PANGNGA RIVER TIN CONCESSIONS.—Ordinary dividend reduced from 13 to 4 per cent.

ROYAL BANK OF SCOTLAND.—Final dividend 8½ per cent., making 17 per cent. for year, as before.

STREAM-LINE FILTERS.—Interim ordinary dividend reduced from 7½ to 3 per cent.

Industry and Trade

The Cotton Control.—The history of the wartime arrangements for the organisation of the cotton industry is somewhat involved. Consultations between the Board of Trade and representatives of the industry began soon after the outbreak of war, and on September 17th a Cotton Board was appointed by the President of the Board of Trade and the Minister of Supply. It included representatives of employers and operatives and its chairman was Sir Percy Ashley, of the Import Duties Advisory Committee. It possessed no compulsory powers, and its business was to advise the President of the Board of Trade and the Minister of Supply on matters affecting the cotton trade. It was thought that the Cotton Board would take over some of the powers provided in the Cotton Industry (Reorganisation) Bill, and an application was also made by it for authority to fix prices, institute a priorities system and collect returns of stocks. But at the end of October the operation of the Reorganisation Bill was postponed, and at the same time the President of the Board of Trade pointed out that, in so far as the powers applied for were those normally exercised by a Controller, the authority appointed to exercise them should be completely divorced from any personal and pecuniary interest in the trade. The announcement of this principle was coldly received in Lancashire, and when no further official action followed it a certain restiveness appeared in the trade. This was somewhat allayed when on November 10th Sir Percy Ashley was appointed Controller, while retaining his position as chairman of the Cotton Board. The present position is that the Board will continue to function and will be free to make representations to the Controller and also to the Government on any matters affecting the industry. It remains to be seen how this arrangement will work out. The extent to which the Board can influence the decisions of the Controller will be important. The Controller's position would be considerably strengthened if he were given a more positive Government lead in the important question of export policy. Meanwhile, business in yarns and cloth is still held up by the uncertainty concerning the future control of prices. It is understood that standard profit margins are to be fixed for yarns and that, at a later stage, price control will be extended to the manufacturing and finishing sections of the trade. Moreover, a census is to be taken of the industry's capacity, as well as of the materials it uses and of the operatives it employs.

Producer-Gas Vehicles?—As a result of the rise in petrol prices and the rationing of motor fuels, increasing attention is being directed to possible substitutes for the petrol or Diesel engine. One such possibility is the producer-gas unit which, though quite uneconomic by comparison with these, may nevertheless have a useful contribution to make in time of war. The engine of a producer-gas vehicle runs on carbon-monoxide gas, generated by the gas vehicle runs on carbon-monoxide gas, generated by the slow combustion of anthracite, coke, charcoal, or other carboniferous material. One of the principal difficulties of gas-driven vehicles is the weight of the gas-generator and of the necessary solid fuel which, besides reducing the payload, has placed the vehicle in a disadvantageous position as regards taxation and speed. Further disadvantages are the time spent in lighting, cleaning and feeding the furnace of the gas-generator; the necessity for frequently cleaning the filters through which the gas must be passed before it can be introduced into the engine; the difficulty of making the supplies of suitable solid fuel everywhere available; and the loss of speed compared with petrol- or Diesel-engined units. With a view to overcoming some at least of these obstacles, the Government appointed a Committee some time ago, under the chairmanship of Sir Harold Hartley, time ago, under the chairmanship of Sir Harold Hartley, charged with the task of designing a gas-producer suitable for the conversion of motor vehicles to the use of solid fuel in time of emergency; and the Secretary for Mines announced last week that a suitable apparatus had been

brought to the stage of manufacture, the recommended method of conversion for most vehicles being to mount the gas-producer on a trailer. The technical efficiency of the new apparatus remains to be proved in practice—and it must be admitted that Continental experience is not such as to justify too optimistic a view; but potential users are being offered certain inducements by the Government to encourage them to make the change-over. For a period of five years, so Mr Lloyd announced, the present Government (assuming it remains in office for so long a period) will not tax home-produced coal, coke or gas destined for use as motor fuel; when these fuels are used in "services of national importance," moreover, they will not be rationed; nor will the weight of the auxiliary equipment be included in the unladen weight of the vehicle for purposes of taxation or the regulation of speed.

Analysis of Unemployment.—The following table shows the chief industries which have been affected by changes in unemployment between September 11th and October 16th, discussed on page 247:—

CHANGES IN UNEMPLOYMENT BETWEEN SEPTEMBER 11TH AND OCTOBER 16TH

(a) Increases	Number
Building	35,998
Hotel, boarding house, etc., service	24,688
Distributive trades	20,164
Local government service	12,393
Printing and bookbinding	11,215
Public works contracting	10,957
Road transport	9,639
Laundry service	7,416
Dock and harbour service	5,735
Agriculture, horticulture, etc.	3,377
(b) Decreases	
Cotton	16,990
Tailoring	16,063
Dressmaking, millinery, etc.	12,437
Coalmining	12,128
Fishing	7,124
Hat and cap	4,691
Entertainments, sport, etc.	3,906
Textile bleaching, dyeing, etc.	3,788
Silk and artificial silk	3,695
Furniture making	3,494
Woolen and worsted	3,384
Metal goods manufacture	3,364

The building and public works contracting industries, as well as the hotel and distributive trades, have suffered from the outbreak of war. On the other hand, the principal textile trades have experienced a marked reduction in unemployment. The next table shows the geographical incidence of changes in unemployment between September 11th and October 16th:—

CHANGES IN UNEMPLOYMENT BY REGIONS			
Increases		Decreases	
Administrative Division	Number	Administrative Division	Number
London	54,840	Midlands	9,207
South Eastern	13,736	North Midlands	5,900
Southern	12,328		
South Western	8,649		
Wales	7,540		
Northern	6,290		
Scotland	5,395		
Eastern	3,611		
North Western	1,644		
North Eastern	784		
Total	114,817	Total	15,107

As in September, the increase in unemployment last month was most marked in the London division and in Southern England. With the exception of the Midland divisions, where metal manufacture occupies an important position, all other districts registered a slight increase in unemployment.

Additional Wage Increases.—The sharp rise in October in the Ministry of Labour's cost of living index has brought a number of wage increases, additional to those mentioned on page 184 of *The Economist* of November 4th. The Wholesale Textile Association has raised minimum wages for about 18,900 workers in London by 5 per cent. to meet the increased cost of living; 12,000 workers in the Yorkshire combing industry have obtained increases in wages up to 5s. 4d. per week for the same reason. Time rates have been raised by a 1d. per hour in the furniture manufacturing industry and corresponding increases arranged in piece rates. The National Union of Dyers, Bleachers and Textile Workers has already obtained increases of 2s. 11d. per week for men and 1s. 9d. per week for women; it is now pressing for further increases of 15 per cent. for time workers and 10 per cent. for piece workers. Standard wage rates in the Manchester cotton smallware weaving industry have been raised by 7½ per cent. and the addition will be revised monthly in accordance with changes in the cost of living index. The rise in this index and the increased difficulties of working conditions have been given as reasons for the claims of both the National Union of Railwaymen and the workers in the road passenger transport industry for an increase in wages. The importance now attached to the cost of living index makes it essential that the publication of the revised index based on conditions in 1937-8 should be hastened; the original index based on the expenditure of working-class families some thirty years ago is obviously not suitable for present conditions.

Change in Edible Oils Control.—The control assumed early in September by the Ministry of Food over the oil refining and crushing industry was designed to work on the 1918 model in the 1918 conditions of scarcity. In fact, however, the ample stocks of whale oil and the sufficient, if somewhat irregular, arrivals of imported seeds and nuts, have made unnecessary the detailed control originally enforced. Consequently, the pooling of margarine has been suspended and manufacturers will again be at liberty to market their branded goods. To diminish the complexity of the present system of distribution and permit licences, supplies of oils and oilseeds from the Ministry of Food will be made to the Edible Oil Association, which will be responsible for redistribution to its members on the basis of their purchases last year. Prices remain under the direction of the Oils and Fats Controller.

Rise in Petrol Prices.—Last Monday the Petroleum Board, with the approval of the Mines Department, announced a further increase of 1½d. per gallon in the retail price of petrol. As the price had already been advanced by 2d. per gallon on October 17th, "pool" petrol is now retailed at 1s. 9½d. per gallon, compared with 1s. 6d. at the outbreak of the war. In justification of the increase the Petroleum Board pointed to the rise in the Gulf of Mexico export price (which largely determines the world price), to the depreciation of the value of the pound in terms of dollars, to the advance in freight rates, and to the rise in domestic distribution and other costs. While the advance in the price of petrol may be justified by the increase in costs, it would have been interesting to have further details of the Board's case for the advance. The

Petroleum Board is a voluntary organisation and, as Mr Lloyd pointed out in the House of Commons on Tuesday, "it includes in its membership substantially the whole of the petroleum industry so far as it relates to the importation, storage and distribution of oil products." Its chairman is Sir Andrew Agnew, who is not a civil servant but a leader of the industry. The members of the Board have pooled all their distribution resources in the interests of efficiency, but the interests of the constituent members are protected by an agreement which provides for the sharing of trade on the basis of their performance during an agreed qualifying period. The Board is not concerned with rationing, and its relations with the Government are largely concerned with price-fixing. The responsibility for price control therefore rests with the Government.

Fat Stock Marketing.—For the past ten weeks farmers have sold their livestock through the usual channels for fixed maximum prices laid down by the Ministry of Food. These prices applied to beef cattle of certain grades; owing to the difficulties in the early weeks of the war of getting supplies of imported beef, prices of ungraded stock such as fat cows have been pushed up nearly to the level of those fixed for the first quality beef cattle. These maximum prices were meant only to cover the interval between the outbreak of war and the introduction of the full plans of the Ministry, which will purchase all fat stock through its agents and distribute the carcasses to butchers. The Ministry has now announced the prices which will be enforced when this scheme comes into being; the price for top-grade cattle has been fixed at the level of the previous maximum price (48s. per cwt.) plus the subsidy of 7s. 6d. per cwt. payable by the Livestock Commission, which will be discontinued from the date the Ministry takes full control. Unfortunately, this date has not yet been settled, and farmers are condemned to continue indefinitely under a temporary arrangement, which, while bearable as a stop-gap, is not suitable as a semi-permanent condition.

Cocoa Supplies.—The British Government has extended its bulk purchases by undertaking to purchase the whole of the West African cocoa crop of about 400,000 tons; the price arranged, of 24s. 6d. per 50 kilos for Accra good fermented, is the existing market price and is only 2s. 6d. per 50 kilos higher than that ruling at the end of August. This amount of cocoa is about four times the annual consumption of Britain, where existing stocks are already sufficient for next year's needs. This large purchase is not, therefore, dictated by any shortage of supplies, but it does provide a guaranteed market for the production of the African cocoa farmers at a reasonable price. Further, since the Empire is a net exporter of cocoa, the Government will obtain substantial amounts of foreign exchange. The United States may be expected to buy 100,000 tons of West African cocoa, and European neutral countries such as Holland and Switzerland are also important consumers. The Government's purchases will be divided among the existing cocoa agents in proportion to their purchases in recent years, and local selling offices are to be set up in the producing areas to assist in the disposal of the crop. Organisation of the Gold Coast farmers, recommended by the Commission of Enquiry into the sellers' strike of 1938, will thus be hastened by the war.

INDUSTRIAL REPORTS

Coal

BUSINESS in industrial fuel is active, though household demand has been curtailed by rationing. Stocks have accumulated in some districts and the increase from 75 per cent. to 100 per cent. of last year's consumption allowed to the consumer may not be immediately reflected at the collieries. A conference of Lancashire and Cheshire

miners and coal owners decided on Monday that there shall be no lock-outs or strikes for the duration of the war and six months afterwards in that district; disputes must be submitted to the Joint District Wages Board and then, if necessary, to an independent arbitrator.

Sheffield.—Stocks of household fuel are being stored underground to free wagons for the transport of steam

coal, for which there is a very heavy demand. Heavy industrial requirements are well met and business in all classes of coke is strong. Export inquiry is improving, particularly for best steams. All prices are firmly held.

Glasgow.—As a rule the collieries are comfortably placed for orders, but heavy stocks slow down business in some sections. Industrial demand is brisk and Lanarkshire has little to ex-

port, while in Ayrshire only steam and trebles are available for new shipping business. In the last the collieries hope to share in the prospective increase in demand from such markets as France and Italy.

Newcastle-on-Tyne.—Business in the home trade is brisk but there is little interest in the export section. The Northumberland steam and Durham manufacturing coal trade is firm, but gas and bunkering grades are plentiful. There is a persistent demand from the Scandinavian countries for central heating coke, which is now only obtainable in odd lots.

Cardiff.—Industrial demand is very active and the volume of traffic at the ports compares favourably with that of the corresponding period last year. The higher prices have not, apparently, checked inquiries and some of the markets lost to Germany in recent years have already been partially recovered. There has been a slight improvement in chartering and at some of the docks ships are waiting their turns at the loading staities.

Iron and Steel

THE level of production continues to be as high as raw material supplies will allow. Scrap business is not always easy to arrange, but the campaign for the collection of all the available iron and steel scrap metal is expected to augment supplies soon.

Sheffield.—Firm conditions are maintained in the market, but most transactions are subject to licence. Full supplies of forge and foundry pig iron and hematites are available and there is a welcome expansion in finished iron orders. Basic billet supplies are ample and business in steel bars and wire rods is easier to place. There is some difficulty in the scrap trade in this district.

Middlesbrough.—Continental iron is still dearer than the home product and consumers continue to draw supplies from the Midlands, where a rebate of 5s. per ton is still allowed. Hematite distribution is controlled and ordinary business must be licensed. The higher blast-furnace coke prices have not restricted business and foreign arrivals are more satisfactory. Pressure for the delivery of all classes of steel continues.

Glasgow.—The Clydebridge labour differences were settled on Saturday and production throughout the industry has been at a high level. Raw material supplies have been satisfactory but users

are anxious to obtain delivery against old contracts. Shipyards, engineering shops and Government Departments are all pressing for deliveries of finished steel and there are prospects of full employment for a long time ahead.

Cardiff.—Steel makers complain of a shortage of scrap, but production in the heavier branches is well maintained. Output in the tinplate trade in the week ended November 4th fell to 41.79 per cent. of capacity owing to labour differences, but these have now been adjusted and production has recovered to about 70 per cent. Both inland and export markets are good. The wages of steel workers have been increased by 6½ per cent. and those of tinplate workers by 3 per cent.

News from Abroad.—Consumers have continued to buy freely at surprisingly high prices for urgent delivery. Comparatively little of the demand can be satisfied owing to difficulty in ensuring raw material requirements, particularly in Belgium and Luxembourg. Sales have been made to Sweden, Holland and Portugal, and to South America, where American competition has been effective recently. Although American prices are not low, it is felt that European export prices have reached their upper limit for the time being. Sales of semis are restricted and exporters are more inclined to contract for highly finished steel products, prices of which have recently risen again.

Textiles

Cotton (Manchester).—Inquiry has been well maintained in spite of trading difficulties. Fluctuations in sterling in New York and the fear of a shortage of freights have been responsible for increased raw cotton prices.

A number of American spinners have withdrawn yarn quotations as they do not wish to extend their heavy commitments. Ring beam producers are in a very strong position. Export sales of piece goods have been patchy with support from India, South America, Scandinavia and the Dominions. Home buying has been steady and further Government contracts have been placed.

THE COMMODITY MARKETS

Metals

The British maximum prices for copper, lead and spelter remain unchanged. The sale of Rhodesian copper to the British Government is discussed

in the Leader on page 256. In the United States, metal markets remained quiet this week, although purchases of copper have again increased. Prices showed no change.

Tin.—The London price of tin remains at the maximum of £230 per ton for all positions. The daily supplies on the London Metal Exchange were again restricted to 25 to 40 tons per day. In New York the market has become very quiet and the price for spot Straits is now down to 51 cents (a week ago 51-52 cents) per lb. International supplies are rising and it is expected that the New York level will fall slowly to the London parity.

Grains

The Canadian harvest is now estimated at 479 million bushels, compared with a yield of 350 million bushels in 1938. The first estimate of the Australian harvest, at 180 million bushels, is also substantially higher than last year's moderate returns. In spite of these official statements, wheat prices in North America remain firm; drought persists in the American wheat belt, British purchases from Canada continue steadily and the pledging of United States' wheat against Government loans has led to a relative shortage in wheat for immediate delivery. Maize prices also remain steady in North America, but supplies in Britain are limited and farmers are advised to use other feeding stuffs.

Miscellaneous Commodities

Oils and Oilseeds.—The partial decontrol of the deliveries of edible oils is discussed in a Note on page 266. Supplies of seeds and nuts are generally satisfactory, except linseed; exports from producing countries will be small until the shipment of the new crops in December.

Rubber.—On Wednesday evening the International Rubber Regulation Committee raised the export quota for the first quarter of 1940 from 75 to 80 per cent. of the standard tonnages. These extra supplies will be available for the Anglo-American and Anglo-Soviet barter agreements, under which the British Government has to supply considerable quantities of rubber in the near future. During the early part of the week the London market remained steady, but on Thursday the spot price of standard sheet fell slightly to 11d. per lb. In New York, rubber prices continue to fall slowly.

RAW COTTON delivered to Spinners

Variety ('000 bales)	Week ended		From Aug. 1 to	
	Nov. 3, 1939	Nov. 10, 1939	Nov. 11, 1938	Nov. 10, 1939
American	27.4	33.9	301	316
Brazilian	4.1	4.4	62	118
Peruvian, etc.	4.3	4.0	24	66
Egyptian	5.5	9.8	77	90
Sudan Sakel	3.0	2.4	53	59
East Indian	2.6	3.9	120	79
Other countries	4.9	4.4	41	65
Total	51.8	62.8	678	793

WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week ended		From Aug. 1 to	
	Nov. 4, 1939	Nov. 11, 1939	Nov. 12, 1938	Nov. 11, 1939
N. America	255	444	9,599	6,506
Argentina	487	644	1,940	6,267
Uruguay	...	...	2,967	612
Australia	...	...	3,891	114
Russia	160	234	2,157	1,968
Danube and dist.	...	6	607	274
Other countries	...	...	...	...
Total	902	1,328	21,161	15,741

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From ('000 quarters)	Week ended		From Apr. 1 to	
	Nov. 4, 1939	Nov. 11, 1939	Nov. 12, 1938	Nov. 11, 1939
Argentina	246	213	9,350	11,399
Atlantic America	79	104	11,278	979
Danube Region	...	...	2,323	1,104
S. & E. Africa	95	81	1,037	2,526
Indo-China, etc.	42	46	1,276	1,086
Total	462	444	25,264	17,094

COMPANY MEETINGS

RHOKANA CORPORATION, LIMITED
A SATISFACTORY RESULT

The seventeenth annual ordinary general meeting of this company was held, on the 15th instant, in London.

Mr Francis L. Gibbs (the deputy chairman) said in the course of his speech: Sales of metals have increased by £197,545, while the operating profit has decreased by £22,445. The average prices of standard cash copper and for wire bars during the year were somewhat less than those obtaining in the preceding year. We received from Mufulira Copper Mines, Limited, the same gross dividend as last year, namely, £217,149, and the balance finally carried to the appropriation account is £2,116,398, as compared with £2,166,692 for the previous year. Considering the lower price of copper obtained I think you will agree that a decrease of only £50,000 is not unsatisfactory.

In view of the definite increase in taxation and the uncertainty as to the ultimate liability of the Corporation, the directors have considered it necessary to make the very large appropriation for taxation of £750,000. They have also decided to recommend a final dividend of 25 per cent. This rate is the same as for the interim dividend paid last April. The total for the year is, therefore, 50 per cent., a reduction of one-fifth from last year's total.

During the year a total of 2,817,500 tons of ore were hoisted, of which 1,556,000 tons came from the Nkana Section and 1,261,500 tons from the Mindola Section. The grade of the ore broken averaged 3.55 per cent. copper at Nkana and 3.71 per cent. copper at Mindola. The comparative figures for last year were 3.46 per cent. and 3.65 per cent. respectively. Our production for the year was 50,810 long tons of blister copper and 31,691 long tons of electrolytic copper, making a total of 82,501 long tons compared with 76,275 long tons last year.

Like other Empire producers, we have made an agreement with the Ministry of Supply for the sale of a fixed amount of copper at a satisfactory fixed price which approximates to the price level ruling immediately before the war. The contract will last for one year unless hostilities cease before then and can be renewed for another year if necessary. In addition we shall still continue to supply the local requirements in South Africa.

GOODE, DURRANT & MURRAY,
LIMITED

DIFFICULT CONDITIONS

The forty-first ordinary general meeting of Goode, Durrant and Murray, Limited, was held, on the 16th instant, at Littlehampton.

Mr John Hewitt (the chairman) said that he regretted that on the first occasion on which he had taken the chair at the annual general meeting he should have to present such a disappointing balance sheet. As shareholders had been informed at the last meeting the company, in common with most other concerns of a similar nature in Australia, had received a serious setback in trading during the latter portion of the year ending July, 1938. Unfortunately, things had not improved in any way during the year under review and, in fact, it would be quite fair to say that trading conditions had become steadily worse.

Both South Australia and Western Australia, wherein the company transacted the whole of its Australian trading, had had very severe agricultural and pastoral setbacks, and as a result the income reduction.

All the difficulties had contributed in no uncertain fashion to the result, which showed a loss on trading alone amounting to £5,762, as compared with a trading profit of £8,181 in 1938. Other matters had affected their balance of loss; £8,794 was on account of interest which they had had to provide on the unpaid bills drawn on C.T.C. Bazaars (S.A.), Limited. They had also deemed it advisable to set aside £30,000 as a reserve against the company's liability as guarantors of bills drawn on third parties by the C.T.C. Bazaars (S.A.), Limited, were in excess of its liabilities and that no eventual loss would be sustained; the results of that company had been showing considerable improvement of late.

As to prospects in Australia for the current year, it would be foolish to prophesy. At the present moment sales were good and there was a steady demand for most classes of their goods. There appeared to be every indication that that would continue, for some little while in any case, but under existing circumstances they had no means of estimating the continuance of those conditions.

The report and accounts were adopted.

BROOME RUBBER PLANTATIONS,
LIMITED

DIVIDEND OF 5 PER CENT.

The sixth annual general meeting of this company was held, on the 15th instant, in London.

Sir Lionel Smith-Gordon, Bart. (the chairman), in the course of his speech, said: The profit for the year was £13,022 1s. 8d. The directors recommend a dividend of 5 per cent.

Rubber sales and stock amount to £45,847, or £13,686 less than last year, while the cost of production at £29,918 is also less by £8,468 owing to a smaller crop. The price realised for 1,324,997 lb. of exportable rubber was equal to 8.15d. gross London landed terms, or about 3d. per pound more than we obtained last season. It may be of interest to learn that the average London landed price for standard sheet during the same period was just about 8d. as compared with the price of 8.15d. secured for all grades. The f.o.b. cost was only fractionally higher at 4.34d. as compared with 4.25d. per pound, which may be considered very satisfactory in view of the big reduction in crop.

I now come to future prospects. Standard production for the calendar year 1939 has been assessed at 2,855,324 lb., and as from January 1st next this figure should be increased somewhat in respect of the young Eldred rubber. We are working at a higher percentage of release than a year ago; the price of rubber is considerably higher; certain costs, of course, will go up, but, helped by the increase in the permissible amount exportable, overheads are spread over a larger crop, which counterbalances this, and so we may find that it will be possible to produce at a figure much about the same as in the year under review.

Last year I informed you that we had acquired 1,100 acres of jungle adjoining Eldred Estate, of which 1,000 acres were to be opened up. We have planted about half of this area, and the balance is now being taken in hand. We have also planted fifty acres of Balau jungle and thirty-three acres on the original Eldred property. The position now is that on Broome we have replanted successfully 345 acres of old rubber, and planted fifty acres of Balau and 546 acres of Eldred new land. When the balance of Eldred jungle is completed we should have some 1,428 acres planted with high-yielding material on the most up-to-date lines.

The report and accounts were unanimously adopted.

SUMATRA PARA RUBBER
PLANTATIONS, LIMITED

IMPROVED PROSPECTS

The thirty-second annual general meeting of the Sumatra Para Rubber Plantations, Ltd., was held, on the 10th instant, at 17 Mincing Lane, London, Mr H. A. Barrett (the chairman) presiding.

The Chairman, in moving the adoption of the report, said that the profit of £9,984, which compared with £12,802 for the previous year, reflected the difficult trading conditions of the period under review.

After transferring £1,200 to special cultivation reserve and writing off the building expenditure of the year, £317, the balance at credit of profit and loss account was £16,415, of which the recommended dividend—3 per cent. for the year—would absorb £6,800, leaving to carry forward £9,615 compared with £7,948 brought forward.

Since the close of the financial period the visiting agent had reported that another very good year's work could be recorded, adding excellent general progress made.

As regarded the current financial period, there were so many things that might affect the ultimate result that he did not care to say more than that prospects were reasonably good. They were working to a very much higher exportable allowance and disposing of their rubber freely at better prices than last year, but, on the other hand, the adverse exchange position would inevitably result in necessity of larger appropriations to meet increased taxation.

Mr A. P. Hadow, seconding the adoption of the report and accounts, said that he had been favourably impressed with the condition of the estates.

The report was unanimously adopted.

Every year many hundreds of Companies publish Reports of their Annual General Meetings in *The Economist*, thereby reaching thousands of investors in the quiet of their own homes. Full particulars of the charges for inserting these reports may be obtained on application to The Reporting Manager, *The Economist*, 8 Bouverie Street, E.C.4

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week ended November 11, 1939, total ordinary revenue was £20,893,000, against ordinary expenditure of £10,396,000, and issues of £22,500,000 under the Defence Loans Acts. Thus, including sinking fund allocations but excluding issues from defence loans, the deficit accrued since April 1st last is £233,690,000, against £204,196,000 a year ago.

ORDINARY AND SELF-BALANCING
REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Estimate, 1939-40	April 1, 1938 to Nov. 12, 1938	April 1, 1939 to Nov. 11, 1939	Week ended Nov. 11, 1938	Week ended Nov. 11, 1939
ORDINARY REVENUE					
Income Tax	390,000	87,016	84,499	3,942	8,774
Sur-tax	70,000	9,750	10,710	220	330
Estate, etc.					
Duties	75,500	47,070	48,380	2,440	1,350
Stamps	17,000	11,790	10,300	80	220
N.D.C.	25,000	9,860	15,460	370	540
Other Int. Revenue					
Duties	1,250	730	450	40	20
Total I. Rev.	578,750	166,216	169,799	7,092	11,234
Customs	239,600	140,904	165,842	4,929	5,258
Excise	132,850	69,700	76,490	1,400	1,326
Total Cust. and Excise	372,450	210,604	242,332	6,329	6,584
Motor Duties	22,000	11,209	9,683	175	367
P.O. (Net Receipts)	400	10,180	6,504	1,450	1,400
P.O. Fund	1,600				
Crown Lands	1,330	860	870		
Rec. from Sun. Loans	5,000	4,139	3,602		73
Misc. Rec.	13,650	7,622	11,324	301	1,235
Total Ord. Rev.	995,180	410,830	444,114	15,347	20,893
SELF-BAL. P.O. and B'dcasting	83,449	44,270	47,046	750	900
Total	1,078,629	455,100	491,160	16,097	21,793

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	Estimate, 1939-40	April 1, 1938 to Nov. 12, 1938	April 1, 1939 to Nov. 11, 1939	Week ended Nov. 11, 1938	Week ended Nov. 11, 1939
ORDINARY EXPEND.					
Int. & Man. of Nt. Def.	230,000	146,849	152,711	562	924
Pays. to Nt. Ireland	10,000	4,619	4,605		
Other Cons. Fund Ser.	7,200	1,722	3,779	59	5
Total	247,200	153,190	161,095	621	929
Sup. Serv. (a)	118,371	455,878	510,496	12,455	9,467
Ditto, plus loans*	188,614	455,878	704,246	12,455	31,967
Total Ord. Expend.	1,430,911	609,068	671,591	13,076	10,396
Issues from Def. Lns. Self-Bal. P.O. and B'dcasting	502,430		193,750		22,500
Total	1,933,341	609,068	865,341	13,076	12,896

* Supply Services, after addition of issues under Defence Loans Acts: (a) excluding expenditure being met from loans; including £500 millions Vote of Credit; allows for supplementary estimates and other changes since April, 1939, and for estimated saving in Budget; (b) after allowing for changes in war Budget of September 27, 1939.

After raising Exchequer balances by £203,985 to £2,769,253, the other operations for the week (as shown in the next column) raised the gross National Debt by £12,695,000 to about £8,597 millions.

DEBT INCREASES (£ thousands)		DEBT REPAYMENT (£ thousands)	
Treasury bills	13,995	Public Dept. Advances	1,400
Nat. Sav. Certs.	100		
	14,095		1,400
OTHER ISSUES		OTHER REPAYMENTS (Net)	
P.O. and Tel.	350	Bullion adv.	80
(Money)		Land Settlement	14
N. Atl. Shipping	30		
Over Trade Gtes.	202		
	582		94

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1 to November 11, 1939, are:—

Ordinary Exp.		Ord. Rev.	
Issues under Def. Lns.	671,591	Gross bor.	444,114
Loan Acts	193,750	Less:	
Misc. Issues (net)	6,692	Sinking fds.	6,213
Inc. in b'ces	270	Net borrowing	428,189
	872,303		872,303

FLOATING DEBT (£ millions)

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt	Floating Assets
	Tender	Tap	Public Dept.	Bank of England		
1938						
Nov. 12	517.0	407.2	45.4		969.7	452.6
1939						
Aug. 5	510.0	568.5	46.9		1,125.4	615.4
" 12	510.0	570.7	45.5		1,126.2	616.2
" 19	510.0	570.1	47.5		1,127.6	617.6
" 26	510.0	583.1	45.3		1,138.4	628.4
Sept. 2	500.0	618.3	49.2		1,167.5	667.5
" 9	495.0	633.3	47.9	4.7	1,180.9	681.2
" 16	500.0	652.1	50.5		1,202.6	702.6
" 23	505.0	663.7	47.5		1,216.2	701.2
" 30	510.0	676.8	49.1		1,235.9	725.9
Oct. 7	518.0	703.1	47.3		1,268.4	750.4
" 14	531.0	739.1	45.3		1,285.4	752.4
" 21	546.0	699.9	49.0		1,294.9	748.9
" 28	561.0	701.8	47.9		1,310.7	749.7
Nov. 4	580.0	706.6	59.0		1,345.6	765.6
" 11	605.0	695.6	57.6		1,358.2	753.2

TREASURY BILLS (£ millions)

Date of Tender	Amount		Average Rate	Per Cent. Allotted at Minimum Rate
	Offered	Applied for		
1938				
Nov. 11	35.0	62.7	35.0	6.16
1939				
Aug. 4	35.0	67.9	30.0	7.9
" 11	30.0	58.6	30.0	14.0
" 18	30.0	63.1	30.0	15.7
" 25	30.0	50.4	30.0	7.4
Sept. 1	40.0	56.3	40.0	7.4
" 8	50.0	60.2	50.0	7.2
" 15	55.0	89.2	55.0	6.6
" 22	55.0	86.5	55.0	6.6
" 29	55.0	96.3	55.0	6.6
Oct. 6	50.0	97.0	50.0	6.6
" 13	50.0	103.0	50.0	6.6
" 20	50.0	98.2	50.0	6.6
" 27	55.0	99.9	55.0	6.6
Nov. 3	55.0	102.6	55.0	6.6
" 10	55.0	95.3	55.0	6.6

On November 10th applications at £99 14s. 1d. per cent. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted as to about 61 per cent. of the amount applied for and applications at higher prices in full. Applications at £99 14s. 2d. for bills to be paid for on Saturday were allotted in full. £65.0 millions of Treasury bills are being offered on November 17th.

NATIONAL SAVINGS CERTIFICATES

Sales in		Number		Purchase Price	
43 weeks to—					
Oct. 29, 1938	26,611,036	19,958,277			
Oct. 28, 1939	23,018,041	18,013,495			
Week to—					
Oct. 29, 1938	574,001	430,501			
Oct. 28, 1939	512,286	384,214			

N.B.—At the end of September, 1939, depositors' balances in Post Office and Trustee Savings Banks were £789 millions, and amount remaining invested in Savings Certificates (including accrued interest) was £518 millions.

BANK OF ENGLAND
RETURNS

NOVEMBER 15th, 1939

ISSUE DEPARTMENT

£		£	
Notes Issued:		Govt. Debt..	11,075,100
In Circul.	527,643,677	Other Govt.	
In Bngk. Department..	52,569,364	Securities..	565,504,156
		Other Secs..	2,972,428
		Silver Coin..	508,316
		Amt. of Fid. Issue	580,000,000
		Gold Coin & Bullion (at 168s. per oz. fine)	213,041
			580,213,041

BANKING DEPARTMENT

£		£	
Props. Capital	14,553,000	Govt. Secs..	103,196,164
Res.	3,239,382	Other Govt. Secs..	
Public Depts.*	17,844,162	Discs., etc..	5,261,370
		Securities..	21,291,588
Other Depts.:			
Bankers' ..	107,083,757		
Other Accts.	40,579,735		
	147,663,492	Notes	26,532,858
		Gold & Silver Coin..	52,569,364
			981,550
			183,300,036

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

THE WEEK'S CHANGES

(£ thousands)

Both Departments	Amt. Nov. 15, 1939		Compared with	
		Last Week	Last Year	
COMBINED LIABILITIES				
Note circulation	527,644	728	+ 49,056	
Deposits: Public	17,844	3,423	+ 17,203	
Bankers'	107,084	5,225	+ 17,598	
Others	40,580	897	+ 5,542	
Total outside liabilities ..	693,151	176	+ 54,993	
Capital and res.	17,792	19	+ 48	
COMBINED ASSET				
Govt. debt and securities ..	679,715	857	+ 384,673	
Discounts and advances ..	5,261	190	+ 7,143	
Other securities	24,264	588	+ 3,597	
Silver coin in issue dept. ..	508	40	+ 325	
Gold coin in circulation ..	1,195	66	+ 326,480	
RESERVES				
Res. of notes & coin in banking department	53,551	795	+ 4,404	
Proportion of reserve to outside liabilities—				
Banking dept. ("proportion") ..	32.3%	+ 0.3%	+ 1.6%	

OVERSEAS BANK RETURNS

NOTE.—The latest returns of the Bank of Turkey appeared in The Economist of September 9th; of Portugal, of October 14th; of Egypt, of October 21st; Bulgaria, Greece, Hungary, India, Iran and Yugoslavia, of November 4th; International Settlements, Argentina, Australia, Belgium, Denmark, Japan, Java, Lithuania, New Zealand, Norway, Roumania and Sweden, of November 11th.

U.S. FEDERAL RESERVE BANKS

Million \$'s	Nov. 1938	Oct. 1938	Nov. 1938	Nov. 1938
12 U.S.F.R. BANKS				
Gold certifs. on hand and due from Treas.	11,304	14,769	14,858	14,867
Total cash reserves	11,783	15,111	15,191	15,231
Total bills discounted	369	332	324	354
Total bills in open mkt.	7	6	6	6
Total bills on hand	7	6	6	6
Industrial advances	15	12	12	12
Total U.S. Govt. secs.	2,564	2,748	2,687	2,649
Total bills and secs.	2,587	2,766	2,705	2,667
Total reserves	15,295	18,814	18,607	18,999
LIABILITIES				
F.R. notes in circ.	4,346	4,756	4,817	4,805
Aggregate of excess m. bank res. over reqts.	3,260	5,510	5,350	5,170
Deposits — Member bank reserve account	8,727	11,907	11,749	11,587
Govt. deposits	544	349	348	564
Total deposits	9,271	12,256	12,097	12,151
Cap. paid in and surplus	309	312	312	312
Total liabilities	15,295	18,814	18,607	18,999
Reserve to depts. and F.R. notes	83.3%	85.3%	85.9%	85.9%
U.S.F.R. BANKS AND TREASURY COMBINED				
Monetary gold stock	14,162	16,997	17,132	17,235
Treasury and St. Bk. currency	2,756	2,927	2,935	2,939
LIABILITIES				
Money in circulation	6,732	7,330	7,409	7,384
Treasury cash and deposits with F.R. Bks.	3,265	2,565	2,611	2,905

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

Nov. 1938	Oct. 1938	Nov. 1938	Nov. 1938
Total gold reserves	4,982	7,217	7,080
Total bills discounted	1	1	1
Total bills in open mkt.	0	0	0
Total U.S. Govt. secs.	815	870	847
Total bills and secs.	820	874	851
Deposits — Member bank reserve account	4,418	2,639	2,613
Govt. deposits	544	349	348
Total deposits	4,962	3,000	2,961
Cap. paid in and surplus	309	312	312
Total liabilities	9,889	10,217	10,044
Reserve to depts. and F.R. notes	87.1%	89.0%	90.2%

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

Nov. 1938	Oct. 1938	Nov. 1938	Nov. 1938
Assets			
Loans, total	8,270	8,319	8,408
Investments	13,044	14,020	14,160
Reserve with Federal Reserve Bank	7,152	9,723	9,879
Due from domestic bks.	2,501	3,021	3,037
LIABILITIES			
Deposits: demand	15,755	18,175	18,451
Time	5,164	5,225	5,242
U.S. Government	559	540	538
Inter-bank	6,730	8,434	8,602

BANK OF FRANCE.—Million francs

Nov. 1938	Oct. 1938	Nov. 1938	Nov. 1938
ASSETS			
Gold	55,808	97,266	97,266
Bills: Commercial	14,239	16,045	13,377
Advances on securities	725	39	39
Thirty-day advances	4,005	3,681	3,663
Loans to State without interest: (a) general	3,200	10,000	10,000
(b) provisional	48,134	20,473	20,473
Prov. adv. to State	5,000	7,300	7,300
Negotiable bonds	5,570	5,466	5,466
Sinking Fund Dept.	4,873	8,542	7,438
LIABILITIES			
Notes in circulation	108,771	144,844	146,592
Deposits: Public	3,548	2,120	2,014
Private	23,322	16,802	13,838
Other liabilities	3,183	3,063	3,221
Gold to sight liabilities	41.1%	59.3%	59.8%

REICHSBANK
Million Reichsmarks

Oct. 1938	Sept. 1938	Oct. 1938	Oct. 1938
ASSETS			
Gold and for. currencies	76.4	76.9	77.1
Bills and cheques	754.0	1010.4	918.6
Rechnungsbank notes	158.5	198.4	168.5
Advances	32.1	23.5	18.0
Secs. for note cover	132.3	143.1	144.0
Other assets	1254.1	1603.8	1258.4
LIABILITIES			
Notes in circulation	775.9	1009.5	1020.9
Daily maturing liabls.	1040.5	1601.7	1354.7
Other liabilities	40.0	55.2	60.3
Cover of note circulation	0.99%	0.70%	0.76%

BANK OF ESTONIA
Million Estonian kroons

Oct. 1938	Sept. 1938	Oct. 1938	Oct. 1938
ASSETS			
Gold coin and gold bullion	34.29	40.90	40.90
Net foreign exchange	15.15	7.67	4.51
Home bills discounted	12.15	22.70	26.78
Loans and advances	11.14	17.73	18.45
LIABILITIES			
Notes in circulation	54.89	69.09	70.73
Sight dep. and current accounts, of which:			
(a) Government	27.74	21.83	21.97
(b) Bankers	15.55	8.60	10.40
Reserve to current liabilities	10.03	10.25	8.08
LIABILITIES			
Notes in circulation	59.8%	53.4%	49.0%

SOUTH AFRICAN RESERVE BANK
Million £'s

Nov. 1938	Oct. 1938	Nov. 1938	Nov. 1938
ASSETS			
Gold coin and bullion	26.56	28.29	29.47
Bills discounted	6.83	7.14	7.14
Advances to Govt.	3.80	—	—
Inves. & other assets	15.32	18.58	19.56
LIABILITIES			
Notes in circulation	17.69	19.75	19.30
Deposits: Government	1.69	2.30	4.18
Bankers	25.42	24.90	24.60
Others	4.40	3.96	4.83
Cash reserves to liabilities to public	53.8%	56.0%	55.5%

BANK OF CANADA.—Million Can. \$

Nov. 1938	Oct. 1938	Nov. 1938	Nov. 1938
ASSETS			
Reserve, of which:	216.8	277.1	272.2
Gold coin and bullion	181.0	225.7	225.7
Securities	207.7	233.8	246.0
LIABILITIES			
Note circulation	176.3	227.2	225.3
Deposits: Dom. Govt.	25.1	47.4	39.0
Chartered banks	221.7	215.0	230.2
Reserves to notes and deposit liabilities	51.0%	54.7%	53.0%

BANK OF FINLAND
Million F. marks

Oct. 1938	Sept. 1938	Oct. 1938	Oct. 1938
ASSETS			
Gold reserve	620.4	1180.9	1180.1
Foreign correspondents	211.1	1860.2	1768.3
Foreign bills, etc.	119.5	55.9	52.2
Int. bills and home loans	1376.9	1268.5	1951.0
Finnish & foreign bonds	398.4	629.0	643.6
LIABILITIES			
Notes in circulation	2068.0	2547.2	2343.2
Sight deposits: Govt.	272.6	131.7	120.4
Other	988.6	561.1	547.4
Cover to sight liabls.	77.4%	85.7%	70.4%

BANK OF LATVIA
Million lats

Oct. 1938	Sept. 1938	Oct. 1938	Oct. 1938
ASSETS			
Gold coin and bullion	82.59	97.87	97.92
Foreign coin	12.22	7.14	6.07
Foreign currency	42.27	31.34	23.58
Treas. notes and change	7.97	6.85	8.22
Short-term bills	52.97	62.76	61.56
Loans against securities	95.52	117.34	132.82
LIABILITIES			
Notes in circulation	83.13	118.59	117.82
Deposits & current accs.	147.57	122.07	125.88
Government accounts	54.22	61.93	65.03

NETHERLANDS BANK
Million florins

Nov. 1938	Oct. 1938	Nov. 1938	Nov. 1938
ASSETS			
Gold	1481.0	1104.4	1107.8
Silver	2.3	5.5	11.8
Home bills, etc.	15.7	35.2	42.7
Foreign bills, etc.	4.0	1.6	1.6
Loans and advances in current account	308.4	226.6	225.1
LIABILITIES			
Notes in circulation	1015.8	1129.2	1125.7
Deposits: Govt.	138.3	Dr. 8.3	Dr. 15.0
Other	697.0	290.5	316.1

SWISS NATIONAL BANK
Million francs

Nov. 1938	Oct. 1938	Nov. 1938	Nov. 1938
ASSETS			
Gold	281.3	2,419.3	2,394.6
Foreign exchange	301.9	277.9	291.4
Discounts, etc.	96.0	86.6	85.6
Advances	24.8	45.4	53.7
Securities	94.6	93.9	94.6
LIABILITIES			
Notes in circulation	1696.3	2,043.3	2,036.2
Other sight liabilities	1667.9	823.1	834.7

N.B.—Exchange Equalisation Fund and the assets representing it are 538,583,653 frs.

BANK CLEARINGS

Publication of the weekly returns of Town Clearing, Metropolitan Clearing, Country Cheque Clearing is suspended until further notice.

PROVINCIAL
(£ thousands)

No. of working days:—	Four weeks ended			Week ended Saturday		Aggregate from January 1 to	
	Oct. 29, 1938	Oct. 28, 1939	Change	Nov. 12, 1938	Nov. 11, 1939	Nov. 12, 1938	Nov. 11, 1939
	24	24		%	6	6	268
BIRMINGHAM	8,383	7,551	— 9.9	2,071	1,863	104,472	101,800
BRADFORD	3,371	4,804	+ 42.5	790	1,189	35,561	40,388
BRISTOL	5,138	6,303	+ 22.7	1,178	1,246	56,905	61,116
HULL	3,436	2,671	— 22.4	769	665	37,578	34,949
LEICESTER	2,781	3,042	+ 9.4	724	630	31,462	31,720
LIVERPOOL	19,750	18,931	— 4.1	4,734	5,708	233,099	221,384
MANCHESTER	37,209	41,963	+ 12.7	8,189	9,474	414,849	429,443
NEWCASTLE	5,972	5,558	— 7.0	1,464	1,284	67,801	66,116
NOTTINGHAM	2,036	1,824	— 10.4	483	365	22,357	21,318
Total: 9 Towns	88,076	92,647	+ 5.2	20,402	22,424	1,004,084	1,008,234
DUBLIN	27,800	26,807	— 3.5	6,206	5,361	278,734	272,494
LEEDS*	3,995	—	—	675	—	42,884	—
SHEFFIELD†	3,370	2,085	— 52.4	799	511	48,509	43,378

* Suspended publication. † Clearing of suburban cheques through local clearing discontinued from September 7, 1939. ‡ 45 weeks.

MONEY RATES
LONDON

Nov. 9, 1939	Nov. 10, 1939	Nov. 11, 1939	Nov. 12, 1939	Nov. 13, 1939	Nov. 14, 1939	Nov. 15, 1939	Nov. 16, 1939
Bank rate (changed from 3% Oct. 26, 1939)	2	2	2	2	2	2	2
60 days' bank drafts	13/8	13/8	13/8	13/8	13/8	13/8	13/8
3 months' do.	13/8-1/4	13/8-1/4	13/8-1/4	13/8-1/4	13/8-1/4	13/8-1/4	13/8-1/4
4 months' do.	13/8-1/4	13/8-1/4	13/8-1/4	13/8-1/4	13/8-1/4	13/8-1/4	13/8-1/4
6 months' do.	13/8-1/4	13/8-1/4	13/8-1/4	13/8-1/4	13/8-1/4	13/8-1/4	13/8-1/4
Discount Treasury Bills	11/8	11/8	11/8	11/8	11/8	11/8	11/8
3 months'	11/8	11/8	11/8	11/8	11/8	11/8	11/8
6 months'	11/8	11/8	11/8	11/8	11/8	11/8	11/8
Loans—Day-to-day	3/4-1/4	3/4-1/4	3/4-1/4	3/4-1/4	3/4-1/4	3/4-1/4	3/4-1/4
Short	3/4-1/4	3/4-1/4	3/4-1/4	3/4-1/4	3/4-1/4	3/4-1/4	3/4-1/4
Deposit advances: Bk.	1/2	1/2	1/2	1/2	1/2	1/2	1/2
Discount houses at call	3/4	3/4	3/4	3/4	3/4	3/4	3/4
At notice	3/4	3/4	3/4	3/4	3/4	3/4	3/4

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 Nov. 10, 1939 (£'000)	Aggregate Gross Receipts 45 weeks (£'000)
	Pass. Goods Total	Pass. Goods Total
Belfast & Co. Down—	1.6 0.5 2.1	113.8 19.7 133.5
1938	2.0 0.5 2.5	118.6 21.0 139.6
Great Northern—	8.2 10.3 18.5	505.6 419.1 924.7
1938	9.5 13.5 23.0	513.8 487.7 1001.5
Great Southern—	27.9 55.0 82.9	1681.3 1846.8 3528.1
1938	27.9 64.3 92.2	1676.5 2000.7 3677.2

CANADIAN

(For heading, see Overseas Traffic, in next column)

Company	1939	1938
Canadian National	4,716,026	704,061
Canadian Pacific	3,603,000	340,000

SHORTER COMMENTS

(Continued from page 264)

Dennis Brothers.—After transferring £20,000 to special tax reserve, carry forward will be increased by about £11,000. Last year £156,506 was carried forward. Final ordinary dividend, 83½ per cent., making for year to September 30, 1939, 116½ against 100 per cent.

Lewis Berger and Sons.—Profit for year to July 31, 1939, £156,417, before taxation and A.R.P., against £155,218. Ordinary dividend reduced from 15 to 13 per cent.

Associated Equipment Company.—For year to September 30,

LONDON ACTIVE SECURITY PRICES AND YIELDS

In calculating yields of fixed interest stocks allowance is made for interest accrued, less income tax at the standard rate, with allowance for 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 yield on ordinary stocks and shares is calculated on the latest dividends, account being taken of any increase or reduction of interim dividends.

Prices, Jan. 1 to Nov. 15, 1939		Last two Dividends		Name of Security	Price, Nov. 15, 1939	Ch'ge since Nov. 8, 1939	Yield Nov. 15, 1939
High	Low	(a)	(b)				
79 1/4	64	71 1/8	61	British Funds			
111 1/4	98	107 1/8	98	Consols 2 1/2%	68	-1 1/2	4 s. d.
100 1/4	90	96 1/8	87	Do. 4% (alt. 1957) ..	103 1/2	-1 1/4	3 13 6
104 1/4	92	99 1/8	90 1/8	Conv. 2 1/2% 1944-49 ..	95 1/4	+1 1/4	3 15 8 1/2
105 1/4	90 1/2	99 1/8	87	Do. 3% 1948-53	97 1/4	+1 1/4	3 15 8 1/2
115 1/4	100	104 1/4	100 1/4	Do. 3 1/2% after 1961 ..	92 1/4	-1 1/4	3 15 11 1/2
115 1/4	102	112 1/8	103 1/4	Do. 5% 1944-64	102 3/4	-1 1/4	3 15 11 1/2
97 1/8	88 1/2	87 1/4	79 3/4	Fund. 2 1/2% 1956-61 ..	107 1/8	...	3 5 6
99 1/8	90	93 1/8	87 1/4	Fund. 2 1/2% 1952-57 ..	91	-1 1/4	3 9 11
114 1/8	98	109 1/8	87 1/2	Fund. 3% 1959-69	92	-1 1/4	3 8 8
101 1/8	90	99 1/4	84 1/4	Fund. 4% 1960-90	105 1/2	...	3 12 0
100 1/4	93	96 1/8	91 1/2	Nat. D. 2 1/2% 1944-48 ..	98	+1 1/2	3 12 3 1/2
112 1/8	100	108 1/8	102	Do. 3% 1954-58	96	+1 1/4	3 6 9
103 1/8	90 1/2	98 1/8	86	War L. 3 1/2% 1952	105 1/2	...	3 13 0 1/2
102	90 1/2	93 1/8	73	Local Loans 3%	91 1/4	-1 1/4	3 16 4 1/2
68 1/2	55	64	51 1/2	Austria 3% 1933-53	96	...	3 15 6
95 1/8	75	90	78	India 2 1/2%	58 1/2	...	3 8 10
117 1/8	110	115 1/4	105	Do. 3 1/2%	81	...	4 6 5
108 1/8	97	106 1/4	95	Do. 4 1/2% 1958-68	104	...	4 4 0
104 1/8	97	106 1/4	95	Dom. & Govt. Bonds			
115	109 1/2	112 1/2	103	Aust. 5% 1945-75	104 1/2	...	4 7 4
108	95 1/2	103	92	Canada 4% 1940-60	101 1/2	...	4 7 4
112 1/8	97	103	102	Nigeria 5% 1950-60	104 1/2	...	3 18 10 1/2
115 1/4	101	111 1/2	104	N. Zealand 5% 1946	102 1/2	...	4 11 8
85 1/2	77	81 1/2	72	S. Africa 5% 1945-75 ..	106 1/2	+1	4 0 0
107 1/8	94 1/8	102 3/4	95	Corporation Stocks			
96 1/2	78	85 1/4	73 1/4	Birmingham 5% 1946-56 ..	105 1/2	+1	4 3 0
89	38	65 1/2	34	L.C.C. 3% 1954-64	77	...	3 17 11
99	80	95	50	Liverpool 3 1/2% 1957-62 ..	96	+1 1/4	3 15 10
37 1/2	31	31	8	Mid. 3 1/2% 1957-62	96	...	3 15 10
19 1/4	14	21 1/2	6 1/2	Foreign Governments			
73 1/2	40	55 1/2	23 1/2	Ara. 4 1/2% Stg. Bds.	84 1/2	+1 1/2	5 6 6
105 1/4	94	100	94 1/2	Austria 4 1/2% 1934-59 ..	48	-1 1/4	9 7 6 1/2
99	84 1/2	86 1/4	58	Belgian 4% (36) 1970	60 1/2	...	7 5 0
13	10	12 1/2	9	Bulgaria 7 1/2% 1914	16 1/2	...	15 3 0 1/2
40	20	32 1/2	23 1/2	Brazil 5% Fd. 1914	16	-1	12 10 Nil
99	84 1/2	86 1/4	58	Chile 6% (1929)	40 1/2	...	12 10 Nil
104	94	100	94 1/2	China 5% (1913)	50	+5	16 10 1/2
13	10	12 1/2	9	Czechoslovakia 8%	95	...	3 3 2
40	20	32 1/2	23 1/2	Denmark 3%	75 1/2	+1	3 6 0
66	15	44	4	Egypt United 4%	10	+1	6 0 0
34 1/2	25	30	15	French 4% (British)	7	-2	?
58 1/2	20	35 1/2	15	Ger. Danes Ltd. 5%	6	-1	?
54	35	41 1/2	33	Do. Young L. 4 1/2%	22	...	10 16 0 1/2
50	35	40	30	Greek 6% Stab. L.	25	...	10 16 0 1/2
75 1/2	65	70	60	Hungary 7 1/2%	60	-1 1/2	9 3 4 1/2
15 1/2	9 1/4	11 1/2	4 1/4	Japan 5 1/2% 1930	45	...	8 17 10 1/2
				Peru 7 1/2% 1922	20	...	24 18 0 1/2
				Poland 7%	7 1/2	...	24 18 0 1/2
				Roum. 4% Con. 1922			
				Investment Trusts			
				Alliance Trust	483	...	5 3 6
				Anglo-Am. Deb.	185	...	5 3 6
				Debuture Corp. Stk.	160	...	5 3 6
				Guardian Investment ..	87 1/2	...	5 3 6
				Ind. and Gen. Ord.	175	...	6 17 2 1/2
				Invest. Trust Def.	180	...	7 4 5
				Mercantile Inv.	185	...	6 9 9
				Mercantile Trust Ord.	78 1/2	...	9 11 0
				Metropolitan Trust	175	-5	6 17 2
				Trustee Corp. Ord.	167 1/2	-5	5 19 5
				United States Deb.	162 1/2	...	6 3 1
				Financial Trusts, &c.			
				Brit. S. Afr. 15% 1940-60 ..	19 1/6	...	6 8 0
				Dalgety £20, £5 pd.	4 1/4	...	5 18 6
				Forestal Land £1	17 1/6	...	8 0 0
				Hudson's Bay Co. £1	21	...	4 3 0
				Sudan Plant. £1	30/-	...	6 13 4
				Breweries, &c.			
				Barclay Perkins £1	19 1/9	+3d	6 17 0
				Bass Ratcliff Ord. £1	128 1/9	+12 1/2	3 17 6 1/2
				Courage Ord. £1	58 1/2	-1 1/2	6 4 0
				Distillers Ord. £1	66 1/6	-6d	4 9 0 1/2
				Guinness Ord. £1	84/-	...	6 2 0
				Ind. Coops. & All. £1	84 1/6	-6d	5 7 0 1/2
				Mitchell & Butlers £1	70/-	...	6 0 0
				Watney Combe & Def. £1 ..	52/-	-3/-	6 18 0
				Iron, Coal and Steel			
				Baldwins £1	5 1/6	-3d	7 5 6
				Bolsover Col. Ord. £1	46 1/10 1/2	+1 1/2	7 5 6
				Brown (J.) Ord. 10/-	28 1/9	+1 1/2	6 14 0
				Cammell Laird 5/-	6 1/6	...	7 14 0
				Colvilles Ord. £1	21 1/3	+7 1/2	7 10 0
				Dorman Long Ord. £1	25 1/2	-1 10 1/2	8 0 0
				Firth Brown £1	65/-	...	5 7 9 1/2
				Guest Keen & Eads £1	21 1/6	-6d	5 11 9 1/2
				Hadfield 10/-	23 1/6	+6d	9 14 0
				Horden Collieries £1	16 1/6	-3d	6 19 0
				Powell Duffryn £1	45/-	+1 1/2	5 10 6 1/2
				Sheepbridge C. & L. £1	27 1/6	...	7 5 5
				S. Durham Ord. £1	12 1/2	...	4 9 0 1/2
				Staveley Coal, etc. £1	42 1/6	-7 1/2	5 18 0
				Stewarts & Lloyds £1	31 1/3	...	8 0 0
				Swan, Hunter £1	3 1/6	...	Nil
				Thomas (Rich.) 6/8	31 1/3	-1 1/9	6
				Thornycroft, John £1	31 1/3	-8 1/2	7 4 0
				U. States Steel \$100	22 1/2	...	7 4 0
				Un. Steel Cos. Ord. £1	17 1/3	-3d	5 16 0
				Vickers 10/-	17 1/3	-3d	5 16 0
				Textiles			
				Brit. Cel. Ord. 10/-	6 1/6	-6d	Nil
				Coats, J. & P. £1	28 1/6	-3d	7 0 0
				Finlayson £1	30 1/6	-3d	5 9 0
				Finlayson Swg. Ctn. £1	27 1/6	...	5 9 0
				Lin. Th. Read Stk. £1	23 1/9	...	5 2 0
				Patons & Baldwins £1	55/-	...	3 12 9 1/2
				Whitworth & M. £1	9/-	...	3 6 6
				Electrical Manufacturing			
				Associated Elec. £1	40/-	...	5 0 0
				British Insulated £1	77 1/6	...	5 3 3
				Callenders £1	110	...	5 0 0
				Crompton Park A 5/-	17 1/6	...	4 5 6
				English Electric £1	31 1/3	...	6 8 0
				General Electric £1	75/-	...	5 6 8
				Electric Light, &c.			
				British Pow. & Lt. £1	25/-	...	5 12 0
				Clyde Valley Elec. £1	33 1/12	-7 1/2	4 16 0
				County of London £1	23 1/6	...	5 2 0
				Edmundsons £1	23 1/6	...	5 2 0
				Johnson & Phillips £1	40/-	+5 1/2	7 10 0
				Lancashire Elec. £1	30/-	+1 10 1/2	5 0 0
				Midland Counties £1	18 1/9	...	7 9 4
				North-East Elec. £1	35/-	...	4 11 6
				Northumb. £1	27 1/6	...	5 2 0
				Scottish Power £1	37 1/6	+7 1/2	4 18 6
				Yorkshire Electric £1	33 1/9	...	4 15 0
				Gas			
				Gas L. & C. £1	16 1/6	-6d	6 10 0
				Imp. Cont. Stk. £1	80	-3	10 0 0
				Newcom-Tyne £1	18/-	...	6 0 0
				S. Metropolitan Stk. £1	67	...	8 4 2
				Motors and Cycle			
				Austin 5/-	16 1/3	+1 1/2	4 12 6
				Ford Motors £1	14 1/4 1/2	...	7 0 1 1/2
				Lucas, J. (L.)	49 1/4 1/2	...	6 1 6
				Leyland Motors £1	45	...	5 14 0
				Morris Motors 5/-	87 1/6	...	9 0 0
				Rolls-Royce £1	25 1/2	...	5 2 0
				Stand. Motor 5/-	47 1/2	+1 1/2	5 2 0
				Aircraft			
				Bristol Aero. 10/-	16 1/3	-6d	9 4 7
				De Havilland Air. £1	33 1/9	+9d	7 8 0
				Fairley Aviation 10/-	16 1/6	-3d	9 1 0
				Hawker Siddeley (5/-)	16 1/3	-9d	12 12 0
				Shipping			
				Furness, Withy £1	21 1/6	+6d	3 16 0
				P. & O. Def. £1	23 1/6	...	6 0 0
				Royal Mail Lines £1	9/-	-6d	6 0 0
				Union Castle Ord. £1	16 1/6	...	Nil
				Tea and Rubber			
				Allied Rubber £1	16 1/6	-1 1/2	4 17 0
				Anglo-Dutch £1	27 1/3	-1 1/6	3 13 0
				Jokai (Assam) £1	32 1/6	...	6 3 9
				London Asiatic 2/-	3 1/9	...	5 6 0
				Rubber Trust £1	3 1/9	-9d	6 0 0
				United Serdang 2/-	3 1/3	-4 1/2	5 10 0
				Oil			
				Anglo-Iranian £1	61 1/3	...	6 13 3
				Apex (Trinidad) 5/-	28 1/6	...	6 19 2
				Burmah Oil £1	63 1/9	...	6 10 6
				Mexican Eagle M. 5/4 ..	7 1/3	+3d	4 15 6 1/2
				Shell Transport £1	83 1/9	-4 1/2	4 15 6 1/2
				Trinidad Lease £1	82 1/6	-2 1/2	3 12 9

(a) Interim dividend. (b) Final dividend. (c) Last two yearly dividends. (d) Yield on 4 1/2% basis. (e) Yield on 4% basis. (f) Yield on 3 1/2% basis. (g) Yield on 3% basis. (h) Yield on 2 1/2% basis. (i) Yield on 2% basis. (j) Yield on 1 1/2% basis. (k) Yield on 1% basis. (l) Yield on 3/4% basis. (m) Yield on 1/2% basis. (n) Yield on 1/4% basis. (o) Yield on 1/8% basis. (p) Yield on 1/16% basis. (q) Yield on 1/32% basis. (r) Yield on 1/64% basis. (s) Yield on 1/128% basis. (t) Yield on 1/256% basis. (u) Yield on 1/512% basis. (v) Yield on 1/1024% basis. (w) Yield on 1/2048% basis. (x) Yield on 1/4096% basis. (y) Yield on 1/8192% basis. (z) Yield on 1/16384% basis. (aa) Yield on 1/32768% basis. (ab) Yield on 1/65536% basis. (ac) Yield on 1/131072% basis. (ad) Yield on 1/262144% basis. (ae) Yield on 1/524288% basis. (af) Yield on 1/1048576% basis. (ag) Yield on 1/2097152% basis. (ah) Yield on 1/4194304% basis. (ai) Yield on 1/8388608% basis. (aj) Yield on 1/16777216% basis. (ak) Yield on 1/33554432% basis. (al) Yield on 1/67108864% basis. (am) Yield on 1/134217728% basis. (an) Yield on 1/268435456% basis. (ao) Yield on 1/536870912% basis. (ap) Yield on 1/1073741824% basis. (aq) Yield on 1/2147483648% basis. (ar) Yield on 1/4294967296% basis. (as) Yield on 1/8589934592% basis

The Importance of Exports—IV

The End of German Exports

THE economic war against Nazi Germany has entered this week upon a new phase. Hitherto, the efforts of the British and French Navies have been limited to taking any German ships they could find and seizing any contraband destined for Germany. These two objects have been attained with encouraging success. But part of Germany's trade with the outside world has hitherto been unmolested. Since the signature of the Declaration of Paris in 1856, international law has not normally permitted the seizure of enemy goods if carried in neutral ships. Germany's exports to overseas markets have consequently continued, and the Allies have strictly observed the letter of international law, even though to do so was manifestly in their disfavour. But another principle of international law which overrides the rules of embargo is the principle of reprisal. The right of a warring nation to take reprisals against the illegal acts of the enemy has been recognised in international law ever since privateers were sent out with letters of marque to take revenge for the acts of pirates. In the present war the Nazi Government has been obliging enough to spare us the trouble of proving its breaches of international law; they have been flagrant. The U-boats have distinguished neither between enemy and neutral ships nor between incoming and outgoing cargoes. And in the last few days a string of ships, neutrals and British alike, have been sunk by mines, believed to be of the magnetic type, sown broadcast and without notification in the sea lanes. In March, 1915, a similar situation was met by a British decision to seize all German exports. This precedent is to be followed: the Prime Minister announced on Tuesday that a similar Order-in-Council will be issued forthwith. We will not fight barbarism with one hand tied behind our back.

That Germany should wish to export to overseas countries when she cannot import from them in return might seem, at first sight, to be a curious procedure. But there are many ways in which the proceeds of overseas sales can be of value to Germany. She needs dollars for propaganda work and, it may be, for the purchase of support. Nearer home, her task of paying for supplies from the European countries she can reach by land will be immensely facilitated if she can offer part payment in a currency that they can trust—not Reichsmarks. The only source of such foreign exchange is from sales of German goods in overseas countries. It is by exports from neutral harbours or in neutral ships that the tattered remnants of Nazi credit are held together and that the Nazis are enabled to make a desperate effort to pay their way against the smooth and efficient contraband control of the Allied navies.

The new British move will, then, be a severe blow to Germany. But not only to Germany. The contiguous neutrals, and especially the Low Countries, which are Germany's natural window to the world, will suffer in several ways. They will lose their profitable *entrepôt* trade; one half has gone already and the other half will go now; the Dutch quays, which are now laden with German goods of all sorts, will soon be empty. Goods made up from German materials, but which remain of substantially German origin, must inevitably also come under the ban. The neutrals will also suffer from the double control that the British and French Navies will have to exert, for though it will be the endeavour of the blockading authorities to reduce to a minimum the inconvenience experienced by neutral shipping, outgoing ships will now have to be submitted to as rigorous a search as incoming vessels. Moreover, though the origin of a particular consignment might seem *prima facie* to be easier to discover than its ultimate destination, the control of exports cannot be short-circuited by the convenient device of rationing. Another time-saver, the Navicert

system, by which the *bona fides* of a shipment are certified by the British consular service at the consigning port—which has this week been revived for United States exports—is also less easy to apply to goods coming away from the enemy's borders. The Ministry of Economic Warfare, however, is well-informed on where German exports go and who carries them, and the system can be expected to work at least as smoothly as in the last war. Neutral traders can certainly be assured that the most sympathetic consideration possible will be given to their interests. It is understood, for example, that a period of grace for contracts entered into before the Prime Minister's announcement will be allowed.

But neither the loss of *entrepôt* trade nor the extra inconveniences of the contraband control are the worst feature of the new development in the neutrals' eyes. Germany will now be compelled more than ever to concentrate her attentions upon them. Moreover, she has certain things they need. Holland, for example, a country of commerce and light industry, is largely dependent upon supplies of German heavy industrial products. One effect of the intensification of the British blockade—especially if the mine-laying against which it is a reprisal has the effect of scaring neutral shipping away from the narrow seas—may be to draw the neutrals more closely into Germany's industrial and commercial orbit, an anticipation which is certainly not pleasant to them.

That the new Allied policy has unfortunate consequences for the neutrals is a matter for very sincere regret. But it is part and parcel of the war which Germany first chose to start and then chose to fight by illegal methods. The neutrals must know that their best chance of free commerce and safe trading in the future lies in the speediest possible Allied victory. "It is for neutral nations to recognise," as the present First Lord of the Admiralty wrote in 1915, "that it is not practically possible, nor in the neutral interests, to claim the maintenance of a situation which would deprive naval strength of all its rights, while permitting naval weakness to indulge in every abuse." Complaints addressed to London (if there are any) are decidedly misdirected. The war was no more of Britain's seeking than of the neutrals', and it is not the Royal Navy that is sinking their ships and drowning their women and children.

It does not, however, follow that the neutrals must merely be left to their fate—that would, indeed, be the blindest sort of economic warfare, as well as the most unjust. One of the great advantages of stopping Germany's exports is that by concentrating all her trade in a few markets the field for our counter action is similarly limited. This week's decision should now be followed up by an intensive campaign to beat Germany out of the markets that are still accessible to her. Our bargaining position is strong; Germany's is weak. We have goods to buy, goods to sell and goods to carry. We can, if we choose, supply the contiguous neutrals with the goods they need from Germany, and we can undercut the German bids to an indefinite extent, for while we can recoup our losses in the whole wide world, a loss in these markets for Germany is a loss for her whole foreign trade. We can also beat her out of these markets by buying up their export surpluses. Hitherto we have not been bold enough along these lines. There is disappointment in Turkey, for example, at the very modest compensation that has been found in Britain for the trade with Germany that she has renounced; and in Roumania, though there are reports that British bulk purchases will be made in larger amounts and at more attractive prices than hitherto, it would be rash to assume that, without more definite proof of British support, the Roumanians will continue to resist German pressure for an expansion of trade. In all these

countries where the Allies and Germany still compete, we must be prepared deliberately to abandon commercial principles. Trade in these markets is a weapon in economic warfare to us; it is life and death to Germany.

The other conclusion to be drawn from this week's decision is almost too obvious to be mentioned—if it were not also too obvious to be noticed. It is the Allies who are serving on Germany notice to quit her overseas markets; but they will not derive full advantage from their action unless they move in themselves. There are hungry neutrals waiting to jump the claims we are now rendering vacant.

Shipping Policy

THE recent appointment of Sir Arthur Salter to be Parliamentary Secretary to the Ministry of Shipping was welcome earnest that there would be expertise near the helm of the new Ministry. The experience of the last war, in which Sir Arthur did notable work in requisitioning and in inter-Allied shipping relations, will not be forgotten. It then took two years of trial and error before a Ministry of Shipping was set up. This time it should be possible to see the shipping problem as a whole from the start.

At the moment the chief topic of debate is the level of freights. So it was in the first years of the last war, when shipping policy was consistently labouring behind shipping needs. No section of any party can wish for a return of the high earnings and excessive profits that were then made in the industry. But if one lesson stands out more than another from the experience of that time, it is that attempts to control freights do not add up to a shipping policy. It was a grave error of 1914-17 that the symptom of soaring freights was permitted to obscure the disease of deficient carrying power.

The progress of shipping policy after August, 1914, was purely empirical. Vessels were taken over by the Admiralty and War Office and paid for at rates made, in effect, by panels of the shipowners themselves. The rates were high, but they fell very far below the levels reached by freights in uncontrolled transactions. The reasons for the general rise were simple. The world's shipping was disorganised. Allied tonnage was requisitioned. Services were turned to new and longer routes. Ports were closed. There were restrictions on navigation. Raiders and contraband were restrictions on commerce was dislocated. Even if controls caused delay, Commerce was dislocated. Even if no single ton of Allied or neutral shipping had been lost by enemy action, the world's carrying power would have fallen seriously. Carrying power does not depend simply upon the number of ships available, but upon the number of laden voyages the ships can do in a given time. Voyages were now longer in sea miles and in time, and commercial maladjustment meant more voyages in ballast. Allied ports were congested with unladen ships and the quaysides were crowded with goods that land transport could not clear away. The Allies' demand for materials was urgent and insistent, and, with shipping blocked and slowed down, it was no wonder that freights shot up. It was the obvious reaction of a world industry to world events.

This was not clearly seen. The first controls, administered somewhat haphazardly by the defence Departments, had the Board of Trade and a number of *ad hoc* bodies, had only one object—to restrict freights. More and more ships and shipping space were brought under requisition at fixed rates. By May, 1916, over a third of Britain's ocean-going steamers were requisitioned—for the forces, for Allied service, for the carriage of sugar, nitrate, pyrites, flax, timber vice, for the carriage of meat was requisitioned in or iron ore. Insulated space for meat was requisitioned in the Australian, New Zealand and Plate trades, and, with the introduction of liner requisitioning on their set routes in addition to the taking over of tramps, space for both wheat and munitions was requisitioned in ships on the North Atlantic routes. In February, 1917, when it was decided to make requisitioning general, half the British mercantile fleet had already been taken over.

But by now more insight was evident. The Ministry of

This problem was examined at length in the previous article in this series a fortnight ago, and the conclusion then reached may well be re-emphasised to-day: that these markets will accrue to our benefit only if we pursue a carefully integrated and energetically directed policy for that purpose.

The new policy of reprisal has the supreme merit of being boldly conceived and rapidly executed. It would be a pity if it proved to have outrun in boldness or in speed the plans for following it up in every market of the overseas world which should be treading close on its heels.

Shipping was set up, in December, 1916, "to control and regulate any shipping available for the needs of the country in such a manner as to make the best use thereof." The problem of carrying power was perceived, and requisitioning, from being a negative defence against high freights, became a means of positive organisation. Shipowners had claimed from the outset that deficient carrying power was the key; but it was not until the early months of 1917 that the point was taken by the Government. The officials of the Ministry then set up saw that their duty was to co-ordinate the control of both ships and cargoes so as to bring trade needs and shipping capacity into direct line. Tonnage available had fallen by a quarter by 1917, and the fall in entrances at ports was proportionately greater. Imports were down by a third compared with 1913, even though the ratio of imports to tonnage had risen. There was urgent need for the closest co-operation between the Government controls over wheat, sugar and munitions and the volume and direction of shipping. With its eyes opened to the crucial importance of carrying capacity, the Ministry could plan ahead. The need to save shipping by restricting non-essential imports was recognised. *Faute de mieux*, tonnage was concentrated on the North Atlantic routes to bring in food and munitions. Energetically the ports, quays and sidings were cleared of undue congestion: labour was mobilised, trucks were pooled and goods lying unduly long were penalised. Plans went beyond the cutting of old-standing knots like these. Inter-Allied import programmes were adjusted by joint action to the shipping capacity available—a policy possible already in this war because of the pool planned between Britain and France. Above all—and under the new threat of unrestricted submarine warfare—shipbuilding was pressed forward. The priority of the Admiralty was abated; materials were freed for the commercial yards. All this was belated. Much of it might not have been required had the need to maximise shipping turnover and capacity been fully realised earlier. As it was, stringent State control, coming in when the emergency was already extreme, was compelled to sever valuable commercial and mercantile connections. But it was a shipping policy, though at emergency one.

There is all the material here for Sir John Gilmour and his staff. Fundamentally the shipping problem is simply the wider problem of supplies. From the first gong in this fight the twofold needs of shipping were evident: to plan the most efficient and economical use of Allied and neutral shipping space (which in total was not in 1939 so nearly adequate as in 1914, *vide The Economist*, September 16th); and to bring into employment a steady stream of new tonnage to make up for tonnage lost by requisitioning, convoy delays, congestion and losses by sinking. Every effort to lessen delays and to root out aimless voyages in ballast was indicated.

Above all, it is plain that trade and shipping must be planned in step, that ships must only go where cargoes are and cargoes must always be where ships come. There is no sovereign way to secure this. If vessels are to sail on commercial voyages under requisition, because of the vital nature of the supplies they are to bring in, then the direction must go hand in hand with State purchasing an

commodity control. But it is both undesirable and impracticable to cut needlessly across or cut away the established framework of sea-borne commerce with its connections, machinery, experience and goodwill. The task is to maintain and expand trade by the best and most efficient means to hand. It is to employ the shipping industry, of this and other countries, to the best interest of the Allies—not, except under pressure of emergency, to usurp its functions. The sole *sine qua non* is co-ordinated supervision and control to press shipping into the mould of Allied needs.

Shipping is an international industry. No merely national or Allied scheme can put a strait-jacket on freights. To a point there must be differences between the

rates allowed to Allied shippers and those claimed, on the competitive basis of demand and supply, by neutrals. High freights will measure the Allies' need and induce neutral tonnage to come into Allied service. But there is no need for undue ransom to be paid. On the one hand, if carrying power is maximised by organisation and new building, market rates will correspondingly be brought down. On the other hand, the strength of the Allies in commerce, properly used, their power to supply neutral markets and their power to buy neutral materials in bulk, can be made decisive in the direction and remuneration of world shipping. In the last result shipping is always "the servant of commerce," not the master.

NOTES OF THE WEEK

The First War Borrowing.—There is every justification for the fact that the first appeal for war borrowing should be addressed to the small investor. For one thing, it is not too early to make the point that this war cannot be fought on the totalitarian scale (and it cannot be won on any other) without impinging on the consumption of the rank and file. This is the argument from general policy; but there are technical reasons also for appealing first to the small investor. The chief of them is that the market is not yet ripe for an ordinary War Loan—that is to say, it will be much riper after a few more weeks of intensive credit expansion. The two securities that have been offered this week, which are fully described and discussed on page 297, are well calculated to appeal to the small man. The first is a new issue of Savings Certificates—one of the most successful and reliable financial inventions of the last war. The other is the first of a new species—a 3 per cent. bond, repayable at par on six months' notice, and maturing in seven years at a 1 per cent. premium. Interest on these bonds, which will be available in multiples of £5, will be paid without previous deduction of income tax, but they will not, of course, share the Savings Certificate's complete immunity from tax. For the great majority of ordinary citizens, the issue of these securities provides the first opportunity the war has offered for a practical application of the desire to serve the community. By one means or another, the consumption of the people is going to be curtailed, and if the lending of savings is a more comfortable way of securing it than taxation or inflation, then patriotism and self-interest should combine to secure success for the present campaign. It is a pity, however, that it has been thought necessary to add the lure of rates of interest higher than were offered previously (in the case of Savings Certificates) or obtainable on the nearest comparable securities (in the case of the new bonds). It is very hard to believe that the small investor's response will be altered in more than the very slightest degree by the offer of a few shillings more per cent. Indeed, the decision to raise the rate of interest can only have been based on the most strait-jacketed variety of financial conservatism. An issue calculated to appeal specifically to small investors is, of course, only a partial precedent for the larger issues that are to come. But this week's announcement makes it more than ever necessary to insist on a firm undertaking by the Government to force the rate of interest down with the utmost ruthlessness. The City may not like it; but the City should not be allowed to say that it is impossible.

Man Power in the War.—This is pre-eminently the stage of intensive preparation for winning the war at a blow in 1941 or 1942. If the national policies of the two Allied countries are concentrated on making the maximum effort in industrial output as soon as possible, the new plan for collaboration between Britain and France in trade and production will help notably in screwing the Allies' economic strength to the highest pitch. But men as well as

materials will be needed. Here France has done her part at a single bound. Five million Frenchmen are mobilised. Britain has only just begun. In France the Field Force is growing by thousands weekly towards 200,000. In England a million more are in intensive training. Mr Hore-Belisha, who toured France at the week-end and reported to the Commons on Wednesday, promised our Allies more troops. Earlier it had been stated by the War Office that, though the age for reservation from military service was to be reduced in coal-mining and other essential trades, only by compliance with the most stringent regulations would withdrawals from the Forces for important civilian duties in industry or commerce be permitted. The machinery we have to sift out and allocate man power between the fighting front and industry would lose its efficacy if it were misapplied in either direction. It is an Army first of two millions and then of three millions, fully equipped as soon as possible, that is to be sought if the margin of victory is to be made certain. Last week Mr Hore-Belisha called for 20,000 more men over 35 years of age for the home Pioneer Corps and 20,000 more women for the Auxiliary Territorial Services. These recruits will save men for service overseas. The aim now, while we are still spared mass casualties, should be to bring recruitment, equipment and munitions output into line on the highest possible level. The fatal mistake would be to do less than our utmost in any branch of the war effort. It is surely a sign of shortcoming so far in the mobilisation of men and women for war work that unemployment has actually grown again to over 1,400,000.

Export or Die.—The returns of Great Britain's overseas trade in October, analysed on page 303 and given in detail on page 315, are disconcerting, to say the least. As in September, domestic exports were 42 per cent. down compared with the figures for the corresponding month last year. Imports, it is true, showed an improvement last month, when their value was only 22 per cent. lower than in October 1938, compared with the fall of 33 per cent. between September, 1938, and September, 1939. But as a consequence the excess of imports over exports, at £35.2 millions, was 13 per cent. higher than a year ago. That exports should have fallen heavily in the first month of the war was only to be expected; the interruption of trade with Germany and Poland, the delays caused by the introduction of the convoy system, the requisitioning of shipping tonnage by the War Office and Admiralty naturally caused a good deal of dislocation. But by the second month there should have been an improvement. Germany's problem in readjusting her trade was not so very much simpler than ours—yet the results of Germany's revised policies are already visible in the commercial and financial statistics. It cannot be too often reiterated that Great Britain must export or die, that the present state of the export trades is disastrous and that not nearly enough is being done about it. It is our worst failure of the war, and will bring down all the rest unless drastic action is taken at once.

A Stand by the Neutrals.—The German propaganda machine continues to dismiss the whole Belgo-Dutch "incident" as a crude Allied invention, designed to discredit Germany in the eyes of the neutrals. There remains hardly any other line for the Germans to take. Only the pretence that it was a put up job covers them against the awkward question why, with their plans apparently so far advanced, they called off the proposed invasion at the eleventh hour. The question is, nevertheless, being asked, and there are good grounds for supposing that the attitude of Belgium has some relevance to the reply. An invasion appears to have been planned for November 11th, and however unwilling the German experts may have felt to embark on so uncertain an adventure, the General Staff felt that, provided the attack launched on Holland could be accomplished without involving Belgium, then strategically the advance to the North Sea was worth the risk. The Germans calculated not only on Belgian non-belligerency; they even seem to have believed that the Belgians would actively resist any attempt made by the Allies to come to Holland's assistance across Belgian territory. These calculations were falsified by the outcome of the conferences held by King Leopold in Brussels on November 10th. Here, it is said, decisions were reached which, when telephoned that same night to Berlin, caused the German General Staff to place their veto on the whole scheme. Their opposition was subsequently stiffened by diplomatic representations from abroad. It appears that three of the most influential neutrals—the United States, Italy and Spain—all communicated to the German Foreign Minister their interest in the integrity of the Low Countries. Intimations coming from such quarters could hardly be ignored.

Himmler's Bomb.—Nevertheless the threat to Holland and Belgium is far from being removed. Germany has not modified her original attitude towards the neutrality of her small neighbours: they are safe from her only so long as they do not violate her conceptions of what their neutrality ought to be. The Nazis are keeping a lynx eye upon the political situation in the Low Countries, and no occasion for alleging a breach of neutrality by one or other of the two Powers is allowed to pass. During the past week German aircraft have repeatedly violated Dutch territory and Dutch territorial waters. When, however, the Dutch batteries opened fire and Dutch fighters went up, the Germans protested bitterly that, so long as Dutch ships accepted British contraband control without resistance, then they had no right to attempt resistance to German incursions. Similar warnings have been issued to Belgium—in her case over the alleged "unneutrality" of sections of the Belgian Press. The Venloo incident is another example of the Nazis' determination to pin trumped-up charges on to their unfortunate neighbours. On November 9th two British citizens, Captain Payne Best and Major

Stevens, were kidnapped on the Dutch-German frontier. A statement issued by Himmler now declares these men to be members of the British Intelligence Service who, from "a terror centre at the Hague," have long been instigating unrest and planning violence in Germany. Shortly, we may expect official protests from Berlin to the Dutch for allowing such dangerous activities to be carried on upon Dutch soil. Actually, apart from the detestable circumstances in which Captain Best and Major Stevens now find themselves, the whole episode has a rich atmosphere of the pantomime conspiracy. Himmler declares that the British agents at the Hague were tricked into contact with the Gestapo men, believing them to be revolutionaries. These agents then "revealed their intentions and plans to the German officials." Yet the reason given for their kidnapping was their responsibility for the Munich explosion. In other words, the German police were fully informed of the whole Munich plot *before it took place*. Thus we must either dismiss the whole tale as a clumsy piece of fiction or conclude that Himmler and his men connived at the attempt upon their Fuehrer. Nervo and Knox could hardly do better.

Towards Central European Settlement.—As an article on page 276 suggests, the Czechs must now realise that the less immoderate side of German policy will always be qualified, and at crucial moments dominated, by the brutal harshness which has always characterised Nazi counsels. A lasting compromise is now impossible: and there can be no longer any question of the Czechs exchanging new declarations of submission in return for any bribes of land or status which the Germans may be tempted to make in the stress of war. The brutality of German reprisals and the possibility of those bribes therefore equally raise the inevitable question of the post-war settlement. Without prognosticating on the hope of many people in England that some form of inter-State confederation in Central Europe may emerge from that settlement, it is to be hoped that the mistake of 1919 will not be repeated—that there will not be another Balkanisation of Central Europe by the creation of States which, without being wholly self-sufficient, are wholly sovereign and fiercely jealous. The degree of collaboration will depend on the circumstances of the peace; what we are agreed upon is that there must be collaboration. In their conversation last week Dr Benes and General Sikorski presumably found some common ground: the needful thing is that that ground should be thoroughly worked over and expanded against the time when an independent Poland and an independent Czechoslovakia will once more be neighbours. There must be no repetition of 1919 and 1920 and the long years of internecine enmity. Teschen was the least necessary, and perhaps the most fatal, of all the sore spots of Versailles Europe. The early

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formation of a Czechoslovak Government is therefore necessary. A lasting settlement in Central Europe will not be made overnight or by the granting of piecemeal claims; long preparation is an essential. If we have a loyalty to the Czech cause—as no one can doubt that we have—then it is our duty to help in creating the essential circumstances for an agreed settlement between the Czechs and all their neighbours, Hungarians as well as Poles, and perhaps Austrians, for upon the existence of those circumstances will depend the permanent realisation of some at least of our fundamental war aims. Now that the restitution of Poland has been pledged in the formation of a Polish Government on French soil, there seems no good reason, except the reluctance of the Czech leaders in exile, to hinder the development of the existing Czechoslovak National Committee into a fully-fledged Government. In the past it may well have been the case that Dr Benes and his colleagues were anxious to do nothing which might cause distress to those who were carrying the burden of administration in Bohemia and Moravia; to-day they must be anxious rather to unfurl the banner of independence in vindication of those Czechs who have been shot or imprisoned within these last days. It would be a matter for deep regret if the formation of a Czech Government were delayed for reasons which Dr Goebbels would quickly embroider and exaggerate until they seemed to be of practical importance.

Analysing Unemployment.—Wednesday's debate on unemployment straggled over a very wide field. No damage was done by giving yet another airing to the manifold causes and disastrous effects of unemployment. But an opportunity was missed to classify the tendencies at work and to distinguish unavoidable from avoidable displacement, and long-term causes from short-term. Unemployment due, for example, to the unregulated location of industry, has a permanent aspect which must not be overshadowed by the form which it happens to take in wartime. Investigations concerning it must be made on a comprehensive scale and not merely shifted from the Special Areas, because those areas seem likely to benefit from a revival of heavy industry, to London, because London is now feeling the pinch in light industry, personal services and luxury trades. Similarly, juvenile unemployment and the physical and moral effects of protracted idleness are long-term problems which cannot be ignored simply because the war happens to draw popular attention from them. At the same time the types of unemployment which are specifically attributable to the war must be isolated. The suspension of grant-aided work on roads, building and the development of the Special Areas estates

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can be traced directly to Governmental action. And they can be classed as avoidable because that action was taken with no reference whatever to the progress of the supply programme, which is apparently expected to absorb the surplus labour. The fact is that labour is being allowed to find its own level, and that such recourse to "natural" processes is wasteful. The necessary transfer from peace to war industries must be of such a magnitude that it requires careful planning, the introduction of schemes for the dilution of labour in skilled munition industries and a vigorous expansion of supply services. Without these things there will be a waste of man power. With them there will be both an immediate reduction of unemployment and a quicker advance towards the winning of the war.

Parliament and Official Secrets.—The controversy concerning the degree of immunity from prosecution under the Official Secrets Act to which Members of Parliament may be entitled began in June, 1938, in an atmosphere of heat and suspicion engendered by the case of Mr Duncan Sandys. It has now been brought to a close in an atmosphere of judicial calm. On Tuesday the House of Commons recorded its agreement with the report of the Select Committee appointed to investigate the question. The Committee's recommendation that no judicial or other action should be taken to define the precise extent of members' immunity was based on three points. The first was the principle stated in the Bill of Rights, "That the freedom of speech and debates or proceedings in Parliament ought not to be impeached or questioned in any court or place in or out of Parliament." Any further definition of this principle would reduce its elasticity and thus limit the independence of members. The second point was the declaration of the Commons in the protestation of 1621 that the privilege of members is not merely personal, but is exercised on behalf of their constituents—a doctrine which applies to the present situation with undiminished force. Thirdly, it was held that the existing safeguards on the abuse of privilege by members—the disciplinary powers of the House and the good sense of the members themselves—were sufficient. The House assented to these principles with a show of oratory and the traditional firmness of the Commons both in the defence of their privileges and in the admission of the corresponding duties. That such a decision has been made possible in time of war is one more example of the ability of Parliament to overcome the forces which militate against freedom of speech. It now remains for members to demonstrate their continued ability to exercise with a due sense of responsibility the privileges conferred upon them by their position as the elected representatives of the people.

Industrial Health.—The readiness with which the wartime tendency to live on capital is accepted varies from one part of industry to another. But in no part is it more willingly received than in the department of the health and welfare of industrial workers. In fact, a revival of activity is welcomed with such enthusiasm, particularly in those industries which are now emerging from a long period of depression, that provisions for safety, health and recreation tend to be relaxed by tacit mutual consent in the patriotic and profitable attempt to increase production. A continuance of this tendency will bring its own Nemesis in the form of accidents, sickness, scamped work and short time. The appearance last week of the annual Report of the Industrial Health Research Board is therefore a timely reminder of the inherent dangers of the present situation and the necessity to avoid the worst of them. The origin of the Board is significant. It is a direct descendant of the Health of Munitions Workers Committee which was founded in 1915 to investigate the effects of long hours of work on output. The setting up of the original Committee was in fact a necessary emergency measure aimed at minimising the damage due to physically harmful and

economically wasteful working. Since 1918 its successor, the present Board, has adopted more positive functions and produced a valuable series of reports on industrial health questions. Now it is likely to be forced back to its earlier method of dealing with difficulties as they arise. This is largely inevitable, since with the heavier strain of wartime working, the introduction of unpractised workers and the increase in the number of women employed in industry, problems will arise more quickly and more frequently. There is every case for extending the Board's inquiries at once and for putting its findings into simple and popular form and giving them a wide publicity among industrialists.

A Decent Silence.—Bureaucracies are notoriously irrepressible. Even though the wish of the League of Nations secretariat that the Assembly should be convened—the date arranged was December 4th—may have revealed their zeal in the cause of collaboration, there seems no doubt that their judgment was at fault. It is more than silly to cry collaboration when there is no collaboration; it is discouraging to the very cause it seeks to promote. To pretend that the real purposes of the League of Nations can be served while the Great Powers of Europe are at war is either casuistry or lack of common sense. When this war is over there will be a place for the League; meanwhile those who believe that the ideal which gave birth to the League of Nations is as valid and inspiring as ever would do well not to plunge it into the hot fires of patriotism which the war will set aflame. It is therefore a wise decision to confine the routine business of the League—the passing of the Budget and the appointment of judges to the Hague Court—within the tactical limits of an administrative committee. This year's president would normally have been M. Maisky, the Soviet delegate; neither he nor anyone else would have enjoyed assisting at a meeting which would have been one long series of embarrassments or else—and perhaps in any case—a mere waste of time.

The Balkans in Disunity.—The project for an independent Balkan group has once more retreated behind a flourish of fine words, and need not be expected to reappear this side of Christmas, even if then. Tentative diplomatic efforts made by the Roumanian Government have met with doubt and suspicion, mainly, it seems, because they went unsupported by proposals concrete enough to win Bulgarian and Hungarian co-operation. Unless they can see a real hope of cementing an agreement, the Yugoslav and Greek Governments, which were among those approached by Roumanian diplomacy during the past few weeks, are unlikely to prejudice their neutral standing by publicly engaging in negotiations which would certainly be regarded with disfavour by the Germans. There is a feeling, none the less strong for being acutely partisan, that those who stand to gain most by Balkan unity must be ready to pay the necessary price. And the minimum price would be the promise by Roumania of territorial concessions, at least to Bulgaria. The Hungarian Foreign Minister represented this point of view in a speech this week, during which he expressed his regret that "some Governments" seemed unwilling to recognise the new realities in Europe even though such recognition was for their own good. The plain meaning of this verbiage is that, in Count Csaky's opinion, Roumania is in a hole out of which Hungarian friendship alone can lift her; and the Roumanian reply could presumably be that when the whole political system in south-eastern Europe is threatened with collapse, it is better to gamble on the greater risk. The chances of Balkan union in any form were never great, and their failure to arrive on this latest occasion does not worsen a situation that was never secure. In one direction there may be a gain in the sharper realism with which those outsiders who, like the Italians, have assumed that their co-operation is the only missing

ingredient, should now regard the situation. The arrival of winter will put an end to rumours of imminent invasion by Germany or the U.S.S.R.; but for the moment it looks as if the military hibernation will also extend to the political sphere.

Japan and the Soviets.—It is not yet clear how much importance should be attached to reports that an improvement in the status and authority of the Chinese Communists is the subject of Soviet pressure on the Chinese National Government. The least that can be said is that General Chiang Kai-Shek would appear to be pre-occupied with the Soviet attitude, and that the continued supply of war material and the goodwill of the Soviet Government might well require a price over and above their cash value. It is possible to erect on that supposition, and on the improved relations between the Soviet Government and the Japanese—given reality this week by the announcement of a Soviet-Japanese agreement regarding the Manchukuo-Mongolian frontier and the formal opening of long-awaited trade negotiations—a menace to the Chinese Government of quite alarming proportions. If the Japanese could overcome their distrust to the point of signing with Moscow the non-aggression pact for which Moscow first asked eight years ago; if, further, the Japanese Army were ready to consign to the care of Soviet influence the far-inland provinces of China and allow Sinkiang, Inner Mongolia, and possibly Szechuan, Kansu and neighbouring provinces to go the way of Outer Mongolia and become completely Sovietised; if thereupon the support which the Soviet Government has hitherto given the Chinese Government were transferred to its Communist allies, then it might be that General Chiang's position would become desperate. But these suppositions, though inherently possible, go far beyond the known facts. In the year since General Chiang first established his headquarters at Chungking he has seen the Japanese military effort stemmed and confined within the plain of China. He has maintained communication with the outside world through Indo-China, Burma, Siberia, and even to some extent through the ports which remained to him after the taking of Canton and Swatow. Although the Japanese have now cut the fourth of these lifelines in capturing Pakhoi, there is no sign that they are within appreciable distance of being able to cut the others. And while the Japanese are finding it impossible to establish in South China a Chinese Government which will be respectable as well as completely submissive—for Mr Wang Ching-wei fails on the second count at least—the resources of Chinese resistance are being strengthened and widened. This point will not be lost in Moscow.

Italy's Wartime Economy.—Before the outbreak of war the policy of self-sufficiency, so costly and inconvenient to the ordinary citizen, was the subject of countless explanatory statements and speeches by the authorities. It must be a relief to them not to have this irksome task any longer. Signor Mussolini had the last word on the subject last Saturday, when he said that "Anybody could now see how ridiculous . . . was the question of internal

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and external costs now that raw materials from abroad either cost astronomical sums or were not to be had for love or money." The distinction between a war and peace economy was "simply absurd," he said, for economics was always dominated by the fact and imminent fatality of war. Doubtless he was speaking from experience. Italy appears to have felt three main effects from the war: alongside mounting domestic expenditure there has been an increasing difficulty in obtaining supplies of raw materials, and the third effect, a stimulation of Italian trade with the European neutrals, is not yet of sufficient importance to offer much compensation. Steps have been taken to tighten up the distribution of available raw material supplies, and to economise wherever possible in the use of metals, coal, fuel oil and similar essentials. In the labour field all general agreements concerning hours of work have been abrogated, and it seems that they will in future be replaced by individual agreements imposed according to particular needs. Wages remain substantially unchanged, although the cost of living may be expected to rise more or less steeply.

* * *

The taxes which have recently been announced show how closely the economic structure is being made to conform to war conditions. It was fairly clear that new taxes would have to be of a special nature, for the Italian Government accepted the method of capital levies as long as two years ago and were unlikely to meddle with the complex structure of Italian income taxation now that they wanted quick results as well as large ones. Both the new taxes are very much in line with the series of three capital levies applied since 1936. The more important of the two measures is a general levy of one-half per cent. on all forms of property and capital above the value of 10,000 lire (about £1,000), these to include land, buildings, money investments, and the net value of industrial, commercial and agricultural concerns. The second tax, which, like the first, is to run from July 1, 1940, is a 2 per cent. levy on income from business dealings, whether retail, wholesale or in real estate, and is thus of a widely inclusive nature. The taxes are commented on by our Turin Correspondent in an article on page 287 this week. It is not surprising that no estimate of the expected yield of these taxes is available from official sources, for the authorities have for some time been engaged in the task of covering their tracks; and in this they have taken full advantage of the camouflage of percentages.

* * *

Back to Methuselah and Others.—The cartoonists have not forgotten the old gentleman who sits quietly in Doorn, haunting or haunted by Hitler, while his country goes to war again. It was natural that they should remember him, just as it is natural that political speculators should now remember his sons and grandchildren. After Mr Duff Cooper's prophecy of a forthcoming restoration in Germany—a prophecy made with the Old Testamental vigour we should expect and as little foundation in public evidence—it was certain that the names would be taken

once again out of the files and the chances on each of them reckoned up. In some ways the files repay inspection. It transpires that Lord Rothermere, in the nicest Duff Cooper manner, had it on the best authority in the middle of 1933 that a Hohenzollern restoration would take place at the latest within eighteen months from then. It was, in Lord Rothermere's opinion, the safest political prophecy in Europe. It could not fail. He did not say whom the *Daily Mail* would prefer, but the choice is, after all, a wide one. All the Kaiser's five sons, Wilhelm, Eitel Friedrich, Adalbert, August-Wilhelm, and Oskar, are still living. The ex-Crown Prince has two presentable sons, Wilhelm and Louis Ferdinand, though Wilhelm, the elder, has committed the indiscretion of matrimony with a young lady who is merely aristocratic and not princely. There is the Duke of Brunswick and the Duke of Sax-Coburg. There are Hesses and Plesses and Lippes and Saxe-Meiningens and others. There is Prince Rupprecht, head of the Bavarian house of Wittelsbach, and his son Albrecht. Beyond their ranks, with presumably palpitating zeal, stand the ex-crowned heads of Europe and their countless dependants, each ready to play his or her part in bestowing on Germany the blessings of a dynasty. It may even be that the possibilities are being seriously canvassed as an answer to the disquieting question of what may happen after Hitler. Yet, if it were true that people in this country were pinning some hope of peace on a monarchist revolution in Germany, a state of auto-suggestion that even Mr Duff Cooper cannot promote, it should be said at once that the hope is so small as scarcely to be visible. At the price of peace, even a Hohenzollern would be cheap. But, unless the monarchist revolution comes of its own accord in Germany, it is neither helpful nor good propaganda to push it from outside. If a better Europe is to emerge from the overthrow of Hitler, it will not be on the shoulders of a German prince.

* * *

Lower Taxation Yields.—It was explained in the War Budget speech that the 1939-40 revenue was expected to fall by some £54 millions on the basis of pre-war taxation—a decline which virtually halved the effectiveness of changes made in the War Budget itself. The recent revenue returns analyse estimated revenue in such a way that the allocation of this £54 millions loss among the different sources can be calculated; the results are shown in the following table:—

	(£ thousands)			
	Pre-war estimate	Change in yield†	War Budget change	Final Total
Income tax	327,000	— 7,000	+ 70,000	390,000
Surtax	70,000	— 5,000	+ 5,000	70,000
Death duties	80,000	— 6,000	+ 1,500	75,500
Stamps	21,000	— 4,000	...	17,000
Customs and excise	348,730	— 6,930	+ 30,650	372,450
Motor duties	43,450	— 21,450	...	22,000
Post Office net receipt	7,200	— 6,800	...	400
Misc. receipts	10,750	+ 2,900	...	13,650
All other revenue	34,180	...	...	34,180
Total	942,310	— 54,280	+ 107,150	995,180

† On basis of pre-war taxation.

It will be noticed that the reduced yield from old surtax rates exactly corresponds to the expected additional yield from the new rates, and is somewhat heavy in relation to the reduction in income tax revenue. Lower Stock Exchange values and activity are reflected in the revised death duties and stamps estimates, the reduction in Inland Revenue being £22 millions in all. Customs duties were expected to bring in £7,200,000 less, though an increase of £270,000 in the excise estimates probably indicates a maintained consumption of beer and spirits which provide the bulk of the excise duties. A heavy decline in Post Office profits is not surprising, and £400,000 (including wireless licence surplus) is all that is left of the one-time basic contribution of £10½ millions. The main feature of these new estimates, however, is the halving of motor vehicle receipts owing to the war restrictions on motoring. The loss in a full year will be a serious matter.

THE WORLD OVERSEAS

The War and the Soviet Economy

(From a Correspondent)

THE economic life of Russia is not directly affected by the war. While neutral the Soviets can press on with domestic planning. The nation has not yet been forced—to the same degree as the belligerents—to waste the lion's share of its resources in unproductive manufacture for war. Nevertheless, the indirect consequences of the war on Russia's economy are considerable. Armaments are still being increased. Millions of men have been mobilised. The pact with Germany has involved the Soviets in heavy commercial obligations. Many new tasks and difficulties have been created.

When the war in Europe broke out there was something of a panic among Russian consumers. There was a marked tendency to hoard foodstuffs which M. Molotov was contending to attack publicly. There was a run on food supplies which not only proved inconvenient to the authorities but also showed some lack of confidence in the ability of the bureaucracy to distribute provisions according to plan.

In the sphere of production the oblique effects of the war have been even more serious. In some branches of industry the difficulties have become critical. This is particularly so in coal, transport and agriculture, where signs of deep disorganisation were already evident before the war began.

Labour Shortage

The mobilisation of millions of men caused an acute shortage of labour. The Government took two steps. First, fresh workers, mainly women, were drafted into production. Secondly, measures were adopted or intensified to raise the output of all workers in employment. The official campaign to encourage "Stakhanovite" methods—methods, that is, based on payment according to the output achieved by individual workers in competition with each other—was revived. Bonuses are paid to the most efficient workers and, in general, still greater emphasis than before is being placed upon the payment of widely differentiated wages. There has been no appreciable lengthening of the working day, but methods of speeding-up and rationalisation—commonly associated with capitalist systems—have been greatly intensified.

It is being officially pointed out that the 5 million housewives who are at present engaged in no gainful occupation make up a huge reserve of industrial labour. It is proposed to make wholesale use of this reserve in the factories. In September and October the large-scale use of women in transport began. Meanwhile, workers have been transferred from the conquered districts of Poland to the coal mines of the Donetz basin.

"Save raw materials and fuel." This slogan appears daily in the Press. Factory meetings all over the country have voted resolutions to this effect. The preliminary estimates for the Third Five-Year Plan promise a sharp increase in raw material production; of coal from 127 million tons in 1937 to 273 million tons in 1942; of mineral oil (petrol, etc.) from 30.5 million tons in 1937 to 57 million tons in 1942; of steel from 17.7 million tons to 28 million tons; and of pig iron from 14.5 million tons to 22 million tons.

These are hypothetical figures. The actual results of the second year of the Third Plan are not known, but Press reports say that several branches of industry have fallen behind. Early in October *Pravda* drew special attention to the backward state of the metal industry. Factories are counselling to accumulate winter stocks of materials and fuel to guard against interruptions due to delays in supplies. These delays are still the Achilles heel of Soviet economy. They are not due to any real lack of materials, but simply to lack of effective organisation and gross disproportions in the development of different industries. The present state of affairs—

with intensified arms manufacture and the Army fully manned—will make matters worse.

The situation is no easier in agriculture. There the effect of the war was felt at once in the increased burden of taxation, the rate of which was raised in many cases by as much as 50 per cent. Part of this additional revenue will be used by the Government to finance the building-up and transportation of reserves of foodstuffs for export to Germany. Only peasants are liable to these special taxes. The intellectuals and technicians resident in the countryside are exempted.

Peasant Resistance

The fact is that the battle for the land has not yet been won. Property relations in the villages are still in a state of flux. Ten years after the compulsory collectivisation of agriculture the peasants are still carrying on passive resistance to it. The Government tried to compromise. Members of the collective farms were regranted small holdings and allowed some freedom to trade. But the compromise has not worked well. The peasants increased their holdings at the expense of the collectives. They worked intensively on their own holdings and neglected the collective farms.

So much has this been so that, in May, the Central Committee of the Communist Party was compelled to act. Land lawlessly appropriated, they resolved, must be returned to the collectives. Peasants not performing a fixed minimum of work on the collective farms, they added, must be expelled from the collectives and lose their rights.

But the results of these orders have not been satisfactory. "Strengthen the labour discipline on the collective farms," said *Pravda* in October. In some cases as many as half the members of collectives are refusing to do their work on the common land, and common livestock is often used for private purposes. Potato production and cattle breeding threaten to fall off badly because of this situation.

This is *Pravda's* own picture. If it is true, the outlook for Soviet agriculture is not good. If these strains and conflicts continue, then the scope and scale of Russia's promised exports to Germany must be cut small. And the attempt to fulfil the bargain with the Nazis will raise grave obstacles.

A Re-Equipment Boom?

[FROM OUR NEW YORK CORRESPONDENT]

If there is one part of economic theory with which the American people have become thoroughly indoctrinated over a period of at least two hundred years, it is the quantity theory of money. From the very beginning of colonisation, America has commonly operated with an unredeemable or semi-redeemable paper currency, and some three centuries of experience had on the whole been summed up in a version of the quantity theory. This view might be expressed as a popular belief that any material increase in the means of payment will lead to a rise in prices and possibly an increase in business activity. Having devoted three centuries to memorising this formula, the American people have been somewhat disconcerted in recent years to see an almost continuous rapid and large increase in the means of payment (whether measured by gold, bank cash, bank deposits, or currency) coinciding with almost continuous depression and a low and erratic level of prices. Most recently, however, there has been a change back to traditional trends—though prices have still been sluggish.

THE WORLD OVERSEAS

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The increase in demand deposits in the past eighteen months has been little less than sensational.

DEMAND DEPOSITS ADJUSTED REPORTING MEMBER BANKS (\$000,000)

	New York City	Outside New York City
March 30, 1938	6,100	8,168
Sept. 28, 1938	6,562	8,946
Dec. 28, 1938	6,770	9,216
March 29, 1939	7,135	8,856
June 28, 1939	7,578	9,642
Oct. 24, 1939	8,356	10,365
Increase in 19 months	2,256	2,197

The increase in nineteen months amounts to more than 30 per cent. in New York City, and more than 20 per cent. for the Reporting Member Banks outside New York. In the last seven months alone the increase has been about 15 per cent. both in New York City and outside.

Deposits and Gold

Statistically, this increase in deposits is largely attributable to gold.

GOLD CERTIFICATES ISSUED TO FEDERAL RESERVE BANKS (\$000,000)

March 30, 1938	9,213
Sept. 28, 1938	10,863
Dec. 28, 1938	11,788
March 29, 1939	12,424
June 28, 1939	13,506
Oct. 25, 1939	14,804
Increase in 19 months	5,591

This figure is not identical with the gold stock; and the increase includes the monetisation of \$1,400 millions of gold in April 1938, principally from the Inactive Fund. But the fact is impressive—that the monetised gold stock has risen by over 50 per cent. in nineteen months from a level already regarded as high.

In spite of this inundation of gold and deposits, loans have actually fallen—although investments have risen.

REPORTING MEMBER BANKS (\$000,000)

	Total Loans	Total Loans and Investments
March 30, 1938	8,771	20,810
Sept. 28, 1938	8,241	21,240
Dec. 28, 1938	8,430	21,649
March 29, 1939	8,191	21,579
June 28, 1939	8,089	21,951
Oct. 25, 1939	8,479	22,657
Increase or decrease in 19 months	- 292	+ 1,847

The expansion of investments has been over \$2,000 millions; but it is only in the very latest period that the loan figures have shown any sustained increase of magnitude. Indeed, total loans and investments have not yet passed their peak of \$22,801 millions recorded on March 10, 1937—although demand deposits are now \$3,000 millions higher than they were then.

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NEW YORK PARIS BRUSSELS HAVRE ANTWERP

Simply stated, the position is as follows. Between March 1937 and March 1938 there was a contraction of bank credit, a decline in business activity, and fall in prices. Since March, 1938, there has been a spectacular increase in bank credit in the form of deposits—in turn principally derived from gold imports; a lesser increase in bank credit in the form of investments; an increase in business activity and some increase in prices. In other words, in the past cycle of 1937-8-9, the curves of business activity (and to a lesser extent prices) have run fairly parallel to those of bank credit and especially deposits—thus confirming the traditional doctrine of American economic thinking. The comparatively sluggish response of prices is not surprising, because production has most of the time been still at fairly low levels. With production at the present higher level, it is possible that we are approaching the vicinity of such marginal demand as would express itself in price.

Record Steel Output

In the month of October, the production of steel ingots in the United States reached a new high record, exceeding 5 million tons. It is probable that this output included some items that must be classed as "war orders"; but published comments and private gossip agree that war work comprised only a negligible fraction of output. Production at this level is at a rate about 90 per cent. of supposed capacity (say 70 million tons a year). This is perhaps somewhat in excess of the optimum efficiency rate; it is a volume which was maintained for a few months in 1929 and even more briefly in 1937.

Steel is still essentially a producer's good. While a considerable part passes directly to individual and personal consumption, notably in motor cars, the greater part is utilised by corporate enterprises for increasing or improving the means of production. Ordinarily, it is supposed that corporate enterprises finance their capital requirements out of new capital issues—that is, that a heavy volume of steel production would pre-suppose a heavy volume of capital issues. But new capital issues have at no time this year been large, and in recent months they have been notably small. It is true that there has been a growth in bank loans; and it is understood that a substantial portion of these are "capital" or "term" loans. But the figures in no way match the capital issues formerly associated with this level of steel output.

Maintenance out of Earnings

On the whole, it would seem most likely that this demand is being financed principally out of undistributed corporate profits. It will be recalled that when the Undistributed Profits Tax was repealed in the early summer of 1938, there were no corporate profits in the aggregate. The level of production was about 80, and that is below the profit level for American industry as a whole. But, for the past five consecutive quarters, American industry has had earnings—increasing earnings—and it has been, on the whole, pretty sparing in distributing those earnings. The increase in dividend distributions has by no means kept pace with the increase in corporate earnings.

While the evidence is not yet complete, there is a good deal of reason for calling the present spurt in heavy industry, not a war boom or an inventory boom, but a re-equipment or deferred maintenance boom, financed by undistributed corporate earnings. If this conjecture is valid, there is far more substantial support for the current level of activity than would derive from the mere replenishment of inventories—which is the explanation most commonly advanced. That an enormous potential demand has accumulated in the American economy from a decade of under-maintenance and de-equipment has been argued by every statistician. That it could be translated into actual demand with the reappearance of earnings has been argued by most economists.

November 11th.

Business Opinion in Italy

[FROM OUR TURIN CORRESPONDENT]

PERHAPS one of the best indices of business opinion about the trend of future political and military developments in our country is the current prices of variable dividend securities on the Stock Exchanges.

Most useful from this point of view is the index of 30 active securities quoted on the Milan Stock Exchange, which is daily published by the *Corriere della Sera*. These 30 securities

ties can be deemed representative, as they include about a fifth of the capital of all joint-stock companies and more than a half of the capital of companies whose shares are quoted on the Italian Stock Exchanges. We can begin our analysis by taking into account the indices of prolongation prices (*prezzi di compenso*) which are fixed monthly by the Stock Exchange authority and which are the basis for carrying over bargains (*riporti*) from end to end of successive months.

	July, 1938	July, 1939	Aug., 1939	Sept., 1939	Total Increase or Decrease from July, 1938, to Sept., 1939	Per cent.
Financial.....	645	703	712	787	22	3
Textiles.....	510	500	501	551	41	8
Mines, iron and steel.....	312	265	268	305	- 47	- 15
Engineering and motor-cars.....	244	296	295	310	66	27
Electrical.....	284	286	287	310	26	9
Food.....	425	494	496	542	117	27
Land and real estate.....	140	150	149	161	21	15
Miscellaneous.....	538	702	711	806	268	49

The upward trend is indeed not recent. The best part of the total upswing dates from the year from July, 1938, to July, 1939. But the upward trend was not then uniform. Textiles were a notable exception. Industry was badly hit by decreased consumption and the difficulties of purchasing raw materials, mixing inferior substitutes with genuine cotton, wool, hemp and jute, and devoting good raw material such as hemp to the manufacture of inferior goods to which jute, for instance, was better adapted. The mining, iron and steel industry was also, for analogous reasons, passing through a transition phase: scrap iron and steel was difficult to obtain, and the grandiose autarkical programme of obtaining steel directly from iron ore, instead of mainly from scrap, as customary in our country, is not yet complete. It will succeed in putting on the market iron and steel at lower cost than at present, and probably at prices not higher—at a certain level of the dollar and pound sterling exchanges—than the world level. But the programme is to be completed only in 1942. The electrical industry, always sensitive, has made great progress in selling surplus power, but prices were not always remunerative.

The picture changes after the end of July: instead of erratic increases along with decreases (from -16 to +30 per cent.), the upward trend becomes general and more uniform. The spread of percentage increases is between a minimum of 7 and a maximum of 19 per cent. Business interests tend to believe in increased activity with higher profits. Most of the increase has taken place since August. Apart from the construction put on the official declaration of non-intervention made by the Cabinet on August 31st and on the succession of speeches by Signor Mussolini, it seems evident that general optimism on the future of industrial and financial business could not be justified if the Stock Exchanges had believed in war. Electrical plant and real estate are liable to be confronted by decreased consumption and price regulation. It therefore seems certain that business and financial circles believe in the continuation, more or less for a long time, of the present non-intervention policy.

An examination of the daily fluctuation of variable dividend security prices bears out this conclusion:—

	August	September	October
Financial.....	4	25	1
Textiles.....	716	699	720
Mines, iron and steel.....	508	491	513
Engineering and motor-cars.....	269	265	275
Electrical.....	298	288	294
Food.....	288	282	292
Land and real estate.....	505	475	490
Miscellaneous.....	150	149	153
	729	717	748
	25	5	22
	699	770	808
	513	541	565
	275	296	313
	294	314	319
	292	308	317
	490	517	552
	165	164	161
	830	824	804
	2	27	2
	800	786	800
	597	549	589
	324	305	317
	328	309	315
	316	309	315
	554	539	559
	164	161	163
	810	804	807

The uncertainty prevalent in the last week of August, as well as the usual end-of-month sales on settlement days, explains the weakness on August 25th. As soon, however, as non-intervention was declared on the afternoon of August 31st, quotations rose. The rise was continuous and general until the 22nd. After a lull on settlement day (August 27th), the lost ground was soon recovered. The announcement of the new taxes on Saturday evening, September 30th, left the markets unmoved. On Monday, October 2nd, markets were again buoyant and optimism has since persisted.

Nor were the new taxes so light a burden as would easily be passed over. The new capital tax is an addition to the successive extraordinary capital taxes, which, in past years, have taken a large slice, including from 5 to 10 per cent. of the capital value of land, houses, and the net assets of joint-stock companies, private companies and individual concerns.

The new tax will be a permanent annual tax, and will amount to a 0.50 per cent. of the net estate of all individual taxpayers, joint-stock and private companies and other economic bodies. Exemption is granted only to State-issued securities, furniture and household goods. The burden of the tax will be 5 per cent. on income yielded by assets capitalised on a 10 per cent. basis; 10 per cent. on income if the capitalisation basis is 5 per cent.; and 16.66 per cent. on income if the capitalisation basis is 3 per cent. Adding these percentages to existing State and local income taxes, the total taxation on income is certainly not lower than the present British income tax rate of 7s. 6d. in the pound.

The second tax is not wholly new, for it takes the place of the old sales tax (*tassa scambio*). This sales tax was a levy on all sales between producers, between producers and middlemen, and between middlemen, at rates from 0.50 to 12 per cent. Many exemptions were granted. The new tax will be called a tax on receipts (*tassa sull'entrata*), viz. not on net income, but on all monetary items of gross receipts. The rate will be a flat 2 per cent. and will hit all receipts. Those who already pay the sales tax will now pay the new tax instead, and to their ranks will be added all agriculturists, who will pay on the cash receipts of their sales of wheat, oil, wine, cattle, fruits, vegetables; all house owners, who will pay on rents received; and professional men, who will pay on their fees. Sales from producers and middlemen to the final consumers, hitherto exempted, will now be taxed. A few exemptions are maintained: these include interest and dividends paid by the State and other bodies, bread, daily newspapers (books and other periodical publications will be taxed), salaries and wages, and receipts from the sale of exported goods. The tax will be paid, as with the old sales tax, every time goods change hands or services are rendered.

Although the burden of new taxes cannot be contemplated without some misgiving by interested taxpayers, the Stock Exchanges seemed indifferent. Even Land and Real Estate securities, for which both taxes are a new burden, continued their progress.

Is this optimism justified? May not the Treasury be alarmed by a trend, which can be construed as a drift from fixed interest securities in favour of tangible non-monetary investments, and come to the rescue with Stock Exchange restrictions? Time alone can answer these questions, put with daily anxiety by investors to their brokers. My intention was simply to guess, through the trend of Stock Exchange quotations, what is the most probable general opinion of business circles on the future of Italian policy.

November 11th.

Bulgaria's Place

[FROM OUR SOFIA CORRESPONDENT]

GERMAN influence in the Balkans has weakened since the active intervention in Poland of the U.S.S.R.; but this, of course, has in no way changed Bulgaria's policy of strict neutrality. Soviet interest in Bulgaria is so far only formal and has gone no further than an increase in the personnel of the Soviet Legation at Sofia, which has been without a Minister for the last two years. Even attempts to begin trade negotiations failed of concrete results. It is now hoped that regular trade relations between the U.S.S.R. and Bulgaria will begin.

The Bulgarian Government holds fast to its policy of neutrality, and considers that the present uncertainty in the Balkans, due to the growing influence of some of the Powers,

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makes such a policy more advisable than ever. Efforts to attract Bulgaria into the Balkan Pact are not regarded here very favourably, for it is feared that her membership might lead Bulgaria into participation in the war.

Public opinion, too, is behind a policy of neutrality. The Government has, nevertheless, decided to hold a general election in order to make sure of the public's wishes. These elections will take place at the end of December and the beginning of January. The recent reconstruction of the Cabinet was undertaken with this aim in view. Most deputies, especially those in opposition, consider new elections as very desirable. The fact that the country can be engaged for at least three months in an election campaign is an encouraging sign of stability.

The Government's programme for the coming elections turns mainly on foreign policy. Friendship with Yugoslavia and a firm desire to remain neutral figure prominently.

As an immediate consequence of the war we are encountering increasing difficulties in meeting our raw material requirements, hitherto imported from Great Britain and certain neutrals. Measures have been taken for the prohibition of exports of materials of which there is a shortage, and the only permitted exports are those which may be exchanged for indispensable raw materials and essential goods.

In the sphere of foreign trade policy the new trade agreements with Germany, Italy and Switzerland are important. While the agreement with Germany provides for the maintenance of the exchange of goods on the previous scale and an undertaking on the part of Germany to supply all materials hitherto imported, the agreement with Italy has been broadened and provides for increased exports to Italy of wheat, sunflower seed, etc., against the importation of agreement introduces no changes, but the present level of trade between the two countries is to be maintained. It is further Bulgaria's aim to expand her trade with the countries of the Mediterranean basin—primarily Egypt—and thus improve the supply of certain raw materials and agricultural produce.

November 19th.

Economic Trends in Eire

[FROM OUR DUBLIN CORRESPONDENT]

THE volume of the 1936 Census dealing with the classification of the population of Eire by occupations discloses the following interesting results:—

	1926	1936
Total occupied persons (14 years and over)	1,304,920	1,339,085
Unoccupied persons (14 years and over)...	859,995	866,434
Total persons (14 years and over)	2,164,915	2,205,519
Total persons under 14 years of age	807,077	762,901
Total population	2,971,992	2,968,420

The decline in the number of children is very striking and reflects the fall in the birth rate. The increase in the numbers employed took place in non-agricultural industries, transport, commerce, finance and insurance, and professional and domestic service. The numbers employed in agriculture declined by 26,000 in spite of the creation of large numbers of small holdings and the encouragement of intensive crops. The drift from the country to the towns has apparently become a permanent feature of Irish life which no Government measure can prevent.

These statistics can be profitably read in the light of valuable estimates made of the social income of Eire from 1926 to 1938 compiled by Professor Duncan of Trinity College, Dublin. These estimates, which continue those prepared by Professor Duncan for the Banking Commission, are contained in a paper read before the Statistical and Social Inquiry Society of Ireland. The following is an index number measuring the estimated aggregate income of the country in terms of money.

	(1929=100)
1926	95
1931	91
1933	83
1926	95
1931	91
1933	83

As Professor Duncan remarks, "the disquieting aspect of this table is the failure which it reveals of our monetary income to recover the levels of 1929 and the apparent slowing down of such recovery as is proceeding." Read in conjunction with the occupation figures from the census, these esti-

mates indicate that production in Eire has failed to expand in proportion to the increase in numbers employed. During the same period taxation and public debt have risen, with the result that the share of the national income taken by the public authorities, national and local, has tended to increase.

Another table in the same paper illustrates strikingly the inelasticity of agricultural production in Eire. The failure of production to shrink in the face of falling price levels is less disquieting than its reluctance to expand when prices are rising, which suggests the existence of "some radical disequilibrium in our agricultural economy."

	Total physical volume of agricultural production	Official index of agricultural prices
1926	94	101
1929	100	100
1931	101	81
1933	95	62
1936	103	72
1937	95	78
1938	98	82

The Minister for Industry and Commerce has given an interesting estimate of the increase in unemployment caused by the war. Between mid-August and mid-October the live register increased by 8,250. Of this total 3,000 could be regarded as a normal seasonal increase and 1,000 were thrown out of employment by local causes such as labour disputes. The remaining 4,250 became unemployed as a result of the war. Of these 2,600 were agricultural labourers who returned from England, about 500 were engaged in the motor trade, 200 in domestic service, 200 in entertainment trades and the remainder in various industries whose supplies of raw material had been cut down by the war. The agricultural labourers will, it is hoped, be partially absorbed by the compulsory tillage schemes. The maintenance of employment in the building industry depends upon the continued ability to import cement and timber, and the secondary industries all rely on imports of some of their raw materials. As the Minister correctly explained, "we are very largely in this matter a dependent economy and the maintenance of our overseas supplies is essential to us." This precisely corroborates the point made by the Banking Commission that the policy of protection has changed the demand for imports from one article or another without in any way reducing their total volume.

November 12th.

From Peace to War in Egypt

[FROM OUR ALEXANDRIA CORRESPONDENT]

ON the whole, Egypt has made the transition from peace to war economy much better than in 1914. A quarter of a century ago the country was caught unawares. A moratorium had to be declared and transactions in the stock and cotton exchanges were suspended for months. This time Egypt had been on her guard ever since the Italo-Ethiopian war, and neither the banks nor the markets closed for a single day.

Coming on top of the rise in foreign prices, the decline in sterling helped to cushion the impact of war—especially on cotton values. For the past two years the country has been in the throes of a deflationary process due to depressed agricultural prices, adverse trade balances, increasing taxation, the flight of capital and growing defence expenditure—of which the greater part was effected abroad. As a remedy, currency devaluation had been put forward from time to time in agricultural circles, and in September a realignment, in conjunction with sterling, was welcomed. Consumers experienced less inconvenience than might otherwise have been the case, for the authorities took, from the start, unexpectedly drastic steps to check profiteering.

Withdrawals of deposits and savings were chiefly confined to the small capitalist—a not very important class in Egypt—and did not assume unwieldy proportions. Nevertheless, a sharp contraction in credit occurred during the first weeks of the war, as, apart from the general turn of events, two special circumstances exerted their influence in that direction. Many commercial banks operating in Egypt are foreign, and their policy is swayed by European events to a larger extent than happens with purely Egyptian institutions.

Furthermore, the autumn months every year see a heavy temporary inflow of London funds for the financing of the cotton crop. On this occasion the movement was held up for a while at the English end, as the automatic convertibility of sterling into Egyptian pounds offered a loophole to would-be exporters of capital. Later, however, Egyptian regulations were brought into line with the British exchange control and the seasonal movement of capital resumed normally.

This has not removed all difficulties. After the first flush of bullish enthusiasm cotton values weakened considerably. The Central European outlet used to absorb 17 per cent. of total cotton exports, while shipments to neutrals are now subject to restrictions aimed at preventing supplies from reaching Germany. It is hoped either to persuade the British Government to make good this deficit by purchasing a corresponding amount of cotton, over and above Great Britain's normal takings, or to persuade the British Government to acquire the whole crop. The fact is that, while most imported goods have increased appreciably in price, cotton values have made no lasting progress. Pending a definite agreement with Great Britain, it became necessary for the Egyptian Government to fix minimum prices at which it stated it would purchase unlimited amounts of cotton throughout the season. (A cotton purchase agreement was announced over last week-end.—EDITOR.)

Bright Prospects

As weeks have gone by, the sound aspects of the Egyptian economy have been brought clearly to light. Even in the case of cotton it is becoming increasingly apparent that the trouble is with prices, and not with exports, which, from the outbreak of hostilities up to date, are about 25 per cent. higher than for the corresponding period in 1938. It is estimated that half this year's crop has already been sold abroad, although the season is only two months old, and this disposes of the necessity of selling to the British Government any very large amount of the remaining supplies.

In the Stock Exchange the market for State funds has thawed after a period of nominal minimum prices. The rest of the list has staged a substantial recovery under the leadership of industrials and now stands appreciably higher than prior to the war. Deposits are also returning to the banks.

Egypt's complete self-sufficiency in cereals caused wheat prices promptly to revert to their pre-war level, while the short-lived ban on rice exports has been lifted, as the crop just harvested exceeds domestic consumption by one and a half times. The export of eggs and fruit is also unhampered now. The authorities' confidence regarding the production of foodstuffs and the progress achieved in this field since 1914 may be gauged by the fact that no curtailment of cotton acreage is contemplated this time. Further evidence of the present easy situation is the absence of rationing and the steady contraction of the official price list.

Industry is doing well, as it gets most of its raw supplies at home and manages to secure the necessary fuel without great difficulty. Not only has foreign competition dwindled considerably, but export possibilities are growing in such branches as cottonseed oil and sugar.

In the labour market a moderate increase in unemployment in the cities has been partly relieved by the demands of the auxiliary services. In the countryside the reserve of workers remains practically intact; it may be recalled that Egypt entered the present war with a population of over 16 millions, against 12 millions in 1914, although production has not increased in the same proportion in the interval.

November 3rd.

Australia Organises for War

[FROM OUR SYDNEY CORRESPONDENT]

THE Commonwealth Budget was framed before the outbreak of war, and supplementary taxation to cover additional war expenditure was imposed immediately after the Budget was passed. Increased revenue is to be raised by higher rates of income tax, company tax, sales tax and customs and excise duties. Most of the States in their Budgets for 1939-40 have also attempted to raise revenue by increasing income taxes and probate duties.

Taxation presents a difficult problem. The Commonwealth is responsible for defence and each State for its own unemployment relief. The changeover from a peace-time to a

war-time economy is bound to cause considerable difficulties, and one grave danger is that private investment will fall off before the full effects of Government wartime expenditure have been felt. It is regrettable that States have had to impose a burden of heavy additional taxation at the same time as the Commonwealth has increased its demands for defence finance. The added strain placed upon industry might cause decreased activity with consequent unemployment. At the present time it would have been preferable to finance States' expenditure by an expansion of the short-term debt rather than by heavier taxation. This would have made for increased liquidity which would have been desirable in view of the upward trend of interest rates during the past year and the likelihood of defence loans in the future.

Great Britain's decision to purchase the wool clip at a pre-arranged price, to stabilise the price of sugar and increase Australia's quota, and to take the surplus of meat, butter, cheese, eggs, canned fruit and dried fruit has given a welcome stability to Australia's primary industries. Indications are that prices will not be disproportionately high compared with those of recent years, which will prevent over-production and the waste of resources.

There will, however, be many problems of organisation to be solved. No arrangements have been made for Britain to take the wheat crop, but already a compulsory pool has been established with unified control of marketing. Bodies were in existence before the war for the control of exports of meat, butter, cheese, sugar, canned and dried fruits. Probably storage space will have to be increased as regular shipment may be no longer possible. The storage problem seems bound to be particularly acute in the case of wheat. Furthermore, shipping space will have to be conserved, with resultant changes in previous methods. For instance, it seems unlikely that any more shipments of chilled beef will be made and that all meat will be frozen.

Certain preliminary steps towards organising the community's resources were made some months ago. A Department of Supply was established and the Commonwealth Government called for registers of man power and of wealth. Soon after war broke out, measures were introduced organising the activities of firms and individuals. No single sweeping, comprehensive legislation was introduced to control finance, but a series of successive measures have made Government control increasingly widespread. The first step was the commandeering by the Commonwealth Bank of gold holdings and all new gold produced. This was soon followed by regulations appointing the trading banks as agents of the Central Bank in all foreign exchange matters. The amount of foreign exchange which could be purchased by individuals and firms was thus placed under the direct supervision of the latter.

The regulation was so worded as to leave no loopholes by which strict control of exchange could be evaded. Supporting legislation introducing a system of export licences was not unexpected. This ensures that all payments in foreign currency for goods exported will be made available to the authorities. The record of Australia's overseas resources was virtually completed by the later enactment requesting a declaration of overseas securities other than those of Great Britain and certain Empire countries.

The earlier records of man power and wealth are now being augmented by a census of factory capacity. Investment in new enterprises will be controlled under a regulation providing for strict supervision of new capital issues. This enactment is most comprehensive, covering a field so wide as to make very little investment possible without the consent of the authorities. In this connection it is interesting to note that the Moratorium Act, which was originally a depression measure and was to have expired shortly, has been extended.

The public expectation of measures to prevent profiteering has made some form of price control imperative. The authorities took early action by issuing a list of goods, the prices of which were not to exceed those ruling on August 31, 1939. From its nature this could only be a temporary expedient; a comprehensive scheme of price control was introduced and a special Prices Commissioner appointed. With rising insurance and freight rates it was immediately apparent that, particularly where imported goods were involved, prices would eventually have to rise above the stipulated level. In an endeavour to work out a scheme which could be applied more or less universally, it has been decided to use an "average cost" system which will take into account the proportions of old and new stock, so that selling prices will gradually rise as costs of raw materials and replacements increase. This method, if successful, should provide a check to windfall profits, thus meeting the public's demand for control, but in such a way as to cause business as little hardship as possible.

October 16th.

Germany at War

(An objective account of economic trends in the Reich compiled weekly by the editorial staff of The Economist from German and neutral sources.)

THE war of "words before blows" continues. The theme of German propaganda, in neutral countries as in the Reich, is always: "England is our enemy, England must be crushed. The French were drawn into this war. We are sorry for them and for the neutrals who are suffering from the British blockade." In the nature of things, there must be widespread latent opposition to the Nazi regime, but the majority of the German population would not dare to have anything to do with the "enemies of the State," and only defeat, hardship and privation could shake their confidence in their Fuehrer. Nazi educational literature has been revised. It is now concentrated on *Wehrmacht*, the industrial power of the Reich, the greatness and confidence of the German people, the hypocrisy of England from Northcliffe to King-Hall, the last war and Germany's *Lebensraum* in Eastern Europe. Anti-semitism and anti-Bolshevism are now omitted.

Meanwhile, life goes on in as normal a way as possible. The population is calm—except in the non-German conquered territories—and there is a gay, almost hectic, night life in the large towns. The younger generation is confident and ready for sacrifices, though the older people, who remember the last war and realise the significance of having to register again for the rationing of the necessities of life, are notably nervous.

In economic matters war organisation is the chief topic of discussion. Attempts are continuously made to prove that time is on Germany's side. It is claimed that stocks are sufficient for several years of war, and that large supplies will then be coming in from Russia, the Balkans and the Northern neutrals. Professor Todt, organiser of the *Autobahnen*, has gone to Moscow to help in the extension of Russia's traffic network; and it is confidently expected that the promised one million tons of grain and feeding-stuffs from Russia will be delivered.

War Administration.—The present administrative organisation for war is an interesting structure composed of parts of the former civilian economic administration and newly-created institutions. It is headed by the Commissar-General of the War Economy, Dr Funk, Minister of Economic Affairs as well as President of the Reichsbank. His staff of executives and advisers is practically an Economic General Staff, which directly controls and co-ordinates the activities of all Ministerial economic departments. The regional bodies responsible to this Economic General Staff are the Defence Commissars in each district or "Gau." They control the regional agriculture, industry, credit institutions, prices, wages and the supply of labour. It is the old bureaucracy and not the Nazi Party as such which runs the controls. Next come the provincial food committees, with local food committees in every town and village. Within this system, the Chambers of Commerce have been made responsible for the co-ordination of factories. They collaborate also in controlling the supply of labour, gas, and electricity and the use of motor cars. The purely economic organisations, the compulsory federations and associations of employers and industries have been reduced to purely statistical and advisory bodies.

Waste and Scrap.—Again, the war has considerably increased the value of waste and scrap material. During the last war the collection of kitchen waste for fattening pigs did not start until the third year of the war. The first collection of waste then was of bones for extracting fats, in order to increase the fat rations for workers in armament industries. A recent decree has appointed a Special Commissar for centralising and controlling the collection of waste and scrap material. Collecting kitchen waste for fattening pigs in communal fattening stations has been made compulsory, and landlords are compelled to furnish standardised refuse bins. Shortage of labour has been overcome by forming co-operative organisations of individual collectors. Scrap of vital raw materials, non-ferrous metals, rubber, textile fibres, and leather, is controlled at the source. Bones are collected by schools, and the Hitler Youth Movement collects tinfoil and tubes. The manufacture of fats and bone meal for feeding purposes is to be increased from 7,000 tons of fats and 15,000 tons of bone meal in 1937 to 20,000 tons of fat and 40,000 tons of bone meal in future years by enforcing the use of carcasses of livestock, horses, etc., not suitable for consumption.

A decree has made compulsory the refitting of lorries and motor cars to use gas as a propellant. The actual number of motor cars running on gas, which were first to be seen in 1932, is still very small. A short time ago the number was given as 10,000. Refitting will start with heavy lorries. Petrol consumption by non-military users is to be reduced to 15 per cent. of pre-war consumption.

The unsatisfactory system of applying for clothing and footwear coupons has now been replaced by a card-system. The coupons must be given up according to the value of the suit or underwear which has been bought.

Finance and Industry.—It is generally claimed that the special financial measures which have been introduced instead of the expected system of war finance have been successful. During the last weeks several more items have been added to these special measures, and the full list is now as follows:—

- (1) Special credits for restoring the financial liquidity of industries affected by the war.
- (2) Special credits for necessary capital expenditure in war and substitute industries.
- (3) Credits for utilising financial claims frozen in enemy countries.
- (4) Credits as safeguards against losses of interest on mortgages in evacuated territories.

Der Deutsche Volkswirt estimates the total of these credits granted so far at roughly Rm. 1,000 millions, provided by the following institutions:—

- (1) *Oeffa Bank* for public works and for short-term credits intended to restore liquidity.
- (2) *Industrie-Bank* for long-term credits for the capital expenditure of war industries.
- (3) *Luftfahrtkontor GmbH.* for credits for the aircraft industry.
- (4) *Reichskredit A.G.* for credits replacing the claims frozen in enemy countries.

The *Oeffa* charges an average rate of interest of 6.9 per cent. on these credits, much above the rate for ordinary bank credit, and the *Industrie-Bank* charges 5.9 per cent. The credits are based on bills which cannot be traded in the open market.

The recent series of industrial loans has been extended by a loan of the *Rheinisch-Westfälische Elektrizitäts A.G.*, a leading generator of electric current, amounting to Rm. 25 millions, which is part of a projected total loan of Rm. 150 millions. The *Hamburger Elektrizitätswerk* has also issued a loan amounting to Rm. 5 millions and, lastly, the *Krupp A.G.*, a famous armament firm, has issued a loan of Rm. 4.5 millions. All these loans will be used for capital expenditure. This is quite remarkable activity on the capital issue market compared with the calm which prevailed shortly before the war. In connection with reorganising Polish industry for Germany's War Economy new companies are springing up. The *Beskiden Erdoel Verarbeitungs GmbH.* has been founded in Berlin for utilising Polish crude oil refineries as well as gas. Rm. 100 millions is being raised to produce petrol in the Sudetenland. The leading machine industry company, "MAN," short for *Maschinenfabrik München-Augsburg*, reports that the value of its new plant and machinery under construction increased from Rm. 535,525 in June, 1938, to Rm. 2,061,781 in June, 1939.

Trade and Debts.—The German Press reports a number of export successes: an order of 20 locomotives for Latvia to be delivered by the summer of 1940; an order of telephone and telegraph apparatus for Greece valued at Rm. 965,000; an order of gas generators for motor cars for Bulgaria, and five locomotives for Bulgaria. The most surprising point about Germany's efforts to increase imports from the Balkan countries is the discussion with Yugoslavia about using the German loans to Serbia made before the last war. But probably the most interesting development is that most of the contiguous countries have succeeded in forcing Germany herself to repay part of her previously accumulated debt—Yugoslavia, Turkey, Switzerland, Holland.

Letters to the Editor

Boys on the Land

TO THE EDITOR OF THE ECONOMIST

SIR,—With reference to your Note on the subject of the Women's Land Army on November 18th, I should like to make a few remarks. My excuse for doing so is that I have farmed for a good many years and have lived amongst farmers most of my life; and in the last four years I have visited some 150 farms, in the West of England and Wales, in connection with the British Boys for British Farms scheme run by the Y.M.C.A.

The conclusions I have come to are—
1. Owing to the general dislocation of labour, e.g. the reduction of men employed on the roads and in the building trade, there has been ample labour available for the autumn work on farms, and there will be sufficient till next summer.

2. While I agree that if the war continues for, say, more than a year, the full-time services of a certain number of women will be required, it is at the busy times of summer and early autumn that larger numbers will be required.

3. On the whole, the employment of boys on the land is a better proposition than employing women: (a) because in many districts, where the farms are small and the farmers' standard of living poor, women are unsuitable; and (b) public and secondary school boys can be turned on for short periods at the "rush hours" and resume their education when work slackens.

4. The employment of boys as above is merely a war-time emergency measure, in the same way that the W.L.A. is, though the experience acquired by boys is more likely to be of permanent value than in the case of women.

5. There is a long-term policy in the case of boys which is of the utmost value, that is the training of boys from industrial areas in agriculture for from eight to ten weeks and putting them on farms to earn their living—so creating a supply of skilled agricultural labour, and counteracting the drift to the towns.

The Y.M.C.A., with the assistance of grants from the Ministry of Labour, has done this for six years in the case of boys from "Scheduled Areas," and has tried continuously to get the grant extended to include boys from any industrial area. They have placed 2,000 boys on farms, and the scheme has been most successful. The scheme could be extended to increase the numbers from 300 boys a year to 1,000 or 2,000, if the necessary assistance were forthcoming in the way of grants, as the boys wishing to be trained are there.

Now is the time when action should be taken, as under the evacuation scheme there are many boys who have appreciated the benefits of life in the country and are only too anxious to remain there. They must realise that the higher wages earned in big cities are eaten up by high rents and rates, travelling expenses, amusements that cost money, etc., and that money goes about twice as far in the country.

Yours faithfully,
F. B. SWANWICK.

Cirencester.

Checks on Public Spending

TO THE EDITOR OF THE ECONOMIST

SIR,—I notice in the last paragraph of your interesting article entitled "Checks on Public Spending" on November 11th, the following sentence, "If waste and extravagance are to be avoided it is to the Government and the Treasury that we must look." May I as one who had four responsible years of administrative experience in the last war both in the Army and the Civil Service, be allowed to comment on that statement?

In my experience, neither waste nor extravagance will be arrested, unless the Government and the Treasury recognise that they must carry with them in their efforts soldiers, sailors, airmen and civil servants, temporary or permanent and quite irrespective of grade. This can only be done in the case of the Services through their fighting chiefs, right down the ladder of responsibility, and the same applies to the civil departments.

The cloistered staff of the Treasury seems to fail to grasp that its very name, to put it mildly, is detested by the Services, so a new approach must be made. Politicians

and statements in the Houses of Parliament will help, but not go nearly far enough. The whole idea of economy and anti-waste must to-day be made a point of honour throughout the Services and Departments. Juniors must be encouraged to make suggestions, and seniors must be warned to receive them sympathetically. In ordinary times the procedure is in most cases the exact opposite.

An all-embracing national campaign against waste of time, paper, forms, food, staff, accommodation, quarterings, man and woman power, unnecessary overtime, etc., ought to be inaugurated. Every Commander-in-Chief at home and overseas and every departmental head in London and the provinces should have a whole-time Anti-Waste Controller selected for personality and experience on his staff and at his side. Propaganda must be continuous and co-ordination of the results achieved ensured and whenever possible circulated to show laggards what can be done. My experience of nearly 40 years as soldier, temporary civil servant and in large-scale industry has taught me that, if one wants to get an unpleasant thing done, one must first and foremost tackle and enthuse the smaller leaders.

Yours faithfully,
G. J. SCOVELL.

London, S.W.1.

The Importance of Exports

TO THE EDITOR OF THE ECONOMIST

SIR,—In stressing the importance of exports, the recent articles in *The Economist* make it perfectly clear that modern economic warfare does not only ask for destructive but even more for constructive methods. The main difficulty to overcome for constructive methods. The main difficulty to overcome is apparently the adjustment of our present trade system which—in spite of a continually growing number of grave restrictions—is still based on the principle of free trade and individual enterprise, to the demands of the day, which show that export trade in wartime must be State controlled for military reasons, and subsidised by governmental funds for political reasons. But by an attempt to revive the institution of Chartered Companies in a modernised form we may possibly be able to get over this difficulty. Such companies—originally without permanent capital but specially financed for each voyage—would probably be well shaped to fit the peculiar needs and opportunities of export trade in time of war. The advantage of elastic organisations open to all enterprising export firms, interested in a special country, and easily to be wound up, should not be underestimated.

The South-Eastern European countries might welcome such a venture for which their economic conditions are particularly suitable. During the Great War they suffered badly. Owing to growing prosperity the Balkans are gradually developing into markets ready for all kinds of manufactured goods. But they prefer to sell against cash and to buy on credit. They also prefer goods in kind or in quality which they want to those which the totalitarian governments are willing to supply. These are the very advantages which hardly any other country but Great Britain can offer to customers.

But who is going to take the initiative? The average export merchant—as a rule—is a staunch individualist, who does not like collective trading—and the average financier does not like to take risks. The Government may take steps to maintain and expedite export trade, but it is not its business to do the business of the business man—for the business man. What about a Round Table Conference under the auspices of, say, *The Economist*—certainly a suitable institution to act as a link between enterprising export merchants and far-sighted financiers. Round table conferences with similar objectives, arranged by *Fortune*, the famous American monthly, meet with increasing response.

Yours faithfully,
LEON ZEITLIN.

London, N.W.6.

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THE BUSINESS WORLD

Coal Shares in Wartime

COAL company shares automatically fall into the first of the three groups—positive, neutral and negative—into which, we suggested in an earlier article in this series, industrial equities might be classified during wartime. Coal subserves our entire national war effort, and the incentive to increased output of home-produced fuel is so great that the besetting peacetime problem of the industry—the finding of markets—has completely disappeared. Already a moderate increase in output has been achieved, despite reports of local labour shortages in some areas, such as South Wales and the North-East coast. How far are the earnings and dividends of coal-producing companies likely to rise under wartime conditions?

The salient fact about the coal-producing concerns in the Stock Exchange list—as distinct from the “mixed” producers whose interests extend vertically into iron and steel production, and even engineering and shipbuilding—is that they are generally big organisations in an industry where the small uneconomic unit has in the past been far too numerous. Of the five companies whose figures will be discussed in this article, Amalgamated Anthracite is a 1923 consolidation controlling four-fifths of the Welsh anthracite output, with an approximate annual production of 4½ million tons. The potential capacity of the Bolsover Colliery Company, with its six collieries in Derby and Nottingham, exceeds 6 million tons per annum, while the Horden Collieries, on the Durham coast, are equipped for an annual output of over 3 million tons. In the South Yorkshire coalfield, Yorkshire Amalgamated Collieries has a potential output of over 5 million tons. In the South Wales area proper, Powell Duffryn Steam Coal is now the chief holding company in the largest coal-producing unit in the United Kingdom—Powell Duffryn Associated, which has a productive capacity of over 20 million tons per annum and an actual current output exceeding 12 million tons per annum, with control of old-established concerns with selling organisations extending over the greater part of the world. Though concerns of this order cannot escape fluctuations in prosperity, experience shows that some of them, at least, have been immune from the severe continuous depression which, until two or three years ago, appeared to have become endemic in the coal-mining industry. But their prosperity must ultimately be a function of the industry's progress, and their present prospects

should be viewed against the background of experience, during and after the last war.

The following table shows index numbers of British coal output and average pit-head prices per ton during each year from 1911 to 1930:—

COAL PRODUCTION AND VALUE, 1911-1930
(Index Nos. 1927-30 = 100)

Year	Total Coal Production	Average Value per Ton†	Year	Total Coal Production	Average Value per Ton†
1911	110	60	1921*	66	192
1912	105	67	1922	101	130
1913	116	74	1923	112	138
Average, 3 pre-war years	110	67	1924	108	138
1914	107	73	1925	98	115
1915	102	92	1926*	51	144
1916	104	115	1927	102	107
1917	100	123	1928	96	94
1918	92	154	1929	104	99
Average—War years	101	111	1930	98	100
1919	93	201			
1920	93	254			
Average—Post-war boom years	93	227	Average—1922-30‡	102	115

* Coal stoppage. † Pit-head prices. ‡ Excluding 1926.

The coal industry by no means escaped the prevailing price inflation of the last war and its aftermath. Prices rose on the average by about two-thirds during the war years, while the average for 1920 was nearly four times as high as that for 1911-13. These price increases, however, did not produce any net increase in output—on the contrary, annual production declined continuously throughout the war, and showed hardly any appreciable recovery in 1919-20. The years from 1921 to 1929 were probably the most distressful in the entire history of British coal mining, yet (if the two years of extensive stoppages—1921 and 1926—are omitted) the table shows that the average production and value figures for the whole period were extremely close to those of the war years—in fact, they slightly exceeded them. In other words, the industry's difficulties, during its period of acutest depression, were, at bottom, organisational. The Act of 1930, which introduced compulsory regional cartelisation on the output side, whatever its imperfections (and they were many), was at least an attempt to grapple from above with a problem

COMPANY PROFITS, 1929-39

COMPANY PROFITS, 1929-39										
Company (and Date of Accounts)	Amalgamated Anthracite (Dec. 31)		Bolsover (Dec. 31)		Horden (Sept. 30)		Powell Duffryn Steam (Mar. 31)		Yorkshire Amalgamated (Mar. 31)	
Production Area	South Wales		Derby, Notts		Durham		South Wales		S. Yorks, etc.	
Nature of Profits	Holding Co.'s Total Profit		Profits after Deb. Service		Total Profits		Trading Profits		Income	
	Amount (£)	1929-30 = 100	Amount (£)	1929-30 = 100	Amount (£)	1929-30 = 100	Amount (£)	1929-30 = 100	Amount (£)	1929-30 = 100
1929.....	512,950	90	201,514	110	230,091	97	309,475(a)	91	16,046	33
1930.....	621,488	110	163,654	90	241,862	103	370,467(a)	109	80,182	167
1931.....	471,022	83	302,409	166	151,505	64	304,501(a)	90	69,974	145
1932.....	571,200	101	317,759	174	114,043	48	403,388(a)	118	14,153	29
1933.....	325,960	57	299,612	164	128,222	54	618,581(b)	145	19,352	40
1934.....	409,749	72	338,942	188	183,489	79	450,254	132	87,534	182
1935.....	272,744	48	386,244	212	246,142	104	280,484(c)	83	151,828	315
1936.....	345,141	61	454,554	249	330,177	140	319,844	94	282,161	586
1937.....	296,161	52	549,448	300	330,401	140	330,401	99	305,587	635
1938.....	296,803	52	438,872	240	353,686	150	266,340	78	285,000	592
1939.....	...	...	...	...	...	...	...	...	...	...
Presumed E.P.T. Base:— Period and Profits Index*	1936	61	1936-37	275	1936-37	127	1936-37	94	1936-37	476
(a) Twelve months to December 31st. March 31st.										
(b) Fifteen months to March 31st.										

(a) Twelve months to December 31st.

(b) Fifteen months to March 31st.

(c) From this year onwards, includes dividends received from merger company Powell Duffryn Associated, and from shareholding in Welsh Associated.

* After apportionment on a time basis, where necessary, to coincide with calendar years, under Finance (No. 2) Act, 1939.

which the industry appeared incapable of solving by action below.

The subsequent experience of the industry is shown in the next table, in which similar figures are given, from 1931 to 1938, in a somewhat extended form, to cover not only the output of British coal, but its distribution as between home consumption, exports and ships' bunkers:—

COAL OUTPUT, EXPORTS, ETC., 1931-38

	Proportion (%) of Total Output used for			Index Nos.—1927-30 = 100					
	Home Consumption	Exports	Ships' Bunkers	Volume of Output			Average value per ton	Total	
				For Home Consumption	Exports	Ships' Bunkers			
1931	73.9	19.5	6.6	92	79	89	89	98	99
1932	74.6	18.6	6.8	88	72	87	84	98	97
1933	74.6	18.9	6.5	87	72	82	84	97	96
1934	75.9	18.0	6.1	95	73	82	89	97	95
1935	77.0	17.4	5.1	97	72	76	90	103	103
1936	79.7	16.1	5.2	103	63	73	92	113	112
1937	78.3	16.8	4.9	106	74	71	97	126	110*
1938	79.7	15.7	4.6	103	66	64	92	104	101
Average 1931-38	76.8	17.4	5.8	96	72	78	90	104	101

* Estimated.

The return of a measure of prosperity to the industry in the later years of the 'thirties was not due, it will be seen, to any widespread increase in total output—which, in fact, never re-attained the 1927-30 level. In part, it was due to higher prices, but even in 1937, the best year of the industry had known for a long time, the increase of prices, though appreciable, was hardly sensational. In fact, the industry, even before the extension of “higher control” to include compulsory marketing schemes, and measures for the unification of royalties, was in process of increasing its own efficiency by improved operating methods and tighter internal organisation generally. Meanwhile, its dependence on overseas markets, measured by export and bunker trade, dwindled. The resultant of these tendencies, so far as the larger producers were concerned, was a considerable rise in earning power in the inland areas, particularly where mines and equipment were relatively new and modern. In the export areas the revival was much less conspicuous; and in regions like South Wales, where the partial exhaustion of some older seams was an additional factor, the decline in exports and bunkers turned the trend of profits downwards again, after an initial period of recovery from the depression of the early 'thirties. These tendencies are clearly brought out by the large table opposite, which shows the profits of the five companies mentioned earlier, from 1929 onwards, in pounds sterling and as index numbers (1929-30=100).

Though the net effect of a potential wartime increase in demand for British coal must be favourable to all these companies, the industry's record during and since the last war leaves an impression of limited elasticity so far as increased output is concerned. An increase even of 15 per

cent., which the Ministry of Mines has laid down as an initial objective, would, of course, have an appreciable effect on earning power, though costs—especially wages—have already risen and are still rising. A larger increase in productivity might well require anything up to, say, a couple of years to obtain, and a significant share of its financial benefits might well enure to sub-marginal concerns. Thus, while the wartime earnings of the larger producers should be progressive, their growth is hardly likely to be spectacular, and the equity element in their ordinary shares may be most striking in the case of those concerns, like Amalgamated Anthracite, which before the war were relatively depressed. But the incidence of Excess Profits Tax will, by the same token, be greatest in their case. Approximate estimates such as those shown at the foot of page 292 suggest that companies like Bolsover and Yorkshire Amalgamated, which have achieved striking increases in profits in the course of the last decade, will have a relatively high E.P.T. standard. On the other hand, a company like Horden, whose recovery started relatively late in the 'thirties, will be assessed on a figure appreciably below its present earning power. And some of the largest South Wales concerns may, in the absence of special treatment, suffer real hardship.

Present Stock Exchange prices of coal company shares seem generally to be discounting stability rather than any dramatic movement in dividends. As our final table shows, yields are for the most part rather narrowly concentrated in the 7-8 per cent. range:—

ORDINARY SHARE EARNINGS AND YIELDS

	Amalgamated Anthracite	Bolsover	Horden†	Powell Duffryn Steam*	Yorkshire Amalgamated*
Earned (%) {					
1936	Nil	19.3	11.8‡	7.1	...
1937	Nil	24.3	11.9‡	7.7	...
1938	Nil	19.4	10.0‡	6.0	...
Paid (%) {					
1936	Nil	11.0	10.0	7.0	5.0 (a)
1937	Nil	14.0	10.0	7.5	5.5 (a)
1938	Nil	12.5	10.0	6.0	7.5 (a)
Denomination of shares	4s.	20s.	20s.	20s.	20s.
Latest price	1/-	47s. 3d.	28s. 1½d.	16s. 6d.	20s. 1½d.
Yield (%) on last complete year's:—					
Earnings	...	8.2	7.1	7.3	7.5 (a)
Dividend	...	5.3	7.1	7.3	7.5 (a)

* Earned and paid figures for periods to March 31st of years following those specified in first column. † Figures for years to September 30, 1937-39. ‡ After provision for taxation and contingencies. (a) Free of tax.

Altogether, the best coal company shares should form a sound and profitable wartime holding, with a ceiling which, compared with some other groups, is relatively low. They should appeal to the conservative rather than the more adventurous type of investor, since they offer a fairly assured income with some hedge against the possibility of a general inflation. Shares like those of Amalgamated Anthracite, however, which are the product of a recent capital reconstruction, are in a class by themselves. Their possibilities are wide but as yet unproved.

Life Assurance and War

RISKS are the raw material of the insurance business—but it thrives on the calculable risks which accompany peaceful progress and orderly change. The cataclysm of war not only creates uncertainties which lie beyond the insurance process: it also disturbs the calculations and distorts the expectations made by the insurance man in his ordinary business. It demands adaptations to revolutionised conditions which could only partially be provided for in the pre-war organisation.

In the life department this rupture from normality is particularly acute, simply because life assurance is a long-term contract fixed in money terms and because in entering into the agreement the office makes assumptions regarding two variables. First, as regards the mortality which on the average will be experienced among its lives assured; second, as regards the stability and earning-power of the

investments into which it turns the incoming premiums. In peacetime these two variables, the first especially, can usually be estimated with a fair degree of accuracy. In wartime such estimates are liable to error. Moreover, war brings to the forefront new problems previously subsidiary in importance. For example, will the flow of new business continue at a rate sufficient to maintain business-getting staffs? Will policyholders continue to pay their premiums?

Consider in the first place the difficulties created by wartime mortality. During the twenty-one years peace (1918-39) the assurance offices issued life policies for the most part based on premium calculations which assumed a continuance of peaceful conditions. Thus the great majority of policies existing on Saturday, September 2, 1939, bestowed the war cover on their holders free of

charge. On Sunday, September 3rd, those policyholders became subject to the risk of war mortality, and the offices thereupon became liable to pay for war deaths. At a first glance it would appear that this position carries extraordinary dangers from the viewpoint of the offices—a vastly increased risk with no corresponding addition to premiums. But it would be a mistake to jump to the conclusion that the actuaries have over-reached themselves. When at various times in the past the possibility of charging extra for the war risk has been suggested it has been rejected by them after the most careful consideration—on grounds some of which may be found in an article in *The Economist* of June 10, 1939. Nor are actuaries without answers to those who unduly stress the liability which they are now running. In life assurance, unlike the other branches of insurance, there stands earmarked against each policy an accumulated reserve in readiness to meet a more or less substantial part of the claim. If the office has adopted conservative standards—as practically every British office has—there are excess funds available to help compensate for any deficiency arising from a coincidence of claims. More important still, such a coincidence of claims is extremely unlikely to be of the disastrous kind, from the point of view of the individual office, which popular imagination may picture. For example, the danger to civilians from enemy bombing is such that in a bombing catastrophe the number of persons killed whose lives are covered by any single assurance office is not likely to be large. There are sixty important life offices in this country, apart from many smaller ones, and this fact alone implies a considerable spread of the war risk over the market.

Given nevertheless that an extra liability has been created by war, there are remedies open to the offices. In limitation of the liabilities which will eat into the funds they may reduce the bonuses on with-profits policies or pass them altogether. At present about 70 per cent. of the total sums assured in this country is represented by with-profits policies. It is no hardship to the holder of a with-profits policy, who has voluntarily undertaken to bear part of the equity of an assurance undertaking, to reduce or pass his bonus during hostilities. Rather it may be an essential measure in his own and his fellow policyholders' interests, since their security, and not their profits, are the first consideration. For reasons of war mortality, reinforced by other reasons given later in this article, substantial reduction in profits declarations are desirable and are, in fact, to be expected.

One further remedy, though a less far-reaching one, lies open to the offices and has been widely adopted by them. On new policies issued since the outbreak of hostilities premiums are based on the assumption of war. Proposers now have the option of taking out a policy at the old pre-war rates but with a "restricted" cover, or, in the case of most offices (though not all), a policy fully covering the war risk at a higher premium. In the first case, the policyholder is entirely covered against death of the assured person arising from reasons not connected with the war, and if death is directly or indirectly due to that cause either the surrender value of the policy or the total of premiums paid, whichever is the higher, becomes payable so far as the ordinary branch is concerned. A comparable arrangement applies in the industrial branch. In the second case, even if death is due to the war, the full sum assured is payable on payment of an additional premium amounting for a civilian to £1 per cent. or thereabouts in the ordinary branch. About 95 per cent. of new proposers seem to prefer the restricted policy at the old rate rather than the unrestricted at the higher rate. Perhaps this is a recognition of the fact that though the offices are safeguarding themselves by introducing the restriction they are nevertheless still offering generous terms.

It does not seem, in view of the various considerations mentioned, that increased mortality, though it creates difficulties that demand treatment, provides the main war problem of the life offices. We may agree with Sir William Palin Elderton, who stated recently that the difficulties in war lay "not only in increased mortality, but rather in losses from taxation, defaults in interest pay-

ments, depreciation of assets, and, so far as the assured are concerned, in currency depreciation." Taxation, interest payments and the state of the assets comprise the various elements in the second main category of assumptions made by the offices and indicated earlier in this article. What of the stability and earning-power of the investments in time of war?

One factor is conspicuous. The interest earnings of the life offices are subject to income tax, and Sir William's "losses from taxation" have already obtruded themselves in no uncertain guise. The increase in the standard rate of tax to 7s. 6d. in the £ means a deduction from the gross earned rate which can only be calculated individually for each office, since the formulæ are complicated. But in 1938 the life offices earned on the average about £4 per cent. net on their funds, and the increase in income tax may reduce that figure by about 6s. (There is no need to be concerned about the Excess Profits Tax. The section of the Act applying it to life offices is little more than a bad joke: who would expect excess profits when increased income tax alone takes away about 7½ per cent. of interest earnings?) The outlook in regard to taxation is dismal indeed. There is no certainty that income tax has reached its upper limit or that some other form of tax, applicable to the offices, may not emerge as the war effort intensifies. At the same time, it is not to be expected that there will be such an upward movement in the gross rate of interest that the increased allocations to taxation account will be offset or outweighed. The indications are that any pronounced increase in ruling rates will be prevented by appropriate action by the controlling powers. Nor should such an increase, even if it occurred, be welcomed by the life offices. Conservation of the funds seems to be a desideratum ranking higher than even enlarged interest earnings—and a rise in the gross rate of interest would imply a depreciation in security values. Moreover, if an inflationary rise in prices occurred, the repercussions on investments would be unwelcome, and the offices have cause to agree whole-heartedly with the commonly held view that it must be obviated.

It might be otherwise if assurers could reasonably expect a large volume of new business, which would supply a considerable inflow of fresh money for new investment. In those, the normal circumstances of the offices, advantage could be taken of any increase in gross rates of interest and the depreciation in security values would be of less importance. But at present the general uncertainty and the depletion of incomes rules out any possibility of substantial new business. This is despite the fact that, apart from the specific steps to safeguard against the war risk, the life offices have not raised their premium rates for the usual forms of cover, even on without-profits policies, notwithstanding the many reasons which would justify their doing so. It is not rash to anticipate a rise in premium rates generally before many months are past. All the factors in the life assurance equation point to it—not least the fact that the amount of new business the offices stand to lose is of moderate dimensions and that the expenses of maintaining field and other workers are for that reason disproportionately high. In addition, the life department stands to bear its share of the exceptionally heavy costs of air-raid precautions and evacuation.

One further wartime problem requires consideration. What of the payment of premiums on existing contracts? The answer to this question depends largely upon whether any action is taken by the Government in extending some kind of moratorium to assurance premiums. The pre-war moratorium granted to militiamen and reservists is, for all practical purposes, a dead letter, by reason of general mobilisation. It may be suggested, however, that the "non-forfeiture" clause in life policies in the ordinary branch—which allows payment of premiums out of the surrender value—and the facilities existing in the industrial branch for keeping policies in force where the premiums fall in arrears, provide valuable safeguards for policyholders. The offices interpret these provisions liberally. Then appears to be no adequate reason why anything like the Courts (Emergency Powers) Act, which in effect grants a contingent moratorium for debts, should be extended to assurance premiums.

Finance and Banking

Sterling's Gyration.—The fluctuations of the free sterling-dollar rate have again been in keeping with that narrow and highly volatile market. During the past week the New York sterling quotations have ranged between \$3.89½ and \$3.94½. It would be in many ways unfortunate if so large a margin as 5 per cent. were to separate permanently the official and unofficial rates. The remedy must be either to allow greater freedom for the export of foreign funds from this country to use the channels of the official market or else to see to it that its flight through the free or unofficial market is made quite as easy as it is to-day. To refuse this outflow of foreign capital the facilities of the official market, and at the same time to reduce to a mere automatic formality the process of transferring sterling to a foreign account, is to give conscious encouragement to the development of a black market in sterling. This part of the control might well do with a little tightening. At the same time, greater care might be taken to ensure uniformity in the various authorised banks' interpretations of the regulations. It was perhaps unfair to expect such uniformity when some of the banks in question had hardly handled any foreign exchange business before they found themselves on the authorised list. But a situation might easily arise in which an authorised bank could attract business by its readiness to allow—in all innocence and ignorance—operations which its more expert competitors would categorically turn down. That should not be allowed to occur. Further, if the exchange control is to be rendered truly effective, greater supervision should be placed on the invoicing of foreign trade. Foreign experience has shown that the greatest loophole through most foreign exchange controls has been the retention abroad of part of the true proceeds of export trade; this can be most easily achieved by under-invoicing goods shipped to a subsidiary or allied concern. The machinery for exercising such supervision could be readily centralised in the export licences department. While tightening is called for at one end of the control machinery, there would seem to be some justification for some loosening in the purely dealing side of the exchange market, which is gradually becoming atrophied by the strictures of the regulations. The latitude allowed to French banks in dealing with their foreign exchange resources is a pointer of what could and should be done here.

Belgas Take the Strain.—The past fortnight has seen some exceptional fluctuations in the belga exchange—exceptional and surprising not in relation to the difficulties which have been their immediate cause, but in the light of the fact that the belga remains to this day the only gold standard currency in the world. Those fluctuations must be measured in terms of the dollar, the only other world currency which may be said to possess a gold basis. The straight parity between the two currencies is 5.90 belgas to the dollar. In recent days the rate has been quoted up to 6.18 belgas, and has since recovered to 6.05. The reasons for these fluctuations are self-evident. The crisis on the German-Belgian frontier which appeared so imminent a few days ago was bound to exert considerable pressure on the Belgian currency. Free as it is of a formal exchange control, the belga has had to bear the strain of appreciable outward movements of capital, in bulk of it being a movement from belgas into dollars. In the face of this pressure, the National Bank has justifiably fought a defensive battle. By its statutes, the National Bank is not compelled to sell gold at the statutory price. It can choose the alternative of selling foreign exchange at the lower gold point. From that point of view, Belgium may therefore be said to operate a gold exchange standard—which to-day means a dollar exchange standard. This

alternative has proved most acceptable lately because the calculation of the gold points is not in these days the highly accurate operation which it can normally claim to be in gold standard conditions. In particular, marine and war risk insurance costs have become such as to justify wide and sudden variations in the gold points. The comparatively wide fluctuations which have recently occurred in the belga-dollar exchange do not therefore justify the charge that the belga has in fact departed from its gold parity.

War and the Currency Circulation.—The details of currency circulation in Great Britain and Ireland published in the Bank of England Statistical Summary provide the first indication of the real effect of the war on the cash holding of the public. Between August and September the average volume of bank notes and coins outstanding increased by £33 millions to £710 millions. Of this increase, however, no less than £18 millions went to strengthen the banks' till money, leaving the actual circulation in the hands of the public inflated by a mere £15 millions. Admittedly, the August average was already slightly swollen by the customary seasonal holiday influences, but even allowing for the £5 millions rise between July and August—a movement which in the normal course would have been largely wiped out by September—the effect on the currency position of the immediate war rush for liquidity seems in the light of these figures to have been surprisingly moderate. The table given by the Bank of England provides in a footnote the information that the figures do not include the circulation of postal orders except those held by London Clearing Banks, which amounted approximately to £700,000 out of the £149,700,000 of till money. It is perhaps a fair guess to assume that if the clearing banks held about ½ per cent. of their till money in the form of postal orders, the same proportion applied to the public's cash holding. As this averaged £498 millions for September it would put the amount of postal orders masquerading as currency in the hands of the public at about £2.5 millions, or the total issue of these currency substitutes at little more than £3 millions, which seems hardly worth the trouble and quite unjustified suspicion engendered by them.

French Capital Repatriation.—A seemingly irrelevant factor has considerably influenced the character of the repatriation of capital to France since the outbreak of the war. This was the Mendelssohn failure, which occurred a few weeks before the opening of hostilities. The result of the failure was to throw on the market substantial amounts of French Government bonds held as security by foreign banks against loans made to Mendelssohn and Company. Although complete statements of the position have not yet been published, the secured creditors of the bank probably ranked for the equivalent of about £15 millions. In addition, large lines of these and other bonds had been placed firm with banks the world over. There has been a not unnatural tendency to liquidate these holdings. The result as far as the Mendelssohn issues of French bonds are concerned has been to depress their price in the international market well below the domestic parities. The price of the bonds in France has been extremely well maintained owing to the dollar clause which they carry, and the 3½ per cent. issue has been quoted recently at three points above par. In such a market as Amsterdam, however, the same bonds have been quoted down to 90. It is, of course, open to any Frenchman having foreign currency assets to exchange these from one form into another before effecting their repatriation. The inducement offered by the

above-mentioned differential has been sufficient to cause an appreciable amount of French capital invested in foreign currency to make its way back to France via these Mendelssohn bonds and in the process cashing the substantial difference provided by the purchase of these bonds in the external market and their sale in France. The result from the French Government's point of view may not be quite as satisfactory as would be an outright sale of the French assets abroad and a corresponding addition to the holdings of gold and exchange of the French Stabilisation Fund. But from the longer term point of view, the result on the French balance of payments will prove to be all to the good. France will have to find less foreign exchange to meet her external debt service, while, as long as exchange control remains, the dollar clause embodied in the bonds will involve no loss of foreign exchange on bonds held by French investors. If, however, the urgent need were for immediate gold or exchange resources there would be some disadvantage in this particular form of repatriation. Fortunately that need is far from being an immediate one.

Silver as Inflation Hedge.—The silver market has been fairly active this week owing to buying from India. As a result the price of the spot metal has held firmly at the figure of 23½d., at which the Indian Government is prepared to sell in the London market, while the forward quotation has established itself at ¼d. over this price. The Indian buying appears to have one main inspiration—the fear of currency inflation. Perhaps the sharp rise in cotton prices has stimulated such fears, while the resort to silver as a hedge against currency risks is a traditional reaction of the Indian operator. Most of the buying which has taken place in the London market this week has found its counterpart in selling by the Indian Government for delivery at the Bombay Mint. Silver sold on such terms avoids the licensing restrictions on the import of silver into India. It is sold at the equivalent of 23½d. plus a charge of 3¼ per cent., which is slightly less than the costs of

shipment from London to Bombay. By this procedure the Indian Government continues to liquidate its stocks of redundant silver in India while maintaining intact the comparatively small reserve of the metal which it holds in London; this at present provides the basic stock on which the operations of the London market must rest.

Royal Bank of Scotland.—This is the first British bank to issue its report and balance sheet since the outbreak of war; but as the accounts are made up to October 14th, and therefore only cover six weeks of the war, there is little evidence of the effect of war conditions. Deposits, it is true, are down by £1 million at £68,973,438, but there is very little change in the cash items, which are in fact slightly higher at £8,178,779, or in money at call. The chief change in the assets is a fall of about £2½ millions in the security holdings, but this is presumably explained by the acquisition of Glyn, Mills and Company last August. Stockholders of Glyn, Mills and Company were then given a cash payment in addition to £469,808 newly-created Royal Bank stock. The capital of the Royal Bank is therefore increased to £4,250,000, and among its assets now appears £2,800,000 stock in Glyn, Mills and Company. Advances and loans are about £678,000 higher at £29,094,814, so that the bank has been able to maintain its profits, which amounted to £605,719, the small fall of £7,538 on last year being more than accounted for by higher taxation. The dividend is again 17 per cent.

British Bank Merger.—The business of the Union Bank of Manchester is to be amalgamated with that of Barclays Bank from the end of the year. Since November, 1919, Barclays Bank has had a controlling interest in the Union Bank, and a complete merger between the two institutions has been under contemplation for some considerable time.

MONEY MARKET NOTES

In the official foreign exchange market the belga has again provided the only feature of interest. After last week's fall it has since appreciated sharply, and on Thursday was quoted at 24.05-30, compared with 24.35-60 last Saturday and 24.50-80 at the beginning of last week. No other changes have occurred in official quotations. Among free market rates there was a tendency at the beginning of the week for quotations to move in favour of the pound in sympathy with its firmer tendency in New York, where it improved to 3.94½ on Tuesday. Thus small rises took place in lire and escudos, while the yen declined from 1s. 2½d. to 1s. 2¼d.

In the money market the effect of the large Treasury Bill tenders is now making itself felt. Applications for the £65 millions of bills on offer last week reached the abnormally high figure of

£105.8 millions, but there was a small rise in the average rate of discount to £1 3s. 8.0½d. per cent. This result, together with the announcement that the amount of bills on offer this week was to be maintained at £65 millions was sufficient to keep the undertone of discount rates firm. There has also been much less demand from the clearing banks, possibly because of their abstention from bill buying in the last week or two of peace, which means that their holdings of maturing bills are small. This is borne out by the Bank Return, which shows that bankers' deposits are £14.2 millions lower on the week, while public deposits are swollen by the special bill buying three months ago. The firm undertone of discount rates, however, did not prevent Liverpool Corporation from securing a very favourable reception for its £1,000,000 of six months' bills which were placed

at an average rate of £1 5s. 4.99d. per cent. The buying rate quoted by the discount houses for a six months' fine bank draft is nearly ½ per cent. higher at £1 10s. per cent. Credit conditions have been distinctly tighter, especially on Thursday, when it was suggested that one or two of the clearing banks were threatening to raise their short loan rate against bills from 1 to 1½ per cent.

The chief movement in the Bank Return is the big transfer from bankers' to public deposits. This is mainly due to the special bill buying at the end of August, but, in addition, at this time of year funds are accumulated in public deposits in preparation for the War Loan dividend payment on December 1st. Last year's corresponding return also shows public deposits at a high level.

MONEY MARKET RATES

	Nov. 24, 1938	Nov. 16, 1939	Nov. 23, 1939
Bank Rate.....	2	2	2
London Deposit Rate.....	1½	1½	1½
Short Loan Rates:			
Clearing Banks.....	1½-1*	1-1¼†	1-1¼†
Others.....	1½-¾	¾-1	1
Discount Rates:			
Treasury Bills (3 mth.).....	¾	1½-1½½	1½-1½½
Three months' bank bills.....	¾	1½½	1½½

* 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. ‡ Viz., 1 per cent. for loans against Treasury bills and British Government securities; 1¼ per cent. for loans against other collateral.

THE BANK RETURN

	Nov. 23, 1938	Nov. 8, 1939	Nov. 15, 1939	Nov. 22, 1939
Issue Dept.	£ mill.	£ mill.	£ mill.	£ mill.
Gold.....	326.4	0.2	0.2	0.2
Value per oz. fine.....	85s.	168s. 0d.	168s. 0d.	168s. 0d.
Notes in circulation.....	476.1	528.4	527.6	527.0
Banking Dept.				
Reserve.....	50.4	52.8	53.6	54.3
Public Deps.....	31.7	21.3	17.8	36.4
Banks' Deps.....	92.2	101.9	107.1	92.9
Other Deps.....	35.0	41.5	40.6	39.3
Govt. Secs.....	91.8	102.2	103.2	103.9
Dis. & Advs.....	12.2	5.5	5.3	5.3
Other Secs.....	21.1	21.9	21.3	22.9
Proportion.....	32.4%	32.0%	32.3%	32.2%

THE BULLION MARKET

Date	Gold		Silver	
	Price per ounce fine*		Price per oz. standard.	
			Cash	Two Mths.
Nov. 17 ...	168 0	d.	23½	d.
" 20 ...	168 0	d.	23½	23½½
" 21 ...	168 0	d.	23½	23½½
" 22 ...	168 0	d.	23½	23½½
" 23 ...	168 0	d.	23½	23½½

* Bank of England's official price.

Investment

Calling the Small Saver.—The first public appeal for war finance has been addressed to the small saver, whose phenomenal thrift during the past two decades is the best possible assurance of an adequate response. In a statement to the House of Commons on Tuesday, and in a broadcast talk on Wednesday, Sir John Simon outlined the two new securities which are now on "tap," and which have been specially designed to attract the small investor. It may be said at once that the terms are adequate—indeed, generous—to secure a nation-wide response. The machinery of the National Savings Movement, itself a product of the last war, will ensure that the fullest publicity is given to the savings drive. And the growing realisation that the economic problem of war is to divert spending power from civil consumption to Government use will be coupled, by these issues, with the material advantage of a remunerative investment. Neither the forced loan nor the imposition of intolerable taxation threatens the small saver. The voluntary system is being put to the test, and the measure of its success will be determined by the flow of savings on a scale which, together with tax revenue, is sufficient to discharge the prodigious cost of war, at the rate of £6 millions a day. Meanwhile, the date has not yet arrived, to quote the Chancellor's words, to issue a loan on the open market. That is a view which has already found full emphasis in these columns. Plainly, the process of monetary management has not yet reduced long-term interest rates to the optimum level for a large-scale public National Loan. The position of War Loan stands as the obvious criterion of long-term rates, and at present it is still 7½ points below par. Moreover, before the large investor is invited to take a hand, it is fairly certain that the authorities will wish to fund part of the substantially expanded Treasury bill issue. An issue specially designed for the money houses would not disturb their task of maintaining low interest rates on bills, and it would mark the first stage of a process by which the banks' expanded resources were consciously diverted into investments rather than bills.

The Two Issues.—The campaign to attract the small saver provides for the offer of two securities. First, a new series of National Savings Certificates is being offered at 15s., rising in value to 17s. 6d. at the end of five years, and to 20s. 6d. at the end of ten years. Like the previous issue, which they replace, the certificates will not be subject to income tax, and hence investors will not be entitled to hold more than 500 certificates of all not be entitled to hold more than 500 certificates of all issues. The rate of accumulation is markedly more favourable on the new series than on the previous issue, for it amounts to £3 3s. 5d. per cent. compound, over ten years, compared with £2 18s. 4d. per cent. The provisions for encashment on short notice, coupled with freedom from tax, will enhance the attractiveness of the yield, which is not significantly below that which is at present being offered on building society deposits. The second security is quite novel. It consists of a 3 per cent. bond, purchasable in multiples of £5 up to a limit of £1,000, and redeemable seven years after purchase at a premium of 1 per cent. Interest will be subject to tax, but since tax will not be deducted at source, the bonds will attract those who are not liable to deduction at the standard rate, and would otherwise be put to the trouble of making repayment claims. Their yield to final repayment will be £3 2s. 7d. per cent., and their appeal will be largely to those small investors who already hold the maximum number of savings certificates. They are, in fact, a highly liquid security, for holders will appreciate the facility of encashment at par on six months' notice, and (subject to a loss of interest) on even shorter notice in case of urgent need.

Generous Terms—and the Moral.—These are generous terms. Indeed, the authorities appear to have gone out of their way to ensure a brilliant success for the first campaign to recruit the people's savings. The savings certificates offer a higher yield than at any time since low interest rates were established on the series issued from June, 1933. And the small saver—who would frequently appreciate an opportunity to obtain short-dated bonds on the Stock Exchange in normal times, but for the cost of purchase and problems of income tax on stocks standing at a premium—is now presented with the opportunity to obtain a return which is handsomely in excess of that which can be obtained on the nearest stock—National Defence 2½ per cent., which yield £2 16s. 6d. per cent. to redemption at average date in 1946. Some observers may question whether the Treasury has not, in fact, been unduly generous. Yields in excess of 3 per cent. on essentially short-dated securities might appear to set a precedent which could prove awkward at a later stage. It is a fair answer, however, that a 3 per cent. return is a psychological dividing line for the small saver, and that special efforts are needed to attract the savings of the lower-middle income classes, in order to reduce their private consumption. Such returns, it is to be hoped, will not be regarded as a precedent when the day comes for open market borrowing. The small saver is interested in the absolute size of his return, and the maintenance and realisability of his capital, and does not normally pursue a meticulous comparison of interest rates on alternative investments. The conditions attaching to a public offer would be wholly different. For in the latter case, the authorities have it in their hands to determine, within fairly close limits, what rate would be acceptable to large lenders, and there is every reason why they should use their power.

Gilt-edged Yield Comparisons.—There is no direct comparison between the yield offered on the new 3 per cent. bonds and existing gilt-edged securities. A comparison of the movement of returns on Government stocks of various dates, however, is in itself of obvious importance when the authorities have chosen a well-remunerated and short-dated bond as the main attraction for the small investor's savings. This comparison is illustrated in the accompanying chart, which shows the relative fluctuations in the yields on War Loan, National Defence 3 per cent. 1954-58 and National Defence 2½ per cent. 1944-48, since the beginning of August. The plottings are at fortnightly intervals, and they show in each case how the unfreezing of the gilt-edged market and the stimulus of credit-creation has reduced yields appreciably below the pre-war level.

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E.P.T. on Mufulira is reduced to reasonable proportions). At the current price of 20s., the 10s. "Rhoanglo" shares yield £5 12s. 6d., compared with £4 15s. 3d. per cent. for Rhokana on last year's dividends.

The Week's Company Profits.—This week our table of profit and loss accounts, appearing on page 313, covers 37 companies for which comparable figures are available. Net profits of these companies amount to £1,607,000 against £1,969,000, a fall of 18 per cent. The decline in total profits, however, is less, owing to the heavy incidence of taxation. Aggregate net profits of 2,065 companies reporting in 1939 to date are £240,092,000, against £261,513,000 earned by the same companies a year ago, and still show a fall of 8 per cent. The week's results are discussed in preceding Notes and on page 301 under the heading "Shorter Comments."

Company Meetings of the Week.—Reports of company meetings will be found from page 305 of this issue. At the meeting of *Prices, Tailors*, Sir Henry Price declared that, despite the depressing period of last August and September, trading conditions to date were very satisfactory. Mr Ernest Walls informed shareholders of

North British Rayon that, due to various agreements within the industry, recent losses due to unregulated competition should not recur, while war conditions should open up new uses for rayon. Brigadier-General Hammond discussed future prospects at the *Central Uruguay Railway* meeting. Though costs of stores and labour were bound to rise, increased traffics and an improved rate of exchange were anticipated. Mr P. Ashley Cooper informed shareholders of *Trinidad Leaseholds* that the sale in the United Kingdom of Regent motor spirits, aviation spirit and automotive diesel oil had increased. At the meeting of *Johannesburg Consolidated Investment* Mr G. H. Beatty dealt with the Union Government's gold taxation policy. The recent decision to appropriate all proceeds from sales of gold over 150s. per ounce should be replaced by a tax on profits, and a commission of inquiry appointed. Mr W. Sandford Poole informed shareholders of *Second Industrial Trust* that despite the uncertain outlook, the trust's investments were well spread. At the meeting of *Assam Railways and Trading Company*, Mr D. W. Turner pointed out that though the Government had until February to give notice of compulsory purchase, the Board understood that exercise of the right was unlikely. At the *Mitchells and Butlers* meeting, Mr A. Mitchell declared that the beer duty had been increased by 44 per cent. to 31s. per proof gallon, compared with 11s. 8d. on British still wines.

THE STOCK EXCHANGES

London

Note: All dealings are for cash

The past week has been somewhat lifeless and irregular though there is a welcome absence of real weakness, and the Defence Bonds and Savings Certificates terms brought a firmer tendency later on. Activity remains on a small scale, and it is still impossible to discover any marked general trend in prices one way or the other.

Gilt-edged stocks began by improving slightly, and then showed some weakness, owing partly to the sobering influence of the course of the war at sea, and partly to the desire to await details of the small investors' savings scheme. These details ultimately brought a small net improvement after a series of slight and hesitant fluctuations. Short-dated stocks were rather firmer than other issues. Home corporations remained steady and uninteresting. Interest in Dominions' loans flagged on Tuesday, but the underlying tendency is still good.

Among *foreign bonds*, South American issues were once more the main attraction, though they shared in Tuesday's general reaction. Japanese and Chinese issues were out of favour. *Home rails* were considerably better than in the previous week, on the renewed belief that an announcement on compensation terms cannot be much longer delayed. The improvement was most marked among the preference stocks. Argentine rails were better on hopes of more favourable exchange facilities.

The *industrial market* was dull, and movements irregular and inconsistent. The undertone, however, remains quite steady, and most changes are unimportant. Iron and steel shares made a mixed showing, and there were few large movements. Steel Corporation of Bengal were a firm feature in mid-week. Among aircraft and motor shares, Short Bros. relapsed on the bonus cut but recovered

later. Triplex were very weak, Raleigh hardened, and other issues in this group gave a mixed display. Electrical equipment issues were unexciting, but better for choice, and certain electricity supply shares quietly improved. Breweries were again a firm market, owing to a number of satisfactory company results, and tobacco shares held their ground. Among textile and rayon shares, British Celanese responded to the discharge of preference arrears. Courtaulds were affected sympathetically, and other issues were steady. In the stores section, Marks and Spencer were more active on the interim dividend announcement. Miscellaneous issues were irregular.

Oil shares have been devoid of interest this week. There have been fractional losses on balance among leading issues, while Trinidad shares have offered no resistance to the general trend. Though rubber shares were firmer after the weekend, interest slackened off towards mid-week despite an advance in the price of the commodity. Tea issues have been firm in restricted trading.

Turnover in the *mining market* has been small. Producing Kaffirs moved irregularly until Wednesday, when sentiment changed for the better, Modder East and Geduld leading a fractional advance. Developing issues were dull

"FINANCIAL NEWS" INDICATORS

1939	Total Bargain	Corres. Day 1939	Security Indices	
			30 ord. shares*	20 fixed int.†
Nov. 17	3,840	5,230	74.3	116.7
" 20	4,660	5,770	74.4	116.8
" 21	3,540	5,530	74.4	116.7
" 22	3,635	5,625	74.3	117.2
" 23	3,850	5,350	74.9	117.5
1939 High...	...	...	88.0	123.5
Low...	...	...	86.4	109.6
			Mar. 10	Jan. 3
			86.4	109.6
			Sep. 26	Oct. 4

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

this week, with prices easier on balance. Finance shares followed the trend of the producers. West Africans lost ground in mid-week, with Ariston a firm exception. Base metals have been equally featureless. Among Rhodesian coppers, Rhoanglo led a downward movement early in the week, but prices ruled steady at the lower levels. London Tin was a good feature among tin shares, while Burmah Corporation were in demand among lead-zincs.

New York

WITH no development of importance reported from Europe, Wall Street operators have turned their attention to domestic trends. The uncertain attitude on the business outlook after the New Year, despite current encouraging reports, has been reflected in a dwindling turnover and a slight setback in the Dow Jones industrial average from 151.69 on Monday to 150.34 on Wednesday. Steel and other war stocks encountered some support after the weekend, but motor issues were adversely affected by the protracted Chrysler labour dispute. Interest gradually faded off towards mid-week, turnover being further restricted on Wednesday by pre-holiday sentiment. *Iron Age* estimates this week's steel mill activity at 93.5 per cent. of capacity, as last week, and predicts the maintenance of this level for choice, and certain electricity supply

Since all United States markets were closed on November 23rd in celebration of Thanksgiving Day, we are unable to print the latest index figures of American Values calculated on closing prices (1926 = 100). These will appear in our next issue.

TOTAL DEALINGS IN NEW YORK

1939	Stock Exchange	
	Shares 000's	Bonds \$000's
November 16	820	7,530
" 17	710	7,980
" 18	280	3,460
" 20	740	7,690
" 21	560	6,830
" 22	570	8,170

New York Prices

	Close Nov. 16, 1939	Close Nov. 22, 1939		Close Nov. 16, 1939	Close Nov. 22, 1939
1. Rails and Transport			4. Manufacturing		
Atchafalaya	28 3/4	27 5/8	Shell Union	13 1/2	13
Balt. & Ohio	6 5/8	6 3/8	Socony Vac.	26 1/2	25 3/4
Ches. & Ohio	42 1/4	42 1/4	Stan. Oil Cal.	26 1/2	25 3/4
G.N. Ry. P.	28 3/8	28 1/4	Stan. Oil N.J.	46 5/8	45 5/8
Illinois Cent.	14 1/8	13 5/8	Texas	46 5/8	46 5/8
N.Y. Central	20 1/8	19 5/8			
Norfolk	10 1/4	10 1/8			
Pennsylv. R.	24 3/8	23 3/8			
Southern Pac.	16 1/8	16 1/2			
Southern Ry.	19 3/4	20			
Union Pac.	100 7/8	100 1/4			
2. Utilities and Communications					
Am. W. Works	12 1/4	12 1/8			
Con. Edison	30 5/8	30 1/4			
Col. Gas & El.	6 7/8	6 5/8			
N. American	23 1/8	22 3/4			
Pac. Gas & El.	32 1/4	32 1/4			
Pub. Serv. N.J.	40 1/8	40			
Un. Gas Imp.	14 3/8	14 1/8			
Amer. Tel.	169 1/8	169 5/8			
Inter. Tel. For.	4 3/4	4 1/2			
West. Union	29 27 1/2	27 1/2			
Radio	6	5 7/8			
3. Extractive and Metal			5. Retail Trade, etc.		
Am. Rol. Mill	18 3/4	18	Mont. Ward	55 3/4	55
Beth. Steel	85	83 3/8	Sears Roebuck	82 1/2	82 1/4
Republic St.	24 3/8	23 1/2	Woolworth	39 3/4	39 1/4
U.S. Steel	71 1/8	69 1/2	Nat. Dairy	15 1/4	16
Am. Metal	25 1/8	24 1/8	Am. Tob. B.	82 1/2	84
Am. Smelting	52	52 1/2	Nat. Distillers	24	23 3/4
Anaconda	32 1/8	32 1/4			
Cerro de Pas.	38 1/4	38 3/8			
Int. Nickel	39 7/8	39 3/8			
Kennecott	40 3/8	40 1/4			
U.S. Smelt.	62	62			

Capital Issues

CAPITAL ISSUE TOTALS

Week ending November 25, 1939	Nominal Capital	Conversions	New Money
To the Public	Nil	Nil	Nil
To Shareholders	Nil	Nil	Nil
By S.E. Introduction	Nil	Nil	312,000
By Permission to Deal	300,000	Nil	50,000
Savings Certs., week to Nov. 18, 1939	50,000	Nil	50,000
Year to date	Including Conversions	Excluding Conversions	
1939 (New Basis)	123,786,704	101,260,762	
1938 (New Basis)	267,758,185	245,889,895	
1939 (Old Basis)	71,936,396	50,506,723	
1938 (Old Basis)	191,158,392	170,270,201	

Destination (Excluding Conversions)

Year to date	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1939 (New Basis)	73,649,096	25,365,934	2,245,732
1938 (New Basis)	191,107,066	51,932,632	2,850,177
1939 (Old Basis)	34,346,632	15,840,091	320,000
1938 (Old Basis)	144,799,697	22,650,432	2,820,072

Nature of New Borrowing (Excluding Conversions)

Year to date	Deb.	Pref.	Ord.
1939 (New Basis)	45,086,645	8,831,629	47,392,288
1938 (New Basis)	144,453,573	18,190,275	83,246,047
1939 (Old Basis)	37,658,921	2,688,459	10,983,163
1938 (Old Basis)	130,353,183	9,947,005	29,970,013

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.

FORTHCOMING CONVERSION

Bognor Gas and Electricity Company.—It is proposed to provide for redemption of £18,450 5 1/2 per cent. redeemable debenture stock at par on January 1, 1940, by an issue of debenture stock. Authority is also being sought to issue debenture stock to the extent of borrowing powers. Amounts and terms not yet determined.

BONUS SHARES

Central S.M.T. Company.—This company, a subsidiary of Scottish Motor Traction Company, proposes a scrip bonus to ordinary stockholders of 50 per cent., involving capitalisation of £250,000 from general reserve. Meeting, December 6, 1939.

THE ECONOMIST

RESULTS OF ISSUES

Newcastle and Gateshead Water Company.—The issue by tender of £300,000 5 per cent. redeemable preference stock resulted in applications being received for £1,433,545.

Liverpool Corporation Bills.—Tenders for £1,000,000 six-month bills on November 20th resulted in applications totalling £5,080,000 at price of £99 7s. 3d. Allotment was 30 per cent., and average rate was £1 5s. 4.99d. per cent. per annum.

Dividend Announcements

Rates are actual unless stated per annum or shown in cash share. The for previous year refer to dividend unless marked by asterisk to indicate interim dividend.

Company	Int. or Final	Total	Payable	Prev. Year
BANKS				
Bk. of Lon. & S. Am.	5	5	Dec. 18	3
Imperial Bank of India	5	5	Dec. 19	25*
RAILWAYS				
Bengal Doars	2	2	Dec. 16	15*
Prudential	5*	5*	Dec. 16	Nil*
TEA & RUBBER				
Brahmaputra Tea	6 1/4*	6 1/4*	Nov. 30	Nil*
Kuala Selangor Rbr.	2 1/2*	2 1/2*	Dec. 8	3 3/4
Lumut Rubber, etc.	2 1/2*	2 1/2*	Dec. 7	Nil*
Pusing Rubber, etc.	12 1/2*	12 1/2*	Jan. 12	15*
MINING				
Kaduna Syndicate	20*	20*	Dec. 21	2 1/2*
Kleinfontein Estates	10*	10*	Dec. 1	18
South West Africa Cons.	10*	10*	Dec. 1	Nil
Sungai Way Dredging	(a) 2 1/2*	(a) 2 1/2*	2 1/2	15
Ulu Klang Tin	15	15	Jan. 1	17 1/2
Wankie Colliery	12 1/2*	12 1/2*	Jan. 1	5*
West African Diamond	7 1/2*	7 1/2*	Jan. 1	17 1/2
INDUSTRIALS				
Albion Forgings	12 1/2*	12 1/2*	Dec. 15	6
Ansells Brewery	5*	5*	Dec. 15	15*
Avery (W. and T.)	7 1/2*	7 1/2*	Jan. 1	20
Bird (Sydney S.)	6 1/2	6 1/2	Jan. 1	10
Birkenhead Brewery	7 1/2*	7 1/2*	Dec. 15	6
Blackpool Tower	3 1/2*	3 1/2*	Jan. 2	15*
Bluebell Bros.	12 1/2*	12 1/2*	Jan. 1	2 1/2*
Brit. India Steam & Co.	\$1 ps*	\$1 ps*	Jan. 1	\$1.50
Brockhouse (J.) & Co.	2 1/2*	2 1/2*	Jan. 1	20
Canadian Cottons	2 1/2*	2 1/2*	Dec. 16	12 1/2
Clutson and Kemp	2 1/2*	2 1/2*	Dec. 16	12 1/2
Costs (J. & P.)	1 1/2*	1 1/2*	Dec. 16	12 1/2
Dorman Long Ord.	1 1/2*	1 1/2*	Dec. 16	12 1/2
Eastman Kodak	1 1/2*	1 1/2*	Dec. 16	12 1/2
Foster Clark	1 1/2*	1 1/2*	Dec. 16	12 1/2
Franco Signs	1 1/2*	1 1/2*	Dec. 16	12 1/2
Gascoigne (Reading)	1 1/2*	1 1/2*	Dec. 16	12 1/2
Grand Hotel, Estb.	1 1/2*	1 1/2*	Dec. 16	12 1/2
Hartnolls (B.A.)	1 1/2*	1 1/2*	Dec. 16	12 1/2
Hattersley Ormskirk	1 1/2*	1 1/2*	Dec. 16	12 1/2
Kern Oil	1 1/2*	1 1/2*	Dec. 16	12 1/2
Marks and Spencer	1 1/2*	1 1/2*	Dec. 16	12 1/2
Metal Box	1 1/2*	1 1/2*	Dec. 16	12 1/2
Minimax	1 1/2*	1 1/2*	Dec. 16	12 1/2
Mono Containers	1 1/2*	1 1/2*	Dec. 16	12 1/2
Moss Gear	1 1/2*	1 1/2*	Dec. 16	12 1/2
Moss American Tst.	1 1/2*	1 1/2*	Dec. 16	12 1/2
Pipers Hall	1 1/2*	1 1/2*	Dec. 16	12 1/2
Power Gas	1 1/2*	1 1/2*	Dec. 16	12 1/2
St. Kitts Sugar	1 1/2*	1 1/2*	Dec. 16	12 1/2
Scottish Machine Tool	1 1/2*	1 1/2*	Dec. 16	12 1/2
Short Brothers	1 1/2*	1 1/2*	Dec. 16	12 1/2
South African Brews.	1 1/2*	1 1/2*	Dec. 16	12 1/2
Starkey, Knight, etc.	1 1/2*	1 1/2*	Dec. 16	12 1/2
Tobacco Co. (Rhodesia)	1 1/2*	1 1/2*	Dec. 16	12 1/2
Walker (J.)	1 1/2*	1 1/2*	Dec. 16	12 1/2
Westover Garage	1 1/2*	1 1/2*	Dec. 16	12 1/2
Whithead Iron, etc.	1 1/2*	1 1/2*	Dec. 16	12 1/2
Wiggins, Teape	1 1/2*	1 1/2*	Dec. 16	12 1/2
UNIT TRUSTS				
Brit. Emp. Comp'n'sv.	1 1/2*	1 1/2*	Dec. 16	12 1/2
First British Fixed	1 1/2*	1 1/2*	Dec. 16	12 1/2
First Provincial "B" 12	1 1/2*	1 1/2*	Dec. 16	12 1/2

(a) Paid on a larger capital. (b) Equal to 12 1/2 per cent. on the old capital. (c) Paid on the ordinary and "A" ordinary dividend of £2,114,240 increased by 10 per cent. scrip bonus of £2,114,240.

MARKS AND SPENCER.—Interim dividend of £2,114,240 increased by 10 per cent. scrip bonus of £2,114,240. This is the same as 15 per cent. for year to March 31, 1940, on ordinary and "A" ordinary shares. This is the same as a year ago, but is on 10 per cent. more capital.

METAL BOX COMPANY, LTD.—Interim dividend on ordinary shares maintained at 5 per cent. Total dividend for year, 17 1/2 per cent. against 12 1/2 per cent. for year to March 31, 1940, on ordinary and "A" ordinary shares.

MOSS GEAR COMPANY, LTD.—Final dividend increased from 8 1/4 to 13 1/2 per cent. Total dividend for year, 17 1/2 per cent. against 12 1/2 per cent. for year to March 31, 1940, on ordinary and "A" ordinary shares.

SHORT BROTHERS (ROCHESTER AND BEDFORD).—Dividend on ordinary and "A" ordinary shares, 30 per cent. as before, but the bonus is reduced from 12 1/2 to 2 1/2 per cent., making for year to August 31, 1939, 32 1/2 per cent. against 42 1/2 per cent. for year to August 31, 1938.

WIGGINS, TEAPE AND COMPANY, LTD.—Interim dividend on ordinary shares maintained at 3 per cent.

Shorter Comments

Company Results of the Week.—Brewery company reports covering the year ended September 30, 1939, generally showed improved profits. Satisfactory reports have been issued, for instance, by **BRISTOL BREWERY GEORGES AND COMPANY**, and by **W. BUTLER AND COMPANY**, though the latter company is reducing its tax-free dividend from 18 per cent. to 17 per cent. Despite maintained profits in 1938-39, SS CARS are passing their ordinary dividend owing to the need for conserving resources following the cessation of car production and the change-over to arms work. Aircraft companies continue to issue satisfactory reports. **WESTLAND AIRCRAFT** reports profits have increased sharply following the Petter acquisition, and the dividend is 6 per cent. tax free against 8 per cent. less tax. Total profits of **BOULTON PAUL AIRCRAFT** are £118,475 for 1938-39, and show a higher rate than profits of £50,766 recorded in the preceding nine months. Total profits of **BUTLER MACHINE TOOL** are £108,947 against £87,541, but taxation more than absorbs this increase, and the 1 1/2 per cent. dividend is unchanged. **ATE** is experiencing a small reduction in profits. **STEWARTS AND LLOYDS OF SOUTH AFRICA** are again paying 10 per cent. on a doubled capital. Despite a rise in profits, **J. AND F. STONE LIGHTING AND RADIO** are halving their dividend for 1938-39, owing to the outbreak of war and to recent legislation affecting hire-purchase agreements. Another company impelled by taxation and other special expenditure to reduce dividends, although trading has been satisfactory, is **LEWIS BERGER AND SONS**, whose total profits of £168,417 compare with £165,218.

MISCELLANEOUS

Industry and Trade

Rise in Wholesale Prices.—A feature of the first two months of the war has been the sharp rise in the wholesale prices of many commodities. During this period the advance was most marked in the case of imported commodities, due to the depreciation of the pound and the increased cost of ocean transport. The rise in the prices of primary products has been accentuated, moreover, by a heavy re-stocking movement in the United States, where industrial production has risen to the 1929 level. The extent of the advance in the various commodity groups is reflected in the indices calculated by the Board of Trade. (Publication of *The Economist* index, which was suspended after the outbreak of the war owing to the difficulty of obtaining the prices of some of the constituent commodities, will be resumed next month):—

INDICES OF WHOLESALE PRICES (1930 = 100)			
	August	September	October
Cereals	84.0	98.5	105.0
Meat, fish, eggs	84.3	93.1	97.4
Other foods	100.1	108.5	122.0
Total, food and tobacco	90.4	100.7	109.2
Coal	117.4	119.3	122.8
Iron and steel	128.6	128.1	129.9
Non-ferrous metals	100.7	104.4	104.9
Cotton	81.4	98.9	103.1
Wool	102.6	106.6	115.5
Other textiles	74.1	81.4	89.7
Chemicals and oils	93.0	93.8	98.7
Miscellaneous	96.1	104.8	108.0
Total industrial materials and manufactures	102.2	107.4	111.3
Total, all articles	98.1	105.2	110.7

As was to be expected, the rise in prices between August and October was by no means uniform; in many categories it was substantial. Thus, the index for food and tobacco rose by as much as 20.8 per cent. Textiles also registered sharp advances; the indices for cotton, wool and other textiles are up by 26.7 per cent., 12.6 per cent., and 21.1 per cent. respectively. The textile trades, and especially the cotton industry, are now enjoying a boom, and the rise in the index of cotton prices, for example, must in part be ascribed to an increase in profit margins. The rise in the figures for coal, iron and steel, non-ferrous metals and chemicals and oils was comparatively small between August and October. The complete index rose by no less than 12.8 per cent. during the first two months of the war; between July and September, 1914, the less comprehensive and more sensitive *Economist* index rose by only 8.4 per cent. Since the beginning of November, moreover, the prices of many commodities have been advanced further; those for iron and steel were raised by about 10 per cent. The Board of Trade index for November is therefore likely to show a further advance. Hitherto the Government's policy to stabilise prices has certainly not been very successful.

Coal Production and Exports.—Although the rationing of coal, gas and electricity has been raised from 75 per cent. to 100 per cent. of last year's consumption, there remains the need for an increased export surplus of coal to meet France's requirements and to secure additional foreign exchange. Coal output in the year ended June 30th last was 229 million tons, and internal consumption about 180 millions. Much has been made in Parliament of the 64,000 coal miners—7 or 8 per cent. of the numbers insured—who were unemployed on October 16th. In fact, the reabsorption of the remaining unemployed is unlikely to be the principal means of expanding output. In 1937

12 million tons more coal were mined than in 1938, but the average number employed was smaller. The higher output was due partly to greater efficiency but primarily to the larger number of manshifts worked during that year. The coal industry should again be able to expand its output to 240 millions as in 1937. But with war industries daily increasing their activity and no restrictions on coal consumption, internal requirements may reach 190 million tons a year. Efforts must therefore be made to reach an annual output of at least 250 million tons if rationing is to be made unnecessary. Given time, the number of manshifts worked can be increased, and former coal miners can return to their original occupations.

Let us see where the export opportunities lie. Firstly we must supply France with an additional five or six million tons a year. In the year ended last June France imported nearly six million tons of Polish and German coal. Any deduction that might be made for reduced consumption in Alsace and Lorraine will be fully compensated by the increased activity of French war industries. Then there are a number of markets where, if the supply were adequate, we could successfully compete for part of the former German and Polish trade. The most important of these are indicated in the table below, which relates to the year ended June 30, 1939:—

EXPORTS TO NEUTRAL COUNTRIES (In thousands of tons)					
From Germany and Poland			From Germany and Poland		
Destination	From U.K.	From Germany and Poland	Destination	From U.K.	From Germany and Poland
Denmark	3,398	915	Greece	205	665
Norway	1,467	650	Egypt	1,664	350
Sweden	2,757	3,213	Argentina	2,140	600
Portugal	716	322	Brazil	469	565
Italy	2,667	8,255			
Total			Total		
			15,483		

The most promising of these markets is Italy. In the early days of the war Italy received large quantities of Saar coal, but this import has now stopped. Italian demand for British coal is almost certain to show considerable expansion. The Scandinavian markets are more subject to German competition, but in the Mediterranean and South America there is a substantial demand, which can be satisfied by increased British shipments.

Cotton Control.—The first steps to organise the cotton trade on a wartime basis were taken by Sir Percy Ashley, the Controller, last week. The recommendation of the Cotton Board to take a census of productive capacity and of the number of operatives employed is being carried out; forms have been despatched to some 1,600 firms in the spinning, doubling and weaving branches of the industry, which must be returned by the end of November. A further move, which was undoubtedly welcomed throughout the trade, was the appointment of Mr Frank Platt, the managing director of the Lancashire Cotton Corporation, to the post of Deputy Controller. Mr Platt has been given leave of absence from the Corporation for the duration of the war. Soon after his appointment as managing director of the Corporation in 1933, Mr Platt called a series of informal conferences of cotton spinners in an effort to reorganise the whole structure of the spinning industry. These discussions were the original basis upon which, after years of work, the Cotton Industry (Reorganisation) Act was finally brought into being. He has also played a leading part in the institution of the various price-fixing agreements for maintaining minimum selling rates for yarn and

is chairman of the American Yarn Spinners' Committee. One of the most urgent tasks of the Controller is to bring about a revival in exports, for these have fallen to a very low level and were valued at only £2,990,000 last month, against £4,213,000 in the corresponding month last year, and £5,779,000 in October, 1937.

Larger Imports.—As forecast in *The Economist* of November 4th, the value of British imports showed a substantial rise between September and October, from £49.9 millions to £61.8 millions. This latter figure represents a fall of only one-fifth from last year's level, compared with one-third in September. Considering that the convoy system was still not in full working order in

U.K. IMPORTS AND EXPORTS (£'000)				
	1937	1938	1939	Change between 1938 and 1939
October				
Total Imports	96,199	79,079	61,841	-17,237
British Exports	47,216	42,560	24,623	-17,937
Re-exports	5,699	5,446	1,998	-3,448
Total Exports	52,915	48,006	26,621	-21,385
Excess of Imports over Exports	43,284	31,073	35,220	+4,147
Transshipments under Bond	3,233	2,781	1,380	-1,401
Ten Months ended October				
Total Imports	838,319	769,543	717,275	-52,268
British Exports	432,859	389,165	261,324	-127,841
Re-exports	65,022	51,725	40,682	-11,043
Total Exports	497,881	440,891	302,006	-138,885
Excess of Imports over Exports	340,438	328,652	415,269	+86,617
Transshipments under Bond	30,976	26,649	24,204	-2,445

October and that these returns do not include stores imported in requisitioned ships, nor supplies shipped direct to the army in France, this recovery in imports is satisfactory. The value of exports, on the other hand, is still at the low level of September; the continuation of the decline must be attributed largely to the introduction of the various controls and the pressure of other business.

Egyptian Cotton.—The British offer to buy Egyptian cotton is a new departure in bulk purchases between Governments. The object of the bargain is not so much to secure supplies for Britain (these are available through the ordinary commercial channels) as to compensate Egypt in some degree for the loss of the German market and to put a minimum to the level of cotton prices. Egyptian exports of cotton in the last two years are given below:—

EXPORTS OF EGYPTIAN COTTON (million lbs.)				
	1937	1938	January-July 1938	1939
Total	882	786	456	514
To U.K.	272	237	144	175
„ France	122	81	50	62
„ Germany*	132	142	81	66
„ Poland	16	23	14	13

* Including Czechoslovakia.

Exports to Germany and the territories now under her control provided the second most important market for Egyptian cotton. The British Government has now offered to buy up to 1,550,000 cantars (of 99 lbs.) of cotton from Egypt in addition to Britain's usual purchases, if and when the price of Egyptian cotton at Alexandria falls below the level ruling on November 11, 1939. At that date Sakel-laridis f.g.f. was quoted at 13.94 tallaris per cantar for November delivery and Giza 7 f.g.f. at 12.77 tallaris, which compares with 12.98 and 11.85 tallaris respectively at the end of August. The maximum amount represents about 60 per cent. of Britain's intake of Egyptian cotton in 1938, and the Government has announced that, in order not to disturb the existing market, any cotton required under this agreement will not be immediately available to the cotton trade.

Cost of Living.—The abrupt rise in the Ministry of Labour's cost-of-living index in September gave rise to much discussion and to a number of wage increases. At that time, however, it was forecast that the rise, caused by the outbreak of war, would not be continued at the same rate in succeeding months. In October the index rose, in fact, by about 2½ per cent. to 169 per cent. of the base level in July, 1914, compared with a rise of 6½ per cent. in September. This small increase was due mainly to the seasonal increase in egg prices, though the higher prices of butter and bacon also contributed. It seems, therefore, as though the Ministry of Food has the situation in hand, though the raising of gas and electricity prices in the London area will bring a further unwelcome rise in the next month's figures. The sharp increase in the cost of living in September is still exerting its influence on wage rates. The executive council of the building trade unions obtained an increase of a halfpenny per hour for building operatives from December 1st owing to the rise in the cost of living; 10,000 workers in the chemical trade have been granted an increase ranging up to 4s. a week and 60,000 men in the heavy steel trade have also obtained a rise in wages. Wages of cable workers have been increased this week, and the rise of 1s. 10d. per week will be repeated at the end of December.

Food for Animals.—One result of the bacon contract system has been to concentrate the production of bacon pigs on specialist farms, where pigs have been fattened in large numbers on standardised imported foods. In a similar fashion the expansion in the hen population has been partly due to the cheap supply of cereals imported from abroad. Since the outbreak of war, supplies of cereal foods to the farmers have been somewhat erratic both in quantity and composition, and the Ministry of Agriculture has now issued a statement of its policy concerning the supply of feeding stuffs. So far there has been no shortage of oil cakes, so that milk production should be well maintained in the winter months. Fattening cattle and sheep must have first call on supplies of imported cereals and pig and poultry feeders must expect to have their rations reduced. The improvement in the quality of bacon has been obtained in peacetime by the liberal use of protein-rich cereals to secure a quick-growing pig; feeders are now advised to aim at a slower maturing animal which can make good use of potatoes, green foods and other farm waste. Similarly, poultry should be allowed greater opportunity for grazing, and even if this fresh air and exercise results in slower development, it should improve the general standard of health.

Diamonds and the War.—Diamonds have been included among the goods the export of which has been prohibited except under licence. This restriction is primarily directed against the export of industrial diamonds, which are largely used in the working of exceptionally hard armament steels, and it will also reserve necessary supplies for the British armament industries. For luxury diamonds export licences are granted freely. Naturally, the volume of the international diamond trade has suffered since the war, but prices have risen by about 10 per cent. since August.

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

MATURED AND BOTTLED AT CHATEAU DE COGNAC

INDUSTRIAL REPORTS

Coal

It was announced on Tuesday that reductions in the ages of reservation for some of the occupations in coal mines have been made.

Sheffield.—The tone of the market is steady. Industrial demand is active and household trade has improved under the revised rationing scheme. New business from utility undertakings is better than of late. Export inquiry is improving and there have been good bookings for best qualities.

Glasgow.—There is a steady pressure of demand for fuel for inland consumption and a scarcity of export supplies. Lanarkshire is now working under an order which retains the output of double, single and pearl nuts for local use. Other areas help to meet inland needs and as they have all the export business they wish to carry for the present, little is available for new shipping orders.

Newcastle-on-Tyne.—The Northumberland section of the North-East market is steady, most collieries having considerable orders on hand, but the Durham collieries are short of export trade, principally due to tonnage difficulties. Home and foreign demand for patent oven coke is persistent.

Cardiff.—The situation is still favourable and output well maintained. Chartering for voyages is increasing, and although it is felt that some of the clerical and other work incidental to control is unnecessary, the licensing arrangements are working smoothly on the whole.

Workington.—Trade is very brisk, although landsale is affected by the stocks accumulated by householders before rationing came into force. Ulster and Fire want more coal than they can obtain, and industrial fuel is in exceptionally keen request.

Iron and Steel

ON November 17th the Iron and Steel (No. 5) (Scrap) Order, 1939, fixed new prices for iron and steel scrap. Although the general level of prices remains unchanged, adjustments have been made in a number of anomalous cases. Provision is made for fixing maximum prices for any type of scrap not already covered by the order and also for fixing maximum prices where special transport costs have to be incurred.

Sheffield.—Demand is active for most classes of iron and steel, forge and foundry iron consumption is expanding, basic pig supplies are fully absorbed, hematite business is readily arranged, bar makers are receiving substantial orders, and the full demand for acid steel billets cannot be satisfied. Supplies of some descriptions of scrap are barely maintained. Despite the high level of steel output efforts are being made to expand production. Some valuable export orders have been secured.

Glasgow.—Government orders and work for A.R.P. shelters and strengthening materials absorb a large proportion of the local output. There are also heavy bookings by home consumers, but some export business is being arranged and efforts are being made to increase the allocation to overseas users.

Middlesbrough.—Constructional and shipbuilding steel material is in special request. East Coast hematite pig iron production is absorbed at once and the rest of the furnaces are operating on steel-making iron. Production of Cleveland foundry iron has not yet been arranged. Foreign ore arrivals are improving and there is no difficulty in securing blast-furnace coke.

Cardiff.—The heavier sections of the iron and steel industry are virtually fully employed and the latest tinplate returns show an output of 71.48 per cent. of capacity compared with 50.50 per cent. at the corresponding period last year. Unexecuted orders are now very near the record total of 8 million boxes, while current sales are roughly in the proportion of one-half for home consumption and one-half for export. The sheet mills are fully employed. There is still a shortage of scrap, but a plentiful supply of pig iron.

Workington.—The hematite trade is fully employed. Stocks are exhausted and it is doubtful whether production can be expanded before the end of the winter. Smelters are unwilling to start up furnaces which cannot obtain raw material supplies. A much larger proportion of iron is now going to the local steel works than formerly.

News from Abroad.—The increasing scarcity of supplies has resulted in a further advance in prices which is willingly paid by consumers anxious to cover requirements or expecting still higher prices. The United States and Belgium are reluctant to quote for near deliveries and there seem to be good chances for British exporters to fill the gaps.

Textiles

Cotton (Manchester).—Yarn and cloth prices have risen in sympathy with the advance in raw cotton, and producers are unwilling to sell far ahead. The market for American yarns has been strong and substantial weights have been booked by those prepared to sell. Coarse Egyptian counts have been more active. There has been more piece-goods business than firms wish to accept and substantial Government contracts have included a wide range of fabrics.

Wool (Bradford).—On Monday representatives of the London trade discussed the threatened extinction of their business with the Minister of Supply, but only obtained the promise of a further meeting. Complaints regarding the Wool Control are still very general, and raw material supplies for the civil trade, particularly the hosiery section, are considered insufficient.

Jute (Dundee).—Although prices are rising raw material supplies appear to be ample for the season's requirements. The Indian jute mills, working 60 hours per week, will require about 7½ million bales and the United Kingdom nearly 1 million. Continental spinners are unlikely to need more than 1,300,000 bales and American carry forward to next season. Both to give delivery for several months. Delay in the arrival of Calcutta goods is causing some concern to users.

THE COMMODITY MARKETS

THE bulk purchases placed by the Allied countries for important raw materials have a steadying influence on international prices, although prices in importing countries have risen with higher freight rates. In the United States, metal and rubber prices remain at a higher level than in London, but Moody's index of daily commodity prices showed little change during last week; on Wednesday it stood at 160.9 (December 31, 1931 = 100), the same level as a week earlier.

Metals.—Discussions, of which no details have been published, took place between a delegation of metal trade interests and the Minister of Supply on November 24th.

Tin.—The turnover on the London Metal Exchange was limited to 25 tons per day, and the maximum price remained unchanged at £230 per ton for all positions. In the United States, however, further buying has again raised the price to 52.50 cents per lb., against 51 cents a week ago. The International Tin Research and Development Council's statistical bulletin for October-November gives world production of tin in the third quarter of this year at 47,200 long tons, while consumption in the same period aggregated 38,800 tons. Despite this considerable over-production, which has further increased since the end of September, supply conditions on the international tin market have become difficult as restocking purchases of consumers, particularly in the United States, have been very heavy.

Grains.—The prolonged absence of rain in the American wheat area has seriously worsened the prospects of the new crop. The area sown in the south-west States will certainly be lower than a year ago and soil moisture is inadequate for germination. But the large stocks of wheat carried over from last season prevent any increase in prices, although prices at Chicago are considerably higher than at Winnipeg. Exports are proceeding steadily from Canada and Argentina, but there is still much congestion at ports and elevators. The absence of American ships in neutral waters is making it difficult for Belgium and Holland to obtain supplies of North American wheat.

Oil and Oilseeds.—Production in the mills continues steadily and satisfactory quantities have been allocated to consumers. The present schedule of maximum prices is valid until the end of the week, but only minor revisions are expected. Supplies of linseed are still rather scarce, as the export of the new Plate crop has not yet begun. Linseed loading at Bombay is quoted at £17 5s. per ton and new crop Plate (plus duty) at £15 per ton delivered.

Rubber.—Trading was slow at the end of last week, when the raising of the export quota from next January overshadowed the market. Later business revived and although prices were little changed, the market was very firm.

Furs.—A special sale of silver foxes, mostly inferior skins, was held in London this week. Demand was limited and prices showed an easy trend. Business on the open fur market is very quiet at present and the turnover has fallen heavily since the war.

COMPANY MEETINGS

JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY, LIMITED

TAXATION OF GOLD MINING

DANGER OF GOVERNMENT'S POLICY

The annual general meeting of the Johannesburg Consolidated Investment Company, Limited, was held, on the 21st instant, in Johannesburg.

Mr G. H. Beatty presided, and in the course of his speech said:—The permanent chairman, Mr J. B. Joel, had intended to be with you to-day, but was precluded by the regrettable conditions prevailing. It would have been most fitting for our permanent chairman, who has been associated with the company almost from its inception, to preside at this meeting, which falls in its fiftieth anniversary year. The date of the registration of the company was September 28, 1889. A perusal of the brief details of the history and progress of the company which are attached to the directors' report indicates the important and vital part played by the company in the development of the Witwatersrand.

Your directors considered it necessary, in view of the difficult conditions obtaining, to maintain a strong liquid position. Treasury bills and cash at bankers at June 30, 1939, amounted to £1,310,633; the surplus of assets over liabilities in accordance with the details in the balance sheet was £7,220,262. The net profit for the year amounted to £616,129, and the dividend was at the rate of 3s. per share, the same rate as for the previous year.

GOVERNMENT'S APPROPRIATION DECISION

The decision of the Government to appropriate all proceeds from the sale of gold above 150s. per ounce fine is a matter of great concern to the community and the gold-mining industry alike. According to Mr Havenga's announcement on August 30th, the Government's decision was based on fears that the increased gold price brought about by war conditions in Europe would lead to widespread speculation and extraordinary profits to the mining companies.

The first and obvious result of the announcement is the damage to confidence in the industry which again has been singled out for discriminatory taxation and thrown into a state of uncertainty. The damage is such as to render very difficult, if not to prohibit, the raising of capital to finance new work or to complete work already authorised.

Secondly, a tax on the product of any enterprise instead of on the profit is bad in principle, and carries within it the seeds of its own destruction.

From the point of view of the community and the industry, Mr Havenga's statement is the most unfortunate pronouncement of recent years. It came not only as a complete surprise but as a shock to the industry, not because the industry anticipated a large increase in profit, which would not have materialised, but because it involved a reversion to the ideas prevalent in 1933 of taxing the gold price. If reason had not prevailed then, the country would have been prevented from enjoying the prosperity of the last six years and probably landed in bankruptcy.

The report of the Departmental Committee on Mining Taxation issued in 1936, had, one hoped, finally disposed of those ideas. The method of taxation recommended by that Committee was adopted by the Government, and, although the latter fixed the scale at an excessively high level, experience has shown that as a method of taxing our gold industry it is inherently sound.

All the prosperity which has come to the Union of South Africa since 1932 was caused by the increase in value of gold, which brought hundreds of millions of tons of ore above the pay limit and enabled the industry to expand its scale of operations. If the price of gold had been limited to 85s. per ounce the Rand to-day would be operating at the rate of 20,000,000 tons per annum instead of 57,000,000.

CONDITION OF LIMITED REVENUE AND RISING COSTS

The industry now has to face a condition of limited revenue and rising costs. A rise in costs lowers the total payable tonnage in all mines and thus shortens their lives. A rise of 10 per cent. or

15 per cent. in costs threatens the existence of low-grade mines; in fact, after a short struggle, they would close—that is, if their revenue were limited to 150s. per ounce. Rising costs have a cumulative effect; if the costs of goods and services rise by 10 per cent., the costs of operating a low-grade mine rise by a greater percentage.

Many low-grade mines to-day cannot increase the recovery per ton without reducing the tonnage crushed and thus increasing the costs per ton. As costs rise more marginal ore falls below the pay limit; in order to maintain the ore reserve tonnage it is necessary to increase development work, which in turn increases costs and cuts out more marginal ore. There develops a vicious spiral of rising costs and the mine as a whole rapidly becomes an unpayable proposition, and once closed there is little chance of a low-grade mine reopening.

The shareholder loses a portion of his money, but this is insignificant compared with the loss to the community.

It will be seen that our industry, with gold fixed at 150s. per ounce, has reached a position similar to that in 1932, when several low-grade mines were on the verge of closing down, unable to make ends meet with gold at 85s. per ounce.

EFFECT OF MR HAVENGA'S POLICY

All taxation should be based on profits, and no method of taxing profits can be permanent if it is based on some arbitrary figure of gold price, whether 85s. or 150s. per ounce. The adoption of Mr Havenga's policy must lead inevitably to similar chaotic conditions in an aggravated form as prevailed between 1933 and 1936. No Government can, in the end, deny the country the right to mine the millions of additional tons of ore which are unpayable at 150s. but which could be worked at the higher prices, nor can it, without meriting the most severe criticism, by its own action cause mines to close. The announced policy, if adopted, would have to be changed sooner or later, and if working costs were to rise quickly emergency legislation would have to be passed to prevent low-grade mines from closing. That the Government has, in fact, already seen this danger is indicated by the following statement in this connection published on September 30th:—

"The Government has indicated to the Gold Producers' Committee that it will be prepared to deal with this question when it arises in the light of such information as the committee may submit to it as to the extent of such an increase in costs, and the nature of the circumstances which have necessitated it."

The question cannot be dealt with by refunding any increase in working costs, for such a method abounds with practical difficulties and with anomalies.

TAXATION FORMULA

If it is the Government's desire that the Rand should not contract, that low-grade mines should continue operations, and that its immense asset in low-grade ore should not artificially be rendered unpayable, then the idea of a maximum price for gold must be abandoned, and a taxation formula of the type recommended by the Committee on Mining Taxation retained. It is specially designed to deal with the varying conditions of costs and gold price, and it has thoroughly proved itself. The scale of taxation given by the formula can be modified at will, if necessary, to suit the Government's revenue requirements, and it is sincerely to be hoped that the Government will replace the announced policy with a more enlightened and less dangerous one.

The effects of the appropriation are by no means obvious, and the delay between cause and effect is considerable. By the time the effect becomes apparent to everybody the damage has been done beyond repair. In these circumstances it is customary to appoint a commission of inquiry. I suggest that it would be better to appoint a commission now.

The report and accounts were unanimously adopted.

MITCHELLS AND BUTLERS, LIMITED

INCREASES IN TURNOVER AND TRADING PROFIT

MR ARTHUR MITCHELL'S REVIEW

The fifty-second annual general meeting of the ordinary stockholders of this company was held at the White Horse Hotel, Birmingham, on the 23rd instant, under the presidency of Mr Arthur Mitchell.

The Chairman, in moving the adoption of the report and accounts, said:—Ladies and Gentlemen,—Since our last annual meeting the company has sustained a great loss by the death of Sir William Waters Butler, Bart.

The company, in its 51 years' existence, has been extremely fortunate in having as its first two chairmen men of outstanding ability, energy and courage to preside over its operations.

My father, Henry Mitchell, the founder of the firm, was chairman from 1888 to 1914, when Sir William succeeded him.

TRIBUTE TO SIR WILLIAM WATERS BUTLER

Sir William had an extraordinary capacity for detail, and there were no departments of a brewery business with which he was not conversant and of which he was not master. It was, therefore, fitting that in 1937 he should have been awarded the Horace Brown Medal "for eminent services on the scientific or technical side of the fermentation industries," which is the most coveted distinction that can be conferred upon any member of our trade.

During the last war he unreservedly placed his valuable experience and knowledge of the trade at the service of his country, and was appointed by the Government a member of the Central Control Board (Liquor Traffic), and afterwards an Advisory Member of the State Management Districts Council. His industry was tireless.

One of the many activities by which Sir William set great store was in connection with the operations of the Birmingham Property Company. This company was formed of Birmingham brewers to co-operate with the licensing justices to re-distribute licences from the older parts of the city and thus provide up-to-date licensed houses in the newly-developed suburban districts. He was chairman of this company for 32 years and was immensely proud of the results of its "fewer and better" policy, which, he declared, had been a great public gain to the City; a movement which now happily has become national.

Sir William had a breadth of mind that enabled him to cope with any big question which affected the welfare of the trade as a whole, and his great natural abilities made him a fine leader. He was one of its staunchest champions and had filled with distinction all the important offices connected with trade organisations.

He was a vice-president of the Brewers' Society and chairman in 1907-08, and the trade remembers with gratitude the great part he took in his year of office in the organising of the opposition which brought about the defeat of the Licensing Bill of 1908. He was a vice-president of the Institute of Brewing and president in 1905-06.

Outside his business, Sir William took an active interest in education and was a Life Governor of the University of Birmingham and a member of the Council. He was the prime mover in the foundation of the British School of Malting and Brewing, and had been the chairman of the board of management for thirty-seven years. He was a generous donor to the Adrian Brown Chair of Malting and Brewing and to the fund for providing scholarships for young brewers. Among his other benefactions to the University were very liberal donations to the British School of Malting and Brewing, the new biological block and the medical school; he also gave generously towards the founding of the Joseph Chamberlain Memorial Scholarships.

Speaking of him personally, his great outstanding qualities were his sincerity and fairness, his sterling honesty of purpose, and his genuine appreciation of ability in others. He admired the working man who did his job honourably and well, and nothing pleased him better than to find such an one rising through his own industry and ability. His sympathies for the working man were great and his interest in his welfare were never-failing. He showed this in practical form when he gave £12,000 to found his Welfare Fund for assisting employees of the company or their wives, who through old age, illness or incapacity, are in need of monetary assistance, and for the relief and education of their children; in addition he built cottages for pensioners. Sir William also founded a similar fund for the assistance of men of the 5th Royal Warwickshire Regiment who fall on hard times.

The board of directors has elected me chairman of this important company, a very great honour which I fully appreciate.

The heavy responsibilities attached to the appointment in ordinary times are now increased by the war, but with the able and loyal

support I am receiving from all at Cape Hill I enter upon my duties with confidence.

I am sure you will be pleased to know the change of chairmanship will not involve any change of policy in the conduct of this large and important concern.

ACQUISITION OF NEW BUSINESSES

Since last we met we have acquired the businesses of the Highgate-Walsall Brewery Company, Limited, and John Lord, which we consider very desirable and valuable acquisitions. They comprise a group of houses in the Walsall district, all within easy delivery distance of our brewery, and for the most part situated in districts where we were not represented. A large proportion are rebuilt, up-to-date houses, and the remainder are in such good condition as to require but little expenditure. We are glad that we have been able to absorb the whole of the staff.

These purchases have been completed since the directors' report was issued; later in this meeting I shall have the pleasure of submitting a resolution to convert into stock the shares which have been allotted in respect of these purchases.

SATISFACTORY YEAR

As stated in our report, we have had a very satisfactory year with gratifying increases in turnover and trading profit. We were looking forward to showing an increase in net profit also, but the supplementary budget intervened on account of which we have reserved for income tax at the full rate of 7s. 6d. in the £ on the whole of the year's profits, which has brought about the decrease in net profit shown in the balance sheet.

Referring to matters arising from the war which directly affect the trade, I would like to speak very briefly on two points, namely taxation and attacks by teetotal propagandists.

QUESTION OF TAXATION OF BRITISH STILL WINES

In regard to taxation:—

The Emergency War Budget has imposed yet a further crushing increase, amounting to 44 per cent., in the beer duty, but, nevertheless, both the wholesale and retail sections of the trade are resolved to help the Chancellor of the Exchequer, as far as possible, to obtain the money for which he has budgeted from the trade.

And that being so, I do not think I ought to allow the opportunity to pass without speaking on the subject of British still wines, which I consider to be, by reason of the low rate of duty charged upon them, and their high alcoholic strength, a matter for the urgent attention of the Chancellor of the Exchequer at the present time.

The principle followed for many years in this country in the taxation of alcoholic beverages has been to progressively steepen the rate of tax as alcoholic strength rises. If we look at the relative proof spirit content of beer, British wines and whisky and the rate of duty per proof gallon, we get the following figures:—

Average beer—proof spirit ...	7 p.c.	Duty 31s.
British still wine—proof spirit ...	30 p.c.	Duty 11s. 8d.
Whisky—proof spirit ...	70 p.c.	Duty 82s. 6d.

If the taxation of proof spirit in British wines was brought up to a mid-way position between beer and whisky (as it should according to all preconceived ideas) this would not only be fair all, but also furnish a sum to the Exchequer which in these times would be very acceptable.

As to the campaign of teetotal propagandists:—

TEETOTAL PROPAGANDA

I would fain have not mentioned controversial matters in these times and nothing would have impelled me to do so to-day but the fact that these agitators, after a long period of inactivity, calculate the war affords a favourable opportunity to launch a campaign for the suppression of the sale of alcoholic liquor.

They have already seized the chance to harass the Government as they did during the last war, when the Prime Minister of that day had to tell a teetotal deputation which waited upon him in 1918 that they were doing it not for the sake of the war, but were taking advantage of the war to advance their own particular theories about temperance.

We as a trade are as keenly anxious for moderation in all things as ever the teetotal party can be. Where the cleavage takes place is when they go to extremes and advocate, among other things, prohibition as practical politics. Surely they have learned something of the failure of that experiment in America.

The experience gained during the last war ought to be a guide to

SECOND INDUSTRIAL TRUST, LIMITED

DIVIDEND MAINTAINED

The twenty-eighth ordinary general meeting of the Second Industrial Trust, Limited, was held, on the 23rd instant, in London.

Mr W. Sandford Poole (the chairman) said that a year ago he had pointed out that the country was faced with prospects of armed peace as an alternative to war, and unhappily the events of recent months had compelled us to go to war as the only means of stopping aggression. The condition of international tension which had persisted for the past two years had remained unabated during the period under review, and the last month of the company's financial year had seen the outbreak of war. The difficulties of world commerce had been accentuated by fears for the future and complete armaments as always had been unproductive of real prosperity, and he was sure the shareholders would appreciate that the period now under review had been one of great difficulty.

Bearing in mind all the adverse circumstances, he believed they would consider that their revenue at £54,222, as compared with £59,966, was not unsatisfactory. If taxation had been in the same proportion as in the previous year, the reduction of revenue would have been slightly less than £4,000. They were able to maintain the ordinary dividend at 5½ per cent. and to increase the carry-forward by £2,662 to £25,659—more than the amount required for preference dividends for the past two years.

He would not attempt to assume the role of prophet regarding the future. The country had entered on the present conflict better prepared than on any previous occasion in its history. The investment outlook was uncertain, but the Trust's investments were well spread—two-thirds in industrials on one classification, and on another about the same proportion in Britain and the British Empire. The board were therefore hopeful that the gross revenue would not show any very drastic setback, but deductions for taxation would be heavier. Taxation of income had reached its limit; when the war had been won steps should be immediately taken to reduce it, or enterprise would be stifled and the numbers of unemployed enormously increased.

The report and accounts were adopted.

NORTH BRITISH RAYON, LIMITED

AN ESSENTIAL INDUSTRY

The ordinary general meeting of North British Rayon, Limited, was held, on the 17th instant, at the Incorporated Accountants' Hall, London.

Mr Ernest Walls (the chairman), in the course of his speech, said that demand had been at a low ebb during the greater part of the year with prices below cost of production. During the last few months of the financial year ending June 30th prices had improved and demand had shown a steady increase.

As a result of the various understandings and agreements now existing in the industry he had every reason to hope that the losses of recent years arising from unregulated competition would not recur.

During this period of difficulty the plant at Jedburgh and Holmfirth had been well maintained. In the last three years there had been put back into the business by way of depreciation, replacement and maintenance an amount of close on £150,000. These conservative methods must in the long run prove beneficial to the shareholders.

GOVERNMENT CONTROL

The importance of the British rayon industry was indicated by the fact that from the outbreak of war it had been under Government control as "an essential industry." This control involved limitation of selling prices.

The all-over demand for rayon at the present time could be considered to be normal. Any deficiency would probably be made up from new uses of rayon under war conditions. If the war were prolonged these uses would inevitably be increased.

The scientific research work of the company had continued unceasingly. Technical progress in rayon never stopped. They were determined to be in the front rank technically.

He considered that the intrinsic position in the rayon industry was more satisfactory than for many years past, but the war situation created conditions in which it was impossible to prophesy far ahead. Subject to this he took a reasonably favourable view of the prospects for the current financial year.

The report was adopted unanimously.

the Government to avoid the mistakes which were made at that time.

The very serious effects of the curtailment of the supply of beer in the last war were clearly stated by Sir George Cave, Home Secretary in Mr Lloyd George's Government, on July 5, 1917, when he said: "There is a serious shortage of beer in many parts of the country. The shortage is causing serious unrest and is interfering with the output of munitions and with the position of the country in this war. There is unrest, discontent, loss of time, loss of work; and in some cases even strikes are threatened, and indeed caused, by the very fact that there is a shortage of beer."

Yet in the annual report of the Birmingham and Midland branch of the United Kingdom Alliance, presented at the annual council meeting last month, the declaration is made that "total abstinence for everyone is now a greater necessity than ever, and the facilities for drinking must be drastically curtailed, if not entirely prohibited." The president also, in moving the adoption of this report, said: "We demand that the restrictions which were placed on the liquor trade during the last war should be re-imposed."

This in spite of the fact that Sir John Anderson, the Home Secretary, had already stated in the House of Commons on September 21st last that "the existing restrictions on the sale of intoxicating liquor which are contained in the Licensing Act, 1921, are similar to the restrictions which were imposed in the last war, and as yet he had "no information to indicate that any special measures are needed to check the consumption of alcohol." He very definitely said that "in his opinion no case had yet been made out."

And again on Thursday last Sir John declared that he had as yet no information to suggest that further restrictions were now required.

Moreover, I ask, is no regard to be paid to the loss of revenue which would result if these people had their way? In 1930 Lord Stamp, now Chief Economic Adviser to the Government, stated that if alcohol were suddenly abolished as a taxing agent we "should have great difficulty in finding the money from other resources" in consequence of "the fact that in this country expenditure had risen to such a point that we have gone a long way down most of the avenues of successful taxation." That was Lord Stamp's view of the position in 1930, when the Chancellor received a little over £77 millions from the beer duty. I need hardly say it would be next to impossible to make up that loss of revenue to-day, when the Chancellor is expecting the beer duty to bring him in the huge sum of £93½ millions a year.

The report and accounts were unanimously adopted.

ASSAM RAILWAYS AND TRADING COMPANY, LIMITED

POSITION WELL MAINTAINED

The fifty-ninth ordinary general meeting of the Assam Railways and Trading Company, Limited, was held, on the 22nd instant, at Winchester House, Old Broad Street, E.C.

Mr Douglas W. Turner, who presided in the absence of Mr E. A. A. Joseph, the chairman of the company, owing to indisposition, said that the expectations expressed by Mr Joseph a year ago about the result of the year had been realised; they had more than maintained their position. The railway profit showed a slight reduction on last year, but the railway accounts showed that that followed from an increase in the item "Maintenance of way and works"; otherwise the earnings showed a slight improvement on the previous year.

The general trading result was good, following on improved prices for their coal and an improved profit in the Veneer mills. Dividends were a little down; the amounts received from their two tea companies were the same, but the dividend on the Rivers Steam Navigation Company was reduced.

Mr Joseph, who had visited Assam at the beginning of the year, wished him specially to mention the further steps that had been taken to improve local labour conditions. The board were encouraged by the general conduct of their labour during the disturbances and excitements of the past twelve months. Mr Joseph had also told the board that he had found all the company's properties in good condition, and that he felt they had an able and energetic staff serving the company's interests.

The question of the purchase of the railway by the Government naturally arose at this point, but he could tell the stockholders nothing for certain. The Government had until February to make up their minds whether or not to give notice of compulsory purchase. For what it was worth, however, the Board were given to understand that it was unlikely that they would exercise that right.

If they did not, the right would be postponed until 1951. The board suggested that the dividend of 4 per cent. on the "A" stock should be repeated, leaving £51,673 to be carried forward, against £47,798 brought in.

The report and accounts were unanimously adopted.

* Government debt is £11,015,100; ca
£14,553,000.

LONDON ACTIVE SECURITY PRICES AND YIELDS

In calculating yields of fixed interest stocks allowance is made for interest accrued, less income tax at the standard rate, with allowance for 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 yield on ordinary stocks and shares is calculated on the latest dividends, account being taken of any increase or reduction of interim dividends.

Prices, Jan. 1 to Nov. 22, 1939		Last two Dividends		Name of Security	Price, Nov. 22, 1939	Ch'ge since Nov. 15	Yield, Nov. 22, 1939
High	Low	(a)	(b)				
79 1/2	64	71 1/2	61	British Funds			
111 1/2	98	107 1/2	98	Consols 2 1/2%	68 1/2	+14	3 13 3
100 1/2	90	96 1/2	90 1/2	Do. 4% (alt. 1957)	103 1/2	+14	3 15 4
103 1/2	92	99 1/2	92 1/2	Conv. 2 1/2% 1944-49	97 1/2	+14	3 1 1
104 1/2	90 1/2	99 1/2	87	Do. 3% 1948-53	97 1/2	+14	3 5 4
105 1/2	100	104 1/2	100 1/2	Do. 3 1/2% after 1961	102 1/2	+14	3 15 6
115 1/2	102	112 1/2	103 1/2	Do. 4 1/2% 1940-44	108 1/2	+14	3 4 1
91 1/2	81	87 1/2	79 1/2	Do. 5% 1944-64	85 1/2	+14	3 9 8
97 1/2	88 1/2	93 1/2	87 1/2	Fund. 2 1/2% 1956-61	91 1/2	+12	3 7 10
99 1/2	90	95 1/2	87 1/2	Fund. 2 1/2% 1952-57	92 1/2	+12	3 8 4
114 1/2	98	109 1/2	100 1/2	Fund. 3% 1959-69	105 1/2	+14	3 12 10
101 1/2	90	100 1/2	94 1/2	Fund. 4% 1960-90	105 1/2	+14	2 16 6
100 1/2	93	99 1/2	91 1/2	Nat. D. 2 1/2% 1944-48	95 1/2	+14	3 7 1
112 1/2	100	108 1/2	102 1/2	Do. 3% 1954-58	105 1/2	+14	3 12 5
103 1/2	90 1/2	98 1/2	86	Victory Bonds 4%	105 1/2	+14	3 12 5
90 1/2	78	83 1/2	73	War L. 3 1/2% af. 1952	80	+14	3 15 8
102 1/2	90 1/2	99 1/2	91	Local Loans 3%	96	+14	3 9 0
68 1/2	55	64 1/2	55 1/2	India 2 1/2% 1933-53	59	+14	4 4 9
95 1/2	75	90 1/2	78	Do. 3 1/2% 1958-68	81 1/2	+14	4 5 11
117 1/2	110	115 1/2	105	Do. 4 1/2% 1958-68	104	+14	4 4 3
108 1/2	97	106 1/2	95	Dom. & Col. Govts.			
104 1/2	97	103 1/2	98	Austr. 5% 1945-75	104 1/2	...	4 7 6
115 1/2	109 1/2	112 1/2	103	Canada 4% 1940-60	104 1/2	...	3 18 10
108 1/2	95 1/2	103	92	Nigeria 5% 1950-60	102 1/2	...	4 11 10
112 1/2	97	110	102	N. Zealand 5% 1946	106 1/2	...	4 15 8
115 1/2	101	111 1/2	104	Corporation Stocks			
87 1/2	77	81 1/2	72	Bir. 5% 1946-56	78 1/2	...	4 3 3
97 1/2	90 1/2	93 1/2	88 1/2	L.C.C. 3%	75	+1	3 16 11
105 1/2	94 1/2	102 1/2	88 1/2	Liverpool 3 1/2% 1954-64	87 1/2	+1	3 16 0
96 1/2	78	90	73 1/2	Mid. 3 1/2% 1957-62	97	+1	3 14 5
89 1/2	38	45 1/2	34	Foreign Governments			
99 1/2	80	95 1/2	50	Arg. 4 1/2% Stg. Bds.	90	+5 1/2	5 0 0
36 1/2	31	34	30	Austria 4 1/2% 1934-59	49	+1	9 3 8
37 1/2	12 1/2	21 1/2	8	Bulgaria 5% (36) 1970	62 1/2	+2	7 0 0
19 1/2	14	17 1/2	6 1/2	Brazil 5% (Pd. 1944)	17 1/2	+1	14 5 8
73 1/2	40	55 1/2	23 1/2	Chile 6% (1929)	20	+1 1/2	Nil
105 1/2	20	72	33 1/2	China 5% (1913)	37 1/2	+3	10 10 6
104 1/2	94	100	85	Czechoslovakia 8%	85	-10	16 0 0
60 1/2	20	12 1/2	9	Denmark 3%	55	-10	3 10 7
46 1/2	15	14	4	Egypt United 4%	78 1/2	+3	3 10 7
34 1/2	25	30 1/2	15	French 4% (British)	10	...	6 7 0
58 1/2	20	35 1/2	15	Ger. Dawes L. 5%	7	...	6 7 0
54 1/2	35	41 1/2	13	Do. Young L. 4%	7	...	6 7 0
75 1/2	54	65	40	Greek 6% Stab. L.	25	...	10 16 0
15 1/2	9 1/2	11 1/2	4 1/2	Hungary 7 1/2%	25	...	18 0 0
104 1/2	94	100	85	Japan, 5 1/2% 1930	57 1/2	-2 1/2	9 11 4
104 1/2	94	100	85	Peru 7 1/2% 1922	45	...	8 17 10
104 1/2	94	100	85	Poland 7%	20	...	24 1/2
104 1/2	94	100	85	Roum. 4% Con. 1922	7 1/2	...	24 18 0

Prices, Jan. 1 to Nov. 22, 1939		Last two Dividends		Name of Security	Price, Nov. 22, 1939	Ch'ge since Nov. 15	Yield, Nov. 22, 1939
High	Low	(a)	(b)				
112	103	21 1/2	21 1/2	Public Boards			
115	103	21 1/2	21 1/2	C. Elec. 5% 1950-70	106 1/2	+1	4 6 7
85 1/2	74	11 1/2	Nil	Lon. Pass. & Transport	65 1/2	+1 1/2	4 4 8
114	106	21 1/2	21 1/2	4 1/2% "A" 1985-2023	65 1/2	+1 1/2	4 4 8
38	28 1/2	4	4	"C" 1956 or after	81	+1 1/2	3 14 1
38	19	4	4	Met. W. B. "B" 30%	108	+3	4 4 4
17	9 1/4	4	4	P. of Lon. 50-70	29	+1	1 14 6
46 1/2	20	1 1/2	Nil	British Railways			
63 1/2	37 1/2	2	2	LNER 5% Pref. 1955	44	+2	Nil
78	46 1/2	1 1/2	Nil	Do. 4% 1st Pf.	29 1/2	+2	Nil
100	77	2 1/2	2 1/2	L.M.S. 4% Ord.	103 1/2	+1 1/2	Nil
133 1/2	51 1/2	Nil	Nil	4% Pf. 1923	35 1/2	+2	Nil
114 1/2	5	Nil	Nil	4% Pf.	56 1/2	+2	7 0 3
79 1/2	33 1/2	Nil	Nil	Southern Def.	94 1/2	+1 1/2	8 8 7
60 1/2	45 1/2	10	10	Do. 5% Pf. Ord.	86	+2	5 16 3
30 1/2	24 1/2	6	6	Do. 5% Pf.	86	+2	5 16 3
75 1/2	50 1/2	6	6	Dom. & Foreign Ry.			
43 1/2	34 1/2	3 1/2	3 1/2	B.A. Gt. Stn. Ord.	81 1/2	+1	Nil
12 1/2	8 1/2	3 1/2	3 1/2	B.A. West. Ord.	7 1/2	+1	Nil
59 1/2	39 1/2	3 1/2	3 1/2	C. Arg. Ord.	8	+1 1/2	Nil
86 1/2	70 1/2	8 1/2	8 1/2	Can. Pac. Com. 8 1/2%	7	...	Nil
30 1/2	24 1/2	6	6	Banks and Discount			
43 1/2	34 1/2	3 1/2	3 1/2	Alexanders £2 1/2 pd.	57 1/2	+5 1/2	6 1 0
43 1/2	34 1/2	3 1/2	3 1/2	Bk. of Aust. £5	64 1/2	+1 1/2	5 19 0
43 1/2	34 1/2	3 1/2	3 1/2	Bk. of England	311 1/2	+1 1/2	3 17 0
43 1/2	34 1/2	3 1/2	3 1/2	Bk. of Mon. £100	473 1/2	+1 1/2	3 17 0
43 1/2	34 1/2	3 1/2	3 1/2	Bk. of N. Zealand £1	27 1/2	+1 1/2	3 3 0
43 1/2	34 1/2	3 1/2	3 1/2	Barclay B. £1	65 1/2	...	4 16 3
43 1/2	34 1/2	3 1/2	3 1/2	Barcl. (D.C.O.) A £1	37 1/2	...	3 8 0
43 1/2	34 1/2	3 1/2	3 1/2	Chtd. of India £5	37 1/2	...	3 8 0
43 1/2	34 1/2	3 1/2	3 1/2	Dist. Bk. of Aus. 10/-	10 1/2	+1 1/2	5 12 0
43 1/2	34 1/2	3 1/2	3 1/2	Hong. & S. 8 1/2%	46 1/2	...	6 9 5
43 1/2	34 1/2	3 1/2	3 1/2	Lloyds £20 £1 pd.	47 1/2	+6 1/2	5 0 0
43 1/2	34 1/2	3 1/2	3 1/2	Martins £20 £1 pd.	71 1/2	...	5 0 0
43 1/2	34 1/2	3 1/2	3 1/2	Midland £1 1/2 pd.	76 1/2	...	5 0 0
43 1/2	34 1/2	3 1/2	3 1/2	Nat. Dis. £2 1/2 pd.	76 1/2	...	5 0 0
43 1/2	34 1/2	3 1/2	3 1/2	Nat. of Egypt £10	26	+1 1/2	5 18 3
43 1/2	34 1/2	3 1/2	3 1/2	N. Prov. £5 £1 pd.	26	+1 1/2	5 18 3
43 1/2	34 1/2	3 1/2	3 1/2	Roy. Bk. £5 £1 pd.	59 1/2	...	7 0 0
43 1/2	34 1/2	3 1/2	3 1/2	St. of S.A. £20 £5 pd.	41 1/2	...	4 2 0
43 1/2	34 1/2	3 1/2	3 1/2	Union Dis. £1	41 1/2	...	4 2 0
43 1/2	34 1/2	3 1/2	3 1/2	West. £4 £1 pd.	73 1/2	...	4 17 0
43 1/2	34 1/2	3 1/2	3 1/2	Insurance			
43 1/2	34 1/2	3 1/2	3 1/2	Alliance £1, fully pd.	24	...	3 15 0
43 1/2	34 1/2	3 1/2	3 1/2	Atlas £5 £1 pd.	11 1/2	...	3 15 0
43 1/2	34 1/2	3 1/2	3 1/2	Gen. Acc. £1 1/2 pd.	80 1/2	+2 1/2	4 7 0
43 1/2	34 1/2	3 1/2	3 1/2	Lon. & Lanc. £1 1/2 pd.	23	...	4 7 0
43 1/2	34 1/2	3 1/2	3 1/2	N. Brit. & Mer. £1 1/2 pd.	91 1/2	...	3 7 6
43 1/2	34 1/2	3 1/2	3 1/2	Pearl £1, fully pd.	14 1/2	...	3 19 0
43 1/2	34 1/2	3 1/2	3 1/2	Phenix £1, fully pd.	13 1/2	...	3 19 0
43 1/2	34 1/2	3 1/2	3 1/2	Prudential £1 A	72 1/2	+1 1/2	3 18 6
43 1/2	34 1/2	3 1/2	3 1/2	Do. £1, with 4s. pd.	72 1/2	...	2 15 0
43 1/2	34 1/2	3 1/2	3 1/2	Royal Exchange £1	8	...	3 15 0
43 1/2	34 1/2	3 1/2	3 1/2	Sun. Lf. £1 with 5/- pd.	72 1/2	+1 1/2	3 15 0
43 1/2	34 1/2	3 1/2	3 1/2	Sun. Lf. £1 with 5/- pd.	72 1/2	+1 1/2	3 15 0

Prices, Jan. 1 to Nov. 22, 1939				Last two Dividends		Name of Security	Price, Nov. 22, 1939	Ch'ge since Nov. 15	Yield Nov. 22, 1939
High	Low	(a)	(b)						
19/6	7/6	8	6	Miscellaneous					
13 1/2	6 1/2	10	10	Allied News, £1	12/6	...	9	12	0
76/9	58 1/2	12 1/2	7 1/2	Assoc. Brit. Pic. 5/-	8/6	-1/3	11	15	0
9 1/2	5 1/2	28 1/2	6	Assoc. P. Cement £1	66 1/2	...	5	4	9
28 1/2	21 1/2	10	6	Beechams Pills 2/6	8 1/2	+9d	6	0	0
15 1/2	11 1/2	32 1/2	m29	Birm. Sml. Arms £1	21 1/2	...	5	15	0
60 1/2	76 1/2	12 1/2	4	Boots Pure Drug 5/-	40/-	-1/3	4	1	0
49 1/2	37 1/2	7 1/2	2	Brit. Aluminium £1	50/-	-10 1/2	5	0	0
51 1/2	35	4	4	Brit. Amer. Tob. £1	96 1/2	+1 1/2	4	3	0
61 1/2	43 1/2	20	15	Brit. Oxygen £1	71 1/2	-1/3	4	15	0
29 1/2	22 1/2	9	9	British Oxygen £1	48 1/2	+5 1/2	8	12	0
14 1/2	6 1/2	5	5	Brockhouse (J.) £1	52 1/2	-1 1/2	5	14	0
25 1/2	18 1/2	15	15	Cable & Wir. Hdg.	6 1/2	-3d	6	12	0
49 1/2	20	20	20	Carreras A. Ord. £1	27 1/2	...	Nil		
32 1/2	20 1/2	15	25	Dunlop £1	7 1/2	-3d	Nil		
86 1/2	71 1/2	20	20	Elec. & Mus. Ind. 10/-	24 1/2	...	6	2	0
68 1/2	30 1/2	11	5	Ever Ready Co. 5/-	5 1/2	+1 1/2	4	16	0
33 1/2	25 1/2	9	7	Gaillard Ltd. Ord. 10/-	2 1/2	...	Nil		
12 1/2	7 1/2	5	5	Geumont-Brit. 10/-	27 1/2	-6d	7	8	0
71 1/2	47 1/2	117 1/2	71 1/2	Gestetner (D.) (5/-)	83 1/2	+1 1/2	6	10	0
13 1/2	9 1/2	5	5	Harrison & Cros. Df. £1	37 1/2	...	4	6	0
38 1/2	26 1/2	6	4 1/2	Harrods £1	30 1/2	...	5	4	0
52 1/2	32	4	4	Imp. Airways £1	33 1/2	...	5	4	0
66 1/2	73 1/2	15	15	Imp. Chem. Ord. £1	30 1/2	...	Nil		
85 1/2	73 1/2	7 1/2	12 1/2	Imp. Smelting £1	11 1/2	...	4	4	0
27 1/2	16 1/2	5	4	Imp. Tobacco £1	5 1/2	...	4	4	0
18 1/2	15 1/2	3	3	Inter. Nickel n.p.	84 1/2	...	4	1	9
62 1/2	52 1/2	12 1/2	6	International Tea 5/-	12 1/2	-3d	4	1	3
65 1/2	51 1/2	14	6	Leeds Univer £1	31 1/2	+7 1/2	6	16	0
48 1/2	32 1/2	20	20	London Brick £1	30/-xd	+6d	8	6	0
91 1/2	66 1/2	10	13 1/2	Lyons (J.) Ord. £1	4 1/2	...	4	0	0
52 1/2	39 1/2	14	14 1/2	Marks & Spen. A 5/-	53 1/2	+1 1/2	5	6	8
86 1/2	73 1/2	15	15	Murex £1 Ord.	75 1/2	...	4	8	8
27 1/2	16 1/2	5	4	Pinchin Johnson 10/-	21 1/2	-6d	5	2	9
18 1/2	15 1/2	3	3	Ranks Ord. 5/-	59 1/2	...	5	1	0
62 1/2	52 1/2	12 1/2	6	Spillers Ord. £1	58 1/2	...	5	18	0
65 1/2	51 1/2	14	6	Tate and Lyle £1	38 1/2	...	5	4	9
48 1/2	32 1/2	20	20	Tilling. Thos. £1	17 1/2	-6 1/2	11	8	0
91 1/2	66 1/2	10	13 1/2	Tube Safety G. 10/-	83 1/2	...	5	12	0
52 1/2	39 1/2	14	14 1/2	Tube Investments £1	71 1/2	...	4	17	0
86 1/2	73 1/2	15	15	Turner & Newall £1	51 1/2	-7 1/2	6	0	0
27 1/2	16 1/2	5	4	United Dairies £1	25 1/2	-7 1/2	5	4	0
65 1/2	51 1/2	14	6	United Molasses 6/-	62 1/2	...	5	4	0
91 1/2	66 1/2	10	13 1/2	Woolworth Ord. 5/-					

Prices, Jan. 1 to Nov. 22, 1939				Last two Dividends		Name of Security	Price, Nov. 22, 1939	Ch'ge since Nov. 15	Yield Nov. 22, 1939
High	Low	(a)	(b)						
75/-	59/4 1/2	92	%	Mines					
10/8 1/4	7 1/4 1/2	p4	c	Ashanti Goldfields 4/-	65/-	...	5	17	6
09/-	30/7 1/2	61	a	Burma Corp. Rs. 9	10/8 1/4	+9d	7	8	0
16 1/4	11 1/2	95	b	Cons. Glids. of S. Af. £1	43/9 1/2	-9d	6	19	0
85 1/2	4 1/2	30	c	Crown Mines 10/-	13 1/4	...	6	10	0
48 5/8	31 1/3	15	d	De Beers (Def.) £2 1/2	57 1/2	...	12	14	0
41/-	31 1/3	11 1/4	b	De Beers (Def.) £2 1/2	33 1/2	...	8	17	9
13 7/8	10 1/2	25	b	De Beers (Def.) £2 1/2	37 1/6	-1 1/3	12	0	0
20 1/4	14 1/2	10	a	De Beers (Def.) £2 1/2	14 1/3	-3d	5	3	0
12 1/8	8 1/8	75	b	De Beers (Def.) £2 1/2	10	...	7	10	0
81 1/2	5 1/2	26	a	De Beers (Def.) £2 1/2	68 1/2	...	6	0	9
69 1/2	2 1/4	Nil	Nil	De Beers (Def.) £2 1/2	31 1/2	...	Nil		

UNIT TRUST PRICES					
as supplied by managers and Unit Trusts Association (Table does not include certain closed trusts)					
Name and Group	Nov. 22, 1939	Week's Change	Name and Group	Nov. 22, 1939	Week's Change
Keystone					
Municipal & Gen	9/9-11/9+	+3d	Gold 3rd Ser.	11/10 1/2-13/4 1/2	...
For. Govt. Bond	16/6-17/6+	...	Keystone 2nd	9/9 bid	+1 1/2d
Limited Invest.	9/12-9/16xd	+1 1/2d	Keystone Flex.	11/6-13/-xd	...
New British	9/12-9/16xd	+1 1/2d	Keystone Cons.	10/7 1/2-12 1/2xd	...
Bank-Insurance					
Bank & Insuranc	15/-16/3+	+3d	Keystone Glid. Cts	10/10 1/2-12 1/2	...
Insurance	16/3-17/6+	+3d	Allied		
Bank & Insuranc	15/-16/3+	+3d	Brit. Ind. 2nd ...	12-13/6	+3d
Insurance	15/-16/3+	+3d	Do. 3rd ...	12-13/6	+3d
Bank & Insuranc	11/6-12/9*	...	Do. 4th ...	13-14/6	+6d
Scott. B.I.L.T.	20-21/1*	+1 1/2d	Elect. Inds.	13/9-15/3	+3d
Cornhill deb.	7/-8/3*	+6d	Metals & Mins.	12-13/6xd	...
Cornhill deb.	7/-8/3*	+6d	Other Groups		
National					
National D.	13/-14/-	...	Rubber & Tin ...	11d-1/2	+1d
Nat. Gold.	14/3-15/9	...	Br. Emp. 1st Unit	16/6xd bid	...
Century	14/3-15/9	...	Producers	6/6-7/3	...
Scottish	11/6-13/9	...	Domes. 2nd Ser.	16/1 1/2 bid	+1 1/2d
Universal 2nd.	14/3-15/9	...	1st Prov. A.	10/3xd bid	...
15 Moorgate					
Inv. Flexible	9/6-10/9	...	Do. D.	10/10 1/2-11/10 1/2	-1 1/2d
Inv. General	13/7 1/2-14/7xd	...	Brit. Bank Shrs.	17/6-18/6	+3d
Inv. Gold	5/3-16/3	...	Lombard Indust.	8/-9/-	...
Provident	18/9-9/9	+1 1/2d	Orthodox	13/6-14/6	...
Securiv First	9/7 1/2-10/7 1/2	+1 1/2d			

(a) Interim dividend. (b) Final dividend. (c) Last two yearly dividends (d) Yield on 18.95% basis. (e) Allowings for rate of exchange. (f) Yield on 12 1/2% basis. (g) Including bonus of 5% free of tax. (h) Annas per share. (i) 8 1/3% paid free of Income Tax. (j) Nominal. (k) Free of Income Tax.

BRITISH WHOLESALE PRICES

CEREALS AND MEAT				TOBACCO (per lb.)			
Nov. 14, 1939				Nov. 14, 1939			
1939				1939			
1939				1939			
Wheat—				Virginia, stemmed and un-			
No. 1, N. Man. 496 lb. f.o.b.				stemmed, common to fine			
Vanc.				Rhodesian, stemmed and un-			
Eng. Gaz. av. per cwt.				stemmed			
La Plata, per qtr.				Nyasaland, stemmed and un-			
Flour, per 280 lb.				stemmed			
Straights, d/d London.				East Indian			
Barley, Eng. Gaz. av. per cwt.				Stemmed			
Oats				Unstemmed			
Maize, La Plata, 480 lb. f.o.b.							
Rice, No. 2 Burma, per cwt.							
MEAT—							
Beef, per 8 lb.							
English long sides							
Argentine chilled hinds							
Mutton, per 8 lb.							
English wethers							
N.Z. frozen wethers							
Lamb, per 8 lb.							
N.Z. frozen							
Pork, English, per 8 lb.							
BACON (per cwt.)							
Canadian							
Dutch							
Irish							
HAMS (per cwt.)							
Canadian							
United States							
OTHER FOODS							
BUTTER (per cwt.)							
Australian							
New Zealand							
Danish							
CHEESE (per cwt.)							
Canadian (new)							
New Zealand							
English Cheddars							
Dutch							
COCOA (per cwt.)							
Accra, g.t.							
Trinidad							
Grenada							
COFFEE (per cwt.)							
Santos sup. c. & f.							
Costa Rica, medium to good							
Kenya, medium							
EGGS (per 120)							
English (15 lb. and over)							
Danish (15 lb. and over)							
FRUIT—							
Oranges, Brazilian (Peras) boxes							
" S. African (Val. Lairs) bxs							
Lemons, Messina bxs							
Apples, Virginian bxs							
Grapelruit, Jamaican (M.S.) bxs							
Pears (Californian) B. Hardy bxs							
LARD (per cwt.)							
Irish, finest bladders							
U.S.							
PEPPER (per lb.)							
Black Lampong (in Bond)							
White Muntok (f.a.q.) (in Bond)							
" (Duty paid)							
POTATOES (per cwt.)							
English, King Edward Siltland							
Wisbech, King Edward (per ton)							
SUGAR (per cwt.)							
Centrifugals, 96°, prpt. shipm.							
c.i.f. U.K./Cont.							
REFINED LONDON							
Granulated, 2 cwt. bags							
Cubes, 1 cwt. cases							
Pecan, 2 cwt. bags							
Soft Brown, 1 lb. cartons							
West India Crystallised							
(a) Exclusive of duty.							
(b) Price quoted subject to variation in accordance with any official advance or reduction in price made by Ciment Makers' Federation							
(c) Higher Pool prices in some zones.							

AMERICAN WHOLESALE PRICES

GRAINS (per bushel)				METALS (per lb.)—cont.			
Nov. 15, 1939				Nov. 15, 1939			
1939				1939			
1939				1939			
Wheat, Chicago, Dec.				Tin, N.Y. Straits, spot			
Winnipeg, Dec.				Lead, N.Y., spot			
Maize, Chicago, Dec.				Spelter, East St. Louis, spot			
Oats, Chicago, Dec.							
Rye, Chicago, Dec.							
Barley, Winnipeg, Dec.							
METALS (per lb.)							
Copper, Connecticut							
Export c.i.f.							

Special Statistics

OVERSEAS TRADE RETURNS

IMPORTS (Value C.I.F.)

	Month ended October 31		Ten Months ended October 31	
	1938	1939	1938	1939
Food, Drink and Tobacco—				
Grain and Flour	5,356,326	2,923,783	64,319,039	45,375,314
Meat and Animals	939,904	522,898	9,537,109	7,842,319
Foodstuffs for Animals	1,285,743	1,405,819	7,309,720	8,340,518
Alcohol, Plain Ethyl, per proof gal.	6,596,338	6,174,359	75,435,902	74,422,387
Ammonia, carb. per ton	2,249,392	5,205,891	67,118,637	61,841,148
Sulphate	2,253,760	32,792,74	29,937,655	
Chemicals—				
Acid, citric, per lb., less 5%	Nom.	Nom.		
Nitric	0 2 1/2	0 2 1/2		
Oxalic, net	0 5 1/4	0 5 1/4		
Tartaric, English, less 5%	Nom.	Nom.		
Alcohol, Plain Ethyl, per proof gal.	1 1	1 1		
Ammonia, carb. per ton	20/0/0	20/0/0		
Sulphate	7/8/0	7/8/0		
Borax, gran. per cwt.	1 1	0 17 0		
Nitrate of soda per ton	8/5/0	8/5/0		
Potash, Chlorate, net per ton	Nom.	Nom.		
Sulphate per ton	10/0/0	10/0/0		
Soda Bicarb. per ton	10/15/0	10/15/0		
Crystals per ton	5/5/0	5/5/0		
Sulphate of copper per ton	24/5/0	24/5/0		
COPRA (per ton)—				
S.D. Straits, c.i.f.		13/0/0		
HIDES (per lb.)				
Wet salted Australian, Queensland	40/50 lbs.	0 6 1/2		
West Indian	0 4 1/2	0 4 1/2		
Cape, Jo'burg Ord.	0 5 1/2	0 5 1/2		
Dry Capes	0 7 0	0 7 1/4		
Dry salted Capes	0 8 1/2	0 8 3/4		
Market Hides, Manchester	0 7 0	0 7 0		
Best heavy ox and heifer	0 8 3/4	0 8 3/4		
Best calf	0 9 1/2	0 9 1/2		
INDIGO (per lb.)				
Bengal, gd. red-vio. to fine	5 0	5 0		
LEATHER (per lb.)				
Sole Bends, 8/12 lb.	1 9	1 9		
Bark-Tanned Sole	3 0	3 0		
Shoulders from D.S. Hides	1 0	1 0		
Eng. or WS do.	1 1	1 1		
Bellies from DS do.	1 0 1/2	1 0 1/2		
Eng. or WS do.	1 0 1/2	1 0 1/2		
Dressing Hides	1 2 1/2	1 2 1/2		
Ro. Eng. Calf, 20/35 lb. per doz.	5 0	5 0		
PETROLEUM PRODUCTS (per gall.)				
Motor Spirit, England & Wales	1 7	1 7		
(c) Kerosene, Burning Oil	0 8 1/2	0 8 1/2		
(c) Automotive gas oil, in bulk, ex road tank waggons	0 8 1/2	0 8 1/2		
Fuel oil, in bulk, ex instal.	1 2 3/4	1 2 3/4		
THAMES—				
Furnace	0 5 1/4	0 5 1/4		
Diesel	0 6	0 6		
ROBIN (per ton)—				
American	25/0/0	29/0/0		
RUBBER (per lb.)				
St. ribbed smoked sheet	0 11 1/8	0 11 1/8		
Fine hard Para	0 11 1/2	0 11 1/2		
SEELLAC (per cwt.)				
TN Orange	62 0	63 6		
TALLOW (per cwt.)				
London Town	18 6	18 6		
Timber—				
Swedish u/s 3 x 8	25/17/6	25/17/6		
" 2 1/2 x 7	25/2/6	25/2/6		
" 2 x 4	24/2/6	24/2/6		
Canadian Spruce, Deals	28/10/0	28/10/0		
Pitchpine	28/10/0	2		
Wool—				
Wool, raw, in the grease, 100 lb. to 100 lb. of clean wool	10 0	10 0		
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Wool, raw, in the grease, 100 lb. to 100 lb. of clean wool	10 0	10 0		
Wool, raw, in the grease, 100 lb. to 100 lb. of clean wool	10 0	1		

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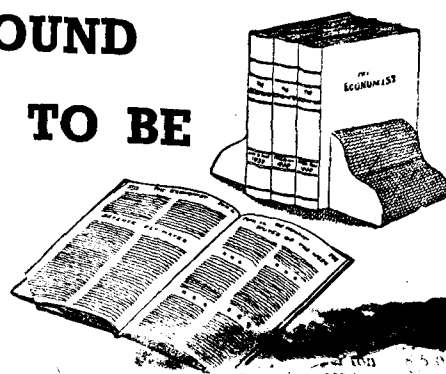
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The New Imperialism

THE colonial question did not, after all, play as large a part in the outbreak of the war as had at one time appeared possible. In those last hectic weeks when the diplomats were striving to head off the impending disaster, the question of a redistribution of colonies came on to the stage only at rare intervals, and even then among the minor characters in the background. But this clearly does not mean that the war and the colonial question have no points of contact. Far from it; for one thing, the Allies will be powerfully—and willingly—assisted to victory by their colonial empires. And for another thing, it is very widely, almost universally, recognised that the colonies will provide a practical test of our ability to construct a satisfactory world order, and of our sincerity in preaching its principles. This fact has been appreciated by the Labour Party, though in their formal statement of war aims they have cast a veil of confusing verbiage over it by calling for "an abandonment of imperialism and the extension of freedom all over the world."

In the debate on the Address in the House of Commons on Tuesday, the Prime Minister rightly rebuked Mr Attlee for such a tendentious vagueness. It is true, as Mr Attlee would maintain, that the political Right in this country are too slow to admit any imperfections in their concept of Empire. But it is equally true that no real progress can be made with the colonial problem until certain examples of muddled thinking on the Left have been removed. Events have perhaps already disposed of the argument, which was very prevalent a year or so ago, that international justice demanded a redistribution among the European

Great Powers of colonial territories in Africa and elsewhere. Since Germany requires room to expand, so ran the argument, and her search for *Lebensraum* in Europe will disturb the peace, let her seek it in Africa. Now in an ultimate settlement Germany might well be given some colonial responsibilities. But the impelling reason for so doing is not justice, but expediency; the assumption is that peace (in Europe) makes it expedient to redistribute the "spoils of empire." Justice would enter the question only if there were reason to believe that the colonial peoples themselves would be better off for the change.

This leads directly to the second major confusion of thought. For a change in the status of the colonial peoples would benefit them only if it could be shown that they have suffered under our rule. The confused thinkers speak, as of a truism, of "loss of liberty" by the peoples of colonial empires, owing to "capitalist imperialism." All such theories beg the question of how empires arose. Wealth and power precede Empire and do not follow from it. It is the poverty and helplessness of colonial peoples that have put them at the mercy of earlier military conquerors or of the modern "capitalist" countries. There are perhaps a good many neo-Rousseauists who still laud the blessings of unspoiled African tribal life. But the cult should lose its popularity as the findings of this year's report on "Nutrition in the Colonial Empire" began to sink in. There is no further excuse for any individual or school of thought to ignore the fact that, in their native state, few of the peoples—of any tropical country—have the means even of full physical efficiency. The poverty and backwardness of the

colonial peoples are original, prior to any "imperialist exploitation" they may have suffered as a consequence.

The truth is that the natural or physical obstacles to human well-being in these backward countries are normally to be overcome only by the application of capital in large quantities, apart altogether from the question of its ownership and control. Other recently developed countries, the Dominions and the United States among them, have been sinks of foreign capital (call it imperialist who will); whereas the supposedly high profits of native exploitation have never attracted to the backward colonies anything like the capital they need. It is conceivable that totalitarian methods, Soviet or Nazi, might achieve some material advance by dragging native labour to supply the deficiencies of capital. Germany certainly has the organising power these countries need. The question is whether the colonial peoples will best be served by capital subject to democratic control, or by one or other of the rival totalitarianisms. It is certain that paternalism of one sort or the other is unavoidable for a time, if these peoples are ever to reach a stage where they will be capable, in the almost forgotten words of the League Covenant, of "standing alone."

If we exclude India, to which the ordinary colonial categories no longer apply, the colonies must continue for a long time to come to be guided and controlled from outside. That being so, the only real question is not whether there should be an end to "Imperialism," but whether our brand of Imperialism is the best. It has an immense amount to be said for it. Indeed, the criticisms that can justly be made are the exact opposite of those that usually are made by those who attack "capitalist exploitation." There is far more evidence, in the British colonies, of under-development than of over-exploitation. On the political side, the almost complete absence of white troops is sufficient disproof of any tyranny, and the worst that can be said is that British administration has sometimes discouraged spontaneous progressive movements for fear of disturbing reactions from within.

On the economic side, too, the evidence called to support a charge of exploitation is weak. Spectacular dividends often do little more than atone for long years of work and enormous preliminary expenditure. Against the profitable chartered monopolies must be set the complete losses suffered in other ventures. It is true that on the whole, perhaps because prosperous ventures are rare, enterprise in the colonies has not as yet been made to contribute as it should to the heavy costs of building up administration. As West Indians and Africans see it, as much as 75 per cent. of the revenues may go in overhead charges and staff salaries, and relatively large sums be paid in dividends. They very naturally agree with the anti-imperialists that "imperialism" offers them nothing but hard, monotonous work for very inadequate wages. They do not reflect that they would be worse off without it.

But if there is little sign of over-exploitation, there are plenty of signs of under-development. By all accounts the Royal Commission on the West Indies is likely soon to dot the i's and cross the t's of the earlier report on nutrition. It is a revealing and extraordinary thing that we have had so long to wait for this official pronouncement on the basic natural poverty of the colonies—the real "colonial question." An administration bent on capitalist exploitation would long ago have made the obvious deduction that these colonies, like undeveloped estates, called for a sustained policy of long-range investment. Not capitalism, nor the local administration, but the Treasury has called the tune, and to this day the first obligation resting on every colonial Governor is to see that his colony lives strictly within its means, and pays its way out of its own intrinsically insufficient resources.

The suspect capitalist has often more to show of fruitful and beneficent work than colonial governments. Model estates here and there, and a good many mining projects, have shown in smaller compass what transformation is possible in the African bush. They have perhaps especially achieved an immense improvement in health and physique, therefore in human efficiency. On the other hand, while there is hardly a colony where Government officers are not

too few, and overworked, there is also hardly a colony where this little more than skeleton staff does not overtax the country's resources. Salary scales, though none too high for the responsible work required, are far beyond what the colony can itself afford; and pension charges are a continuing drain when the men have served their term. Far too little remains, therefore, for roads and railways, and less for the general development without which it is futile to expect the railways to pay their way. The human services—schools, hospitals and general health—have made only a starved beginning.

Shocked imperialists will protest that only a one-sided picture could ignore such examples on the other side as great public works in India, the conquest of famines, of plague and lesser diseases, even the increase of the Indian population. They will point to the immensely varied work in the colonies supported out of Imperial revenues. The colonies, however, would be within their rights in retorting of such loaves and fishes as the Colonial Development Fund (which only in the last ten years has been spending as much as a million a year), "what are these among so many?"

Against all this there are the achievements for which we can feel unrestrained pride. They lie chiefly in the realm of the human spirit. Ours is the first empire in the world's history that has preached—and, by and large, has practised—freedom. In spite of authoritarians, to whom the routine direction of imperial policy has sometimes fallen, the authentic and dominant British tradition has been steadily liberal. Our dependants now believe in this liberalism as thoroughly as we do ourselves. In the present emergency the colonies of their own free will stand by their "imperialist" rulers. Even India seizes the moment only to demand more of the political freedom we have taught her to expect. Indians and West Indians, and many Africans, have so thoroughly absorbed our thought that nothing but a fuller measure of our own democracy will now satisfy them. Indian leaders know the difference between civilisation and the ignorance they want rooted out from their own midst. Even in the most backward colonies—in spite of some sentimental English patronage of local "cultures"—many have learnt to recognise backwardness for what it is. They now assert their determination themselves to fight it. It is something to have been tutor to this spiritual growth.

We must not, then, be misled by the critics in our own ranks into a hangdog attitude to our colonial record. The credits outweigh the debits, and our sins have been those of omission rather than of commission. The remedy is not, as Mr Attlee would have us, to "abandon" our "imperialism," still less to surrender the task to the authoritarians, who for every ounce of economic efficiency they gained would lose a pound of political liberty and trusteeship. The problem in the colonies, as at home, is rather to graft on to the accepted canons of liberal democracy a more positive and purposive determination to reap the utmost harvest of wealth and welfare of which the modern economic machine is capable. More specifically in the colonies, we must not alter or withdraw the goal of self-supporting democracy that we have always held out to the colonial peoples. We must show them, in addition, the way to a higher standard of living. And that way is not by being less capitalist, but by being more deliberately and systematically capitalist.

Britain now has need of the Empire's help, and our own methods have created the impossibility of forcing it. We must see to it that the uncomplaining support of the colonies is well rewarded; goodwill and co-operation, even loyalty, can only be reciprocal. If we fail now, this Empire must break up into a welter of nationalisms, making international co-operation impossible in this age. The colonies have ties with us which are real and the result of generations of effort. We have learnt to speak the same spiritual language. To break or weaken these links would be a mortal setback for civilisation. We must be prepared, when the war is over, to put as much effort and thought and treasure into the unfinished building of a prosperous liberal Empire as ever the Elizabethans or the Pilgrims or the Victorians did.

The American Economy, 1929-1939

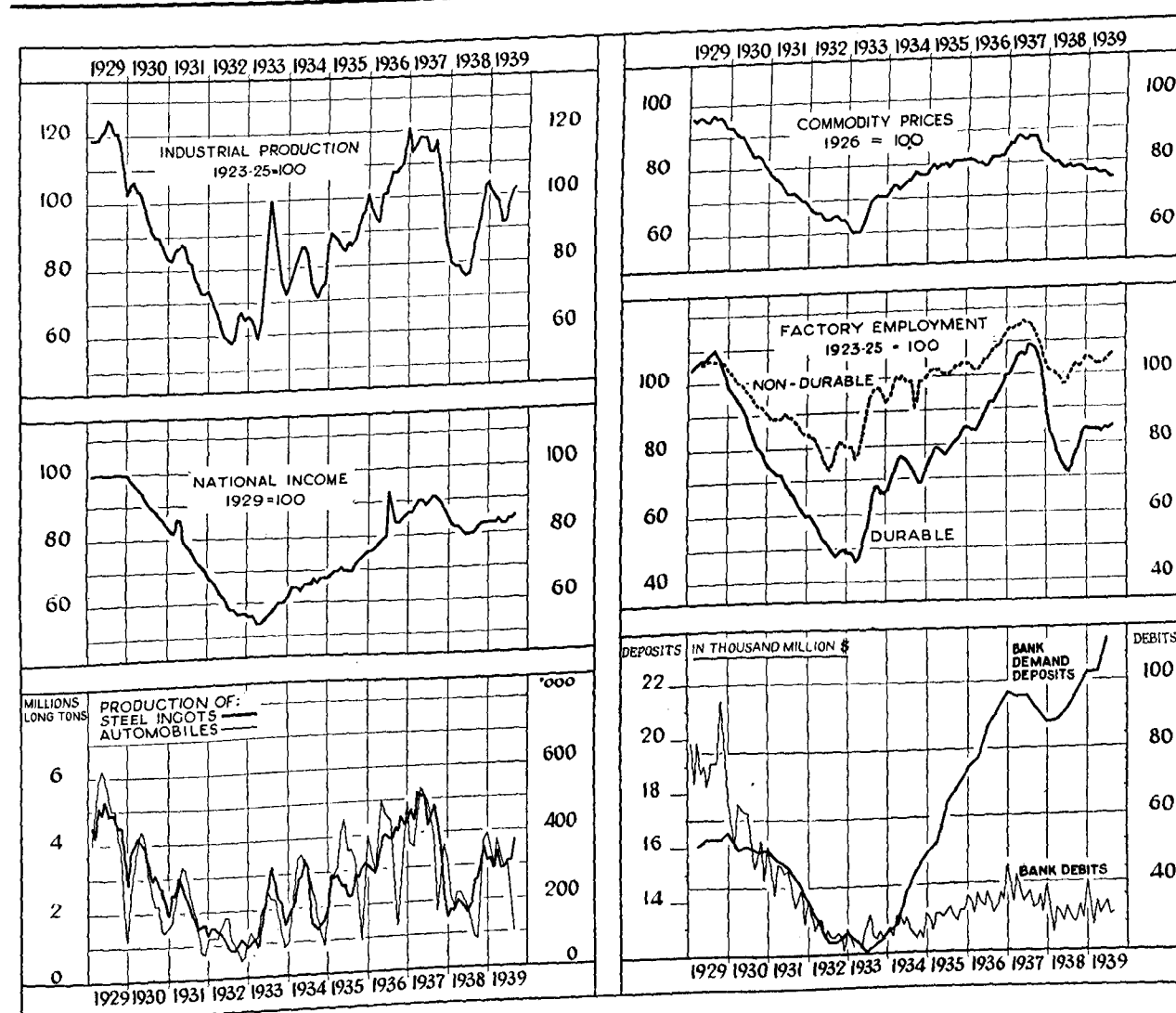
THE coming of the war has impeded the due celebration of a very important anniversary: it is just a decade, these last few weeks, since the Great Wall Street Panic. It was on September 3, 1929—a doubly ominous date—that the sacred averages of common stock prices reached their "all-time high." They touched this pinnacle and fell back, but not alarmingly at first. September was nearly over before the Stock Exchange had its first bad day, before the wisecracks began to say that quite a perceptible hesitation in the upward march of paper profits was impending. Panic did not come until October 24th—the worst day the Exchange has ever known, when even United States Steel, Jupiter of this speculative Olympus, fell by 12 points in an hour. But for three weeks, starting on that day, the market saw a torrent of selling such as no market has ever had to cope with before or since, and by the time the averages reached their lowest point for the year on November 13th the wealth of the American people, on paper, had fallen by a sum almost equal to the whole British National Debt.

This was the crack that ushered in the Great Depression—not its cause, certainly, but the Sarajevo that precipitated it. The anniversary is one well worth celebrating, and there may be more than ironic coincidence in the dates of these autumn months of 1929 and 1939. For if the 1920's had not built such towering structures on the sand, there might have been no Great Depression. And if there had been no Great Depression, there would certainly have been no Hitler. And if there had been no Hitler...

Essays in the hypothetical are seldom very rewarding, and there is possibly more profit in turning aside from the

wider spectacle in order to examine what has happened to the American economy itself in this fateful decade. Ever since 1929 public policy in the United States has been dominated by nostalgia, if not for every facet of the New Era which blew itself up in 1929, then at least for its busy hubbub, its appearance (at least) of prosperity, above all its certainty of a manifest and golden destiny for the United States "just around the corner." The United States is the only country which, in an economic sense, has passed through this decade with a reminiscent eye fixed, over its shoulder, on the fabulous records of the past—the only country which is producing less wealth than a decade ago. Many of the illusions of the New Era have been shattered beyond the possibility of repair and many of its ideals have turned to dust. But if any leader could show the American people the road back to 1929, he would still be the greatest prophet in the land.

The story of the American economy in the past decade is shown in the charts at the foot of this page. From this gallery there is one notable omission—the index of security prices. The reason is significant: there is no scale adequate to show the range of its movements which would not dwarf the other indices. From its highest point in September, 1929, the index fell to no more than 15 per cent. of its peak. It never recovered, in 1937, more than half of this fall, and it stood at the outbreak of war at no more than 38 per cent. of its 1929 peak. The other indices, however, deal with less volatile and more concrete phenomena. Those of them that refer to the various aspects of production tell a consistent and, on the whole, a familiar story. The Great Depression, despite its colossal dimen-



sions, followed the orthodox course; there were three years of rapid fall and five years of not quite so rapid recovery. By 1937 most of the indices were approximately back where they started. This was true not only of industrial production in general but of the two all-important industries of automobiles and steel. Employment in industries making non-durable goods was actually above 1929. The curve of the National Income at its peak in 1937 (the temporary jump in 1936 was due to the disbursement of the veterans' bonus) was only 10 per cent. below the level of 1929, and, in view of the great deflation of prices, this can be taken as a level of real income at least no lower than in the glorious days of the bull market.

What is remarkable about this picture, however, is not that 1937 climbed back to the 1929 level, but that the indices retreated again after once looking the 1929 figures in the eye. By 1937 the American people were eight millions more numerous than in 1929. Allowing for the normal secular rate of progress, the curve of recovery should have gone on rising until it was at least 15 per cent. above the peak of the previous boom. The 1929 level of production meant, in 1937, not prosperity but mass unemployment. The real problem in recent American economic history is not to explain the bursting of the distended bubble of 1929, but the collapse of the recovery in 1937 before it was a bubble at all. The disappointment caused by the premature demise of the recovery movement, together with the difficulty of assigning any really satisfying reason for it, have jointly given birth to the theory, of which much has been heard from the American economists in the last twelve months, that the United States is now a "mature economy," which can hardly hope to increase its rate of production above the 1929 level.

It is difficult to take this theory seriously—or to know whether its partisans themselves take it seriously. If the United States, with its vast areas, its low debt, its inexhaustible natural resources, its rising population is a mature economy, what is Great Britain? And yet our "decadent" economy has contrived, during the decade when America was standing still, to go ahead as fast as on the average of the great Victorian era of expansion. Ten years ago the *per capita* National Income of the United States was one-third larger than the British; to-day it is probably no larger at all. The peculiar significance of this comparison lies in the fact that the British economy, before its recent spurt, seemed to be as completely becalmed as the American is now. In the 1920's it was Britain that stood still while other nations went ahead; in the 1930's America has taken the position we vacated. If Britain, inherently much the more "mature" of the two, has found it possible to regain a high rate of progress after a decade in the doldrums, there is no reason whatever to expect any different course of events in America.

The evidence for the "maturity" theory is taken from the fact that the volume of new capital investment in

America has now for a decade been well below the level that the country's inherent capacity to save could finance. It is undeniably true that the capital industries have never been well occupied since 1929, except for the briefest of intervals in 1937. The American economy seems to have forgotten, for the moment, how to grow. But the probable explanation of this economic anæmia is to be found, not in any arrival at "maturity," but rather in the existence of institutional obstructions to a free flow of capital. Each side of the political battle accuses the other of having erected these barricades, and both are probably right. The New Deal has not created an atmosphere conducive to the risking of capital, while Big Business has been too slow to realise that the presence of a Democrat in the White House does not automatically preclude the earning of profits. And the Trade Unions, in their quest for higher incomes and shorter hours, have pushed the cost of labour to a level at which the working-man can hardly afford to employ himself. All these factors in combination have produced a psychological *impasse*, in which there is insufficient capital investment because profits are inadequate, and profits are low because investment is scanty. Perhaps the severest indictment of the New Dealers is that they have frittered away the Federal Government's capacity to lead the country out of this *impasse*. Their monetary policy (as one of our diagrams shows) has already generated a colossal inflation of bank credit—which is lying unused. Budget deficits are so much a permanent arrangement that their chief significance now lies in the deflation they would cause if the Budget were balanced rather than in the inflation they cause by continuing. Neither banking policy nor deficit financing is now available to give a fresh impetus to the national economy.

It may be, however, that a *deus ex machina* arrived on the tenth anniversary of the stock market's all-time high. The charts do not go far enough to show the effect of the war. If they did, they would show very steep rises in almost every curve—prices and production alike. America is having a war boom. The logical basis for it is slender enough, for the business that America will lose by her Neutrality Act seems likely to be as large as what she will gain. The war boom, paradoxically enough, is based almost entirely on peaceful domestic buying. But if there is little logic behind the new boom, there is plenty of sound psychology. Wars notoriously breed sellers' markets and rising prices. It is a time to buy; it is imprudent not to buy while you can . . . the echo is unmistakable.

The contemplation of a Europe that is, for the second time in a generation, tearing itself to pieces has already noticeably restored Americans' faith in their own political system. More than possibly it will do the same for their confidence in the ability of the American economy to reach new peaks of prosperity—and, doubtless, of speculation too—which will finally remove the tang of nostalgia from the memory of 1929.

War Compensation

THE history of war compensation is a history of its limitation. The days when the defeated enemy was expected to meet the expenses of the victor, and also to indemnify him for the inconvenience and suffering involved in fighting the war, are gone. And with them is gone the comfortable faith that it does not matter how much the war costs so long as you win it. The first incentive to limit compensation payments therefore arises from the regrettable fact that the understanding that the loser pays has gone the way of most of the sporting principles which were a minor feature of the wars of the distant past.

Indemnities—payments to sufferers additional to their actual pecuniary loss, and claimed with the specific object of providing material comfort for spiritual damage—were not sought at the end of the last war. The reason for this was that there was no chance whatever of assessing their amount or of securing payment once they had been

assessed. Reparations—payments claimed with the object of making good material damage due to the war—were sought; but the amounts paid bore no significant relation to the damage done. "Make Germany Pay" was never much more than an election cry in Great Britain, and if it meant more than that to the French, the thoroughness with which they were disillusioned served to drive home the more forcibly the lesson that each nation must bear its own burden of compensation. That is now axiomatic. At no point in a realistic discussion of how in particular those British citizens who suffer war losses to person and property are to be compensated can it be assumed that anyone but the British public will foot the bill.

This obviously means that the attempt will be made to keep the bill small. There will certainly be no indemnities. Those are frills which have been almost entirely cut away. What is more, it is unlikely that those who suffer actual

material loss will be fully compensated. If the war lasts for three years or more (and there is no good reason for confidence that it will not), then the amount of damage to life and property is likely to overtop all possibility of assessment, let alone of compensation. The present study of war compensation, no less than its past history, is essentially a matter of how to limit it.

The types of compensation out of the public funds for which legal provision has already been made are best examined in the light of this fact. There are, first of all, pensions and allowances to members of the armed forces who are disabled and to the widows and other dependants of those who are killed. Compensation payments of this type made in respect of the war of 1914-18 have so far amounted to £1,275 millions, and the ultimate expenditure before the accounts are closed will be well over £2,000 millions. There are still more than 900,000 persons drawing pensions arising out of the last war, and the expenditure of the Ministry of Pensions in 1937-38 amounted to £40,200,427.

The possibility that similar sums may have to be paid out when the present war is over is in itself enough to start a search for possible economies. But in fact several entirely new liabilities have recently been undertaken to persons suffering losses as a result of war. Chief among these is the indefinite commitment for allowances and pensions to gainfully occupied *civilians* who receive war injuries and to civil defence volunteers who are injured in the course of their service. There is a long list of miscellaneous liabilities, none of which can be accurately assessed, arising out of the Unemployment Assistance (Emergency Powers) Act, which extends the scope of such assistance to persons distressed through the war, and will certainly involve a substantial charge on the Exchequer, and numerous minor emergency measures such as the Local Government Staffs (War Service) Act, which may involve increased Government grant payments, and the Teachers' Superannuation (War Service) Act, which allows the Exchequer to pay the superannuation contributions of certain teachers on war service.

Lastly, there is an indefinite liability for damage to property. The present policy of the Government, as laid down in a statement by the Chancellor of the Exchequer on January 31, 1939, and endorsed in the report of a conference under the chairmanship of Lord Weir, is to pay compensation on the highest scale compatible with the circumstances of the country when the war is over. There are also miscellaneous provisions for property compensation in the Compensation (Defence) Act, which covers requisitioning and the doing of work on land; the War Risks Insurance Act; and the Pensions (Navy, Army, Air Force and Mercantile Marine) Act.

What all this is going to amount to in money terms nobody knows. But it is clearly conceivable that it will be more than could possibly be paid.

The next step is, therefore, to examine the devices already in existence for limiting the country's liability to pay compensation out of the public funds. So far as compensation for personal injuries and death are concerned, these devices make a long list. Some of them are reasonable, some are justifiable with the aid of a little casuistry, some are discriminatory and unfair and a few are merely whimsical.

In the case of members of the armed forces, a first limitation is introduced by the fact that the allowance to a disabled man and his dependants, or to the dependants of a man who is killed, is not made up to his income before the war. The scales of payment are laid down once and for all and graduated according to rank and the type of disability, without reference to previous earnings. In cases where those earnings happened to be greater than the allowance an economy is secured by the adoption of these fixed scales. Again, compensation to widows is limited by making ineligible women under forty years of age unless they have children or are incapable of supporting themselves. In the case of the wives and children of officers and dependants of women members of the armed forces, need must be proved. Finally, very wide powers to limit payments are given to the Minister of Pensions.

It is obvious that reliance is being placed on a compli-

cated and arbitrary piece of machinery for the limitation of the liability to pay compensation. It is also obvious that, although in some cases this machinery will prevent the payment of compensation at a higher rate than the beneficiary's income before the war, in other cases it will allow persons who have other and adequate resources to draw on the public funds. Disability payments and pensions, for example, are on the same scale for all men of equal military rank, whether the actual recipient happens to be a millionaire or a bus conductor. In fact, the present machinery may often be wasteful as well as cumbersome. But it may be the best that can be done until the community is ready to lay down a minimum below which the total income from all sources of every member of the community should not be allowed to fall, and to guarantee that minimum to everyone who falls below it, whether by reason of war injury or any other misfortune.

The question of property compensation raises issues which are more complicated in themselves, and whose solution is rendered more difficult by the fact that there is very little previous experience which is relevant. So far there is practically nothing to go on except the Government's undertaking to pay as much compensation as possible when the war is over and the damage can be finally assessed. But already one limitation on this liability has been introduced. In his statement on January 31, 1939, Sir John Simon said: "When the extent of the damage to property in private ownership is known, such contribution will be made from public funds as the circumstances make possible, in accordance with a scale which would at any rate pay in full up to a certain limit of loss and thereafter be graded." In other words, it is suggested that there should be discrimination against large properties.

Whatever the right principle for discrimination may be, this is not it, except on the assumption that the Chancellor of the Exchequer is aiming at the reduction of the number of large properties under cover of the war. What the right principle of compensation may be would be very difficult to state in detail, and the attempt will certainly not be made here. But some light can be shed by considering the slightly different problem of selecting, not the categories of property-owners who are to be compensated, but the categories of property that are to be restored. Here the main principle must clearly be the aim of carrying on the nation's economic life, or at least such a part of it as is necessary in order to feed, clothe and house the population. The fact that this is at present an imperfectly defined concept does not detract from its ultimate importance. Unless it is considered possible to provide real and complete compensation to all property owners, some scale of their relative importance in the economic structure must be evolved—if only to solve the practical problem of which work to put in hand first.

If this principle of economic essentiality were used to establish a priority not merely of reconstruction but also of compensation, it might rule out some property owners altogether and provide such small compensation for some others that they would have no incentive to spend the amount paid on reconstruction. For example, the individual who owns a house and uses it solely for living purposes could only be given the small comfort that provision is already made elsewhere, in the Housing (Emergency Powers) Act, that he will not go without shelter altogether. Again, the owner of industrial plant or business premises of a non-essential character who argues that the risk of total loss is so great that he is not justified in carrying on, can only be told that enlistment in the army, with its possibility of being killed or maimed, also falls outside the category of legitimate business risk.

These examples expose the fact that it is extremely doubtful whether the application of such a standard on an individual basis is possible. In fact the non-payment of compensation in all individual cases where economic essentiality could not be proved would be bound to result in widespread bankruptcy. It is particularly obvious that the large class of persons who have contracted obligations in respect of the houses in which they live would be driven to wholesale resort to this course. But there can be no doubt whatever that bankruptcy on a large scale is a phenomenon which may have such disastrous repercussions that its

occurrence during or immediately after a war is to be avoided, quite irrespective of the part played by each individual bankrupt in the economic process. In fact, property owners acquire collectively, in the face of such a possibility, an importance which they do not possess individually. Bankruptcy is a disease which, if it gets a sufficient footing, attacks those property owners who are individually essential as well as those who might be done without. Any property compensation scheme must therefore be framed with an eye to the prevention of such an epidemic.

To sum up. If, in fact, the amount of war damage to property is so great that full compensation is impossible, then discrimination between types of property must be made. That is plain in any case. But, on the other hand, a standard of compensation which entails widespread bankruptcy is to be avoided. There would appear to be a dilemma which, in the event of really large-scale destruction, would be insoluble. But, in fact, there is a way out, unpleasant though it may be. The impossibility of replacing all damaged property will result from a shortage of physical resources. Bankruptcy is due to a shortage of financial resources. There is a way of replacing the financial resources of property owners without replacing

their property. That method is inflation. But if that way out of the dilemma were accepted, the central problem would be how to prevent inflation from becoming a smoke-screen behind which the essential concept of what is economically necessary would be lost. This could probably be done only by strict regulation of the process of reconstruction. Fortunately, there is a considerable body of experience acquired by the French after the last war which would be useful in this connection, and the knowledge collected by our own insurance companies in the supervision of the expenditure of sums paid out in claims is not to be despised. The primary necessity is to see the problem of reconstruction in real terms. This alone justifies any attempt to define the term "economically essential." Only by such means could inflation be limited to what is strictly necessary and resources be used to the best advantage. Inflation would admittedly be a disaster; but repeatedly in monetary history, communities have preferred the evils of inflation to the even greater evils of mass bankruptcy and the social upheaval that would result. The best way to prepare against the evil day is to lay down the principles whereby it could be controlled if it does come, and deliberately used to solve the compensation and reconstruction problems together.

Concord in Croatia

IN the summer it was a frequent prediction that Yugoslavia could not long survive the pincer-pressure of the Axis Powers. The Kingdom of the Serbs, Croats and Slovenes would crumble like a rotten nut. In that case there would remain an independent Serbia while the rest was divided by the dictators; after Italy's annexation of Albania, even an independent Serbia seemed problematical.

It was an ugly prospect, smashing the hopes of twenty years and threatening even the complete collapse of Balkan independence. And although the argument by which it was reached may have ignored a host of telling factors, it did take account of the undeniable fact that the Munich settlement laid Yugoslavia at the mercy of Germany and Italy to do with her what they thought fit. None realised this better than the Serbs, Croats and Slovenes themselves; and it did not need the military precautions of the late spring to convince them of their weakness. While the German minority parties in Slovenia and the Voivodina warmed their hearts with thought of the glory that was to come when at long last they would be gathered to the bosom of the Reich, and the influence of German industry and commerce became all-pervasive in a way that was as firm as apparently it was gentle, the leaders in Belgrade, Zagreb and Ljubljana held urgent conferences for the assuagement of their twenty-year-old disputes. As early as April 23rd Dr Matchek, for the Croats, had reached what seemed would prove a settlement acceptable to the generality of Serbs. Its failure was merely the signal for fresh efforts towards agreement. Even the diehards on either side realised that there was no time to be lost.

But Hitler has left Yugoslavia in peace. The odds were always in favour of the view that he would prefer an independent Yugoslavia, carrying with her the assumption that the Balkans would increasingly become an economic protectorate for Germany, to a cheap conquest which might well have plunged the whole Balkan peninsula into inextricable turmoil. With the Balkans neutral Germany can suck from them an appreciable share of their surplus exports. (The Ministry of Economic Warfare may contest this as the war proceeds, but, with the exception of Turkey, some time must pass before Germany's hold can be appreciably weakened.) With the Balkans at war, whether with a Great Power or among themselves, their surpluses would disappear.

Even now Yugoslavia is not really the arbiter of her own fate. If war threatens, she can do little to ward off the threat; for the operative factors have shifted eastwards and are beyond her control. She cannot much influence the

play of Great Power politics, for Germany and the Soviet Union are interested primarily in Roumania and the approach to the Dardanelles, while Turkey, backed by Britain and France and in understanding with Italy, is friendly but far away. Yugoslavia is in isolation; but by a happy sequence of events she is no longer the focus of German ambitions.

That is for the present. But while there are no immediate reasons for suspecting a German offensive, "peaceful" or otherwise, down the Valleys of the Danube and the Save, there is still good reason for remaining on guard against a sudden change of front. The Yugoslav Government has accordingly taken a number of military and economic precautions which look like remaining in force for the duration of the war. The more important economic measures were described in a recent issue of *The Economist* (October 28th); they include control of a comprehensive list of exports, credits for the bulk purchase of raw materials and food, and complementary control of imports. A marked increase of trade with Germany is probable, but limits are set by a German clearing debt of Rm. 14 millions and natural transport difficulties which have been enhanced by a lack of railway wagons and river craft, and by the Allied contraband control.

These small domestic changes are completely overshadowed by the agreement reached between the Government and the Croat People's Party. This is by far the most important political event within the Balkans for many years. It provides not only real encouragement for those who have despaired of a better Balkan understanding and of the ability of Balkan politicians to agree among themselves, but also a contribution to the maintenance of Balkan neutrality during the war and political independence after it.

The agreement itself is the product of weary months of polemic and digression. Every line in it has been fought over with the tenacity of the practised bargainer. Only the sheer necessity for a settlement, echoed on all sides, has prevailed over the inertia of prejudice and the ingrained habit of disagreement. But the worst is now past, and although there are details still to be settled, the basis for a lasting agreement has been found. Dr Matchek is in the Government and no one who looks for a genuinely united Yugoslavia will wish him out of it.

To-day's position has been reached by a combination against the Government (and that means against the Prince Regent) of all the Opposition groups in every part of the country. The core of this opposition was always, and remains, the Croat People's Party, well organised and well

disciplined; it was their success in revealing the hollowness of the election shams (in which it was clear that the Government was representative in the non-Serb areas only of minority fractions) that brought down the weight of politically-influential opinion against the policy of wait-and-see in which the Regent had collaborated so unhappily with Dr Stoyadinovitch.

Once the Regent had made up his mind the Yugoslav Government seems to have acted with a genuine understanding of the difficulties and in a sincere enough spirit. Yet Dr Matchek's contribution should not be forgotten: he might have run away with a martyr's crown, or failed in the ticklish business of keeping Croat ranks closed, or worked with the extremists, or impugned the prestige of the Serbs beyond what their pride would stand. He might have allowed his natural talent for bargaining to become the obsession it so often seemed to be. But he did none of these things. His only concession to the theatrical was a refusal to wear a collar and tie, and a tendency to show visitors to his farmstead-home the more practical aspects of pig-keeping. He dressed his "peasant's guard" in coloured shirts, but he allowed them to parade *en masse* only on very special occasions. To him as much as to anyone else is due the credit for the Croat-Serb agreement.

Constitutional changes are largely set aside in the agreement, partly as a concession to Serbian tradition, partly as a means of easing the manner of transition. New elections to the Skupshtina are expected to be held within a few months' time under revised electoral procedure, and this will mean a radical limitation of power for the Belgrade electoral commission which, in the past, has managed the polling results very much as it pleased. Senatorial elections were held this month and went off without incident; more important politically will be the joint preparation within a few weeks' time of lists of candidates for the Lower House elections.

As soon as the Skupshtina has settled down progress will be made with the remaining details in the formal agreement. Two of these are of especial importance. The first is the delimitation of the federal boundaries in Bosnia. It is planned to hold a referendum in the Bosnian districts

whereby the population will have the chance of voting either for inclusion in Croatia and Serbia or for the formation of an autonomous Bosnian province. This has been one of the main causes of friction throughout the negotiations. On both sides the extremists claimed far more than they could hope to get (the Croatian *Frankovci* group hoped even for a Croatia which would include most of Montenegro and areas to the east of the Save), while the Bosnians themselves have sent up a lonely cry for self-determination.

As it was finally arranged their cry was ignored, the Croats took several districts from the Drinska and Vrbaska Banovinas, and the Serbs the rest. If the referendum shows a clear majority for an autonomous Bosnia, and both Belgrade and Zagreb agree on the general boundaries (which will be a fruitful source of disagreement) then the Bosnian districts taken by the Serbs and Croats, respectively, would be wholly or partially restored.

The second point still requiring settlement is that of the distribution of revenue. One of the sharpest complaints which the Croats made against the Belgrade administration was that they received inequitable financial treatment. The Serbs took the money and spent it, but not in Croatia or on Croats; and there was undoubtedly a good deal of substance in this charge. It will be satisfied, on the existing understanding, when the new Skupshtina considers next April's budget; meanwhile about one-quarter of the Croatian revenue is being rendered back by Belgrade.

The hope of complete agreement, then, is strong and well founded. Once obtained, Yugoslavian eyes can again be turned outwards beyond their own frontiers, and there they will find more than enough to hold their gaze.

And although she is watching the muted Balkan drama from the wings rather than from the centre of the stage, Yugoslavia has a part in leading the cheers or the abuse. No one yet knows which Balkan State will be cast for the star rôle; but for the Yugoslavs, at peace within their frontiers as never before, the future holds out a very fair promise that they will receive the reward of wise statesmanship. It will be none of their fault if the Balkans become involved in war.

Defence Measures

EMERGENCY LEGISLATION

National Loans Act

Empowers the Treasury to raise money for the service of the year ending March 31, 1940, and a sum not exceeding £250 millions in addition; to exchange securities; and to issue new ones.

Chartered and Other Bodies (Temporary Provisions) Act

Enables qualifications to be made of the constitution and electoral procedure of bodies incorporated under Royal Charter, statutory bodies, and universities and colleges by means of Order in Council.

Restriction of Advertisement (War Risks Insurance) Act

Controls the issue of prospectuses and advertisements by companies claiming to give subscribers protection against war risks to their property.

Official Secrets Act

Restricts the scope of Section 6 of the Official Secrets Act, 1920, which empowered the police and certain members of His Majesty's Forces to require any person to give any information in his power relating to an offence or suspected offence under the Official Secrets Acts, 1911 and 1920, and made persons refusing to give that information liable to prosecution.

DEFENCE REGULATIONS

The following alterations and additions to Regulations under the *Emergency Powers (Defence) Act* were made by Order in Council dated November 23rd:—

Part I. Provisions for the Security of the State

6 (Amendment). Powers conferred by this Regulation to ignore for certain purposes existing Acts concerning patents, designs and trade marks are given to the Minister of Supply.

7 (Amendment). A Secretary of State or the Admiralty is empowered to prohibit or restrict the flying of balloons and kites, in pursuance of the purpose of the Regulation, which is to prevent the making of unauthorised signals.

11A. Warrants under section 52 of the Telegraph Act 1863 (which relates to the Government control in an emergency of the transmission of telegraphic messages), are to continue until revoked.

16 (Amendment). The power which this Regulation give to Secretaries of State to stop or divert highways over or near defence works is extended to the Minister of Supply.

Part II. Public Safety and Order

23A. Local authorities are given power to provide air raid shelter in non-provided public elementary schools.

24 (Amendment). Further details are provided concerning the enforcement of this Regulation, which covers the making of local or general orders for the control of lights or sound.

35 (Amendment). The powers given by this Regulation to the Admiralty to make provision for the protection of persons and property in the vicinity of the production and transport of dangerous articles, are extended to the Minister of Supply.

36 (Amendment). The Minister of Supply is empowered to specify approved measures for the storage of certain inflammable and other liquids compliance with which will exempt persons from taking other precautions laid down in the Regulation.

Part IV. Essential Supplies and Work

51 (Amendment). The power which the original Regulation gives for the doing of acts on land of which possession has been taken is extended to cover land taken over through the exercise of the prerogative of the Crown, or under section 52 of the Telegraph Act, 1863, or by section 7 of the Air Navigation Act, 1920.

53 (Amendment). The original Regulation gives a competent authority power to dispose of requisitioned property as if the authority were the owner. The property to which it applies is now defined as including property acquired under section 52 of the Telegraph Act, 1863, or by section 57 of the Air Navigation Act, 1920. Directions concerning the transfer of ownership may now be made by the Minister of Supply.

Part V. General and Supplementary Provisions

105 (Amendment). The short title of the Defence Regulations is amended to the Defence (General) Regulations.

DEPARTMENTAL ORDERS AND INSTRUCTIONS

Agriculture. (November 13th)—Prices announced at which the Ministry of Food will later purchase fat stock.

Communications. (November 16th)—Restricted public telephone service resumed to Belgium, France, Holland, Italy, Luxembourg and Switzerland.

Controlled Commodities. (November 18th)—Hosiery Wool Rationing Committee release additional yarn for the manufacture of civilian hosiery in excess of the 50 per cent. ration previously announced. (November 20th)—Cotton Controller requires returns of machinery and numbers of operatives employed by firms in the spinning, doubling and weaving sections of the industry. (November 24th)—Ministry of Supply becomes sole seller of virgin aluminium.

Evacuation. (November 9th)—Board of Education announce that Exchequer will meet expenditure on air raid precautions, hiring of school premises and other items incurred by local authorities on account of evacuated children.

Food. (November 10th)—Prices of condensed milk raised. Icing sugar and certain brands of castor sugar removed from operation of previous price orders. (November 13th)—Standing advisory committee appointed to advise Minister of Agriculture and Fisheries on matters affecting the producing side of the British fishing industry. (November 14th)—Ministry of Food agrees to purchase the balance of the season's exportable surplus of creamery butter in Eire at 145s. per cwt. (November 20th)—New maximum wholesale and retail prices for home-killed pork announced by Ministry of Food. (November 21st)—Last date for registration of catering establishments, institutions and residential establishments with local Food Committees. (November 29th)—Production of bacon and hams other than certain specified kinds except under licence from the Minister of Food prohibited from December 1st.

Fuel and Light. (November 9th)—Coal ration raised from 75 to 100 per cent. of last year's consumption. (November 14th)—Price of motor spirit raised from 1s. 8d. to 1s. 9½d. per gallon. London Electricity Supply Association announces forthcoming increases in prices to consumers.

Medical Services. (November 23rd)—Arrangements for the treatment of air raid casualties revised with the effect that only a nucleus of medical staffs will be employed full time.

Price Regulation. (November 27th)—Central Price Regulation Committee appointed under Section 8 of the Prices of Goods Act.

Rationing. (November 17th)—November 23rd fixed as the date for registration of consumers with retailers. (November 28th)—January 8, 1940, fixed as the date of the introduction of rationing for bacon and ham and butter.

Raw Materials.—Government offers to buy up to a maximum of 155,000,000 lb. of Egyptian cotton in the event of prices falling and remaining below the closing price at Alexandria on November 11th.

Salvage and Waste Products. (November 11th)—Announcement that a salvage department had been organised in the Ministry of Supply. (November 18th)—Salvage controller appointed.

Services. (November 10th)—War Office announces that mechanical, electrical and automobile engineers are urgently needed in the Royal Army Ordnance Corps. (November 17th)—Call for 20,000 men between the ages of 35 and 50 for Home Defence Battalions. Doubling of women's Auxiliary Territorial Service announced. (November 19th)—Arrangements announced whereby men required for important industrial employment may be released from military service. (November 21st)—Scheme announced for informing reserve officers when their services are likely to be required. (November 24th)—Need for 8,000 recruits for Royal Army Service Corps announced. (November 26th)—Scheme for payments to Civil Defence volunteers absent from duty because of sickness or injury announced. (November 28th)—Extension of terms of reference of University Joint Recruiting Boards to bring science students within their scope at an earlier stage in their course than previously.

Shipping.—Introduction announced of "Navicerts" (certificates by British Consuls in foreign ports that cargoes loaded under their supervision correspond with cargoes declared in the ships' manifests). Will be available in the first instance between the United States and certain neutral countries adjacent to Germany.

Shops. (November 20th)—Existing regulations governing closing hours suspended for the six week-days before Christmas.

Transport. (November 22nd)—Vehicles standing on roads during the hours of darkness required to have their left side against the side of the road, by Order coming into operation on December 1st.

Miscellaneous. (November 17th)—Evacuated civil servants to be allowed two free passes a year to allow them to return to their homes and two return tickets at single fare (November 21st)—Counties of Orkney and Shetland declared a protected area for the purposes of the Defence Regulations. (November 23rd)—Powers of the Herring Industry Board suspended.

NOTES OF THE WEEK

Stalin's Aggression.—On Wednesday it was still uncertain whether the U.S.S.R. would invade Finland. And although a logical development of the Nazi technique borrowed by Stalin for this occasion did require an eventual resort to arms, there was still a widespread impression that the Soviet Government would not, in the last analysis, feel able to go that far. But it is probable that the Soviet regime's prestige was by this week too heavily and intimately engaged for Stalin to compromise without most amply fulfilling the prophecies of those die-hards who have never believed that he was in a position to begin or to prosecute a war. On Sunday, following an alleged incident on the Karelian Isthmus in which the Soviet Government accused the Finns of having fired on and wounded with artillery shells a number of Russian soldiers, the Finnish Government received a Note requesting it to withdraw its troops 12 or 15 miles from the frontier. On the same day *Pravda* published a scurrilous attack on M. Cajander, the Finnish Prime Minister, describing him as "a clown" and "a contortionist" and threatening him with the fate of "Beck and Moscicki." The democratically elected Finnish Government, it seemed, was in no way representative of the Finnish people, whose real wish was to be saved from their rulers by the generous intervention of the U.S.S.R. Their faultless mobilisation was a sign not of

popular will and individual courage but of fear and trembling lest the "Finnish leaders" should turn upon them the malignant forces of their "Western masters." As a rigmorole of nonsense it was better than anything which the Nazis have produced—and they were the begetters of this technique. The Finns replied that there could be no question of unilateral withdrawal, but that they were ready to discuss the matter. On Tuesday, the Soviet Government denounced the Non-Aggression Pact signed with Finland in 1932 on the grounds that the Finns had rendered it invalid by provoking numerous frontier incidents. On Wednesday, with the whole Communist organisation of the U.S.S.R. working overtime at the production of workers' resolutions demanding Finnish surrender in varying degrees of bloodthirstiness, and the Red Army and Fleet ordered to stand by for immediate action, the United States Government declared its willingness to respond at once to a request by either side for its good offices. That took place in the afternoon. In the evening M. Molotov announced that the Soviet Government had broken off diplomatic relations with Finland; by a curious delay in the Soviet telegraph system the Finnish Note concerning the Non-Aggression Pact was not delivered until after M. Molotov's announcement was made. The invasion began a few hours later.

M. Molotov's speech does not, of course, bear serious study, for no one outside the U.S.S.R. will believe that Finland had designs on Soviet security. The whole trend of Finnish policy during the twenty-two years of independence has been in quite another sense; and it was only recently that the Finnish Government refused to sign a non-aggression pact with Germany lest it should prejudice Finland's neutrality. But in the long run it is possible to see a vestige of sense in the Soviet case, though that does not justify this vicious and unprovoked attack. Command of the Eastern Baltic has always been a tenet of Russian policy, and the importance of Leningrad did seem to require unusual measures of protection now that the Soviet Government had encroached upon preserves which hitherto the German Government had been accustomed to regard as its own. In claiming Finnish bases the Soviet were merely preparing against the day when Germany sets out to reconquer the Eastern Baltic. This may seem justifiable policy to the Kremlin, but to Europe (and to the United States) it is the act of an aggressor with whom one day they may themselves now have to deal. Germany is dumb behind her Nazi gag, but she more than any other country must feel that profound sense of alarm which has led a Fascist journalist, suddenly losing sight of our decadence, to castigate Britain for "not standing up for the rights of small nations." Finland's resistance, even with Swedish help, may not last for long; but the repercussions of her downfall will reach out further into the future than any one can now see or will care to imagine.

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Repercussions in Scandinavia.—There is no doubt that the invasion will affect Scandinavia in a degree out of all proportion to the reaction it is likely to call forth. For Sweden, Norway and Denmark the future is now overshadowed with an ominous though as yet indirect threat to their freedom of action and even to their territorial integrity, a threat that is all the more sinister for being the product of a German-Soviet agreement. The knowledge of the danger in which they may stand within the measurable future is not accompanied, however, by an ability to forearm themselves. It seems that they can do nothing to strengthen their position; even in coalition they can do little to diminish their vulnerability. To-day, as always, their defence against Russia depends on the leadership of Germany, and that leadership to-day is so notably and explicitly lacking as to nullify almost entirely their opportunities of helping Finland. With German connivance the Swedish Government might have allowed a popular movement in support of Finland to go ahead with the shipment of arms and volunteers. Without that connivance, the ships would be liable to seizure as soon as they went outside the four-mile limit. More than that, the German Government would be likely to require assurances that Swedish intervention would not bring the Russians still further westwards, and those assurances might well take a tangibly unpleasant form. But whether Sweden intervenes or not—and the odds are all against it—the future for all Scandinavia becomes uncertain indeed.

* * *

War and Parliament.—The first war session of Parliament began on Tuesday, appropriately enough, in an atmosphere of introspection about war aims. On Sunday the Prime Minister had made it plain that the prime objective now was to defeat the Nazis—"that aggressive, bullying mentality which seeks to dominate other people by force." Mr Chamberlain's broadcast was sober, vigorous and to the point. It had a Churchillian ring when he spoke of the need for victory. And he refused to draft any detailed peace settlement in advance. We would need a new Europe forged in goodwill and tolerance. We would need disarmament. We would need a full and constant flow of international trade. We should also need some form of mechanism to secure the new order. But we could not now foresee the world conditions in which we would have to draw up the peace. Mr Herbert Morrison's broadcast on Tuesday was more apocalyptic. The fight for freedom

and the fundamental rights of man could only succeed if we now resolved to accept international control and co-operation in social and economic questions and political disputes when the war ended. Mr Attlee, too, in his speech in the Commons on Tuesday on the Address, showed Labour's wish to be more specific than the Prime Minister had been. He also underlined the need to set up and accept some international authority. He urged that the eventual peace should be made jointly between victors, vanquished and neutrals. Mr Chamberlain was still not prepared to go so far in definition. He agreed that the views of the vanquished might well have to be taken into account. He pledged himself to a peace that would not be vindictive. But, though he praised the League of Nations for its non-political work in the social and economic sphere, he was not ready to sponsor in so many words any abatement of national sovereignty after the war. Time would show the way. There is small doubt that Mr Chamberlain's speeches, which made a deep impression on opinion all over the world, were made up of the right blend of realism and idealism. He showed himself as fervent as the Opposition spokesmen for abiding peace, cultural freedom, the liberty of peoples to go their way unmolested and the extirpation of aggression and persecution. Above all, he saw no less clearly than they that the true end of all government, national or international, must always be a higher standard of living for the people. But he wisely saw no use in drafting blue prints for Utopia while the war had still to be won. The King's Speech put the present vista plainly: "The prosecution of the war commands all the energies of my subjects." There will be no time for anything but Government business in the sessions that lie before Parliament, though it is to be hoped that opportunities for free and constructive criticism will be increased rather than curtailed. As Sir John Simon told the House on Wednesday "the war may mean fearful sacrifices, some of which we have hardly begun to dream as possible." It is because victory is our chief and unanimous war aim that these sacrifices will be willingly borne.

* * *

The Workers' Standards. The precise plan of compulsory saving advocated by Mr J. M. Keynes in the columns of *The Times* left a number of openings for detailed criticism, which have not been neglected by those who have commented on the plan. But in his reply, which has appeared this week, Mr Keynes restricted himself to general principles, and as a result he has made a case which is quite unanswerable. Perhaps the greatest service that Mr Keynes has rendered has been to impel the so-called "leaders of opinion" to reveal the state of their ignorance on the central economic problem of the war. The spectacle is not edifying, but it may prove to be salutary. "My discomfort," says Mr Keynes,

comes from the fact, now made obvious, that the general public are not in favour of any plan. That is the real difficulty. The country is not yet taking our financial problem

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seriously and is still unaware of the sacrifices which present preparations will require when they mature.

This is all too true; it is revealed in a variety of ways—in none more clearly than in the reluctance to impose rationing merely because, by neglecting more important traffics, we can physically contrive to import food on a peace-time scale. It is quite clear that those who are responsible for guiding the steps of the public in economic and financial matters have left it dangerously late to start expounding the elementary principles of war economy. Sir John Simon made a beginning this week with his statement in the House of Commons that "the only way in which a democracy can meet the terrible burden of a great war was by a willingness to sacrifice throughout the whole population and by recognising that such sacrifice was the price which must willingly be paid to secure peace and freedom." It is high time that a number of manifest facts were stated and reiterated by the very highest authorities. One of these is that the total private expenditure of the British people will have to be reduced, in the course of the war, by at least a third. Another is that this reduction cannot be achieved by the rich, or the rich and the middle class together. This being so, the only really relevant question is not whether sacrifices are to be asked from the smaller incomes, but by what means they are to be exacted. And when the question is put this way, there can be no question of which methods are preferable.

We all know, of course, that the alternative is inflation. And we also know that the political argument in favour of inflation is almost overwhelming. No one has to take the responsibility for inflation, not even the Chancellor of the Exchequer. The adoption of my plan would require the approval of the Labour Party. But they will never be asked to approve inflation. It will just happen. It is nature's remedy, ebbing up like the tides, silently and imperceptibly and irresistibly. It engages in its support our *laissez-faire* traditions. It greatly benefits some important interests. It oils the wheels everywhere, and a regime of rising wages and profits spreads an illusion of prosperity. So if one is to bet on the field, inflation must always be the favourite.

Mr Keynes has perhaps been a little quick to assume that there is no remedy other than compulsory saving. There are fields of taxation as yet unexplored. Thoroughgoing rationing of every form of expenditure might make it possible to leave the task to "voluntary" saving. But the one attitude that is inexcusable is to say that there is no need to do anything unpleasant. If so, the unpleasant will happen by itself—and will be all the more unpleasant for that.

Civil Liberties.—In the first three months of war all parties in Parliament have shown themselves zealous to preserve the rule of law in dealings between the executive and citizens, except in cases where it can be convincingly proved impracticable or dangerous to the State. Last week a legacy from peace time was dealt with, when an Official

Secrets Act, limiting the exceptional powers of interrogation given to police officers and others by the Act of 1920 more specifically to cases of espionage and kindred matters, was passed. This week, changes in the war-time Defence Regulations have been announced with the same object of safeguarding civil liberties so far as possible. The chief objection to the original Regulations was that the powers taken to limit the expression of opinion were too drastically and too widely drawn—even on the assumption that conditions of grave emergency had to be provided for. The revised Regulations have been agreed between the Home Secretary and an all-party committee of Members of Parliament. The prohibition of propaganda likely to cause "disaffection in the forces," which might have been used to prevent agitation for better service conditions, has now been confined to acts calculated to cause disaffection "likely to lead to breaches of their duty." The sweeping regulation making it an offence "to influence public opinion in a manner likely to be prejudicial to the defence of the realm" has been restricted and made more concrete. It will now apply only to cases where deliberate use is made in such propaganda of "any false statement, document or false report." The Secretary of State cannot now delegate his power under the Regulations to prohibit public meetings to mayors, J.P.s or chiefs of police. Soldiers, sailors and airmen in uniform will now only have powers of arrest if they are on special duty. The authority to impose a complete compulsory Press censorship indiscriminately has been abandoned. Finally, it is now possible for suspects (this applies only to persons with alien connections) detained without trial under the Regulations to call for information about the charges against them.

There are still items in the Regulations the need for which will be questioned. It will not be generally admitted that there is any probable necessity of State to justify detention without some properly legal process of trial or examination for an indefinite period—though the number of such cases has now to be reported monthly to Parliament. There will still be heartburnings about the much-criticised power to impose a curfew, though it has been made clear that this is only intended to prevent the movement of people in a serious emergency, such as might be created by a dislocating air raid. Nevertheless, the new Regulations, made by consultation between the parties, will be welcomed as evidence of Parliament's general wish that civil liberties should be preserved against excessive militobureaucracy, while at the same time the authorities are not hindered by lack of the powers they may need. So far, in actual practice, there has been little cause for alarm. In certain holes and corners of the Press, and in some honest but misguided kinds of peace propaganda, the extremist and most irresponsible indictments of the Government's motives in the war are being published quite unmolested. Indeed, there has been no wide use of the Defence Regulations to suppress any sort of criticism of policy. It is wholly to the good that this should be the case in a war that is being fought in defence of liberty. It is a sign of sanity and national confidence. Conditions may come when the nation's safety will not permit such a measure of tolerance, more especially if publicists forget that their duty to be circumspect is a corollary of their right to speak their mind. But free speech and the rule of law are the firm foundations of democracy in war as in peace. They cannot be surrendered.

Completing the Blockade.—This week a British Order in Council and a French decree made public the procedure whereby, from next Monday, the Allies will seize all goods of German origin or ownership on the high seas. Outward-bound neutral ships will now be required, as inward-bound vessels have been ever since the war began, to call for examination at Kirkwall, the Downs, Dunkirk or Le Havre if they put out from Northern Europe, or at

Gibraltar, Oran, Marseilles, Malta, Haifa, or Port Said if they come from Mediterranean or Black Sea ports. The justification for this measure of reprisal, the campaign of Nazi outrages against the rules of sea warfare, was cited in the Allied announcements. It needs no emphasis. The importance of the ban on German exports now lies in the methods which are to be adopted in its application. Neutral shippers are naturally not pleased and their reactions are recorded in a Note on page 327. Actually every effort is to be made by the Allies to minimise neutral hardship or inconvenience. Goods seized will be requisitioned, detained or sold if the Prize Court is satisfied that their origin or ownership is German. If the Court is not satisfied—the tests are openly and legally applied—the goods will be released. If the goods, though originally German, became neutral property before November 27th, either they will be released or the proceeds of their sale will forthwith be paid over to their owner. Goods ordered before November 27th may be similarly treated. Neutral-owned goods of enemy origin may also be released if they are cleared from a neutral port before December 11th. Neutrals will be encouraged to obtain from Allied consular officials certificates of neutral origin for the goods they intend to ship, that is, certificates stating that not less than three-quarters of the value of the goods is in respect of neutral labour and materials. These will expedite their passage through the Allied controls. There will be further relaxations of the embargo in cases of proved hardship to neutrals.

After the Blockade.—The scheme is very fairly if stringently drawn. It will not wholly mean loss to neutrals, for it means the end, outside of Europe, of Nazi methods of trade which made Germany's customers her dependants. Still less will it mean loss if it is accompanied by a positive export policy by the Allies. Blockading the enemy is only a moiety of economic warfare. In Europe, unless Britain delivers export goods more successfully than in recent months, the neutrals will be forced in desperation to turn to Germany for coal and machinery. The price of British coal, for instance, has risen by 25 per cent. in the Netherlands market since the war began. The Germans have displaced the Allies in the Baltic. They should not easily do so elsewhere. So far British economic policy in the war has had two effects on German trade. First, it has cut down but not quite stopped overseas supplies; it has raised their price and brought down the price of Germany's overseas exports. Secondly, the price of German exports to contiguous countries has risen because of the lack of effective British competition; and the price of supplies from contiguous countries to Germany has fallen. It is all-important to see that the terms of trade are in every possible case unfavourable to the enemy. It is all-important, too, not only to stop German exports but to see that the materials of German manufacture and manufactures Germany needs, such as cotton yarn and piece-goods, even when they are not on the contraband list (cotton yarn is on the list this time), are not licensed for export from this country in conditions which might let them slip into the Reich. Economic warfare, like military warfare, must be totally conceived.

Pressure on the Neutrals.—Germany's minelaying campaign is merely a new technique at the service of an old idea. The plan for establishing a *Grossraumwirtschaft* under German direction by diverting to Germany all the neutrals' trade was—after a sensational debut—allowed to slip from the headlines once Herr Rosenberg and Dietrich had realised how little headway the German trade delegations were making against the resolute refusal of the various Powers to commit their economic fate blindly into Germany's keeping. Thus the first attempts by means of persuasion failed. Germany has therefore been driven to methods of violence in order to accomplish her end. By strewing mines in the fairways of maritime traffic, she hopes in the first place to drive all neutral shipping from

the sea routes to Great Britain and thus deprive this country of all its seaborne supplies. Next, she is confident that the neutrals, sooner than face the losses and hazards of trading on the seas, will turn to Germany and join her continental system. Finally, the German leaders may have foreseen a way of twisting Britain's inevitable reprisals to suit the Nazi book. Any counter measures could be denounced as an attack upon the rights of the neutrals. If they protested, Germany could associate herself with the protest and offer them her "protection." Were they to decide to accept the reprisals, then Germany could allege a breach of neutrality and take "such steps" as she "deemed necessary." It is against this background that we must interpret the reactions of the various neutral Powers to Britain's decision to seize German exports. The most severe protests have come from those neutrals who are most at Germany's mercy. Denmark, Belgium and Holland have all made formal representations. It is not only geography that compels them to such action. Economically they will be seriously affected, and especially Holland, whose flourishing entrepôt and carrying trade will be cut off. Undoubtedly the plight of these three Powers is pitiable; they cannot—physically—resist our control; yet they live in constant dread of the manner in which Germany will choose to interpret their non-resistance. This dread must also be their excuse for the startling discrimination they have shown between Germany and the Allies in this same matter of representations. Our export blockade at the most impoverishes the Low Countries. Germany's illegal minelaying massacres their citizens; but we have not yet heard of any protest to Berlin.

The Outer Ring.—Of the neutrals geographically more remote, only Japan and Norway have so far lodged a protest. As Japan's relations with this country are hardly of the best, it was unlikely that she would allow such an opportunity to slip. Her complaint is mainly on the score of the non-arrival of valuable imports vital to the "liquidation" of the China incident. However, as the ban will presumably affect Germany's equally vital exports to China, Japan's accountancy should be able to strike a balance. Norway, owing to her geographical position, is more affected by our reprisals than by German minelaying, but her protest probably springs from her desire not to offer fresh "provocation" to Germany with whom—since the "City of Flint" episode—her relations have been none too good. Sweden, on the other hand, is more affected by German minelaying than by Britain's counter measures. Germany's unpremeditated laying of mines inside the four-mile limit of Sweden's territorial waters has led to a vigorous Swedish protest to Berlin and the German-Swedish trade talks are for the time being suspended. Nevertheless, the Swedish Government has instructed its trade delegation in London to make representations and to underline

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Sweden's dislike of the embargo measures. The attitude of the United States Government is serenely indifferent; the prohibitions of the Neutrality Act has already solved the problem of minelaying insofar as American shipping is concerned, and since the beginning of the war, German exports to the U.S.A. have sunk to a negligible level. The Allies can therefore count on the warm sympathy of America in any reasonable counter-measures they see fit to take. It seems likely that Italy, too, will lodge no official protest. This must afford a certain disappointment to the German Press which made gleeful use of Count Ciano's interview with the British Ambassador on November 24th, and asserted that strong representations had been made. Actually, although Italy has made her official attitude known, the diplomatic exchanges appear to have related to more immediate difficulties raised by the existing Allied contraband control—such as the inconveniences to Italian shipping of prolonged detention at Gibraltar. Italy's attitude is somewhat surprising. Although, unlike Japan, she need not fear a cessation of German imports (she has the Brenner), and unlike the Low Countries, she is not in physical fear of her powerful neighbour, Italian vessels have carried an important share of Germany's exports since the war began. Trieste is in the midst of a boom on the strength of it, and our control will nip this promising expansion in the bud. Here is perhaps the reason underlying the outburst of insult in the extremist Press which followed hard on the announcement of our counter-measures.

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Losses at Sea.—Last week was the worst week of the war at sea since the first—for the Allies and the neutrals. Britain lost 25,787 tons of merchant shipping. France lost 3,000 tons. The neutrals lost 23,949 tons. The Royal Navy suffered, too. A 10,000-ton cruiser was damaged by mine in the Forth. A destroyer was sunk. H.M.S. "Rawalpindi," the well-known P. & O. liner of 16,600 tons, which had been converted into an armed merchant cruiser, was battered and destroyed by the "Deutschland," after a stirringly gallant but grossly unequal struggle; only thirty odd out of a crew of over 300 were saved alive. It is on the strength of these successes, following hard upon the first ruthless excesses of the new mine campaign, that the Nazis are claiming to hold command over the North Sea and the North Atlantic. The seriousness of these losses in terms of men and tonnage need not be minimised. Mr Churchill has repeatedly warned us that there were still grimmer days at sea before us. But the falsity of the German claim is apparent. Shipping losses are still well below those of the worst weeks in 1917. Supplies are still coming freely into our ports, even across the perilous North Sea. The "Deutschland" is playing fox in an Arctic hunt. The Allies have put a ban on German exports and have the strength to make it effective. So far since the war began 463,000 tons of contraband goods destined for Germany, including over 100,000 tons of petroleum products, have been seized by the British contraband control. These, and not the sporadic brutalities of the Nazis, are the signs of dominant sea power.

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King Carol Changes His Ministers.—The return of M. Tatarescu to the Prime Ministership of Roumania is significant of a re-affirmation and not of a change in King Carol's foreign policy. The Argetoianu Government, formed hastily after the assassination of M. Calinescu, claimed to be little more than a stop-gap which would be replaced at the first convenient opportunity. The opportunity was provided by the occasion of German economic pressure and the convenience of avoiding it; and although, if the true story were told, it might be found that the Argetoianu Government had committed itself further than was prudent or publicly known, its resignation was in any case only a matter of time. The immediate cause seems to have had a twofold aspect. M. Bujoiu, the Minister of National

Economy, resigned because the German trade mission headed by Dr Clodius pressed for an appreciation in the mark rate from 41 lei to 60 (or less in certain cases) and for larger supplies of oil and other goods; at the same time, his position seems to have been undermined at home by those who swallowed German propaganda to the extent of blaming the rising cost of living on the Government's economic policy. (In passing, it may be pointed out that the Germans themselves are responsible for the steep rise over the past twelve months in the Roumanian cost of living, in that they have bought dear and sold even dearer, imposing on the Roumanian Government the choice of depending entirely upon the German market or of subsidising exports to markets where prices more nearly correspond to world levels.) With the imminent prospect of British and French commercial support, made more sure by the Allied pooling arrangements, the narrowness of that choice is somewhat eased; if the Roumanian Government can sell its goods to the Western Powers for free exchange at rates not markedly lower than those dealt in by Germany, then it is well worth while making an additional effort to stave off German pressure. The change in Government represents that effort.

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In Occupied Poland.—General Sikorski can count on our sympathy when he appeals against the brutalities which are being committed by the Germans and Russians in their occupation of Poland. Of the two the Germans are said to be more ruthless; but this may be only because they are dealing with the comparatively well-developed population of western Poland, while the Russians have absorbed for the most part the destitute peasants of the East. In German-occupied Poland there are reports of mass "clearances," harsh discrimination, press gangs, ruthless tribunals; and it takes little imagination to comprehend the trail of suffering and despair which the German armies have left behind them. One of the worst aspects of the refugee problem seems to be the severing of families in the panic of departure; the lack of news is even more painful than the lack of food and warm clothing. On Lithuanian territory alone there are 25,000 civilian refugees and 14,000 interned soldiers and "practically every one of them," according to a reliable correspondent, "is desperately anxious for news of his or her family." The simultaneous German and Russian advances meant the scattering of hundreds of thousands of civilians who are now unable to cross the closed frontier established by the invaders. Overnight, the Vilna district was transformed "into a zone of acute distress." The Russians would appear to have shown less conquering zeal than the Germans, for while the latter have expropriated individual Poles and Polish concerns without scruple, the Russians are working on the assumption that their addition to the U.S.S.R. should be taken over more or less as it stands. They are reported to have shown a wish to conciliate the Polish workers, or at least to avoid open conflict with them. In Vilna, for instance, they removed lock-stock-and-barrel into the interior the Polish radio station with its 800 employees; but by refusing to leave their machines Polish workers were able to prevent the same fate befalling the equipment of electricity and municipal undertakings in the city. But it is the fate of persons, not of property, that composes the appalling tragedy of Poland.

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Enemy Aliens.—As soon as the war began it was evident that difficult problems would arise in the treatment of enemy aliens. In 1914 the bulk of the enemy aliens in this country were loyal subjects of the German or Austrian empires. The problem was straightforward. Now the great majority of Germans and Austrians resident here are themselves refugees from the Hitler tyranny. They are enemies only by status. By inclination they are friends. Yet leniency towards them cannot be unqualified. There could be few better disguises for an enemy agent than the rôle of refugee. The parallel is not with 1914, but with the early years of the war against Revolutionary France in

the eighteenth century, when London was teeming with French *émigrés* anxious to see the downfall of the Revolution. Then, as now, the chief difficulty was to weed out the enemy's emissaries sent to England under cover of flight from the guillotine. Early last September powers were taken to intern enemy aliens or to restrict their movement and employment. In the circumstances the measures applied have been astonishingly lenient. Out of 40,000 enemy aliens examined by the tribunals set up to investigate their *bona fides* only 358 have been interned. The majority of the remainder are simply forbidden to travel without permission beyond narrowly prescribed areas around their homes. The restrictions on their employment which accompanied their rounding-up before the tribunals have now been relaxed. After strict inquiries they may even be enrolled in the various civil defence bodies. Generosity was inevitable, for no English indignation against Hitler can vie with that of most of the refugees. Nevertheless, opinion is not wholly satisfied. On the one hand, a section of Conservatives in Parliament feels that leniency has been carried too far. On the other hand, some people feel that, in view of the sharp restrictions still imposed on individuals, many of whom are friendly beyond question, it has not gone far enough. The Conservative critics forget that a double check has been made of the aliens now in this country. Before August, 1914, aliens came and went freely. But before this war the records of all aliens were closely scrutinised before they were allowed to come into the country—and then only under close surveillance; and, since war broke out, their antecedents have again been combed and sifted. Even so, mistakes must be rigorously guarded against; that is why those who criticise the restrictions that remain are clearly wrong-headed; there must be constant vigilance. Individual cases, obviously calling for greater freedom, can be dealt with separately. But even this must not be overdone. Actually, official policy has held the balance between persecution and dangerous laxity reasonably well. The provision made to enable British-born women married to enemy aliens to recover British nationality, though it has not been sufficiently used yet, was a much-needed reform. It is to be hoped that public opinion, which tended in the last war to make aliens the target of inflamed war temper, will be sensible enough this time to follow the official example of moderation and fairmindedness.

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Boredom.—Boredom has always been recognised in the fighting services not merely as a discomfort, but as a danger. Since it may lead through inertia and carelessness to surprise and defeat, it has been deliberately tackled as a serious military problem. The stock remedies, where action is not possible, are the punctilious observance of routine duties and external measures of relief. The latter include recreations which serve the double purpose of relieving tedium and improving physique, organised entertainments, at bases, and the provision of books, games and "comforts" for men whose duties do not permit them to foregather in large numbers. Recently an innovation has been made in the appointment of voluntary welfare officers attached to each of the big commands or appointed by County Territorial Army Associations. In fact, the fighting services are setting about this essential task with method and determination. But it has not yet been recognised and emphasised that similar activity is required for the civil defence services and, in some degree, for the whole population. The chief responses to boredom in these quarters have been either futile or dangerous. In some instances the number of civil defence workers has been cut down below a safe level for no better reason than that they have not yet been in action. There has been an unmistakable relaxation of discipline in the ordinary civil duties of making evacuation effective, of conserving essential supplies and shipping and of observing the lighting restrictions. These developments have been assisted by the persistence of sections of the daily press in representing vigilance as an insult offered to the public by "bureaucrats" rather than as an inescapable duty. A safer and

more effective attack on boredom has been indicated by the fighting services. There might well be more mock action of the type which, thanks in particular to the energy of Sir Edward Evans, is keeping the London civil defenders busy and weeding out the inefficient members, and it should not be impossible to organise forms of relief which can be carried on without prejudice to the public safety. But the only real cure is a realisation that the stock phrase that the whole population is in the front line covers a reality. Slackness will not win the war. It will not even defeat boredom.

* * *

Order in the Medical Services.—The arrangements which were made before the war began for medical services to deal with air-raid casualties quite rightly provided against the probable need for later adjustment. Changes in fact began in the first week of the war and they will probably continue to be made from time to time. But it is obviously desirable that such changes as are necessary shall be made within a definite framework and take the form of an expansion or contraction of continuous services rather than a periodical alteration of the whole structure. The scheme which has now been recommended through the Central Medical War Committee and accepted by the Minister of Health holds reasonable promise of flexibility combined with order, at least so far as London is concerned. The Emergency Medical Service in hospitals will now be divided into three tiers. There will be a nucleus of full-time staff; a body of specialists working on a part-time basis, who will be paid £500 per annum and serve when required; and a further grade of part-time officers who will be paid on a sessional basis. In the provinces the arrangement now suggested is less likely to provide an ordered and ready response to emergency need. The work of dealing with air-raid casualties will fall on the ordinary hospital staffs. These will not be expected to give their services free as in peace time, but they are hardly likely to get a fair remuneration out of the suggested pool made up of payments by the Minister at the rate of 1s. 6d. per day for each occupied bed and 6d. for each out-patient attendance.

* * *

Another move towards enlightened efficiency was suggested in the recent Ministry of Health circular containing new recommendations for the conduct of first-aid posts. The new scheme is for a medical officer to take full charge of each post at a salary of £75 per year instead of merely training the personnel at a fee of twenty guineas a year. The further payments for attendance on a sessional basis when actual casualties are coming in are retained. This arrangement, like that for the London hospitals, bears the mark of enlightened planning and sets an example applicable to the circumstances of peace as well as those of war. If the will to order in the medical services is sufficiently strengthened in the present emergency a foundation will be laid on which to build a permanent structure to replace the unsystematic arrangements for the care of the sick with which the British public normally makes shift.

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India and the War

(From Our Calcutta Correspondent)

THE heart searching of Congress India has been very real since the beginning of the war. The Briton can sympathise, even if he cannot wholly understand. But, if India has been wrestling with her conscience, the background to the performance, both in this country and in Great Britain, has been one of bewildering artificiality. Congress leaders have talked as though the European war has been staged specially to test the sincerity of Britain's new Imperial professions. On the other hand, both the British Government spokesmen and the Viceroy have pointed to the ultimate goal of Indian government, but seem to have hesitated at a simple, straightforward reaffirmation of the early realisation of Dominion status. Of all the speeches here and in the British Parliament during the past few weeks that by Lord Samuel in the House of Lords on November 2nd has made the most durable impression in India. His statement that as "year after year goes by and this policy which is the declared goal, the end, the aim, is not in fact carried into effect and Indian political leaders see the best years of their lives go by and they are still in the phase of struggle" was apposite to considered thought here. His declaration that the present policy of His Majesty's Government leads to the conclusion that the final decision on Dominion status is to be left to the Moslems has been hailed by the Nationalist Press as an exposure of the Government's "masterly and sinister inactivity."

One or two heartening signs emerge from the nation-wide debate. Of these the chief is the widespread recognition of the rightness of the Allied cause, and the fairly general feeling that, sooner or later, Great Britain will of her own good sense and volition "recognise the wrong she is perpetuating in India." Furthermore, the language of the controversy has been moderate and unprovocative; and it is clear that by no means all the leaders of Congress, or even a substantial majority of its rank and file, are finally satisfied in their own minds that the right course has been taken. The resignation of the Ministries in the eight Congress Provinces was accomplished in an atmosphere of strange unreality, and the organised party festivities that followed have fallen very flat.

The centre of political gravity will henceforth shift to within the Congress itself, where a small but energetic and vocal minority would like to embark upon a programme of active obstruction to Government. As long as Mr Gandhi is at the head of affairs, this is not likely to happen. He has already propounded a policy which adumbrates passivity towards the war but seeks to cleanse the party of its admitted impurities and prepare it against the day when the struggle with the *raj* will be renewed. Mr Gandhi has made it clear that his ideals of morality and fair play preclude an attack on the British Government as long as it is engaged in

a life and death struggle in Europe—which, in some part at least, is being waged on behalf of freedom in India.

That is probably as far ahead as the most ardent Nationalist has looked, and the failure of the Gandhi-Jinnah talks at the Viceroy's House early in November once more emphasise how long and elusive is the quest for effective national unity. It is too early yet, perhaps, to say whether alternative Ministries will ultimately be formed in the eight Provinces. First exploratory talks have not been successful, and the Government has been obliged to invoke Section 93 of the Government of India Act and assume direct personal responsibility for the conduct of the various departments. This can hardly be regarded as permanently satisfactory, and some further examination of the possibilities of coalition Ministries will no doubt be undertaken at a more propitious moment. Nor is this the time for a provincial general election, in which most observers seem to think Congress would be severely shaken in the large urban centres but retain its supremacy in the rural constituencies. One of the more obvious defects of the new-born Indian democracy is that it has never seriously contemplated the necessity of finding an alternative to Congress administration.

Stimulus to Industry

The impact of the war has, so far, been wholly beneficial in the sphere of Indian commerce and industry. It is estimated that orders for war supplies of various kinds received up to the end of October amounted to approximately Rs. 14 crores, or £10½ millions. In terms of the British war effort this figure may not appear very large, but when it is remembered that the Indian Supply Department's annual purchases have amounted during the past five years to approximately Rs. 6½ crores, its stimulating effect on Indian industry is obvious. The War Supply Board, which was created in skeleton form in 1938 and came into active existence on the outbreak of war, handles all these orders which emanate from the United Kingdom and many parts of the Empire, as well as from France, Roumania, Iraq, Iran, Turkey and Arabia. In certain cases India has been asked to supply articles which have not been previously manufactured in this country, and the experience thus gained will no doubt be of considerable value to indigenous industry when peace returns once more. It is estimated that many of the orders that have been placed will take more than a year to reach completion, and the general effect of hostilities so far has been to speed up Indian industry in almost every branch. An effective system of price control has been introduced, and the Provincial Governments in the first days of hostilities made a commendable and successful effort to check all forms of profiteering in foodstuffs and essential consumption goods.

November 10th.

Chile, the War and Great Britain

[FROM OUR SANTIAGO CORRESPONDENT]

FOR some years a large proportion of Chile's exports and imports have been exchanged with Germany, who operated under an extremely favourable compensation treaty. This interchange stopped abruptly on the outbreak of war. Ger-

many owed large sums to Chile, representing the value of goods ordered and already paid for by the export of Chilean produce. Chile was therefore faced with the immediate necessity of finding new markets to replace the important customer which had been cut off by the allied naval blockade. Orders for the replacement of railway rolling stock and industrial equipment could not be fulfilled and some dislocation of industry was anticipated. Fortunately, this fear has not been justified; there were sufficient stocks of raw material on hand to tide over until new markets could be found. It was possible to carry on for a time with old industrial equipment. Railway rolling stock was not in dire need of replacement, the earlier order having evidently been given to stimulate Germany's purchases of Chilean goods.

Under such conditions, a favourable opportunity has arisen for Great Britain to regain lost markets. It must not be overlooked that, up to a few years ago, Great Britain supplied Chile with the bulk of her imports, particularly of machinery (mining, agricultural and industrial), heavy industrial products, railway rolling stock and raw materials; and, in return, the British market absorbed much of Chile's exports of agricultural produce and copper, wool, etc. Much of this trade was lost after the signing of the Ottawa Agreement. Now Chile would welcome the co-operation of Great Britain in expanding trade to the mutual benefit of both countries.

The outbreak of war saw a wave of pessimism sweep the country for fear of lost markets. But, since the Panama Conference, when the United States of America showed great interest in helping Latin-American Republics out of their difficulties, this phase is passing. Confidence has been restored also by the British Government's statement that trade must be maintained and increased wherever possible. British traders and banks in Chile have done much to restore confidence by their efforts to increase trade, and to assure local buyers that orders will be fulfilled with a minimum of delay and that freights are available. The supposed lack of shipping caused some concern for the first few weeks, but this has now been remedied.

The ideal way to foster the return of trade would be by the reciprocal lowering or removal of Customs duties, etc., on certain specified products. Conversations to this end have already been commenced with the United States of America. The chief barrier to Chile's most important export to U.S.A. is the American import duty on foreign copper. This amounts to about £22 8s. per ton, and a proposal has been tabled by the United States Government to reduce this by 50 per cent. Needless to say, American home producers have raised considerable opposition, but it is anticipated in reliable quarters that some reduction will be made. In her efforts to recapture Chilean trade, Great Britain will find powerful opposition from U.S.A. One of the chief attractions to the Chilean buyer would be the extension of long-term credits for purchases, and this could probably be arranged through the Department of Overseas Trade.

With co-ordination and co-operation between British exporters and importers, the field is now open to British trade, and the time seems ripe for the re-opening of the long-delayed negotiations for an Anglo-Chilean trade agreement—or, possibly better still, in view of Chile's exchange difficulties, for a formal trade barter agreement. Any step in this direction would receive the warm support of the Chilean Government just now.

Foreign Trade Statistics.—Details of trade for the month of August and the period January-August, 1939 (together with comparative figures for the years 1937-38) are given in the following table:—

Foreign Trade in millions of 6d. pesos	1937		1938		1939	
	Aug.	Jan.-Aug.	Aug.	Jan.-Aug.	Aug.	Jan.-Aug.
Total trade turn-over	94.2	958.3	89.8	798.8	82.7	700.7
Imports	39.8	265.3	33.8	330.9	40.6	275.2
Exports	54.4	693.0	56.0	467.9	42.1	425.5
Export surplus	14.6	427.7	22.2	137.0	1.5	150.3

Imports and exports from and to the principal countries trading with Chile, for January-August in 1938 and 1939, are shown in the table in the next column.

Country	Imports			Exports		
	Tons in thousands	Values in millions of 6d. pesos		Tons in thousands	Values in millions of 6d. pesos	
	1939	1938	1939	1939	1938	1939
Great Britain.....	19.5	35.8	23.6	111.9	113.3	80.5
Germany	55.4	80.0	73.3	112.3	53.9	55.0
U.S.A.	288.2	94.4	78.4	1,143.2	71.0	71.6
Italy	2.5	9.2	11.7	14.1	13.4	14.0

November 10th.

Commerce or Culture from Britain?

[FROM OUR LISBON CORRESPONDENT]

TRADE figures for the first eight months of the year show substantial increases over the corresponding period of 1938. Tinned fish, chiefly sardines, wines both fine and common, resin, olive oil and cork are all up, and it may well be that, despite the war, Portugal's 1939 export figures will be a record. At the same time, thanks to the practical and promptly applied measures taken by the Government, the country's internal trade has suffered but little disorganisation. Local industrialists, while subject to efficient checks against profiteering, have been guarded from exploitation by dealers in their raw materials, notably in cotton and wool.

What course Portugal's import trade will take during the next few months is not clear. German representatives assure their customers that orders will be executed as usual and delivered promptly. Machinery, hardware, dyestuffs, electrical material, iron, steel and tinplate—these are Germany's main lines, with the usual all-enveloping trade in cheap bazaar goods and stationery stocked by every shop in the country. Will Germany be able to keep this promise? If she does, by shipping them indirectly, at what price must her goods be sold, if she is to hold her own with merchandise from the U.S.A., England and France? What is clear is that a good opportunity for re-establishing British export trade with the Portuguese market has suddenly arisen—particularly in machinery and small hardware. To-day the latter cannot be found, of British make, in the usual retail stores. Hand tools and small machine tools are all of German origin. So, too, is nearly all the woodworking, printing, and industrial machinery used in the numerous small factories throughout the country.

Much has been heard of late about British cultural propaganda in Portugal. It has its uses and also its limitations. The teaching of English and the diffusion of literature reaches a small number of young people who are studiously inclined, and they, in course of time, may spread among their friends appreciative opinions regarding the finer qualities of English life and letters. It is all rather hypothetical—a casting of bread upon the waters. Of more immediate effect would be the sale, at competitive prices, of articles in daily use that embody in quality and construction those characteristics of efficiency and durability that the world, the Latin world more especially, still associates with British implements of all kinds—even though, attracted by prices and persuasive salesmanship, it buys German.

Action designed to quicken British export trade with Portugal ought not to be delayed. Others are ready to extend

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in this market, and Italy and the U.S.A. are willing to meet Portugal's needs. Commercial canvassing, backed by reasonable certainty of early delivery on favourable terms, must be undertaken with knowledge of the market, and it must be done at once.

No Intention to Abandon Sterling

Though somewhat cryptic, the announcement made by the Ministry of Finance, on November 15th, confirms the general anticipations of Portuguese business circles. Freely translated, it ran:—

Having regard to the wide disparity of quotations for dollars and sterling on the London and New York markets, and to the consequent appreciation in those currencies which are not linked with the sterling group, the Government, conjointly with the Bank of Portugal, has agreed upon steps to be taken. It is borne in mind that, while a certain stability in relation to the pound sterling is desirable for the greater convenience of the national market, any rise in currency values which might react very sharply on our cost of living must be avoided.

Thus from 110\$10 to the £, the Bank of Portugal has brought its rate to 108\$15. It is not officially stated by what calculation this figure is reached; in all probability a mean has been struck, with a fairly large margin, to enable the Bank of Portugal to disregard minor fluctuations in the London-New York price of sterling. It will therefore be feasible, at need, to "step-up" the escudo quotation should the pound show substantial weakness. At the same time Portugal will continue to be reckoned with the sterling block.

General opinion here approves the practical wisdom shown by the move. It is another proof that Dr Salazar is no mere theoretical economist but a sound man of affairs, able to direct the business dealings of the nation in the interest of all classes. Portugal's exports at the time of writing are much in excess of her imports. This fact, coupled with her relatively small payments for foreign services, might very plausibly have been made the reason for a much greater appreciation of the escudo—to the substantial profit of the few and the loss of the many. Coupled with the wholly effective prevention of profiteering, and the consequent stabilisation of retail prices, this latest safeguard of Portugal's financial and commercial interests is both just and expedient.

November 20th.

Greek War Economy

[FROM OUR ATHENS CORRESPONDENT]

A SERIES of measures have been taken since the outbreak of the war, with a view to meeting the temporary disorganisation of supplies and trade brought about by the war and adapting the economy of this country to the new conditions thereby created. In view of the dependence of the Greek economy on foreign trade, the nature of its exportable articles, and the need to import large quantities of foodstuffs and raw materials, to say nothing of the geographical position of the country, the war is raising many difficult and urgent problems. These problems cannot, of course, be effectively met without wide State intervention.

In anticipation of a possible state of war, a law was enacted

in 1937 "concerning the economic and political mobilisation of the country." This renders service for national defence, in its widest meaning, compulsory for all physical or legal persons resident in Greece, and gives wide powers to the authorities to organise the nation and regulate its economic life in case of mobilisation. The law has now been expanded and amended.

In addition, a drive for self-sufficiency in foodstuffs is being made, with especial regard to agricultural products, and particularly wheat, of which 980,000 tons were produced and 475,000 tons imported in 1938. The development of the growth of potatoes is also particularly recommended. Moreover, the Minister of Economics has been given general powers to regulate imports and exports and to fix the country of origin or destination, as well as the mode of payment. In application of these powers, nearly all imports were prohibited after September 9, except under special licence. On the other hand, provision has been made for the establishment of an association of importers for each article imported. These will have the exclusive right to import their respective commodities. Several associations have already been formed.

By decision of the Minister of Economics the export of several articles has been forbidden, while others may be exported only under licence. The export of goods in consignment or on private exchange is no longer allowed, and the delivery of goods exported to countries with free exchange is permitted only against payment in cash or by bills bearing a banker's acceptance. Whenever possible, payment for exports to Holland, Sweden and Egypt will in future be required in the respective currencies of these countries, and exports to the Americas will be paid for in dollars.

A Ministerial committee has been set up, whose care will be to secure the necessary supplies of foodstuffs and raw materials. An inventory of all present stocks has been ordered. The prices of foodstuffs are controlled by the authorities, and certain articles are rationed. Food hoarding, whether by traders or by consumers, is prohibited and severely punished. Several measures of economy have also been enforced. Thus the sale of meat is allowed only on Tuesdays, Thursdays and Saturdays; lighting of squares and streets in Athens and its suburbs has been reduced by half; and the use of taxicabs and private cars has been restricted.

On the financial plane, the authorities decided to continue the linking of the drachma to sterling, but the allocation of foreign exchange for commercial and private needs has become even stricter. Heavy withdrawals of bank deposits, on the other hand, entailed an increase in the note circulation from Drs.8,109 millions on August 23rd to Drs.10,677 millions on September 7th. Since that date the circulation has stopped growing, and a slow return of notes is observable. A parallel movement was noticeable in the amount of credits granted by the Bank of Greece, which rose from Drs.2,787 millions on August 23rd to Drs.4,770 millions on September 23rd. Notwithstanding these developments, the official bank rate remains unchanged at 6 per cent. Apart from a suspension of forward dealings on the Athens Stock Exchange, the markets remained open and prices, after falling heavily, staged an appreciable improvement.

As was to be expected, the international crisis caused an increase in public expenditure, and a rise in taxation is becoming inevitable. The prices of cigarettes (with the exception of the cheaper brand for the working classes) and matches have already been increased by the authorities, while new taxes on luxury articles have been announced as impending. By decision of the Government a special allowance will be given by shipowners to the crews of Greek steamers sailing in dangerous war zones. Measures have been taken to avoid dismissal on a large scale of workers employed in industries which, owing to a temporary lack of raw materials, have been obliged to reduce their output.

In sum, the abnormal situation created by the war has necessitated, here as in most other countries, a tightening of State interference in business. But it is the aim of the authorities to leave intact private initiative as much as circumstances allow, and to foster co-operation with the business community. It is hoped that many of the present restrictions will gradually be removed, as the disturbance caused to international economy by the outbreak of the war subsides.

If peace prevails in the Mediterranean, it may be expected that while exports to some countries—including Germany, the largest purchaser of Greek products, as well as the United Kingdom, one of the best customers of this country—may, for some time to come, tend to decline more or less seriously, and while tourist traffic will unavoidably fall away, the loss to this country's economy thereby caused may be compensated, wholly or partly, by the opening of new markets for Greek staple products, by developing exports of industrial articles to neighbouring nations, and by higher shipping earnings.

November 23rd.

Germany at War

(An objective account of economic trends in the Reich compiled weekly by the editorial staff of The Economist from German and neutral sources.)

THE Allied ban on German exports overseas (valued in 1938 at Rm. 1,200 millions) comes, despite protestations to the contrary, as a serious blow. The problem of foreign trade dominates Nazi policy. In foodstuffs, apart from fats and feeding stuffs, Germany can meet her own needs at a pinch. But she needs to import close upon 70 per cent. of the raw materials used in her industries—many of the most essential from overseas.

These imports must be paid for by free exchange or in goods. Every effort is being made to raise production for export to the highest pitch. When war broke out the closing down of certain sections of industry was envisaged because their products were "superfluous"; and the manufacture of consumption goods for the home market has been cut to a minimum. Yet these industries are still working at pressure. Stocks are being built up for export. The production of motor cars, for instance, is being pushed forward vigorously, although nobody in Germany would now dream of buying a new car under the present restrictions.

The object of all this activity is to ensure essential supplies. Germany is putting the severest pressure on neutrals to secure deliveries. So far this has not been very successful. German sales to Switzerland rose sharply in October. Swiss deliveries to Germany did not. Germany's clearing debt to Switzerland, Italy, Holland, Yugoslavia, Roumania and Turkey has been reduced since the war began. Exports have been maintained or increased, but imports from these countries have fallen short. The sale of German machinery and coal to contiguous countries, at increased prices because of Britain's failure to keep up competition, has risen. There is a steady demand for German coal, industrial equipment, railway rolling stock, locomotives, machinery and chemicals. But, for the moment, Germany has not been able to accumulate free exchange or increase imports from the small European neutrals. The bulk of the recent increase in her exports has gone to reduce her debts to the importing countries.

The Allied ban, if effective, will cut off the main German sources of free exchange. In Europe the cardinal difficulty is this problem of clearing off the deficits which stand against the Reich in her various clearing and payments accounts. Germany has been better able than Britain to maintain her exports in Europe, but to a considerable extent this has been abortive because she has got relatively little in return. And now that the Allies are to stop German exports, there will be small inclination for, say, South American exporters to attempt to run contraband raw materials and staple produce through to Germany. The Reich has substantial deficit balances in the South American countries, too, and has no chance now of reducing them or paying for imports by exporting industrial products.

Efforts to extract higher imports from Roumania have not been very successful so far—though in the first fortnight or so of November two and a-half times more Roumanian goods went to Greater Germany than were sold to Germany and Czechoslovakia in the same weeks of 1938. Sea-borne supplies of bauxite (for making aluminium) from Yugoslavia were cut off when the Allies closed the Mediterranean. Now they are to be brought by rail and canal. Last year 1,800,000 tons of bauxite were imported, mainly from Yugoslavia. Only 93,000 tons were mined in Germany; and experts are working on processes to extract aluminium oxide from clays found in the Eifel, the Black Forest, the Vogelsberg and the Sudetenland. The Baltic countries have resumed exports to Germany now that the Germans have promised to replace the industrial imports formerly sent from Britain.

The Government of Manchukuo has agreed to export soya flour and soya oil to Germany across Siberia. Two tank wagons have been sent on a trial trip. For the duration of the war deliveries are to amount every year to 500,000 tons of soya flour and 60,000 tons of soya oil. To facilitate transport, the Russian Government and the German Consul-General at Dairen have made an agreement regulating the transit of these goods across Soviet territory and arranging for the passage of German goods to Manchukuo in return.

Russian Aid.—It is freely said in Germany that trade with Europe and Soviet Russia can make up for the overseas trade now lost, regardless of the fact that vital commodities like nickel, copper, cotton and jute are lacking. So far Russia has only delivered grain fodder, but Germany also wants oilseeds, textile fibres, manganese ore and phosphates

from the Soviets. Russian oilseed output has risen from 2.7 million tons in 1913 to 4.7 million tons, or twice the Reich's annual imports, in 1938. But the common Russian oilseed is sunflower seed, which is chewed in the same way as betel and areca nut in India, and is not available for export.

The Russia Committee of German Industry has been revived to advise the Government. Russian representatives are touring German factories. It appears, however, that Russia has declined to accept finished industrial goods in payment for the feeding stuffs and hides ordered by Germany. Russia is still only interested in machinery, machine tools, plant for rolling mills, equipment for substitute industries and the oil industry and so on. These are precisely the construction goods which are most needed at the moment for Germany's own war industries. Germany's inability to deliver these goods because of re-armament requirements has been a chief obstacle to Russo-German trade in recent years.

Moreover, Russian grain, oil, timber, flax and ores have commonly been exported in return, directly or indirectly, for rubber, tin, copper, cocoa and tea from the British Empire. Russia must maintain her place in the American and British markets in order to obtain these commodities which Germany cannot supply; the Soviets' exports cannot be diverted *en bloc* to the Reich. Russia has, indeed, already offered a normal year's supply of manganese ore to the United States.

Cotton Shortage.—Germany is experiencing great difficulty in cotton supplies. In the current year cellulose output is expected to amount to 200,000 tons, or 40 per cent. of the Reich's normal needs of cotton.

For the remaining 60 per cent, or 300,000 tons, Germany can only rely on deliveries from Russia and the Balkans. Russia is one of the world's greatest producers of cotton, but between 1929 and 1937 exported none at all, being actually an importer. Iran exports 15,000-20,000 tons of cotton a year. The Balkans export no more than 90,000 tons of cotton, of which two-thirds is Turkish. At the most Germany can get no more than 100,000 tons a year from these sources, which will leave her supplies 40 per cent. short of her needs—without making any allowance for increased wartime requirements for explosives, etc. Hence the strict rationing of clothing.

War Finance.—The floating debt rose during August from Rm. 7,938 millions to Rm. 9,087 millions. Compared with August, 1938, it had been doubled. The total issue of tax certificates at the end of August was Rm. 3,125 millions, Rm. 846 millions more than a month before. The mobilisation of the Army left its mark. The issue of tax certificates ceased on November 1st because they had fallen to a heavy discount, but enterprises owned by the State or the Nazi Party still can pay for up to a fifth of their orders with tax certificates at their face value.

The tax revenue for the first half of the current financial year was 50 per cent. higher than in the same period last year. The increase expected by the Finance Minister was from Rm. 18,000 millions to Rm. 24,000 millions. If the revenue continued to rise at this rate for the rest of the year the year's revenue would be Rm. 27,000 millions. Actually, however, the increase in the second quarter of the half-year compared with the same quarter in 1938 was only 30 per cent.; still a striking rise, but smaller than in the six months taken as a whole. Moreover, it is not stated whether the recent returns refer to the Old Reich only or to Austria, the Sudetenland and the Protectorate of Bohemia and Moravia as well. It is not possible, therefore, to decide whether or not as great a part of the war's cost is being paid out of taxes as the returns at first sight suggest.

If the likely year's revenue is taken as Rm. 24,000 millions and the national income is reckoned the same as last year's, the effect of taxation will be to reduce consumption and/or savings by Rm. 6,000 millions. If it all came out of savings, the limit of borrowing would be reduced to Rm. 6,000 millions, half the new savings borrowed by the State in the last financial year. Actually, it is probable that consumption has fallen and also that the taxation figures for this year include revenue from new conquests. On this basis the limit of borrowing will be between Rm. 8,000 and Rm. 10,000 millions, a level not yet neared.

THE ROUND TABLE

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Books and Publications

The Forgotten Treaty

THE second edition of Mr Wheeler-Bennett's book* could hardly have appeared at a more apposite moment. Brest-Litovsk, no longer "forgotten," stands in the forefront of the news as a city, and even the old treaty has come in for its share of publicity, now that the recent negotiations between Germany and Russia are being hailed as "the revenge for Brest-Litovsk." Mr Wheeler-Bennett's extraordinarily vivid narrative will give the reader a very complete picture of the Russo-German exchanges in the winter of 1917-18. Moreover, it puts them into their proper perspective as part of the greater struggle between Germany and the West on the one hand, between the new Bolshevik order and the outside world on the other. In the light of his research, it is also possible to draw a number of conclusions on the situation to-day, for example, on the validity of the theory that Russia has succeeded in taking her "revenge." If so, it is hardly a direct one, for just as Russia in 1918 owed it to the success of the Allies in the West that her frontier provinces were evacuated at all, so to-day it was the French army moving up to the Maginot line which allowed Russia to move up to Brest-Litovsk. In 1939 as in 1919 it has not come to a direct trial of strength between Teuton and Slav. Nevertheless, the positions are to this extent reversed that Trotsky in 1918 had no cards and Germany held every trump, whereas to-day with both Powers playing poker, Stalin's is certainly the better poker face. Two psychological points of some interest emerge from Mr Wheeler-Bennett's study; one is the apparently incurable strain of expansionist paranoia which attacks

* "Brest-Litovsk, the Forgotten Peace." By John Wheeler-Bennett. Macmillan. 478 pages. 10s. 6d.

The Economic Causes of War

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Professor of Economics in the University of London

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German leaders in their hours of success. For example, when the General Staff demanded that Estonia should be added to the list of German annexations and Hindenburg was asked for his reasons, he replied: "I need it to manoeuvre the left wing of my army in the next war." The other point, this time on the Russian side, lies in the Soviet leaders' complete inability to grasp the attitude and mentality of the West. Every calculation they made played them false. Here, too, there appears to be little change. Finally, we are indebted to Mr Wheeler-Bennett for an account of the Germans' desperate attempt to capitalise (in grain and raw materials) their occupation of the Ukraine. The difficulties they experienced are a pointer towards the kind of difficulty they may experience to-day. We can leave this book feeling assured that a continental bloc "based on the resources of the Soviet Union" need not trouble our night's sleep, yet another reason for gratitude to Mr Wheeler-Bennett for a very readable and illuminating piece of work.

Books Received

Plastic Gold. The Story of Rubber in the Service of Mankind. (London) Reliance Rubber Co., Chelsea. 62 pages. No price stated.

A History of Investment Trusts in Dundee, 1873-1938. By J. C. Gilbert. (London) P. S. King. 144 pages. 6s. net.

This World Unstable. By A. Heriot. (London) Blackie & Son. 166 pages. 5s. net.

The Social Value of Art. By F. R. O'Neill. (London) Kegan Paul, Trench, Trubner & Co. 232 pages. 6s. net.

World's Libraries and Librarians. 571 pages. No price stated. *World's Universities.* 537 pages. No price stated. (London) British Universities Encyclopædia, Ltd., Adelphi, W.C.2.

Propaganda in International Politics. By E. H. Carr. (Oxford) Clarendon Press. 32 pages. 3d. net.

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Wilkinson's Tea and Coffee Share Manual, 1940. Compiled by R. P. Wilkinson. The Investors' Chronicle. 388 pages. 3s. 6d. net.

The 1940 edition of this manual (hitherto circulated privately, but now available for sale) contains a number of interesting tables in addition to financial and other particulars about each of the principal tea plantation companies. A ten-year record is given of selected companies; and the handbook is prefaced by a review of the tea market in 1938-39. Those specialising in this branch of investment will need this reference book.

The Ending of Armageddon. By Lord Lothian. (London) Federal Union Club, 6 Bryanston Square, W.1. 19 pages. 2d. net.

The Real Rulers of Germany. By H. Behrend. (London) Lawrence and Wishart. 231 pages. 3s. 6d. net.

Preliminary Report of the Problems of Evacuation. By the Department of Social Science of the University of Liverpool. (Liverpool) University Press. (London) Hodder and Stoughton, Ltd. 32 pages. 1s. net.

The City Page. By F. Lee. (London) Nelson. 228 pages. 2s. 6d. net.

Raw Materials. Information Department Papers No. 18a. Royal Institute of International Affairs. (London) The Institute, Chatham House, S.W.1. 83 pages. 2s. 6d. net.

La Guerre dans la Pensée Economique du XVI^e au XVIII^e siècle. By E. Silberner. (Paris) Librairie du Recueil Sirey. 301 pages. 70 frs.

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THE BUSINESS WORLD

Shipping Freight Rates

THE rise in shipping freight rates since the beginning of the war has been spectacular. Lloyd's index of world freight rates (1923=100) rose from 85.4 in August to 166.6 in October, an advance of no less than 95 per cent. Neutral rates, however, rose much more than British rates, many of which are now controlled by the Government. The official Danish freight index, for example, shows a rise of 174 per cent. between August and October. Fundamentally, the rise is due to the fact that the demand for shipping tonnage has tended to exceed the supply at pre-war rates of freight. There are a number of reasons for this sudden scarcity. Thus, a proportion of Allied shipping vessels has been requisitioned by the Defence Departments for the transport of men, munitions and stores, and as auxiliaries to the Navy. Moreover, the carrying capacity of the tonnage still available for trade has been substantially reduced by the introduction of the convoy system and by delays in ports. In the case of neutral vessels delay has also been caused by contraband control, while crews have to be tempted by very high wages to sail in dangerous waters. It would be wrong to accuse shipowners of flagrant profiteering without careful investigation, for high freight rates are not necessarily synonymous with high profits. Quite apart from the reduced carrying capacity per vessel due to delays, there have been substantial increases in the cost of labour, fuel, stores and insurance.

The spectacular rise in freight rates has given rise to a demand for measures designed to prevent shipping companies from holding the nation to ransom in times of adversity. British shipowners, in their turn, are complaining that the rates fixed by the Government for the transport of basic materials, while substantially higher than before the war, do not fully cover the rise in costs and are considerably lower than those obtained by neutral ships chartered on the free market. While it is impossible to pronounce judgment on the claims of the shipowners without full knowledge of all the relevant facts, this does not preclude a statement on the broad policy which should be pursued in the national interest.

The central problem, as was pointed out in an article in *The Economist* last week, is a physical and not a financial one; it consists in securing adequate supplies of munitions and food for the Allies with the shipping tonnage at their disposal. The question of freight rates is subsidiary; but this does not mean that it is unimportant. On the contrary, in times of war it is essential to prevent waste, and nothing but harm would be done by an undue rise in shipping freights similar to that which occurred in the Great War, and in the profits of the industry.

An unjustified increase in British freights and profits can be prevented in two ways. First, freight rates can be controlled by the Government, as, in fact, they now are for the transport of basic commodities, and in the case of vessels requisitioned by the Defence Departments. Secondly, and this method goes to the root of the problem, the demand for shipping tonnage can be deliberately related to the supply by the adoption of co-ordinated exporting and importing by the Allies. In the absence of such co-ordination, the demand for shipping tonnage is bound to exceed the supply and freight rates to soar. But high freight rates would not increase the quantity of munitions and food which could actually be imported; the only difference would be that freight rates would be higher and that essential goods would be kept out by less urgent ones.

During the Great War, as was explained last week, both methods were employed in turn. At first the emphasis

was on the control of freight rates, but when the problem was seen to be due to the scarcity of shipping tonnage, more importance was given to the second method. It was not until 1917, however, that both central purchasing and the requisitioning of ships became general. The Governments of France and Great Britain will this time no doubt apply the lesson of the Great War by a rapid extension of freight control coupled with the deliberate adjustment of trade to the shipping tonnage available. Their recent decision to pool their resources should facilitate the task.

When it comes to fixing the freight rates for Allied shipping tonnage no heed need be paid to neutral rates. Except in so far as they can be kept down by agreement, by centralised chartering and by the most efficient use of Allied tonnage, neutral freight rates must be fixed in competition, and are therefore bound to reflect the scarcity of shipping in war. The rates paid to British and French shipowners, on the other hand, should be fixed with reference to costs. Moreover, there should be no discrimination between shipowners. At present, some ships are requisitioned by the Government, and their owners are to be paid "blue-book" rates; others are transporting basic commodities at controlled rates; yet others are carrying uncontrolled commodities at the relatively much more remunerative free-market rates. Since the proportion in which the vessels of individual companies are distributed between the three different categories varies, there is naturally a measure of inequality of opportunity, and this is a legitimate cause of complaint. Once requisitioning has become general, this inequality will disappear automatically; but meanwhile all shipping should be requisitioned in the financial sense. This could be done by asking shipowners to hand over to the Treasury the difference between the controlled rates and those obtained on the free market.

There still remains the task of fixing the controlled rates themselves; this bristles with difficulties. As a matter of general policy, it is desirable that the Empire's ocean-going merchant tonnage, for strategic and economic reasons, should not be allowed to fall below the level at which it is equivalent to the capacity required for the carrying of the inter-imperial trade and of one-half of the trade between the Empire and foreign countries. (This does not mean, of course, that all the inter-imperial trade and one-half of the trade between the Empire and foreign countries should be carried in Empire vessels, for in peacetime vessels are employed in the most profitable trades. It may often be more economic to use British tonnage in the trade between foreign countries and foreign tonnage in the Empire trade.) According to the Chamber of Shipping's Memorandum on British Trade and Shipping Statistics (published in December, 1938), British sea-going steam and motor tonnage in 1936 represented 36.7 per cent. of the world's total and carried 40.2 per cent. of the world's sea-borne trade. In the same year inter-imperial trade and the trade between the Empire and foreign countries accounted for 18.4 per cent. and 37.5 per cent. respectively of the total value of the world's sea-borne trade. If the figure for the trade between the Empire and foreign countries is halved, and if the desirability of not allowing the Empire's tonnage to fall below the level indicated above is accepted, British tonnage should not be lower than about 37 per cent. of the world's total, which, roughly, is the present position.

It follows that the object of national policy should be to place the shipping companies in the position to rebuild the tonnage lost during the war and, after the war, to replace tonnage that has then become obsolete. This,

broadly, is the principle which should guide the Government in its freight rate policy during the war. If it is carried out, efficiently managed and reasonably capitalised companies will be enabled to pay dividends. But the dividends should be a by-product, rather than the main objective, of shipping policy.

The difficulties begin, however, when it comes to translating this principle into practice. So far as running costs are concerned, the problem is simple enough, for their movement (including the cost of war risk insurance) can be definitely measured and freight rates periodically adjusted accordingly. Much more intricate than the problem of running costs is that of depreciation allowances, due to the uncertainty of future shipbuilding costs at home and abroad. Although replacement is essentially a post-war problem, the depreciation of vessels must be taken into account in fixing freight rates. Ships are, of course, insured against loss by accident or through enemy action. Shipowners, however, have no guarantee that the amount received in insurance will in fact be sufficient to cover the replacement cost of their vessels. If the rate of loss is heavy, replacement may in fact be physically impossible until after the war; if losses are made good abroad a substantially higher price may have to be paid. Similarly, while no seaworthy vessel will be taken out of commission during the war, a substantial proportion of them will have to be replaced after the war, but it is impossible to foresee what shipbuilding costs will then be. If they are substantially higher than they are now, even those shipowners who have been able to allow depreciation at the rate of 5 per cent. per annum in recent years (and these are few and far between) may find their reserves insufficient for the replacement of obsolete vessels. British shipowners fear that if neutral freight rates and profits are substantially higher during the war than their own, neutral concerns will be financially in a better position after the war to replace their vessels and to increase their fleets.

But difficult though the problem of allowing for future replacement in the fixing of freight rates may be, its solution is not beyond human ingenuity. In fact, there are a number of alternatives which might be adopted and which, at the same time, would prevent an unjustified rise in profits. One method would be to provide for depreciation allowances fixed for the duration of the war for each type of vessel based on their pre-war value and on the pre-war practice of efficient concerns and leave individual companies the choice of investing them as best they can. A more ambitious scheme would be to provide for depreciation

allowances as indicated above, but to ask the companies to pay them into a replacement fund to be administered by the Government until the end of the war, when it would be distributed over a period; if building costs were then found to be appreciably higher than now the Government might make grants to shipowners in proportion to their contributions to the fund to enable them to replace their obsolete vessels over a given number of years. A third method would be to calculate depreciation allowances at the end of each year at current building costs (with a corresponding adjustment in freight rates). If these allowances were found to exceed the fixed allowances indicated above, the difference would have to be paid into a replacement fund administered by the Government. This fund would be distributed after the war in proportion to the contributions made by individual companies, but actual payments would be dependent on the then current cost of replacement.

These, of course, are merely the bare bones of a number of alternatives, and they are put forward only as tentative bases for discussion. There are no doubt a number of other and, perhaps, better solutions of the problem. None of these schemes, it should be noted, aims at the standardisation of profits; they are designed as a basis for taking account of depreciation in the fixing of freight rates, which would, of course, be uniform for similar work. The efficient shipowner would still be able to earn higher profits than the less efficient one, and his scope, consequently, would be still undiminished. It would, therefore, seem to be not impossible to fix freight rates at a level that will permit the maintenance of the merchant fleet at its present minimum level, without opening the door to scandalous profits. It must also, of course, be remembered that excess profits taxation will fall more heavily on shipping companies in this war than in the last war, when they had a high pre-war standard of profits. But we should also beware of assuming that reasonable freight rates and E.P.T. are enough by themselves to prevent excessive profits. Some control also needs to be exerted over "capital" profits made by the sale of ships at inflated war-time values. Any system of controlling freight rates in accordance with cost can be defeated if the inflating influence of the competitive market can creep in through the capital value of the ships to be amortised and replaced. And, as a final warning, steps will have to be taken after the war to ensure that the funds created for the purpose of replacing ships are in fact used for that purpose.

Rubber Shares—1940 and After

FOR the first eight months of this year the rubber share market was one of the quietest sections of the Stock Exchange. A stable price level and low output for the commodity, coupled with fully valued shares, discouraged activity. The transformation effected by the war is to be seen in the advance of the London price of rubber to a level which, in recent years, has been excelled only by the boom prices of the spring of 1937. Moreover, the 1940 January-March quota of 80 per cent. is 5 points above that for the same quarter of 1937, and it is related to a substantially higher standard assessment.

Advances in share prices, however, have been restrained in comparison with these changes. They reflect improved prospects, but hardly a new era of prosperity or the discounting of major war profits. The market, in fact, appears to recognise various comparatively short-term aspects of to-day's satisfactory position. The rise in rubber on the

American market has been based partly on speculative anticipation of the wartime demand for rubber and partly on the shortage of landed stocks, which shipping delays further depressed below an already low level. In London, where the export licence system prevents the close adjustment of British and American rubber prices, the rise has been due to some shortage of supplies owing to diversion to America and to official buying to implement the Anglo-American "barter" agreement of June last. This agreement, which involves the exchange of 600,000 bales of cotton against 80,000-85,000 tons of rubber, is also partly responsible for the increase in exportable quotas. The contribution of the Anglo-Soviet agreement to an increase in demand is probably small—at least for the market—for even in 1938 the U.S.S.R. took 14,100 tons (against 27,000 tons in 1937) out of our raw rubber re-exports of 36,400 tons, while Germany took no more than 7,940 tons. How are these trends to be interpreted in terms of rubber company profits? The hazards of war prevent the investor looking beyond the first quarter of next year, except in a general way, but it is worth examining the implications of price and output changes this year for companies whose current year ends on December 31st or March 31st next. For "calendar year" companies the low quotas of the first half of 1939 were such that the average releases for the whole of 1939 will be not more than 58½

per cent. of standard, against 55 per cent. for 1938, though when allowance is made for the substantial rise in standard assessments for all the controlled areas combined, the theoretical rise in releases would be about 20 per cent. For companies whose year ends on March 31st next the year's average quota will be stepped up, as a result of the 80 per cent. quota for January-March, 1940, to 66½ per cent., and the further addition to output due to higher standard assessments will be relatively small.

The effective increase in rubber prices in 1939 and the first quarter of 1940 is less clear, owing to the uncertainty of the changes in costs. As compared with the corresponding period of 1938, the commodity price in the first three quarters of 1939 was almost 1½d. per lb. higher. With current prices in excess of 11d., the differential for the last quarter of 1939 may well be between 2½d. and 3d. But by no means all of this increase will be net gain for rubber producers, who have experienced the universal rise in freight and insurance rates and the burden of heavier taxation. Even in recent years rubber company reports have recorded a difference of ¾d. to 1d. per lb. between the "net average price realised" and "London landed terms" described in their accounts, and at the Kuala Lumpur Rubber meeting recently a price of 9½d. for rubber delivered at godown was said to be equivalent to about 10½d. London landed terms. If the actual rise in profit for the last quarter is put 1d. per lb. lower than the increase in London prices, to allow for increased costs, the rise in price during 1939 might be translated into net profits of around 1½d. per lb. over the level recorded in 1938. More tentatively, one may expect a similar increase for companies whose financial year ends on March 31st next. The accompanying table, which covers eleven large rubber or mixed producers, sets out the estimated output for 1939 or 1939-40 in comparison with the current standard assessment and the previous year's crop. To show the order of benefit which present trends may confer upon shareholders, the table shows not only equity earnings and dividend for the latest completed year, but also the increase in profit that would result from a rise of 1d. in the effective profit per lb., calculated (a) on the estimated 1939 or 1939-40 output and (b) on 75 per cent. of 1939 standard. No estimate is attempted for actual 1939 profits, for some of the largest companies are mixed producers of rubber and other commodities. Profits may be affected also by production policy and decisions regarding taxation reserves, but it is unlikely that E.P.T. will be payable on 1939 profits in most cases, for presumably the average of 1936 and 1937 will be selected by most companies as the standard basis. The average rubber price for 1939 is not likely to be more than, say, just over 9d. a lb., compared with an average of 8.6d. for 1936-37, and output in 1939 should still be below the 1936-37 average.

What is the longer-term outlook for rubber-producing companies? Some net increase in demand as a result of the war is expected in some quarters. There are, however, no precedents by which this unlikely assumption can be checked. Against the undoubtedly heavy demand created by mechanised warfare must be offset the cataclysmic drop in the manufacture and use of private cars in Europe, and, more particularly, the whole or partial stopping of supplies

to Germany, Austria, Czecho-Slovakia and Poland, whose combined net imports in 1938 were 115,766 tons, compared with net imports into the United Kingdom of 132,052 tons and actual absorption of 106,915 tons. If world absorption by importing countries for January-September, 1939, is maintained at the same rate throughout the year, 1939 consumption will be of the order of 1,059,000 tons, compared with the 1937 net exports of the quota countries of 1,088,360 tons. An average release for the whole of 1940 of 75 per cent.—a high average notwithstanding the possibility of rates exceeding 80 per cent. for short periods—would give roughly a production of 1,150,000 tons. Thus when the apparent reduction in civil demand and European supplies is considered, the increase in demand for armaments purposes would have to be quite substantial to justify an average release of 75 per cent., which itself would involve production at the rate of 6 per cent. in excess of the 1937 level.

As for prices, the trend seems to be upward, but there is still some way to go before the present quotation of 11½d. regains the 1937 "high" of 13½d. Nor can the present stocking-up process and the demand created by the "barter" agreement take more than a few months. Moreover, if the effective increase in the commodity price (that is, the actual increase, less any rise in unit costs) goes much further, E.P.T. will begin to take its toll. If it is assumed, firstly, that production in 1940 runs at approximately the 1937 level, but that, secondly, costs are 1d. a lb. higher than in that year, while, thirdly, the average of London and New York prices for 1940 amounts to 1s., E.P.T. would absorb roughly 1½d. per lb. From the point of view of profits available for the ordinary shareholder these hypotheses would provide earnings comparable with those of 1937, when the average commodity price for the whole year was 9½d. But this suggested similarity with 1937 is based on optimistic assumptions, which are rather in excess of actual market expectations.

The war has already falsified many opinions, and while any general inflationary rise in prices would upset any forecast, it is worth remembering that E.P.T., whose rate could be increased if necessary, as in the last war, will be an effective barrier to abnormal increases in profits. The net change in share prices since representative pre-war days, as shown in our table, indicates an unexpectedly sober view of future prospects. For although emphasis should properly be laid upon the probable limits to the increase in equity earnings, a substantial improvement on 1938 profits is already assured. In the past, rubber share prices have frequently looked forward to a level of profits which has failed to materialise, and yields based on prospective earnings have appeared low. But so far the market has not responded to war prospects by anything like the extent that the increase in prices and quotas would at first sight appear to justify. Can it be that rubber share prices, for once, are looking two steps ahead, and recognising that rises both in prices and in quotas are phenomena that cannot continue side by side for ever? On a sober view of the few available facts that can be applied in advance to 1940, the current market valuation of rubber shares seems reasonably to reflect the longer-term outlook, rather than the profits which may be reported during the first half of next year.

RUBBER COMPANIES' OUTPUT AND PROFITS

Company (and date of accounts)	Rubber ('000 lbs.)			Ordinary Shares, 1938				Addition to 1938 earnings at 1d.†		Ordinary Shares		
	1938 crop	1939		Earned		Paid		1939 est. output	75% quota‡	Denom.	Price	
		Standard (c)	Est. output	Amt.	Rate	Amt.*	Rate				Aug. 16	Nov. 30
Allied Sumatra Plantations (Dec. 31)	5,253	11,433	6,730	56,221	4/0	56,000	4/0	28,050	35,750	£1	16/3	16/6
Anglo-Dutch Plantations of Java (Dec. 31) ..	9,308	18,850	11,050	165,621	5/7	150,000	5/5	46,000	58,800	£1	25/-	28/3
Anglo-Java Rubber Co. (Mar. 31) (a)	7,299b	14,752	9,780	34,782	2/8	26,640	2/5	40,750	46,100	1/-	9/4	9/9
Bikam Rubber Estate (Dec. 31)	3,144	5,925	3,480	31,159	6/0	27,240	5/4	14,500	18,500	2/-	2/3	2/1½
Bukit Mertajam Rubber (Mar. 31) (d)	3,805	6,575	4,350	27,174	6/3	19,182	4/2	18,100	20,850	2/-	2/1½	2/4½
Grand Central (Ceylon) (Dec. 31)	4,923	8,000	4,710	43,182	3/4	39,591	3/3	19,600	25,000	£1	11/3	11/10½
Linggi Plantations (Dec. 31)	2,931b	5,821	3,420	25,321	6/2	Nil	Nil	14,250	18,200	£1	2/0½	1/10½
London Asiatic Rubber (Dec. 31)	9,275	14,300	8,400	88,030	13/1	67,420d	10/10	35,000	44,600	2/-	3/7½	3/10½
Malacca Rubber (Dec. 31)	3,591b	6,958	4,087	(e)	5/1	(e)	Nil	17,050	21,700	£1	16/10½	18/1½
Malayalam Plantations (Mar. 31) (a)	6,325	6,000	3,980	158,498	12/3	128,503d	10/10	25,600	18,750	£1	29/-	32/6
United Sula Betong (Dec. 31)	8,777b	16,625	9,775	132,077	18/0	97,014	12/12	40,750	51,900	£1	46/10½	54/4½

* Gross, unless otherwise stated. † Assuming 1d. per lb. rise in profits as compared with 1938. ‡ 75 per cent. of 1939 standard. § Estimated, assuming 5% increase over previous year's standard. (a) All figures (except standard assessment) refer to year ending March 31st of following year. (b) Exportable crop. (c) Calendar year throughout. (d) Net dividend. (e) Available for dividend £38,723, out of which 7½ per cent. preference dividend absorbing £8,625 paid. (f) Expected output (as compared with exportable crop of 3,290,000 lbs.) forecast by chairman.

THIRTY YEARS' FREE TRADE FOR ALL FRIENDS OF ENGLAND

The Free Trade Movement is giving a luncheon to Captain Bernard Acworth, D.S.O., R.N., at the Lombard Restaurant, 2 Lombard Court, E.C.3, at 12.45 on Monday next, December 4th. This will inaugurate a Free Trade Luncheon Club to meet daily.

Apply for particulars: COMMANDER GEOFFREY BOWLES, 25 Catherine Place, S.W.1 Telephone No.: VICTORIA 0963

Finance and Banking

Lower Bill Rates Tested.—The past week has provided the first appreciable test to which the lower level of discount rates established since a 2 per cent. Bank rate was restored has been subjected. Most of the factors in the money situation pointed to a sharp spasm of stringency in short money. The week began with the level of bankers' deposits depleted to a comparatively low level, last week's Bank return showing this item at £92,945,000, a fall of £14,139,000 on the previous week. As a result of this encroachment on bankers' deposits, the clearing banks had already shown a distinct reluctance in bidding for bills, and in one or two directions this unwillingness to take bills from the market had found its expression in a raising of the buying rate beyond the figure of 1½ per cent., which the banks had maintained for eligible Treasury bills during the past three weeks. This shortage of credit seemed likely to be accentuated during the course of this week by the combination of three factors. In the first place the current payments for Treasury bills were £35,000,000 in excess of corresponding maturities. In the second place the credit position was bound to react in some measure to the initial response to the Government's first war borrowing operations. In the third place the maturities held by the banks and the market during the past week were exceptionally small. At the tender of August 25th, when the bills on offer were issued at an average rate of just under 3½ per cent., allotments at the minimum rate amounted to a mere 4 per cent. of the amounts applied for. The syndicate, however, also succeeded in obtaining full allotments on certain of its applications, and for the issue as a whole a 50 per cent. allotment was probably obtained. During that week and the next, however, most of the bills obtained by the market were taken not by the banks but by the Bank of England, acting in the main for public departments. Thus the current maturities remaining in the hands of the market were extremely small. The only factor to offset these forces making for more stringent conditions was the fact that applications for this week's Treasury bills were in the main concentrated on the last three days of the week, by which time the war loan dividend and the turn of the month should again have eased the credit position.

Cheap Money Accentuated.—The market stood this test exceptionally well. By Tuesday of this week it had become evident that the expectations of stringent short loan conditions during the last days of November would be completely falsified. The market, freed temporarily from the task of paying for bills, found itself unexpectedly well supplied with funds and was able to repay clearing bank money on a fair scale. Thus the next clearing bank statements, showing, as they now do, the position on a single making-up day towards the close of the month, are likely to reveal an unexpectedly comfortable cash ratio. The help which must have come to the market did not originate from special purchases of bills. The house which acts for the authorities in the discount market was known to be available if its services were required, but it was not called upon to come to the rescue. It is evident, however,

that with Government disbursements at their present magnitude, the incidence of large payments either from budgetary funds, or by the Ministries of Supply or Food, has placed a new instrument of open market policy at the disposal of the authorities. Some such factor must have been at work this week, for the Bank return, despite the above-mentioned factors which should have been making for a further tightening of the bank cash position, shows, in fact, that during the past week this item has recovered by £10,580,000 to £103,500,000. As to £8,570,000, this represents a transfer from public deposits, whose total should, in fact, have been fortified by an increase of £5,870,000 in Government securities. The present level of discount rates having stood this test so well, it is now widely assumed in the market that the seasonal rise in rates which normally takes place in December will, if it occurs at all, be of very modest proportions. The market admittedly cannot this year throw on the back of the Treasury the task of year-end financing, since it will have to pay in 1939 for the whole of the bills tendered for at the December 22nd tender. But it is already taken for granted that the turn of the year will be accomplished without difficulty and that little or no recourse to the Bank will be necessary.

Tightening up the Exchange Control.—The Bank of England took an important step in closing up loopholes through the exchange control towards the end of last week by requesting banks in this country to demand the same documentary evidence before sanctioning transfers of sterling from domestic to foreign accounts as are required in sanctioning conversions of sterling into foreign currency. In complying with Form E, on which applications are made for the acquisition of foreign exchange through the official market, it has not only been necessary to provide documentary evidence of the commercial nature of the operation in question, but the details of the operation have been forwarded from the authorised bank to the Bank of England and there submitted to further scrutiny. It may be assumed that very little leakage has proceeded through this channel. But with Form E1, authorising transfers of sterling to foreign accounts, the procedure has been much slacker and the leakage correspondingly greater. It is through such transfers of sterling resources to foreign accounts that the free markets in sterling exchange have received some of their principal supply of our currency. That channel should be considerably restricted now that a genuine commercial basis must be proved in respect of any such transfer. It must not be assumed, however, that even the complete stoppage of this particular gap will arrest the dribble of sterling in the unofficial markets. The main source of supply for such selling has been and will remain the sterling assets of non-belligerent foreigners whose balances are neither blocked nor allowed to leave this country through the official market (unless good commercial reasons can be adduced for their conversion into foreign currency). If the foreigners in question desire to convert their sterling into foreign currency they are at perfect liberty to use the facilities of the free or unofficial markets operating in foreign centres. As long as these balances are not blocked, there is nothing "black" or reprehensible about these markets. It should be added that they continue to be exceptionally narrow and that their turnover probably accounts for less than 5 per cent. of the total sterling exchange business. Moreover, the sources from which they can derive sterling are gradually drying up and from this factor alone it may be expected that the rates quoted in these free markets will tend to approximate more and more to the official rates.

Amended Defence Regulations.—The Defence (Finance) Regulations Amendment (No. 2) Order issued

at the end of last week brings together, and in certain respects amends, the various measures taken for the defence of the currency under the Emergency Powers Act. The most important amendment is that which gives the Treasury the power to acquire by compulsion the gold and foreign exchange balances which residents in the United Kingdom were called upon by earlier regulations to offer for sale to the Government. Where such sale has not been made "the Treasury may direct that that gold (or foreign currency) shall vest in the Treasury . . . at such a price as may be determined by or on behalf of the Treasury." It is interesting to note that as long as this Regulation continues in force "the operation of section eleven of the Currency and Bank Notes Act, 1928, shall be suspended." This is the section which gave the Bank of England power to acquire gold held in excess of £10,000 by British nationals at the statutory price laid down in the Bank Act of 1844, i.e. at the equivalent of about 85s. per fine ounce. This bugbear of the gold hoarder thus disappears at the very moment when gold hoarding can no longer be indulged in. The same powers of compulsory acquisition are granted to the Treasury in respect of gold or currency seized by Customs officers.

Irish Banks' Returns.—The returns for the banks operating in Eire for the September quarter, published by the Currency Commission, are as shown in the table at the top of next column. As usual, the figures demonstrate the remarkable stability of the Irish banking system. By far the larger part of the banks' deposits are on deposit account and vary very little from year to year. The Irish banks are used as savings banks, especially by the farming community, and this accounts partly for the relatively low percentage of their assets which takes the form of loans and advances. The

(£'000)

	Sept. Quarter, 1938	June Quarter, 1939	September Quarter, 1939		
			In Eire	Elsewhere	Total
Liabilities:—					
Capital reserves, etc.	17,501	17,482	10,334	7,177	17,511
Notes in circulation	8,864	9,148	5,152	4,002	9,154
Current deposit and other accounts	156,607	157,863	114,378	42,386	156,764
Other liabilities	5,073	6,289	3,251	2,280	5,531
Total	188,045	190,973	133,115	55,845	188,960
Assets:—					
Cash and balances with banks	14,826	14,223	5,764	8,413	14,177
Money at call and short notice	8,688	8,973	2	7,583	7,585
Bills	5,752	7,957	7,331	1,158	8,489
Loans and advances	72,574	72,677	46,961	25,558	72,518
Investments:—					
(a) Government	68,929	68,369	4,154	63,599	67,753
(b) Other	9,645	10,194	4,293	5,951	10,244
Other assets	7,630	7,388	3,252	4,949	8,391
Total	188,045	190,783	71,757	117,203	188,960
Excess of assets outside Eire over liabilities outside Eire	63,672	61,750	...	...	61,357

increase in the holding of bills reflects the growth of short-term debt of the Irish Government. The Minister for Finance has recently announced the forthcoming issue of a loan of about £6,000,000, part of which will, no doubt, be devoted to the funding of the Exchequer bills now outstanding. The net sterling assets exhibit a welcome steadiness after a period of gradual decline, and it is to be hoped that the rise in export prices will result in the replenishment of the banks' sterling reserves. While the war may be expected to improve the balance of trade, it will have adverse reactions on certain invisible exports, for example, the receipts from sweepstakes and tourists.

MONEY MARKET NOTES

No change has taken place in any of the officially quoted foreign exchanges. In the free market, Finnish marks were rather more offered on Wednesday and Thursday. Prior to this they had been remarkably firm, which is attributed to persistent buying from Russian quarters, possibly in order to finance Russian propaganda in Finland. Owing to the smallness of the market, however, there has been very little change in the rate which on Thursday was quoted at 195m. sellers, compared with 190m. buyers on Monday. Chinese dollars have also been weaker, presumably owing to the improved relations between Japan and Russia, and the rate has fallen from 5½d. last week to 4½d. In the free market in New York, sterling opened the week with a firmer tendency, and in sympathy the free London rates for lire and yen moved in favour of the pound; but on Wednesday sterling closed 1½c. lower at 3.90½c.

Last week's Treasury Bill tender again showed a rise of about 3½d. in the average rate of discount, although applications for the £65 millions of bills on offer were also higher at £106.3 millions. In order not to have to pay millions. In order not to have to pay for its new bills until after the War Loan dividend payment on December 1st, the market syndicate concentrated its applications on the last two days of the week and obtained a 60 per cent. allotment quota. The result of this deferred payment has been a distinct easing of the monetary stringency noted last week, especially as the clearing banks have been readier buyers of bills, in some cases their purchases being made forward for the end of the week. Glasgow Corporation is the latest local authority to place some bills at very favourable rates. To replace maturing bills it has issued £650,000 three and a half month bills which were placed at 1½ per cent.; this compares with a rate

of 1½-1¾ for the three months' bank draft.

The Bank Return shows that last week's big movement from bankers' to public deposits has been largely reversed. Public deposits show a fall of £8.6 millions, partly because there were only few Treasury Bills to be taken up in the first half of the week. The note circulation has risen by £1.7 millions, presumably owing to end of month requirements, but this has been more than offset by an increase of £5.9 millions in Government securities.

The news of Russia's invasion of Finland caused excitement in the silver market on Thursday. Purchases for the Indian bazaars for prompt delivery in Bombay were recorded, and the Indian Government is said to have sold 4 million ounces.

MONEY MARKET RATES

	Dec. 1, 1938	Nov. 23, 1939	Nov. 30, 1939
Bank Rate	2	2	2
London Deposit Rate	12	12	12
Short Loan Rates:			
Clearing Banks	12-1*	1-11½†	1-11½†
Others	12-3*	1	3-1
Discount Rates:			
Treasury Bills (3 mth.)	13½	11½-15½	11½-15½
Three months' bank bills	13½	13½	15½-15½

* Viz., 12 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 Treasury bills and British Government securities; 1¼ per cent. for loans against other collateral.

THE BANK RETURN

	Nov. 30, 1938	Nov. 15, 1939	Nov. 22, 1939	Nov. 29, 1939
Issue Dept. Gold	326.4	0.2	0.2	0.2
Value per oz. fine	85s.	168s. 0d.	168s. 0d.	168s. 0d.
Notes in circulation	480.8	527.6	527.0	528.7
Banking Dept. Reserve	45.6	53.6	54.3	52.7
Public Deps.	23.1	17.8	36.4	27.8
Bkrs' Deps.	97.1	107.1	92.9	103.5
Other Deps.	37.2	40.6	39.3	40.2
Govt. Secs.	90.2	103.2	103.9	109.8
Dis. & Adv.	17.6	5.3	5.3	4.5
Other Secs.	20.1	21.3	22.9	22.3
Proportion	29.7%	32.3%	32.2%	30.7%

THE BULLION MARKET

Date	Gold		Silver	
	Price per ounce fine*		Price per oz. standard.	
			Cash	Two Mths.
1930	s. d.	d.	d.	d.
Nov. 24	168 0	237½	237½	239½
" 27	168 0	237½	237½	239½
" 28	168 0	235½	235½	237½
" 29	168 0	235½	235½	237½
" 30	168 0	23½	23½	238

* Bank of England's official price.



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On sale in denominations of £5 and multiples of £5. The Bonds bear interest at the rate of 3 per cent per annum: Income Tax is not deducted at the source. They are repayable 7 years from date of purchase at par plus a premium of £1 for each £100 nominal value with interest accrued since the last half year's payment.

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THE CHANCELLOR OF THE EXCHEQUER

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Investment

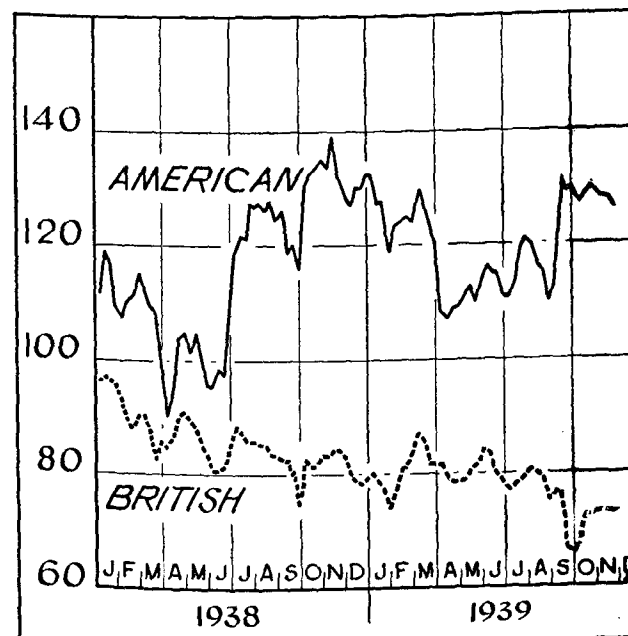
An Indecisive Trend.—Gilt-edged British equities, and even American industrials are exhibiting common symptoms of indecisiveness. Seen in retrospect, the third month of war has proved the least interesting, market-wise, of all three. The rousing impetus which credit expansion gave to the gilt-edged market paradoxically appeared to lose its force after the reduction in Bank rate late in October. The absence of any dramatic opening up of the war by land, sea or air was to some extent qualified by the German mine campaign, which may have checked an incipient rise in gilt-edged, but did not cause a positive setback. Nor did the appeal to the small saver introduce

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.



any new feature into the market situation, save that it confirmed the view that the time for the offer of a National Loan on the open market was not yet due. The equity market has maintained a virtually stationary condition for well over a month. Industrial news is a patchwork of good and bad, but the heavy burden of taxation has been modified by the Chancellor's assurance that the worst features of E.P.T. are to be modified. It is only in the American market that the check seems to be developing into an actual negative trend. The "war babies" are infants of disillusion, despite the repeal of the arms embargo. The most important equity feature, perhaps, is the symptom of the start in a race between costs and prices in this country, whose benefits, however, may be bitter-sweet.

Capital Control Revision.—The war was a signal for the Treasury to take specific powers for control of the capital market which, since 1932, it had wielded by moral persuasion. The terms of its writ have now been given more explicit and somewhat modified form in the amended Defence Regulations Order, and in the Capital Issues Exemptions (No. 3) Order. Earlier Orders excluded mortgage finance from the transactions which came within the purview of the Capital Issues Committee. As from November 23rd, however, mortgage transactions, and the issue of deposit receipts by local authorities for money lent must be submitted for Treasury consent. The exemption limit, for all types of securities, secondly, has been raised from £5,000 to £10,000. In addition, the Exemptions Order makes permissible, without Treasury consent, certain

operations which although numerous are not as a rule intrinsically important. These include borrowing by local authorities in anticipation of revenue, up to a total of one-half of the revenue receivable in a period of account; issues by building societies and certain industrial and provident societies; routine changes in the denomination of shares, or conversion into stock; shares allotted as purchase consideration by a private company; formal subscriptions up to £100 under a memorandum of association; issues for amalgamation of companies, provided that new money is not involved; shares allotted on the conversion of property societies into companies; issues made for the securing of bank advances; bank advances to local authorities incurred for capital works up to September 13, 1939; and, finally, binding transactions dating from before September 3, 1939, or renewed before November 23, 1939. The Order explicitly shows that issues made wholly or partly for the capitalisation of profits are not exempt from Treasury sanction.

The Position of Local Authorities.—The revised rules have been followed by a circular to local authorities which defines the Treasury's attitude towards new capital works. The authorities are, of course, free to enter into transactions not exceeding £10,000 and to raise "rates" loans to meet current expenditure before revenue comes in. Sanction is also given to bank loans made before September 13th, and to renewals of mortgages up to June 30th next year, under certain conditions. It is strictly enjoined that a loan may only be raised in respect of revenue receivable in any given accounting period and the proceeds of such loans may not be applied to capital expenditure. The Treasury has indicated that it will be prepared to consider whether consent to the renewal of mortgages after June 30th next year can be given, but, in the meantime, local authorities with such maturities must apply to the Capital Issues Committee for Treasury consent for renewal. This power might conceivably be used to compel the local authorities to finance some part of the maturities from rates. At the same time the Treasury has plainly stated that consent to new borrowing by local authorities, joint boards, etc., will not be given unless the works are required for urgent public need or for war service. The onus of proof will rest with the local authorities, which will have to satisfy the Treasury that expenditure cannot be avoided, postponed or reduced. These new arrangements will greatly reduce the ability of local authorities to embark upon new civil works, and indeed to continue some of those already in progress. They stop up the gap, which a short time ago threatened to be somewhat dangerous, of the unhampered issue of local mortgages.

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A Preference Dividend Point.—India General Navigation and Railway Company preference shares, according to the Stock Exchange Official Year Book, are entitled to a cumulative and tax free 5 per cent., and have always been regarded by holders and by the market as being entitled to tax free payment at that rate. The directors have caused some surprise by circularising shareholders to the effect that, although the preference dividend has hitherto been paid free of tax, in view of the heavy increase in the rate of tax a continuance of the tax free payment might weigh too heavily in favour of the preference and to the disadvantage of the ordinary shareholders. The directors propose, accordingly, that the question whether dividends are to be paid wholly or in part free of tax shall be discussed at the annual meeting in May next year and, pending a decision at this meeting, the interim dividend is to be paid subject to tax at 7s. in the £. The basis for this surprising proposal is that the shares, according to the circular, are not legally entitled to tax free payments, but that the Articles of Association merely provide that dividends may be so paid "if the resolution declaring the same so directs." The board therefore seem to be acting within their rights in raising this question, but preference shareholders who have been habituated to receiving tax free dividends will hardly welcome it. No qualification regarding the conditional character of tax free payments has ever appeared in authoritative works of reference, and the position of preference shareholders in an annual meeting, when their 24,403 votes may be ranged against the 65,558 votes of the ordinary shareholders, is thoroughly embarrassing. If tax free preference dividends were payable as of right, the directors' suggestion that they are now working to the disadvantage of ordinary shareholders could hardly be sustained. As it is, they are merely hallowed by long-standing tradition.

Company Notes

P. & O. Progress.—Recent war news has brought home to the nation the part that is now being played by units of the P. & O. fleet. The company's latest report, however, scarcely shows the effects of war, for in accordance with usual practice, voyage accounts are taken to June 30th, while the company's accounting year ends on September 30th. The moderate rise in net voyage receipts can be considered satisfactory, but owing to a fall in dividends received, which account for an appreciable proportion of total profits, gross revenue is barely 1 per cent. higher. The reduction in dividend (which has been effected by halving the cash bonus from 3 per cent. to 1½ per cent.) is therefore precautionary, for the usual expense items are hardly changed. The effect of special charges prevents the laying of undue stress upon any particular net earnings figure, but the reduced dividend is being paid out of fractionally higher earnings. The comparative table in the next column analyses three years' profits. Income tax credited in 1938-39 amounted to £192,902, and there was a profit of £16,249 on the sale of ships—three vessels totalling 28,162 tons having been sold for breaking up. But these gains do not quite offset a loss of £216,090 on the sale of securities. The largest changes in the balance sheet are a drop from £7,598,260 to £6,328,182 in British, Dominion and Colonial Government securities, which is accompanied by a fall in loans against marketable securities (on the liabilities side) from £2,710,000 to £1,050,000. No outstanding payment

appears among the assets on account of ships under construction, as three new vessels were delivered during the year. Thus on balance the company's fleet on September 30th was unchanged at 36 vessels, but the list includes the

	Years ended September 30th		
	1937	1938	1939
Net voyage receipts†	1,115,837	1,326,264	1,381,281
Total profits.....	1,975,695	2,360,424	2,383,139
Depreciation	885,000	885,000	885,000
Expenses.....	546,777	639,888‡	642,289‡
Deb. interest	312,030	308,880	303,910
Prof. dividend	152,000	152,000	152,000
Deferred stock—			
Earned.....	79,888	374,656	399,940
Paid	183,701	367,401	298,513
Earned %	1.7	8.2	9.9
Paid %	4	8	6½
To reserves*	150,000	25,000	100,000
Tax credits	Cr. 74,920	Cr. 21,679	Cr. 192,902
Special items (net)	Cr. 170,000	Cr. 23,175	199,841
Carry forward	143,200	170,309	164,797

† Years to June 30th. * Contingencies, reconditioning and special repairs. ‡ Including £75,000 to Provident Good Service Account in 1938, and £50,000 in 1939.

"Rawalpindi." As some of the company's ships are on Government service, the current year's prospects cannot be assessed on a commercial basis, and possibly Sir William Currie's address may discuss, within the necessary limits, the implications of the company's war services for stockholders.

Tube Investments Report.—The final dividend announcement of Tube Investments (discussed in *The Economist* of October 21st) showed that, after adequate provision for taxation and A.R.P. charges, the net profits of subsidiaries were slightly lower on the year. Despite this fact, the full report reveals that dividends received by the parent company have slightly increased from £835,359 to £840,860 for the year ended October 31st. The directors' report points out that these figures cover operating companies' activities to August 5th. Though the usual full review of the year's results will doubtless be given by Mr A. Chamberlain at the meeting, the increased distributions by the subsidiaries suggest that the group has had a successful year and faces a confident future. Owing to a special reserve provision of £75,000 against investments, the parent company's maintained 23½ per cent. dividend is covered by a slightly lower margin than in the previous year, for the earnings rate has declined from 30.5 per cent. to 29.4 per cent. General reserve receives £125,000, against £177,458, and £151,332 is carried forward, against £132,132 brought in. A profits analysis for the last three years is given below:—

	Years to October 31st		
	1937	1938	1939
Dividends received.....	794,774	835,359	840,860*
Total income	836,668	883,726	887,834
Fees.....	2,900	2,900	2,929
Interest	8,678	13,569	20,040
Investments reserve	...	...	75,000
Preference dividends.....	43,496	42,045	37,697
Ordinary stock and liaison shares			
Earned.....	781,594	825,212	752,168
Paid	666,043	643,842	607,968
Earned %	27.9	30.5	29.4†
Paid %	23½	23½	23½
To reserve	100,000	177,458	125,000
Carried forward	128,220	132,132	151,332

* After provision for E.P.T.

† Or 32.3% before charging £75,000 investments reserve.

The consolidated balance sheet is of considerable interest. A satisfactory turnover is suggested by an increase from £860,116 to £1,150,590 in creditors, while debtors have advanced from £1,194,632 to £1,616,538. An extension in productive capacity is indicated in the increase from £1,665,082 to £1,867,871 in plant and machinery. On the other hand, increased charges on the subsidiaries' profits

are revealed by the advance in the taxation reserve from £1,080,000 to £1,875,000 and in special depreciation and contingencies from £1,000,000 to £1,300,000. The group's position is highly liquid, and cash now stands at £2,350,768, against £1,660,144. The directors lay down the company's wartime policy to maintain the dividend rate of recent years out of maintained profits and the preservation of the present liquid position. In view of the company's close connection with armaments work and the wide scope of its interests this would seem to be no unattainable goal. The ordinary stock is quoted at 85s. to yield £5 11s. 9d.

* * *

Brewery Company Progress.—It is clear from brewery reports for the year to September 30th that the slight downward trend in profits apparent in brewery reports published earlier in 1939 has been reversed. The rate of improvement in profits naturally varies—among recent reports from large concerns it has ranged between a 5 per cent. rise in total profits for Wolverhampton and Dudley and 14 per cent. for Northampton Brewery Company. But there is no doubt of the satisfactory recovery for the trade as a whole. It would be premature to look upon the Ind Coope and Allsopp preliminary statement necessarily as an exception. Net profits of £580,955 are reported as £29,467 lower. But this is apparently the balance available for dividend, and since taxation and depreciation charges have presumably increased, it does not follow that total profits have fallen. A selection of important reports issued recently is summarised below:—

Company (years to September 30th)	Total Profits	Earned for Charges	Ordinary Capital		Present	
			Earned	Rate	Paid	Gross Yield %
			Amount	%	Price*	
Ansell's Brewery:						
1937†	756,688	647,966	586,235	36.3	17½	67½-5.2
1938	754,159	625,141	563,411	32.2	17½	
1939	799,435	547,358	485,679	28.0	17½	
Bristol Brew. Co. (George & Co.):						
1937	381,083	260,102	231,984	25.6	18	92½-6.0
1938	375,159	242,142	214,024	23.6	18	
1939	418,555	258,307	230,189	25.4	18	
Bristol Utd. Breweries:						
1937**	114,536	99,855	77,055	24.4	18½	64½-5.8
1938	131,577	113,992	91,192	23.6	18½	
1939	143,560	121,690	98,890	27.0	18½	
W. Butler and Co.†:						
1937	270,099	172,765	136,959	27.4	18	79½-6.6
1938	282,568	172,416	131,610	26.3	18	
1939	322,200	185,959	144,853	23.2	17	
Northampton Brewery:						
1937	241,117	65,428	34,968	21.1	15	50½-6.0
1938	244,837	64,036	33,528	20.3	15	
1939	279,761	70,854	40,288	26.4	15	
Wolverhampton & Dudley:						
1937	270,214	269,291	253,801	28.5	16	64½-5.1
1938	259,231	258,286	246,213	27.9	16	
1939	271,961	270,701	258,697	31.2	16	

† 1936-37 interim dividend on £1,495,725, final on £2,000,000. * Per £1 ordinary share, or stock unit. ‡ All rates earned and paid are tax free. ** Earnings and dividend on £336,000 (subsequently £411,080).

The Ansell's report illustrates forcefully the important part played by taxation in striking profits. Taxation on 1938-39 profits at the 7s. 6d. rate which will be payable in 1939-40 requires £187,500, and £55,000 has to be provided for the retrospective increase in the rate on 1937-38 profits. Dividend policy is on the whole conservative, for most dividends are unchanged. The reduced tax-free rate paid by W. Butler and Company is equivalent to a higher gross rate, and when allowance is made for the 20 per cent. capital bonus of 1937-38, the Ind Coope and Allsopp dividend of 23½ per cent. against 27½ per cent. involves a higher gross cash payment. Breweries have clearly benefited from the industrial recovery which began in the early spring. The one war month included in the accounts is not likely to have influenced the year's results greatly. The prospects, however, are not entirely clear. Companies in heavy industrial areas should do well, but in the London area the companies may be rather severely affected. Moreover, the possibility of increased taxation imposing a reduction in general consumption cannot be ignored.

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Improved Commercial Motor Results.—That the market for commercial vehicles avoided the setback experienced in the private car market after September, 1938, is brought out by the profits figures of Associated Equipment Company and Dennis Bros. for the year ended September, 1939. Nevertheless, the increase of 18 per cent. in the former company's profits is surprising, especially since renewal orders from the London Passenger Transport Board were expected to be "below average" for the year. An increase in taxation from £100,000 to £172,600 rather more than absorbs the increase, however, and the maintained $7\frac{1}{2}$ per cent. tax-free dividend is covered by almost the same margin as in the previous year. Dennis Bros. have had the best year since 1936, and profits have increased by 27 per cent. Though the company is still probably largely dependent on commercial vehicles, it would be interesting to know how much of this improvement is due to A.R.P. and other war contracts. Special taxation provisions of £30,040, however, reduce distributable earnings to the previous year's figure, but the shares receive a 116 $\frac{2}{3}$ per cent. dividend, against 100 per cent. the year before. The profits of both companies for the last three years are set out in the next column.

Years to September 30th	A.E.C.			Dennis Bros.		
	1937	1938	1939	1937	1938	1939
Total profits	435,952	382,717	451,200	117,006	115,037	146,045
Depreciation	104,368	103,117	103,000	14,808	11,936	12,066
Taxation	120,000	100,000	172,600	—	—	30,040*
Fees, etc.	2,100	2,100	2,100	5,024	4,797	5,881
Ordinary shares:—						
Earned	208,484	177,500	173,500	97,174	98,304	98,058
Paid	112,500	112,500	112,500	87,644	75,124	87,644
Earned (%)	14.0†	11.8†	11.7†	133.6	142.6	138.0
Paid (%)	7.2†	7.2†	7.2†	116.3	100	116.3
Reserves	100,000	63,000	65,000	—	—	—
Carried forward	260,000‡	262,000	264,000§	133,326	156,506	166,920

* Special reserve, N.D.C. and E.P.T. † Tax free. ‡ After bringing in £8,016 balance of reserve against loan not required. § After crediting £6,000 profit on sale of fixed assets.

In present conditions normal renewal business from road transport and municipal transport undertakings is hardly to be expected, and the compensation negotiations now in progress between the Government and London Transport may have an important bearing for A.E.C. Both companies have a stake in re-armament, however, to assist their turnover. Dennis Bros. 1s. shares yield £6 13s. 6d. per cent. and the £1 stock of A.E.C. £7 7s. 6d. gross per cent.

THE UNITED MOLASSES COMPANY LIMITED

The directors beg to notify stockholders that in consequence of conditions created by the War it has been found impossible to complete audited accounts of the company for the year ended September 30, 1939, in time for presentation at an annual general meeting to be held before the end of the year.

Application has, therefore, been made to the Secretary of the Board of Trade for permission to postpone the company's annual general meeting until the spring of 1940.

The directors are, however, satisfied from the company's own records that the trading results for the twelve months ended September 30, 1939, amply justify the declaration of a dividend on the company's ordinary stock at the same rate as the final dividend paid in respect of the year ended September 30, 1938.

Therefore, at a meeting of the board, held to-day, a second interim dividend of 15 per cent. (actual), less income tax, was declared payable on December 29, 1939, to the holders of the £1,954,500 ordinary stock in the capital of the company entitled to participate therein registered in the books of the company as at December 15, 1939.

The registers of the ordinary stock will be closed from December 1, 1939, to December 15, 1939, both dates inclusive.

The company's molasses business, during the twelve months ended September 30, 1939, showed a substantial increase over the previous year, and the entire fleet was for the greater part of the year employed at remunerative rates.

The volume of business has been fully maintained since the outbreak of War, and all the company's tankers are in commission.

It is hoped at an early date to come to an agreement with the Ministry of Supply in regard to the terms and conditions upon which this company during the Ministry's control of the molasses business shall import, store and distribute molasses in the United Kingdom. When agreement has been reached, it is the directors' intention to issue audited accounts up to the date on which such agreement comes into effect.

It is not the intention to declare a further dividend in respect of the twelve months ended September 30th, but the directors hope, when issuing the accounts, to propose a final dividend in respect of the period from October 1st to the date to which the accounts are made up.

Dated this 27th day of November, 1939.

By Order of the Board,
JAMES DON,
Secretary.

Crompton Parkinson and Tate and Lyle.—Shareholders will be gratified by the decision of Crompton Parkinson directors to maintain the gross distribution of £245,889 on the ordinary and "A" ordinary share capital for the year to September 30th, as increased by the 50 per cent. capital bonus last December. This sum represents a dividend of 15 per cent., plus a special 5 per cent. cash bonus, against a 15 per cent. dividend plus a 15 per cent. cash bonus for the previous year, the respective earnings rates being 34.0 per cent. and 48.3 per cent. This fulfils the dividend and bonus policy, announced at last year's meeting, to maintain a 15 per cent. dividend basis and to distribute cash bonuses "when circumstances permit." The net profits figure, struck after taxation, depreciation and fees, increased slightly from £402,046 to £404,903, of which £100,591, against £106,419, is allocated to reserve, while the balance carried forward is raised from £71,626 to £81,392. The £63,065 income tax recoverable on this year's dividends is brought into the accounts, of which taxation account receives £38,656 and reserve £24,409 (making the total allocation £125,000). The balance sheet reflects the effect of the capital bonus and the increased turnover. Debtors have increased from £479,939 to £639,629, and creditors from £290,501 to £443,561. In the current year the volume of business has been excellent, and the expectation that the company may maintain a 15 per cent. dividend basis in wartime is reflected in the current yield of £4 5s. 9d. on the 5s. "A" shares priced at 18s. 1½d. on this distribution, and £5 14s. 3d. per cent. on a 20 per cent. basis. Tate and Lyle, whose capital was increased by the 40 per cent. bonus at the end of last year, have issued a satisfactory preliminary statement. For the year ended September 30, 1939, the sum of £1,252,413, against £1,189,090, is available for ordinary shareholders, and the directors recommend a final 10 per cent. dividend, making 13½ per cent. for the year, on a capital of £7,000,000. This payment requires £945,000 gross, compared with £868,700 required for the 18½ per cent. distribution on a capital of £4,760,000 in 1938. The sum of £300,000 is again placed to reserve, and £59,703 is carried forward, against £52,290 brought in. The full report may provide some indication of the anticipated effect of wartime control of supplies and prices on sugar refining profits. The £1 shares declined slightly on the preliminary statement, while at a current price of 57s. 6d. they yield £4 14s.

Ranks Results.—The Ranks Limited report is normally issued in September, but the accounts for the year to July 1, 1939, had to be delayed owing to pressure of work

in connection with food defence plans. The increase in dividend from 17 per cent. to 18 per cent., which was effected by stepping up the cash bonus from 2 per cent. to 3 per cent., was, however, announced at the same time. The higher dividend accords with the "possibility of a more generous distribution policy" mentioned at last year's meeting. The report has now been issued and shows total profits of £934,006, compared with £918,243. After providing for increased taxation of £254,336 against £248,414, other expenses, and also for preference dividends, earnings for the equity are some £10,191 higher at £489,147. This sum represents a slight increase in the rate of earnings to 19.5 per cent., though the ratio is expressed on a capital increased by 1.9 per cent. during the year. The surplus of £37,395 raises the carry-forward to £221,586. In view of the John Greenwood Millers acquisition, announced early in the last financial year, and of the general extension of interests over a longer period, the recorded rise in profits calls for no special comment. Most of Ranks' profits are in the form of dividends which do not represent the whole of subsidiaries' earnings, and the latest report offers no departure from the practice of providing the minimum of information for shareholders. Even in the balance sheet, only the Joseph Ranks, Limited, interest is set out, and the John Greenwood Millers holding, having been transferred directly to Joseph Rank, does not appear as a separate item, although it was acquired for a total consideration of £229,280. The book value of the Joseph Rank holding is unchanged in the balance sheet, but advances to that company are £298,722 higher at £1,296,922. This is, of course, largely represented by the increase in issued capital, and the rise in the share premium account from £710,493 to £876,084. A survey of the year's results will no doubt be given at the annual meeting, but last year's operations have only a limited relevance to 1939-40. The business of the operating companies has now come under Government control. Stable profits, however, seem virtually assured for so essential an industry as the flour-milling trade. The 5s. shares stand at 16s. 9d. to yield £5 7s. 5d. per cent. on an 18 per cent. distribution.

Olympia Debenture Position.—The report of Olympia, Ltd., for 1938 showed the dire effects of competition and crisis on the company, whose cash resources were sadly depleted and whose half-yearly preference dividend payment due on April 30, 1939, was necessarily postponed. The war has added another hard blow. The Olympia building was occupied by the Government between September 1st and October 22nd, and the ironical situation now exists, compared with cases where other buildings have been taken over by the Government, that the building now exists, in the directors' words, "only be used for exhibition purposes on a reduced scale if at all." The company is faced with the position of being unable to provide for sinking fund payment due on October 1st on the 4 per cent. first mortgage debenture stock, and it will be unable to provide for sinking fund or interest payments on the

stock when they fall due in future. Moreover, there are trade liabilities, partly preferential, amounting to £55,000; finance will be required to maintain the building; and finally the company owes its bankers some £4,800. The trustees of the debenture stock have approved a proposal to stockholders that the company should be empowered to borrow (subject to Treasury consent) a sum not exceeding £100,000 at any time for these purposes, ranking in priority to the debenture stock itself. It is estimated that this sum should suffice to discharge the liabilities, with the exception of the bank loan, and to maintain the buildings for approximately three years. Secondly, the sinking fund payments are to be suspended for a period terminating two years after the cessation of hostilities, and a provisional moratorium in respect of interest payments would limit them to any excess of income over expenditure from January 1, 1940. Unpaid interest will accumulate at 4 per cent. and will be payable after the moratorium period only out of income. At the same time, subject to Treasury consent, the final date of repayment of the stock will be correspondingly exceeded from December 1, 1963. It is difficult to see any alternative to this scheme under present conditions, for while the directors are considering the possibility of using part of the premises for temporary purposes during the war, the result can only be that the existing overheads of the property will be slightly alleviated.

The Week's Company Profits.—Apart from banks, 49 companies for which comparable figures are available are included in our usual analysis of profit and loss accounts on page 359. Satisfactory profits are reported by many breweries, and also by a number of motor or engineering businesses. Net profits of £6,866,000 compare with £7,138,000, a fall of under 4 per cent., while aggregate net profits of 2,114 companies reporting in 1939 to date are £246,959,000, or 8 per cent. less than the £268,651,000 earned by the same companies a year ago. The week's results are discussed in preceding Notes and on page 347 under the heading "Shorter Comments."

The Week's Company Meetings.—Reports of company meetings will be found from page 351 of this issue. The Duke of Buccleuch informed proprietors of *Royal Bank of Scotland* that cash and money at call and short notice represented 22 per cent. of liabilities, while a good proportion of the bank's investments were in short- and medium-term Government stocks. At the meeting of *Rhodesian Anglo-American*, Mr S. S. Taylor drew attention to the large cash surplus retained to assist, if necessary, further capital development of the partly-owned mining companies, all of which showed satisfactory progress. At the meeting of *Bank of New South Wales* Mr R. W. Gillespie discussed central banking and Government economic policy in Australia and New Zealand in wartime.

THE STOCK EXCHANGES

London

Note: All dealings are for cash

THIS week the markets have been under the shadow of the situation in Finland and of the course of the war at sea. The actual effect on prices, however, has been small, and the sober mood of dealers and public is reflected more in slight and irregular movements in quotations and in very quiet conditions than in weakness of prices.

Gilt-edged stocks began the week in a quiet but satisfactory way. Perpetual issues, followed by the medium-dated

stocks, hardened a little on Monday. Improved investment demand then became more in evidence, and the next day gains ranged up to ½. There was some reaction towards mid-week, though the fall in quotations was precautionary rather than the result of selling pressure. On Thursday, further marking down was not followed by selling, and there was a slight recovery.

The week's movement mainly followed the lead of 3½ per cent. War Loan. Home corporations, while steady, remained inactive, and the same is true of Dominions issues in general. Foreign

bonds were less satisfactory than in recent weeks, and on the whole were lower and less active. Japanese issues were consistently weak, and interest sagged even in South American bonds. The imminent announcement of compensation terms is the perennial hope of the home rail market. Monday brought further widespread gains, but there was a little profit-taking. This, and the continued deferment of hope, brought a marked though not serious reaction in mid-week. Argentine rails lost ground.

The industrial market was quietly irregular, with a slightly downward

tendency. Iron and steel shares made a mixed showing. Recently increased interest has been shown in Indian issues, and last week Indian Iron and Steel Corporation of Bengal were relatively prominent. Engineering shares were firmer for choice, while electrical equipment issues moved irregularly. Motor and aviation shares were uninteresting but steady. Austin "A," however, improved following the meeting. Textile issues were somewhat featureless, but among rayon shares Courtaulds recovered after a small reaction early in the week. Breweries were fairly steady, the market being well satisfied with the Ind Coope dividend. Tobacco issues were dull. Among provision and catering shares, Aerated Bread Company preference and ordinary fell heavily on the preference dividend decision, and then lost further ground. In other sections, conditions were inactive, and most movements within narrow limits.

★

Oil shares have been dull this week. Among the leaders Royal Dutch were weak on sales from Amsterdam, but Trinidad issues have scarcely been tested. Rubber shares maintained their recent firmness after the week-end, but interest subsided in mid-week. Conditions in the tea market have been quiet, and prices showed little change.

★

The mining market opened on a firm note, but interest in gold mining shares was not maintained later. There was some investment demand for producing Kaffirs on Monday, but movements were insignificant in mid-week. Developing issues lost ground on Wednesday led by Western Holdings. Finance shares have maintained last week's prices. Trifling losses occurred among West Africans on Tuesday, but price movements have been rather nominal this week. Among base metals, Rhodesian copper issues were little changed, while tin shares have been quieter than recently.

"FINANCIAL NEWS" INDICATORS

1939	Total Bargains†	Corres. Day 1938	Security Indices	
			30 ord. shares*	20 fixed int.†
Nov. 24	3,930	5,575	75.1	117.3
" 27	4,470	6,175	74.8	117.7
" 28	3,885	5,655	74.6	117.8
" 29	3,700	5,280	74.8	117.7
" 30	3,670	5,545	74.2	117.6
1939 High...	...	...	88.0	123.5
Low...	...	...	Mar. 10 66.4	Jan. 3 109.6
			Sep. 26	Oct. 4

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

ACTUARIES' INVESTMENT INDEX

WHILE the upward movement of gilt-edged was temporarily suspended in the last week of November as illustrated by a setback of 0.2 of a point to 120.4 (1928 = 100) in the Actuaries' Index of Old Consols, the corresponding upward adjustment of debentures and preference shares still continued. The usual monthly particulars of fixed-interest securities are given below, and a selection from the equity indices will be published next week.

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)		
	Nov. 29, 1938	Oct. 31, 1939	Nov. 28, 1939
2½% Consols (1)	126.6	120.6	120.4
Misc. ind. deb. (14)	119.7	103.1	108.2
Misc. ind. pref. (26)	111.4	98.9	102.6

Group	Yields (%)		
	Nov. 29, 1938	Oct. 31, 1939	Nov. 28, 1939
2½% Consols	3.53	3.70	3.71
Misc. ind. deb.	3.98	4.61	4.39
Misc. ind. pref.	4.42	4.95	4.78

New York

THE recent downward drift of prices on Wall Street continues. There was a small demand for war stocks after the week-end, but motor issues were still affected by the Chrysler labour dispute. Traders continued to operate on a very cautious scale and slight upward movements were quickly reversed by profit taking. On Wednesday prices were marked down still further, steel issues losing up to 3 points, while utilities were adversely affected by news that the utility issue would be kept alive in next year's election campaign. Rails were weaker but offered resistance on several good dividend announcements. Iron Age reports that steel mill activity is running at 94.5 per cent. of capacity, against 93.5 per cent. a week ago.

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

	WEEKLY AVERAGES				
	1939	Nov. 15, 1939	Nov. 22, 1939	Nov. 29, 1939	Nov. 29, 1939
Low Apr. 12					
High Jan. 4					
347 Ind'l's....	92.8	114.5	109.9	110.3	107.6
32 Rails.....	23.34	32.5	31.4	31.2	29.9
40 Utilities	77.8	89.9†	87.0	87.9	86.8
419 Stocks	79.3	95.6	93.5	93.9	91.7
Average yield*	4.42%†	3.31%‡	3.96%	4.12%	4.33%
	High	Low			

* 50 Common Stocks. † Aug. 2nd. ‡ Aug. 23rd.

DAILY AVERAGE OF 50 AMERICAN COMMON STOCKS (1926 = 100)						
Nov. 16	Nov. 17	Nov. 18	Nov. 20	Nov. 21	Nov. 22	
124.2	123.7	124.4	124.2	123.3	123.0	
Nov. 23	Nov. 24	Nov. 25	Nov. 27	Nov. 28	Nov. 29	
121.1	121.4	121.4	120.9	119.5		

1939 High: 130.3 January 4th. Low: 98.8 April 8th.

(a) Thanksgiving Day.

TOTAL DEALINGS IN NEW YORK		
1939	Stock Exchange	
	Shares 000's	Bonds 000's
November 23	Closed (a)	Closed (a)
" 24	820	8,100
" 25	290	3,050
" 27	520	5,800
" 28	620	6,490
" 29	780	6,760

(a) Thanksgiving Day.

New York Prices

	Close Latest Nov. 22, 1939		Close Latest Nov. 30, 1939	
1. Rails and Transport				
Atchafalpa.....	27½	26	12½	12½
Balt. & Ohio.....	6½	5½	25¼	25¼
Ches. & Ohio.....	42½	42½	45½	45½
G.N. Ry. P.I.....	28¼	27½		
Illinois Cent.....	13½	12½		
N.Y. Central.....	19½	17½		
Norfolk Pac.....	10½	9½		
Pennsylv. R.....	23½	22½		
Southern Pac.....	16½	15½		
Southern Ry.....	20	18½		
Union Pac.....	100¼	99½		
2. Utilities and Communications				
Am. W. Works.....	12½	11½		
Con. Edison.....	30¼	30½		
Col. Gas & El.....	6¼	6¼		
N. American.....	23	22½		
Pac. Gas & El.....	32¼	32½		
Pub Serv N.J.....	40	40¼		
United Corp.....	21½	21½		
Un. Gas Imp.....	14½	14½		
Am. Tel. & Tel.....	169½	170		
Inter. Tel. For.....	4½	4½		
Westn. Union.....	27½	26		
Radio.....	5½	5½		
3. Extractive and Metal				
Am. Rol. Mill.....	18	17		
Beth. Steel.....	83½	78		
Republic St.....	23½	21½		
U.S. Steel.....	69½	65¼		
Am. Metal.....	24½	24½		
Am. Smelting.....	52½	50½		
Anaconda.....	32¼	30½		
Cerro de Pas.....	38½	38½		
Int. Nickel.....	39½	37½		
Kennecott.....	40¼	37½		
U.S. Smelt.....	62	62		
4. Manufacturing				
Shell Union.....	13	12½		
Socony Vac.....	12½	12½		
Stan. Oil Cal.....	25¼	25¼		
Stan. Oil N.J.....	45½	45½		
Texas.....	46½	45		
5. Retail Trade, etc.				
Mont. Ward.....	55	54½		
Sears Roebck.....	82¼	80¼		
Woolworth.....	39¼	38½		
Nat. Dairy.....	16	15½		
Am. Tob. B.....	84	81½		
Nat. Distillers.....	23½	23¼		
6. Finance				
Comd. Credit.....	46¼	44½		
Com. Inv. Tr.....	52½	51½		

Canada

INACTIVITY on the Western Front, the slow movement of grain from the Eastern inventories and the recent easier tone on Wall Street have had their effect on Canadian stock markets in November. Prices have moved fractionally downward, assisted by the rather slow response of business activity to war demand. Leading distilling issues have moved against the general trend, but steel shares have been easier. Paper and printing issues have retained their previous level due to the manufacturers' decision merely to maintain prices in the first quarter of 1940. Utilities have moved irregularly, but generally downwards on balance. Mining issues have followed the general trend.

Nov. 29, 1939	Nov. 30, 1939	Nov. 29, 1939	Nov. 30, 1939
Bell Tel.....	164½	167½	
Can. Car.....	17½	14½	
Do. pref.....	30	27	
Power Corp.....	11½	10½	
Dome Mines.....	29	27½	
Hollinger.....	14¼	14½	
McIntyre.....	56¼	55½	
B. of Nova.....	210	210	
Scotia.....	311	312	
R. Bk. of Can.....	175	189½	
C. Bk. Com.....	162½	167	
Can. Pac.....	6¼	6	
Cock. Plow.....	9½	9	
Int. Petrol.....	26½	25	
Brazil Trac.....	8½	9	
Brit. Col.....	26	26¼	
Power "A".....	2½	2½	
Do. "B".....	7¼	6¼	
Can. Cement.....	48½	47	
Int. Nickel.....	7½	5¼	
Massey Harris.....	30	30½	
Montreal Lt.....	16½	16½	
Quebec Pow.....	24½	22½	
Water.....	86½	85	
Steel Co. of Canada.....			

Foreign Bourses

Paris.—Though the Paris Bourse shared the cautiously optimistic sentiment of the London markets early in November, a special factor assisted the advance in prices. The recent repatriation of French capital has been gathering momentum and funds have increasingly percolated through to the stock markets. The Dutch-German crisis in the second weekend of the month, however, provided a definite check to the upward movement. The signs of France's increasing financial strength again reversed the trend, however, and the advance was resumed, not the least favourable feature being the cheaper

accommodation from the banks. On this strong technical basis, French rentes advanced cautiously to the end of the month while most ordinary securities wiped out the mid-month losses. Reuter's index of French industrials stood at 121.5 on November 27th, against 115.2 on November 2nd.

Year to date	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1939 (New Basis)	73,422,971	25,373,284	2,245,732
1938 (New Basis)	194,852,790	52,503,402	2,850,177
1939 (Old Basis)	34,496,632	15,840,091	320,000
1938 (Old Basis)	145,704,697	23,119,182	2,820,072

Berlin.—The tendency on the Bourse in November was firm. Previously, coal, chemical and electricity shares had improved, but last month the general upward trend was led by the steel and heavy armaments companies. Even shares of companies in the evacuated areas, which had previously been out of favour, showed some recovery. The speculative advance in shipping issues in October spent itself early in November, but though prices slipped back in the first week, they offered resistance at the lower levels. Leading heavy industrials are now several points higher than their immediate pre-war levels, but consumer goods, shipping and financial issues are still out of favour.

Year to date	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1939 (New Basis)	73,422,971	25,373,284	2,245,732
1938 (New Basis)	194,852,790	52,503,402	2,850,177
1939 (Old Basis)	34,496,632	15,840,091	320,000
1938 (Old Basis)	145,704,697	23,119,182	2,820,072

Amsterdam.—The Bourse opened in November under the threat of an imminent invasion of Holland. Dutch bonds were marked down several points in the first week, while industrial shares were quoted in some cases below their immediate pre-war level. Prices, however, quickly recovered once the immediate scare passed. The markets were assisted by the Lever Brothers and Unilever dividend declaration and the good rayon export figures of the A.K.U., while the shares of companies with extensive German interests were noticeably firmer. Commodity equities such as sugar, tobacco and rubber shares were also in demand. Continued political pressure on the neutrals had its effect, however, in the last week of the month. Industrial issues relapsed, and shipping issues almost touched the low levels of the first week of the month. Dutch bonds, however, maintained their improvement.

Year to date	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1939 (New Basis)	73,422,971	25,373,284	2,245,732
1938 (New Basis)	194,852,790	52,503,402	2,850,177
1939 (Old Basis)	34,496,632	15,840,091	320,000
1938 (Old Basis)	145,704,697	23,119,182	2,820,072

Capital Issues

CAPITAL ISSUE TOTALS

Week ending	December 2, 1939	Nominal Capital	Conversions	New Money
To the Public.....	Nil	Nil	Nil	Nil
To Shareholders.....	Nil	Nil	Nil	Nil
By S.E. Introduction.....	Nil	Nil	Nil	Nil
By Permission to Deal.....	62,420	...	...	51,225
Savings Certs., week to Nov. 25, 1939.....	150,000	...	...	150,000
Year to date				
1939 (New Basis).....	123,987,929	...	...	101,461,987
1938 (New Basis).....	272,074,659	...	...	250,206,369
1939 (Old Basis).....	72,086,802	...	...	50,656,723
1938 (Old Basis).....	192,532,146	...	...	171,645,951

Destination (Excluding Conversions)

Year to date	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1939 (New Basis)	73,422,971	25,373,284	2,245,732
1938 (New Basis)	194,852,790	52,503,402	2,850,177
1939 (Old Basis)	34,496,632	15,840,091	320,000
1938 (Old Basis)	145,704,697	23,119,182	2,820,072

Nature of New Borrowing (Excluding Conversions)

Year to date	Dec.	Pref.	Ord.
1939 (New Basis)	45,236,645	8,831,629	47,443,513
1938 (New Basis)	146,408,073	18,844,062	84,954,234
1939 (Old Basis)	37,808,921	2,688,459	10,983,163
1938 (Old Basis)	130,478,183	10,557,005	30,588,763

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

Colne Valley Water Company.—Issue of £99,840 4½ per cent. debenture stock, redeemable at par December, 1949. Messrs Seymour Pierce and Company take this stock at 99 net.

South Essex Waterworks Company.—Issue of £300,000 4½ per cent. debenture stock, redeemable at par December, 1949. Messrs Seymour Pierce and Company take issue at 99 net.

BONUS SHARES

Birmid Industries.—It is proposed, subject to Treasury sanction, to issue a scrip bonus of 50 per cent. by capitalising £342,500, part of surplus of assets over liabilities in the consolidated balance sheet (including share premium and other reserves).

FORTHCOMING ISSUE

Anti-Attrition Metal Company.—Subject to Treasury consent, 500,000 new shares will be offered to shareholders at par.

Shorter Comments

Company Results of the Week.—WEARDALE STEEL, COAL AND COKE COMPANY, who report an interruption of working in September, have reduced their dividend from 17½ per cent. to 12½ per cent. For the year to June 30, 1939, GUY MOTORS record net profits of £66,241, against £59,784, and report that turnover in the current year to date exceeds that for the same period a year ago. A substantial rise in total profits, from £133,230 to £157,622, is reported by MOSS GEAR COMPANY. As a result of a sharp increase in net profits from £28,461 to £117,580, AIRSPEED (1934) are paying preferred ordinary dividend arrears up to June, 1936, writing off issue expenses and converting a debit balance forward of £69,781 to a credit balance forward of £36,137. A capital reorganisation is also proposed. Considerable progress has also been made by BIRMID INDUSTRIES, whose dividend is increased from 12½ per cent. to 15 per cent. FOSTER CLARK working results are satisfactory, though increased expenses have caused a moderate reduction in net profits. STUTTFORD AND COMPANY are reducing their dividend from 11 per cent., since net profits have declined to £65,323, against £75,489.

MISCELLANEOUS

Strand Hotel, Ltd.—Reduction of preferred ordinary dividend for year from 14 to 7 per cent. Profit, after reserve for contingencies, has fallen from £123,000 to £83,000. Carry forward, £29,595 (£23,795). Business until just before the war was slightly below normal, but for rest of year was greatly reduced.

Anglo-Siam Corporation.—Since the name of the Kingdom of Siam has been changed to Thailand, the name of this corporation has been changed to the Anglo-Thai Corporation, Ltd.

British and Continental Banking Company.—Profit for year to September 30, 1939, before depreciation of investments, £16,127 (£17,082). On September 30, 1939, investments showed a depreciation of £46,868, to cover which £50,000 transferred from

Industry and Trade

July Census of Insured Persons.—The current issue of *The Ministry of Labour Gazette* contains the preliminary review of the total number of insured persons, which is obtained by the exchange of unemployment books in July. The number of insured persons aged 14 to 64 (exclusive of the agricultural scheme) in Great Britain and Northern Ireland is estimated to have risen from 14,992,500 in July, 1938, to 15,157,400 in July, 1939, an increase of 1.1 per cent. This rise is due very largely to the spurt in the birth rate in the years 1919-21, which is now reflected in an increase in the numbers of insured persons aged 18-20, as the following table shows:—

CHANGES IN THE NUMBER OF INSURED PERSONS BETWEEN JULY, 1938, AND JULY, 1939

Age Group	Males		Females	
	Number	% change from July, 1938	Number	% change from July, 1938
21-64	+ 70,200	+ 0.8	+ 24,800	+ 0.9
18-20	+ 83,900	+ 10.1	+ 98,500	+ 14.7
16 and 17	+ 52,100	+ 7.8	+ 23,300	+ 4.1
14 and 15	+ 21,000	+ 4.4	+ 16,100	+ 4.1
Total	+ 81,000	+ 0.8	+ 83,900	+ 1.9

There has also been a net increase in the number insured in the older age groups which may be attributed to the improvement in business conditions in the twelve months between the two accounting dates. As a result of the census, there has also been a small upward revision in the estimated numbers of insured persons employed in each month of 1938-39. The analysis of these figures by industries will be issued next month.

Rise in Milk Prices.—The Milk Marketing Board announced on Wednesday that the price of liquid milk would be raised from 7d. to 8d. per quart on January 1st. A rise in milk prices had been expected for some time. Farmers' costs have undoubtedly risen, and the "pool" price for milk is now lower than during last autumn, due to the fall in liquid milk consumption in large towns since the evacuation. This has increased the quantity used in manufacture at low prices and consequently depressed the pool price. But the fact that farmers have a legitimate claim for a higher price does not justify the means by which they have secured it. A rise in liquid milk prices will only depress still further the consumption of a vital food and drive still more milk into manufacture. In times of peace the Milk Marketing Board has obtained higher returns by exploiting its one protected market—that of liquid milk—in order to compensate for the low prices obtained for milk sold in manufactured form in competition with world supplies. But in times of war, when the trade in milk products—butter, cheese, condensed milks—is under the control of the Ministry of Food, this system of discriminating prices has lost its justification. If liquid

milk prices were lowered and the prices paid by milk manufacturers were raised until all milk sold by the farmer obtained a single price, there would be both an increased consumption of liquid milk and an improvement in the net return to the farmer. And, incidentally, the publication of the usual statistics concerning the production and disposal of the British milk supply could not be of much value to the German Government and is essential if a well-ordered milk policy is to be framed for this country.

Boom in Hosiery Trade.—The task of clothing the armed forces has led to the employment of a considerable proportion of the machinery in the hosiery trade on Government contracts. Since the war there has also been a sharp spurt in civilian demand, due probably to the knowledge that prices are likely to rise in the near future. The hosiery trade is now working almost to capacity; unemployment, which amounted to 8 per cent. of the number of insured workers in October, 1938, and to 6 per cent. in June, 1939, fell last month to 3.7 per cent. The Wool Control has increased the ration of wool allowed for the civilian orders above the 50 per cent. of last year's consumption which is being enforced in other sections of the wool-using industries; but even so, scarcity of skilled labour and of raw material is holding up a further expansion in the output of knitted goods. The silk stocking trade has been affected by the simultaneous exclusion of imported stockings and of silk and artificial silk yarn and thread. The table below shows for 1937 and 1938 and for the first eight months of 1938 and 1939, the British imports of silk stockings and silk yarns, most of which came from Germany and Czechoslovakia:—

BRITISH IMPORTS

	1937	1938	Jan.-August 1938	1939
Artificial silk stockings ('000 doz. pairs)	2,417	2,777	1,853	1,688
Artificial silk yarn and thread ('000 lbs.)	1,081	623	295	1,394
Silk yarn ('000 lbs.)	194	126	82	112

The improvement in the trade in artificial silk is reflected in the fall in unemployment from 7.9 per cent. of the number of insured workers last June to 3.3 per cent. in October; a year ago, 15.8 per cent. of insured workers in artificial silk manufacture were unemployed.

World Production of Oils and Fats.—The known world output of fats and oils during 1937 may be roughly estimated at 18.5 million metric tons. In 1938 total output increased slightly and the total world crop of oilseeds is expected to increase again during 1939. The total for 1937 does not include the considerable production of vegetable oils consumed in China, Japan, tropical Africa and the South Sea Islands. The relative import-

ance of the production of the different fats for the year 1937 is shown below:—

PRODUCTION OF OILS AND FATS AS PERCENTAGE OF WORLD PRODUCTION	
	%
Vegetable oils	61.0
Butter	21.0
Lard	10.0
Tallow	3.4
Whale oil	2.9
Other fish oil	1.7

Oilseeds are the most important fat-yielding raw material; their importance has steadily grown in recent decades, as the next table shows:—

WORLD PRODUCTION OF VEGETABLE OILS (in thousands of metric tons)	
Average, 1909-13	5,852
" 1924-28	8,563
" 1929-33	9,319
1937	11,214

The expansion in the demand for fats was largely supplied by the increase in the production of vegetable oils. At the same time, the demand for vegetable oils for technical purposes, i.e. for soap making, lubricants, candles, linoleum, oil cloth, leather and in the manufacture of tin plate has decreased because derivatives of mineral oils have partly taken their place. Recently the manufacture of synthetic fats for technical purposes has been started on a large scale in Germany. Synthetic fats are also manufactured in the United States.

Trade in Fats and Oils.—The relative importance of the leading oilseeds in world production and world trade is shown in the following table:—

PRODUCTION AS % OF WORLD OUTPUT OF ALL OILSEEDS	LEADING PRODUCER	EXPORTS AS % OF WORLD PRODUCTION OF EACH SEED
Cottonseed	20.8	U.S.A. 5.0
Groundnut	17.2	India 27.0
Linseed	9.8	Argentina 55.0
Olive	9.4	Spain 20.0
Coconut	9.4	Dutch East Indies *
Soya beans	8.2	Manchukuo *

The percentages are computed on the basis of the oil-equivalent of the oilseeds.

* Not available.

The world markets in oilseeds are largely ruled by linseed. At the same time, the price of oilseeds follows more or less the tendency on the world's grain markets. In the United States oil and fat prices are influenced by the size of the maize crop which largely determines the output of pigs and therefore of lard, though lard itself is also in competition with cottonseed oil. Of the world's production of butter roughly one-sixth enters the world trade. The leading exporters are Denmark, New Zealand, Australia and Holland. Britain, the largest importer of butter, and, in fact, the last free market for butter before the war, imports about 70 per cent. of world exports. The outstanding producer and exporter of lard is still the United States. Since Germany embarked upon her policy of agricultural self-sufficiency her lard imports, amounting to roughly 100,000 tons before the economic crisis of 1930-32, have decreased to only 18,000 tons in 1938. Great Britain has thus also become the largest importer of lard.

Higher Tanker Freights.—Recent increases in the price of petrol are attributable in part to higher transport costs and serve as a reminder that tanker freight rates have gone ahead by leaps and bounds since the war. The advance has occurred despite the fact that rates which may be offered by British charterers are under strict Government control. Some indication of the magnitude of the rise that has taken place even on the controlled market is given by the fact that the basic rate for British tankers from the Gulf of Mexico to the United Kingdom is now more than 30s. per ton for a medium-sized clean vessel, against only 10s. per ton at the end of August; this increase alone is sufficient to add almost 1d. per gallon to the c.i.f. cost of petrol in this country. Meanwhile, free market rates, which are generally quoted on a dollar basis, have

lately been showing a firmer tendency and now stand at almost twice this level. The principal reason for the upward movement is a certain shortage of tonnage on the market. Though losses due to enemy action have been of no practical significance, the effective carrying capacity of the tanker fleet has been seriously reduced by the introduction of the convoy system, by the necessity for making deviations from normal routes and by delays in port. The position has been aggravated by the understandable reluctance of neutral owners to risk their vessels in trade with belligerent ports, and by the consequent laying up of tonnage in the expectation of better returns. A mitigating factor has been the reduction in demand resulting from the rationing of motor fuel in almost all European countries, but this has been by no means sufficient to tip the balance. So far at least as the controlled market is concerned, it cannot be said that the rise in freights is any indication of a tendency towards profiteering; for tanker owners have suffered a sharp increase in their costs. Apart from the considerable lengthening of voyages for the reasons discussed above, heavy war-risk insurance premiums must be met and special bonuses must be paid to crews. So far as can be ascertained, neither the Allies nor the neutrals have yet suffered any serious interruption of their oil supplies as a result of transport difficulties. Nevertheless, the high freight rates ruling on the free market are symptomatic of a relative shortage, which can be effectively countered only by making the best use of the available tonnage and by ensuring that new vessels shall be constructed with the minimum of delay.

The Economist Price Index.—Owing to the difficulty of obtaining prices for some of the commodities included in *The Economist* index of wholesale prices, its publication had to be suspended for the first three months of the war. After careful investigation it has been found possible to resume publication of the index, with a few minor adjustments in the grades of certain commodities. The table shows the course of *The Economist* index



You need BOVRIL FOR ENERGY & STRENGTH

Don't let yourself get run-down. Drink Bovril regularly. It will warm you and cheer you and keep you well and strong.

RAW COTTON delivered to Spinnings

Variety ('000 bales)	Week ended		From Aug. 1 to	
	Nov. 17, 1939	Nov. 24, 1939	Nov. 25, 1938	Nov. 24, 1939
American	37.4	31.3	342	384
Brazilian	2.9	4.3	72	125
Peruvian, etc.	4.2	3.5	29	74
Egyptian	10.4	5.3	83	66
Sudan Sakel	4.2	2.7	60	96
East Indian	4.6	12.6	131	96
Other countries	2.0	1.7	46	69
Total	65.7	61.4	763	920

WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week ended		From Aug. 1 to	
	Nov. 18, 1939	Nov. 25, 1939	Nov. 26, 1938	Nov. 25, 1939
N. America	526	551	11,177	7,583
Argentina and Uruguay	386	541	2,114	7,194
Australia	...	...	3,232	612
Russia	...	...	3,971	114
Danube and dist.	165	200	2,990	2,333
Other countries	10	12	721	296
Total	1,087	1,304	24,205	18,132

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From ('000 quarters)	Week ended		From Apr. 1 to	
	Nov. 18, 1939	Nov. 25, 1939	Nov. 26, 1938	Nov. 25, 1939
Argentina	176	235	9,985	11,810
Atlantic America	5	39	11,396	1,023
Danube Region	5	...	2,387	1,109
S. & E. Africa	61	80	1,065	2,667
Indo-China, etc.	35	39	1,359	1,160
Total	282	393	26,192	17,769

for this country and of the Irving-Fisher index for the United States:—

U.K. AND U.S.A. INDICES OF WHOLESALE PRICES

(September 18, 1931 = 100)

The Economist Index, U.K.		Irving-Fisher Index, U.S.A.	
1938		1938	
Aug. 31	116.5	Sept. 3	117.0
Sept. 28	116.2	Oct. 1	116.6
Oct. 26	116.1	Oct. 22	115.9
Nov. 24	114.3	Nov. 23	116.7
1939		1939	
Aug. 30	116.4	Sept. 2	113.7
Sept. 27	127.1	Sept. 30	121.3
Oct. 31	137.9	Oct. 21	121.7
Nov. 28	143.9		

The trend of wholesale prices in this country has been sharply upwards; *The Economist* index rose by 18½ per cent. between August 30th and October 31st, and by a further 4½ per cent. in November. The advance in prices, however, was not confined to this country; the Irving-Fisher index for the United States rose by 7 per cent. between September 2nd and October 21st, due largely to the rapid expansion in business activity. The movement of prices by groups of commodities is shown in the next table:—

The Economist INDEX (1927 = 100)

	Sept. 18, 1931	Sept. 28, 1938	Oct. 26, 1938	Nov. 24, 1938	Aug. 30, 1939	Sept. 27, 1939	Oct. 31, 1939	Nov. 28, 1939
Cereals and meat	64.5	72.4	69.5	66.8	66.9	75.9	80.9	85.5
Other foods	62.2	58.1	58.2	57.6	61.1	66.8	78.2	80.7
Textiles	43.7	53.9	54.4	53.6	54.3	62.6	68.1	72.6
Minerals	67.4	94.0	96.6	95.5	95.4	99.1	99.9	102.7
Miscellaneous	65.8	75.3	75.3	75.5	77.6	81.4	90.5	93.4
Complete Index	60.4	70.2	70.0	69.0	70.3	76.8	83.3	86.9
1913 = 100	83.1	96.6	96.1	95.0	96.8	105.6	114.6	119.6

The percentage rise in the various group indices between the end of August and the end of November was most marked in the case of textiles (+ 33.7 per cent.), followed by foods other than cereals and meat (+ 32.1 per cent.), cereals and meat (+ 27.8 per cent.), miscellaneous commodities (+ 20.4 per cent.) and minerals (+ 7.6 per cent.).

Raw Cotton Supplies.—There is some anxiety in Lancashire as to the immediate supplies of raw cotton in Britain. Owing to the increased industrial activity in Lancashire the average weekly deliveries to spinners this month have been 60,420 bales, against only 52,019 bales in October. Since the outbreak of war no figures have been published of imports or stocks in Manchester and Liverpool, but last week exports from the United States amounted to 113,000 bales, against nil in the previous week. Merchants are somewhat concerned as to the amount of freight space which will be available for cotton under the "cash and carry" system. There were rumours in Manchester at the beginning of this week that the British Government had commandeered all the available space across the Atlantic for the month of December. At the annual meeting of the Manchester Cotton Association on Tuesday last the president, Mr Harold Neild, stated that the British Government was now importing cotton from the United States in exchange for rubber, and that, although the agreement was for 600,000 bales, it was probable that owing to the American export subsidy the total quantity would be nearer 700,000 bales. He pointed out that traders had been assured by the Government that this cotton would only be used in case of emergency, and if at any time it was decided to release material, the Manchester and Liverpool Cotton Associations would be consulted, so that its disposal would take place through the ordinary trade channels.

INDUSTRIAL REPORTS

Coal

THE export trade in most districts is hampered by the uncertainty of shipping movements, but some good-sized orders are being obtained. Home consumption continues at a high level.

★

Sheffield.—The market position is very firm with supplies ample and demand good in most varieties of fuel. Electricity undertakings are accepting full deliveries under contract and there is more business in coking smalls. Substantial export orders are being booked and bunker coal is in steady request.

★

Newcastle-on-Tyne. The market is quiet except in certain grades, for which there is a persistent demand from home consumers. The Scandinavian trade is slow and other export business is affected by the lack of shipping tonnage.

★

Glasgow.—The essential industries absorb large tonnages and producers are not worried by the heavy stocks which restrict buying in some other directions. An improvement in the house coal market would be welcomed and is expected to develop gradually. Supplies for new export business are short, the collieries being well booked until the end of the year.

Cardiff.—The prompt tonnage position at the South Wales docks early this week was affected by unfavourable shipping movements, but the volume of traffic in the foreign and coastwise trades last week was substantially greater than for the corresponding period last year. Production has been well maintained and all classes of coals are in firm demand. The blockade of German exports is expected to have favourable reactions on South Wales trade with Mediterranean markets.

Iron and Steel

THE production of iron and steel is very well maintained in all districts and in most districts still further efforts are being made to expand capacity and output. Inquiries from overseas are tending to increase and it is hoped that larger tonnages will shortly be released for export.

★

Sheffield.—All materials are in active demand and supplies generally are good. Under the delivery licence system consumers are receiving adequate tonnages, but it is impossible to accumulate stocks. Both the heavy and light engineering sections are fully employed and a gratifying number of orders from overseas have lately come to hand.

★

Middlesbrough.—The consumption of East Coast hematite is increasing, but there is little business in Cleveland foundry pig and essential requirements are being fulfilled by the Midlands. Continental semi-manufactured steel continues to arrive in small quantities and supplies of heavy melting steel scrap are readily taken up at the official price.

★

Glasgow.—Scrap supplies are still inadequate and steelmakers have no reserve stocks to enable them to maintain operations on the most satisfactory lines. Deliveries of fairly substantial tonnages of Continental semis are enabling re-rollers to arrange programmes for at least a few weeks. Demand for all classes of material continues at a high level.

★

Cardiff.—The demand for sheets for air-raid shelters has eased slightly, but for other uses it has expanded. The latest tinplate production returns report operations at 72.25 per cent. of capacity and the unexecuted commitments of the industry now exceed 8½ million boxes. Some American steel scrap has arrived recently, but the furnaces are still consuming more pig iron than usual.

★

News from Abroad.—There has been a further expansion in demand without a corresponding increase in

(Continued on page 353)

COMPANY MEETINGS

ROYAL BANK OF SCOTLAND

ANNUAL GENERAL COURT OF PROPRIETORS

BANK'S BUSINESS WELL MAINTAINED

NECESSITY FOR EXPANSION OF EXPORT TRADE

DUKE OF BUCCLEUCH'S ADDRESS

The annual general Court of Proprietors of the Royal Bank of Scotland was held, at Edinburgh, on the 29th ultimo, His Grace the Duke of Buccleuch and Queensberry, G.C.V.O., Governor of the bank, presiding.

His Grace said:—I assume it will be your pleasure that the annual report and balance sheet, with auditors' report, will be taken as read. The period covered by the report has been one of uncertainty and anxiety, but, notwithstanding the difficult times, the directors are pleased to be able to submit to you a statement which they consider to be very satisfactory.

The outstanding feature of the year, to which I must refer, was the acquisition, in July last, of the whole of the capital of the private banking house of Glyn, Mills and Company, who were founded about 200 years ago.

As part of the consideration price a new issue of £469,808 Royal Bank stock was made, increasing our capital from £3,780,192 to £4,250,000. At the special general Court held here on August 16th I explained the reasons for our alliance with Glyn, Mills and Company, and I would only add that our expectations of benefit from the union have been fully realised. The premium arising from the issue of the £469,808 stock has been utilised in writing down the value of our investment in Glyn, Mills and Company, and in substantially adding to inner reserves.

DEPOSITS

Turning to the balance sheet, we show under the heading "Liabilities" a moderate decrease, compared with a year ago, of £948,495 in deposits which stand at £68,973,438. Notes in circulation show an increase of almost £200,000. The increase under this heading no doubt reflects the industrial activity in Scotland. Acceptances and indorsements, and other obligations, also show a decrease of approximately £700,000. That calls for no comment.

LIQUID ASSETS AND INVESTMENTS

On the assets side you will see that cash in hand and with the Bank of England and other London bankers, and money in London at call and short notice amount to almost £16 millions, thus providing ample evidence that the bank's usual highly liquid position has been maintained. That sum represents 22 per cent. of our liability for deposits and notes issued.

We have to report a decrease from £27,193,628 to £24,791,619 in British Government securities.

Sales to meet our investment in Glyn, Mills and Company, the demand for increased accommodation by our customers and the lower values of gilt-edged securities, are the principal reasons for the decline under this heading.

We can again say that a goodly proportion of our investments in Government stocks is in short- and medium-dated stocks, and that all our investments are valued at or under the market prices ruling on the date of our balance.

BILLS DISCOUNTED

Bills discounted at £2,114,945 (which include our Treasury bill holding) show a decrease of approximately £1,400,000. This decline reflects the shortage, nowadays, of the commercial bill.

ADVANCES

When I addressed you a year ago I reported an increase of fully £1,000,000 in our advances, and I am pleased again to record an

increase of just over £678,000 in this important part of our business. The increase is well spread over our branches and is closely related to the Government programme of re-armament and defence.

PROFITS

The net profit for the year at £605,719 is £7,538 less than the amount declared last year.

This is after providing for all taxation, National Defence Contribution and charges of management which, under present conditions, cannot fail to grow.

APPROPRIATIONS

The directors are pleased to be in a position to recommend that a dividend for the half-year on the capital stock, including the new stock issued in connection with the acquisition of the capital stock of Glyn, Mills and Company, at the rate of 17 per cent. per annum, be declared, and the same appropriations as last year be made to bank buildings and heritable property and pension reserve fund.

After these appropriations there remains the sum of £89,532 7s. 3d., which it is proposed should, this year, be added to our inner reserves against contingencies.

BUSINESS OF THE BANK

The business of the bank has been well maintained throughout the year, and that also applies to our associate bank, Williams Deacon's Bank, Limited, who report improved trade conditions in the areas it serves.

EXPORT TRADE

On previous occasions I have emphasised the necessity for Great Britain to expand its export trade by all means in its power. Today the need is greater than ever, though the circumstances have changed. We require substantial supplies of goods from other countries to meet the needs of the war, and if we are not to incur a dangerous depletion of our reserve assets in the shape of mobilised gold reserves and partially mobilised dollar and other foreign securities, we must pay for those imports with the current production of our own industries.

The problem is not so much one of finding markets for our goods as of so organising our industrial output that we have a sufficient margin of productive capacity to supply those markets that are waiting for them.

There should be plenty of willing overseas buyers, thanks to the curtailment of German competition and the improved purchasing power of those countries which are benefiting from our war expenditure.

The task is one primarily for the Government's economic advisers. Just as our man power has been allocated between the fighting services and the industries essential to the needs of these services, so must a portion of our domestic production be mobilised to furnish the sinews of our external economy and, at the same time, to re-establish permanently our overseas trade in markets, many of which were lost in the last war through the neglect of economic considerations.

THE NEED FOR THRIFT

As regards our internal economic position, we have seen some advance in prices and wages in the last two months, giving rise to

a belief in some quarters that inflation might be starting. Some rise in prices was inevitable as the result of increased costs inseparable from war conditions, and the advances which have occurred should be regarded as necessary adjustments.

It is essential, however, that these advances should not themselves produce a further increase in the cost of living, thus leading to quite legitimate demands for still higher wages. When we, as a nation, are devoting so large a part of our activities to producing the necessities of war, the supply of goods and services available to individuals has to be curtailed. Higher profits and higher wages are a natural incentive to increased expenditure which some individuals may be able to afford, but the nation, as a whole, cannot.

Higher profits are being checked by drastic taxation, but that is not enough. Additional purchasing power in the hands of individuals should not be exercised if it is going to create a demand for goods and services in competition with national needs and thus sow the seeds of inflation. Our economic system can be preserved if we are capable of self-discipline by refraining from the exercise of the additional purchasing power which may come the way of the more fortunately placed individuals.

A lead must be given by a great thrift campaign which will bring home to the whole community a clear recognition of the principles at stake, so that competitive demands on industry will not be created by thoughtless and unnecessary expenditure. It is to be hoped that the Government departments themselves will set the example in careful spending. Only by refraining from unnecessary expenditure can we hope to avoid inflation, the disastrous effects of which would fall on the shoulders of those least able to bear them.

THANKS TO OFFICIALS AND STAFF

In a year in which the country was overshadowed by war and preparations for war, we owe even more than usual to the general manager, assistant general manager and the officials and staff at the head office, London, Glasgow and Dundee offices, and the branches, our thanks for their loyal work and support in difficult conditions. The results of their work are shown in the satisfactory report which we have been able to present to you. On the general manager a particularly heavy burden has rested, and we gratefully appreciate his devoted and successful services to the bank.

You will be interested to hear that no less than 245 of our male staff, or about 23 per cent. of those of military age, are now serving their country with the fighting forces, while others, in their own time, are helping on the home front. I think we may well be proud of them, while also we recognise that the necessary reorganisation, to enable the bank's work to be carried on, has thrown additional strain on our officers, agents and remaining staff.

APPROVAL OF ACCOUNTS—DIVIDEND

I now beg to propose that the report, containing a statement of the accounts and balance sheet, be approved, and that out of the profits of the year a dividend at the rate of 17 per cent. per annum for the half-year, under deduction of tax, be declared in conformity therewith.

The report was approved, and the governor, deputy-governor, extraordinary directors, and the retiring ordinary director were re-elected, and auditors were re-appointed for the ensuing year.

Every year many hundreds of Companies publish Reports of their Annual General Meetings in *The Economist*, thereby reaching thousands of investors in the quiet of their own homes.

In time of war the value of this practice is greatly enhanced because *The Economist* provides valuable information which is not otherwise available to investors, who therefore read it more carefully than ever.

Full particulars of the charges for inserting these reports may be obtained on application to The Reporting Manager, *The Economist*, 8 Boulevard Street, E.C.4.

BANK OF NEW SOUTH WALES

AUSTRALIA'S SUCCESSFUL YEAR

MR R. W. GILLESPIE'S REVIEW

The ordinary general meeting of the Bank of New South Wales was held, on the 24th ultimo, in Sydney.

Mr Robert W. Gillespie (the President), in the course of his speech, said: Australia passed through the year 1938-39 very successfully in view of the troubles that beset it. Export incomes were considerably reduced by low export prices and deflationary tendencies were further strengthened by a severe drought early in 1939. Import prices remained high, and as interest rates and wages rose, so did internal prices.

Australia's success in meeting the danger of instability reflects the increasing skill with which the authorities are able to offset overseas influences. Industry and trade were given a stimulus by central-bank expansion and by a small increase in Government spending. However, there are limits to the possibility of expansion, set by the level of London funds and divergence between internal and overseas prices. It is proper that short-term fluctuations in income from exports of primary produce should not be allowed to dislocate the economy. On the other hand, insulation by credit expansion is no adequate substitute for the readjustments that are necessary when export income moves to a new level that seems likely to become permanent.

FROM PEACE TO WAR

Australia is at present faced with the problem of diverting resources from production for peace to production for war. Some reduction in the standard of living appears to be inevitable, since maintenance of this may not be consistent with the most vigorous war effort. It is important that entrepreneurs should understand that many of the industries which will expand now may be unable to compete successfully with overseas producers after the war. The Government has already taken steps to control many aspects of economic activity, but co-ordination is essential. It is not sufficient to prevent private enterprise from using resources in a manner not suited for a war-time economy; the Government must also see that the resources set free are actually re-employed in the best manner.

However, "Australia enters the war with a strongly organised economy." The level of London funds must be considered sound and there is still a wide margin for taxation and borrowing for war purposes.

During the year bank deposits rose by £2.1 millions, London funds and Australian liquid assets falling, whereas advances rose £7.3 millions to meet the increased demands of primary producers. The ratio of advances to deposits was 93.3 per cent. If export income increases during the war, the strain of financing primary production will be relieved. Otherwise, a heavy reduction of imports or a continuation of central-bank expansion will be necessary and both introduce problems of their own which do not arise from an improvement of export income.

NEW ZEALAND

In New Zealand perhaps the most notable development was the establishment of exchange control. This action was taken to preserve London funds which had been greatly depleted mainly by reason of the over-rapid expansion of Government expenditure. The £17 million sterling loan, which fell due in London during the year, was renewed with difficulty, partly as a result of distrust of the Government's economic policy. Associated with the attempt to reduce the volume of imports is the encouragement of secondary industry.

War organisation is taking shape with commendable rapidity. At the present time, when war needs may require the control and diversion of resources to meet the essential requirements of the Allies, some usefulness may be found in exchange and import control but it is desirable that eventual relaxation of the restrictions should be kept in view. Present conditions should not be held to justify disregard of ultimate objectives.

The fall in overseas funds was reflected in the banking figures: the ratio of advances to deposits rising to 94 per cent. at the end of November, 1938. However, exchange control and a further expansion of central bank credit restored liquidity. The trading banks' holdings of short-term Government securities increased. The Government accounts showed a surplus, taxation being increased to meet the costs of defence and the new social security scheme.

The foregoing is an abstract from Mr R. W. Gillespie's speech full copies of which may be obtained on application to the London Office of the Bank of New South Wales, 29, Threadneedle Street E.C.

RHODESIAN ANGLO-AMERICAN, LIMITED

PROMISING INTERESTS IN NORTHERN RHODESIA

The tenth ordinary general meeting of Rhodesian Anglo-American, Limited, was held, on the 28th ultimo, in London.

Mr S. S. Taylor, C.M.G., D.S.O. (deputy chairman and managing director), in the course of his speech, said: Our current assets amounted at June 30, 1939, to £1,338,425, showing a surplus over current liabilities, including the proposed final dividend, of £1,048,953. You will see that we retain a very large cash surplus so as to be in a position to assist if necessary in any further capital expenditure required by the Northern Rhodesian mining companies in which we are so largely interested.

In the profit and loss account revenue from dividends, interest, and other sources amounts to £707,388, showing a decrease of £167,472, compared with last year. This is accounted for by the reduction of the final dividend received from Rhokana Corporation, Limited, from 7s. 6d. to 5s. per share. There has been a slight increase in general expenses due to certain non-recurring expenditure in connection with the introduction of our shares on the Paris market, but there has been a reduction of £3,750 in debenture interest consequent on the purchase and redemption of £150,000 debentures in the middle of the financial year 1937-38.

The balance of £662,329 carried to the appropriation account shows a decrease of £164,072. We have written £20,468 off certain investments, and the final dividend recommended by the board is at the rate of 6½ per cent., less income tax at 4s. 3.46d. in the pound. If this recommendation is approved the total dividend declared for the year will be at the rate of 11½ per cent., as compared with 15 per cent. for the previous year.

RHOKANA CORPORATION

Those of you who have already seen the Rhokana Corporation accounts will know that the reduction in their final dividend was more than accounted for by the very largely increased provision that had to be made for taxation.

The deputy chairman explained the position fully at the Rhokana Corporation general meeting, and I need only say that the principal factors were the necessity to provide for additional income tax and for Excess Profits Tax, both as a result of the

INDUSTRIAL REPORTS

(Continued from page 350)

supplies and prices remain firm. The pressure for supplies from Belgium was reduced during the danger of invasion by Germany and producers are unable to increase their export supplies again as domestic requirements are larger. American exporters have done some business in spite of very high prices.

Textiles

Cotton (Manchester).—Raw cotton is dominated by the freight position, and prices have advanced further. Business in yarn and piece-goods has been irregular, though inquiry was on a good scale. The yarn market is still strong, particularly in the American spinning section, and the position of Egyptian spinners is improving. Export sales of cloth have been more difficult to arrange and most buying has been for South America and Scandinavia.

THE COMMODITY MARKETS

Metals

The question of the London Metal Exchange acting as an intermediary between the Ministry of Supply and British consumers is now under consideration. In the United States, markets for copper, lead and spelter have remained steady at unchanged prices.

Tin.—The dealings on the London Metal Exchange are still confined to 25 tons per day, while maximum prices continue at £230 per ton. Shipments of concentrates are now arriving more regularly in this country, so that supplies will improve shortly. The November statistics due to be published this week-end are expected to show a fall in visible stocks as a result of record deliveries in the United States. The price of tin in the U.S.A. continued to harden this week and gained 1.50 cents to close at 54 cents per lb. Buying on the other side of the Atlantic continues to be active, but it cannot be maintained indefinitely at the recent level.

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Aluminium.—The Ministry of Supply has now taken over sales of aluminium in this country and is prepared to sell at £110 per ton, a rise of £16 on the recent market price. A further advance is believed possible if the Control decides to introduce official maximum prices. Exports of aluminium from this country are now subject to licences, while imports were placed on the free list some weeks ago in order to stimulate imports into this country.

Grains

DROUGHT continues in the United States wheat belt, but any further advance in wheat prices has been checked by the premium now held by Chicago over Winnipeg prices, which is reaching a level at which imports of Canadian wheat become possible. So far the wheat pledged against Government

emergency Budget in September last. As regards income tax, an additional 1s. 6d. in the pound had to be provided on the profits to June, 1938. Provision had been made in that year's accounts at 5s. 6d., but the profits in question will now be assessed in the current year at 7s. Provision was also necessary for income tax at 7s. 6d. in the pound on the profits to June, 1939, at which rate they will be assessed next year.

In our own accounts the charge for income tax is about the same amount as last year, and represents in the main the deduction of tax made by Rhokana Corporation upon payment of their dividends to us.

I will only add that, in spite of the heavy burden of taxation, Rhokana Corporation can look forward to another successful year.

COPPER INTERESTS

With regard to Nchanga Consolidated Copper Mines, Limited, plant construction and mine development is proceeding satisfactorily according to programme.

Mufulira Copper Mines, Limited, in which Rhokana Corporation—and therefore your company—is largely interested, had a very successful year. Its operations, production and profits all showed an increase over those recorded for the previous year, while a most satisfactory decrease in costs has been effected.

A consideration of the performance and the prospects of these three large copper mines shows that we have every reason to be well satisfied with our interests in Northern Rhodesia, in which the main portion of our capital is employed.

During the year we have substantially increased our holding in Rhodesia Broken Hill Development Company. Part of our additional holding came into our possession with the other assets of Loangwa Concessions (Northern Rhodesia), Limited, part was acquired by virtue of an agreement to subscribe at par for shares not taken up by option-holders by December 31, 1938, and part was acquired in the open market.

For the year ended December 31, 1938, the Rhodesia Broken Hill Company made a profit of £165,475 before providing for Northern Rhodesia income tax and writing off development expenditure, and at the last annual general meeting good progress was reported in the large development and construction programme inaugurated with the object of opening up the mine at depth and treating the ore therefrom.

The report and accounts were unanimously adopted.

loans has not been resold. In Britain, the Ministry of Food has announced that only one-third of farmers' deliveries of wheat will be made available for feed. The area in the Argentine sown to wheat is now estimated at 17,826,000 acres, a slight increase over last year, but as growing conditions are not so favourable, a smaller yield is expected.

Miscellaneous Commodities

Oils and Oilseeds.—Supplies are satisfactory, and the controlled prices have not been changed, except for linseed oil, the price of which is now 10s. dearer at £36 10s. per ton, naked, ex Hull. Shipments of linseed from both India and Argentina are small, pending the harvesting and export of the new Plate crop. The official report indicates that the condition of the crop is "barely middling" and has deteriorated in recent weeks through the excessive rains and insect damage. There has consequently been some hardening in prices. The area sown to linseed in Argentina is now estimated at 7,595,000 acres, compared with 6,605,000 acres sown last year.

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Rubber.—Prices remained firm in the early part of the week, but closed on Wednesday below the highest level. American statistics show that consumption in October amounted to 55,800 tons, compared with 50,150 tons in September and 42,850 tons in October, 1938.

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week ended November 25, 1939, total ordinary revenue was £13,634,000, against ordinary expenditure of £12,981,000, and issues of £22,912,000 under the Defence Loans Acts. Thus, including sinking fund allocations but excluding issues from defence loans, the deficit accrued since April 1st last is £230,252,000, against £204,633,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Estimate, 1939-40	April 1, 1938, to Nov. 25, 1939	April 1, 1938, to Nov. 25, 1939	Week ended Nov. 25, 1939	Week ended Nov. 25, 1939
ORDINARY REVENUE					
Income Tax	390,000	90,862	91,008	1,493	2,530
Stamp duties	70,000	10,250	11,420	280	360
Excise	75,500	49,590	50,980	1,260	1,090
Stamps	17,000	12,580	11,240	450	840
N.D.C.	25,000	10,920	16,780	540	650
Other Inl. Revenue	1,250	750	470	10	20
Total I. Rev.	578,750	174,952	181,898	4,033	5,490
Customs	239,600	149,414	176,138	4,446	5,518
Excise	132,850	76,866	86,018	1,066	2,292
Total Cust. and Excise	372,450	226,280	262,156	5,512	7,810
Motor Duties	22,000	11,209	9,683	...	...
P.O. (Net Receipt)	400	9,930	7,254	Dr. 850	Dr. 200
P.O. Fund	1,600	...	...	...	...
Crown Lands Rec.	1,330	960	940	100	70
Sun. Loans	5,000	4,547	3,602	408	...
Misc. Rec.	13,650	7,774	11,861	149	464
Total Ord. Rev.	995,180	435,652	477,394	9,352	13,634
SELF-BAL. P.O. and B'dcasting	83,449	48,120	49,846	2,600	1,900
Total	1,078,629	483,772	527,240	11,952	15,534

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	Estimate, 1939-40	April 1, 1938, to Nov. 25, 1939	April 1, 1938, to Nov. 25, 1939	Week ended Nov. 25, 1939	Week ended Nov. 25, 1939
ORDINARY EXPEND.					
Int. & Man. of Nt. Dt.	230,000	147,584	153,848	376	535
Pays. to Nt. Ireland	10,000	4,897	4,872	277	266
Other Cons. Fund Ser.	7,200	1,722	3,779	...	...
Total	247,200	154,203	162,499	653	801
Sup. Serv. (a)	118,371	479,867	538,675	11,289	12,180
Ditto, plus loans*	168,614	480,867	774,837	12,289	35,092
Total Ord. Expend.	143,091	634,070	701,174	11,942	12,981
Issues from Def. Lns.	502,430	1,000	937,336	1,000	22,912
P.O. and B'dcasting	83,449	48,120	49,846	2,600	1,900
Total	151,430	682,190	751,020	14,542	14,881

* Supply Services, after addition of issues under Defence Loans Acts: (a) excluding expenditure being met from loans; including £500 millions Vote of Credit; allows for supplementary estimates and other changes since April, 1939, and for estimated saving in war Budget; (b) after allowing for changes in war Budget of September 27, 1939.

After raising Exchequer balances by £220,379 to £2,666,772, the other operations for the week (as shown in the next column) raised the gross National Debt by £22,899,000 to about £8,637 millions.

DEBT INCREASES (£ thousands)		DEBT REPAYMENT	
Treasury bills	27,153	Public Dept. Advances	4,420
Nat. Sav. Certs.	150		
Other debt	16		
	27,319		4,420

OTHER ISSUES		OTHER REVENUE	
Post Office and Teleg. (Money) Acts	350	Ord. Rev.	477,394
North Atlantic Shipping	55	Gross bor.	474,192
Overseas Trade Guarantees	15	Less	
	420	Sinking fds.	6,473
		Net borrowing	467,719
			945,113

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1 to November 25, 1939, are:—

Ordinary Exp. (£ thousands)		Ord. Rev. (£ thousands)	
Issues under Def. Loan Acts	201,174	Gross bor.	474,192
Loan Acts	236,162	Less	
Misc. Issues (net)	7,610	Sinking fds.	6,473
Inc. in balances	167	Net borrowing	467,719
	945,113		945,113

TREASURY BILLS (£ millions)

Date of Tender	Offered	Applied for	Allotted	Average Rate %	Per Cent. Allotted at Minimum Rate
1938					
Nov. 25	35.0	69.6	35.0	7.80	32
Aug. 18	30.0	63.1	30.0	7.39	28
Nov. 25	30.0	63.1	30.0	7.39	28
Sept. 1	40.0	56.3	40.0	7.44	4
" 8	50.0	60.2	50.0	7.48	59
" 15	55.0	89.2	55.0	7.12	47
" 22	55.0	86.5	55.0	6.61	100
" 29	55.0	96.3	55.0	4.83	45
Oct. 6	50.0	97.0	50.0	4.63	52
" 13	50.0	103.0	50.0	4.08	24
" 20	50.0	98.2	50.0	3.39	59
" 27	55.0	99.9	55.0	3.83	31
Nov. 3	55.0	102.6	55.0	2.39	51
" 10	55.0	95.5	55.0	2.46	61
" 17	65.0	105.8	65.0	2.01	49
" 24	65.0	106.3	65.0	2.11	60

On November 24th applications at £99 14s. 0d. per cent. for bills to be paid for on Monday, Tuesday and Wednesday following week were allotted in full. Applications at £99 14s. 0d. for bills to be paid for on Thursday, Friday and Saturday were accepted at about 60 per cent. of the amount applied for and applications at higher prices in full. £65.0 millions of Treasury bills are being offered on December 1st.

NATIONAL SAVINGS CERTIFICATES

Sales in	Number	Purchase Price
45 weeks to:—		
Nov. 12, 1938	27,927,027	20,945,271
Nov. 11, 1939	24,181,770	18,886,292
Week to:—		
Nov. 12, 1938	613,269	459,952
Nov. 4, 1939	600,073	450,055
Nov. 11, 1939	563,656	422,742

N.B.—At the end of September, 1939, depositors' balances in Post Office and Trustee Savings Banks were £789 millions, and amount remaining invested in Savings Certificates (including accrued interest) was £518 millions.

BANK OF ENGLAND RETURNS

NOVEMBER 29th, 1939

ISSUE DEPARTMENT		LIABILITIES	
Notes Issued: £	Govt. Debt 11,015,100	Notes in circ.	4,385
In circ. 528,660,119	Other Govt. Securities 565,270,469	Aggregate of excess bank res. over reqts.	3,380
In Bank Dept.	51,559,442	Deposits: Member-bank reserve account	8,876
		Govt. deposits	484
		Total deposits	9,360
		Cap. paid in and surplus	309
		Total liabilities	15,293
		Reserve	83.6%
		U.S.F.R. Banks and	85.6%
		Treasury Combined:	86.2%
		Resources	86.5%
		Monetary gold stock	14,312
		Treasury and Nat. Bk. currency	2,774
		Money in circulation	6,788
		Treasury cash and deposits with F.R. Bks.	3,173

BANKING DEPARTMENT

Assets		Liabilities	
Props' Capital 14,553,000	Govt. Secs. 109,816,164	Notes in circ.	4,385
Rest 3,282,186	Other Secs. 4,530,173	Aggregate of excess bank res. over reqts.	3,380
Public Deps.* 27,821,724	Securities 22,310,318	Deposits: Member-bank reserve account	8,876
		Govt. deposits	484
		Total deposits	9,360
		Cap. paid in and surplus	309
		Total liabilities	15,293
		Reserve	83.6%
		U.S.F.R. Banks and	85.6%
		Treasury Combined:	86.2%
		Resources	86.5%
		Monetary gold stock	14,312
		Treasury and Nat. Bk. currency	2,774
		Money in circulation	6,788
		Treasury cash and deposits with F.R. Bks.	3,173

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

THE WEEK'S CHANGES (£ thousands)

Both Departments		Compared with	
		Nov. 29, 1939	Last Week
COMBINED LIABILITIES			
Note circulation	528,660	+1,656	+47,851
Deposits: Public	27,822	+8,570	+4,716
Bankers	103,505	+10,558	+6,421
Others	40,180	+836	+2,996
Total outside liabilities	700,170	+4,480	+61,985
Capital and rest	17,835	+17	+10
COMBINED ASSETS			
Govt. debt and securities	686,102	+5,658	+396,723
Discounts and advances	4,530	+755	+13,026
Other securities	25,460	+458	+4,201
Silver coin in issue dept.	1,349	+50	+401
Gold coin and bullion	1,349	+1	+326,305
Reserves			
Res. of notes & coin in banking department	52,689	+1,655	+5,844
Proportion of reserve to outside liabilities			
Bankg. dept. ("proportion")		30.7%	+1.5% +1.0%

COMPARATIVE ANALYSIS* (£ millions)

Issue Dept.		Notes in circ.		Govt. debt and securities	
Nov. 30	480.8	528.4	527.6	527.0	528.7
Nov. 8	45.6	51.8	52.6	53.2	51.6
Nov. 15	199.2	576.6	576.6	576.3	576.3
Nov. 22	0.6	2.9	3.0	3.2	3.2
Nov. 29	0.2	0.5	0.5	0.5	0.6
Nov. 30	326.4	0.2	0.2	0.2	0.2
Nov. 30	84.96	168.00	168.00	168.00	168.00
Nov. 30	23.1	21.3	17.8	36.4	27.8
Nov. 30	97.1	101.9	107.1	92.9	103.5
Nov. 30	37.2	41.5	40.6	39.3	40.2
Nov. 30	157.4	164.7	165.5	168.6	171.5
Nov. 30	90.2	102.2	103.2	103.9	109.8
Nov. 30	17.6	5.5	5.3	4.5	4.5
Nov. 30	20.6	21.9	21.3	22.9	22.3
Nov. 30	128.4	129.6	129.8	132.1	136.6
Nov. 30	46.8	52.8	53.6	54.3	52.7
Nov. 30	29.7	32.0	32.3	32.2	30.7

* Government debt is £11,015,100; capital £14,553,000.

OVERSEAS BANK RETURNS

NOTE.—The latest return of the Bank of Turkey appeared in *The Economist* of September 9th; Hungary and Iran, of November 4th; International Settlements, Argentina, Denmark, Java and Lithuania, of November 11th; Canada, Estonia, Finland and South Africa, of November 18th; Bulgaria, Egypt, Greece, India, Yugoslavia, New Zealand, Portugal, Roumania and Sweden, of November 25th.

U.S. FEDERAL RESERVE BANKS

Million \$'s		Nov. 23, 1939		Nov. 16, 1939	
12 U.S.F.R. Banks					
Resources					
Gold certifs. on hand and due from Treas.	11,602	14,839	14,873	14,966	
Total reserves	11,970	15,188	15,212	15,297	
Total cash reserves	358	340	330	321	
Total bills discounted	1	Nil	Nil	Nil	
Bills bt. in open mkt.	1	Nil	Nil	Nil	
Total bills on hand	16	12	12	11	
Industrial advances	2,564	2,721	2,593	2,552	
Total U.S. Govt. sec.	2,587	2,739	2,613	2,572	
Total bills and sec.	15,293	18,777	18,651	18,681	
Total resources					
LIABILITIES					
F.R. notes in circ.	4,385	4,781	4,826	4,845	
Aggregate of excess bank res. over reqts.	3,380	5,380	5,170	5,140	
Deposits: Member-bank reserve account	8,876	11,814	11,619	11,620	
Govt. deposits	484	349	466	441	
Total deposits	9,360	12,953	12,812	12,836	
Cap. paid in and surplus	309	312	311	311	
Total liabilities	15,293	18,777	18,651	18,681	
Reserve	83.6%	85.6%	86.2%	86.5%	
U.S.F.R. Banks and Treasury Combined:					
Resources					
Monetary gold stock	14,312	17,099	17,257	17,347	
Treasury and Nat. Bk. currency	2,774	2,932	2,942	2,947	
Money in circulation	6,788	7,352	7,434	7,462	
Treasury cash and deposits with F.R. Bks.	3,173	2,599	2,823	2,800	

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

Assets		Nov. 23, 1939		Nov. 16, 1939	
Total gold reserves	525.0	717.0	709.7	714.5	9
Total bill discounted	2.2	1.8	3.8	2.9	
Bills bt. in open mkt.	0.2	Nil	Nil	Nil	
Total U.S. Govt. sec.	815.4	860.6	812.6	797.0	
Total bills and sec.	821.4	864.4	818.4	802.0	
Deposits: Member-bank reserve account	4585.1	6256.1	6135.4	6132.6	
Reserve	87.7%	90.1%	90.5%	90.7%	

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

MEMBER BANKS.—Million \$s					
	Nov. 2, 1938	Oct. 4, 1939	Oct. 25, 1939	Nov. 1, 1939	Nov. 15, 1939
ASSETS					
Loans, total	1938	1939	1939	1939	1939
Investments	8,327	8,375	8,479	8,521	8,520
Reserve with Federal Reserve Bank	13,081	14,125	14,178	14,178	14,207
Due from domestic bks.	7,116	9,826	10,094	9,885	9,885
Deposits in demand	2,466	3,034	3,090	3,111	3,111
LIABILITIES					
Time	15,766	18,306	18,721	18,551	18,551
U. S. Government	5,155	5,240	5,438	5,245	5,245
Inter-bank	6,694	8,596	8,672	8,668	8,668

BANK CLEARINGS

Publication of the weekly returns of Town Clearing, Metropolitan Clearing, Country Cheque Clearing is suspended until further notice.

PROVINCIAL
(£ thousands)

No. of working days—	Four weeks ended			Week ended Saturday		Aggregate from January 1 to	
	Oct. 29, 1938	Oct. 28, 1939	Change	Nov. 26, 1938	Nov. 25, 1939	Nov. 26, 1938	Nov. 25, 1939
BIRMINGHAM	8,383	7,551	- 9.9	2,316	1,611	108,836	105,297
BRADFORD	3,371	4,804	+ 42.5	783	1,818	36,917	42,815
BRISTOL	5,138	6,303	+ 22.7	1,201	1,343	59,422	63,860
HULL	3,436	2,671	- 22.4	542	39,200	36,192	36,192
LEICESTER	2,781	3,042	+ 9.4	627	579	32,782	33,003
LIVERPOOL	19,750	18,931	- 4.1	4,765	5,475	242,660	233,482
MANCHESTER	37,209	41,963	+ 12.7	7,719	8,687	430,802	447,964
NEWCASTLE	5,972	5,558	- 7.0	1,371	1,314	70,814	68,791
NOTTINGHAM	2,036	1,824	- 10.4	330	315	23,089	22,033
Total: 9 Towns	88,076	92,647	+ 5.2	19,824	21,684	1,044,522	1,053,437
DUBLIN	27,800	26,807	- 3.5	6,288	6,281	292,065	284,211
LEEDS	3,995	3,995	0.0	936	936	44,770	44,770
SHEFFIELD	4,370	2,085	- 52.4	669	316	50,096	44,293

* Suspended publication. † Clearing of suburban cheques through local clearing discontinued from September 7, 1939. ‡ 47 weeks.

MONEY RATES
LONDON

	Nov. 23, 1939	Nov. 24, 1939	Nov. 25, 1939	Nov. 27, 1939	Nov. 28, 1939	Nov. 29, 1939	Nov. 30, 1939
Bank rate (changed from 3% Oct. 26, 1939)	2	2	2	2	2	2	2
Market rates of discount	2	2	2	2	2	2	2
60 days' bankers' drafts	13 1/16-14 1/16	13 1/16-14 1/16	14 1/16	14 1/16	14 1/16	14 1/16	14 1/16
3 months' do.	13 1/16-14 1/16	13 1/16-14 1/16	14 1/16-15 1/16	14 1/16-15 1/16	14 1/16-15 1/16	14 1/16-15 1/16	14 1/16-15 1/16
4 months' do.	14 1/16-15 1/16	14 1/16-15 1/16	14 1/16-15 1/16	14 1/16-15 1/16	14 1/16-15 1/16	14 1/16-15 1/16	14 1/16-15 1/16
6 months' do.	14 1/16-15 1/16	14 1/16-15 1/16	14 1/16-15 1/16	14 1/16-15 1/16	14 1/16-15 1/16	14 1/16-15 1/16	14 1/16-15 1/16
Discount Treasury Bills	11 1/2	11 1/2	11 1/2	11 1/2	11 1/2	11 1/2	11 1/2
2 months' do.	11 1/2	11 1/2	11 1/2	11 1/2	11 1/2	11 1/2	11 1/2
3 months' do.	11 1/2	11 1/2	11 1/2	11 1/2	11 1/2	11 1/2	11 1/2
Loans—Day-to-day	3 1/4-1 1/4	3 1/4-1 1/4	3 1/4-1 1/4	3 1/4-1 1/4	3 1/4-1 1/4	3 1/4-1 1/4	3 1/4-1 1/4
Short	3 1/4-1 1/4	3 1/4-1 1/4	3 1/4-1 1/4	3 1/4-1 1/4	3 1/4-1 1/4	3 1/4-1 1/4	3 1/4-1 1/4
Deposit advances: Bk.	3 1/4-1 1/4	3 1/4-1 1/4	3 1/4-1 1/4	3 1/4-1 1/4	3 1/4-1 1/4	3 1/4-1 1/4	3 1/4-1 1/4
Discount houses at call	12 1/2	12 1/2	12 1/2	12 1/2	12 1/2	12 1/2	12 1/2
At notice	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4

EXCHANGE RATES (Monthly Tables)

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 September 30, 1939.
Colombia.*	Sight selling rate on New York was 174.65 pesos per 100 U.S. dollars on October 24, 1939. This rate applies to holders of permits buying in the "open" market.
Ecuador.	Sight selling rate on New York was 15.06 sucres per U.S. dollar on October 16, 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 5.52 1/2 cordobas per U.S. dollar (including 10 per cent. tax and 1/2 per cent. commission) on June 9, 1938.
Paraguay.	Exchange is quoted on Buenos Aires; the sight selling rate was 72.50 Paraguayan pesos per Argentine "free" paper peso on October 21, 1939.
El Salvador.	Sight selling rate on New York was 2.50 1/2 colones per U.S. dollar on October 26, 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
Amsterdam..... Aug. 28, '39	Madrid..... July 15, '35
Athens..... Jan. 4, '37	Montreal..... Mar. 11, '35
Batavia..... Jan. 14, '37	Oslo..... Jan. 2, '35
Belgrade..... Feb. 1, '35	Paris..... Jan. 2, '35
Berlin..... Sept. 22, '32	Pretoria..... May 15, '33
Brussels..... July 6, '39	Tallinn..... Oct. 1, '33
Bucharest..... May 5, '38	Riga..... Jan. 1, '39
Budapest..... Aug. 28, '35	Rio de Janeiro May 31, '35
Calcutta..... Nov. 28, '35	Rome..... May 18, '36
Copenhagen..... Oct. 9, '39	Sofia..... Aug. 15, '35
Helsingfors..... Dec. 3, '34	Stockholm..... Dec. 1, '33
Kovno..... May 14, '39	Zurich..... Nov. 25, '36
Lisbon..... May 11, '36	Tokio..... Mar. 11, '38
London Fed.	Wellington..... Nov. 22, '38
Reserve..... Aug. 26, '37	Irish..... Sep. 28, '39

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

Comparison with previous weeks

1939	Bank Bills			Trade Bills		
	3 Months	4 Months	6 Months	3 Months	4 Months	6 Months
Nov. 2	3 1/4-1 1/4	3 1/4-1 1/4	3 1/4-1 1/4	3 1/4-1 1/4	3 1/4-1 1/4	3 1/4-1 1/4
Nov. 9	3 1/4-1 1/4	3 1/4-1 1/4	3 1/4-1 1/4	3 1/4-1 1/4	3 1/4-1 1/4	3 1/4-1 1/4
Nov. 16	3 1/4-1 1/4	3 1/4-1 1/4	3 1/4-1 1/4	3 1/4-1 1/4	3 1/4-1 1/4	3 1/4-1 1/4
Nov. 23	3 1/4-1 1/4	3 1/4-1 1/4	3 1/4-1 1/4	3 1/4-1 1/4	3 1/4-1 1/4	3 1/4-1 1/4
Nov. 30	3 1/4-1 1/4	3 1/4-1 1/4	3 1/4-1 1/4	3 1/4-1 1/4	3 1/4-1 1/4	3 1/4-1 1/4

NEW YORK

The Irving Trust Company cables the following money and exchange rates in New York:—

	Nov. 30, 1938	Nov. 1, 1939	Nov. 8, 1939	Nov. 15, 1939	Nov. 22, 1939	Nov. 29, 1939
Call money	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4
Time money (90 days' mixed coll.)	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4
Bank acceptances	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4
Members—eligible, 90 days	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4
Non-mem.—eligible, 90 days	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4
Commercial accept., 90 days	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4

New York on	Nov. 23, 1939	Nov. 24, 1939	Nov. 25, 1939	Nov. 27, 1939	Nov. 28, 1939	Nov. 29, 1939
London:—						
Cables	392 1/2	392 1/2	392 1/2	392 1/2	392 1/2	392 1/2
Demand	390 3/4	390 3/4	390 3/4	390 3/4	390 3/4	390 3/4
Paris, Fr.	2.22 1/4	2.22 3/4	2.21 1/4	2.22 1/4	2.22 1/4	2.21 1/4
Brussels, Bel.	16.59	16.60	16.55	16.51	16.55	16.55
Switzerland, Fr.	22.44	22.44	22.43 1/2	22.43 1/2	22.43	22.43
Italy, Lire	5.05	5.05	5.05	5.05	5.05	5.05
Berlin, Mark	40.20	40.20	40.20	40.20	40.20	40.20
Amsterdam, Gld.	53.09 1/2	53.09 1/2	53.09 1/2	53.09 1/2	53.09 1/2	53.09 1/2
Copenhagen, Kr.	19.33	19.33	19.33	19.33	19.33	19.33
Oslo, Kr.	22.73	22.73	22.73	22.73	22.73	22.73
Stockholm, Kr.	23.83	23.83	23.83	23.83	23.83	23.83
Athens, Dr.	Unq't'd	0.73	Unq't'd	0.72	Unq't'd	0.72
Montreal, Can. \$	86.500	86.500	86.500	86.500	86.500	86.750
Japan, Yen	23.49	23.49	23.49	23.49	23.49	23.49
Shanghai, \$	8.40	8.20	8.05	8.10	8.00	8.00
B. Aires, Pso. (mkt. rate)	23.40	23.25	23.10	23.12	23.15	23.15
Brazil, Milreis	5.10	5.10	5.10	5.10	5.10	5.10

Official Buying Rates for Bank Notes:

The following rates were fixed on November 30, 1939:—
New York, \$4.11; Montreal, \$4.54; Paris, 178.2f.; Brussels, 24.60b.; Amsterdam, 7.68f.; Switzerland, 18.10f.; Stockholm, 17.35kr.; Oslo, 18.20kr.; Buenos Aires, 18.05 paper pesos; Java, 7.76c.

AUSTRALIA AND NEW ZEALAND

London on Australia and New Zealand*				Australia and New Zealand on London*			
Buying		Selling		Buying		Selling	
Australia	New Zealand	Australia	New Zealand	Australia	New Zealand	Australia	New Zealand
T.T.	(†) (†) (†) (†) (†) (†)	125	124 3/8	125	124 3/8	125 1/2	125
Sight	126 3/8	126 3/8	126 3/8	125 1/8	124 1/8	123 1/8	124 3/8
30 days	126 3/8	126 3/8	126 3/8	125 1/8	124 1/8	123 1/8	124 3/8
60 days	127 1/8	127 1/8	127 1/8	125 1/8	124 1/8	123 1/8	124 3/8
90 days	127 1/8	127 1/8	127 1/8	125 1/8	124 1/8	123 1/8	124 3/8

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

SOUTH AFRICA

(BUYING RATES PER £100 STERLING)

T.T.	Sight	30 days' sight	60 days' sight	90 days' sight
London on Rhodesia S Africa	£ s. d. 100 0 0	£ s. d. 100 13 0	£ s. d. 101 1 3	£ s. d. 101 9 6
	101 0 0	101 8 0	101 16 3	102 4 6

(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

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 Nov. 24, 1939 (£'000)			Aggregate Gross Receipts 47 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down—	1.5	0.5	2.0	116.9	20.7	137.6
1938	2.1	0.6	2.7	122.9	22.1	145.0
Great Northern—	8.1	10.8	18.9	521.7	440.1	961.8
1938	9.6	14.8	24.4	532.5	516.2	1048.7
Great Southern—	26.0	54.4	80.4	1734.4	1955.9	3690.3
1938	27.0	61.5	88.5	1730.1	2127.5	3857.6

OVERSEAS WEEKLY TRAFFIC RECEIPTS

Name	Weeks Ending	Gross Receipts for Week		Aggregate Gross Receipts	
		1939	+ or -	1939	+ or -
Bengal & N. Western	5 Nov. 10	Rs. 9,01,613	- 3,20,230	Rs. 35,63,163	- 4,67,307
Bombay, Nagpur	32	29,53,000	+ 3,30,100	6,29,02,400	+ 74,20,570
Bombay, Bar. & C.I.	33	31,59,000	+ 1,09,000	7,20,54,000	+ 6,47,000
Madras & S. Maharashtra	30 Oct. 31	17,14,000	- 2,94,646	4,37,61,967	+ 13,80,347
S. Indian	30	15,20,454	+ 79,793	3,23,75,813	- 1,14,785

† 11 days. ‡ 10 days.

DIVIDEND ANNOUNCEMENTS

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

Company	*Int. or †Final	Total	Pay- able	Prev. Year	Company	*Int. or †Final	Total	Pay- able	Prev. Year	Company	*Int. or †Final	Total	Pay- able	Prev. Year
BANKS	%	%		%	Cope Bros.	%	%		%	UNIT TRUSTS	%	%		%
Bank of Nova Scotia..	3†	12	...	12	Cory (William) ..	3*	...	Dec. 16	3*	Commercial Fixed ...	Pence	...	Dec. 15	3 989c
Standard of S. Africa	5*	...	Jan. 27	5*	Crompton Parkinson.	5*	...	Jan. 1	5*	Investors Gen. Fixed	‡2.8046	...	Dec. 1	‡4.48
INSURANCE					Dicograph Telephs.	12 1/2†	20	...	(c) 30	New British Fixed ...	‡4.53	...	Dec. 15	...
Eagle Star	7 1/2†	30	Jan. 1	30	Edmundsons Elec. ...	2†	7	...	10		‡2	...	...	...
MINING					Fremfins	6†	9	...	12	(a) Paid on larger capital.				(b) Gross dividend
Bulolo Gold	30*	...	Dec. 18	30*	General Cable	15†	60c	Dec. 19	212*	£945,000 against £912,500.				(c) Also scrip bonus
Ex-Lands Nigeria	10*	...	Jan. 19	Nil*	Gillette Razor	5†	7 1/2	...	12	50 per cent. (i) Second interim.				(v) Equal to 28.2
Gold Coast Sele.	10*	...	Jan. 17	15*	Heinemann Holdings.	14†	20	...	20	per cent. on old capital basis.				‡ Free of income tax.
Oroville Dredging	18 1/2†	31 1/4	...	31 1/4	Holroyd (John)	2*	...	Dec. 30	27 1/2					
Malayan Tin	5†	10	Dec. 20	65	Imp. Tobacco (Can.)	16†	(v) 23 1/2	Dec. 19	2*	ALLIED IRONFOUNDERS.—Interim dividend				on ordinary shares reduced from 4 to 2 1/2 per cent.
Do. (1939-40)	15*	...	Dec. 20	11 1/2*	Ind. Coops. etc.	1 1/2†	5	...	15	on ordinary shares reduced from 4 to 2 1/2 per cent.				
Marlu Gold	10*	...	Jan. 17	60*	Lansdowne House	13†	18	...	76.4	CARGO FLEET IRON.—Ordinary dividend 2				per cent. for year to September 30, 1939, against nil.
Placer Development	60*	...	Dec. 18	60*	Manbray and Garton	...	99.36	...	12	EAGLE STAR INSURANCE.—Final dividend				7 1/2 per cent. on ordinary shares, making 30 per cent.
S. Malaya Tin	21 1/2†	10	Dec. 20	38 5/4	Do. Deferred	6†	20	Dec. 16	20	for year, as before.				
Do. (1939-40)	10*	...	Dec. 20	...	Mitchell Shackleton.	71*	...	...	5*	MANBRE AND GARTON.—Ordinary dividend				18 against 15 per cent. Deferred dividend 99.36
INDUSTRIALS					Milton Proprietary	4†	7 1/2	...	6 1/2	against 76.4 per cent.				
Allied Ironfounders...	21 1/2*	...	Jan. 1	4*	Natal Steam Coal...	4†	...	...	4	SIMONDS (H. AND G.), LTD.—Final ordinary				dividend 14 1/2 per cent. for year to September 30, 1939,
Anti-Attrition Metal...	10†	...	...	15	Radio Rentals	4†	...	Dec. 15	4	making 18 per cent., as before.				
Army & Navy Tst.	8†	11	...	13	Scottish Investment...	...	4	Dec. 21	10	SOUTH DURHAM STEEL AND IRON.—				Dividend on ordinary shares for year to September 30,
Assoc. Weavers	10*	...	Dec. 16	10*	Shaw (John) and Sons	14 1/2†	...	...	4	1939, is 12 against 10 per cent., and on "B" ordinary				shares, 6 against 4 per cent.
Austrans (East Ham)	5*	...	Dec. 15	7 1/2*	Simonds (H. & G.)	...	6	...	13 1/2	STANDARD BANK OF SOUTH AFRICA.—				Interim dividend 5 per cent., as before. Investments
Austrans Merc. Land	...	21 1/2	Dec. 20	...	S. Durham Steel Ord.	...	9	...	18 1/4	stand in books at less than market value, as at				September 30, 1939, and all necessary provisions have
Barnagore Jute	5*	...	Dec. 20	Nil*	Do. "B" Ord.	3†	9	...	19	been made.				
Birmid Industries...	4*	...	Dec. 8	4*	Susssex Brick (Def.)	...	6	...	22 1/2					
Bowmaker	...	13	...	12 1/2	Tarran Inds.	10†	(b) 13 1/2	Dec. 16	10					
Bristol Aeroplane	(a) 4*	...	Dec. 11	7 1/2*	Tate and Lyle	7†	12	...	22 1/2					
British Tyre, etc.	7 1/2†	11	...	9	Tetley (Joshua)	10*	22 1/2	Dec. 19	5					
Calder's Paper	7 1/2†	10	...	12 1/2	United Molasses...	15†	...	...	15					
Card Clothing, etc.	10†	...	...	7	Venez. Oil (Ord. & Pf.)	5†	...	...	10					
Chesters Brewery	7 1/2*	...	...	21 1/2*	Viking Tanker	10†	15	...	61 1/2*					
Clover Paint	21 1/2*	...	...	6	Viking Whaling	61 1/2*	...	Dec. 16	...					
Constable Har...	...	...	...	...	Williamson Mfg.	...	...	...	...					

LONDON ACTIVE SECURITY PRICES AND YIELDS

In calculating yields of fixed interest stocks allowance is made for interest accrued, less income tax at the standard rate, with allowance for 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 yield on ordinary stocks and shares is calculated on the latest dividends, account being taken of any increase or reduction of interim dividends.

Prices, Jan. 1 to Nov. 29, 1939		Prices, Jan. 1 to Nov. 29, 1939		Name of Security	Price, Nov. 29, 1939	Ch'ge since Nov. 22, 1939	Yield Nov. 29, 1939	Prices, Jan. 1 to Nov. 29, 1939		Name of Security	Price, Nov. 29, 1939	Ch'ge since Nov. 22, 1939	Yield Nov. 29, 1939
High	Low	High	Low					High	Low				
79 1/4	64	71 1/8	61	British Funds						Investment Trusts	483		5 1/2
111 3/4	98	107 1/8	98	Consols 2 1/2%	68 1/4	...	5 3/4	533	482	Alliance Trust	185	...	5 1/2
100 3/4	90	96 3/4	90 1/8	Do. 4% (att. 1957)	104	+ 1 1/4	3 15 1/2	230	184	Anglo-Am. Deb.	160	...	5 1/2
103 1/2	92	99 1/8	92 7/8	Conv. 2 1/2% 1944-49	95 1/2	...	3 1 1/2	214 1/2	150	Debenbury Corp. Stk.	160	...	5 1/2
104 1/2	90 1/2	100 1/8	90 1/2	Do. 3% 1948-53	97 1/2	...	3 5 1/4	171 1/2	150	Guardian Investment	187 1/2	...	5 1/2
105 1/2	100	102 1/8	100 3/4	Do. 3 1/2% after 1961	93	+ 1 1/4	3 15 1/2	240	175	Ind. and Gen. Ord.	175	...	5 1/2
105 1/2	102	102 1/8	100 3/4	Do. 4 1/2% 1944-44	100 3/4	+ 1 1/2	3 15 1/2	225	179	Invest. Trust Def.	180	...	5 1/2
91 1/2	81	87 1/4	79 3/4	Do. 5% 1944-64	108 1/4	...	3 4 1/2	237 1/2	180	Mercantile Inv.	180	...	5 1/2
97 1/2	88 1/2	93 3/8	87 3/4	Do. 5 1/2% 1944-64	85 1/2	...	3 8 1/2	182 1/2	170	Merchants Trust Ord.	78 1/2	...	5 1/2
99 1/2	90	95 1/8	87 1/2	Fund. 2 1/2% 1952-57	91 1/2	...	3 7 10	212 1/2	170	Metropolitan Trust	175	...	5 1/2
104 1/2	98	109 1/2	87 1/2	Fund. 3% 1959-69	92 1/2	...	3 8 1/2	195	162 1/2	Canal Corp. Ord.	162 1/2	...	5 1/2
104 1/2	90	99 1/4	94 3/4	Fund. 4% 1960-90	105 3/4	+ 1 1/4	3 12 1/2	180	160	United States Deb.	160 1/2	...	5 1/2
100 1/2	93	96 7/8	91 1/2	Nat. D. 2 1/2% 1944-48	98 1/4	...	2 16 1/2	6 1/2	27 1/2	Financial Trusts, &c.	19 1/2	...	5 1/2
112 1/2	100	108 3/8	102 1/2	Do. 3% 1954-58	96	+ 1 1/8	3 6 1/2	27 1/2	16 7/2	Brit. S. Afr. 15/- fy. pd.	4 1/2	...	5 1/2
103 3/8	90 1/2	98 3/8	86	Victory Bonds 4 1/2%	105 1/2	+ 1 1/4	3 12 1/2	9 1/2	5 1/4	Dalgety £20, £5 pd.	20 1/2	...	5 1/2
90 1/8	78	83 3/8	73	War L. 3 1/2% af. 1952	80 1/2	...	3 15 1/2	20 3/4	14 1/2	Forestral Land £1	24 1/2	...	5 1/2
102	90 1/2	99	91	Local Loans 3%	96	...	3 19 1/2	32 1/2	22 1/2	Hudson's Bay Co. £1	31 1/2	...	5 1/2
98 1/2	55	64	55 1/2	Austria 3% 1933-53	59	...	4 4 1/2	32 1/2	22 1/2	Sudan Plant. £1	31 1/2	...	5 1/2
117 1/8	110	115 1/4	105	India 2 1/2%	81 1/2	...	4 4 1/2	26 1/2	14 1/2	Breweries, &c.	20 1/2	...	5 1/2
108 1/2	97	106 1/4	95	Do. 3 1/2%	104 1/2	...	4 4 1/2	133 1/2	92 1/2	Barclay Perkins £1 ...	125 1/2	...	5 1/2
104 1/2	97	103 1/2	98	Dom. & Col. Govts.	101 1/2	...	3 18 1/2	67 1/2	63 1/2	Bass Ratcliff Ord. £1	58 1/2	...	5 1/2
109 1/2	112 1/2	112 1/2	103	Austr. 5% 1945-75	104 1/2	...	4 7 1/2	73 1/2	45 1/2	Courtauld £1	34 1/2	...	5 1/2
108	102 1/2	103 1/2	92	Canada 4% 1940-60	101 1/2	...	3 18 1/2	67 1/2	63 1/2	English Swg. Ctn. £1	28 1/2	...	5 1/2
112 1/2	97	110	102	Nigeria 5% 1950-60	104 1/2	...	4 11 1/2	113 1/2	75 1/2	Callenders £1	60 1/2	...	5 1/2
115 3/4	101	111 1/2	104	N. Zealand 5% 1946	103 1/2	+ 1 1/4	4 13 1/2	91 1/2	64 1/2	Linen Thread Stk. £1	23 1/2	...	5 1/2
87 1/2	77	81 5/8	72	S. Africa 5% 1945-75	106 1/2	...	4 0 1/2	79 1/2	55 1/2	Patons & Baldwins £1	55 1/2	...	5 1/2
97 1/2	90 1/2	93 1/2	86 1/2	Corporate Stocks	105 1/2	...	4 3 1/2	68 3/4	47 3/4	Whitworth & Mils. £1	10 1/2	...	5 1/2
105 3/4	94 3/8	102 3/4	95	Bircham 5% 1946-56	105 1/2	...	4 3 1/2	6 1/2	4 1/2	Associated Elec. £1 ...	40 1/2	...	5 1/2
96 1/2	78	87 1/2	73 3/4	L.C.C. 3%	78	...	3 16 1/2	48 1/2	35 1/2	British Insulated £1	80 1/2	...	5 1/2
89	38	65 1/2	34	Liverpool 3% 1954-64	87 1/2	...	3 16 1/2	54 1/2	47 1/2	Callenders £1	60 1/2	...	5 1/2
36	31	31	8	Middx. 3 1/2% 1957-62	97	...	3 14 1/2	34 1/2	23 1/2	Crompton Park A 5/-	17 1/2	...	5 1/2
37 1/2	12 1/2	22	6 1/2	Foreign Governments	86 1/2	+ 1 1/2	5 6 1/2	26 1/2	18 1/2	English Electric £1	32 1/2	...	5 1/2
19 1/2	14	19	9	Arg. 4 1/2% Stg. Bds.	52 1/2	...	8 13 1/2	31 1/2	20 1/2	General Electric £1	75 1/2	...	5 1/2
73 1/2	40	55 1/2	23 1/2	Austria 4 1/2% 1934-59	52 1/2	...	14 5 1/2	25 1/2	20 1/2	Johnson & Phillips £1	40 1/2	...	5 1/2
105 3/4	20	72	30	Belgian 4% (36) 1970	62 1/2	...	7 0 1/2	76 1/2	60 1/2	Electric Light, &c.	26 1/2	...	5 1/2
99	94	100	85	Bulgaria 7 1/2% 1914	17 1/2	...	14 5 1/2	25 1/2	20 1/2	British Pow. & Lt. £1	26 1/2	...	5 1/2
104	84 1/2	86 1/4	58	Brazil 5% Fd. 1914	22	+ 2 1/2	10 19 1/2	28 1/2	20 1/2	Clyde Valley Elec. £1	33 1/2	...	5 1/2
60	20	44	12 1/2	Chile 6% (1929)	19	...	18 10 1/2	15 1/2	10 1/2	County of London £1	36 1/2	...	5 1/2
34 1/2	25	30	15	China 5% (1913)	36 1/2	- 1 1/2	16 0 1/2	45 1/2	33 1/2	Edmunds £1	24 1/2	...	5 1/2
58 1/2	20	35 1/2	15	Czechoslovakia 8%	85	...	10 16 0 1/2	45 1/2	33 1/2	Lincolnshire Elec. £1	28 1/2	...	5 1/2
54	35	61 1/2	33	Denmark 3%	50	...	3 10 1/2	37 1/2	24 1/2	London Ass. Elec. £1	18 1/2	...	5 1/2
75 1/2	54	65	20	Egypt 7 1/2%	76 1/2	- 2 1/2	5 4 1/2	44 1/2	36 1/2	Midland Counties £1	21 1/2	...	5 1/2
15 3/4	9 1/4	11 1/2	4 3/4	French 4% (British)	10	...	6 0 1/2	44 1/2	36 1/2	North-East Elec. £1	37 1/2	...	5 1/2
				Ger. Dawes Ln. 5%	7	...	10 16 0 1/2	45 1/2	33 1/2	Northumb. Power £1	37 1/2	...	5 1/2
				Do. Young Ln. 4 1/2%	22	...	18 0 1/2	44 1/2	36 1/2	Scottish Power £1	32 1/2	...	5 1/2
				Greek 6% Stab. Ln.	25	...	9 11 1/2	25 1/2	19 1/2	Yorkshire Electric £1	33 1/2	...	5 1/2
				Hungary 7 1/2%	55 1/2	...	7 5 1/2	24 1/2	14 1/2	Gas L. & C. £1	16 1/2	...	5 1/2
				Japan 5 1/2% 1930	57 1/2	...	7 5 1/2	24 1/2	14 1/2	Imp. Cont. Stk.	79 1/2	...	5 1/2
				Peru 7 1/2% 1922	55	+ 10 1/2	7 5 1/2	24 1/2	14 1/2	Newcom-Tyne £1	18 1/2	...	5 1/2
				Poland 7%	55	...	7 5 1/2	24 1/2	14 1/2	S. Metropolitan Stk.	65 1/2	...	5 1/2
				Roum. 4% Con. 1922	71 1/2	...	24 18 0 1/2	0 1/2	0 1/2	Austin 5/-	16 1/2	...	5 1/2
				Public Bonds	106 1/2	...	4 6 1/2	13 1/2	4 1/2	Ford Motors £1	14 1/2	...	5 1/2
				C. Elec. 5% 1950-70	107 1/2	+ 3 1/4	4 2 1/2	30 1/2	13 1/2	Lucas, J. (£1)	53 1/2	...	5 1/2
				Lon. Pass. Transport	65 1/2	...	2 6 0 1/2	87 1/2	71 1/2	Leyland Motors £1	25 1/2	...	5 1/2
				4 1/2% "A" 1985-2023	81	...	3 14 1/2	1 1/2	5 1/2	Morris Motors £1	25 1/2	...	5 1/2
				Met. W. B. "B" 3%	108	...	4 4 1/2	30 1/2	13 1/2	Rolls-Royce £1	11 1/2	...	5 1/2
				P. of L. 5% 50-70	308	...	4 4 1/2	30 1/2	13 1/2	Standard Motor 5/-	11 1/2	...	5 1/2
				British Railways	108	...	4 4 1/2	30 1/2	13 1/2	Tea and Rubber	16 1/2	...	5 1/2
				G.W. Ord.	30	+ 1 1/2	1 13 1/2	4	4	Allied Sumatra £1 ...	16 1/2	...	5 1/2
				LNER 5% Pref. 1955	46	+ 2 1/2	Nil	32 1/2	26 1/2	Anglo-Dutch £1	32 1/2	...	5 1/2
				Do. 4% 1st Pf.	32 1/2	+ 3 1/2	Nil	38 1/2	26 1/2	Jokai (Assam) £1	28 1/2	...	5 1/2
				L.M.S. Ord.	111 1/2	+ 3 1/2	Nil	46 1/2	27 1/2	London Asiatic 2/-	31 1/2	...	5 1/2
				4% Pf. 1923	38 1/2	+ 2 1/2	Nil	46 1/2	27 1/2	Robber Trust £1	32 1/2	...	5 1/2
				4% Pf. 1923	38 1/2	+ 2 1/2	Nil	46 1/2	27 1/2	United Serdang 2/-	32 1/2	...	5 1/2
				Southern Def.	11	+ 1 1/2	Nil	46 1/2	27 1/2	Anglo-Iranian £1	60 1/2	...	5 1/2
				Do. 5% Pf. Ord.	64	+ 4 1/2	7 16 1/2	4	4	Apex (Trinidad) 5/-	27 1/2	...	5 1/2
				Do. 5% Pf.	88	+ 2 1/2	5 13 1/2	8	8	Burmah Oil £1	61 1/2	...	5 1/2
				Dom. & Foreign Rys.	9	+ 1 1/2	Nil	32 1/2	26 1/2	Mexican Eagle M. \$4	7 1/2	...	5 1/2
				B.A. Gt. Stn. Ord.	71 1/2	+ 1 1/2	Nil	46 1/2	27 1/2	Shell Transport £1	82 1/2	...	5 1/2
				B.A. West. Ord.	81 1/2	+ 1 1/2	Nil	46 1/2	27 1/2	Shell Leasing £1	77 1/2	...	5 1/2
				C. Arg. Ord.	81 1/2	+ 1 1/2	Nil	46 1/2	27 1/2				
				Can. Pac. Com. \$25	7	...	Nil	38 1/2	26 1/2				
				Banks and Discount	57 1/2	...	6 1 1/2	13 1/2	13 1/2				
				Alexanders £2, £1 pd.	7 1/2	...	6 1 1/2	13 1/2	13 1/2				
				Bk. of Aust. £5	7 1/2	- 1 1/2	5 14 1/2	131	75 1/2				
				Bk. of England	310 1/2	- 1 1/2	3 16 1/2	105 3/4	53				
				Bk. of Mont. \$100	4 1/2	...	4 16 1/2	105 3/4	53				
				Bk. of N. Zealand £1	27 1								

BRITISH WHOLESALE PRICES

CEREALS AND MEAT				TOBACCO (per lb.)—			
Nov. 21, 1939				Nov. 21, 1939			
1939				1939			
GRAIN, etc.—				Virginia, stemmed and un-			
Wheat—				stemmed, common to fine			
No. 1, N. Man. 496 lb. f.o.b.				Rhodesian, stemmed and un-			
Vanc.				stemmed			
Eng. Gaz. av., per cwt.				Nyasaland, stemmed and un-			
La Plata, per qtr.				stemmed			
Flour, per 280 lb.—				East Indian			
Straights, d/d London				Stemmed			
Barley, Eng. Gaz., av., per cwt.				Unstemmed			
Oats							
Maize, La Plata, 480 lb., f.o.b.							
MEAT—				COTTON (per lb.)—			
Beef, per 8 lb.—				Raw, Mid-American			
English long sides				Giza, F.G.F.			
Argentine chilled hinds				Yarns, 32's Twist			
Mutton, per 8 lb.—				40's Twist			
English wethers				60's Twist (Egyptian)			
N.Z. frozen wethers				Cloth, 32 in. Printers, 116 yds.			
Lamb, per 8 lb.—				16 x 16, 32's & 50's			
N.Z. frozen				36 in. Shirtings, 75 yds.			
Pork, English, per 8 lb.				19 x 19, 32's & 40's			
BACON (per cwt.)—				38 in. ditto, 38 yds.			
Danish				18 x 16, 10 lb.			
Dutch				39 in. ditto, 37½ yds.			
Irish				16 x 15, 8¼ lb.			
HAMS (per cwt.)—				FLAX (per ton)—			
Canadian				Livonian ZK			
United States				Pernau HD			
OTHER FOODS				HEMP (per ton)—			
BUTTER (per cwt.)—				Italian PC			
Australian				Manilla, spot "J2"			
New Zealand				JUTE (per ton)—			
Danish				Native 1st mks., c.i.f. H.A.R.B.			
CHEESE (per cwt.)—				Aug.-Sept.			
Canadian (new)				Daisee 2/3, c.i.f. Dundee			
New Zealand				Oct.-Nov.			
English Cheddars				SISAL (per ton)—			
Dutch				African, Nov.-Jan.—			
COCOA (per cwt.)—				No. 1			
Accra, g.f.				No. 2			
Trinidad				No. 3			
Grenada				SILK (per lb.)—(a)			
COFFEE (per cwt.)—				Japan			
Santos sup. c. & f.				Lincoln wethers, washed			
Costa Rica, medium to good				Selected Kent wethers, greasy			
Kenya, medium				blackfaced, greasy			
EGGS (per 120)—				Australian scrd. fleeces, 70's			
English (15 lb. and over)				Cape scrd. average snow white			
Danish (15 lb. and over)				N.Z. scrd. 2nd pieces, 50-56's			
FRUIT—				Tops			
Oranges, Brazilian (Peras) boxes				64's warp			
S. African (Val. Latrs.) bxs.				56's super carded			
Lemons, Messina bxs.				48's average carded			
Apples, Virginian brls.				44's prepared			
Grapefruit, Jamaican (M.S.)				MINERALS			
Pears (Californian) B. Hardy				COAL (per ton)—			
LARD (per cwt.)—				Welsh, best Admiralty			
Irish, finest bladders				Durham, best gas, f.o.b. Tyne			
U.S.				IRON AND STEEL (per ton)—			
PEPPER (per lb.)—				Pig, Cleveland No. 3, d/d			
Black Lampung (in Bond)				Bars, Middlesbrough			
White Muntok (a.q.) (in Bond)				Steel rails, heavy			
POTATOES (per cwt.)—				Tinplates			
English, King Edward, Siltland				NON-FERROUS METALS (per ton)—			
Wisbech, King Edward (per ton)				Copper—			
SUGAR (per cwt.)—				Standard cash			
Centrifugals, 96, prpt. shipm.				Three months			
Refined London				Lead, soft foreign			
Cubes, 1 cwt. cases				Cash			
Pieces, 2 cwt. bags				English, pig			
Soft Brown, 1 lb. cartons				Spelter, G.O.B.—			
West India Crystallised				Spot			

(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 ruling at time of delivery and all contracts and quotations subject to war clause.

(c) Higher Pool prices in some zones.

AMERICAN WHOLESALE PRICES

GRAINS (per bushel)—				METALS (per lb.)—cont.			
Nov. 22, 1939				Nov. 22, 1939			
1939				1939			
Wheat, Chicago, Dec.				Tin, N.Y., Straits, spot			
Winnipeg, Dec.				Lead, N.Y., spot			
Maize, Chicago, Dec.				Spelter, East St. Louis, spot			
Oats, Chicago, Dec.				MISCELLANEOUS (per lb.)—			
Rye, Chicago, Dec.				Cocoa, N.Y., Accra, Dec.			
Barley, Winnipeg, Dec.				Coffee, N.Y., cash—			
METALS (per lb.)—				Rio, No.			
Copper, Connecticut				Santon, No.			
Export c.i.f.				Cotton, N.Y., Am. mid, spot			

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Stalin's Aggression

THE quarrel between Finland and Soviet Russia was so clearly of the trumped-up variety that the world could scarcely credit, until Thursday of last week, that Stalin was really intent on using force. For more than two decades Finland and Russia have lived side by side, if not in friendship at least in civility. During the whole of that period Russia has had no complaint to make of Finland's behaviour—at least, no complaint has been made. Nothing in Finland's behaviour has changed in the last three months. What has changed has been the possibility of outside help coming to Finland in the event of unprovoked attack. It is now safe for Stalin to attack. The odds of 180,000,000 to 4,000,000 are sufficient to overbear even his caution.

So he has attacked. Not even the Nazi records contain a case as flagrant. The quarrel was deliberately picked. The victim was made aware that he need not appeal either to equity or to reason. The sickening hypocrisy of a treaty was torn up and the bombs were dropped without warning. The Finnish people are being "liberated" with high explosive. Not a single item in the familiar calendar of aggression is being omitted. A "democratic" Government has been set up in the first hamlet the invading army occupied, and this puppet, with a single jerk of the strings, has conceded all the Kremlin wants. The intention of harming civilians has been disclaimed as the bombs dropped on the working-class quarters of Helsinki. The Soviet Government can find it possible to declare (as Molotov did in his

message refusing to attend the meeting of the League) that there is no war, and that the Red Army is merely assisting the rightful Government of Finland to free its people from oppressive usurpation. Diplomacy, in Nazi or Bolshevik hands, becomes nothing but a mountebank act.

The Finns are tough fighters, and they are helped not only by the configuration of their country but by the burning indignation of the whole world. Not one single word is said in defence of the Bolsheviks outside their own country except the toadyings of their kept Press in England and America. The Nazis, accessories to the crime, are dumb, and their former confederates in Italy and Spain are outraged. In the magnitude of the odds they face, in their total innocence of any provocation, in the inherent superiority of their civilisation over the tyranny they resist, the gallantry of the Finns exceeds anything in living memory, and long before.

This is

cient proof of his guilty haste. General January, hitherto a constant ally of Russia, may be found to have changed sides. But the Finns will need all his help, as well as the skill and courage they have already shown, to hold out against the cruel weight of the big battalions.

But if the sword can do little, the pen can do much. In every country of the world it is already pouring out an expression of the loathing in which the name of Bolshevik will henceforth be universally held. It can record the now manifest fact that there is nothing to distinguish a Nazi from a Bolshevik except, perhaps, a shade or two of hypocrisy. We may perhaps appropriately recall words which appeared in *The Economist* on September 23rd last: "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." Henceforward, anyone in the western countries who has any truck with the Communist Party is more fool than knave.

The revelation of the value of Bolshevik "idealism" also sheds a light on last summer's diplomacy. The Anglo-Soviet negotiations failed, it is now clear, because the British Government would not "traffic in the sovereignty of small States." The military talks ceased at the point when the Russians asked for privileges on Polish territory: the diplomatic talks were already in deadlock over similar requests in regard to the Baltic States and Finland. It is valuable to have this on record.

In a business as nauseating as this, it is distasteful to find advantages. Yet some good may be drawn from the attack on Finland. For one thing, nothing could more severely strain the new sympathy between Germany and Russia. There are strong ties of friendship between Germans and Finns. What weighs more heavily with the Nazis is that the Russians, if they control Finland, overshadow both the mines in Northern Sweden, from which Germany draws her most important supplies of iron ore, and also, more completely, the sea-route by which the ore

reaches Germany. Possession of the Aaland Islands would enable Russia to sever this artery at any time, whether or not the Germans had a superior fleet in the Baltic. The more completely the morals of the Nazi and the Bolshevik are proved identical, the more inevitable does a clash of their ambitions become. The mere external pressure of the moral isolation they now share may compel them to consort with one another. But it will be an increasingly uneasy partnership. Is it for this that Ribbentrop would be known as the second Bismarck?

At the other pole from the Nazis, the reaction to the invasion of Finland in the United States will bear watching. Finland is the one European country that has never defaulted on her governmental debts owed to the United States. For that, and for her democracy and civilisation, she has become the outstanding favourite of the American people. It would be difficult to imagine a case better calculated to emphasise the absurdities of American policy than an attack on Finland by Russia. It is absurd enough for the United States officially to pretend that it can detect no shades of guilt and innocence between the Allies and Nazi Germany. But if the Neutrality Act has to be applied in the present case, the whole theory of American isolation may break down. The President has proclaimed a "moral embargo" on exports to countries which bomb civilians. But is American opinion going to be content, in this case of all others, to observe the innocent wayfarer set upon by thieves and to pass by upon the other side?

One service Stalin has thus done the world. He has shown more clearly than ever that it is not a mere clash of rival ambitions that is filling the air with smoke and thunder. It is a real world war, between two totally opposed conceptions of how the lives of nations and individuals should be conducted—a world war which will break out wherever these conceptions are in conflict. From a struggle such as this the innocent progressiveness of the Finns could not exempt them—and the geographical remoteness of other countries provides only the deceptive protection of a short respite.

The Economic Front

NOT an issue of *The Economist* has appeared since the outbreak of war without emphasis being laid on one aspect or another of the central truth that, while Britain's decisive advantage in this war lies in the economic field, it is at present no more than a potential advantage which requires mobilising before it can become effective. By any test, the combined national economies of France, Britain and the Dominions have an overwhelmingly greater capacity to produce than Germany, even with her conquests. The two sides stand at a rough equality in crude man-power. But our higher standard of economic development, coupled with our ready access to the resources of the whole world, give us the means to back every man in the line with a far greater weight of machines. In peace, we can produce more for consumption; in war, we can produce more for destruction.

Economic superiority is our only decisive advantage over Germany. Our only way to victory lies in its use. But Germany's economic machine, inherently poorer, has nevertheless been trained by seven years of Nazi control to play its part in war; the change from formal peace to formal war required little or no transition. But in France and England, economic machinery designed to produce for peace has to be re-designed to produce for war. Though the potential future advantage is ours, the actual present advantage lies with Germany. The central task of the war therefore becomes the speedy mobilisation of our full economic strength.

This fundamental fact is now, fortunately, beginning to be adequately realised. The nature and problems of the war economy are, for the first time, being discussed in realistic terms in the daily Press, and there is a growing

volume of discontent with the inadequate scale and scope of the efforts that are being made by the governmental machine. This week the Liberal Party's amendment to the Address has provoked a debate in the House of Commons on the specific question of the export trades, and next week a day is to be devoted to a secret session on problems of supply.

The range of subjects covered by the Economic Front is so vast and the urgency of its problems so great that they escape from the bounds of a single article. In the following pages an attempt has been made to select six of the most crucial matters for necessarily summary treatment. None of them will be new to readers of *The Economist*. But all are questions on which decisions need to be taken without delay.

One preliminary general remark can usefully be made. In wartime criticism should be confined to the constructive. It is quite unavoidable that in the transition from peace to war there should be a great deal of chaos, many detailed stupidities and much changing of minds. Against these things, in principle, we cannot complain. It is perfectly true that a formidable indictment is being piled up by events against those who so stubbornly delayed the creation of such essential pieces of organisation as the Ministry of Supply until so late that the Ministry's teething period coincided with the outbreak of war. But it is not fair to criticise the Ministry of Supply or its personnel for the fact that it was not given birth until too late. The only valid ground for criticism is when the principles, not the details, of organisation and policy seem to be at fault. In what follows, it is the principles that are under discussion; details are mentioned only by way of illustration.

1. The Scale of the War

We can defeat Germany only by accumulating an unquestioned preponderance of all the materials of war. The only way in which we can be sure of winning the war is by looking ahead to a time when we shall be able to take the offensive with at least an equality of man-power and a crushing superiority of material—in short, do to the Germans something of what they did to the Poles in the month of September. To do this, we and our Allies must put as many men into uniform as the Germans and we must have more men than they in the munitions industries. This, briefly stated, is the main economic task of the war. It can be done. The fact that we have a higher standard of living in peace-time is the same thing as saying that we have more men who can be spared from the business of ensuring minimum supplies of the necessities of life. As was pointed out in *The Economist* a few weeks ago, it takes 145,000 men and women in Germany to provide food for a million consumers, but only 66,000 in Great Britain. We have here, from this single cause, an advantage of 80,000 workers in every million of the population—four millions in a population of fifty millions. Just as we have fewer workers tied down in the necessary task of providing food, so we have more engaged, in peace-time, in less essential services—that is to say, more who can be released in wartime. Transport, commerce, finance and personal service employ in this country about 50,000 more workers in every million of the population—2½ millions out of 50 millions—than in Germany. No one who studies the figures of man-power can be left in any doubt that the Allies have a margin of men and women available for fighting—that is, for enrolment in the defence forces or in the munition industries—which is several millions larger than Germany's. Our advantage in materials is a self-evident consequence of the blockade.

Thus we unquestionably have the means of establishing an overwhelming superiority in the future. But it is obvious that we cannot be content, when that time comes, to have anything less than the maximum possible margin of superiority. Only so will the slaughter be held to a minimum and the victory won at the earliest possible moment. It follows that there is only one standard of production to which the Ministry of Supply can properly work. It is no good merely matching what Germany is producing now. It is little better to prepare to equal what Germany's production will be in 1941. The only reasonable standard is the maximum of which this country will be capable in 1941 or 1942 if the interval is devoted to the most energetic measures of reorganisation, retraining and re-employment of our labour force. What is needed in the men who direct the programme is that rare quality of imaginative vision that enables them to visualise what is not possible now but will be possible two or three years hence.

2. The Controllers

The table at the foot of the next page contains a list of the two sets of controllers, those appointed by the Ministry of Supply and by the Ministry of Food. There has been a certain reluctance on the part of the Ministry of Supply to publish these names, and the information has been collected from a variety of sources, but it is hoped that it is both tolerably complete and reasonably up to date. Some particulars have been added of each controller's previous connections.

One fact stands out quite clearly from these two lists. With a very few exceptions, each controller has been selected from the trade he controls. Thus, under the cover of wartime needs, the principle of the Self-Government of Industry has been given an official blessing. This is, in effect, merely the expansion and continuation of the industrial policy that has been pursued by the Conservative Government for the past eight years, for in their hands control has nearly always meant the conferment of legal privileges on the organised producers already established in the industry. In this wartime organisation of control the representative board or trade association is, it is true,

It must be recorded with regret that the sharpest-eyed observer can detect no signs of this spirit inspiring the present scale of our efforts. The statement by the Chancellor of the Exchequer last week that our present rate of expenditure is absorbing half of the total national income is, in effect, an argument that no more can be done, that the war has already reached its maximum scale. It is surely significant of Sir John Simon's cast of mind that, of all the possible estimates of the national income, he should have chosen the smallest conceivable. Why should we be so anxious to underestimate the strength and power of the British economy? It is surely the duty of a war leader to err on the other side, to set a goal that will need every ounce of effort to attain, since we can be sure that our formidable enemy will not spare his people in the exertions that he will demand from them.

The same satisfaction with the half-hearted seems to characterise the supply organisation. The quality of imagination required is well illustrated by the well-known story of the machine-guns in 1915. The War Office said that more than four machine-guns per battalion would be a luxury; Mr Lloyd George decided to provide 64. But today, if circumstantial report is to be believed, War Office programmes of requirements are being cut down, not expanded, when they reach the Ministry of Supply. That Ministry's policy still seems to be to provide as much as can conveniently be done. But if we do not subject ourselves to the most drastic inconvenience we shall lose the war. Much is being heard nowadays of the argument that, when the requirements of the Navy and the Air Force have been met, we shall be unable to equip an army of more than a million. This argument is simply not true. It can be established from general principles that it is possible for Great Britain (though admittedly only with great efforts) to have an army of two or three millions in the field, to maintain the world's largest Navy, an Air Force at least equal to the German and still have enough labour left over to produce, with our Allies, a supply of munitions far greater than Germany can. This, to repeat, can be established from general principles. It is the task of the Ministry of Supply to find the detailed path to this goal. If the goal is attainable, any failure to reach it is a proof, not of its inaccessibility, but of the inadequacies of the organisation.

The first battle that must be fought and won on the economic front is, therefore, to compel a realisation by those in authority that we can hope to win the war quickly and decisively only if we determine, here and now, to fight it on the largest conceivable scale. Using the expenditure of the State as a rough guide to the extent of its activities, we should look forward to an expenditure, at the height of the war, at least half as large again as the £200 millions a month envisaged for the immediate future.

replaced (usually) by the single controller. But the main principle stands: industries are being encouraged to control themselves.

The significance of this policy has not received the attention it deserves. Because industry was subjected to controls in the last war and again in this war, it is being too readily assumed that the principles of the two systems of control are identical, or at least similar. In fact, however, there is this fundamental difference between them, that in the last war, the controllers were selected in the main from outside the industry to be controlled, while in this war industry is controlling itself.

The objections to such a procedure are perhaps less in wartime than they would be in peace. But they are nevertheless strong enough. The principle is, in the first place, wrong in equity. In some industries, the moving spirit in one of the competing firms (often the largest in the industry) is being put into a position where he can hardly help learning his competitors' trade secrets. Apart from this inequity within the controlled industry, the system is unfair between the industry and the community, more especially

between the industry and its customers. There is no need to assume any deliberate partiality; unquestionably all the controllers are deeply anxious to serve the public interest. But they have an unavoidable bias towards seeing things through the particular spectacles of the interest from which they come. There are a large number of instances where the controller's power has been used to enforce changes in prices or in trade practice (such as terms of contract, etc.) which, whether or not that was their purpose in the controller's mind, have undoubtedly had the effect of benefiting the section of the industry from which he comes at the expense of its customers. The responsibility for decisions rests, of course, with the Ministers of Supply and Food, respectively. But to expect the Ministers and their central staffs to keep an adequate control over the actions of several score *ex parte* Controllers is putting too great a strain both on their time and on their knowledge.

The system is faulty from another point of view. Not only is it inequitable; it is likely to be inefficient. The mobilisation of the country's resources on the scale advocated in the last section will necessarily require a large number of industries to do a great many unpalatable things—in particular, to sacrifice their normal trade and expand their capacity to an extent that will be wildly uneconomic when the war ends. It goes without saying that these in-

dustries must have fair treatment. But it is almost equally obvious that a system by which they control themselves is not well adapted to securing a prompt and thorough execution of unpalatable policies.

On the score both of equity and of efficiency, then, it is vitally important to insist on the injection of a very much larger element of independent control. It is, after all, only the application of what should be a well-established principle: that if the interest of the community is not secured by competition, then it must be safeguarded by impartial control. This is not a plea for bureaucratic control by civil servants; the problem was solved in the last war—with a fair measure of success—by appointing as controllers business men from other industries. Nor is it a plea that those who know all there is to be known about an industry should be prevented from giving their services. But the distinction must be kept clear between advice and executive action; the one must be expert, the other must be independent.

It is not too much to say that the form which industrial control takes during the war will dominate the economic development of the country after the war. We are in serious danger of slipping, through inadvertence, into a feudalistic system of cartel control which may or may not succeed in producing a stable post-war world but which will certainly militate against the abundant production of cheap goods.

3. Price Policy

If there is one economic proposition which would receive almost unanimous support at the present moment, it is that the war must not be financed by inflation. But there is only one way in which inflation can be avoided, and that is by preventing the purchasing power of the public and Government combined from increasing more rapidly than the supply of goods. This principle is easy to enunciate, but very difficult to apply, and though the desire of the Government, the Treasury and the House of Commons to avoid inflation is manifest, it is difficult to discern the emergence of any policy that looks like achieving this end. The plain fact is that if the public is not to be forced to restrict its consumption by inflation it must be compelled to restrict its consumption by some more deliberate means—and that, as

has been shown over food rationing, is too painful a job for elected politicians.

This is the major issue of policy, which will eventually govern the whole course of prices. But in the meantime there are a number of more detailed questions of price policy which badly require examination.

The policy with respect to prices followed by the controls of the Ministry of Supply—in so far as there has been any consistent policy—appears to have been a twofold one. The chief munitions commodities, and especially the metals, have had their prices held down to very little above the pre-war level, while the other commodities have been allowed to rise in price, some of them very considerably. The object of this policy is obvious—to save the Treasury

THE CONTROLLERS

MINISTRY OF SUPPLY		
Commodity	Head Controller	Principal business interests or previous occupation.
Aluminium	Hon. G. Cunliffe	Director, British Aluminium Company, Ltd.
Alcohol, molasses & solvents.	Mr A. V. Board	Chairman, British Industrial Solvents, Ltd.; director, Distillers Co., Ltd., and International Sugar and Alcohol Co., Ltd.
Cotton	Sir Percy Ashley	Member of Import Duties Advisory Committee.
Flax	Sir H. Lindsay	Director of the Imperial Institute.
	Deputy: Mr J. S. Ferris	Director, Wm. F. Malcolm & Co., Ltd. (flax, hemp and jute merchants).
Hemp	Mr A. M. Landauer	Landauer & Co. (hemp and fibre merchants).
Iron and steel	Sir A. Duncan	Chairman, British Iron and Steel Federation; Member of Supply Council.
Jute	Mr. G. Malcolm	Director, Ralli Bros., Ltd. (merchant bankers).
Leather	Dr E. C. Snow	United Tanners' Federation.
Non-ferrous metals	Capt. O. Lyttelton	Chairman, Anglo-Oriental & General Investment Trust, Ltd.; chairman or director of various tin and other non-ferrous metal companies; managing director, British Metal Corporation, Ltd.
Paper	Mr A. Ralph Reed	Chairman and managing director, Albert E. Reed & Co., Ltd. (paper manufacturers) and chairman of other paper companies.
Silks and artificial silks.	Mr H. O. Hambleton	Wm. Frost & Co. (silk throwsters).
Sulphuric acid fertilisers.	Mr F. C. O. Speyer	Director, I.C.I. (Fertiliser & Synthetic Products), Ltd. (delegate), International Nitrogen Association, Ltd., Scottish Agricultural Industries, Ltd. (subsidiary of Imperial Chemical Industries).
	Mr N. Garrod Thomas	Director, Scottish Agricultural Industries, Ltd.
	Mr Howard Cunningham	Director, Scottish Agricultural Industries, Ltd.
Timber	Major A. I. Harris	Louis Bamberger & Sons (timber importers); Past-President Timber Trade Federation.
Wool	Sir H. B. Shackleton	Taylor, Shackleton & Co. (weavers); Hon. President, Bradford Manufacturers' Federation; chairman, Wool Textile Delegation; president, Woollen & Worsted Trades Federation.

MINISTRY OF FOOD		
Commodity	Head Controller	Principal business interests or previous occupation.
Butter	Mr H. E. Davis	London Manager of Dominion of New Zealand Dairy Sales Division.
Cereals and cereal products.	Sir Alan Anderson	Chairman, Anderson, Green & Co. (ship-brokers and managers); Member of Royal Commission on Wheat Supplies, 1914-19.
Feeding-stuffs	Sir Bryce Burt	Indian Agricultural Service.
Tea	Sir Hubert Carr	Late managing director, Balmer, Lawrie & Co., Ltd. (controlled by Lawrie (Alex.) & Co., Ltd., managing agents to tea estate companies).
Canned fish	Mr Dan Tobey	Chairman, companies controlled by Associated Canneries, Ltd. (subsidiary, Lever Brothers & Unilever, Ltd.); director, Associated Canneries, Ltd.
Meat and livestock	Sir Francis Boys	Vice-chairman, Livestock Commission; Member, Bacon Development Board; Director and Vice-chairman, New Zealand Refrigerating Co., Ltd., 1923-33.
Bacon and ham	Mr J. F. Bodinnar	Chairman, Bacon Marketing Board; Member, Bacon Development Board; Deputy-chairman, various bacon companies.
Dried fruits	Mr A. E. Gough (designate)	Managing Director, Overseas Farmers Co-operative Federation, Ltd.
Sugar	Col. F. C. C. Balfour (Chairman of Board)	Chairman of Sugar Commission; formerly Sudan Political Service.
Imported eggs	Mr J. A. Peacock	Director and Secretary, Nurdin & Peacock, Ltd. (provision, egg and butter importers).
Potatoes	Capt. J. M. Mollett (designate)	Chairman, Potato Marketing Board.
Oils and fats	Mr Herbert Davis	Director of Lever Bros. and Unilever Ltd.
Condensed milk	Mr E. W. Brown	Director of Napier, Brown & Co. Ltd. (sugar merchants).

money. But it is questionable whether it is really an adequate price policy to keep down the prices of certain things arbitrarily selected by the fact that the Government buys them and to let the rest go hang, or, even if it is, whether in both its parts it has not been carried too far. The low prices for munitions materials have made it possible to conclude bulk purchases, often of the whole output of Empire producers, at very favourable prices. But there are objections to artificially low prices just as to artificially high prices. Moreover, where the Empire is an exporter on balance, artificially low prices bring in much less than the needed quota of foreign exchange.

On the other hand, outside the narrow circle of the munitions materials, prices have been running riot. Never has a finer collection of excuses for raising prices been on show. The depreciation of sterling and the rise in freight rates are fully justified reasons—though perhaps not to the extent that they are pleaded. It would be easier to believe in the validity of the commodity insurance plea if there were any cases of prices being reduced when the premium was remitted. Both an increase and a decrease in the volume of demand has been given as a reason for increased prices; neither has been cited as a reason for a fall. Some of the controls have seen fit, for no apparent reason, to increase

the remuneration of middlemen. Requisitioning powers have been used to buy up stocks of raw materials and sell them back at a much higher price. Trade terms have been altered in such a way as to increase the effective price—for example, in the case of one commodity, the price payable has been altered from that prevailing at the time of order to that prevailing at the time of delivery.

The examples could be multiplied endlessly. But enough has been said to show that almost every brand of expedient has been used. It is surely imperative that the whole question should be decided in principle and a policy laid down. As an interesting example of the sort of question that needs to be answered, the price policy of the steel control can be cited. In steel, as in many other industries, production is being pushed to the margin. If the price of steel were to be raised to a level sufficient to remunerate the marginal producer, it would rise very steeply. But the control has raised prices by the moderate amount of about 10 per cent., and this increase is to be pooled in the industry and distributed in such a way as to assist the high-cost producers. If this principle is correct, it would seem to be of far wider application than merely to steel. It is obviously a matter for careful investigation and decision in the framework of economic policy as a whole.

4. Living on our Fat

The publication of the November unemployment figures reveals a surprising and dangerous position. Unemployment fell, it is true, but only by 28,000. The figures of employment have not been published since July, but in view of the very large numbers of men who have been drafted since then into the armed forces and civil defence, the total of employment must be substantially lower than in the summer. Production for the Government, however, is increasing rapidly. The Ministry of Supply has placed £195 millions' worth of contracts. Thirteen ordnance factories are already producing and sixteen more are under construction. The output of ammunition has been doubled since September. If production for the Government is sharply up and total production is down, it follows that production for the home market must be very substantially lower. But there is very little sign that the consumption of the people has been correspondingly reduced; in the case of food and drink it is believed to have increased.

We are, in fact, living on our stocks. In spite of constant agitation for the increase of stocks, the probability is that the country began the war with stocks that were below normal, except in one or two special lines. If now—as appears to be the case—we are cutting into these stocks

instead of building them up, we may be running very grave danger of serious trouble when the full-scale aerial assault on these islands begins.

With this immediate economic background, the fumbings and hesitations over rationing take on an even more menacing aspect. As a matter of grand economic strategy, the war will be won by the extent to which the British public agrees to restrict its consumption, and no chance should have been missed of driving that point home. But if, in addition, there is a current shortage of production for the home market, the problem takes on an immediate and tactical urgency.

The Ministry of Supply is making progress with its task of organising the production of war materials. It is equally important, at the moment, to organise the production of other materials. Instead of depleting stocks, the consumption goods industries ought now to be increasing them against the day when there will be an acute shortage of labour and materials. One of the first tasks of economic policy is to discover the impediment to production. Is it financial? Is it the complications of control, or the decisions of the controllers? Is it caused by taxation? Whatever it is, it must be identified and removed.

5. The Stimulation of Exports

There is some danger, however, that this enthusiasm for uncommercial trading in Scandinavia, the Low Countries and the Balkans, may obscure the necessity, at least as urgent, for similarly drastic action in the main field of exports to the rest of the world. We need foreign exchange to get our supplies, and if we are going to set out to lose money in most of the European markets, the need for making money by our exports to other markets is redoubled. There are four main requirements of the British war machine—men, industrial plant, ships and foreign exchange—and at the moment it is the fourth that looks like being in the shortest supply and imposing a drag on all the rest. Export industries are not an alternative to munitions industries; they *are* munitions industries, and the only ones that can obtain for us some of our most essential requirements.

In each of the previous articles on the export problem, the conclusion has been separately reached that the problem is now far too large in scale to be capable of solution by individual firms or even by industries. They cannot sufficiently insist on getting their materials or their shipping; they cannot regulate exchange rates (which, in the present world, make or mar a deal); they cannot use the leverage of our immense purchases. Above all, they are compelled to look to the accountant's orthodox evaluation of profit

and loss. But from the community's point of view, a deal that brings in £100,000 worth of foreign exchange is well worth while even if it results in a loss, in pounds, of two or three thousands. The Treasury should be anxious to pay out £5,000 if thereby the exchange reserves of the country are increased by many times that amount.

For all these reasons, it will be impossible to make substantial progress with the stimulation of exports until there has been a radical change of policy on the Government's part. Hitherto, Government action has been confined to attempts to smooth the path for the exporter by helping him to get his materials and by diminishing the number of forms to be filled in and controls to be circumvented. The Government's unwillingness to undertake anything in the nature of positive action is sharply illumined by the amazing decision that was taken on the outbreak of war to cut the staff of the Department of Overseas Trade to something like one-third of its pre-war level.

Suggestions have appeared in the Press for a new Ministry of Commerce. This is not in the least necessary. What is necessary is that one or both of the two existing Departments, the Board of Trade and the Department of Overseas Trade, should be equipped with a mandate to boost our export trade and the powers necessary to accomplish that purpose. Those powers should be of a manifold character. The department responsible for exports must

be able, first, to ensure a supply of goods for export, by providing willing exporters—in the teeth, if need be, of the Ministry of Supply—with every facility and, if necessary, by compelling unwilling exporters to produce (as in Germany) a given quota of goods for export. Secondly, the department must be in a position to mobilise in the support of British exports all the assistance that can be got from commercial and exchange agreements. And, thirdly, the department must be ready to spend public money in stimulating exports. This does not mean the crude doling out of subsidies, which would be both wasteful and ineffective. Public money must rather be applied as a lubricant where necessary, drop by drop and case by case. The most effective method might well be to create semi-public trading organisations, one for each industry, and guarantee them against losses in proportion to the increase in the volume of exports that they secured.

But the chief need of the moment is not to propound detailed schemes for carrying out a policy but rather to secure recognition of the need for the policy itself. More truly than for Germany, the choice for Britain is "export or die." If the denial of normal commercial principles can be accepted for the purpose of hurting Germany, shall we refuse to spend a little money and to take a little trouble to keep Britain alive?

6. The Crying Need for Policy

In every corner of the economic front there is thus an urgent and crying necessity for decisions to be taken. The scale on which preparations are to be made must be accepted as the maximum (otherwise it will be too late to win the war in three years). The main principles of industrial control must be thought out and argued out. Some substance of policy must be put behind the wish to avoid inflation. The present drain on our stocks must be brought to an end. And the decision must be made to spend money and effort on building up that flourishing export trade without which all the rest will be in vain.

These are not problems of co-ordination; as things are, Lord Stamp has the impossible task of co-ordinating policies when there are no policies to be co-ordinated. They are questions of policy that can only be decided by the War Cabinet and can only be satisfactorily carried

out by a Minister who is charged with the oversight of the whole field and possessed of powers of execution that will reach to every corner of it.

If Germany, with her minute naval resources, were winning battle after battle in the North Sea, there would be an insistent demand for a better use of our more numerous ships. The economic battlefield should be no less completely under Allied domination. But it is not. The Germans have increased their exports to the markets they can reach; they have a price policy; they understand economic warfare; they are producing, not on the smallest scale that will keep an army in the field, but on the largest scale to which their industrial machine can be driven. This challenge can only be met by a deliberate decision to mobilise all our overwhelming potential strength by means of a skilled, coherent and purposeful economic strategy.

NOTES OF THE WEEK

Finland Fights Back.—In its first week the Russian invasion has made little progress beyond local advances of a few miles in depth at a number of isolated points along the frontier, the most important of which are on the Karelian Isthmus, in territory north of Lake Ladoga, and towards Petsamo in the extreme north. At the first and second points the Finnish Army is retiring slowly to prepared positions, fighting rearguard actions with a success which only troops trained to withstand the rigours of the climate and the harsh nature of the country could obtain. At Petsamo and at other points along the frontier where the Russian attacks have involved less weight of men and material, the Finns are relying on the skill and mobility of ski-regiments to dislodge and discomfort the invaders. Bad weather conditions have prevented the Russians from using their crushing superiority in the air for bombing or reconnaissance beyond a number of raids carried out on Thursday and Friday of last week; the districts of Helsinki, Petsamo, and places in central Finland were then bombed with complete disregard for the safety of women and children and with an inefficiency which argues that the Russian pilots never received orders to confine their missiles to military objectives, but were sent to drop them wherever they could find a living target. In the Gulf of Leningrad the Red Fleet has now occupied the four small islands (including that of Hogland) which were demanded of Finland during the diplomatic offensive; attempts to land troops on islands adjacent to the Finnish coast have failed,



however, and there is no sign of any immediate danger to the island port of Hanko. For the moment the Red Army seems to be concentrating its whole attention on its three main attacks; meanwhile, the Finns have had more time for preparation than they might have expected. Finnish mine-layers have now put down a minefield in the neighbourhood of the Aaland Islands, and the Government has announced its intention of proceeding at once with land fortifications on the archipelago; some 4,000 Swedish-speaking troops have already arrived in Aaland, together with a certain amount of artillery. Indeed, the whole bearing of the Finnish Government conveys an impression of confidence and courage in preparation for an extended war; and this is reinforced by the very clear fact that the Finns will be able to continue their resistance with material help from outside. Sweden is now understood to be sending to Finland every sort of material assistance short of official units; Italy claims to have sent (presumably across Germany) at least fifty bombing planes; British supplies, including fighter aircraft, are already on the move, and there is evidence that war material is also arriving from German, Czech, Yugoslav and Hungarian sources. The total volume must not be over-estimated; nevertheless, added to Finnish courage and tactical efficiency, it will play its part.

Appeal to the League.—At the week-end the Government formed by Hr. Risto Ryti on the second day of the invasion announced its intention of invoking Articles 11 and 15 of the League Covenant. Accordingly, the Secretary-General of the League convened a meeting of the Council for this Saturday, and it was later decided that the Assembly should meet on Monday. At first sight it may have appeared that the Finnish Government had misjudged the situation: how could a meeting of the League, shorn of its power and most of its prestige as it is now, its two great supporters committed to a war of life and death, its third, the Soviet Union, now in the rôle of blatant aggressor, bring succour to the victim of aggression? Would not a meeting have the effect rather of plunging the League still further into the derision and disillusion of the neutral Great Powers? Writing in advance of the event, it can only be said that this week-end's resurrection of the League as an instrument of world-wide opinion looks like being, not the fiasco it might so easily develop into, but the beginning of a new solidarity among those peoples who have believed in, even when they have not supported, the system of collective security. And from the Finnish Government's point of view, of course, it is magnificent advertisement. The Finnish position is clear enough. Willing to negotiate and to make concessions on every question and in every way which leaves unprejudiced the vital interests of Finnish independence, the Finnish Government has invoked those Articles of the Covenant which promise investigation, conciliation, arbitration. There is thus no question of sanctions, not, at least, as the case now stands. But from the reaction in America, notably from two or three South American Republics, it appears that there is, or will be, a very real quest of expulsion, although there are technical difficulties in the way of this even if the Soviet Government does not settle the issue by taking matters into its own hands. The Argentine Republic is credited with a proposal to unite the signatures of all the twenty-one Republics of America on a document of forthright condemnation, a step which authoritative comment in Washington has indicated would receive a warm welcome at the White House. Uruguay has announced that either the U.S.S.R. or herself must leave the League; rousing telegrams have been received from other small republics; and there seems to be every chance of Monday's discussions being imbued with a strong Transatlantic flavour. In righteous indignation, though of its own kind, public opinion in the United States is well in the running with Latin America; it remains to be seen how far this feeling will be translated into material terms.

Where Next?—Having set up at Terijoki, on the frontier, a puppet Government under Kuusinen—one of the signers of the Zinoviev letter and an old-guard Finnish

Communist—the Soviet Government evidently means, if it can, to follow its invasion with the complete Sovietisation of Finland. The existence of this intention raises a number of great issues. In the first place, how far does German-Soviet collaboration go, and did the Germans foresee that the Red Army, once launched on Finland, would try to establish there a Soviet regime? If they did, then where is the necessary compensation? A realistic interpretation would point to a delimitation of spheres of influence, the Germans taking Denmark and Sweden, the Russians Finland and conceivably the "right" to establish later on, with German consent, naval bases on the north coast of Norway. At the same time, the connivance of the German Navy in allowing war supplies to reach Finland would argue that Berlin is alarmed at the lengths to which the Russians have gone. It may require a clash in the Balkans to provide the answer to these questions. In Italy, and to a lesser degree in Spain, the invasion of Finland has created an effect of a kind so strong as to have been caused, it would seem, only by the arrival of an Avenging Angel laden mysteriously with saving grace. Student demonstrations may not mean very much; but the mixture of shock and relief—the one caused by the suddenness of the Russian action, the other by the realisation that Italy's loyalty to Germany need no longer stand in the way of an independent foreign policy—have gone much deeper than this traditional way of airing a grievance would indicate. Here again, though, the answer is to be looked for in the Balkans.

The Balkan Threat.—If the views of the Comintern are anything to go by, that answer should not be long in coming. An article in that institution's organ, the *Communist International*, insists that Roumania must now realise that her interests require a pact of mutual assistance with the Soviet Union similar to those already signed by the Baltic Republics and to that which the Soviet Union is trying to impose on Finland. Only thus can Roumania avoid entanglement in war. Only by accepting Russian help can she avoid economic ruin, only by generous territorial concessions can she establish domestic peace. "The warmongers," the newspaper continues, "are making the utmost efforts to form a bloc of Balkan States . . . with the object of dragging them into a war against Germany and later against Russia." The truth, it need hardly be said, is just the contrary of this. The Balkan States to which the newspaper refers are presumably Turkey, Roumania and Bulgaria; it is true that they have been toying with the idea of a new and more widely effective Balkan Entente—though never with a very firm intention of putting the idea into practice—but with the precise aim, not of pleasing the Western Powers, but of defending themselves against German and Soviet penetration. Far from wishing Roumania to sign away her independence to the U.S.S.R., it seems even likely that the Turks would modify their attitude of neutrality towards the U.S.S.R. if there were to be any question of Russian aggression towards the Dardanelles. They would obviously first prefer that Roumania should try to settle the Bessarabian dispute, which will otherwise continue to provide the Russians with a convenient handle; if that cannot be done, however, they will scarcely be content to see the Red Army established in the delta of the Danube, at Constanza, and later, by a natural development, on the Turco-Bulgarian frontier. Russian aggression in South-Eastern Europe will be a very different matter from aggression in the Baltic. There the Soviet Government could compound by private treaty with the only Great Power which stood in her way; in South-Eastern Europe the ways are open to all the Powers of Europe, and the interests aroused touch the fundamentals of any balance of power, whether it be conceived from a British, French, Italian or Balkan point of view. And above and beyond these factors, as yet an unknown quantity, stands the suspicion of Germany. On the short view it may well be that the Nazi leaders are prepared to see a Russian domination of Roumania, especially if they can thereby involve the Western Powers in war with the U.S.S.R.; rail communications are now said to be

working again between Oraşeni and Beuthen across Russian-occupied Poland, and commercial collaboration can doubtless go a long way; but in the end nothing can disguise the deep-rooted conflict of interests between Germany and Russia in that part of Europe which impinges on the Dardanelles.

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Parliament and the War.—This week's debate on the Address in the Commons ranged widely over the war effort, peace aims and post-war reconstruction. It was desultory and not very helpful. The Labour amendment on Tuesday was mishandled by Mr Greenwood, who contributed singularly little that was either practical or constructive to the discussion, while Sir Samuel Hoare's review of the economic situation failed to reassure those critics who were still doubtful about the adequacy of the effort that is being made. To no small extent the inconclusiveness of the debate was due to a general feeling among Members that their lips were sealed. Neither in criticism nor in defence could facts likely to be useful to the enemy be cited. The only way to allay this sense of frustration, that is, to hold a secret session (as was done several times in 1914-18), was agreed upon. Next week both the Commons and the Lords will debate supply matters, the kernel of current controversy, *in camera*. The Government was reluctant to make this concession. It will be easy to exclude reporters and prohibit publication. It will be easy to keep strangers away. But it will not be easy to stop every one of 615 members from talking, and it will be harder still to prevent the spread of rumours about the proceedings which, though plainly false, will be no less damaging. Already the Opposition has access to the war departments. They can meet Ministers in private and pool the facts they know, though it is possibly a weakness of the British system that there are not, as in France, committees of Members formally and continuously in touch with departments and Ministers. Next week's debates will be brief single-day affairs and only supply, not strategy, will be discussed. Not much more will probably be achieved than could be got by open debates and private conversations. The importance and justification of these sessions will be psychological. They reflect the growing anxiety of the Opposition on the nation's behalf about the scale of the war-effort; and they will permit Ministers to make the gesture of putting all their cards on the table.

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The Fight for the Seas.—The war at sea has not yet been won. In three months 340,000 tons of British shipping have been lost. The Navy has lost 50,000 tons—an aircraft carrier, a battleship, a merchant cruiser, a destroyer and a submarine. Submarines, surface raiders and mines have all contributed to this onslaught by an enemy which is well aware that unless Britain's grip upon the seas can be loosened the Allies—short of crassly misdirected strategy—cannot lose the war. The trading neutrals have been in the front line of the sea struggle. In October their shipping losses by German action were half as heavy again as in September; in November, when two-thirds of the losses by mine were neutral, total neutral losses were twice what they had been in October. Now the neutrals are being pressed by the Power that has sunk their ships to take forcible action against the contraband control measures of the Powers that have used no violence at all against them. Mr Churchill's suggestion to the neutrals on Wednesday, when he surveyed the situation for the Commons, was that they should charter their vessels to the Allies. The Nazis' latest blows have fallen most heavily upon the neutrals because of the Navy's success in protecting British ships. U-boats are being sunk by aircraft and a growing fleet of hunters faster than new submarines and submarine crews can be turned out; last week five were sunk by British action alone. Since the war started only one in every 750 ships convoyed has been successfully attacked by the enemy, and for every 1,000 tons lost 110,000 tons have entered British ports. The fact is that the losses so far are no more than the inevitable accompaniment of the fierce

conflict that is being waged at sea. They betoken no real weakening of the Allies' mastery, though they are good cause for the extremest vigilance and the maximum effort in defence. Against Britain's losses of 340,000 tons, replacements, prizes and charters from neutrals have added 280,000 tons to the British mercantile fleet of over 21 million tons. The astonishing total of 1 million tons of naval shipping is under construction, and the naval losses have been only half what they were in the first three months of the last war.

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The Balance of Sea Power.—The Germans, whose naval strength bears no comparison with the Allies, have admittedly done well (strategically rather than morally) so far, but not well enough to bring them in sight of their objectives—command of the West European seas and blockade of Britain. They have made the waters of the North Sea for many miles out from the German coast difficult and dangerous for craft of all kinds. They have sporadically wrought destruction off the English coast itself. And they have still to deploy the full combined force of their resources below, on and above the sea. But they dare not deploy it; for them to risk any major combat would be to court disaster. At sea the Germans can be no more than guerrillas. Guerrilla warfare is harassing. As Mr Churchill never hesitates to make plain, it means periodic losses, sometimes serious, for the stronger Power. But it can never be decisive. In three months the Allies have detained 735,000 tons of contraband destined for Germany. Since midnight last Monday Germany's seaborne exports have been doomed to seizure. These facts show which way the balance of sea power is tilted.

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Protests from Japan.—The British embargo on Germany's exports which came into force on December 4th is, according to repeated Government assurances, to be carried out with every regard for the rights and special interests of the neutrals. Their protests have all received full consideration, and in several cases negotiations are continuing in London with a view to mitigating any avoidable hardship. M. Shigemitsu, the Japanese Ambassador, is pressing on the Cabinet his Government's concern over certain categories of German goods, which since they have already been paid for, no longer affect the question of Germany's purchasing power. These goods apparently include patent German machinery for the extraction of oil in Manchuria, and the Japanese Army has therefore a keen interest in the negotiations, and are probably largely responsible for the Japanese Government's stiff attitude over the whole question on embargo. Counter-measures are reported to be under consideration, such as the seizure of British and French ships in Far Eastern waters, but presumably no action will be taken until M. Shigemitsu submits his report. Indirectly, Soviet aggression in Finland may influence the Japanese decision. For some time past a group of Right Wing extremists, with the urgent encouragement of German agents, have been advocating a close understanding with the Berlin-Moscow bloc and a clear break with the United States and Britain; now the export embargo appeared to offer, in so far as Britain was concerned, an excellent opportunity. However, since the invasion of Finland Russia's "Red Imperialism" has rather discredited this group and given a fillip to those Japanese who look for better relations with the United States of America and Great Britain. It remains to be seen how successful the British Ambassador in Tokyo will be in his efforts to take advantage of the improved situation and of the fact that negotiations have now been reopened between the United States and Japan.

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—And from Nearer Home.—Sweden must be added to the list of protesting neutrals and Holland has reinforced her first protest by a second. Since she refuses to recognise any validity in the entire procedure, Britain's promise of considerate treatment to neutral claims is dis-

missed without comment. However, Holland hopes to come to some arrangement over the obvious distinction between the German goods she ships to foreign countries and those which she sends to her own East Indian dependencies, a distinction which was observed during the last war. There are still no neutral protests to Berlin to report either over German mine-laying or the German Navy's attacks on neutral shipping. Mr Butler, however, stated in the House on November 27th that "there is ample evidence that neutral countries appreciate the difference between British and German methods," and we need hardly feel surprised that this appreciation is made known rather through the secret channels of diplomacy than by open publication in the neutral Press. If a little strafing against us on the part of the neutrals and a little patience on ours can preserve the Western European fringe from the German-conceived "liberation" and "solidarity" recently purchased so dearly by the Poles, the price will not be exorbitant. In any case, the neutrals may rely on British consideration, and, as time passes, their grievances will diminish. Some recently published figures throw interesting light on the incidence of our contraband control before the introduction of the export embargo. In the week ended November 26th 134 new and 51 outstanding cases were examined; of these, 31 were Italian, 29 Dutch, 28 Norwegian, 20 British, 15 Greek, 13 Swedish, 13 from the United States, 13 Danish, 8 Belgian, and 5 Finnish. Only one cargo was seized in its entirety, and 97 cargoes were not touched at all.

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Rations—Official and Unofficial.—In justifying the postponement until January 8 of the official rationing of bacon and butter, Mr Morrison pleaded that the registration of consumers with retailers could not be completed by an earlier date. It now appears, however, that the uneven distribution of these goods, of which complaint has been made in recent weeks, is to be remedied in the intervening month by unofficial rationing to retailers on the basis of consumers registered with them, thus involving unofficial rationing of consumers. Unofficial rationing is difficult, discriminatory and unpopular. But the struggles of the Ministry of Food to avoid the application of the same epithets to itself are both short-sighted and dangerous. The postponement of control of the distribution of meat, announced last week, is a particularly blatant dereliction of duty. The Government may by this means avoid popular opprobrium; but it will not avoid a plain responsibility for any price rises and inequalities of distribution that may ensue. At the outbreak of war, the Ministry imposed a schedule of maximum wholesale and retail prices for home-killed and imported meat, as an interim measure pending the introduction of meat rationing and the complete control of the meat trade. A fortnight ago it even issued a schedule of the prices it would pay for fat stock under the control scheme. But instead of moving forward to complete control, the Ministry has gone back to the beginning, maximum prices have been abolished and a free market in meat and fat stock restored for an indefinite period. The reason given was that marketings of fat stock will be sufficient in the next few weeks to offset the shortage in supplies of imported meat caused by the demand of the Army. But to the working-class urban housewife, high quality British beef and pork are not a substitute for the standard cuts of imported meat. British and imported meat serve very different markets and they are only interchangeable if the Ministry has control over all supplies and allocates meat, irrespective of origin, to the butchers at standard prices.

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M. Daladier's Ends and Means.—On Friday of last week the French Parliament accepted by 385 votes to 175 a Bill to extend the Government's plenary powers over the duration of the war. The debate which took place on the Bill showed how closely together the main groups now stand: even the Opposition, coming significantly from both M. Marin, for the Right, and M. Blum, on behalf of

the Socialists, revealed a difference on method and not on final purpose. Both critics saw in the unqualified reaffirmation of M. Daladier's plenary powers a possible threat to the prestige and authority of Parliament; and although their motives may have been vastly different the substance of their criticism was surprisingly similar. In refusing to amend his Bill to include a safeguarding clause that decrees must be ratified by Parliament, M. Daladier was doubtless guided by a bitter memory of past experience and a lively appreciation of the present balance of forces. In the long run, of course, he was certainly justified, for there are few Frenchmen who would wish in any way to diminish the executive power of French administration at a time when the energies of France are being exerted, in the factory and at the front, as perhaps never before. But it is healthy and natural that democratic France should have her doubts on the morality of complete government by decree; and it is good that those doubts should be openly expressed. If he is wise, M. Daladier will not fail to listen to them whenever he has the choice. With that reservation, he may go forward with the prosecution of the war in the firm knowledge that there is a united people behind him. Within these last weeks, too, he has added considerable stature to himself, so that the Deputy of Orange is now in much more than a formal sense the representative of the French people. His brief disquisition on war and peace aims, sandwiched into a fiery speech to the Chamber on Friday of last week, expressed very well the unwillingness to take victory for granted, the concentration on the main cause and its removal, the determination not to be committed in advance of circumstances, which distinguishes French from Anglo-Saxon (and particularly American) discussions on this subject. "We need a peace of security (with material guarantees)," he said, "but the first thing to do is to win the war. This is the sole aim to which all our energies must be directed."

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More Men for the Forces.—A fortnight ago Mr Hore-Belisha gave his word to the French that more British troops would soon be sent to the Western Front. Last Friday, a month earlier than most people had expected, the second Royal Proclamation under the National Service (Armed Forces) Act called upon all men between the ages of 20 and 23 on December 1st to register for military service on December 9th. Perhaps a quarter of a million will register and 200,000 or so of them, after allowance is made for men in reserved occupations and those not up to the standard of fitness required, will be called up in January. This latest addition to the Forces will bring the total of men compulsorily called up since conscription began to more than 600,000; and since the war began 85,000 older volunteers have been accepted. In

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September a million men were in arms. Now the total is over a million and a quarter, of whom between 150,000 and 200,000 are in France. In January the total will reach and exceed a million and a half. Even this effort is only the start of what will be needed as the war intensifies and extends. At least twice as many men will then be required—which makes the duty to press into service every man and woman for production at home more imperative than ever.

* * *

Air Raid Precautions.—With commendable care, measures to mitigate the adverse effects of air-raid precautions upon business and social life are being pressed forward. The aim is to permit the nation's activities to go on as unhampered as possible without the country's security being put in peril. The earlier strict rules for shop closing have been relaxed. By Christmas there will be lights in trains and shop windows after dark. The chief trouble is still in the streets, where no lighting device to abate the dangers of the black-out has yet satisfied the Air Ministry as safe from observation by raiders. This is still a grave gap in the reasonable revision of A.R.P., but there is no longer that indiscriminating clamour against safety restrictions which broke out earlier in the war. In particular, the bubble campaign to end the alleged vast waste of money and personnel in the staffing of A.R.P. services has burst. Even at the outset its foundation was little firmer than the absence of personnel has disclosed little or no extravagance or over-establishment except in country areas which had been equipped too much on a par with crowded towns; in the Auxiliary Fire Service, for instance, a net reduction of only 4,000 out of 60,000 is said to be the greatest possible saving.

* * *

A circular to local authorities last week-end stated the conclusion that in no vulnerable area was the whole-time personnel adequate to deal with serious raids. To raise the number of professional wardens and auxiliary firemen would be uneconomic—even though there are only half as many of these paid workers as was originally planned. The alternative is to make sure that sufficient unpaid volunteers will be available at call in emergency. This involves three steps: first, each local authority must calculate precisely the number of immediately mobilisable reserves needed; secondly, arrangements must be made with employers to ensure the release of specified reserves whenever wanted; and, thirdly, the volunteers called away must be compensated for their broken working time. The circular suggests 10s. a day for men volunteers and 7s. a day for women. The Home Office's inquiry was in response to a call to cut down expenditure. Contact with the facts turned it into a study of ways and means to make A.R.P. flexibly efficient without raising the cost. This scheme, which will add a second line of some 600,000 reserves at call to the first line of 250,000 or so full-time civil defenders, should bring system and new strength to the operations of our 1,100,000 A.R.P. workers. In conjunction with the 700,000 men and women trained to protect their own factories and places of work, the three tiers of the local forces should prove sufficient for any emergency—if every effort is continuously made to prove and maintain their efficiency and alertness while they are standing by.

* * *

War Damage to Property.—The first report of the Committee on the Principles of Assessment of Damage is, within its limits, an exemplary document. But its limits are narrow. The Chancellor of the Exchequer proposed the setting up of the Committee on September 21st, with the function of advising the Compensation Board, to be appointed under the Government's Compensation Scheme for war damage, on the principles of assessment. He specifically excluded from its terms of reference all questions of consequential losses, such as loss of trading or other

profits, and the cost of providing alternative accommodation. The Government's Compensation Scheme already excludes property and goods insurable under the War Risks Insurance Act, 1939; property belonging to local authorities and public utility undertakings; and uninsured securities, jewellery and other valuables. And the Committee themselves point out early in their report that they are not concerned with questions of the division of ownership between mortgagors, mortgagees and other interested persons. Their business is simply to suggest means of assessing physical damage to property. Most of the report is devoted to immovable property—land, buildings and fixed plant. The basis of assessment suggested is the cost of reinstatement estimated at the level of building costs in March, 1939, with a limit set by market value, also in March, 1939. In the case of property purchased after the outbreak of war at a lower price than that ruling in March, 1939, damage is to be assessed on the price actually paid. Special arrangements on rather different lines are suggested for certain classes of movable property, including furniture, movable plant, motor cars and consumable goods. In each case the modified basis suggested is both just and reasonable. The Committee's task is not yet complete. It still has to deal in particular with the important cases of livestock and growing crops. But this first report holds good promise that a sound basis will be laid for assessment, and that the misuse of the Government's Scheme by dishonest claimants will be forestalled.

* * *

But nearly all the broader and more important aspects of Government compensation for war damage fall outside the scope of the Committee. It can do no more than note that coefficients will ultimately have to be found whereby assessments based on March, 1939, will be brought into line with those which are based on other dates. But in fact the calculation of these coefficients will ultimately be a major point of policy. So will the question of the effect on compensation of divided ownership, which the Committee does not touch. There was a short-lived hope, inspired by the wording of the Labour Party's Amendment to the Address, that there would be at least a preliminary discussion in the House on Tuesday of the interlocking questions of compensation and reconstruction. But the promise was disappointed and both Government and Opposition spokesmen confined themselves for seven hours to oratory and generalities which served only to expose the fact that the inescapable problems arising out of any kind of war damage to property have not been faced in principle, much less tackled in detail.

* * *

Prices, Wages and Unions.—Wednesday's discussion between the Chancellor of the Exchequer and the National Joint Advisory Council threw some light on the obscure question of the attitude of the trade unions to the working-class contribution to war expenditure and to the relation between wages and prices in wartime. The T.U.C. General Council's economic committee has been considering the latter question for some time, but there has been no formal public discussion of it. Sir John Simon's statement of the previous week, in which he challenged the assumption that wages should rise parallel to prices, was therefore represented as something of a bombshell. The unions indicated that they would like to discuss the matter further with the Chancellor. Wednesday's meeting was the result. Now the unions' position is that they want more time to think about it; but certain indications of their attitude have already been given. It is held that in any case prices must not be allowed to outstrip those wages which are at or near the subsistence level; that those workers who are called upon to work harder and longer must be correspondingly rewarded; and that the drive to increase working-class saving must not be conducted without reference to its immediate effect on living standards and its ultimate economic consequences. All these are reasonable demands, and it will no doubt be possible to meet them. But there are much larger issues which have hardly been

faced by the unions. It is already clear that war expenditure cannot be financed exclusively from the tax payments and savings of the highest income groups. It is becoming plain that a cutting down of consumption will have to be faced by those sections of the working class whose incomes are well clear of the subsistence level. And it is probable that taxation as well as saving will have to be used in the collection of the resulting surplus incomes. A show of surprise at the somewhat abrupt manner in which the Chancellor introduced the subject, and a ceremonious recourse to existing trade union machinery will postpone the day when these facts will have to be openly faced, but it will not avert it.

* * *

Federal Yugoslavia.—Following the article in last week's issue of *The Economist* describing the political situation in Yugoslavia, we print the accompanying map in illustration of the new federal boundaries. It will be seen that the Zagreb administration is to have control of that part of the country which runs between the Slovenian boundary and the new Bosnian boundary, and that the Dalmatian coast as far as and including Dubrovnik will



be included within its jurisdiction. The exact line of the Bosnian boundary itself is not yet finally settled: approximately it runs from Sid and Ilok in the north to a point south of Dubrovnik on the coast, traversing the districts of Brčko, Gradačac, Derventa, Travnik and Fojnica.

* * *

Mr Menzies in Difficulties.—The announcement made by Mr Menzies at Canberra on November 29th that a Special Division (known as the Second A.I.F.) would be ready to embark for Europe early in the New Year led to a counter proposal by Mr Curtin, the Labour leader, that "Australian man power is required for the defence and safety of the Commonwealth," and that therefore no expeditionary force should be sent abroad. Mr Menzies secured the necessary support by a narrow margin of five votes, and over the week-end fresh trouble awaited the Cabinet in the shape of a Labour amendment on the rates of pay to men in the A.I.F. and the militia. The Labour Party demanded increases in pay and in family allowances and concentrated their attack on the rates in the militia over which, they allege, a breach of contract can be proved since the militiamen received 8s. a day during their first period of training and were subsequently demoted to 5s. The Menzies Cabinet estimates that changes such as those demanded by the Labour Party would add an annual £A.2,500,000 to an already swollen Defence Budget (it has

been raised from £A.33,137,000 to £A.62,014,000 since September). But on December 5th they agreed to give the militia 8s. a day until early in 1940, after which all of the present strength will be transferred to the Reserve. In future the militia will be maintained at 75,000 by calling up men at 5s. a day. In the case of the A.I.F. who knew the rates of pay when they volunteered the Cabinet felt under no obligation, but increases are to be given on the same scale as to the A.I.F. in the last war. Mr Menzies was faced in this issue by a joint attack by the Country and Labour parties—an "unnatural alliance" between two groups, one of which, Labour, is fighting the dispatch of Australian troops overseas, while the other, the Country Party, has long agitated for an Expeditionary Force. After the pay concessions, however, the Cabinet carried the debate on the adjournment by 38 votes to 29.

* * *

The French Air Force.—French aircraft production has now been placed on a war footing. To achieve this, three problems had to be solved. First and foremost, it has been necessary to build up a stock of raw materials, particularly of light metals and special steels, big enough to prevent sudden shortages which would disorganise production. Secondly, there was the problem of increasing the number of skilled workers and also of ensuring that mobilisation would not interfere with production. Last June, 50,000 workers were employed in aircraft factories; and another 35,000 were distributed among some 300 firms in the metallurgical industry, providing a secondary supply of man power for making parts. Since mobilisation, many skilled workers have been retained in their civil employment in order to avoid dislocation, and in addition a large female labour supply has been recruited. This internal mobilisation of industrial man power has been completed by the strict limitation of holidays and generous organisation of overtime. The third and most difficult problem to solve has been that of co-ordination. The hardest victory of the aircraft industry has been won with the speeding up of the manufacture of airscrews, undercarriages and fittings. The manufacture of new types of engines for which construction licences had been obtained (Pratt and Whitney, Bristol Hercules and Rolls Royce) has also been accelerated. The whole of this programme has been carried out in accordance with a general plan which aims at gradually increasing production, whether of airframes, engines or accessories, till in the early months of 1940 it is five times the September figure. It was forecast before the outbreak of war that in that month production would reach 200 machines, compared with 160 in June.

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THE WORLD OVERSEAS

Lithuania Recovers Her Capital

(From Our Correspondent in Vilna)

THE short-lived jubilation of the young Lithuanians over the recovery of their ancient capital has now given place to much head-shaking among those responsible for the nation's destinies. In the few weeks which have elapsed since the Soviet Government and Army, after occupying the City of Vilna for about a month, restored it to Lithuania, the authorities in Kaunas have looked the gift horse in the mouth, only to find that it has both a voracious appetite and false teeth. It is also, at present, paralysed from head to tail.

In graciously restoring to Lithuania the City of Vilna, with its population of about 250,000 (nearly 40 per cent. Jewish) now swelled by 25,000 destitute refugees from the German- and Soviet-occupied parts of Poland, the Soviet Government gave back only one-quarter of the Vilna territory that General Zeligowski seized for Poland—under the late Marshal Pilsudski's orders—in 1920. The other three-quarters, entirely agricultural and inhabited for the most part by a sturdy Lithuanian peasantry, are retained by the Soviet Union.

During the 19 years from the Zeligowski coup to the temporary disappearance of the Republic of Poland in September, the City of Vilna had grown and prospered as the administrative, cultural, religious, economic and communications centre of a territory which included, besides the "Vilna Corridor" separating Lithuania from Soviet Russia with a population exceeding 500,000, a large area to the south and south-east of Vilna now in process of annexation to the Soviet Union. There were no important industries employing large numbers of workers in Vilna before the war. Most of the population obtained a livelihood from trade, taxes, pensions and dividends. Taxes, pensions, dividends and bank deposits, as well as all official jobs, disappeared overnight with the Republic of Poland, and the trade of Vilna to-day consists in effect of a few thousand people taking in each other's washing. A cigarette is a great luxury in Vilna now.

The Russian Occupation

During their month's occupation of the city, the Bolshevik troops and officials bought up practically everything in the wholesale and retail stores, paying for the supplies in roubles or in Polish zlotys obtained from the banks by the simple process of cleaning out the vaults. Zlotys, like roubles, are now almost worthless in Lithuania, so that the shopkeepers of Vilna have been left with currencies of no value and empty shelves. Economic life has come to a virtual standstill, and the principal activity of the population since the Bolshevik occupation has been standing for many hours daily in bread lines. It is a tragic sight to watch the effects of a sudden breakdown of a financial and economic system, and if what has happened in Vilna and throughout Soviet-occupied Poland is merely a foretaste of what the Bolshevik march westward portends, the future of Europe is indeed black.

The official Soviet occupation of Vilna lasted from September 18th to October 23rd. Zlotys were then in circulation, but supplies of foodstuffs for the civilian population and refugees were obtained only with great difficulty. For a month or so after the Soviet occupation, the Lithuanian authorities sold food against zlotys in Vilna, on the basis of 2 zlotys to 1 Lithuanian lit. The pre-war parity was about one to one. On November 21st the co-operatives and stores ceased to sell foodstuffs of any kind—except bread—for zlotys, though the sale of bread for zlotys has been extended until the end of November.

Apart from sales of food for zlotys, the Lithuanian Government has so far accepted, for exchange into lits, about

10 million zlotys on the basis of two for one, and this amount may be increased by another 10 millions or so, in order to enable the Vilna population to obtain lits for food. Otherwise they would soon pass from the border-line to actual starvation. The food riots which would no doubt quickly ensue could then be seized upon by the Bolsheviks as a reason for re-occupying Vilna, and perhaps even Kaunas. The Red Army now has adequate forces on Lithuanian territory, under the recent agreement for the



"protection" of Lithuanian independence, to interpret events to suit Soviet ends. The Lithuanians, indeed, are in a serious dilemma. To accept large-scale conversion of zlotys into lits would quickly destroy the value of their own currency, while to refuse food to 275,000 Poles and Jews possessing only zlotys would be "calling the wolf out of the woods." And, besides Vilna with its destitute population and refugees, Lithuania has about 12,000 interned Polish soldiers to provide for, and about 3,000 Polish and Lithuanian refugees in the vicinity of Kaunas.

White Elephant and Trojan Horse

Why, then, it might well be asked, did Lithuania accept this "gift" of Vilna from the Soviets? The answer is simple. For 19 years the Lithuanians at every opportunity had demanded the return of their "stolen capital," but they had resolved never to use force to get it. When the German army began its wanton aggression on Poland at the beginning of September, Berlin suggested to the Lithuanian Government that the moment had come to march into Vilna. The Lithuanians declined to stab Poland in the back, but the situation changed entirely with the disappearance of the Polish State, the occupation of Vilna by the Soviets and its subsequent "gift" to Lithuania. If they had refused the "gift," they would have been forced to renounce for all time any claim to their ancient capital. They had to take it and smile.

Lithuania is entitled to commiseration. She began the present year with a sound currency, a hard-working peasant population of some 2,500,000, and a well-balanced social and economic structure. In March her troubles began with the loss to Germany of the port and territory of Memel. Then came the war, and now she is saddled with the white elephant of Vilna and the Trojan horse of Soviet garrisons to "protect" her territory. And in the last few weeks the percentage of Jews in Lithuania's total population has risen from seven to about twelve. Poland formerly held the European record with about 10 per cent. of Jews.

Competent military observers who have watched with interest the movements of the Soviet Army in Lithuania and taken advantage of many opportunities for private talks with individual Soviet soldiers, have been mostly impressed by the poor quality of the Army's equipment and by the obvious confusion between the military and political authorities. These observers laugh at the thought of such an army fighting a war against a Great Power, and they consider it fortunate for the Bolsheviks that their new-found German "friends" have their hands tied in the West.

No criticism is made, however, of the conduct and bearing of the Soviet soldiers on foreign territory. With rare exceptions they are well behaved and courteous towards the local inhabitants. Almost to a man they are ardent propagandists for "the workers' paradise"—without knowing the first thing about life outside the Soviet Union. They were almost overwhelmed by the sight of shoes, underwear, clothing, and many other things on sale in Vilna shops two months ago which are unobtainable at any price in "the workers' paradise." To all and sundry they proclaimed their belief in the imminent Bolshevisation of Germany, and, indeed, of the whole of Europe. To most of them Britain is now "Public Enemy No. 1." The political agents—mostly Jews—who travel in the wake of the Army attend to the plundering and rounding-up of landowners, intellectuals and former political leaders. The Poles in Vilna feel less harsh towards the Lithuanians when they learn what is happening throughout Soviet-occupied Poland. There are even worse things than starvation.

November 25th.

American Business Doubts

(FROM OUR NEW YORK CORRESPONDENT)

THE disparity between the lethargy of the share market and the present remarkable activity of business persists. The level of production—or at least of the production index—is approximately the same as that of the winter of 1936-7. Yet the level of share prices is substantially lower than it was then. Indeed, it is scarcely higher than it was early last spring. Now earnings statements for the third quarter of the year are appearing and, as expected, they make almost uniformly good reading. What is more, these improved earnings are now being translated into increased dividends. But share prices, which fell back in August because of fears of war, and did little more in the first weeks of September than recover the August losses, still remain unresponsive to the business events of an autumn that has considerably exceeded the most optimistic hopes held earlier in the year.

Whether this apathy is a result of doubts whether the present level of production and profits can last, or whether it is a cause of such doubts, is uncertain. The present recovery is in marked contrast with that of 1936-7. Then, with the production index at about the same level as now, one scarcely heard a single opinion dissenting from the view that the revival was under way. Now, scepticism seems to be unanimous, and it is the share market that reflects this scepticism.

Probably this state of mind may be attributed to two causes. The business upturn in September and October was precipitate. It was the direct opposite of the precipitate collapse of September and October, 1937. Each of these movements was something of a stampede, in which business men all at once changed their minds. The stampede phase of the latest and upward movement is now definitely over for the present, and it seems likely that the current inflow of orders is actually less than current production. This is one substantial cause for caution. Even more important is the change in views about the economic effects of the war. The first nervous response of business in September was a response to memories. Recollections of a generation ago associated war

with scarcities, difficult deliveries and rising prices. Then came a change. There was a growing opinion that there had been no profits for American business in the last war and that there would similarly be none from this.

Far from being warmongers, of the type so graphically portrayed in so-called Leftist literature, the spokesmen of American business have been almost unanimous in stating that the net effects of the war on the American economy will be adverse. In short, while in September there were two opinions, one that the war would bring a boom to business, and the other that the war threatened an otherwise promising domestic recovery, now there is only one. The prevailing attitude of scepticism or distrust derives, therefore, from doubts about the maintenance of a hastily reached and untested high level of production; and there is deeper apprehension about the economic effect on the United States of a protracted war in Europe.

November 16th.

The Belligerents' Trade in Europe

(BY A CORRESPONDENT)

THE Allied navies are now sweeping the seas both of contraband goods destined for Germany and of German exports. The death knell of Germany's sea-borne trade has been sounded. But there still remains land trade and trade through the Baltic; and there are signs that Germany is not only maintaining but actually increasing her exports to surrounding neutral countries. Since a Swiss franc or a Dutch guilder will buy with equal facility Russian or Rumanian petroleum, Yugoslav copper or Italian bauxite, not to speak of goods which evade the Allied sea control, this is important.

In the statistical twilight which has spread over Europe since August no final conclusion about German exports can be drawn. Neutrals as well as belligerents have ceased to publish returns of foreign trade. But signs of bigger German sales are numerous: Hungarian imports and exports in October were well above the pre-war level; Norwegian trade in October was the biggest this year. The National Institute of Foreign Exchange in Rome recently announced that Germany was finding ways of paying some of her debts, and that a considerable reduction had been made in the clearing debts due to Italy since the outbreak of war.

Heavy German coal exports may be a partial explanation of this debt reduction—which in the case of countries like Switzerland, Holland and Yugoslavia has been due also to Germany's inability to secure deliveries in return for her exports. The normal quantity of German coal, just over 300,000 tons, was shipped to Italy via Rotterdam in September; and by land and sea Italy may have received anything from half a million to a million tons of coal since the end of August.

For the Netherlands, Denmark and Switzerland official trade statistics are still happily available. In peacetime these three countries accounted for from between 25 and 30 per cent. of German exports to the countries in Europe with whom trade is still possible, and between 15 and 20 per cent. of German imports from these countries. Details of Dutch, Danish and Swiss trade converted into United States dollars are given in the table overleaf.

Dutch, Danish and Swiss exports are well below the pre-war level, and this is as true of sales to Great Britain as of sales to Germany. But their imports have on the average been well maintained. Purchases from Great Britain have dropped and purchases from Germany have risen. Germany has created a considerable export surplus. In each of the months September, 1938, October, 1938, and August, 1939, Germany's export surpluses in trade with Holland, Denmark and Switzerland totalled \$16½ millions. Last September the surplus rose to \$18 millions, and in October it sky-rocketed to \$30 millions. In trade with Holland alone the surplus was \$10 millions in September and \$17½ millions in October.

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THE FOREIGN TRADE OF THE NETHERLANDS, DENMARK AND SWITZERLAND
(Million U.S. dollars)

	Exports				Imports			
	Oct. 1938	Aug. 1939	Sept. 1939	Oct. 1939	Oct. 1938	Aug. 1939	Sept. 1939	Oct. 1939
Netherlands:								
All countries	53.2	49.2	35.3	27.6	69.1	67.9	56.2	65.7
U.K.	11.0	13.1	8.0	5.9	6.3	5.5	3.0	4.3
Germany*	7.9	6.6	3.8	4.5	17.0	16.9	15.4	22.0
Denmark:								
All countries	28.1	27.4	28.6	22.8	32.4	37.5	24.0	27.8
U.K.	16.2	15.1	16.0†	10.5	10.8	12.0	6.2	9.5
Germany*	5.4	6.8	6.2	5.9	9.2	9.0	7.4	9.5
Switzerland:								
All countries	30.4	27.0	12.5	21.3	33.0	33.7	22.2	38.5
U.K.	3.8	4.3	1.0	1.9	1.8	2.2	1.0	1.2
Germany*	5.1	4.3	1.5	2.0	8.6	8.3	6.9	11.0
Above 3 neutrals:								
All countries	111.7	103.6	76.4	71.7	134.5	139.1	102.4	132.0
U.K.	31.0	32.5	25.0	18.3	18.9	19.7	10.2	15.0
Germany*	18.4	17.7	11.5	12.4	34.8	34.2	29.7	42.5

* Including Slovakia, excluding Poland. Trade with Poland was negligible in September and October. † Including goods in three ships seized by the Germans.

At present these sums have to be used to pay off old debts. Germany is *not* getting commensurate deliveries of essential supplies. At the outbreak of war the German clearing debt to Holland amounted to \$22 millions. By the end of October it had been halved, and on November 15th it stood at \$7 millions. There may be some revival in Dutch exports to Germany, which will reduce the rate of decline of the debt. The Dutch export trade has been severely handicapped by export prohibitions and other forms of State interference. Even so, the debt is likely to be extinguished by the end of the year, and then the Dutch Government will no doubt increase again the quotas for exports to Germany of agricultural and horticultural products, reduced last year as a result of the unfavourable state of the clearing. Similar trends in the Danish and Swiss clearings may eventually allow Germany to dispose of these currencies in other markets.

Britain's Failure to Compete

The only way in which Britain can interfere with trade between Germany and the European neutrals is by competing. In the Netherlands, Denmark and Switzerland, Britain has not been very successful. These three countries imported a third of their requirements from Germany and German-occupied territory in October, compared with only a quarter before the war. From Great Britain and France they took only 15 per cent. in October compared with more than a fifth before the war.

While Germany has been sending increased quantities of coal, iron and steel and machinery to Holland, British sales have been stagnant. At the same time Britain has reduced her purchases of Dutch bacon, butter and eggs. German sales to Denmark have not increased as much as sales to Holland. Denmark took \$1,011,000 worth of coal and coke from Germany in October compared with \$437,000 worth in September. Britain sold the Danes \$5,073,000 worth of coal and coke in October compared with \$2,588,000 worth in August; but British exports to Denmark of most other goods, iron and steel, machinery, vehicles and piece-goods make a poor showing. Danish exports of butter, eggs and bacon to Great Britain rose in September, but fell seriously in October, as a result of differences about prices. Germany has been buying more Danish meat than before the war and about the same amount of dairy produce.

Swedish returns for October are not yet available. Swedish trade with Germany in September was considerably lower than in August, but nearly as high as in September, 1938. Swedish trade with Great Britain in September, on the other hand, was a good deal lower than both in August and a year ago. The fall in Swedish exports of iron ore between August and September was considerable, but as the August figure was only 58,000 tons below the all-time high, the new level cannot be considered abnormally low. Moreover, exports to Germany were higher than a year ago. In the following table are given the official figures of total exports of iron ore and rough independent estimates of amounts sent to Great Britain and Germany:—

	('000 tons)		To United Kingdom
	To all Countries	To Germany	
August, 1938	1,206	815	85
September, 1938 ...	1,065	765	80
August, 1939	1,386	1,090	195
September, 1939 ...	965	860	20

Much the greater part of Swedish iron ore exports come from the Far North, and in peace-time the most important port for this trade is Narvik, on the Atlantic coast of Norway. In wartime the coasts of Norway are watched by the British Navy. Ships can only reach Germany from Narvik, if they keep within the Norwegian four-mile limit and succeed in eluding British warships, at the well-known points where it is necessary for most ships to go further out to sea. It is, therefore, safe to say that supplies sent to Germany in September must have been shipped for the most part from Lulea, in the Gulf of Bothnia. The Gulf of Bothnia is now closed by ice, so that for the moment shipments of Swedish iron ores to Germany are likely to be negligible. The Soviet invasion of Finland has brought a new factor into the problem of Germany's iron ore supplies. When the ice breaks in the Gulf of Bothnia next March shipments may depend upon the good graces of the Soviets.

Afterthoughts on the Quebec Election

[FROM A CORRESPONDENT IN CANADA]

THE provincial election held in the Province of Quebec at the end of October had results which were as important as they were unexpected. In August, 1936, the Union Nationale Government of Mr Maurice Duplessis had swept out of office a provincial Liberal regime which had enjoyed power for thirty-nine years. On October 25th this year the war-time election called by Mr Duplessis, two years before the constitutionally necessary date, resulted in a defeat for his Government as overwhelming as that which the Liberals had suffered at his hands three years before. The victory of the provincial Liberal party under the leadership of Mr Adélard Godbout was widely acclaimed as indicating the unqualified support of French Canada for the Dominion Government's war policy. It seems reasonably certain, too, that the Liberal victory will, in a very real sense, have this result—if only for the reason that the Dominion Government can now probably count on a broadly co-operative attitude from the new provincial administration.

But, if to the English-speaking elector in Quebec a vote for Mr Duplessis appeared clearly to be a vote for non-co-operation with the Dominion Government at a vital moment in the nation's history, it is doubtful whether opinion in the predominantly important French Canadian rural constituencies was influenced by quite the same considerations. To an important extent their vote appears to have expressed the desire of French Canada for national unity, quite apart from any question of active co-operation with Great Britain and France in the war in Europe.

One important factor must not be overlooked. French Canada has for years past had a deep-seated fear that another European war would lead once more, as it did in 1917, to conscription for overseas military service. A fear of losing influential representation of vital French Canadian attitudes and interests in the Dominion Cabinet, and of incurring, perhaps, the enmity of the predominant English majority in Canada, was unquestionably an important factor in the Quebec result. More than one competent observer believes that one thing which Quebec feared from a Duplessis victory and the consequent loss of influence at Ottawa was a deeper involvement of French Canada in forms of war participation to which they are traditionally opposed.

The consequence of the Liberal victory is to improve prospects for national unity in the widest sense of the term. For over two years the most important Royal Commission ever to be set up in the Dominion's history—the Royal Commission on Dominion-Provincial relations—has been studying the adjustment of the existing Federal constitutional structure to modern needs. Alone amongst the provinces Mr Duplessis' Government had refused to co-operate with the Commission—even to the extent of refusing to present a brief to it. Now, at last, the Federal Government can look forward to a reasonable degree of co-operation from Quebec in such matters. Again, provincial administration may become more orderly and less dictatorial. Quebec, moreover, is the only province in Canada where women do not enjoy the provincial vote. The new administration has promised this long overdue reform, and its promise will probably be implemented. Thus, for more reasons than one, the Liberal victory in the Quebec provincial election at this time will have important consequences both for the province and for Canada as a whole.

November 15th.

Antwerp and German Trade

[BY A CORRESPONDENT]

THE Allied Governments' decision to seize German exports, whether carried in enemy or neutral ships, has caused alarm in Belgium, where it is claimed that the transit of German goods by the Rhine through Antwerp represents one-third of the activities of this great port. The commerce of Antwerp, which lays claim to the rank of sixth most important port in the world, has often been menaced and, indeed, sometimes completely destroyed during the chequered history of the Low Countries. When Napoleon laid the foundations of Antwerp's importance in modern commerce it was a derelict city, for the Scheldt, by which the port lives, had been closed to navigation by the Dutch for more than a century. Napoleon saw in Antwerp a reply to the supremacy of London in trade; and, during the century which followed the building of the first Napoleon dock in 1811, Antwerp's trade steadily increased to rival that of Rotterdam.

The German occupation from 1914 to 1918 again almost destroyed the commerce of Antwerp. But, as soon as the war was over, the tenacious Antwerp burghers set about the re-establishment of their port, building new docks and quays and speeding up loading and unloading, so that once more Antwerp, with a turnover of sea-borne goods alone of over 28 million metric tons in 1937, is able to rival Rotterdam's position as leader among the trading cities of the Low Countries. Now the trade of Antwerp is again menaced—by German mines and submarines, by the Allies' control of contraband and by the new move to stop all German trading in neutral ships.

A glance at the map of Western Europe will show that the long, black Rhine barges can navigate the Rhine from Basle, in Switzerland, through Ludwigshafen, Mannheim, Mayence, Frankfurt, Bonn, Cologne, Düsseldorf and the Ruhr valley to Rotterdam and Antwerp. This is the natural route to follow for the output of German industrial goods, destined to win free foreign exchange for the import needs of Germany's economy. In 1937, 4,131,769 metric tons of goods were borne into Antwerp by this great waterway, and of these, 3,612,784 tons were German produce. In the same year, of a total of 3,770,447 tons of goods leaving Antwerp for the Rhenish hinterland, 2,721,944 tons were for German account.

The Rhine, however, is not the only means of transport between Germany and Antwerp. In the same year, 1937, 536,295 metric tons of German goods were carried by railway into Antwerp, while 65,648 tons passed by rail from Antwerp to Germany. Ships from the German North Sea and Baltic ports carried a further 125,135 metric tons, worth more than £2 millions, to be unloaded at Antwerp. Over 294,900 metric tons, valued at more than £6 millions, were shipped by sea to German ports from Antwerp in 1937. It is estimated that, in 1937, 2,445 German ships with a total tonnage of 6,717,922 arrived at Antwerp, representing 26.77 per cent. of total arrivals. The figures for British arrivals, 3,323 ships of 6,057,369 tons, represented 24.13 per cent.

In 1937 well over 4 million tons of German exports passed through Antwerp. But, in order to compute the harm which will be done to Antwerp's commerce if this traffic is stopped, account must be taken of the exports of those countries which have now passed under the domination of the Reich. In 1937, 596,532 metric tons of goods consigned from Poland and Danzig passed through Antwerp, while a further 24,212 tons came from Czecho-Slovakia, these two items together having a value of nearly £4 millions. Goods shipped to these two countries from Antwerp amounted to 113,515 tons and 5,021 tons, respectively, with a combined value of over £3 millions.

Thus, the total amount of Antwerp trade in 1937 from and to what is now Greater German territory, excluding that carried on the roads, were as follows:—

Antwerp trade	German exports German imports	
	Metric tons	Metric tons
Inland waterways	3,612,784	2,721,944
Railways	536,295	65,648
Seaborne—Germany	125,135	294,941
Poland and Danzig	596,532	113,515
Czecho-Slovakia	24,212	5,021
Total	4,894,958	3,201,069

No doubt the effect of the war and the subjection of Poland and Czecho-Slovakia would have greatly modified these totals of German-Antwerp trade in any case. Nevertheless, some idea can be gained of the blow to Antwerp likely to be caused by the power of the Allied navies to put a complete embargo on Germany's sea-borne trade. Antwerp will lose, and Germany will be denied the use of the free exchange and purchasing power gained by her trade through the great Belgian port.

December 5th.

France's Economic Tasks

[FROM OUR PARIS CORRESPONDENT]

M. DALADIER's plenary powers were renewed by the Chamber by 316 votes against 172 and by the Senate by 259 votes against 23. Parliament then agreed upon procedure for the rapid voting of the Budget. Civil expenditure will amount to 79,000 million francs, and all military charges will be included in a special extraordinary account.

War economy is a German invention, of which Germany seems to have consumed the benefits before war began. The democracies, on the other hand, have still to organise their economies for a long economic war. The economic problem is difficult for Germany, who is virtually besieged; and for the democracies, who remain in free contact with the outside world and preserve a liberal political system, it raises new questions of equilibrium, which will necessitate difficult adaptations to all sorts of new disciplines and activities.

Everyone agrees that restrictions on private consumption must balance increased war consumption, that France must banish superfluous imports and principally live on its Empire. But France must also export to acquire foreign currencies and safeguard its gold. The foreign markets out of which German manufactured goods are now to be driven should afford new outlets for French industry. Experience has already shown that war material itself, either for reasons of speed of delivery or quality, must sometimes be imported. It will be most easily paid for by maintenance of certain luxury exports, which are thus, in a sense, weapons of war. Moreover, the loss of markets for French luxuries would be serious when the war ended. There must be greater economic activity, intensified production, restricted private consumption and more stringent commercial competition for the conquest of foreign markets.

France is an agricultural country with rich mines at home and in its Empire. That is why agricultural leave is given to men under arms. But 10,000 million francs are paid out every year for foreign fuel and combustibles. Increased coal production is imperative. French pits produce 50 million tons a year; "they must produce 60 million tons," M. Lebrun has said—and plans for electrification are being speeded up. There are other onerous imports: 9,000 million francs for textiles; 2,000 million francs for paper products; 1,500 million francs for chemicals. Domestic manufacture must be increased, just as the dye industry, which has now become a great national industry, was in the last war.

Restriction is needed to cut down superfluous imports. One day without meat and another without beef have been decided upon. The distribution of oil is rationed; 2 per cent. of rye is allowed in the baking of bread. But the Government is not impatient to urge restrictions like these, for war-time is, in any event, a time of contracted consumption.

December 2nd.

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Germany at War

(An objective account of economic trends in the Reich compiled weekly by the editorial staff of The Economist from German and neutral sources.)

It is the Nazi view that all economic problems can be solved by organisation, even the problem of growing foodstuffs with scarce fertilisers and short labour. An all-embracing economic organisation for war purposes was planned in the near-war stage. Actually, it now seems that there is too much organisation. A recent speech by Dr Landfried, Secretary of State and successor to Dr Brinckmann, was very outspoken about the necessity for simplifying the regional organisation set up for war economy. At present, military authorities, *Wehrwirtschaft* Committees, the Unemployment Board, the Trustees of Labour, the Chambers of Commerce, the Food Committees and so on are working without any simple clear-cut direction.

Dr Landfried's speech was given to the *Reichswirtschaftskammer*, the central Chamber of Industry and Commerce. The industrial Federations had been complaining about increasing State control over every industrial activity. The Secretary of State emphatically supported the need for more State control. But he contended that there was a job which the Federations could do. This was the task of *Werkserhaltungsbeihilfe*—organised efforts to keep all closed-down civil industries in good condition. At present, a considerable number of small factories have no work on hand since supplies of raw materials and semi-manufactures for civil purposes have been cut down. This may explain the persistent rumours that unemployment is again increasing; there has almost certainly been a rise in short-time working.

Labour.—In the labour field, too, there have been attempts to mitigate the rigours of restrictive organisation. There has even been some restoration of overtime payments, etc. After January 15, 1940, workers will be entitled to holidays again. Night work for women has been abolished, except in munition factories, and even there special permission from Goering is needed. The Labour Front, which has been made mainly responsible for technical training schemes (especially for training workers for new kinds of employment—textile workers for metal factories, etc.), is very active. In the factories the *Werkscharen* or Labour Front cells are being reorganised to strengthen their Nazi character and influence. They are to watch over the political attitude of the workers and, according to Dr Ley, to lead their fellows by the example of their efficiency as well as of their patriotism. The Labour Front's affiliated organisation, "Strength through Joy," has also been remodelled. Its ships have been requisitioned and rail excursions are no longer possible. Its travelling theatres have been made over to the Army. Instead of the old ambitious entertainments provided by this movement, rambling trips are being arranged, visits to hospitals and recreation for soldiers on leave.

Industrial Policy.—There has been a vast increase in private capital issues since the war began. Details have been recorded from time to time on this page. A recent loan of the famous *Krupp A.G.* armament firm amounted to Rm. 40 millions (at 4½ per cent.) instead of the Rm. 4½ millions originally forecast. A loan of the *Rheinisch Westfälische Elektrizitätswerke* has been oversubscribed and will probably also reach Rm. 40 millions. Total industrial capital issues since the war began, including Rm. 500 millions for the railways, considerably exceed Rm. 600 millions; in the whole of 1938 private industrial issues were Rm. 107 millions. The report of the *Hoesch A.G.*, a leading coal, iron and steel manufacturing firm, shows that the value of plant and machinery has risen to Rm. 119 millions in the year 1938-39, an increase of Rm. 24 millions compared with a Rm. 14 millions increase in 1937-38; in the year ended June, 1939, a continuous strip mill and a synthetic petrol plant were completed; and a new coke battery and a new blast-furnace and several plants for processing low-grade domestic ore are under construction. This is typical.

These developments are most important. First, they show

that the existing reserve capacity of German industry is on the edge of exhaustion. This is especially true of the electricity industry; autarky and *ersatz* industries have caused a shocking shortage of electrical energy. It is very true, too, of firms making railway rolling stock. Renewals, replacements and extensions have been too long delayed, and, willy-nilly, resources must be diverted now to large-scale capital works. Secondly, it is extremely significant that the controlled policy of direct State financing of necessary industrial projects has been abandoned. The extremist or Socialist Nazis have been defeated in this matter. The capital market has been freed for private industrialists.

Agriculture.—Complete estimates of Germany's cereals and root crops are available. The figures relate to the "Old Reich":—

	(Millions of tons)			
	Average, 1932-37	1938	1939	Lowest production in 1914-18
Wheat	5.41	5.58	5.59	2.3
Rye	8.88	8.61	9.38	6.68
Barley	3.92	4.25	4.24	1.86
Oats	6.56	6.36	6.82	3.72
Mixed grains...	1.00	1.56	1.40	...
Total cereals	25.77	26.36	27.43	...
Potatoes	46.8	50.90	51.5	25.1
Sugar beet ...	10.9	15.5	15.6	...
Mangolds	35.3	38.4	36.5	...

The crop of pulse is estimated at 624,000 tons—unchanged compared with 1938. The total output of hay of all kinds is estimated at 43.7 million tons against 41.9 million tons during 1932-37.

It is almost certain that these latest estimates err on the optimistic side. Even so, the figures for the last war show that there is still a very long way to go before there can be a similar decrease in output this time. The failure to maintain production during the last war is put down to the advice of Jewish advisers. It is being said that a similar decrease cannot happen again because of the compulsory organisation of agriculture by the "Agricultural Estate." Here once more is the familiar Nazi—and, indeed, German—argument that all problems may be solved by organisation. It is forgotten that the root causes for the falling away in 1914-18 were lack of fertilisers and the shortage of labour.

To-day there is a considerably larger supply of fertilisers. But the shortage of agricultural labour is just as severe as it was during the last war. By increasing home-grown feeding stuffs Germany's agricultural position has undoubtedly improved, but a steady flow of feeding stuffs from Russia and the Balkan countries is necessary, and there will still be an acute shortage of oilcake from oilseeds. The papers are confident that sufficient supplies of foodstuffs are available for 1939-40, and even for 1940-41. Statistically, an average harvest in 1940 would ensure sufficient supplies next year, because of the rationing of foodstuffs.

Food rationing has now become very complex. There were already different rations for children, normal consumers, "heavy" workers, and "heaviest" workers. To this have now been added additional categories of night workers, and workers having a 10 hours' day or a longer day. All workers being away from home longer than 11 hours because of the distance from home to factory belong to this new category. They will receive additional rations of fat and meat. As the 10-hour day is fairly general the majority of German manual workers now receive additional fat and meat rations, but non-manual workers are excluded, even if they work at night. The campaign for increasing the production of foodstuffs in gardens as well as allotments is vigorously pursued.

THE BUSINESS WORLD

The British Exchange Control

THE mechanism for exchange control in this country has now had three months to run itself in, long enough to allow both the main design of the mechanism and its detailed functioning to become apparent. The official control of the sterling exchange market may be said to date from the Order in Council dated August 25th, the first regulation to be issued under the Emergency Powers (Defence) Act. This referred exclusively to the restriction of dealings in foreign securities and to the listing of such securities held by British nationals. It was supplemented after the outbreak of the war by the first of the Defence (Finance) Regulations Amendment Orders, dated September 3rd, which extended the control to purchases and to the export of foreign securities, foreign exchange and gold, provided for the compulsory acquisition of foreign currency and gold held by residents in this country and began the control of capital issues. On September 21st a second edition of the Defence (Finance) Regulations was issued again amending the first issue and providing for powers which might ultimately be used in the complete control of foreign trade and of its foreign exchange proceeds. Finally, the whole body of these regulations was brought together and further amended in slight degree in the Defence (Finance) Regulations Amendment Order issued on November 23rd last. In the light of this document the edifice of foreign exchange control in this country can be viewed as a whole.

The first section deals with the restrictions on free dealings in foreign securities and with their eventual acquisition by the Treasury. It decrees that no person may sell, transfer or create a charge on a specified class of securities, such securities being broadly definable as those which are marketable outside the United Kingdom. The owner of such securities has been requested to make a return of them to the Bank of England; and at any time the Treasury, "if they are of opinion that it is expedient so to do for the purpose of strengthening the financial position of the United Kingdom," may by an order transfer these securities to itself at a price not less than the market value of the securities on the day of the order. These regulations are not to apply to securities which since August 26th last have been held by or on behalf of persons not resident in the United Kingdom.

Then follow the sections dealing with the restrictions on dealings and on the free holding of foreign currencies and gold. No person in the United Kingdom other than an authorised dealer is to buy or sell, lend or borrow, any foreign currency or gold. The list of these authorised dealers has been published. No person is to take or send out of the country any bank notes, postal orders, gold, securities or foreign currency. It is also forbidden to transfer any security from a domestic to a foreign register or to effect any payment in this country as consideration for receiving a payment or acquiring property outside the United Kingdom. These restrictions are not, however, to apply to foreign exchange dealings by authorised dealers for the purpose of meeting normal trade requirements, or to fulfil a contract made before September 3, 1939, or to defray reasonable travelling or other personal expenses. Every resident in the United Kingdom is compelled to offer for sale to the Treasury any gold or foreign currency (whether in the form of cash or credit, such as a bank balance). The Treasury is to determine the price it will

pay for such assets, but it is specifically stated that section 11 of the Currency and Bank Notes Act, 1928, is not to apply to Treasury purchases of gold. This means that the Bank of England's right to buy gold at the old statutory parity of about 85s. an ounce is waived and indicates that, as with securities, market price will be paid. That, in fact, has been the course followed in such transactions as have taken place up to now. Where the holders of gold or foreign currency have not yet offered their assets for sale, the Treasury may now compel their transfer under the terms of the Regulations. Exemption from these requirements is granted in respect of gold and foreign currency held here on behalf of non-residents, or held to satisfy a contract made before September 3, 1939, or held to meet the reasonable requirements of trade, or for defraying travelling or personal expenses. In each case the authorities must give their authorisation to such exemptions. The foreign currencies to which these regulations apply are those which have been or may be designated by the Treasury in the London Gazette.

There follow provisions which may be used for the eventual supervision and control of export trade. They require that where goods are exported from the United Kingdom the person making the entry shall, if required to do so, make a declaration containing all information concerning the export and the amount to be received as may be required by the Commissioners of Customs and Excise. This questionnaire is to be framed "with a view to obtaining of information as to the amounts obtainable in foreign currency by reason of the export of goods." Provisions are made for penalising false declarations with the combined rigours of the Defence Regulations and of the Customs Consolidation Act of 1876 (whose framers can little have suspected the objects which their measure was ultimately to serve).

The Defence (Finance) Regulations Amendment (No. 2) Order then goes on to deal with the control of capital issues—a subject which is not strictly germane to the subject, but it leads to a clause granting the Treasury

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power to obtain information which is obviously intended for use in the cause of exchange control. This clause gives powers to the Treasury or its agents to demand from persons directly or indirectly concerned such information as may be required for their purpose, including the production of any relevant books, accounts or other documents.

So much for the bare bones of the regulations. It will be seen that they are mainly concerned with the prevention of an export of domestic capital and with the eventual mobilisation of the country's private holdings of foreign currency assets and foreign investments. With the first of these objects in view, the foreign exchange and gold markets have been restricted to authorised dealers who, in fact, operate now as agents for the authorities, selling whatever they obtain from the public to the Bank of England and obtaining from the Bank whatever they are allowed to sell to the public. Thus the *bona fides* of all requests for foreign exchange has to be established. In order to obtain the proper perspective of this system of exchange control—with all its obvious and conscious limitations—it must be realised that it forms the centre of an imperial system of control. Apart from the Canadian dollar, which must inevitably find its ultimate link with the United States dollar and not with sterling, all Empire currencies have been subjected to a form of control which in essential respects resembles that imposed in this country. Within the Empire there is unity of exchange policy.

It requires little imagination to be impressed at once with the gaps which this scheme of exchange control leaves unfilled. In the first place, it includes no control whatever over the proceeds of foreign trade. Exporters are bound under the regulations to hand over the foreign currency proceeds of their sales to the Treasury, but in the light of all earlier exchange control schemes established on the Continent of Europe it should be evident that this provision is not enough to ensure the full remittance to this country of the proceeds of export trade. It leaves open the door for such devices as underinvoicing and selling on extended credit terms, for which it is only necessary to have a subsidiary or allied concern in the importing country. The loopholes are there, but it would be erroneous to deduce from this that an appreciable volume of funds is, in fact, being exported through them from this country. The authorities are watching these exits closely, and the existing regulations give them the powers to tighten up the controls in the appropriate manner as soon as such steps appear to be called for. It must not be imagined that the introduction of complete export trade control can be viewed merely in terms of exchange control expediency. It is still on private enterprise that we depend for the maintenance of such of our export trade as remains intact. Another heavy dose of control applied to this trade, a few more forms to be added to those which already have to be filled, and the damage to that trade might be far greater than any

saving in exchange which the tightened control would ensure. The question must be judged from other angles than that of exchange control; it is being watched with the closest attention; the powers are there to take immediate action once the situation is held to justify further measures.

Finally, the exchange control scheme has studiously avoided any attempt to prevent the departure from this country of sterling assets held here on foreign non-enemy account. The necessary permission has readily been given for the export of gold held here on foreign account. Nor has any attempt been made to block balances or securities held by foreigners in this country. The facilities of the official market and of the rates quoted in it have not, indeed, been placed at the free disposal of foreigners desiring to export their capital from Great Britain. Official permission to effect such conversion of existing sterling assets into foreign currency at the official rate has only been given where genuine commercial justification for the operation has been successfully pleaded. But this does not mean that the foreign holder of sterling assets must leave his funds here for the duration. He can freely dispose of them in the unofficial exchange markets for sterling which exist in every important neutral centre. The transfer of sterling from one foreign account to another or from a foreign to a British account is unrestricted, and the basis is thus provided for the free functioning of free or unofficial exchange markets which, in fact, have operated since the outbreak of the war. To have prevented this free transfer of sterling on foreign account would probably have meant drawing the line of sterling exchange control round the United Kingdom alone and not, as it is at present, round the Empire. There would have been considerable inconveniences and disadvantages to this, quite apart from the damage to our financial repute occasioned by the blocking of neutrals' sterling balances and securities.

Within its limitations the exchange control scheme is now beginning to function with reasonable smoothness and efficiency. Initial difficulties were inevitable seeing that a virtually non-existent organisation had to be created at the Bank of England. Practice and experience soon revealed flaws in schemes which had been worked out on paper during the twelve months preceding the outbreak of the war. A distinction must also be drawn between the technique of control and the objects it is intended to serve. These latter obviously require further thought. But in matters of practice, the readiness to make the necessary adjustments has been there and has been applied within the limitations of the available personnel. From the outset the scheme of control deprived itself, by the choice of authorised dealers, of the most expert body of knowledge and experience on the problem of foreign exchange operations, but by dint of time and practice this handicap is gradually being overhauled.

The Empire's Metal Resources

THE progress made in metallurgy and engineering since the Great War and the rise of new industries have led to a substantial expansion in the demand for non-ferrous and steel alloy metals. In view of the mechanisation of warfare and the consequent increase in the mechanical equipment per fighting man, whether he be in the Army, Navy or Air Force, metals are perhaps even more essential in war than in peace. The purpose of this article is to examine briefly the Empire's resources of metals in relation to Allied requirements and to outline what, if any, steps the Government has taken to make the best use of these resources.

Much headway has been made since the Great War in developing the Empire's metal resources; in contrast to the position twenty-five years ago, the Allies are now virtually self-sufficient. The degree of self-sufficiency, however, shows considerable variation. The potential output of tin in Malaya, Nigeria, Cornwall, Burma, Australia and South Africa, for example, now exceeds 110,000 tons per annum, compared with an output of 70,000 tons before the Great War. Moreover, the tin smelting capacity of

the Straits Settlements and Britain is more than sufficient for the treatment of Empire ores. In 1938, Britain and France consumed 18,000 tons and 9,000 tons, respectively. But even on the basis of consumption in 1937, when it aggregated 35,000 tons in the two countries, the Empire's potential capacity covers requirements about three times over. The position is even more favourable in the case of nickel, for in this metal Canada has a virtual monopoly. Her output rose from less than 25,000 tons in 1914 to more than 100,000 tons in 1938. Moreover, French New Caledonia is the only other important producer. Canada alone is in a position to supply four times as much as the Allies are likely to require. Even in aluminium the Empire has now reached self-sufficiency. In 1914 the industry was still small and the Empire's deposits of bauxite (the raw material of aluminium) were still practically untouched. In that year Britain and Canada only produced 8,000 tons and 6,000 tons of aluminium respectively. Since then, British Guiana has become one of the chief sources of bauxite, though the industry in this country is still using mainly French supplies. To-day, Britain and

Canada together can produce more than 100,000 tons of aluminium per annum.

The growth of the copper industry of the British Empire since 1920 has been striking. In 1914 Canada and Australia supplied together only slightly more than 80,000 tons of copper, the bulk of which was produced at fairly high costs. This tonnage covered only just one-quarter of the combined British and French requirements. Since then the Australian high-cost output has declined, but Canadian supplies, chiefly a by-product of the extraction of nickel and precious metals, have expanded to about 300,000 tons per annum and have not yet reached their maximum. In addition, the past fifteen years have seen the development of the rich Northern Rhodesian deposits. The present capacity of the Rhodesian mines, which are still in the midst of their development, exceeds 350,000 tons per annum and may reach 500,000 tons per annum within a few years. In addition, other British territories such as South Africa and Cyprus have started to develop their copper deposits in recent years. Supplies from British mines might be raised, if necessary, to something like 700,000 tons per annum, while the annual requirements of the Allies are unlikely to exceed, even in war, some 450,000 tons per annum. The copper refining capacity of Canada, Great Britain and Rhodesia is large enough to cover the probable requirements of the Allies.

The British output of lead and spelter has been increased by the development of new mines in Australia, Canada and Newfoundland. Here the main basis of expansion since the Great War has been the introduction of the selective flotation method in the concentration of complex lead-zinc-ores which has not only brought about a steep increase in production by old mines, but has also led to the full development of some exceedingly rich complex deposits, such as those of the Canadian Sullivan mine. In consequence, the lead-mining capacity of the Empire, chiefly Canada, Australia, Burma and Newfoundland, has been raised from 300,000 tons in 1914 to about 650,000 tons in 1938, while its zinc mining capacity situated largely in the same territories has been increased from 250,000 tons to 600,000 tons per annum in the same period. These quantities are about twice as large as the probable requirements of the Allies.

British supplies of the main steel alloy metals are also larger than in 1914. Then, India, with an annual output of about 825,000 tons of manganese ore, was the only large manganese producer other than Russia. Since 1918, the Indian capacity has been raised to well above one million tons per annum and new mines have been developed in the Gold Coast, in South Africa and in the Unfederated Malay States. As a result, the Empire can now produce about 3 million tons of manganese ore per annum, an output which represents about one-half of the world's total output. Similarly, the Empire's production of cobalt has

increased rapidly in the past five years as a direct result of the Northern Rhodesian copper developments. At present Rhodesia is able to produce over 20,000 cwts. of cobalt per annum, but this figure will increase with the production of copper. With the addition of about 10,000 cwts. per annum from Canada and a further 6,000 cwts. from Burma, the Empire's production is now treble its normal consumption, while France has recently developed cobalt production in Morocco and is also self-sufficient. In the last few years the production of vanadium in Northern Rhodesia and other African territories has been raised to supply the requirements of the world market outside the United States. Between 1914 and 1918, supplies of tungsten had to be drawn mainly from China; to-day Burma produces 6,000 tons a year of tungsten concentrates and smaller supplies are also available from Malaya and Australia. In 1914, Southern Rhodesia produced less than 60,000 tons of chromium; in 1938, that Colony produced about 300,000 tons, and a further 240,000 tons a year are available from South Africa and India.

So far as the supplies of the principal metals are concerned the Allies are thus in a much stronger position than during the Great War. But the mere existence of these supplies does not necessarily mean that they are put to the most economic use. The first step the Government obviously had to take was to control imports and exports and domestic consumption in order to prevent a temporary depletion of stocks which might hold up operations in key industries and to save shipping space. This was done immediately on the outbreak of war when the Ministry of Supply set up controllers for tin, copper, lead and spelter, and for aluminium and iron and steel. The great expansion in Empire supplies in the last two decades also made it possible to conclude agreements by which the British Government undertakes to buy its requirements of non-ferrous metals in Empire countries. The advantages to the producer of having a guaranteed market at a fixed f.o.b. price for a large part of his production are so great that the prices fixed in these agreements have been very moderate. These deals represent the most imaginative stroke in economic statesmanship that has been revealed since the beginning of the war; they assure supplies and will save the Treasury millions of pounds. One incidental disadvantage of a system of bulk purchases and controlled prices, however, is that the free markets of the City of London are deprived of their *raison d'être*. Dealings in copper, lead and spelter (though not in tin) have been suspended. The London Metal Exchange has naturally lodged a protest and the question whether and how the Exchange could be used as an intermediary between the Ministry of Supply and the domestic consumer is still being discussed. To maintain an institution that performs no economic function would be wasteful. But it would be even more disastrous to throw away the reputation and facilities of the open market in London because of temporary wartime control.

Finance and Banking

Silver Speculation in India.—The ban on imports of silver into this country and India has provided the basis for one of the most violent bouts of bull speculation in silver in which Indian operators have ever indulged. With the ban on imports, the sterling and rupee prices for silver have become divorced from the world price, which may be taken as the dollar price paid by the United States Treasury for imported metal. A considerable wave of speculation has been sweeping India recently, based largely on the sharp increases in the prices of such commodities as cotton and jute. In endeavouring to find avenues for the further speculative employment of profits earned in the commodity markets the eyes of the Bombay operators have fallen on silver. For some time past the open silver position in Bombay has been steadily increasing as a result of purchases from the Indian Government made via London. During the past week this movement suddenly took on exceptional momentum, and by aggressive buying "at best" efforts were made by the Bombay operators to induce the Indian Government to raise its price from

the previously maintained limit of 23½d., plus 3¼ per cent., this being the equivalent of shipping charges from London to Bombay. On Friday of last week, by which time the open position in Bombay had risen to some 30 million ounces, orders reached London for purchases of a further 10 million ounces from the Indian Government for delivery at the Bombay Mint. The time had arrived for closer scrutiny of the speculative situation in India, and the London market decided not to accept these orders unless they were made through the intermediary of a first-class bank. This formality was arranged over the week-end, and by Monday of this week the total demand for silver from India had been swollen to 11,500,000 ounces. This was duly met by the Indian Government and the price was left unchanged. On Tuesday a further 3 million ounces was bought by Indian operators; but the Indian Government, deciding to sell on the basis of the London price, made its sales at 23½d., the price which had been fixed that day for the business directly effected and completed in the London market. In spite of this setback

to hopes of an increase in the Indian Government's price for silver, there were further demands for 4 million ounces of silver on Wednesday, but on Thursday Bombay appeared satiated, and a little London selling caused the price to fall by $\frac{1}{8}$ d. to 23 $\frac{1}{8}$ d.

A Dangerous Bubble.—The pace of the boom is thus slackening, which is not surprising given the swollen state of existing and prospective private stocks of silver in Bombay. This open position now amounts to close on 50 million ounces, and has been built up on anticipations of an expansion in genuine up-country demand of which there is as yet no evidence whatever. Until the past few days the up-country offtake from Bombay has amounted to between 5,000 and 10,000 ounces a day. It is now increasing beyond these very modest totals, but is running at a rate which can make no appreciable impression on the enormous stocks being built up by operators. The Indian Government has, of course, seized with alacrity the opportunity of ridding itself of some of its surplus silver, though it may be questioned whether a wiser course might not have been followed in a more direct rebuff to the ardour of speculators than has been provided by readiness to sell as much as was wanted at a price no higher than 23 $\frac{1}{8}$ d. If this silver bubble bursts it will cause some damage. One of the factors which has prevented the readiness of the Indian Government to sell from having its full subduing effect on the Bombay market has been the sluggishness with which the Bombay Mint effects deliveries of the metal. These are at present limited to about one million ounces a day, and thus recent sales have spread deliveries until the turn of the year. That factor, incidentally, provided another argument for exacting stricter assurances as to the credit standing of the buyers in Bombay than are normally demanded in cash business. Meanwhile the Bombay price of silver has fluctuated between the equivalents of 27d. and 31d. this week, and the operators who have been able to take deliveries at around 24d. have already made good profits. But the basis of the activity is precarious in the extreme.

Life Assurance and the Savings Drive.—The importance of the life assurance offices as a channel for the flow of resources to the State is not limited to the annual increment in gilt-edged holdings. Clearly, an investment of new money in any type of security releases funds previously immobilised, and these may well find their way to the market for Government securities. But even more important is the fact that the offices' contribution to the aggregate national savings is not to be measured—as is frequently done—by the annual growth in the invested funds, even though these comprise all types of investments, not merely gilt-edged securities. Estimates of the significance of various financial institutions in the composition of the "small man's savings" usually go astray on this point. They ignore that the life offices are responsible, not only for a net growth in funds every year, but also for the handing over of considerable sums of money to claimants. If the year's claims payments are met by incoming premiums and interest on the funds, sums paid to claimants, so far as they are saved by them, constitute a net addition to the nation's earnings. For many years in this country claims have in fact been more than met out of current premiums and interest, i.e. the funds have increased annually. How much of the claim money paid out every year is saved? The average sum assured on policies in the ordinary branch is about £360 and the average policyholder possesses more than one policy. The average claim payment in the ordinary branch is probably large enough, therefore, for 75 per cent. to be a modest estimate of the portion saved by the recipients. Since policies in the industrial branch are largely intended for funeral expenses, the position there is rather different; the average sum assured per policy is only £19. It would not be justifiable to assume that much of the claim money in this branch is saved, though even here part of it goes into savings banks, national savings certificates, new policies and the like. Claim payments in the ordinary branch alone

amounted in 1938 to about £65 millions, of which on the conservative assumption given above about £50 millions would be reinvested. If this is added to the £75 millions representing the increase in ordinary and industrial life assurance funds last year, the full measure of the savings for which the offices were directly and indirectly responsible was £125 millions, or between one-quarter and one-third of the total estimated peacetime savings of the nation in 1938. In the light of these figures it is plain that the vital necessity for increased savings demands that every encouragement should be extended to the life offices. At the same time, they themselves should see that the fullest publicity is given to the savings aspect of life assurance.

National Bank of Scotland.—Some big changes in this year's balance sheet of the National Bank of Scotland may be put down to the effects of the war. Thus, the note circulation is up by about £344,000 to £3,291,546, while deposits and acceptances show falls of £432,674 and of £706,424 respectively. On the assets side cash has risen by nearly £500,000 to £4,058,361, but falls in cheques in course of collection and money at call have reduced the total of quick assets from £11,536,094 to £10,919,545. Treasury bills are not shown separately from other bills discounted, but it may be assumed that the big drop in this item from £1,972,510 to £1,214,078 is mainly accounted for by commercial bills. Advances, on the other hand, show a big rise of £617,263, and at £12,779,944 are about a quarter of a million higher than the 1937 figure. It is impossible to judge whether this increase is mainly due to improved trade conditions in Scotland or whether it is the result of demands for accommodation owing to the war; but the fact that the bank's profits have been maintained points to a high level of advances throughout the year. Increased taxation and A.R.P. expenditure must more than account for the small fall of about £10,000 in net profits.

Belgian Banking Difficulties.—The failure of the Crédit Anverso, a bank with a considerable network of branches in Belgium and France, should not be regarded as symptomatic of difficulties which affect the whole of the Belgian banking system. Such difficulties exist. They derive from the international situation and the outflow of capital from Belgium, which have put the credit structure to a serious test of liquidity. But the failure of the Crédit Anverso is merely the culmination of difficulties of long standing which needed the comparatively serious commitments of the bank in certain other failures, including that of Mendelssohn and Company, to bring them to a head. The only other Belgian institution which has to meet similar problems is the Caisse Générale de Reports, whose exceptionally heavy commitments in the Mendelssohn affair has called for a drastic capital reconstruction. For the rest, Belgian banking is fortunately concentrated in a very few groups of unquestioned solidity. Their strength has already stood a severe test of liquidity—how weekly returns of the National Bank of Belgium. At the outbreak of the war the combined gold and foreign exchange holding of the National Bank amounted to 4,588 million belgas. By last week this total had been reduced to 4,327 million belgas. The main explanation of this reduction in reserves is to be found in an outflow of Belgian capital. The foreign exchange market remains free, the currency is still nominally tied to a rigid and somewhat overvalued gold parity from which it can only move in one direction. The exodus of capital needs little more than this explanation. In order to protect their liquidity, banks in Belgium have had to have considerable recourse to the rediscounting facilities of the National Bank. These rediscounts, which stood at 374 million belgas at the beginning of September, had, according to the latest return, reached 767 million belgas. Even so, the banks' deposits at the National Bank have now fallen to 153 million belgas, compared with 246 million belgas at the beginning of September, which clearly indicates a stringent position.

Investment

Quiet but Firm.—For some weeks, the stock markets have been firmly inactive, with an atmosphere compounded equally of expectancy and frustration, suggesting a rendezvous with renewed activity which has failed to keep its appointment. This week, however, saw a definite broadening of public interest of the kind which in the past has often preceded a sizeable upward movement of prices. Business in gilt-edged stocks has been relatively small, but prices have been well maintained. The announcement of an Australian short-term Conversion Loan for £4,604,800 next week is not regarded as an indication, either way, of what may be in the minds of the British Treasury authorities concerning the early issue of a major war loan. But as only one clear week will remain before Christmas, when the Australian issue is out of the way, the odds against such an offer this side of the New Year may be deemed to have slightly lengthened. Speculative interest, in other directions, is still concentrated on the task of finding war's beneficiaries. The choice this week fell mainly on the bonds of countries—particularly South American countries—whose economies will be strengthened by belligerent demand for their primary products and, at home, on sub-marginal railway stocks. The market's belief in an early announcement of Government compensation to the railways still rests on nothing more substantial than the fact that the year end is approaching, when some clarification of the position will be necessary if accounts are to be made up and dividends declared on senior fixed-interest stocks. But the market is showing increasing faith that the terms, when made known, will be fairly favourable to the railways—in the sense that, while they may fall short of a Government guarantee of the full standard revenues under the 1921 Act, they will give the companies appreciably more than the equivalent

of an E.P.T. standard based on the results of 1936 and 1937. In the industrial market, rayon shares were particularly active, after Canadian Celanese had published details of favourable results, and the British company's report had suggested rather more than the customary story of hope deferred. Among the "positive" war equities coal and steel shares were in moderate demand, but shipping shares were subdued by the cautionary references to increased expenditure and the problem of compensation for war losses made by the chairman of the Peninsular and Oriental Company at the annual meeting. The commodity share markets were firm, but trendless. All in all, the impression remains that there is a considerable head of steam behind the markets to-day, and that domestic rather than foreign influences will continue to determine immediate developments. Such a condition, clearly, is not unfavourable to the exercise of Treasury initiative, whenever the authorities deem the time ripe for exercising it.

Investment in Finland.—Concern felt by British investors for Finland can be virtually disinterested, for our financial stake in that country is small. The five loans included in the Official List—they are set out in the accompanying table—involve little over £3 $\frac{1}{2}$ millions nominal all told. And though since the war began prices have fallen considerably and are quoted very wide, prices ruling in mid-August are sufficient indication of Finland's high (or, in the American view, unique) status as borrower. The officially quoted securities, however, do not include the interest which the International Nickel Company of Canada, through the Mond Nickel Company, has in the Petsamo district. Prospecting and mining rights were

MONEY MARKET NOTES

IN the free market in New York, sterling has shown a rather steadier tendency and on Wednesday closed 1 $\frac{1}{2}$ c. higher on the day at 3.91 $\frac{1}{2}$. In London very few changes have been made in official rates. Belgas are quoted 10c. higher at 24.15-40, and on Wednesday Argentine pesos depreciated from 17.00-50 to 17.15-65. Among free market rates, Japanese yen were cheaper on Wednesday in sympathy with the rise in sterling in New York, but the Shanghai dollar has improved to 4 $\frac{1}{2}$ d.

At the end of last week there was a big turnover in the money market, as the discount houses were taking up their new quota of Treasury Bills and the banks were also taking up the bills bought forward from the market at the beginning of the week. This week, however, there has been hardly any business

done. The payment of the War Loan dividend has not had the effect of releasing money, for this week's Bank Return shows a big fall in bankers' deposits, which explains why the banks have almost completely abstained from buying bills this week. As the discount syndicate only obtained a 42 per cent. allotment quota at last week's Treasury tender, the restricted outlet for bills has not caused the market so much embarrassment as might have been expected, and there is no change in discount rates. Money, however, has been distinctly more usable, and for outside money 1-1 $\frac{1}{2}$ per cent. has been charged against bonds and 1 $\frac{1}{2}$ per cent. against bills in some cases. With only three weeks till the end of the year, there has been some demand for loans into January at rates of 1 $\frac{1}{2}$ -1 $\frac{3}{4}$ per cent.

The Exchequer Return for the week

ended last Saturday showed Treasury Bills outstanding to a total of £1,397.5 millions. Of this total, the amount issued by tender has now reached £700 millions and has exceeded the tap issue—£697.5 millions—for the first time for nearly a year.

The Bank Return shows bankers' deposits at the low level of £86.3 millions, a fall of £17.3 millions on the week. The rise in the note circulation of £5.2 millions has been more than offset by rises in the security items, but there has been another big temporary immobilisation of funds in public deposits, which are £19.3 millions higher. This is chiefly due to the special bill buying in September, but the sales of savings certificates and defence bonds must also be tending to transfer funds from bankers' to public deposits.

MONEY MARKET RATES

	Dec. 8, 1938	Nov. 30, 1938	Dec. 7, 1939
Bank Rate.....	2	2	2
London Deposit Rate	1 $\frac{1}{2}$	1 $\frac{1}{2}$	1 $\frac{1}{2}$
Short Loan Rates:			
Clearing Banks	1 $\frac{1}{2}$ -1*	1-1 $\frac{1}{4}$ †	1-1 $\frac{1}{4}$ †
Others	5 $\frac{1}{8}$ -3 $\frac{1}{4}$	3 $\frac{1}{4}$ -1	1-1 $\frac{1}{4}$
Discount Rates:			
Treasury Bills (3 mth.)	27 $\frac{3}{4}$	11 $\frac{1}{2}$ -15 $\frac{3}{4}$	11 $\frac{1}{2}$ -15 $\frac{3}{4}$
Three months' bank bills	7 $\frac{1}{2}$	15 $\frac{3}{4}$ -15 $\frac{1}{2}$	15 $\frac{1}{2}$

* Viz., 1 $\frac{1}{2}$ per cent. for loans against Treasury bills and other approved bills and British Government securities within six months of maturity. † 3 $\frac{1}{4}$ 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. ‡ Viz., 1 per cent. for loans against Treasury bills and British Government securities; 1 $\frac{1}{4}$ per cent. for loans against other collateral.

THE BANK RETURN

	Dec. 7, 1938	Nov. 22, 1938	Nov. 29, 1938	Dec. 6, 1939
Issue Dept. £ mill.	326.4	0.2	0.2	0.2
Gold	326.4	0.2	0.2	0.2
Value per oz. fine	85s.	168s. 0d.	168s. 0d.	168s. 0d.
Notes in circulation	487.8	527.0	528.7	533.9
Banking Dept. Reserve	68.7	54.3	52.7	47.5
Public Depts.	18.6	36.4	27.8	47.1
Bankers' Depts.	102.9	92.9	103.5	86.3
Other Depts.	35.9	39.3	40.2	39.8
Govt. Secs.	66.1	103.9	109.8	114.9
Dis. & Adv.	17.9	5.3	4.5	5.4
Other Secs.	21.5	22.9	22.3	23.4
Proportion	44.3%	32.2%	30.7%	27.4%

THE BULLION MARKET

Date	Gold	Silver	
		Price per ounce fine*	Price per oz. standard
		Cash	Two Mths.
1930	s. d.	d.	d.
Dec. 1	168 0	23 $\frac{1}{2}$	23 $\frac{5}{8}$
" 4	168 0	23 $\frac{1}{2}$	23 $\frac{11}{16}$
" 5	168 0	23 $\frac{3}{8}$	23 $\frac{9}{16}$
" 6	168 0	23 $\frac{1}{8}$	23 $\frac{5}{8}$
" 7	168 0	23 $\frac{1}{8}$	23 $\frac{1}{2}$

* Bank of England's official price.

obtained in 1934, and a programme undertaken shortly after aimed at an estimated capital expenditure of over \$7 millions on the Kaulatunturi mine, smelter, and hydro-electric plant; the projected output was to be 1,000,000 lbs. of nickel and 500,000 lbs. of copper per month. By the

Nom. amt. outstanding	Description	Price	
		Aug. 16	Dec. 29
718,240	Finland 5% Loan, 1923.....	98	55
1,610,900	Mun. Mortgage Bk. of Finland 5% Stg. Mtg. Bds.	98	65
770,600	Industrial Mtg. Bk. of Finland 6% Stg. Mtg. Bds.	100½	65
173,300	City of Helsingfors 4½% Red. Loan of 1909 ..	98	70
55,500	City of Tampere 4½% Loan, 1910.....	94	70

end of 1938, nearly \$3 millions had actually been spent, an expenditure of \$4.3 millions was planned for 1939, and it was hoped to bring the mine and smelter into production by the autumn of 1940. Since we imported wood and wood products from Finland last year to the value of £20½ millions, the changes brought by the war and the Russian invasion would also affect timber importers and paper manufacturers in this country if this trade had not already been dislocated by the German naval control of the Baltic. But the financial interests of such companies in Finland are believed to be inconsiderable.

* * *

Foreign Bonds in November.—The adage, it's an ill wind that blows nobody any good, continues to be demonstrated by the upward movement of foreign bond prices. The complete index, compiled by Municipal and General Securities, shows an advance over November from 49.6 to 56.8 (average January-June, 1934 = 100), or 11 per cent. For this, a minor war boom in South American State bonds and the firmness of Far Eastern issues early in November, on rumours of peace efforts following Russia's growing interest in her Western neighbours, have been largely responsible. But as the table of component indices below shows, improvements have been general:—

AVERAGE JANUARY-JUNE, 1934=100										
End of Month	Europe	Near & Far East	Egypt	South and Central America	States Provinces	Total	Complete Index	Unaffected Bonds	De-faulted Bonds	
1938	(28)	(31)	(4)	(35)	(11)	(46)	(109)	(53)	(56)	
May	86.6	74.9	98.4	63.0	47.2	58.8	70.8	76.6(49)	66.1(60)	
June	90.2	68.5	98.0	65.9	51.2	62.0	71.4	75.7(48)	67.6(61)	
July	92.0(27)	67.7	97.5	65.4	53.4	62.3	71.6(108)	75.0(44)	68.5(64)	
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	95.2	59.4	45.3	55.7	68.4	75.0(42)	63.3(65)	
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	56.0	
April	65.7	59.1	74.0	54.2	41.4	50.8	57.6	59.9(40)	53.1(66)	
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(72)	
August	63.2	45.0	71.6	49.1	36.6	45.8	50.3	53.3(33)	46.4(73)	
September ..	46.3	40.6	68.6	49.0	36.3	45.6	45.2	48.5(31)	41.4(75)	
October	48.1	43.7	75.3	46.1	41.6	52.3	49.6	53.0(30)	45.6(76)	
November ..	51.4	52.1	79.1	66.4	46.3	60.9	56.8	56.9(28)	53.4(78)	

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

The index of defaulted bonds has recovered to the level of last May, due to improvements in Czecho-Slovakian, Greek and Polish issues. The month closed with the news that payment on the Austrian 4½ per cent. loan had been

deferred due to non-payment of their proportion of coupon and sinking fund requirements by certain of the guarantor Governments.

Company Notes

From the Chair.—War-time policy and prospects have been among the more important themes at this week's meetings, although it has not in general been possible to disclose the exact terms upon which Government work is being done. Thus at the Peninsular and Oriental Steam Navigation meeting, Sir William Crawford Currie confirmed that a large proportion of their fleet was engaged in Government service, and pointed out that a licensing system was in operation for vessels other than those requisitioned. Liners had general licences for stated periods, while tramps had them voyage by voyage. It was, however, to the post-war period with its inevitable difficulties that Sir William turned much attention. He explained, for instance, that the 1938-39 allocation of £100,000 for special repairs and reconditioning was towards heavy repairs after the war, and stressed the need both for allowing British shipping to accumulate reserves and for a long-sighted Government policy. In a very different sphere of operations, Mr Alfred Clark summarised for Electric and Musical Industries' shareholders the favourable and unfavourable factors of a war economy. Higher costs and difficulty in obtaining supplies would hamper the production of luxury goods, but with an increased demand for home entertainment, sales of records should rise further, though radio sales (with a larger proportionate demand for the lower-priced sets) would probably decline. But during the autumn months no profits had been made, for Government orders, which required long preparation, had not yet compensated for the loss of normal work, although they were catching up. Mr Arthur Chamberlain's speech at the Tube Investments meeting lacked nothing of its customary incisiveness and individuality. The turnover of the group had been higher than in the previous year, but taxation and A.R.P. costs had absorbed the increase. Actual capital used in the business considerably exceeded issued capital, but in present circumstances this condition could not be rectified. The group's reserves would be retained as such to help to maintain the 23½ per cent. dividend distribution against a conceivable fall in profits, while any increase in net profits would be reserved against war and post-war contingencies. Having dealt with the company's investments, including the new factory in Australia, Mr Chamberlain concluded his remarks by deprecating the emphasis laid on the profit motive in industry in wartime and advocating 100 per cent. taxation of company profits over the standard rate.

* * *

Tate and Lyle Report.—The company's preliminary profits statement (discussed in *The Economist* of December 2nd) suggested that the turnover for the year 1939-40 had advanced somewhat on the previous year. The full accounts show an increase from £1,357,884 to £1,411,199 in total income, or 4 per cent. But a jump in investment revenue from £96,502 to £262,156, due no doubt in part to the benefits derived from the Macfie and Sons acquisition in April, 1938, accounts for the increase. Trading profits are, in fact, lower compared with the year ended September, 1938; but since the accounts are made up for only the 49 weeks to September 9th and the profits figure is struck after a taxation provision which is estimated to cover, in part, future liabilities, the results do not reflect on the company's reputation for stability. There is available for the ordinary shares £1,248,288, against £1,189,090, which would have barely maintained the last year's 18½ per cent. gross dividend if paid on this year's capital as increased by the 40 per cent. scrip bonus. The directors have decided upon a cautious policy by declaring a dividend of 13½ per cent. for the year (which is covered with the customary safe margin of earnings) and have transferred £300,000 to reserve, as in the previous year.

An analysis of the last three years' profits distribution is set out below:—

	Years to approx. September 30th		
	1937	1938	1939*
Trading profits	1,235,074	1,260,310	1,148,179
Total income	1,325,362	1,357,884	1,411,199
Fees, etc.	7,972	8,222	8,051
Deb. interest	89,837	89,072	83,360
Prof. divs.	71,500	71,500	71,500
Ordinary shares:—			
Earned	1,156,053	1,189,090	1,248,288
Paid	868,700	883,027†	945,000
Earned (%)	26.3	26.9**	20.2
Paid (%)	18½	18½	13½
To reserve	300,000	300,000	300,000
Carried forward	46,227	52,290	55,578

* 49 weeks ended September 9th. † Includes £14,327 paid on 240,000 shares created during year. ‡ Plus 40 per cent. capital bonus. ** On old capital.

Due to last year's bonus distribution, the general reserve is now reduced from £2,100,000 to £400,000, but the outstanding feature of the balance sheet is the fall in stocks from £2,678,777 to £1,633,284 and a corresponding increase in cash from £574,674 to £1,375,398. The implications of this reduction in terms of war risks commodity insurance costs are clear, but it would be interesting to know how it will affect the company's prospects particularly now that sugar refining is a war-controlled industry. The £1 shares are now priced at 57s. 3d., to yield £4 14s. 6d.

* * *

Dorman Long Position.—It was already clear from the preliminary announcement of Dorman Long profits (discussed on page 298 of *The Economist* of November 25, 1939) that while dividends were being maintained at last year's rates, they were not so well protected by a margin of earnings over distribution. As has been the case with so many other companies, the full report serves mainly to emphasise the heavy taxation burden. Total profits are only a little lower than in 1937-38, and there are only trifling variations in fixed charges and general expenses, but provision for taxation requires £183,744 more than in the previous year. The total allocation for tax, moreover, does not include the £153,815 transferred from general reserve to meet the retrospective increase in taxation on 1937-38 profits. The following table analyses the three latest profit and loss accounts:—

	Years ended September 30th		
	1937	1938	1939
Total profit	1,396,701	1,498,517	1,481,395
Depreciation	300,000	300,000	300,000
Fees, pensions, etc.	45,447	28,038	25,702
Taxation	152,208	245,896	429,640
Debenture service	200,591	232,709	233,972
1st and 2nd pref. divs.	238,803	238,803	238,803
Surplus	459,652	453,071	253,278
Preferred ordinary:—			
Paid†	92,374	92,374	92,374
Earned %	31.3	31.3	18.2
Ordinary shares:—			
Paid	158,115	158,115	158,115
Earned %	23.3	23.3	10.2
Paid %	10	10	10
General reserve	200,000	200,000	...
Carry-forward	152,130	154,712	157,501

† Equal in each year to 8 per cent. preferential plus 10 per cent. further dividend; after receiving 8 per cent., preferred ordinary rank *pari passu* with ordinary.

Thus the payment of preferred ordinary and ordinary dividends at the same rate as before absorbs practically the whole of available profits. No comment on the year's results is offered in the report, though the stability of total profits may be presumed to understate the growth in the company's activity in 1938-39. Fixed assets show no expansion in the balance sheet, but the modernisation and improvement policy is stated to have continued. Stocks are

£1,823,277 against £1,698,468, and there are substantial increases in the sundry debtors and creditors items. Full use of the company's working capacity is, of course, assured in wartime, and though the general meeting must be awaited before the outlook can be considered more precisely, the directors' policy in distributing virtually the full amount of the earnings suggests that they have confidence in the company's earning power in the future. At a current price of 25s. the £1 ordinary shares yield £8 per cent.

* * *

South Durham Steel and Iron Company.—Companies engaged in the heavy industries do not always show the change in profits that might be expected as a result of increased activity. But the latest South Durham results are among the most satisfactory of recent company news. Total profits are over half as high again, at £355,463, and the ordinary and "B" ordinary dividends—the two classes rank for equal rates after a preferential 6 per cent. on the ordinary—are each raised by 2 per cent. to 12 and 6 per cent. respectively. Nor can more than a small part of this improvement be attributed to the good results of the subsidiary, Cargo Fleet Iron, whose total profits for 1938-39 are £268,781, against £170,085. The passing of the Cargo Fleet dividend in 1937-38 was responsible for the reduction in the parent company's profits that year, but the 1938-39 dividend of 2 per cent. requires only £20,000 gross, and so is not a major factor in the progress of South Durham. The allocation of the latter company's profits over three years is given in the table on page 384. Owing, however, to taxation provision of £70,000 and A.R.P. expenditure of £35,000, shareholders do not get the full benefit of the rise in total profits, and the increased rates of dividend are not covered by a substantially larger margin of earnings than in the past. The balance sheet suggests that the undertaking continues to be well occupied,

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OTARD'S
COGNAC BRANDY

	Years to September 30th 1937	1938	1939
Total profit	258,343	226,161	355,463
Depreciation	110,000	100,000	105,000
Debiture interest	38,997	43,500	43,500
Other charges	3,456	5,306	110,396
Prof. dividend	18,000	18,000	18,000
Surplus	87,890	59,355	78,567
Ordinary shares—			
Earned %	13.2	10.1	12.3
Paid	45,500	35,000	42,000
Paid %	13	10	12
"B" Ordinary—			
Earned %	7.2	4.1	6.2
Paid	41,147	23,513	35,269
Paid %	7	4	6
Carry-forward	120,256	121,098	122,396

for stocks have risen from £314,499 to £403,800. At present the £1 "B" ordinary shares stand at 15s., to yield 8 per cent.

Tobacco News.—The hope of the chairman of Carreras, expressed at the meeting a year ago, that the prosperity of the business would be further developed during 1938-39, has been realised. Profits for the year ended October 31st, after depreciation and fees, are £2,005,839, against £1,604,634 the previous year. This increase of 24½ per cent., however, is rather more than absorbed by expenses. Taxation requires £547,415 against £185,354, staff funds receive £53,704 against £28,203, while a special allocation of £165,000 is made to exchange fluctuations reserve. Hence earnings for ordinary shares are reduced from £1,326,077 to £1,174,720. A final dividend of 15 per cent. makes the year's total distribution 30 per cent. on the capital as increased by the 50 per cent. capital bonus last January; dividends in 1937-38 amounted to 35 per cent. It is difficult to say whether the company will be able to maintain this record level of net profits in a full war year. Against a conceivable expansion in demand has to be weighed the increased price of tobacco leaf and heavier excise duty, while higher income tax and E.P.T. provisions may well come between any rising net profits trend and the equity shareholder. The "B" shares are now quoted at 14s. 6d., to yield 5 3s. per cent. The United Tobacco Companies (South) have also had a successful trading year, to judge from the year's total dividend of 41½ per cent. on the capital as increased by the 12½ per cent. bonus last March, compared with 40 per cent. the previous year. Probable good prospects in the current year are no doubt also reflected in the decision to maintain the first interim dividend at 5 per cent for 1939-40. The 10s. ordinary shares are quoted at 90s., to yield 4 14s. 6d.

Wall Paper Manufacturers.—The fall in the company's interim deferred dividend declaration and the preliminary profits statement had prepared shareholders for a rather disappointing year's results. Profits for the year to August 31st are £425,305, compared with £646,760 the previous year, a decline of 34 per cent. But neither the consolidated profit and loss account nor the directors' report offers much assistance in accounting for this second setback in two years. Sales have apparently been maintained and some subsidiaries have had a successful year. Hence it can only be inferred that taxation and higher costs, including A.R.P. expenditure, have taken a

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particularly heavy toll. After paying the customary prior ranking dividends, £139,615 is available for the deferred shares against £361,070 the previous year, the 6 per cent. dividend having an earnings margin of 0.3 per cent. compared with the 5 per cent. margin over the previous year's 12½ per cent. distribution. In consequence, there is nothing available for writing down goodwill and patents, which stand in the consolidated balance sheet at £1,100,000; but (by reducing the carry-forward) £99,500 is provided as a reserve against investments, which now have a book value of £1,708,832 against £1,558,140. Stocks and debtors are both lower on the year. Prospects depend on the company's ability to change over quickly from products used in civil building, particularly private housing, to those used in armament factory construction. The report alludes somewhat vaguely to the group's stake in "work of national character," but pending further information on the company's outlook there is little ground for revising the precautionary level established some time ago for the deferred shares. At present they are priced at 19s. 4½d., to yield 6 6s. 9d.

British Celanese Recovery.—As a result of the agreement with Courtaulds and the increase in yarn prices which took effect early this year, investors had been expecting the British Celanese report to show some improvement over the disappointing results of 1937-38. This hope had been reinforced by the announcement, on no less than three separate occasions since July 1st last, of payments of arrears on the First Preference shares, so that by the payment of two years' dividend in all, dividends on this class of share are being brought right up to date, to October 31, 1939. And on the technical side, some progress was to be expected from the development of short staple fibre as a wool substitute, and from the armaments demand for some of the company's products, such as certain fabrics, cellulose acetate sheeting, and dope and lacquer. For the year to July 1st, 1939, total profits (excluding special credits of £20,744) are 8 per cent. higher at £2,113,054; but they are still below the 1936-37 level. A sharp increase in provision for income tax and N.D.C. more than offsets savings in other directions, and the amount earned for dividend (which is added to the carry-forward) is £47,096 more at £73,558. The allocation of total profits is shown below:—

	Years to July 1st (approx.) 1937	1938	1939
Total profit	2,212,742	1,947,363	2,113,054
Depreciation	350,000	346,394	353,600
Income tax & N.D.C.	22,000	2,000	165,000
Other expenses	1,387,097	1,378,714	1,334,902
Debiture service	206,567	193,793	185,994
Earned for dividend ...	247,078	26,462	73,558
Prof. divs. paid†	253,867	65,625	...
Special credits	...	Cr. 3,319	Cr. 20,744
Carry-forward	295,536	259,692	353,994

† On 7 per cent. 1st pref., 1 year to April, 1937, in 1936-37; 6 months to October, 1937, in 1937-38; 2 years to October, 1939, since end of 1938-39. On 7½ per cent. 2nd pref., 6 months to October, 1930, in 1936-37.

The report refers to unfavourable conditions in the first part of the financial year, but to a steady improvement in the last few months. The accounts, however, are made up to July 1st, and show the effect neither of official control of rayon prices since war began, nor of the payment of the First Preference dividend arrears (which would absorb £350,000 gross or £227,500 net). But further improvement since the end of the financial year is recorded. Output has risen, and the monthly rate of profit now being earned (after providing for the possible liability for E.P.T. or N.D.C.) is about enough to cover the monthly proportion of dividends on both classes of preference shares. This implies an annual rate of net profits earned for dividend of nearly £500,000 gross. The clearing up of First Preference arrears is, of course, satisfactory, but the problem of the Second Preference is a large one, for dividends un-

paid on the 7½ per cent. preference now exceed £2½ millions gross. Meanwhile, the 10s. ordinary shares have risen to 7s., compared with a 1939 "low" of 2s. 9d.

Sudan Plantations Results.—The accounts of Sudan Plantations Syndicate for the year to June 30th show a satisfactory increase in profits from £531,429 to £555,321. This is well below the 1937 figure, however, and the improvement may be due, partially, to the liquidation from stocks of previous years' cotton crops. Prices, indeed, maintained the low level of the previous year, while the crop fell 8 per cent. from 210,106 bales to 194,092 bales, due to a slight fall in the area under cultivation and a decline from 4.53 to 4.42 in the yield in kantars per feddan in the Gezira (the chief concession). The subsidiary company, Kassala Cotton, whose trading profits have increased from £107,521 to £109,699 over the same period, has had similar harvesting experience. The increase in the parent company's profits (including a 10 per cent. dividend from Kassala Cotton for the year to June 30, 1938, is more than absorbed by an increased taxation charge (£85,000 against £57,500) and a special investment reserve of £50,000. In consequence, the ordinary dividend is cut from 10 per cent. to 8 per cent. An analysis of the last three years' profits is set out below:—

	Years to June 30th 1937	1938	1939
Profits	697,994	531,429	555,321
Depreciation	17,451	11,247	11,044
General expenses	204,551	196,059	193,342
Staff bonus	9,000	7,000	6,300
Taxation	40,000	57,500	85,000
Gezira reserve	60,000	45,000	30,000
Ordinary shares:—			
Earned	366,992	214,623	179,635*
Paid	309,375	247,500	198,000
Earned (%)	15.6	8.7	7.3†
Paid (%)	12½	10	8
Carried forward† ..	445,570	460,537	462,449

* After £50,000 reserve for British Government securities.
 † After crediting £13,785 in 1937 on sale of investments: £51,131 and £20,277 reserve against tenants' advances in 1938 and 1939, respectively.
 ‡ Or 9.3 per cent. before charging securities reserve.

The main features of the balance sheet are a fall in cotton stocks from £1,798,429 to £1,442,775 and an increase in British Government securities from £775,882 to £1,234,263. Cash, though somewhat lower, still represents 13 per cent. of total assets. Clearly, in view of the recent agreement for a minimum price for Egyptian cotton arranged between the British and Egyptian Governments and the recent sharp advance in cotton prices (already by mid-November the price of Giza 7 f.g.f. at Alexandria had advanced about 8 per cent. on the pre-war level) last year's results provide a little basis for an estimation of future profits. The cotton area under cultivation in the current year is slightly higher at 173,030 feddans and, given no sudden drop in the yield at 173,030 feddans and, given no sudden drop in the yield at 173,030 feddans, the prospects are good. The £1 shares have advanced since mid-November from about 29s. 4½d. to 34s., on which price they yield 4 17s. 6d.

Consolidated Gold Fields Report.—The recent reduction in Gold Fields' total dividend for the year from 20 to 16½ per cent. disappointed the market. Thanks to the higher gold price, Rand companies whose accounts are made up to June 30th have usually shown satisfactory results for 1938-39. But the practice of including capital profits obtained in the ordinary course of business in the published profits of finance houses—an invariable element of irregularity in year-to-year changes—has affected profits with especial force during the past two years, owing to lack of investment opportunities. This factor explains the sharp reduction in the revenue of New Consolidated

Gold Fields, and its consequent reaction upon the results of Consolidated Gold Fields, which are analysed below:—

	Years ended June 30th 1937	1938	1939
New Consol. Gold Fields—	2,214,610	1,221,439	1,070,327
Profit	100,000	100,000	550,000
Depreciation	460,703	248,061	60,285
Taxes and duty	55,245	41,045	73,279
Expenses			
Earned for ord.: Amt.	1,456,941	692,875	248,634
%	53.4	26.0	9.7
To reserve	500,000	200,000	...
Carry forward	435,876	395,154	228,228

	1,033,051	677,547	557,866
Consolidated Gold Fields—			
Total profit	141,721	139,458	138,129
Prof. dividends*	886,982	533,597	415,560
Ord. divs.: Amt.*	32½†	20	16½
%	30,933	35,425	39,602
Carry forward			

* Same for both companies. † Including special Jubilee dividend of 12½ per cent.

Total income of Consolidated Gold Fields is 17½ per cent. lower than in 1937-38, and after charging preference dividends, equity earnings are distributed in full, in accordance with the practice of recent years. On a strict basis, the 16½ per cent. dividend paid to Consolidated Gold Fields has been considerably short-earned, but this is largely the result of the substantially increased depreciation provision, since if earnings for New Consolidated ordinary shares had fallen only by the same amount as total profits, equity earnings would have represented 21.3 per cent. The depreciation allocation has, in fact, reached a sum exceeded only in 1930-31, when £713,225 was set aside, and its effects are only partly offset by a reduction of £192,000 in the reserve provision for United Kingdom taxation. As for the operating results of the controlled mining companies, the report serves as a reminder of the satisfactory working of producing mines in 1938-39. In the current year, however, the official decision to appropriate gold proceeds above 150s. an oz. is of concern to all Rand mines, and at Thursday's meeting Mr H. C. Porter referred to representations made by the Gold Producers' Committee asking for relief to offset the rise in costs.

The Week's Company Profits.—This week reports have been received from 71 companies, including a number of breweries. The profit and loss accounts of 48 of these concerns are analysed in our usual table on page 400. Net profits of all 71 companies (other than banks) are £7,404,000, against £7,978,000, a fall of 7 per cent., while aggregate net profits of 2,185 companies reporting in 1939 to date are £254,363,000, or still 8 per cent. less

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than the £276,629,000 earned by the same companies a year ago. The week's results are discussed in preceding Notes, and on page 387 under the heading "Shorter Comments."

Company Meetings of the Week.—Reports of company meetings will be found from page 391 of this issue. The chairman's remarks at the meetings of *Peninsular and Oriental Steam Navigation, Electric and Musical Industries and Tube Investments* are discussed in a Company Note on page 382. Major M. Gluckstein informed shareholders of *Strand Hotel* that war had drastically reduced business but there was now some sign of recovery. At the meeting of *Ansell's Brewery* Lieut.-Colonel J. A. Fairhurst pointed out that the company and its associates had spent £3,249,290 in the last seven years in modernising plant and property. Mr W. T. Anderson informed shareholders of

Messina (Transvaal) Development that costs per ton of standard copper had fallen from £35 in the previous year to £34. The remarks of the chairman at the *Consolidated Gold Fields* meeting are discussed in a Company Note on page 385. At the meeting of *English, Scottish and Australian Bank*, Mr S. M. Ward surveyed Australia's economic development over the year 1938-39. M. Roland de Hegedüs pointed out at the *Rimamurány-Salgótarján Iron Works* that, though production had almost reached full capacity in the past year, prospects were obscured by possible difficulty of obtaining raw materials. Sir John Anderson informed shareholders of *Australian, Mercantile, Land and Finance* that the year's results had been adversely affected by the summer drought of 1938-39. At the *Kwahu Mining* meeting, Lieut.-Colonel F. Johnson declared that in a reasonable period the company would be able to maintain dividends without relying on the sale of shares.

THE STOCK EXCHANGES

London

Note: All dealings are for cash

This week the markets have again been quiet and somewhat subdued by the invasion of Finland. There is a tendency, however, to await developments, and, despite paucity of business, the undertone is quite steady. Actual price movements have been small, and a slightly better trend appeared in mid-week.

Gilt-edged stocks began well, for on Monday small gains were recorded by many perpetual or long-date issues, although quiet conditions prevailed. There was some reaction on Tuesday, but a firmer tendency reappeared later. Home corporations and Dominions were steady and at first uninteresting. News of the Australian loan was not considered as a pointer to the terms of future British borrowing. *Foreign bonds* improved after an uninspiring start. There was steady support for Japanese issues, while South American loans, and in particular Brazilian issues, have returned to favour. Revived hopes of news of compensation terms, and reports of a substantial increase in Great Western goods traffic, brought renewed activity to the *home rail* market. Ordinary and marginal preference stocks, with Great Western in the lead, were prominent on Monday, and though profit-taking brought some reaction, the advance was renewed in mid-week. Argentine railway debentures were a firm feature among overseas rails.

The *industrial* market was again quiet, with only trifling changes in the general level of prices. There is a tendency, however, for demand to be selective, and interest lies more in individual shares or groups than in any underlying trend. Iron and steel shares began quite well, and then lost ground. Indian companies were again the main attraction, although prices reacted on profit-taking. Electrical equipment issues received better support towards mid-week, while motor and aircraft shares were firm if rather featureless. Textile shares were firm, and Courtaulds continued their advance. British Celanese and Canadian Celanese responded to the publication of good results. Breweries were uncertain, and there were small losses here and there. Seager Evans fell further on the disappointing 1938-39 report. Tobacco issues remained dull. Among

provision and catering issues, Manbré and Garton hardened on the report, and Tate and Lyle were firm. Shipping shares went ahead on news of higher freights, although P. and O. deferred fell back slightly in mid-week.

Among *oil* shares, Mexican Eagles eased slightly after the week-end on the expropriation ruling of the Mexican Supreme Court. Burmahs and Attock were bought from the East, but elsewhere business was small. By mid-week interest petered out, losses being the rule on balance. Rubber shares, despite a setback in the commodity, had a firm appearance. Tea shares have scarcely been tested this week.

The tone in the *mining* market improved towards mid-week. Among producing Kaffirs, prices moved irregularly after the week-end, but leading issues advanced on Wednesday. Developing issues have been subdued this week, but finance shares, led by Rand Mines, offered resistance. West Africans have scarcely been tested, but Wilunas were particularly weak in the Australian section. Tin shares were favoured on Monday following the quota decision, but lost ground, particularly Burmah Corporation, in mid-week. Rhodesian coppers showed little change.

"FINANCIAL NEWS" INDICATORS

1939	Total Bargains†	Corres. Day 1938	Security Indices	
			30 ord. shares*	20 fixed int.†
Dec. 1	3,550	5,580	74.4	117.5
" 4	4,065	5,775	74.4	117.6
" 5	3,625	5,730	74.5	117.9
" 6	3,670	5,470	74.6	117.9
" 7	3,747	5,645	74.6	117.9
1939 High...	...	...	88.0	123.5
Low...	...	...	Mar. 10 66.4	Jan. 3 109.6
			Sep. 28	Oct. 4

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

ACTUARIES' INVESTMENT INDEX

Industrial share prices in the third month of war have shown a steadiness that is more suggestive of uneventful peace-time. The Actuaries' Index of 160 industrial equity prices fell only from 57.6 on October 31, 1939, to 56.9 on November 28th, though a year ago the index stood at 63.1. The corresponding yields are 6.26, 6.16 and 5.94 per cent. Examples of wide movements are rare, but there has been some

diversity among the different groups. A selection of the component indices follows:—

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)			Price, 1939 High
	Nov. 29, 1938	Oct. 31, 1939	Nov. 28, 1939	
Insurance (10)	115.5	92.8	96.2	116.8
Building mats. (6)	75.0	56.1	58.1	76.6
Elec. mfg. (13)	120.7	109.7	111.5	128.6
Gas (8)	112.9	84.1	80.9	112.4
Oil (4)	80.7	72.2	71.0	85.6
Home rails (4)	33.7	32.5	35.9	49.2
Breweries, etc. (20)	111.7	104.0	108.8	120.0

Group	Yield (%)			Price, 1939 Low
	Nov. 29, 1938	Oct. 31, 1939	Nov. 28, 1939	
Insurance	3.70	4.46	4.32	80.7
Building materials	7.33	8.48	7.87	50.8
Elec. manufg.	5.56	6.09	6.01	102.5
Gas	5.25	6.88	7.18	80.9
Oil	7.53	6.60	6.66	69.3
Home rails	9.97	0.45	0.41	28.5
Breweries, etc.	5.92	6.40	6.17	88.5

New York

THE tone on Wall Street this week has been hesitant. The opinion is crystallising that markets are due for a rise, but sales from abroad have tended to offset the effect of good domestic business news. Trading was small after the week-end and prices eased, International Nickel being a particularly weak feature on the latest developments in Finland. On Tuesday, good year-end dividends were well received and the trend was reversed, motor issues and farm implement stock leading a rally on Wednesday. The Dow Jones industrial average registered 148.78 on Wednesday, against 146.62 last Saturday. *Iron Age* reports steel mill activity at 93.5 per cent. of capacity, a fall of 1 per cent. on the week.

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

WEEKLY AVERAGES					
1939			Nov. 22, 1939		
Low	High	Jan. 4	Nov. 22, 1939	Nov. 29, 1939	Dec. 6, 1939
347 Ind'ls....	92.8	114.5	110.3	107.6	108.7
32 Rails	23.3†	32.5	31.2	29.9	30.2
40 Utilities	77.8	89.9†	87.9	86.8	86.9
419 Stocks	79.3	95.6	93.9	91.7	92.5
Av. yield*	4.42%†	3.31%†	4.12%†	4.33%†	4.35%†
	High	Low			

* 50 Common Stocks. † Aug. 2nd. ‡ Aug. 23rd.

DAILY AVERAGE OF 50 AMERICAN COMMON STOCKS (1926 = 100)					
Nov. 30	Dec. 1	Dec. 2	Dec. 4	Dec. 5	Dec. 6
118.3	119.2	119.3	119.2	118.9	121.0
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		
November 30		880	5,870		
December 1		610	6,070		
" 2		230	3,118		
" 4		430	5,340		
" 5		590	6,880		
" 6		990	8,200		

New York Prices

Close Latest Nov. Dec. 30 7 1939 1939			Close Latest Nov. Dec. 30 7 1939 1939		
1. Rails and Transport					
Atchafalpa	25½	26½	Shell Union.....	12½	12½
Balt. & Ohio.....	55½	57½	Socohy Vac.....	12½	12½
Ches. & Ohio.....	41½	42	Stan. Oil Cal.....	25¼	25¼
G.N. Ry. P't.....	26½	28	Stan. Oil N.J.....	44½	45
Illinois Cent.	17½	18½	Texas	44½	45
N.Y. Central	9	9½	4. Manufacturing		
Northern Pac.	217½	222½	Briggs	21½	22½
Pennsylv. R.	14½	15½	Chrysler	83½	87½
Southern Pac.	14½	15½	Gen. Motors	52½	55½
Southern Ry.	97½	98	Boeing Airplan ..	73	76½
Union Pac.	97½	98	Douglas Air.....	73	76½
2. Utilities and Communications			United Aircraft.....	42½	45½
Am. W'works	113½	114	Allied Chem.	169¼	171¼
Con. Edison	30½	30½	Dupont	174¼	179¼
Col. Gas & El.	22½	22½	Gen. Electric	38¼	39½
N. American	32½	32½	West'hes Elec	109	113
Pac. Gas & El.	38½	39½	American Can	109½	111
Pub Serv N.J.	14½	14½	Caterpillar	121	125½
United Corp.	23½	23½	Int. Harveste	67½	68
Un. Gas Imp.	14½	14½	Johns Manvile	73	78
Amer. Tel.	168½	169½	Con Prods.....	53½	62
Inter. Tel. For.	25½	26½	J I Case & Co.	65½	72
Westn. Union	54½	56	Glidden	178	181
Radio			Elastine of A.....	24½	26½
3. Extractive and Metal			Celanese's Kdk	164	164
Am. Mol. Mill	165½	175½	Lew's	33½	34
Beth. Steel	77½	82½	20th Cen. Fox	13	12½
Republic St.	21½	23½	5. Retail Trade, etc.		
U.S. Steel	64½	68½	Mont. Ward	53½	54½
Am. Metal	51½	52	Sears Roebuck	79½	79½
Am. Smelting	30½	31½	Woolworth	38½	37½
Anaconda	38½	39	Nat. Dairy	15½	15½
Cerro de Pas.	37½	37½	Am. Tob. B.	80½	81½
Int. Nickel	37½	38½	Nat. Distillers	23½	23½
Kennecott	62	69½	6. Finance		
U.S. Smelt.....	62	69½	Comcl. Credit	45½	45½
			Com. Inv. Tr.	51½	53

Capital Issues

CAPITAL ISSUE TOTALS			
Week ending December 9, 1939	Nominal Capital	Conversions	New Money
To the Public	Nil	Nil	Nil
To Shareholders	Nil	Nil	Nil
By S.E. Introduction	Nil	Nil	Nil
By Permission to Deal	19,637	Nil	19,234
Savings Certs. week to Dec. 2, 1939	3,800,000	Nil	3,800,000
3% Defence Bonds sales to Dec. 2	4,300,000	Nil	4,300,000
Year to date			
1939 (New Basis)	132,107,163	109,581,221	
1938 (New Basis)	282,664,773	258,278,683	
1939 (Old Basis)	80,186,802	58,756,723	
1938 (Old Basis)	197,717,540	174,311,545	
Destination (Excluding Conversions)			
Year to date	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1939 (New Basis)	81,962,205	25,373,284	2,245,732
1938 (New Basis)	199,180,009	53,403,402	5,695,732
1939 (Old Basis)	42,596,632	15,840,091	320,000
1938 (Old Basis)	147,472,291	24,019,182	2,820,072

Nature of New Borrowing (Excluding Conversions)

Year to date	Deb.	Pref.	Ord.
1939 (New Basis)	53,356,645	8,831,629	47,412,947
1938 (New Basis)	146,967,698	19,204,062	92,106,923
1939 (Old Basis)	45,908,921	2,688,459	10,159,343
1938 (Old Basis)	130,548,183	10,877,005	32,946,357

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.

FORTHCOMING ISSUES

Australia (Commonwealth of).—Underwriting is in progress for an issue of £4,604,800 Australian 3½ per cent. stock at 99, dated 1940-1944, to replace Tasmanian 3 per cent. and 3½ per cent. loans maturing January 1, 1940. Particulars will be advertised on December 11th. Flat yield of new loan is £3 10s. 8d. per cent. Yield to redemption, January 1, 1944, £3 15s. 5d. per cent.

Eire Loan.—Mr Sean O'Kelly announced in the Senate on December 6th the issue of a £7,000,000 four per cent. loan at par, redeemable 1955-1960. Prospectus issued December 9th, and lists opened December 11th.

BONUS SHARES

Great Universal Stores.—Distribution is recommended of a 100 per cent. capital bonus. The new shares will rank *pari passu* with existing ordinary shares for any final dividend in respect of year to March 31, 1940. Treasury consent has been obtained.

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
BANKS				
Bk. of B. West Africa	1*	%	Jan. 1	2*
Central Hanover Bank	5	%	Jan. 2	5
TEA & RUBBER				
Assam Doonars Tea	7½*	...	...	7½*
Borelli Tea	5*	...	Dec. 22	5*
British Indian Tea	2½*	...	Jan. 6	2½*
Emp. of India Tea	2½*	...	Jan. 1	2½*
Ilanzie Tea	2*	...	Jan. 6	10
Sembilan Estates	...	10	...	10
MINING				
Gold Coast Banket	4½†	7½	Jan. 24	5*
Mexican Corp.	7½*	...	Jan. 11	...
Victoria Gold	3/6p*	...	...	...
INDUSTRIALS				
Abbotts Inv. Trust	1½*	...	Dec. 21	1½*
Airports, Ltd.	...	6	Jan. 10	17½*
Albion Greyhounds	10*	...	Jan. 1	4*
Assoc. News Def.	2*	...	Dec. 31	10*
Banister Walton	15*	...	Dec. 15	12½*
Barclay Perkins	7*	15	...	6½*
Barton Transport	...	...	Dec. 15	10
Beechams Pills Def.	6†	10	...	10
Bentley's Breweries	5½†	10	...	10
British Tar	21	10	Dec. 30	2*
Brit. Tobacco (Aus.)	21	10	Dec. 30	21*
Do. 1939-40	21*	...	...	21*
Briton Ferry Steel	21*	...	...	21*
Bzooke Tool	15†	25	...	22½*
Broom and Wade	15†	22½	...	25*
Brown (John)	25*	8	Dec. 9	10
Calthrops, Ltd.	25 cts.	8	...	11.35
Canadian Celanese	\$1.50	\$2.25	Dec. 30	35
Do. Extn. Dividend	15†	(6)30	...	35
Carreras, Ltd.	\$1p.s.	\$5p.s.	...	\$2p.s.
Chrysler Corp.	3†	5	...	25
Crittall Manufg.	3†	5	...	3*
Dalgaty and Co.	3†	5	Jan. 2	3*
Forestal Land	21*	%	Jan. 1	21*
Greening (N.) & Sons	2*	%	Dec. 31	10*
Griffith Hughes	10*	%	...	8
Havana Cigar Co.	8	%	Jan. 15	40 cts.
Ilford, Ltd.	40 cts.	8	Dec. 21	10
Int. Harvester	10*	%	...	7½*
Kassala Cotton	10*	%	...	20
Marston Thompson	17½†	25	...	11
Meadows (Henry)	(a)8†	(a)12	...	8
Mitchell Cotts & Co.	4½†	8	...	5*
Monotype Corp.	5*	%	Jan. 26	21*
Ohlsson's Breweries	3½*	%	Jan. 1	5*
Parkland Mfg.	3½*	%	Dec. 30	3½*
Revo Electric	50	%	...	50
Shirley Collieries	21*	%	...	10
Smith (S.) Motor (def.)	21*	%	...	3*
Sudan Plantations	21†	8	Dec. 15	9
Sunlight Laundries	21†	8	Dec. 15	3*
Trust Union	3*	%	Jan. 1	...
Twyford	21*	%	Dec. 30	40(c)
Unic. Tobacco (South).	a22½†	a41½c	Dec. 30	(c)34*
Do. (1939-40)	(c) 5*	12½	...	...
Usher's Brewery	10†	...	...	...
Vestfold Whaling	3†	...	...	...
Wenlock Brewery	10†	15	...	16½†
...	...	8½	...	8½
UNIT TRUSTS				
United Securities	Pence	...	...	Pence
...	44½	...	Dec. 15	4½

Industry and Trade

Fall in Unemployment.—On Monday Mr Ernest Brown, Minister of Labour, cheerfully announced in a broadcast that the total number of registered unemployed in Great Britain had fallen by 28,000 between October 16th and November 13th and that in his view the corner had been turned. But while it is satisfactory that the increase in unemployment has been arrested, the total number of registered persons out of work on November 13th was still 1,403,000, and the number of wholly unemployed only fell by 8,300 to 1,213,000. The mere fact

EMPLOYMENT AND UNEMPLOYMENT IN GREAT BRITAIN									
Date of Return	Unemployment					Employment			
	Registered unemployed aged 14 and over (incl. agriculture)		Percentage of insured persons (aged 16-64) unemployed (excl. agriculture)			Insured persons aged 16-64 employed (excl. agriculture)			
	Total		Of whom wholly unemployed	unemployed (excl. agriculture)	Nun bar	Index, adjusted for seasonal variations	Nun bar	Index, adjusted for seasonal variations	
	Number	Index, adjusted for seasonal variations							
1938	'000	1935 = 100	'000	%	'000	1935 = 100			
Aug. 15	1,759	86.4	1,262	12.7	11,453	110			
Sept. 12	1,799	88.6	1,324	12.9	11,438	110			
Oct. 17	1,781	87.6	1,409	12.5	11,466	110			
Nov. 14	1,828	89.6	1,456	12.7	11,441	110			
Dec. 12	1,831	91.9	1,474	12.7	11,466	110			
1939									
Jan. 16	2,039	93.0	1,594	14.0	11,299	110.12			
Feb. 13	1,897	87.9	1,538	13.1	11,435	111.12			
Mar. 13	1,727	84.6	1,429	12.0	11,606	112			
April 17	1,644	81.5	1,343	11.3	11,712	112.12			
May 15	1,492	74.7	1,234	10.3	11,870	115			
June 12	1,350	67.6	1,099	9.5	12,005	116.12			
July 10	1,256	62.2	1,014	8.6	12,112	116.12			
Aug. 14	1,232	60.7	968	8.8	12,100	116.12			
Sept. 11	1,330	65.9	1,052	9.0	(a)	(a)			
Oct. 16	1,431	70.8	1,222	9.5	(a)	(a)			
Nov. 13	1,403	69.1	1,213	...	(a)	(a)			

* Estimated. (a) No longer available.

that unemployment has fallen slightly, moreover, does not necessarily mean that employment has increased, for a substantial number of persons must have joined the colours between October 16th and November 13th. We cannot, therefore, see justification for Mr Ernest Brown's self-satisfaction and optimism. Nevertheless, there are indications that industrial activity is again slowly expanding. There has been a further reduction in unemployment in the principal textile trades and in the coal-mining and metal industries, while the increase in building and in agriculture was probably partly seasonal.

Regional Supply Organisation.—The regional organisation set up by the Ministry of Supply, necessary though it may be, promises to repeat the complexity which is characteristic of the existing central organisation. Soon after the outbreak of war it was made known that a regional supply organisation would be set up in each of the thirteen areas covered by the Regional Commissioners. This at least provided a framework. Next it transpired from the discussions between the Prime Minister and trade union representatives that there would be area advisory committees of employers and employees. It is now announced by the Ministry that these committees will also be based on the thirteen areas of the Regional Commissioners. Arising from quite a different line of development are the area boards, which will consist of local representatives of Government departments and include special officers for particular industries, such as clothing and machine tools. There will thus be a dual organisation in each area, consisting of a board of civil servants and a committee of industry representatives. The precise relation between the two has not been defined, and there is apparently no machinery for resolving differences between

them. So far the organisation can hardly be described as simple. But this is by no means all. In addition to the main area committees, there are to be numbers of other committees dealing with particular parts of each area. The relation between these and the area committees proper has not been stated. Moreover, there will also be panels in the various industries and branches of industries covering general equipment stores. The composition of these panels and their relation to the area organisation in general is again undefined. The only real comfort to be found in this wilderness is the fact that very little appears to have been done so far towards the setting up of any of the various boards, committees and panels. The Ministry has announced that committees will be set up in nine areas "as a matter of urgency"; it is clear that area organisations will deal in the first instance with armament stores which concern the engineering trades; and it is also plain that more progress has been made towards appointing labour representatives than representatives of employers on area committees. But beyond that all is a mystery.

Boom in Textiles.—The past few months have witnessed a remarkable revival in nearly all branches of the textile trades. In October, 1938, 19.2 per cent. of the number of persons insured against unemployment in all textile trades, were without work; in October, 1939, the percentage was only 8.1, compared with an average of 9.7 per cent. for all industries in the United Kingdom. The extent of the improvement varied from industry to industry; but, as the accompanying table shows, it was substantial in most of them. Carpet manufacture is the only branch in which unemployment last October was greater than a year ago. The preliminary unemployment figures for November 13th show a further reduction in unemployment in the cotton, woollen and worsted, and silk and rayon trades. What are the causes of this sudden and marked revival? They are certainly not to be found in the export trade. Shipments of cotton yarns and manufactures declined from £4,213,000 in October, 1938, to £2,990,000

UNEMPLOYMENT IN TEXTILE TRADES IN OCTOBER, 1939				
	No. of insured Persons, July, 1938	Percentage unemployed October, 1938	Percentage unemployed October, 1939	
Cotton preparing, spinning	201,250	21.5	7.9	
Cotton manufacturing	191,800	26.6	9.7	
Woollen and worsted	215,770	15.8	4.2	
Silk spinning and manufacture and rayon weaving	51,760	20.4	7.4	
Rayon manufacture	25,530	15.8	3.3	
Linen	74,070	27.1	17.2	
Jute	27,980	22.6	14.0	
Hemp, rope, cord, twine	19,460	14.9	10.0	
Hosiery	118,710	8.0	3.7	
Lace	14,140	18.0	11.6	
Carpets	31,380	9.2	17.0	
Other textiles	58,490	10.3	7.3	
Textile bleaching, etc.	96,280	23.7	8.9	
All Textiles	1,126,620	19.2	8.1	

in the corresponding month this year; during the same period exports of woollen and worsted yarns and manufactures fell from £2,297,000 to £1,367,000, and exports of other textiles from £1,399,000 to £1,159,000. Military requirements have, of course, shown a substantial increase but this can scarcely explain the sudden boom in virtually all branches of the textile trades. It would seem, therefore that the industry is in the midst of a far-reaching restocking movement. This impression is confirmed by the index of domestic sales of textiles prepared by the Wholesale Textile Association in collaboration with the Bank of England; this index rose by 26 per cent. between September, 1938, and September, 1939, while the figure for

October showed a rise of no less than 37 per cent. over the figure for the corresponding month last year. But this restocking movement cannot continue indefinitely and, in the absence of a vigorous effort to bring about a recovery in exports, the textiles trades may be faced with a sharp recession next year.

Record U.S. Steel Production.—Last October the United States produced more steel than ever before; output reached the enormous figure of 5,394,000 tons, compared with the previous record of 5,286,000 tons attained in May, 1929. The recovery in the iron and steel industry is an indication of the extent of the recent improvement in American business conditions, which was discussed on page 319 of *The Economist* of December 2nd. It suggests that the long-delayed recovery in the capital equipment industries is at last under way. There are indications, however, that consumption has not fully kept pace with the growth of production. But this does not necessarily presage an early recession, for consumers appear to have adopted the policy of increasing the ratio of stocks to consumption during the war. Moreover, the volume of speculative purchases is likely to be kept down by the industry's decision not to raise prices in the first quarter of next year.

Retail Sales Buoyant.—While the average daily value of retail sales in October was as high as in September, the increase compared with the corresponding month a year ago fell from 13.9 per cent. to 6.5 per cent. The initial rush to lay in stocks of food and clothing, swollen by the demand for black-out materials, appears to have subsided, but the value of purchases remains well above last year's level. But as prices have been marked up the increase in the volume of purchases was probably considerably smaller than the rise in their value. As the accompanying table

VALUE OF SALES AND STOCKS COMPARED WITH YEAR AGO			
	Average Daily Sales		Stocks (at cost) End October
	September	October	
Non-Food Merchandise:—	%	%	%
Piece-goods	+37.9	+0.9	+8.4
Women's wear	+16.3	+1.0	+7.3
Men's and boys' wear	+17.9	+17.5	+5.8
Boots and shoes	+36.7	+10.8	+6.9
Furnishing departments	Nil	+14.7	+4.8
Hardware	+15.5	+10.0	+0.8
Fancy departments	+11.5	+0.3	+6.2
Sports and travel	+0.6	+1.6	+2.0
Miscellaneous and unallocated	+17.3	+14.2	+2.5
Total—Non-Food Merchandise	+16.4	+3.3	+3.7
Food and Perishables	+11.7	+9.4	+24.0
Total—All Departments	+13.9	+6.5	+5.0

shows, the increase in sales compared with the corresponding month in 1938 was again substantial in the case of food, men's and boys' wear and boots and shoes. On the other hand, it was much less marked in the case of women's wear, while sales of piece-goods were slightly, and those of the furnishing and hardware departments substantially, lower. The geographical distribution of sales in October was very similar to that in September; in Central and West End London sales showed a reduction from the figures for October, 1938, of 31.2 per cent. (27.5 per cent. in September), in Suburban London they were barely maintained, and in all the other districts they showed a marked increase. Except in the case of boots and shoes and travel requisites, the value of stocks (at cost) was higher at the end of October than a year ago.

Shortage of Flax.—Even before the outbreak of war the withdrawal of supplies of Russian flax from the international market had brought a rising trend in flax prices and some difficulty for the domestic linen industry.

The war has also reduced the amount available from the Baltic countries, while Belgian supplies are limited by the increase in the military demand from the Belgian Government. Prices on the Belgian market have risen steeply since the war, under the combined stimulus of British, French and German purchases. The Flax Controller has prohibited, except under licence, the exports of flax and hemp

BRITAIN'S TRADE IN FLAX				
	1937	1938	Jan.-Aug. 1938	1939
Imports of flax ('000 tons):				
Total	39.4	40.7	26.6	35.9
From Russia	7.2	2.7	2.3	...
„ Baltic Countries	8.9	11.2	6.7	11.5
„ Belgium	17.5	19.6	12.1	18.7
Imports of flax tow ('000 tons):				
Total	16.7	16.9	11.7	14.2
From Russia	9.3	3.4	2.9	2.5
„ Baltic Countries	2.5	3.0	2.0	2.9
Exports of flax and hemp yarns ('000 tons):				
Total	4.65	3.74	2.42	2.49
To Eire	0.42	0.30	0.22	0.22
„ Other Empire	0.51	0.50	0.32	0.41
„ Germany	0.70	0.76	0.45	0.42
„ Belgium	0.64	0.16	0.12	0.09
„ U.S.A.	1.00	0.79	0.51	0.53
Imports of flax and hemp yarns ('000 tons)	3.13	3.40	1.99	3.07

yarn in order to conserve supplies for the weaving mills. Ulster farmers are also being urged to grow more flax. Output in recent years has fluctuated between 2,000 and 7,000 tons; the area under flax in the United Kingdom, which was more than 100,000 acres in 1918, reached the low level of 7,438 acres in 1932 and amounted to 24,287 acres in 1938. Negotiations are now going on between the Ministry of Supply and the National Farmers' Union on the subject of the price to be paid for next season's flax crop.

Dearer Oil Products.—As from December 2nd, the Petroleum Board, with the permission of the Government, has made further increases in the price of petroleum products in this country. Kerosene has been advanced by 3d. a gallon, to a wholesale price of 9½d. for burning oil and 9½d. for vaporising oil. The price of automotive gas oil (for use in diesel-engined road vehicles) has been raised by 1d. a gallon to 1s. 3½d. and white spirit (used for a variety of industrial and medicinal purposes) by 1½d. to 1s. 5½d. In each case the above prices for bulk sales by the Petroleum Board are those ruling in the lowest-priced zone, higher rates being current in other parts of the British Isles. Moreover, on December 7th the prices of fuel oil, diesel oil and gas oil were raised by a further one penny per gallon. As in the case of petrol, whose price has also been raised twice since the outbreak of the war, it may be presumed that selling prices are now once more in line with costs and that further increases will be unnecessary for the time being. Meanwhile, a rough indication of the relative importance of some of these various price changes may be gained from last year's United Kingdom consumption figures, which were approximately as follows: Motor spirit (excluding benzole, alcohol, shale naphtha, etc.), 1,390 million gallons; kerosene, 210 millions; automotive gas oil, 90 millions; and white spirit, 30 millions. Finally, it may be noted that the first war-time increase in the price of lubricating oils was announced this week.

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INDUSTRIAL REPORTS

Coal

THERE has been little change in the position on the coal markets. The output in most districts is being readily absorbed and export business is gradually increasing. The quantity of shipping available is still the decisive factor in the volume of overseas shipments.

Sheffield.—Deliveries are now less hampered by transport difficulties and there is a ready demand for industrial fuel, gas coal, coking smalls and smalls for electricity works. Demand for household fuel is slow as users have good stocks. Coke prices are firmer and export dealings are quieter, though there is a fair volume of overseas business in steam coal.

Glasgow.—Colder weather has led to a larger household consumption, but this has not yet benefited the collieries, as depot stocks are heavy. Industrial and public utility needs are heavy and shipping areas (which are contributing increasingly to inland needs) are meeting contracts as readily as the tonnage situation allows and have little coal available for prompt new orders.

Newcastle.—New export trade is being negotiated for North-East coals, but the immediate position is hampered by transport difficulties. Northumberland steam coals are still comfortably placed, but in Durham, apart from the coking section, supplies are more than adequate. Patent oven coke retains its recent firm position.

Cardiff.—Although the recent shipping position has been less favourable the supply of wagons has been adequate and the improved production has been maintained. Exports are mainly to France, but there has been good business with the Mediterranean ports and South America.

Iron and Steel

THE high level of steel production is being well maintained. Most of the output is for Government use, but there are attempts to increase export business. The supply of steel scrap is still insufficient, but larger imports are expected to arrive soon.

Sheffield.—Forge and foundry iron is well taken up and increased production is necessary now that stocks have been absorbed. Basic pig, finished iron and common, marked and crown bars are in request, but there are ample tonnages of hematite. The delay in business in basic billets is being overcome by imports and good supplies of most steel material are available. Structural steel requirements are still heavy, and so are those for engineers' tools both for home and export. Many firms have full order books well into the coming year.

Glasgow.—There is no lessening of activity, but steel plants are unable to keep pace with consumers' demands. Shipbuilders and marine engineers absorb a large proportion of production. Sheet makers and other re-rollers, who have received important new service

contracts in the past ten days, have obtained a fair quantity of Continental material, which has kept their plants running. Tube makers are also very busy, and it is hoped to increase production in this branch.

Middlesbrough.—Semi-manufactured steel supplies have been supplemented from abroad and re-rollers are fairly well supplied. Hematite pig iron is disposed of as soon as produced, but makers have reserve stocks. The chief production of pig iron is of the basic quality, and no foundry pig is being produced locally. Foreign ore supplies are better and there is no difficulty in securing Durham blast furnace coke. Efforts are being made to maintain the steel export trade.

Cardiff.—Steel production in South Wales is now at the rate of approximately one million tons per annum and tinplate output is at 73.14 per cent. of capacity under the pooling scheme, compared with 47.20 per cent. in the corresponding period last year, but exports are affected by irregular shipping movements. The general demand for sheets is good.

News from Abroad.—Although the price tendency on international markets has remained firm, the semi-official advance which was expected has not been announced. Special prices are frequently quoted to individual buyers, so that it is impossible to establish a uniform base. British exporters have entered some markets without, however, relieving the general pressure for supplies.

Textiles

Cotton (Manchester)—There has been a further sharp advance in raw cotton prices and yarn and piece-goods rates are higher than for several years. Most spinners and manufacturers can obtain more orders than they want. There has been an encouraging inquiry for piece-goods, but price and delivery difficulties continue. There has been an increased demand from India and good orders from South America, but Scandinavian business has been curtailed by political developments.

Wool (Manchester).—No change in the situation in the wool textile industry is expected until a new price list is issued. All stocks now belong to the Government, and the methods of conducting business are causing dissatisfaction. The chairman and leading members of the British Wool Federation are shortly to have an interview with the Minister of Supply. There is no slackening in the manufacture of military cloths, but producers are worried by the smallness of the ration for yarns and piece-goods for civilian orders.

Jute (Dundee).—Raw jute prices have advanced by about £15 per ton during the past week, partly as a result of the failure of the Indian jute mills to agree on maximum prices. Despite the report that this season's crop will be about 11 million bales, it is thought that there will not be too much jute for world requirements. Yarns have ad-

vanced in sympathy with the raw material, the last price paid for common 8-lb. cops being 5s. 9d. Spinners are already sold ahead for some months. Shipments from Calcutta are still coming forward very slowly.

THE COMMODITY MARKETS

Metals.—Supplies of copper, lead and spelter to domestic consumers are improving, but the issue of export licences is still interrupted. Business in the United States has slackened, and the price of spelter fell by 50 cents to 6 cents per lb., in spite of the low level of visible stocks. Prices of copper and lead were unchanged in New York.

Tin.—Turnover in the L.M.E. is still limited to 25 tons per day, but there seems no shortage of supplies for tin-consuming industries. The increase in the export quotas to 100 per cent. of the basic allowances for the first quarter of next year brought a fall in the American price, from 54 to 51.75 cents per lb. The November statistics put United States' consumption of tin at 7,870 tons, an increase of only 1,830 tons on the October figures; world stocks increased by 399 tons in November to 37,574 tons.

Grains.—Chicago markets have been firm with the continuation of drought, and Winnipeg prices have improved with larger exports from Canada, which will shortly be checked by the closing of navigation for the winter. Near futures in Chicago rose above 90 cents a bushel this week, and wheat prices in the Argentine have also risen above the former minimum prices of 7 pesos per 220 lb. The Argentine crop has been damaged by rain and insects, and only a medium yield is expected from a late harvest; the carry-over at the end of the year will, however, amount to some 60 million bushels. American maize prices have improved in the last few weeks, with an improvement in British demand, but supplies in this country are still below normal.

Oils and Oilseeds.—Supplies of most descriptions of oils and oilseeds are good, and the Control is buying steadily for future delivery. The centralised buying of the Control is acting as a check on the rise in linseed prices in export markets in the interval until the new Plate crop is shipped. An output of 1.4 million tons is expected, which is the same amount as last season, in spite of a 15 per cent. increase in acreage. Plate linseed afloat for Antwerp has been quoted at £16 15s. per ton and December shipment to the United Kingdom at £14 15s. per ton plus duty.

Rubber.—The discrepancy between London and New York prices has narrowed, with a renewed fall in the American price level. The London market has been firm and Para grades have been priced every steadily at 1s. per lb.; standard ribbed sheets fell on Thursday to 11d. per lb.

COMPANY MEETINGS

TUBE INVESTMENTS, LIMITED

BOARD'S FINANCIAL POLICY

PROSPECT OF STABLE DIVIDENDS

MR ARTHUR CHAMBERLAIN'S VIEWS ON WAR TAXATION

CASH SURPLUS

After these raids on the hen roost the surplus of assets was nevertheless increased, as compared with last year, by £68,000. War for many industries was a time of boom, which, they all knew, was invariably followed by a slump. However careful they were, it would be impossible to both "keep stocks during the war at a level that permits of the greatest dispatch in the execution of orders entrusted to us" and at the end of the war "not to find ourselves unable to undertake competitive trade, whether at home or abroad, because of a surplus of raw material bought at the peak of war prices." The only way out of this *impasse* was to build up out of unusual profits a stock reserve to enable them to enter on at least equal terms the fight for trade that would start as soon as Germany had fore sworn Hitlerism. As for the disposal of the actual cash surplus, some of it was in the bank, some in general investments, some in increased trade interests, some in Stewarts and Lloyds deferred stock, some in increased debtors, some in increased stock, and a very large amount had been absorbed in capital expenditure originally intended to increase or strengthen the company's activities, but to-day, alas, the bondservant of Mars. They would not have been able to do all this with the complete confidence desirable for success but for the issue of ordinary stock in August, 1936, which, while it gave the shareholders a free-of-tax gift of 12s. per share, provided the company with a very useful £940,000 in cash.

TUBE FACTORY IN AUSTRALIA

The shareholders would be interested to hear that they had, in collaboration with Stewarts and Lloyds Proprietary, with which was associated the Broken Hill Proprietary, started to erect a precision tube factory in Australia. This was a move entirely opposed to their general policy of confining manufacturing operations to this country, but, owing to Australia's quite natural and quite determined policy of encouraging secondary industries, the company were faced with the alternative of seeing their Australian export market gradually taken from them by Australian factories or, as they hoped and expected, gradually increased by a growing Australian demand supplied from the company's own Australian factory. Incidentally, this decision had been taken in the nick of time to be of considerable service to Australia in the present crisis.

WAR TAXATION

Discussing the subject of war taxation, Mr Chamberlain suggested that the need for such a heavy increase in income tax and indirect taxation would not have arisen if the Chancellor, with due provision for reasonable exceptions and the repayment of capital spent for the production of war requirements and useless in a post-war era, had proposed, and the country agreed, that the Government should take 100 per cent. of any increase over the standard, whether for companies or private individuals. Gone would be the necessity for such a heavy increase in taxation, direct and indirect; gone would be the necessity for an expensive organisation to investigate prices; gone would be the necessity for a Profiteering Bill which most certainly would not catch everyone; gone would be the necessity of bringing in a Bill at the end of the war to examine people's private fortunes and exact a tax on the increase; gone would be many of the difficulties confronting employer and worker concerning wages; and, finally, gone would be the justifiable heart-burning over the contemplation of the difference in fortune of those whom patriotic ardour, age, fitness, or the fact that they did not happen to be in reserved occupations, placed in the front of battle, and those whom duty, age, luck or trade occupation allowed to stay at home and make as much money as possible. We should then have a free nation, waging a war for freedom and justice, with no possibility of private gain.

The report was adopted and a dividend at the rate of 23½ per cent. for the year, less tax, was declared.

The twentieth ordinary general meeting of shareholders in Tube Investments, Limited, was held, on the 6th instant, at the Queen's Hotel, Birmingham, Mr Arthur Chamberlain, chairman of directors, presiding.

In moving the adoption of the report and balance sheet, the Chairman said he told them a year ago that, from various causes, they had to provide for taxation a sum of £194,000 more than in the previous year. That was a staggering addition to their burdens, yet, he then added: "I am rather doubtful, if at that time we have made sufficient provision, for who is bold enough to assume that when we are called upon to pay the taxes on 1938 results neither N.D.C. nor income tax will be found to be increased." That gloomy reflection had been abundantly justified. To-day the increase in income tax had called for an allocation not far short of last year's total increase in taxation, merely to adjust to the present rate the sum set aside for that tax last year. That being so, he could leave to their imagination the figure of the increase in total taxation and A.R.P. charges for which the directors had thought it necessary to make provision in this year's accounts as compared with last.

ALL PLANT FULLY OCCUPIED

During the year all plant was fully occupied, and the turnover and profits before taxation were both considerably in excess of those of the previous year. After taxation and A.R.P. were provided they found themselves for all practical purposes with the same net profits as last year. He had never made any secret of the fact that their actual profits were larger than those shown in the Tube Investments balance sheet; and he remembered telling them that, in his opinion, few businesses were ever justified in distributing more than two-thirds of their profits, and that Tube Investments had rarely exceeded that figure. In recent years that safety margin had been increased, for while on the one hand they had been spending capital on a very large scale and earning, in consequence, larger profits, the growing disequilibrium on the international position had made them determined not to increase their rate of dividend, nor to capitalise and distribute as bonus shares their reinvested earnings until they could more clearly realise how sound and how durable those additional activities and their earning power would turn out to be. Until this war was finished and they could assess the world's power of recovery, it would be simply idiotic to deal with this problem. Some day there might be a plum to be pulled from the pie for the shareholders, but, on the other hand, it might turn out that this enforced continence had been the material factor in enabling the company to get through a prolonged period of very bad trade. For the moment all he could say was that there was a considerable cushion between their present profits and any reduction in their rate of dividend. The very high taxation that they were called upon to bear, and which if he had any voice in the matter would be in some directions even higher, only emphasised that statement.

RESERVE AGAINST CONTINGENCIES

These were times when no doubt many shareholders would be desperately short of money. Nevertheless, he thought they would agree that so far as Tube Investments was concerned they must be content with the prospect of there being little chance of any reduction in dividend and no chance at all of any increase. Any surplus that they earned and were permitted to retain must be regarded as a reserve fund against the contingencies of war, or the difficulties of post-war conditions. Describing how the undistributed profits had been dealt with, Mr Chamberlain said, after setting aside what was required for ordinary depreciation they had written off some eight items of capital assets, together absorbing £182,000; they had added £300,000 to obsolescence reserve; £100,000 had been added to investment reserve, and stock reserve had also received a substantial addition.

ENGLISH, SCOTTISH AND AUSTRALIAN BANK, LIMITED

INCREASE IN GROSS PROFITS

SOUND POSITION OF THE COMMONWEALTH

The forty-seventh ordinary general meeting of the English, Scottish and Australian Bank, Limited, was held, on the 6th instant, in London.

Mr S. M. Ward (the chairman), said: When I last had the pleasure of addressing you I indicated that the reports then recently received from Australia pointed to a possible slackening in the tide of prosperity which the Dominion had enjoyed during the last few years.

Dependent as the Commonwealth is upon primary production for much of its wealth, its prosperity is basically determined by the state of overseas trade, and the recent severe fall in world commodity prices has caused a considerable reduction in income from this source. To take the cases of wool and wheat alone, which together represent over 50 per cent. of the total exports from Australia, the average market value of greasy wool, which stood at 16.48d. per pound in 1936-37, fell to 12.46d. in 1937-38 and to 10.5d. in the year under review, with the result that notwithstanding an increase in the number of bales exported their value was less than in 1936-37 by nearly £A20,000,000. Similarly in the case of wheat, the average price for 1936-37 was 5s. 2.7d. per bushel. For 1937-38 it fell to 4s. 5.1d. and for 1938-39 to 2s. 9.2d.—in other words, a reduction in the value of exported wheat of about £A10,000,000 compared with 1936-37. This decline in export values has inevitably been reflected in the trade balance with this country. An export surplus of £36,369,348 in 1936-37 was followed in 1937-38 by a comparatively small decrease in export values, coupled with a large increase in imports due to the high prices realised in the preceding year, thus reducing the favourable balance to £11,848,136, while in the year now under review the surplus has been still further reduced to £9,344,000 notwithstanding a large reduction in imports. These surpluses do not fully provide for the annual overseas interest charge of approximately £22,000,000, so that there has been a steady drain of London funds during the last two financial years to meet the Federal Government's requirements for debt and other services. The fall in prices illustrated above, which extended to all the principal items of export with the exception of butter, and in many cases were below the cost of production, has had its effect in a slackening in the former rate of progress, illustrating how closely the internal economy of Australia is bound up with the state of her overseas trade.

STANDARD OF LIVING MAINTAINED

Under the circumstances it would have been reasonable to expect a sharp decline in economic activity, but the good effects of the advantages which accrued to Australia from the profitable export prices of the two preceding years have extended into the period under review, with the result that although the former rate of progress was not maintained the volume of business handled by secondary industries shows only a slight decline and the standard of living was well maintained. This is confirmed by the trade union unemployment figure, which for the year 1938-39 was 9.4 per cent., against an average of 8.5 per cent. for 1937-38. Some decline also occurred in factory employment, the number of persons engaged falling from 559,000 in 1937-38 to 551,000 in 1938-39. In the constructional industries, however, the volume of activity was well maintained, the total value of building permits issued for the year being £54,000,000, compared with £53,000,000 in 1937-38.

No doubt this satisfactory position is partly due to the substantial increase in the amount of loan funds expended during the year by the Federal Government on defence and by State Governments and public utilities on works of various kinds. Marked political stability, freedom from major industrial disturbance, and the wise control of credit by the Commonwealth Bank, functioning as a central bank, have also been contributing factors.

During the year several important new industries have been established in Australia. Paper and pulp mills have been erected, and considerable benefits should be derived by the Commonwealth when they are working to capacity. There have also been large extensions in the iron and steel industries.

THE BANK'S ACCOUNT

Turning now to the balance sheet, you will see that there is no change in the amount of paid-up capital (£3,000,000) or the perpetual stocks (£1,872,966). The reserve fund has been increased by the sum of £15,000 in accordance with the terms of the articles

of association and now stands at £1,725,000. Special reserve is unchanged at £1,585,000 and covers the depreciation in Australian currency, for which purpose it was set aside in 1931. Deposits at interest show a decrease of £189,719 and current accounts a decrease of £56,416; deposits and current accounts together at £34,942,000 show a decrease of about £246,000.

Bills payable at £1,674,000 show a considerable reduction of £1,100,000. This is due mainly to a special transaction which had had the effect of largely increasing this figure in the previous year's balance sheet. It has no special significance. The amount due to subsidiary company shows an increase of £486. This merely represents sums standing to the credit of the account of the Melbourne Safe Deposit Company, which continues to give valuable service to our customers and others.

On the assets side of the balance sheet our cash item at £5,647,000 shows a decrease of £2,753,000, while bills receivable and remittances in transit and advances and other assets show an increase of about £1,400,000. The increase shown in bills receivable, which includes Australian Government Treasury bills, may be accounted for by the fact that the Bank's holding of Treasury bills has increased by upwards of £1,000,000, while trade bills show a reduction, which was only to be expected in view of the recession in trade.

The ratio of cash to each pound of our current account deposits is 7s. 9d., and if we take into account the Treasury bills which we carry in the balance sheet under the head of bills receivable and which are discountable by the Commonwealth Bank the ratio is 11s. 2d. of our demand liabilities.

Advances and other assets at £30,532,000 show an increase of £843,800. This increase is symptomatic of the times and shows that there is no lack of willingness to meet demands for accommodation from credit-worthy customers. The gross profit stands at £1,295,817, an increase over last year's figures of £27,205. On the other hand, expenses of management show an increase of £36,469 and income and other taxes of £26,035. Deducting the expenses from gross profits leaves us with a net profit for the year of £245,294, from which there has been carried to reserve fund £15,000 and payment made of an interim dividend of 3½ per cent. It is proposed to pay a further dividend of 3½ per cent. less United Kingdom income tax, making 7 per cent. for the year.

The report and accounts were unanimously adopted.

STRAND HOTEL, LIMITED

EFFECT OF WAR ON HOTEL BUSINESS

The annual general meeting of the Strand Hotel, Limited, was held, on the 5th instant, at the Trocadero Restaurant, London, Major M. Gluckstein, the chairman, presiding.

The chairman, in moving the adoption of the report and accounts, said that the year had been a period of international anxiety throughout, culminating in the present war. The company's trade until the end of August had been fairly well maintained, with profits only slightly below those for the corresponding period. War, however, had brought about a drastic reduction in the volume of their business. Hotels, and particularly London hotels, had—so far, at least—suffered to an exceptional degree. Some might be surprised that the disturbance to the company's business from August to the close of the financial year should have affected their profits so seriously. The fall in receipts during that short period had, however, been so severe that a substantial trading loss had been experienced. In the case of hotels a sudden diminution of trade could not be minimised by a proportionate reduction in costs.

They had also had to contend with rising prices, increases in taxation, and in general rates; and the cost of air-raid precautions; and in a lesser degree war risk insurance had been additional burdens.

Shareholders would be able to understand, therefore, why the balance in the trading account at £83,000 was £40,000 lower than last year. For the eight years previous the dividend on the Participating Preferred Ordinary shares had been 14 per cent. and the board regretted that they could recommend a dividend now of only 7 per cent.

The setback was not due, however, to circumstances within the control of the board, and as to the future, there was some indication of recovery. The board had no doubt that when conditions became more settled the unique part which the company's hotel played in the life of the Metropolis should ensure a return to the former prosperity. London, however, had not yet entirely adjusted itself to war-time conditions, and until the present temporary phase had passed, business would remain more or less in a state of dislocation.

The report and accounts were unanimously adopted.

PENINSULAR AND ORIENTAL STEAM NAVIGATION COMPANY

THE WAR AND FOREIGN COMPETITION

Sir William Crawford Currie, the chairman, presiding at the ninety-ninth ordinary general meeting of the Peninsular and Oriental Steam Navigation Company, held, on the 6th instant, at the company's offices, London, said that shareholders would all have read of the sinking of the company's "Rawalpindi" with the tragic loss of nearly all her officers and men in a heroic fight with the German battleship "Deutschland" and another German warship a fortnight ago. It was an epic which would remain for all time in the annals of the sea.

One of the outstanding events of the past year had been the decision of Government to grant constructive assistance to British shipping in the form of a subsidy to tramp shipping, and a liner defence fund against foreign competition, together with monetary grants and loans to encourage the building of new cargo ships. The outbreak of war had supervened before the final passing of these measures through Parliament, and, with British shipping thereby placed on a war-time basis, it had been recognised that the ship-building proposals were all that it would be feasible to proceed with. To these, at any rate as regarded loans, Government were morally bound, as many shipowners had committed themselves to expensive building contracts on the strength of the financial assistance which Government had clearly announced.

Since the outbreak of war, trading by British vessels, apart from those requisitioned for military and transport service, had been conducted upon a system of licensing; in the case of liners, general licences for named period; and voyage by voyage for tramps.

In order to meet heavy increases in running costs, comprising war risk insurance, routing and convoy delays, rises in the prices of fuel and stores and in the cost of repairs, etc., liner conferences had been compelled to advance their freight rates, this being no more than was justified by the additional expenses incurred.

FOREIGN COMPETITION

The chairman hoped that, in reviewing those controlled rates from time to time as might be necessary owing to rising costs, Government would not be unmindful of the all-important question of the ability of the British Mercantile Marine to meet the competition of the shipping of other countries after the war. This was one of the greatest difficulties which British shipping, both liner and tramp, would have to face.

That competition had assumed very serious proportions before war broke out, and, being free from the control under which British shipping had necessarily to operate so long as the war lasted, neutral tonnage would be reaping a handsome harvest. That would enable neutral shipping to accumulate large reserves, and, unless His Majesty's Government pursued a sympathetic and constructive policy in the interest of British shipping, the British Mercantile Marine, when once again normal peace-time trading could be resumed, would have the scales heavily weighted against it. In introducing proposals to assist British shipping, just before the war, His Majesty's Government had recognised the need for measures of assistance against foreign competition. But in view of the enforced withdrawal of those proposals, irreparable damage would be done to British shipping unless Government adopted an understanding and long-sighted policy both in regard to rates of freight on commercial voyages and rates of hire for requisitioned ships.

TONNAGE REPLACEMENT

The replacement of tonnage, due to war losses or in the normal course of business, was another problem to be faced. British shipping ought to be allowed to make full provision for depreciation and to accumulate reserves to enable it to face with some degree of confidence the inevitable difficulties of the post-war period, and so that it might regain its former position in trades which had had to be abandoned in the national interest. That was essential also in the interests of all those afloat and ashore whose livelihood was dependent on the full continuance and well-being of the Mercantile Marine when peace should return.

Meantime, the one aim and object of all British shipowners was to give their whole-hearted support to the Government in all the demands that might be made upon them for the purpose of bringing the country successfully through the present crisis.

In conclusion, he said that they could only say thank God for the men of the Merchant Navy, who unhesitatingly and uncompromisingly performed their allotted tasks with such steadfast courage and unflinching devotion.

The report and accounts were unanimously adopted.

ANSELLS BREWERY LIMITED

39th ORDINARY GENERAL MEETING held in Birmingham on Tuesday, Dec. 5th, 1939

PROFITS (Nett)	£558,177 18 0
BROUGHT FORWARD	£240,248 14 6
	£798,426 10 6

DIVIDENDS ON PREFERENCE AND ORDINARY STOCK (paid and to be paid) £367,500 0 0	
TO RESERVE FOR PROPERTIES	£50,000 0 0
TO RESERVE ACCOUNT	£75,000 0 0
TO TAXATION RESERVE	£55,000 0 0
TO BE CARRIED FORWARD...	£547,500 0 0
	£250,926 10 6

Points from the Chairman's Speech:— TAXATION INCREASED BY £61,500

In the accounts before you, therefore, the new taxation has been responsible for an increased sum of £61,500 over last year.

It is right you should realise that this item of increased taxation only includes Income Tax, National Defence Contribution, and Excess Profits Tax. Many of the other War-time liabilities do not affect the trading period covered by the accounts before you, but will loom largely in subsequent Balance Sheets. I refer particularly to the increased Beer Duty and the Compulsory War Risk Insurance, increased cost of materials, etc., such as Barley, Malt, Sugar, Coal, Wages, Transport, and most accessories.

REASONS AGAINST RESTRICTION

It has been said that the public house has justified itself in this emergency as never before; it certainly has proved a veritable oasis in the loneliness and gloom of the black-out when many other opportunities for social relaxation could not be indulged in.

On the other hand, we hear that our teetotal friends consider, in spite of there being no evidence to support it, that restrictions should be imposed on the Trade similar to those in the last war. In their anxiety to make use of the present emergency to gain their own ends they entirely ignore the altered conditions and habits of the public. For instance, twice as much beer (expressed in standard barrels) was consumed in 1914 than at present, and the consumption of spirits was more than three times as great in 1914 than now. Also there were 13,000 more on and off licensed premises, while, according to the last published statistics, convictions for insobriety have now decreased from 183,828 to 46,757—fewer by 137,071.

£3,249,290 SPENT ON PROPERTIES

The Capital Expenditure on new houses, improving old houses and additions to Brewery buildings and plant during the year was £373,966, which is a smaller amount than the year was £373,966, which is a smaller amount than would have been the case if the necessary building materials had been obtainable to enable us to complete the grants we were successful in obtaining at Brewsters' Sessions. It is interesting to note that during the last seven years since our present Managing Directors embarked upon the policy of expansion, the Company and its associates have, in making additions to and modernising their licensed houses, together with supplementing facilities for brewing, expended no less a sum than £3,249,290.

EXTENSION OF SPECIAL BONUSES TO MANAGERS

To show in a practical way how we appreciate the efforts of our Staff and Employees we propose to again make them a present in the shape of a special bonus on the same lines as last year, of one week's extra wages, which is additional to other ordinary bonuses or allowances.

This year, of course, it will be extended to those of our employees who are serving with His Majesty's Forces; we are also extending the special bonus to the Managers in charge of our licensed houses who have been in the employ of the Company for 12 months or more. This hitherto has not been our custom, but we are pleased to do it in recognition of the valuable services they invariably render in the discharge of their arduous duties. Especially in times like the present do we realise that the good name of the Company is to a great extent in their keeping, and that without their co-operation it would be difficult to conduct our business so as to comply with the manifold regulations with which our Trade is beset, and to give satisfaction to our customers, who, when in trouble, often have reason to be thankful to the Licensees for acting as their guide, philosopher and friend.

Copies of the Chairman's Speech may be obtained from the Secretary, Park Road, Aston, Birmingham.

CONSOLIDATED GOLD FIELDS OF SOUTH AFRICA, LIMITED

ABNORMAL BUSINESS CONDITIONS

REVIEW OF THE GROUP'S ACTIVITIES

The ordinary general meeting of this company was held, on the 7th instant, in London.

Mr H. C. Porter (the Chairman) first referred to the irreparable loss the company had suffered by the death of Mr John A. Agnew.

Since the last meeting the financial world had been subjected to repeated and violent shocks which had gravely impeded the normal conduct of business, and for this reason it was hardly to be expected that the accounts now presented would compare favourably with those of last year.

Dealing with the accounts of New Consolidated Gold Fields, the operating company, dividends, profits, etc., amounted to £1,070,327 against £1,221,439 last year. Dividends again showed a satisfactory increase. The profit carried down to the appropriation account at £997,048 was £183,346 lower than last year, a result more satisfactory than might have been anticipated considering the extreme difficulties prevailing. A dividend of 2s. per share had been declared, making 16½ per cent. for the year against 20 per cent. last year. This dividend, which was payable to Consolidated Gold Fields of South Africa, permitted the directors to recommend a similar final dividend in that company.

With reference to their South African interests, it was satisfactory to note that the working profit for the year in respect of their producing mines amounted to upwards of £5,000,000, showing an increase of over £500,000 compared with last year's results.

TAXATION OF THE INDUSTRY

With reference to taxation, however, in spite of repeated representations to the Government that the burden imposed upon the gold mining industry was proving a severe handicap to the exploitation of new areas and rendering difficult the provision of further capital for existing companies, the Budget introduced for the year ending March, 1940, afforded no relief to the industry, and, notwithstanding the magnitude of the contribution paid by the latter to the Treasury, the Minister's references to the industry were very limited. The rapid deterioration in the European position during the latter part of August, and the consequent depreciation of sterling, induced the Government to announce its intention of introducing legislation to appropriate the whole of the proceeds of the sale of gold over a price of 150s. per ounce. This constituted a radical departure from the previous policy of the Government. The Gold Producers' Committee had made strong representations for some relief to be granted to offset a rise in working costs, and they welcomed the statement of Mr Hofmeyr that the Government was prepared to deal with this matter when it arose.

PROGRESS ON THE GOLD COAST

The company retained a large interest in gold mining on the Gold Coast. The gold mining industry in the Colony had made substantial progress in the past year, and the prospects for the future were equally good. The necessity of maintaining this progress was emphasised by the Governor in a recent broadcast message. His Excellency observed that gold was of vital importance in the present struggle and that the Colonial Office desired to see its production stimulated to the fullest possible degree.

The principal interests of Oroville Dredging Company consisted in its holdings in Bulolo Gold Dredging, Pato Consolidated Gold Dredging, and Asnazu Gold Dredging, all of which companies were paying regular dividends. All these undertakings had only just reached full output, and the increased returns now being obtained should have a favourable effect on the revenue of Oroville.

A complete change had come about in the fortunes of New Gold-fields of Venezuela. The company had intimated a profit for its financial year of £268,512 and a final dividend of 5 per cent. (making 10 per cent. for the year) had just been recommended. The Yukon Consolidated Gold Corporation had continued to make remarkable progress. The extensive dredge construction programme was now completed, and it was anticipated that dividend distribution might be expected in the near future. Lake View and Star had again had a most successful year. Developments had been very satisfactory.

In conclusion, the chairman said that in view of the very difficult and trying time covered by the accounts, he trusted shareholders would consider the results to be as satisfactory as could reasonably be expected.

The report and accounts were unanimously adopted.

RIMAMURÁNY-SALGÓTARJÁN IRON WORKS COMPANY, LIMITED (RIMA STEEL CORPORATION)

LARGER VOLUME OF TRADE

The fifty-eighth ordinary general meeting of the Rimamurány-Salgótarján Iron Works Company, Limited, was held, on the 18th ultimo, in Budapest. Roland de Hegedüs, late Minister of Finance, member of the Hungarian Upper House, presided.

The report stated that the production of the Hungarian iron works showed about the same figures as in the previous year, approaching maximum capacity. The rise of the home demand for iron and steel—due partly to the augmentation of the area of the country and partly to the increase of the State needs—and also the substantial exports of the domestic iron industry, have equally contributed to the result that the production could be maintained at this high level in the year under review also.

The full employment of our works was disturbed last autumn for a short time owing to the traffic restrictions caused by the international political situation; but in the second half of the financial year we were able to make up for nearly the whole decline of production induced by the above troubles.

FOREIGN RAW MATERIALS DIFFICULTIES

Difficulties in the acquisition of foreign raw materials, rising raw material prices and continually increasing burdens of social legislation have led to an additional augmentation of our production cost. During the year under report our selling prices underwent a change only so far as—complying with the intentions of the Government—we have essentially reduced the prices of many articles used in agriculture. If in spite of all that we are in the position to report on a net result almost identical to that of the previous year, and to propose payment of the same dividend, this must be ascribed to the larger volume of trade done by this company and to the efficient utilisation of our works.

Owing to the war, foreign raw materials, such as coke, ore, scrap iron and metals, cannot be obtained except with great difficulty and at ever increasing prices. Consequently, the measure of the employment of our works in the new financial year will not depend on the volume of the demand for iron and steel, but rather on the possibility of acquiring these important raw materials that are absolutely necessary for production.

PRODUCTION FIGURES

In the different sections of our works the following quantities have been produced (in parentheses the items of the year 1937-38):

Charcoal-wood, 29,028 cubic metres (36,178 cubic metres); timber and firewood, 21,896 cubic metres (25,708 cubic metres); charcoal, 3,665 quintals (20,000 quintals); limestone, 918,374 quintals (1,163,199 quintals); magnesite, 84,182 quintals (89,439 quintals); chamotte material, 132,173 quintals (133,440 quintals); coal, 6,735,436 quintals (65,000,545 quintals); raw iron ore, 6,632,723 quintals (6,988,018 quintals); roasted iron ore, 2,196,533 quintals (2,516,213 quintals); pig iron, 2,497,552 quintals (2,797,712 quintals); raw steel, 3,612,641 quintals (3,669,274 quintals).

Our turnover of manufactured goods rose to 80.7 million pengős, as against 76.4 millions in the previous year.

Wages paid in cash amounted to 22,249,000 pengős, as against 20,693,000 paid in the previous year.

THE PAST YEAR

As regards the results of the past business year, the accounts examined and approved by the board of auditors show a net profit of 2,336,684 pengős. The net profit permits an allocation of 4 per cent., or 93,467 pengős, to the reserve fund, 3 per cent. or 70,000 pengős to bonuses to the board of directors, and 5 per cent. or 116,834 pengős for the managing directors and officers. The dividend of 5 pengős per share permits a balance of 122,354 pengős to be carried forward to next year's account.

Count Immanuel Andrassy, Rodolphe de Biró, Dr Francis Chorin, Julius de Gyürky, Dr Roland de Hegedüs, Dr Emil Stein, Dr Alexander de Sztranyavszky, Baron Paul Urban, Philipp Weiss and Count John Zichy were elected as members of the board of directors. Count John Zichy was elected as president and Roland de Hegedüs and Philipp Weiss as vice-presidents of the company.

AUSTRALIAN, MERCANTILE, LAND AND FINANCE COMPANY, LIMITED

AN ADVERSE SEASON

The seventy-fifth annual ordinary general meeting of this company was held, on the 7th instant, in London.

Sir John Anderson, K.B.E., the chairman, in the course of his speech, said: It is a great disappointment to your directors that the fears I expressed when addressing you last year as to the effect on our profits of the drought and low wool prices were so fully borne out in our trading figures for the twelve months ended June 30th last.

Except for temporary and very limited relief late in the 1938 winter, dry to extremely droughty conditions prevailed throughout that year in Victoria, in New South Wales, and in large and important districts of Queensland, and following on the depleted rainfall of 1937 the effects were severe. It was not until February, 1939, that the drought—one of the worst on record—was broken, and the heat of the 1938-39 summer was excessive. So great was it that on numerous properties where there were summer lambings, lambs died where they were dropped, and lack of feed and water caused ewes to desert their lambs.

On the other hand, many graziers had decided, because of the droughty outlook, against attempting a general lambing. Further, the losses of grown sheep were heavy, for the expenditure on artificial feedings, costly as it was, was mainly restricted to saving valuable breeding sheep. These factors resulted in a reduction in sheep available for sale and in reduced weights of wool, much of which was, of course, deteriorated in quality by the adverse season.

The wool market, which was encouraging during the opening months of the 1938-39 selling season, did not fulfil the early promise of better prices. After the outbreak of war the British Government contracted to purchase the whole of the wool produced in Australia for the duration of the war and one year thereafter.

Some portion of the current clip was shipped to Great Britain both before and after the outbreak of war, but it is disappointing that it has not yet been agreed with the British Government that such wools shall be treated as an integral part of the clip to which the basic average purchase price applies.

The report was unanimously adopted.

ELECTRIC AND MUSICAL INDUSTRIES, LIMITED

TELEVISION PROGRESS

The eighth ordinary general meeting of Electric and Musical Industries, Limited, was held, on the 6th instant, in London.

Mr Alfred Clark, the Chairman of the company, after referring in detail to the company's accounts and to conditions which had restricted sales during the year, said: At our two previous meetings I referred to the slow but quite noticeable increase in the sales of gramophone records, and during our last year this increase continued to develop. The war has further stimulated the sale of records, and the public seems to realise more and more the need for brighter entertainment in the home itself during the blackened nights when public entertainment is curtailed.

After referring to the position of television, the chairman continued: If we look to the immediate future we find that we are faced with problems similar to those in every other class of goods of a like nature. Some factors of war-time conditions are unfavourable, while others may react advantageously. The desire for entertainment in the home is likely to increase, and we believe that we are fortunate to be the makers of commodities which the public will still be anxious to buy. There should be an increasing demand for records, but the sale of radio receiving sets will probably be smaller than last year.

The further orders for Government work will result in filling up the factories. The nature of the work undertaken cannot be discussed, but, although it is of a type closely allied to our normal business, it is largely of a kind which requires considerable preparation in advance. When production is fully under way the factories will be turning out goods to capacity. In these conditions the earning position of the company during the immediate future is impossible to predict with any degree of certainty.

Such are the conditions governing the immediate future. If we take the longer view we find ourselves on surer ground. Radio, television and records each has its place in public favour, and the company's strong financial position, its reputation and its trade marks should permit us to look ahead with optimism to our full share in these industries.

The report was adopted.

KWAHU MINING COMPANY (1925), LIMITED

SUCCESSFUL RESULTS—GOOD PROSPECTS

The ordinary general meeting of Kwahu Mining Company (1925), Limited, was held, on the 1st instant, in London.

Lieutenant-Colonel Frank Johnson, D.S.O. (the chairman), in the course of his speech, said that, highly as shareholders might appreciate a profit of over £100,000 on the comparatively small capital of £40,000, the fact must not be lost sight of that it had been earned practically entirely by the sale of shares, for which a portion of their concessions or areas were disposed of to a subsidiary company—a legitimate but possibly non-recurring transaction. The directors had set themselves the task of continuing somewhat similar profits in future years, but based rather on gold won either by their company directly, or by dividends on their shareholdings in other producing companies. They had every reason to believe that with constant attention to the company's interests such a satisfactory position could be attained in a reasonable period.

The chairman, after dealing in detail with the position of Gold Coast Main Reef and the Siwum Concession, in summing up said that the revenue expected from their holding in G.C. Main Reefs was a commencing one of £15,000 this next year, rising gradually to an ultimate £50,000 per annum. From their Marlu holding they anticipated some £6,000 to £7,000 per annum, while they looked with confidence for another £20,000 per annum at least derived from their working of the Siwum Mine.

It might be incautious to say at this stage precisely how they intended to deal with that revenue, but at the risk of being accused of rashness he would say that, subject to any unforeseen circumstances, they intended to apportion the revenue under three distinct headings: (1) the income derived from the Main Reef dividends would be looked on as solely to be used to provide regular dividends for the Kwahu company; (2) that Marlu income should be set against standing charges of the company; and, finally, (3) the profits from the Siwum Concession would be mainly devoted to the acquisition of new interests.

That was their policy, in brief, and, subject to the continuance of conditions as seen at present, it should result in their company obtaining the character of an investment company.

The report and accounts were unanimously adopted.

MESSINA (TRANSVAAL) DEVELOPMENT COMPANY, LIMITED

DIVIDEND INCREASED TO 25 PER CENT.

The annual ordinary general meeting of The Messina (Transvaal) Development Company, Limited, was held, on the 6th instant, in London.

Mr W. T. Anderson, C.B.E., M.Inst.M.M., who presided in the absence through indisposition of Lt.-Col. John P. Grenfell, the chairman of the company, said: The financial results of the year have, I think you will agree, been quite satisfactory. The price of copper, although slightly lower during the period, has, I am glad to say, been sufficient to allow the maintenance of the profits at approximately the same figure as in the previous year, with the result that the directors see their way to recommend an increase in the dividend, besides placing various amounts to reserve.

It is interesting to note that the mining costs in South Africa show a satisfactory decrease of £17,200, notwithstanding an increase of 29,000 tons in the tonnage mined.

There is a balance to the credit of profit and loss account of £138,648. Your directors recommend a final dividend of 17½ per cent., making 25 per cent. for the year, compared with 22½ per cent. last year, and to carry forward £54,898.

As regards current profits, we have in conjunction with the other Empire producers entered into an agreement with the British Government to supply them with a fixed amount of copper per month at a price approximating to that ruling immediately before the war. The surplus of our production will be available for satisfying the local demands in South Africa and elsewhere.

The policy of active development has been continued in all sections, and although the footage of development work was less than in the previous year, the ore reserves have increased by nearly 400,000 tons to the substantial figure of 2,811,000 tons of a value only fractionally less than that reported last year. The general manager in his report draws attention to the increase in the ore reserves at the Campbell shaft section.

Costs for the year show a decrease from 16.55s. per ton to 14.85s. per ton, which, translated into terms of standard copper, gives £34 per ton, as against £35 per ton for the previous year.

The report and accounts were adopted.

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week ended December 2, 1939, total ordinary revenue was £12,290,000, against ordinary expenditure of £5,777,000, issues of £20,500,000 under the Defence Loans Acts, and issues to sinking funds of £260,000. Thus, including sinking fund allocations but excluding issues from defence loans, the deficit accrued since April 1st last is £273,998,000, against £240,607,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Receipts into the Exchequer (£ thousands)					
Revenue	Estimate, 1939-40 (b)	April 1, 1938, to Dec. 3, 1938	April 1, 1938, to Dec. 2, 1939	Week ended Dec. 3, 1938	Week ended Dec. 2, 1939
ORDINARY REVENUE					
Income Tax	390,000	92,536	95,393	1,674	4,385
Sur-tax	70,000	10,490	11,890	240	470
Estate, etc.	75,500	50,990	52,370	1,400	1,390
Stamp	17,000	13,380	11,440	800	2,300
N.D.C.	25,000	11,280	17,340	360	560
Other Int. Revenue					
Duties	1,250	750	480	...	10
Total I. Rev.	578,750	179,426	188,913	4,474	7,015
Customs	239,600	153,201	179,910	3,787	3,772
Excise	132,850	78,201	87,520	1,335	1,502
Total Cust. and Excise	372,450	231,402	267,430	5,122	5,274
Motor Duties	22,000	11,209	9,683	...	...
P.O. (Net Receipts)	400	10,630	6,454	700	Dr. 800
P.O. Fund	1,600	...	...	...	...
Crown Lands	1,330	960	940	...	...
Rec. from Sun. Loans	5,000	4,637	3,602	89	...
Misc. Rec.	13,650	8,706	12,663	933	801
Total Ord. Rev.	995,180	446,970	489,685	11,318	12,290
SELF-BAL. P.O. and B'dcasting	83,449	48,920	52,146	800	2,300
Total	1,078,629	495,890	541,831	12,118	14,590

Issues out of the Exchequer (£ thousands)					
Expenditure	Estimate, 1939-40 (b)	April 1, 1938, to Dec. 3, 1938	April 1, 1938, to Dec. 2, 1939	Week ended Dec. 3, 1938	Week ended Dec. 2, 1939
ORDINARY EXPEND.					
Int. & Man. of Nt. Dr.	230,000	176,422	176,462	28,839	22,615
Pays. to N. Ireland	10,000	5,029	4,962	132	90
Other Cons. Fund Ser.	7,200	1,754	3,803	31	24
Total	247,200	183,205	185,227	29,002	22,729
Sup. Serv. (a)	118,711	497,902	571,723	18,035	33,048
Ditto, plus loans	188,611	503,652	582,385	22,785	53,548
Total Ord. Expend.	1,430,911	681,107	756,950	47,037	55,777
Issues from Def. Lns.	502,430	5,750	256,662	4,750	20,500
SELF-BAL. P.O. and B'dcasting	83,449	48,920	52,146	800	2,300
Total	1,514,360	730,027	809,096	47,837	58,077

* Supply Services, after addition of issues under Defence Loans Acts: (a) excluding expenditure being met from loans; including £500 millions Vote of Credit; allows for supplementary estimates and other issues since April, 1939, and for estimated saving in budget; (b) after allowing for changes in war and of September 27, 1939.

would be reducing Exchequer balances by about £2,355,001, the other operation would be increasing them by about £8,701 millions.

The report week (as shown in the next) the gross National Debt by about £8,701 millions.

DEBT INCREASES (NET) (£ thousands)	
Treasury bills	52,776
Public Department advances	3,150
National Savings Certificates	3,800
3% Defence bonds	4,300
	64,026

OTHER ISSUES (£ thousands)	
P.O. & Telegraph	350
N. Atlantic Shipping	37
Overseas Trade Gtes.	114
	501

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1 to December 2, 1939, are:—

Ordinary Exp. (£ thousands)	
Ord. Rev.	489,685
Issues under Def. Lns.	5,750
Loan Acts	256,662
Misc. Issues (net)	7,702
	1,021,314

FLOATING DEBT (£ millions)

Date	Ten-der	Tap	Public Depts.	Bank of Eng-land	Total Float-ing Debt	Float-ing Assets
1938						
Dec. 3 1938	517.0	445.4	49.5	...	1011.9	494.9
Aug. 26 1938	510.0	583.1	45.3	...	1138.4	628.4
Sept. 2 1938	500.0	618.3	49.2	...	1167.5	667.5
" 8 1938	495.0	633.3	47.9	...	1180.9	681.2
" 16 1938	500.0	663.7	47.5	...	1212.2	702.6
" 23 1938	505.0	695.7	47.5	...	1248.2	750.4
Oct. 7 1938	510.0	676.8	49.1	...	1235.9	725.9
" 14 1938	531.0	699.8	52.6	...	1283.4	752.4
" 21 1938	546.0	699.9	49.0	...	1294.9	748.9
" 28 1938	561.0	701.8	47.9	...	1310.7	749.7
Nov. 4 1938	560.0	706.6	59.0	...	1345.6	765.6
" 11 1938	565.0	687.5	57.6	...	1309.1	732.8
" 18 1938	665.0	679.7	53.1	...	1453.7	753.7
Dec. 2 1938	700.0	697.5	56.2	...	1453.7	753.7

TREASURY BILLS (£ millions)

Date of Tender	Offered	Applied for	Allotted	Average Rate %	Per Cent. Allotted at Minimum Rate
1938					
Dec. 2 1938	35.0	74.8	35.0	7 1/2	18
Aug. 25 1938	30.0	50.4	30.0	7 1/2	4
Sept. 1 1938	40.0	56.3	40.0	7 1/2	59
" 8 1938	50.0	60.2	50.0	7 1/2	94
" 15 1938	55.0	89.2	55.0	7 1/2	100
" 22 1938	55.0	86.5	55.0	7 1/2	100
" 29 1938	55.0	96.3	55.0	7 1/2	100
Oct. 6 1938	50.0	97.0	50.0	7 1/2	52
" 13 1938	50.0	103.0	50.0	7 1/2	24
" 20 1938	50.0	98.2	50.0	7 1/2	39
" 27 1938	55.0	99.9	55.0	7 1/2	51
Nov. 3 1938	55.0	102.6	55.0	7 1/2	59
" 10 1938	55.0	95.5	55.0	7 1/2	53
" 17 1938	65.0	105.8	65.0	7 1/2	61
" 24 1938	65.0	106.3	65.0	7 1/2	49
Dec. 1 1938	65.0	105.9	65.0	7 1/2	60

On December 1st applications at £99 14s. 0d. per cent. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday, Friday and Saturday of following week were accepted at about 42 per cent. of the amount applied for and applications at higher prices in full. £55.0 millions of Treasury bills are being offered on December 6th.

NATIONAL SAVINGS CERTIFICATES

Sales in	Number	Purchase Price
46 weeks to:—		
Nov. 19, 1938	28,545,628	21,409,222
Nov. 18, 1939	24,780,908	19,335,645
Week to:—		
Nov. 19, 1938	618,601	463,951
Nov. 11, 1939	563,656	422,742
Nov. 18, 1939	599,138	449,353

N.B.—The Revenue returns for the week to December 2, 1939, show receipts of £3,800,000 net from sales of Savings Certificates and £4,300,000 net from 3% Defence Bonds.

BANK OF ENGLAND RETURNS

DECEMBER 6th, 1939

ISSUE DEPARTMENT

Notes Issued: £	
In circulation	533,876,094
In Bnkg. De- partment	46,343,467
	580,219,561

Govt. Debt: £	
Govt. Debt	11,015,100
Other Govt. Securities	565,305,781
Other Secs.	3,018,674
Silver Coin	660,445
	580,219,561

BANKING DEPARTMENT

Prop's Capital £	
Prop's Capital	14,553,000
Rest	3,315,208
Public Depts.*	47,140,720
	125,018,928
Other Depts.: £	
Bankers' ...	86,287,835
Other Accts.	39,823,798
	126,111,631
	191,120,559

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

THE WEEK'S CHANGES (£ thousands)

Both Departments		Compared with	
	Amt. Dec. 6, 1939	Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	533,876	+ 5,216	+ 46,124
Deposits: Public	47,141	+ 19,319	+ 28,512
Advances	86,288	- 17,215	- 16,657
Secs. for note cover	39,824	- 362	- 3,880
Other assets			
Notes in circulation	707,128	+ 6,958	+ 61,859
Capital and rest	17,868	+ 33	+ 14
COMBINED ASSETS			
Govt. debt and securities	691,207	+ 5,105	+ 39,836
Discounts and advances	5,400	+ 870	+ 12,471
Other securities	26,381	+ 916	+ 4,301
Silver coin in issue dept.	660	+ 101	+ 472
Gold coin and bullion	1,349	-	- 32,625
Res. of notes & coin in banking department...	47,473	- 5,216	- 22,389
Proportion of reserve to outside liabilities—Bank, dept. ("proportion")	27.9%	- 2.8%	- 16.4%

COMPARATIVE ANALYSIS* (£ millions)

	1938	1939	1939	1939	1939
	Dec. 7	Nov. 15	Nov. 22	Nov. 29	Dec. 6
Issue Dept.:					
Notes in circ.	487.8	527.6	527.0	528.7	533.9
Notes in bank- ing dept.	68.7	52.6	53.2	51.6	46.3
Govt. debt and securities	229.2	576.6	576.5	576.3	576.3
Other sec.	0.6	3.0	3.0	3.2	3.0
Silver coin	0.2	0.5	0.5	0.6	0.7
Gold, valued at s. per f. oz.	326.4	0.2	0.2	0.2	0.2
Deposits:					
Public	18.6	17.8	36.4	27.8	47.1
Bankers'	102.9	107.1	92.9	103.5	86.3
Others	35.9	40.6	39.3	40.2	39.8
Total	157.5	165.5	168.6	171.5	173.2
Bkg. Dept. Secs.					
Government	66.1	103.2	103.9	109.8	114.9
Discounts, etc.	17.9	5.3	5.3	4.5	5.4
Other	21.5	21.3	22.9	22.3	23.4
Total	105.5	129.8	132.1	136.6	143.7
Banking dept. reserve	69.9	53.6	54.3	52.7	47.5
"Proportion"	44.3	32.3	32.2	30.7	27.9

* Government debt is £11,015,100; capital £14,553,000.

OVERSEAS BANK RETURNS

NOTE.—The latest return of the Bank of Turkey appeared in The Economist of September 9th; International Settlements, Argentina, Denmark and Lithuania, of November 11th; South Africa of November 18th; Bulgaria, Egypt, Greece, India, Yugoslavia, New Zealand, Portugal and Roumania, of November 25th; Australia, Belgium, Japan, Latvia, Netherlands, Norway and Federal Reserve Reporting Members, of December 2nd.

U.S. FEDERAL RESERVE BANKS

12 U.S.F.R. BANKS		Dec. 7, 1938	Nov. 15, 1938	Nov. 22, 1938	Dec. 6, 1939
Gold certifs. on hand and due from Treas.		11,662	14,858	14,966	14,998
Total reserves		12,017	15,191	15,297	15,299
Total cash reserves		346	324	321	291
Total bills discounted		6	Nil	6	Nil
Bills bt. in open mkt.		6	Nil	6	Nil
Total bills on hand		6	Nil	6	Nil
Industrial advances		15	12	11	11
Total U.S. Govt. secs.		2,564	2,687	2,552	2,512
Total bills and sec.		2,586	2,705	2,572	2,532
Total resources		15,342	18,607	18,681	18,623
LIABILITIES					
F.R. notes in circ.		4,422	4,817	4,845	4,900
Aggregate of excess mr. bank res. over reqs.		3,440	5,350	5,140	5,150
Deposits: Member- bank reserve account		8,966	11,749	11,620	11,617
Govt. deposits		407	348	441	346
Total deposits		9,373	12,097	12,061	11,963
Cap. paid in and surplus		9,950	12,875	12,836	12,748
Total liabilities		15,342	18,607	18,681	18,623
LIABILITIES					
Reserve		83.6%	85.9%	86.5%	86.7%
LIABILITIES					
Monetary gold stock		14,367	17,132	17,347	17,408
Treasury and Nat. Bk. currency		2,775	2,935	2,947	2,949
LIABILITIES					
Money in circulation		6,844	7,409	7,462	7,545
Treasury cash and deposits with F.R. Bks.		3,088	2,611	2,800	2,737

NEW YORK FEDERAL RESERVE BANK—Million \$'s

	Dec. 7, 1938	Nov. 15, 1938	Nov. 22, 1938	Dec. 6, 1939
Total gold reserves	520.9	670.8	674.5	709.7
Total bills in open mkt.	0.2	Nil	Nil	2.9
Total U.S. Govt. secs.	815.4	847.8	797.0	782.0
Total bills and sec.	820.8	851.6	802.0	786.9
Deposits: Member- bank reserve account	458.0	613.9	761.3	660.8
Reserve	87.6%	90.2%	90.7%	90.8%

REICHSBANK

Assets		Nov. 15, 1938	Oct. 23, 1938	Nov. 15, 1939	Nov. 23, 1939
Gold & for currencies		1938	1938	1939	1939
Bills and cheques		77.0	77.1	76.7	77.0
Reisenbank notes		661.7	918.6	988.3	9

BANK CLEARINGS

Publication of the weekly returns of Town Clearing, Metropolitan Clearing, Country Cheque Clearing is suspended until further notice.

PROVINCIAL
(£ thousands)

No. of working days:—	Five weeks ended			Week ended Saturday		Aggregate from January 1 to	
	Dec. 3, 1938	Dec. 2, 1939	Change	Dec. 3, 1938	Dec. 2, 1939	Dec. 3, 1938	Dec. 2, 1939
BIRMINGHAM	12,982	10,979	-15.4	3,288	2,899	112,124	108,196
BRADFORD	4,190	7,068	+68.7	1,777	2,383	38,093	45,197
BRISTOL	6,550	6,804	+3.9	1,402	1,482	60,824	65,342
HULL	5,143	3,671	-28.6	839	767	40,021	36,960
LEICESTER	3,682	3,521	-4.3	800	726	33,582	33,730
LIVERPOOL	26,549	29,293	+10.7	5,408	5,982	248,068	239,464
MANCHESTER	47,701	52,319	+9.7	11,754	12,617	442,556	459,582
NEWCASTLE	8,092	7,065	-12.7	1,834	1,428	72,647	70,219
NOTTINGHAM	2,487	2,037	-18.1	655	427	23,744	22,460
Total: 9 Towns	117,376	122,727	+4.6	27,157	27,711	1,071,659	1,081,150
DUBLIN	30,409	29,795	-2.1	5,644	5,964	297,709	290,175
LEEDS	...	...	...	972	...	45,743	...
SHEFFIELD	...	...	...	1,468	804	51,564	45,096

* Suspended publication. † Clearing of suburban cheques through local clearing discontinued from September 7, 1939. ‡ 48 weeks.

MONEY RATES
LONDON

	Nov. 30, 1939	Dec. 1, 1939	Dec. 2, 1939	Dec. 3, 1939	Dec. 4, 1939	Dec. 5, 1939	Dec. 6, 1939	Dec. 7, 1939
Bank rate (changed from 3% Oct. 26, 1939)	2	2	2	2	2	2	2	2
Market rates of discount								
60 days' bank's drafts	114	116-114	116-114	116-114	116-114	116-114	116-114	116-114
3 months' do.	114-116	114-116	114-116	114-116	114-116	114-116	114-116	114-116
4 months' do.	114-116	114-116	114-116	114-116	114-116	114-116	114-116	114-116
6 months' do.	114-116	114-116	114-116	114-116	114-116	114-116	114-116	114-116
Discount Treasury Bills								
2 months'	118	118	118	118	118	118	118	118
3 months'	118-119	118-119	118-119	118-119	118-119	118-119	118-119	118-119
Loans—Day-to-day	114-114	114-114	114-114	114-114	114-114	114-114	114-114	114-114
Short	114-114	114-114	114-114	114-114	114-114	114-114	114-114	114-114
Deposit allowances: Bk.	12	12	12	12	12	12	12	12
Discount houses at call	12	12	12	12	12	12	12	12
At notice	12	12	12	12	12	12	12	12

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 Dec. 1, 1939 (£'000)			Aggregate Gross Receipts 48 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down—						
1938	1.6	0.4	2.0	118.5	21.1	139.6
1939	2.1	0.5	2.6	124.9	22.7	147.6
Great Northern—						
1938	7.8	10.9	18.7	529.6	451.0	980.6
1939	8.9	16.6	25.5	541.4	532.8	1,074.2
Great Southern—						
1938	28.6	55.7	84.3	1,763.0	2,011.6	3,774.6
1939	28.1	59.3	87.4	1,758.2	2,186.8	3,945.0

OVERSEAS WEEKLY TRAFFIC RECEIPTS

Name	Weeks Ending	Gross Receipts for Week			Aggregate Gross Receipts		
		1939	+ or -	1939	+ or -	1939	+ or -
Bengal & N. Western	5 Nov. 10	Rs. 49,01,613	-3,20,230	Rs. 35,63,163	-4,67,307	Rs. 4,67,307	-4,67,307
Bengal-Nagpur	32 10	Rs. 29,53,000	+3,30,100	Rs. 6,29,02,400	+74,20,570	Rs. 74,20,570	+74,20,570
Bombay, Bar. & C.I.	34 30	Rs. 39,30,000	+6,62,000	Rs. 7,60,43,000	+74,000	Rs. 74,000	+74,000
Madras & S. Mahatras	32 10	Rs. 17,71,000	-2,08,063	Rs. 4,55,93,744	-12,33,061	Rs. 12,33,061	-12,33,061
S. Indian	30 Oct. 31	Rs. 115,20,454	+79,793	Rs. 3,23,75,813	-1,14,785	Rs. 1,14,785	-1,14,785

† 11 days.

‡ 10 days.

Comparison with previous weeks

Short Loans	Bank Bills			Trade Bills		
	3 Months	4 Months	6 Months	3 Months	4 Months	6 Months
1939	%	%	%	%	%	%
Nov. 9	114-114	116-114	114-114	112-112	112-112	112-112
16	114-114	116-114	114-114	112-112	112-112	112-112
23	114-114	116-114	114-114	112-112	112-112	112-112
30	114-114	116-114	114-114	112-112	112-112	112-112
Dec. 7	114-114	116-114	114-114	112-112	112-112	112-112

NEW YORK

The Irving Trust Company cables the following money and exchange rates in New York:—

	Dec. 7, 1939	Nov. 8, 1939	Nov. 15, 1939	Nov. 22, 1939	Nov. 29, 1939	Dec. 6, 1939
Call money	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4
Time money (90 days' mixed coll.)	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4
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 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2

New York on	Nov. 30, 1939	Dec. 1, 1939	Dec. 2, 1939	Dec. 3, 1939	Dec. 4, 1939	Dec. 5, 1939	Dec. 6, 1939
London:—							
Cables	388 1/4	389 1/4	390 1/4	389 1/4	389 1/4	389 1/4	391 1/4
Demand	386 1/4	387 1/4	388 1/4	387 1/4	387 1/4	387 1/4	389 1/4
Paris, Fr.	22 1/2	22 1/2	22 1/2	22 1/2	22 1/2	22 1/2	22 1/2
Brussels, Bel.	16 1/2	16 1/2	16 1/2	16 1/2	16 1/2	16 1/2	16 1/2
Switzerland, Fr.	22 1/2	22 1/2	22 1/2	22 1/2	22 1/2	22 1/2	22 1/2
Italy, Lire	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2
Berlin, Mark	40 20	40 20	40 20	40 20	40 20	40 20	40 20
Amsterdam, Gldr.	53 09	53 09	53 09	53 09	53 09	53 09	53 09
Copenhagen, Kr.	19 32	19 32	19 32	19 32	19 32	19 32	19 32
Oslo, Kr.	22 72	22 72	22 72	22 72	22 72	22 72	22 72
Stockholm, Kr.	23 82	23 82	23 82	23 82	23 82	23 82	23 82
Athens, Dr.	0 72 1/2	Unq'd	Unq'd	Unq'd	Unq'd	Unq'd	Unq'd
Montreal, Can. \$	86 62 1/2	87 500	87 310	86 930	86 930	86 930	87 250
Japan, Yen	23 49	23 49	23 49	23 49	23 49	23 49	23 49
Shanghai, \$	8 00	7 80	7 50	7 45	7 50	7 50	7 50
B. Aires, Pso. (mkt. rate)	23 05	23 07	23 05	23 02	22 95	23 00	23 00
Brazil, Milreis	5 10	5 10	5 10	5 10	5 10	5 10	5 10

Official Buying Rates for Bank Notes:

The following rates were fixed on December 7, 1939:—
New York, \$4.11; Montreal, \$4.54; Paris, 178.25; Brussels, 24.70b.; Amsterdam, 7.68f.; Switzerland, 18.10f.; Stockholm, 17.35kr.; Oslo, 18.20kr.; Buenos Aires, 18.20 paper pesos; Java, 7.76c.

CANADIAN

(For heading, see Overseas Traffic in first column)

	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930
Canadian National	47	Nov. 30	\$6,505,197	\$139,975	\$184,773,869	\$177,161,998				
Canadian Pacific	47	Nov. 30	\$4,756,000	\$719,000	\$137,549,000	\$72,388,000				

‡ 9 days.

SOUTH & CENTRAL AMERICAN

Company	Month of October, 1939	Compared with Oct., 1938	10 Months, 1939	Compared with 10 Months, 1938
Antofagasta	48 Dec. 3	\$16,630 + 980	664,830 - 56,960	
Argentine N.E.	22 Nov. 25	\$147,800 - 57,000	3,713,300 - 125,200	
B.A. and Pacific	21 Nov. 25	\$1,260,000 - 57,000	25,448,000 - 1,170,000	
B.A. Gr. Southern	21 Nov. 25	\$2,336,000 + 253,000	41,468,000 - 1,170,000	
B.A. Western	21 Nov. 25	\$894,000 + 71,000	15,003,000 + 1,070,000	
Central Argentine	22 Dec. 2	\$1,774,750 + 22,900	41,655,100 + 4,373,900	
Central Uruguay	21 Nov. 25	\$189,849 + 31,909	3,371,778 + 140,891	
Leopoldina	47 Nov. 25	\$25,483 + 7,075	372,458 - 4,102	
Nitrate	47 Nov. 25	\$1,932,000 - 105,000	84,959,000 - 2,265,000	
United of Havana	22 Dec. 2	\$24,633 + 104	994,643 - 14,595	
		\$1,735,325 - 567	110,420 - 22,386	
		\$17,885 + 4,995	382,744 + 27,540	

† Receipts in Argentine pesos. ‡ Fortnight. (a) Converted at official rate.
(d) Receipts in Uruguayan currency. (e) Converted at "controlled rate."

AMERICAN RAILROADS

Company	Month of October, 1939	Compared with Oct., 1938	10 Months, 1939	Compared with 10 Months, 1938
Baltimore and Ohio	18 Nov. 10	\$14,400,000 + 1,316,000	126,283,000 + 15,791,000	
New York Central	18 Nov. 10	\$4,038,000 + 1,316,000	20,627,000 + 4,038,000	
Pennsylvania	18 Nov. 10	\$3,200,000 + 5,900,000	27,840,000 + 36,400,000	
Railroad	18 Nov. 10	\$7,000,000 + 3,000,000	28,400,000 + 18,800,000	
Southern Pacific	18 Nov. 10	\$10,200,000 + 2,400,000	34,700,000 + 53,000,000	
Union Pacific	18 Nov. 10	\$21,800,000 + 1,200,000	180,300,000 + 14,600,000	
		\$4,500,000 + 1,200,000	23,000,000 + 12,800,000	
		\$17,600,000 + 1,400,000	136,300,000 + 14,600,000	
		\$2,700,000 - 500,000	14,300,000 + 300,000	

† Net operating income.

LONDON ACTIVE SECURITY PRICES AND YIELDS

In calculating yields of fixed interest stocks allowance is made for interest accrued, less income tax at the standard rate, with allowance for 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 yield on ordinary stocks and shares is calculated on the latest dividends, account being taken of any increase or reduction of interim dividends.

where stocks are redeemable at or before a certain date, the yield on ordinary stocks and shares is calculated on the latest dividend account being taken into consideration as above par.										Prices, Jan. 1 to Dec. 6, 1939										Last two Dividends			Name of Security		Price, Dec. 1939		Ch'ge since Nov. 29		Yield Dec. 6, 1939	
Prices Year 1938		Prices, Jan. 1 to Dec. 6, 1939		Name of Security		Price, Dec. 6, 1939		Ch'ge since Nov. 29		Yield Dec. 6, 1939		High		Low		(a) (b) (c)														
High	Low	High	Low																											
British Funds																														
791 1/4	64	71 1/8	61	Consols (2 1/2% af. 1957)	67 3/4	+ 1 1/8	8 1/2	10	533	482	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	
911 1/4	81	87 1/4	79 3/4	Do. 4% (1957-60)	104	...	3 15	1 1/2	230	184	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	
1003 1/4	90	96 1/4	90 1/2	Conv. 4 1/2% 1944-49	95 1/2	...	3 1	3	314 1/2	150	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	
1031 1/4	92	92 1/4	87 1/2	Do. 3% 1948-53	97 1/2	...	3 15	3/4	240	175	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	
1048 1/4	90 1/2	99 1/8	87 1/2	Do. 3 1/2% after 1961	93	...	3 15	3/4	225	175	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	
1051 1/4	100	104 1/4	100 3/4	Do. 4 1/2% 1940-44	108 1/4	...	3 4	9	237 1/2	180	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	
1158 1/4	102	112 1/8	103 3/4	Do. 5% 1944-64	85 1/4	...	3 10	1	118 1/2	170	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	
911 1/4	81	87 1/4	79 3/4	Fund. 2 1/2% 1956-61	91	...	3 8	7	217 1/2	162 1/2	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	
991 1/4	88 1/2	93 3/8	87 1/2	Fund. 2 1/2% 1959-69	92 1/4	...	3 8	8	177	180	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	
1003 1/4	90	96 1/4	90 1/2	Fund. 4% 1960-90	105 1/2	...	3 12	7 1/2	217 1/2	170	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7	
1031 1/4	92	92 1/4	87 1/2	Nat. D. 2 1/2% 1944-48	98	...	3 7	7 1/2	271 1/2	16 1/2	13 1/2	13 1/2	13 1/2	13 1/2	13 1/2	13 1/2	13 1/2	13 1/2	13 1/2	13 1/2	13 1/2	13 1/2	13 1/2	13 1/2	13 1/2	13 1/2	13 1/2	13 1/2	13 1/2	
1048 1/4	90 1/2	99 1/8	87 1/2	Do. 3% 1954-58	95 3/4	...	3 12	8 1/2	5 1/4	4 1/8	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	
1051 1/4	100	104 1/4	100 3/4	Victory Bonds 4%	92 1/4	...	3 15	8 1/2	21 3/4	14 1/6	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	
1158 1/4	102	112 1/8	103 3/4	War L. 3 1/2% af. 1952	79 1/2	+ 1	3 15	6	25 1/2	17 1/2	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	
911 1/4	81	87 1/4	79 3/4	Local Loans 3 1/2%	97	+ 1	3 7	0	34 1/2	22 1/6	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	
991 1/4	88 1/2	93 3/8	87 1/2	Austria 3% 1933-53	59 1/2	+ 1	3 4	0																						
1003 1/4	90	96 1/4	90 1/2	India 2 1/2%	81 1/2	+ 1	3 4	4																						
1031 1/4	92	92 1/4	87 1/2	Do. 3 1/2%	104 1/2	+ 1 1/2	4	3	26 3/8	14 1/2	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	
1048 1/4	90 1/2	99 1/8	87 1/2	Do. 4 1/2% 1958-68	102 1/2	+ 1 1/2	4	10	5	13 3/8	12 1/2	12 1/2	12 1/2	12 1/2	12 1/2	12 1/2	12 1/2	12 1/2	12 1/2	12 1/2	12 1/2	12 1/2	12 1/2	12 1/2	12 1/2	12 1/2	12 1/2	12 1/2	12 1/2	
1051 1/4	100	104 1/4	100 3/4	Dom. & Col. Govts.	101 1/2	...	3 18	10 1/2	67 1/2	63 1/6	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
1158 1/4	102	112 1/8	103 3/4	Austr. 5% 1945-75	101 1/2	...	3 12	10	117 1/2	75 1/2	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
911 1/4	81	87 1/4	79 3/4	Canada 4% 1946-60	101 1/2	...	3 12	10	63 1/6	63 1/6	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
991 1/4	88 1/2	93 3/8	87 1/2	Nigeria 5% 1950-60	101 1/2	...	3 12	10	63 1/6	63 1/6	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
1003 1/4	90	96 1/4	90 1/2	N. S. Africa 5% 1945-75	105 1/2	+ 1 1/2	3 19	2	79 1/2	55 1/2	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	
1031 1/4	92	92 1/4	87 1/2	Corporation Stocks	105 1/2	...	3 4	7	68 3/4	47 3/4	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	
1048 1/4	90 1/2	99 1/8	87 1/2	Birham 5% 1946-56	105 1/2	...	3 16	11	6	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	
1051 1/4	100	104 1/4	100 3/4	L.C.C. 3% 1954-64	78	...	3 15	11	48 1/2	35 1/2	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	
1158 1/4	102	112 1/8	103 3/4	Liverpool 3% 1954-64	87 1/2	+ 1 1/2	3 13	11	23 1/4	23 1/4	12 1/2	12 1/2	12 1/2	12 1/2	12 1/2	12 1/2	12 1/2	12 1/2	12 1/2	12 1/2	12 1/2	12 1/2	12 1/2	12 1/2	12 1/2	12 1/2	12 1/2	12 1/2	12 1/2	
911 1/4	81	87 1/4	79 3/4	Midland 3 1/2% 1957-62	97 1/2	...	3 10	9	9 1/4	18 1/2	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	
991 1/4	88 1/2	93 3/8	87 1/2	Foreign Govt. Bonds	91	+ 4 1/2	4 18	11	31 1/2	20 1/2	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	
1003 1/4	90	96 1/4	90 1/2	Arg. 4 1/2% Stg. Bds.	53	...	8	9	10 1/2	60 1/2	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	
1031 1/4	92	92 1/4	87 1/2	Austria 4 1/2% 1950-70	62 1/2	...	14	5	8 1/2	76 1/2	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2	
1048 1/4	90 1/2	99 1/8	87 1/2	Bulgaria 7 1/2%	70 1/2	...	12	5	Nil	31 1/2	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2	
1051 1/4	100	104 1/4	100 3/4	Brazil 5% Pd. 1914	18	...	11	2	2 1/2	28 1/2	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2	20 1/2	
1158 1/4	102	112 1/8	103 3/4	Chile 6% (1913)	33 1/2	...	3	...	...	18 1/2	15 1/2	15 1/2	15 1/2	15 1/2	15 1/2	15 1/2	15 1/2	15 1/2	15 1/2	15 1/2	15 1/2	15 1/2	15 1/2	15 1/2	15 1/2	15 1/2	15 1/2	15 1/2	15 1/2	
911 1/4	81	87 1/4	79 3/4	China 5% (1913)	50	...	16	0	0	46 1/2	33 1/2	33 1/2	33 1/2	33 1/2	33 1/2	33 1/2	33 1/2	33 1/2	33 1/2	33 1/2	33 1/2	33 1/2	33 1/2	33 1/2	33 1/2	33 1/2	33 1/2	33 1/2	33 1/2	
991 1/4	88 1/2	93 3/8	87 1/2	Czechoslovakia 8%	50	...	3	10	0	24 1/2	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	
1003 1/4	90	96 1/4	90 1/2	Denmark 3%	75 1/2	...	5	1	0	47 1/2	36 1/2	36 1/2	36 1/2	36 1/2	36 1/2	36 1/2	36 1/2	36 1/2	36 1/2	36 1/2	36 1/2	36 1/2	36 1/2	36 1/2	36 1/2	36 1/2	36 1/2	36 1/2	36 1/2	
1031 1/4	92	92 1/4	87 1/2	Egypt Unified 4%	80 1/2	...	6	0	0	37 1/2	27 1/2	27 1/2	27 1/2	27 1/2	27 1/2	27 1/2	27 1/2	27 1/2	27 1/2	27 1/2	27 1/2	27 1/2	27 1/2	27 1/2	27 1/2	27 1/2	27 1/2	27 1/2	27 1/2	
1048 1/4	90 1/2	99 1/8	87 1/2	French 4% (British)	10 1/2	...	11	2	?	36 3/4	26 3/4	26 3/4	26 3/4	26 3/4	26 3/4	26 3/4	26 3/4	26 3/4	26 3/4	26 3/4	26 3/4	26 3/4	26 3/4	26 3/4	26 3/4	26 3/4	26 3/4	26 3/4	26 3/4	
1051 1/4	100	104 1/4	100 3/4	Ger. Dawes L. 5%	5 1/2	...	11	2	?	3 10 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	
1158 1/4	102	112 1/8	103 3/4	Do. Young L. 4 1/2%	20 1/2	...	12	0	0 1/2	45 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	25 1/2	25 1/2	25 1/2	25 1/2	25 1/2	25 1/2	25 1/2	25 1/2	
911 1/4	81	87 1/4	79 3/4	Greek 6% Stab. L.	25	...	18	0	0 1/2	89 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	14 1/2	14 1/2	14 1/2	14 1/2	14 1/2	14 1/2	14 1/2	14 1/2	
991 1/4	88 1/2	93 3/8	87 1/2	Hungary 5% 1922	57 1/2	...	9	11	4 1/2	25 1/2	19 1/2	19 1/2	19 1/2	19 1/2	19 1/2	19 1/2	19 1/2	19 1/2	19 1/2	19 1/2	19 1/2	19 1/2	19 1/2	19 1/2	19 1/2	19 1/2	19 1/2	19 1/2	19 1/2	
1003 1/4	90	96 1/4	90 1/2	Japan 7 1/2% 1922	50	...	5	8	0 1/2	24 1/2	14 1/2	14 1/2	14 1/2	14																

Prices, Jan. 1 to Dec. 6, 1939		Last two Dividends			Name of Security	Price, Dec. 6, 1939	Ch'ge since Nov. 29	Yield Dec. 6, 1939	Prices, Jan. 1 to Dec. 6, 1939		Last two Dividends			Name of Security	Price, Dec. 6, 1939	Ch'ge since Nov. 29	Yield Dec. 6, 1939				
High	Low	(a)	(b)	(c)					High	Low	(a)	(b)	(c)								
Mines																					
19/6	7/6	8	6	c	Miscellaneous	10/7 1/2	-1/3	11 6	8	75/-	59/4 1/2	95	c	95	c	Ashanti Goldfields 4/-	65/-	+7 1/2	18		
13 1/2	6/6	10	10	c	Allied News, £1	8/6	-	11 15	0	12/6	7 1/2	95	a	95	b	Burma Corp. Rs. 9	12/-	-	7		
76/9	58/-	12 1/2	7 1/2	a	Assoc. Brit. Pic. 5/-	66/3	-1/3	6 0	9	69/-	30/7 1/2	64	0	64	0	Cons. Glads. of S. Af. £1	42/6	-	12		
9/4 1/2	5/6	28 1/2	13	a	Assoc. P. Cement £1	8/0xd	-	5 12	6d	164	11 1/2	95	b	95	a	Crown Mines 10/-	14/-	-1/8	6		
28/7 1/2	21/-	10	c	6	Beechams Pills Df. 2/6	21/9	+3d	5 10	10	85 1/4	41/2	30	a	Nil	b	De Beers (Def.) £2 1/2	58/-	-	13		
45/7 1/2	31/10 1/2	32 1/2	m29	c	Birm. Sml. Arms £1	21/9	+3d	5 10	10	48/5 1/4	31/3	15	c	15	c	Jo'burg Cons. £1	33/9	-	8 1/2		
60/7 1/2	48/9	8 1/2	4	a	Boots Pure Drug 5/-	40/-	-	4 1	0	41/-	31/3	11 1/4	b	11 1/4	a	Randfontein £1	38/9	+1/3	11 1/2		
104/4 1/2	76/3	12 1/4	c	120	Brit. Aluminium £1	51/3	-	4 17	6	13/8	98	25	a	25	b	Rhodania Corp. £1	10 1/2	+14	5		
82/6	58/9	10	7	a	Brit. Amer. Tob. £1	91/3	-5/-	4 7	7 1/2	20/-	14/-	10	a	5	b	Roan Antelope Cpr. 5/-	15/-	-	7 1/2		
49/-	37/-	7 1/2	a	12 1/2	British Oxygen £1	71/3	+1/3	4 16	0	12 1/8	88 1/8	75	b	75	a	Sub Nigel 10/-	10/-	-14	6		
55 1/2	35/-	4	4	4	Brookhouse (J.) £1	48/9	-	8 13	0	8 1/8	58	5/6	b	2/6	a	Union Cp. 12/6 fy. pd.	65 3/8	-	6		
61 1/8	45/-	15	15	b	Cable & Wir. Hdq.	54 1/2	+1	7 10	0	6 1/8	2 1/4	Nil	Nil	Nil	Nil	W. Witwatersrand 10/-	3 1/4	-14	Nil		
29/9	22/-	9	c	9	Carreras 'A' Ord. £1	53 1/2	-14	5 4	4												
14/6	6/6	5	Nil	c	Dunlop £1	27/6	-	6 10	11												
25/4 1/2	18/-	15	15	a	Elec. & Mus. Ind. 10/-	7/-	-	Nil	Nil												
6 1/2	4 1/2	20	b	7 1/2	Ever Ready Co. 5/-	25/-	-	6 0	0												
4/9	2/0	Nil	c	Nil	Gallaher Ltd. Ord. £1	59 1/8	-5 1/8	4 19	0												
32/6	20/-	15	a	25	Gaumont-Brit. 10/-	2/6	-	7 5	5												
87/6	71/10 1/2	20	b	5	Gestener (D.) 5/-	27/6	-	7 5	5												
68/-	30/7 1/2	11	b	5	Harrison & Cros. Df. £1	86/3	-	5 16	0												
33/6	25/-	9	c	7	Harrods £1	40/-	-	8 0	0												
32/6	25/7 1/2	5	b	3	Imp. Airways £1	33/1 1/2	-	4 6	6												
12 1/2	8/6	5	c	Nil	Imp. Chem. Ord. £1	30/-	-1/-	5 6	9												
71 1/8	47 1/8	11 1/2	b	17 1/2	Imp. Smelting £1	11/3	-	Nil	Nil												
\$61 1/2	\$45	\$2 25/-	\$2 00/-	c	Imp. Tobacco £1	93 1/8	-18	4 6	0 1/2												
13/1 1/2	9 1/12	5	b	5	Inter. Nickel n.p.	\$47 1/2	-	4 5	1												
38/6	26/10 1/2	6	b	4 1/2	International Tea 5/-	11/6	-6d	4 5	0												
52 3/4	23/9	20	c	20	Lever & Unilever £1	30/-	-7 1/2	7 3	4												
52 3/4	41 1/8	14 1/2	b	5	London Brick £1	41 1/4	-18	4 6	9 1/2												
66/6	73/9	27 1/2	b	15	Lyons (J.) Ord. £1	51/10 1/2	-2/6	3 19	0												
85/-	72/6	12 1/2	b	8	Marks & Spen. 'A' 5/-	72/6	-	3 19	0												
27/9	16/3	5	b	4	Murex £1 Ord.	20 1/2	-	4 7	3												
18/3	15/-	3	a	15	Pinchin Johnson 10/-	20 1/2	-	4 7	3												
62/6	52/6	12 1/2	b	21 1/2	Ranks Ord. 5/-	17/-	-6d	5 6	0												
65/-	51/3	3 1/2	a	10	Spillers Ord. £1	59/4 1/2	-	5 1	0												
48/9	32/-	5	b	5	Tate and Lyle £1	57/6	-	4 14	0												
38/9	17/6	25	c	6	Tilling, Thos. £1	38/9	-	5 3	3												
91/-	68 1/12	10	c	13 1/2	Triplex Safety G. 10/-	20/-	-	10 0	0												
82/9	65/-	16 1/4	b	3 1/4	Tube Investments £1	86/-	+1/3	2 10	0												
56/-	42/6	5	a	7 1/2	Turner & Newall £1	72/6	-	2 10	0												
27/6	19/7 1/2	7 1/2	a	15	Turner & Newall £1	47/6	-7 1/2	4 7	0												
65/7 1/2	49/4 1/2	50	b	15	United Dairies £1	25/-	-3d	6 0	0												

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Balance Brought in	Net Profit after Debiture Interest	Available for Distribution	Appropriation				Preceding Year			
					Preference Dividend	Ordinary Dividend	Rate	To Reserve-Depreciation etc.	Balance Forward	Net Profit	Dividend	
Banks												
Barclays Bank (D.C. & O.)	Sept. 30	£ 144,595	£ 413,704	£ 558,299	£ 82,478	£ 152,379	% 10 1/2	£ 170,000	£ 154,442	£ 439,245	% 16 1/2	
National Bank of Scotland	Nov. 1	88,616	282,697	371,313	...	124,950	16 & 5	160,000	86,363	292,639	16 & 5	
Breweries and Distilleries												
Associated British Malsters	Aug. 31	29,163	73,198	102,361	44,437	19,500	10	8,820	29,604	85,570	10	
Benskin's Watford Brewery	Sept. 30	163,925	258,009	421,934	19,500	169,720	18 1/2	55,000	177,714	255,167	18 1/2	
Birkenhead Brewery	Sept. 30	17,558	59,559	77,117	...	34,281	10	21,450	21,386	58,205	10	
Fremfils, Ltd.	Sept. 30	36,197	80,516	116,713	26,250	31,500	9	22,075	36,888	80,324	9	
Green (J. W.)	Sept. 30	34,177	81,510	115,687	25,520	40,022	19	12,192	37,953	75,200	19	
Officers' Brewery	Sept. 30	93,024	73,822	166,846	8,400	36,000	30	25,000	97,446	72,833	30	
Phipps (P.) and Company	Sept. 30	78,245	153,778	232,023	8,750	99,563	13 1/4	45,665	78,045	143,533	13 1/4	
Seager, Evans and Company	July 31	18,748	Dr. 64,775	Dr. 64,027	...	108,000	12	Dr. 10,080	Dr. 35,947	35,198	12	
Tetley (Joshua) and Son	Sept. 30	90,621	223,424	314,045	40,000	108,000	12	75,000	91,045	235,990	12	
Younger (Robert)	Sept. 30	20,771	17,289	38,060	5,000	10,000	12 1/2	2,000	21,060	17,545	12 1/2	
Financial, Land, etc.												
Argentine Southern Land	June 30	29,278	19,124	48,402	...	22,580	4	...	25,822	35,555	6	
Kassala Cotton Company	June 30	43,025	39,647	82,672	...	24,000	8	15,620	43,052	66,123	10	
New Zealand Loan, etc.	June 30	47,127	74,526	121,653	50,000	25,000	2	...	46,653	82,365	2	
Sudan Plantations	June 30	460,537	290,956	751,493	...	198,000	8	91,044	462,449	322,001	8	
Town Investments	Sept. 29	43,931	73,142	117,073	17,500	43,697	14	...	55,876	70,296	16	
Hotels, Restaurants, etc.												
Slaters and Bodega	Sept. 30	7,458	1,737	9,195	4,531	...	...	2,500	2,164	19,784	NI	
Iron, Coal and Steel												
Cargo Fleet Iron	Sept. 30	95,981	161,763	256,744	...	20,000	2	140,000	96,744	105,121	NI	
Dorman Long and Co.	Sept. 30	154,712	841,712	996,424	238,803	250,489	10 & 18	349,631	1,038,992	1,038,992	10 & 18	
Shotts Iron	Sept. 30	29,702	53,669	83,371	4,424	17,000	5	35,000	26,947	80,734	5	
South Durham Steel, etc.	Sept. 30	121,098	(y) 239,543	360,641	18,000	77,269	12 & 6	142,976	122,396	180,241	10 & 8	
Motor, Cycle and Aviation												
Halford Cycle	Sept. 30	43,186	36,277	79,463	...	22,359	15	16,000	41,104	34,558	15	
Raleigh Cycle Holdings	Nov. 30	3,257	205,656	208,913	39,000	167,187	20	...	2,726	224,383	20	
Short Bros. (Rochester, etc.)	Aug. 31	39,725	119,969	159,694	12,375	67,542	32 1/2	40,562	39,215	168,013	41	
Smith (S.) and Sons	Aug. 5	81,241	312,508	393,749	112,544	50,029	50	142,849	88,327	289,856	50	
Oil												
Kern Oil	May 31	18,572	(g) 123,414	141,986	...	41,167	8	69,793	31,026	54,983	...	
Rubber												
Djasinga	June 30	9,558	13,053	22,611	...	13,444	3	...	9,167	18,812	...	
Johore Para.	June 30	943	13	956	...	...	...	...	956	449	...	
Shops and Stores												
Jones (A.) Bootmakers	Sept. 30	973	6,147	7,120	4,062	1,000	4	1,000	1,058	4,156	...	
Textiles												
British Celanese	July 1	259,692	(s) 493,044	752,736	...	...	...	398,742	353,994	(r) 439,317	...	
Trusts												
Northern American	Nov. 1	11,238	91,125	102,363	23,550	61,575	15	6,000	11,238	109,379	15	
Scottish Investment	Nov. 5	22,985	54,476	77,461	44,297	6,562	4	...	26,602	63,887	...	
Other Companies												
Asquith (William)	Aug. 17	20,555	(c) 43,303	63,858	9,132	4,094	5	20,000	30,632	(d) 86,289	...	
Avon India Rubber	Sept. 30	15,867	122,286	138,153	15,000	29,684	10	76,770	16,999	102,501	...	
British Tyre and Rubber	Sept. 30	41,743	196,763	238,506	16,313	66,712	11	91,448	64,093	162,293	...	
Brookhouse (J.) and Co.	Sept. 30	22,278	(e) 166,262	188,540	1,088	67,813	20	12,697	26,705	(f) 65,864	...	
Broom and Wade	Sept. 30	25,767	(w) 54,485	80,252	6,900	33,750	22 1/2	24,081	95,558	(f) 65,864	...	
Crittall Manufacturing	Aug. 31	40,863	234,079	274,942	76,250	46,875	15	116,927	26,705	(f) 65,864	...	
Ilford (John) and Company	Sept. 30	6,615	24,228	30,843	...	16,812	20	...	14,031	26,720	...	
Ilford, Ltd.	Oct. 31	21,757	131,097	152,854	38,900	45,936	8	50,000	18,018	129,792	...	
India Rubber Gutta Percha	Sept. 30	33,361	98,738	132,099	25,750	9,000	9	38,253	59,096	69,103	...	
Lloyd's Packing Warehouses	Sept. 30	49,400	17,942	67,342	11,980	11,230	2 1/2	1,644	42,488	10,028	...	
Madame Tussauds	Oct. 31	17,475	3,135	20,610	6,600	3,485	...	...	10,525	28,411	...	
Milton Proprietary	Sept. 30	69,889	27,123	97,012	5,192	19,375	20	16,000	72,445	27,081	...	
Sussex Brick	Sept. 30	6,616	46,680	55,196	14,040	17,010	9	16,000	8,146	61,139	...	
Tarran Industries	Sept. 30	71,630	24,748	96,378	...	12,000	6	15,813	68,565	34,387	...	
Tate and Lyle	Sept. 9	52,290	1,319,788	1,372,078	71,500	945,000	13 1/2	300,000	55,578	1,260,590	...	
Vactric, Ltd.	Sept. 30	429	Dr. 6,923	Dr. 6,494	...	...	...	4,195	Dr. 10,689	12,101	...	
Wall Paper Manufacturers	Aug. 31	304,235	377,087	681,322	71,991	300,521	10 & 6	99,500	209,310	598,544	10 & 6	
23 Companies not shown above	...	252,109	371,159	519,268	24,973	181,157	...	154,076	209,062	493,165	...	
Total Profits, 1939, in £,000's:—												
To December 2	2,114	85,910	246,959	332,869	46,761	130,261	...	65,554	90,292	268,651	...	
To December 9	2,185	89,072	254,363	343,435	47,904	133,725	...	68,288	93,518	276,629	...	
† Free of income tax. (b) 2 per cent. paid in ordinary shares. (c) After £50,000 provision for taxation. (d) After £15,000 provision for taxation. (e) After £105,000 provision for taxation. (f) After £45,000 provision for taxation. (g) Including £29,813 transferred from profit and loss of St. Helens Petroleum Co. (h) Absorbed £883,027. (i) After taxation provision, £165,000. (j) After taxation provision, £2,000. (k) After £10,000 tax provision. (l) After £70,000 tax provision.												

THE SUMITOMO BANK, LIMITED

(Incorporated in Japan)

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Capital Subscribed ... Yen 70,000,000.00
 Capital Paid-up ... Yen 50,000,000.00
 Reserve Fund ... Yen 50,000,000.00

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M. MAYE, Manager.

TERRITORY OF SOUTHERN RHODESIA

SALISBURY MUNICIPAL LOAN

ISSUE OF £100,000 FOUR-AND-A-HALF PER CENT. BONDS TO BEARER OF £100 EACH

NOTICE IS HEREBY GIVEN that in accordance with the conditions on which the above Loan was issued the following BONDS were on December 1, 1939, DRAWN for redemption at par on January 1, 1940:—

BONDS NUMBERED

195, 210, 213, 220, 277, 353, 455, 457, 489, 561, 594, 612, 627, 637, 641, 656, 657, 906, 921.

Viz.: 19 Bonds of £100 each.

Present—Josh. D. Watts, Notary Public, of the firm of Cheeswright, Casey, Duff, Watts and Co., Notaries, St. Dunstan's Buildings, London, E.C.3.

The Bonds and all Interest Coupons not then due must be left at the office of the Standard Bank of South Africa, Limited, 10 Clement's Lane, E.C.4, three clear days for examination. Payment of principal will be made on and after January 1, 1940, from which date the Bonds will cease to bear interest.

In addition to the above, Bonds amounting to £85,300 have previously been purchased and drawn.

For the Standard Bank of South Africa, Limited.

RALPH GIBSON, Manager.

10 Clement's Lane, London, E.C.4.
 December 1, 1939.

AVELING - BARFORD, LTD.

NOTICE IS HEREBY GIVEN that at a Meeting of the Board of Directors held at Grantham on Wednesday, November 29, 1939, the following Resolutions were passed:—

1. It was resolved that Dividends be paid on December 28, 1939, on the 100,000 5½ Per Cent. Cumulative Preference Shares of £1 each at the rate of 5½ per cent. per annum for the six months from June 28, 1939, to December 27, 1939, and that the Preference Share Transfer Books of the Company be closed from December 14 to 27, 1939, inclusive.

2. It was resolved that an Interim Dividend be paid on December 28, 1939, on the 800,000 Ordinary Shares of 5s. each at the rate of 5 per cent. (free of tax) actual, and that the Ordinary Share Transfer Books of the Company be closed from December 14 to 27, 1939, inclusive.

THE CUNARD STEAM SHIP COMPANY, LIMITED

The Directors of The Cunard Steam Ship Company, Limited, have resolved to defer payment of the Dividends on the 5 per Cent. Cumulative Preference Stock and 6 per Cent. Second Cumulative Preference Stock of the Company due to be made on the 1st January next for the half-year ending 31st December, 1939.

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CURRENT STATISTICS

Entente Financière

THE announcement of an Anglo-French agreement on financial co-operation, which was made in the House of Commons by the Chancellor of the Exchequer on Tuesday, is welcome on a number of separate grounds. It is, as Sir John Simon claimed, "new proof of the reality of close co-operation between France and ourselves"; its immediate practical benefits will be very considerable; and it is, we may hope, the first step in a process of economic collaboration that will extend beyond the details of finance or the limitations of war economy.

The absence of any reference to finance in the general agreement for economic co-operation reached at the last meeting of the Supreme War Council was widely commented on at the time; but it is now evident that Sir John Simon and M. Reynaud have been able to use the interval for the purpose of working out an agreement in more precise detail. The main substance of the new agreement can be most simply expressed by saying that, as between Great Britain and France, all difficulties of foreign exchange are removed. Movements in the existing rate of exchange of approximately 176½ francs to the pound are to be avoided. If either country has need of supplies of the other's currency, they will be provided at this rate of conversion. Thus, if the British Government needs francs either for settling exchange differences or for meeting the requirements of the British Expeditionary Force, it will be able to obtain them in return for pounds, and the French Government will similarly be able to obtain its requirements of sterling.

This arrangement automatically secures the result that neither Government will have to part with any of its reserves of gold or foreign assets to the other. This, in itself, would be an achievement. But the agreement goes further in specifying that the two Governments will frequently review the state of their reserves of gold and

foreign exchange, that they will equitably share those expenses that have to be defrayed in gold and dollars, and that neither will raise a foreign loan or credit except in agreement with the other. The foreign assets of the two countries, in short, are to be pooled; their size can be seen from an estimate made this week by the Federal Reserve Board in Washington, which records a total of almost \$7,400 millions (about £1,850 millions) in gold, dollar balances and marketable American securities belonging to the United Kingdom and France. This is in addition to the holdings of the Dominions and to all assets that are not readily convertible into cash.

The agreement also contains a number of consequential provisions which, in their implications, are perhaps the most interesting parts of the whole document. "Certain items of expenditure in the common cause, such as financial assistance to other countries and the cost of the armed forces of their Polish ally," are to be shared between the two Governments "on a basis which will take due account of the national wealth" of each country; "in general, the French contribution will be 40 per cent. and the United Kingdom contribution 60 per cent. of the total." It is also clearly recognised that financial agreements cannot be concluded without regard to the underlying economic problems. Provision is accordingly made that neither Government will impose fresh restrictions on the imports from the other country "for protective purposes or for exchange reasons." And, finally, the two Governments "will maintain contact as regards their policy in regard to prices"—a statement whose implications may well prove to be as momentous as its literary style is deplorable.

In the main, these provisions speak for themselves without requiring the benefit of extended commentary. For the duration of the war, sterling and the French franc are linked

together as closely as two currencies can be. It follows, though both Governments possibly do not yet fully appreciate the fact, that the two countries will have to pursue the same economic policy. If the two currencies are tied together, each country will have the right to satisfy itself of the fundamental soundness of the finances of the other. There have been times in the last quarter-century when the British Treasury would not have been at all glad to have seen the pound sterling in double harness with the franc. And at the moment, M. Reynaud, with his own clear notions of what a wartime economic policy involves (expressed with brilliant eloquence in his speech to the Chamber on Wednesday), would be well within his rights if he asked Sir John Simon a few penetrating questions about the destination towards which the two currencies may be pushed by the present lack of policy in Great Britain.

Once more, as with every aspect of the economic war that comes under consideration, the argument leads irre-

sistibly to the need for some organ of government in this country capable both of formulating and of executing an economic policy. The trouble is not so much that the Government's economic policy is faulty as that there is apparently no policy at all. And yet the perils of indecision are all too clear; if we do nothing we get inflation.

The demand for an economic member of the War Cabinet must therefore be pressed and pressed again. This demand is following the course that has become familiar in these matters. The Prime Minister has stopped denying that there is any merit in the proposal; he now merely says that it cannot be done yet. If precedent is followed, it will take him eighteen months to two years to admit his error and create the post, endowed with inadequate powers and occupied by some mediocrity. But perhaps in wartime, with the added pressure of the French Government's anxious interest in the matter, the normal process may be shortened and we may be able to begin to have an economic policy before inflation has gone very far.

Geneva and the Aggressors

THE Assembly of the League of Nations has met under circumstances which might well have surprised Woodrow Wilson even more than the occasion of the meeting would have saddened him. Had he lived to see the fate of his handiwork, he might have considered that by meeting this week the members of the League, at least in small measure, atoned for their past errors of omission. His principles have been shot to pieces, his hopes shattered, his work reviled as much or more than it has been praised: and yet the League meets in solemn council to expel from its midst a member whose aggression is condemned by every nation which has a right to call itself civilised. Whatever may be thought of the League's past deeds and of its present condition, it may be recorded that this week's meeting is a potent memorial of that world consciousness, halting and half-realised though it may have been, which caused the League's foundation twenty years ago.

Therein perhaps lies the real significance of the League's meeting. Hitherto the war has been confined to European States, Russia intervening only in a secondary way: it was permissible even to call this the European War and for non-European nations to believe themselves exempt from its more serious implications. But overnight the war has become much more than European. Stalin has lifted it on to another plane of ideology and transferred it to a far wider geographical sphere. He has given a practical demonstration of what can happen in a world where aggression is not restrained. He has demonstrated that neither innocence nor geographical remoteness from the main areas of conflict will shelter a nation whose territory is coveted by another. And by proving the similarity of aims and methods between the totalitarian dictator-States, he has helped in concentrating the full force of the world-wide opposition to these evil things behind the only people who are doing something practical about it.

This is the full significance of the Soviet-Finnish dispute, making of it a matter far wider than Stalin's desire to seize, while he can, some strategic security against whomever is the victor in the West. But the Finns can hardly be expected to console themselves with the rôle of *corpus vile*. By their appeal to the League they wished, very understandably, to canalise into some practical form the somewhat vaporous waves of sympathy which came rolling from across the Atlantic and seas far nearer at hand. They wished to draw the world's attention to their sufferings. And they seized an opportunity which, through no immediate fault of their own, was never open to the Polish Government or to the Governments of the small Baltic States.

Now that we are confronted with a meeting of the League at a moment when we are entering upon what may be years of pitiless warfare, it will be well to make up our minds quickly on two connected matters. The first is to decide precisely why the League has found such profound support at this time, for upon that diagnosis will

partly depend the calculation of what help we may ourselves expect to receive in a cause that is no less just and necessary. The second is to decide how far as an individual nation we should interpret the spirit of the League's expulsion and condemnation of the U.S.S.R. as an obligation to take direct measures of reprisal.

Both decisions will largely depend on the actual course of events at Geneva. On the whole it seems to be true that the general realisation that Germany is to be identified with the U.S.S.R. in this attack on Finland will bring us deepened sympathy and support from those nations which have allowed considerations of their own neutrality to outweigh those of long-term policy. From the South American countries it would be unrealistic to expect much more than words and goodwill, nor do we need to ask for more. Of the effect on the United States more cannot yet be said than that it will be profound and that it will not advance the cause of the isolationists.

Upon the second decision, that concerning our own future action, we should be guided still more closely by the trend of events. It will be wise to ignore those things done at Geneva which in fact will be found to sum up to little more than mere beating of the air. The League has done this week in condemnation of the U.S.S.R. all that it was able to do; no harm has been rendered to our cause; and we may be thankful that the lid was not taken still further off the cauldron of cross-interests which the attitude of nations so widely varying in their circumstances as China and Latvia has revealed. With a little tact and care, however, the League may do something more in the succeeding weeks in the way of giving Finland material as well as moral support. The most useful suggestion to this end seems to have come from the Norwegian delegate, who asked that a committee might be formed for the practical assistance of Finland. Through the medium of this committee League members might translate their words into deeds. Having been instrumental in expelling the U.S.S.R. from the League, states such as Argentina and Uruguay might afford practical evidence of the depth of their sympathies. Up to the time of writing, no decision had been taken as to the formation of a committee of this kind: it seems, however, that the British and French interests would certainly delegate representatives to it, the more so since they have already speeded the dispatch of war materials to Finland. The resolution recommended to the Council by the Committee set up to consider the Finnish case does, however, call on members "to furnish such material and humanitarian assistance within their power," and asks them "to abstain from any action likely to reduce Finland's power of resistance."

It does not require Scandinavian persuasion to convince us of the moral obligation to help Finland. At the same time, it must be made clear beyond a shadow of doubt that neither the British nor the French Governments will renege on their pressure on Germany for that purpose. The

League has assembled to discuss the invasion of Finland, and by what appears to have been a condition of Switzerland's consent to receive the delegates within her frontiers, the League may discuss no other subject; but the underlying presumption of all that is said, and one that will escape no one, is the German invasion of Poland.

So in whatever is done must be implicit the knowledge that it is Germany that is the enemy. That knowledge, and the determination to prosecute their war against Germany with undivided force, must condition the British and French attitude to whatever practical proposals are made for Finland's assistance. This may seem a hard saying for the Finns, fighting now for their lives, but no measure of sympathy can obscure the fact that Germany is the first cause of their peril, and that the defeat of Germany must remain the paramount war aim of the Allied nations. In his bearing at Geneva, Mr R. A. Butler, the British representative, has made this clear enough by implication: his attitude might be summed up as one of support but not

of initiation of measures against the U.S.S.R. So far there seems no ground for criticism of the British and French attitude, for it has been well balanced between the necessity to condemn Russia's action and the necessity to leave unhampered our power to defeat Germany. If there is to be criticism, it will not be on the absence of extreme measures against Russia, but on the insufficiency of the League's practical help to Finland. It is to be hoped that the South American States will not be allowed to leave without the ways in which they might co-operate in that direction being made clear to them.

It is fanciful to see in this week's meeting of the League the omens of a world-wide coalition against the U.S.S.R. In any case that is for the Russians to decide. Meanwhile, our task is to beat Germany. If the developments of these coming weeks, in Scandinavia as in the Balkans, reveal Russian policy as a threat to European safety, then that threat can be answered only by a united Europe. And that is unthinkable while the Nazis remain in power.

Wages and the War Effort

THE wages bill is still going up; and mounting with it are fears of the effects of the rise on the financial system and the national war effort. These fears are many and various. In the first place, the fear of an accelerating spiral of wages and prices, ending in a grand monetary crash, has spread beyond the speculations of economists and bankers and can now be heard on as many lips as a popular song. This despite the fact that many different reasons have been given for each individual rise which has taken place in prices and wage rates, and that any attempt to establish a simple cause-and-effect relation between prices in general and wages in general at the present time must be regarded with suspicion.

There are other and more concrete fears. Is it possible to-day to pursue a competitive export policy with a rising wage bill? Will the trade unions refuse to co-operate in a policy which aims at checking the rise in working-class incomes? Or, what is even more important, if they consent to co-operate, will they carry with them their less compromising elements and the traditionally militant areas like Clydeside? All these are unanswered questions, and, because they are unanswered, the fears which lie behind them are magnified.

The misgivings of the general public have their counterpart within the unions themselves. The Trades Union Congress, through its economic committee, has been examining the question of the relation between prices and wages, and it is becoming reasonably clear that there will be no merely doctrinaire refusal to face the consequences of higher wages on the price-level and on economic policy in general. Its reaction to Sir John Simon's speech of November 29th, in which he hinted at the necessity for further financial sacrifices by all sections of the community, indicated that the General Council is inclined to be very cautious. The Chancellor's statement was hardly of the character to elicit a ready response from the unions. It characterised a demand for sacrifices from the workers, but couched in general terms and lacking in any indication of the statistical order of magnitude of the sacrifices involved. The fact that it did not produce an immediate hostile broadside from the T.U.C. is an impressive indication of the careful thought which it is giving to the question of price-wage relationships.

It would, of course, be unfair to Sir John Simon to suggest that he could have given any complete particulars of the additional amounts which will be required in the coming financial year from the tax-paying and loan-subscribing public. But even a rough calculation, based on the material at his disposal, would have helped to turn the vague fears into reasonably concrete, even if unpleasant, propositions. In default of more authoritative particulars from the Treasury, a calculation may be made on the basis of an assumption that total expenditure in the year commencing April 1, 1940, will be of the order of £3,000 millions. It

is necessary to emphasise that, if expenditure is in fact kept down to such a level, we stand in grave danger of failing to win the war, and that in view of this all the dependent estimates which are here made are very conservative. Of the above £3,000 millions, about £1,000 millions may be obtained by taxation at the rates already announced. The remaining £1,900 millions cannot be wholly borrowed without incurring the gravest risk of inflation. Several hundred millions more will have to be found by taxation.

An even heavier mulcting of the rich could not bring in more than about £60 to £70 millions more, even if every penny of net income over £2,000 were taken for the Exchequer. If the whole of the money is to be raised without requiring any contribution from the wage-earners—as was urged by the Labour opponents to Mr Keynes's scheme for compulsory saving—the implication is that several hundred millions will have to be found from the incomes between £250 and £2,000. But even with the standard rate at 7s. 6d. the yield of income tax on these incomes will not be more, in 1940-41, than about £320 millions. To increase the burden of income tax on these incomes by 50 per cent. is as much as, or more than, is humanly possible. In short, £250 millions is about the absolute maximum of the additional yield that can be got out of income tax and surtax, the only taxes that can be designed to hit the incomes of the rich and the middle-class and spare those of the wage-earners. It is not reasonably possible to avoid the conclusion that an additional working-class contribution of at least £100 millions, and probably much more, will have to be made, either by taxes or by compulsory saving, if an annual expenditure of £3,000 millions is to be met without inflation. But it must be reiterated that our maximum war effort cannot be attained at that level. So a clear alternative emerges. We must levy on working-class incomes or lose the war.

What is more, if the sums required are not obtained in this way the only alternative is inflation under the guise of large-scale borrowing. If that is adopted the working class will simply be relieved of a proportion of its income by uncontrollable means and in a disorderly manner. Taxation has at least the merit of being tangible and calculable. If it is accompanied by the imposition of a minimum below which no incomes shall be allowed to fall, and by a scientifically arranged system of family allowances, it may yet be possible to pay for the war in real terms, instead of pretending to pay for it by an inflationary process which can only end in disaster and misery for all—and for the poor in particular.

It has been pointed out already that the few recent statements of the trade union attitude to the limitation of working-class incomes have given evidence of at least a partial recognition of the dangers of current developments. The only positive pronouncements have been to the effect

that incomes at or near the subsistence level must not be reduced, and that it is necessary to give some monetary inducement to those workers who are called upon to increase their output. The first claim can be accepted wholeheartedly; the second with the reservation that the rewards given must not involve total amounts so large that they increase the pressure of inflation and so defeat their own object. The main point is that an increase in the general level of wages should not be pleaded for by pointing to these special cases. Exceptional needs must be met by exceptional devices.

The published figures of wage increases already indicate that a halt will soon have to be called. Two million workers at the very least were affected by the increases granted in September and October (*The Economist*, November 4, pages 163-4), and as many have been added by rises subsequently granted in building, furniture trades, wool combing and other textiles and numerous miscellaneous industries. The actual amounts involved are uncertain. In the industries for which statistics are compiled by the Ministry of Labour wage increases coming into operation in September amounted to £128,600 weekly, and in October to a further £86,000 weekly. In November the rate of increase almost certainly accelerated by reason of the commencement of rises negotiated in the early weeks of the war and of the retrospective action of the rises granted to railwaymen by the Railway Staff National Tribunal and now accepted by the companies. These alone will cost £1,000,000 a year. What all these items add up to it is impossible to say. Mr Keynes forecasts an increase in the purchasing power of wage earners by at least £500 millions in a full year. Even allowing for a reduction of unemployment and for the gaps in the Ministry of Labour figures, this seems a rather high estimate, but there is no doubt whatever that the rise which is actually taking place without any further speeding up will have a direct effect on prices.

All these facts are no doubt influencing the deliberations of the trade union leaders. But a further consideration which must now be given equal precedence with purely domestic developments arises from the recent advance which has been made in the tightening up of economic collaboration between this country and France. The general aspects of the question are dealt with more fully on

pages 403-4. It is only necessary to emphasise here that collaboration has now been extended to cover questions of price policy, and that henceforward it will be increasingly difficult to consider matters of wage policy without constant reference to parallel developments in France.

The present position is that the French working class is making greater sacrifices than the British. No attempt to attribute this suggestion solely to German propaganda can alter its factual basis. Five million Frenchmen are mobilised, and a proportion of these are employed on essential manufactures at military rates of pay only. The rest of the industry of France is being carried on by women, older men and boys, whose wages are at any time below the average level. These are facts which cannot be ignored in this country, if economic collaboration is to have any real meaning.

The trade unions have given positive proof that they do not ignore them by sending to France seven of their representatives to consult with the council of the Confédération Générale du Travail. The first meeting will be exploratory, and it is not anticipated that any positive decisions will be reached until January, when a French delegation of seven will meet the General Council of the Trades Union Congress in London. But relative wage levels will occupy a prominent place from the outset. The agenda also includes a consideration of the French decrees which stabilise wages, regulate payment for overtime, and abolish the shop steward system.

A full explanation of the present French arrangements will contain some facts which will test to the uttermost the willingness of the British unions for continuous understanding. The T.U.C. representatives will be unable to escape the conclusion that sacrifices will have to be made by the British working class before equality of effort with France is reached. If they accept the logic of the situation the unions will not only be contributing to the winning of the war. They will also be serving the best interests of the workers they represent. For the interests of British labour are not best served by snatching at any chances of a rise that the war situation may offer. They are served by a clear realisation that the hardships imposed by inflation are much heavier and much less equitable than those imposed by carefully controlled taxation.

The Indian Crisis

RECENT events in India are ominously like the prologue of a tragedy—a tragedy desired by none and the result not of any over-ruling fate, but of human error and rashness. While the point of view of national India is entitled to the utmost sympathy and respect, it is impossible not to feel that Congress, through a mistaken analysis of the political situation, through an inability to stand up to uninformed public opinion, and through a curious willingness to risk consequences which might have appalled the more responsible, has allowed itself to take up a position the probable result of which, unless some agreement is speedily arrived at, is the wreck of all the hopes raised by the co-operation of the past two years. To the European observer, Congress appears to be playing into the hands of the Moslem extremists and of any reactionaries who may desire the failure of the parliamentary experiment. The facts which have led it to these courses are, however, fairly clear and need to be carefully weighed.

The explanation of Congress action is perhaps to be sought chiefly in the internal politics of the party. For some time Congress has been divided; and though the nomenclature of right and left wings suggests a division on class lines which is misleading, there can be no doubt of the hostility between the two factions. The so-called "rightist" leaders, at present enjoying a rather precarious supremacy, feel bound to place themselves at the head of any powerful, nationalist, emotional movement in the country, lest their leftist opponents, by mobilising the popular sentiment, supplant them. Hence, on the outbreak of war, though Mr Gandhi himself favoured unconditional

co-operation with the Government, it became clear that the "rightist" leaders would show themselves no less determined to exploit the situation, and the embarrassments of the British Government, than the left.

In the subsequent negotiations Congress has asked for a declaration in principle of India's independence; for some immediate constitutional advance as an earnest of Britain's sincerity; and for an undertaking that at the end of the war a constituent assembly should be called to draft a new constitution, the British Government pledging itself to accept without reservation the constitution thus arrived at. This is the price for co-operation now asked. Some observers feel that a much lower price might have been acceptable if in the first few weeks of the war the British Government had taken the initiative with generous proposals; but that opportunity, if opportunity there was, has been missed. Congress demands will now not be abated and are on the contrary likely to rise. Congress will reflect and be impelled by the temper of Hindu and middle-class India which, now that the first enthusiasm for an anti-Nazi war is spent, is becoming increasingly intransigent and heady, steadily more inclined to over-estimate the strength of its position, and more reluctant to count the cost. Regard being paid to the tragic, the incalculable, consequences of a breach, the most careful study must be made before the price is declared too high.

It may perhaps be laid down as a general principle of our Indian policy that we should go to almost any lengths in the satisfaction of national demands, provided, however, that in so doing we do not incur dangers and create situa-

tions which would be even more formidable than those occasioned by a break. At first sight the Congress demands, though radical, have a certain attractiveness and plausibility; the stumbling block is, however, the demand for the constituent assembly, on which Congress leaders declare no compromise to be possible, which they decline to separate from their other proposals, and to which they are apparently attached with almost the tenacious unreason of a lover. This demand raises in its acutest form India's communal problem, and the British Government has to consider whether by conceding it, it would not cause such dissatisfaction among the Moslems as to lead to civil war.

Congress, while not denying the existence of a communal problem, argues that its gravity can be easily overstated; that it was created by the British Government and that if that Government disinterests itself in India the problem will cease to exist. These are grave misconceptions, though held by many with perfect sincerity. While it is true that some Moslems have joined or have sympathies with Congress (Congress Moslems forming until recently the Government of the North-West Frontier Province), and while there may, as is often rather optimistically stated, be growing mutual tolerance among the younger generation, there are unfortunately sections of the Moslem community which still are more communal than national in their interests, and which are a minority in almost precisely the same sense as the Protestants in Ireland, the Jews in Palestine, or as were the Sudeten Germans in Czecho-Slovakia. Their particularism may be deplorable; but to ignore it is fatal.

The significance of the demand for a constituent assembly is that it would give to the Hindu majority the power to impose a constitution on the minorities. Congress promises, and no doubt with perfect sincerity, to safeguard the cultural and religious interests of the Moslems; but it argues that in great national interests, where the interests of the minority conflict with those of the nation and where no compromise is possible, the will of the majority must prevail. It is hard to challenge a principle which at first sight appears so reasonable and just: yet the history of post-Versailles Europe is nothing but the repeated proof of its unreason. The lesson of post-war Europe is that in a heterogeneous society, democracy of the "one man one vote" type will never ensure a stable political life. For though each member of the minority may possess equal civic rights with individual members of the majority, the sectional interests of the minority will always be voted down: the minority therefore does not accept the consti-

tution in its heart, embraces the first opportunity to sabotage it, and at a time of crisis is a disloyal element in the State. In India, no constitution has any prospect of permanence which is not voluntarily accepted by all those sections of the Moslems whose power, if exerted unconstitutionally, could disrupt the State or gravely embarrass the work of government. Well-organised, resolute, enjoying the sympathy of large sections of the army, with great vested interests to defend, the Moslems have it in their power to overturn any constitution of which they seriously disapprove. Though it may, indeed, be urged that this power is against the interests of progress and national India, it is none the less a reality. To attempt to impose a constitution upon the Moslems against their will is to run the risk of insurrection. It is, in fact, though Congress is unwilling to face such an unpleasant reality, to run the risk of a Palestine in North India, on a larger scale and with infinitely graver repercussions throughout the Middle East and far beyond.

It is with these considerations in mind that the British Government has to seek a way to satisfy the very natural desire for constitutional advance: and if the Moslems reject the proposal for a constituent assembly the British can force it upon them. If Congress is asking more than the British can concede, the issue may then turn on our being able to persuade Congress to adopt, in spite of the effervescence in the country, a more realist analysis of the dangers of their strategy and of the advantages of compromise. Grave as the situation is becoming, something might perhaps still be hoped from a reaffirmed declaration on our part that if Congress and the chief sectional leaders can agree upon a form of Dominion constitution, the British Parliament will ratify this, reserving only the right to secure reasonable protection for our legitimate interests; an undertaking that we would hold entirely aloof from negotiations between Congress and Moslems on these lines; and a simultaneous gesture which should demonstrate our sincerity and touch the imagination of the country, as, for example, a programme for accelerated Indianisation of the army. But, above all, the British task is to persuade Congress again in all sincerity of the honesty of our intentions, and to point to the two contrasted pictures: one of the continuance of the co-operation of the past two years, which could hardly fail to bring in a comparatively short time the substance of all that India politically aims at; the other of the drift towards a head-on collision which no one desires and the result of which could further no cause except that of reaction.

The Economic Alignment

THE table that is printed on the next two pages is an attempt to bring together, in convenient form, a statistical survey of the most important facts of the economic alignment of the nations.

The nations of the world have been arranged in twelve groups according to their geographical position and political sympathies. The first three and the last two groups are self-explanatory; they are the Allies and Greater Germany with her conquests. The neutrals have been arranged in seven groups. There are three obvious groups of European neutrals—the western and northern neutrals; Russia; and Italy with the Danubian States (Hungary, Yugoslavia, Roumania, Bulgaria). The Near Eastern group includes Greece, Turkey, Egypt, Arabia, Iraq, Iran and Afghanistan. The United States is a group by itself. Spain and Portugal have been included with Latin America. "Asia and Africa" includes not only those neutral countries not elsewhere included, but also the Spanish, Portuguese and Dutch colonies.

The order in which these twelve groups are arranged is intended as a rough order of preference. Thus, from Germany's point of view (reading from right to left), the most favourable circumstance is to have supplies of materials in her own territories; the next best is to have them in the easily accessible Danubian countries; the next in Russia; the next in the Oslo states (where the advantage of acces-

sibility is—or should be—outweighed by the effects of Allied competition). From the Allies' point of view, the American Neutrality Act makes the United States a less desirable source of supply than Latin America, for goods which can be obtained there. But the shipping distances to Asia and Africa are a serious drawback to purchases from these countries.

In general, then, the nearer the big figures are to the left the greater the Allies' advantage.

In the case of neutrals, it is not their total production that is relevant to the assessment of war potential but only the export surpluses that they can sell to the belligerents. Figures of exports have therefore been appended for the neutral groups.

In general, the figures refer to the year 1937. For crops, however, they are an average of three years about 1937.

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The explanation of Congress action is perhaps to be sought chiefly in the internal politics of the party. For some time Congress has been divided; and though the nomenclature of right and left wings suggests a division on class lines which is misleading, there can be no doubt of the hostility between the two factions. The so-called "rightist" leaders, at present enjoying a rather precarious supremacy, feel bound to place themselves at the head of any powerful, nationalist, emotional movement in the country, lest their leftist opponents, by mobilising the popular sentiment, supplant them. Hence, on the outbreak of war, though Mr Gandhi himself favoured unconditional

co-operation with the Government, it became clear that the "rightist" leaders would show themselves no less determined to exploit the situation, and the embarrassments of the British Government, than the left.

In the subsequent negotiations Congress has asked for a declaration in principle of India's independence; for some immediate constitutional advance as an earnest of Britain's sincerity; and for an undertaking that at the end of the war a constituent assembly should be called to draft a new constitution, the British Government pledging itself to accept without reservation the constitution thus arrived at. This is the price for co-operation now asked. Some observers feel that a much lower price might have been acceptable if in the first few weeks of the war the British Government had taken the initiative with generous proposals; but that opportunity, if opportunity there was, has been missed. Congress demands will now not be abated and are on the contrary likely to rise. Congress will reflect and be impelled by the temper of Hindu and middle-class India which, now that the first enthusiasm for an anti-Nazi war is spent, is becoming increasingly intransigent and heady, steadily more inclined to over-estimate the strength of its position, and more reluctant to count the cost. Regard being paid to the tragic, the incalculable, consequences of a breach, the most careful study must be made before the price is declared too high.

It may perhaps be laid down as a general principle of our Indian policy that we should go to almost any lengths in the satisfaction of national demands, provided, however, that in so doing we do not incur dangers and create situa-

tions which would be even more formidable than those occasioned by a break. At first sight the Congress demands, though radical, have a certain attractiveness and plausibility; the stumbling block is, however, the demand for the constituent assembly, on which Congress leaders declare no compromise to be possible, which they decline to separate from their other proposals, and to which they are apparently attached with almost the tenacious unreason of a lover. This demand raises in its acutest form India's communal problem, and the British Government has to consider whether by conceding it, it would not cause such dissatisfaction among the Moslems as to lead to civil war.

Congress, while not denying the existence of a communal problem, argues that its gravity can be easily overstated; that it was created by the British Government and that if that Government disinterests itself in India the problem will cease to exist. These are grave misconceptions, though held by many with perfect sincerity. While it is true that some Moslems have joined or have sympathies with Congress (Congress Moslems forming until recently the Government of the North-West Frontier Province), and while there may, as is often rather optimistically stated, be growing mutual tolerance among the younger generation, there are unfortunately sections of the Moslem community which still are more communal than national in their interests, and which are a minority in almost precisely the same sense as the Protestants in Ireland, the Jews in Palestine, or as were the Sudeten Germans in Czecho-Slovakia. Their particularism may be deplorable; but to ignore it is fatal.

The significance of the demand for a constituent assembly is that it would give to the Hindu majority the power to impose a constitution on the minorities. Congress promises, and no doubt with perfect sincerity, to safeguard the cultural and religious interests of the Moslems; but it argues that in great national interests, where the interests of the minority conflict with those of the nation and where no compromise is possible, the will of the majority must prevail. It is hard to challenge a principle which at first sight appears so reasonable and just: yet the history of post-Versailles Europe is nothing but the repeated proof of its un wisdom. The lesson of post-war Europe is that in a heterogeneous society, democracy of the "one man one vote" type will never ensure a stable political life. For though each member of the minority may possess equal civic rights with individual members of the majority, the sectional interests of the minority will always be voted down: the minority therefore does not accept the consti-

tution in its heart, embraces the first opportunity to sabotage it, and at a time of crisis is a disloyal element in the State. In India, no constitution has any prospect of permanence which is not voluntarily accepted by all those sections of the Moslems whose power, if exerted unconstitutionally, could disrupt the State or gravely embarrass the work of government. Well-organised, resolute, enjoying the sympathy of large sections of the army, with great vested interests to defend, the Moslems have it in their power to overturn any constitution of which they seriously disapprove. Though it may, indeed, be urged that this power is against the interests of progress and national India, it is none the less a reality. To attempt to impose a constitution upon the Moslems against their will is to run the risk of insurrection. It is, in fact, though Congress is unwilling to face such an unpleasant reality, to run the risk of a Palestine in North India, on a larger scale and with infinitely graver repercussions throughout the Middle East and far beyond.

It is with these considerations in mind that the British Government has to seek a way to satisfy the very natural desire for constitutional advance: and if the Moslems reject the proposal for a constituent assembly the British can force it upon them. If Congress is asking more than the British can concede, the issue may then turn on our being able to persuade Congress to adopt, in spite of the effervescence in the country, a more realist analysis of the dangers of their strategy and of the advantages of compromise. Grave as the situation is becoming, something might perhaps still be hoped from a reaffirmed declaration on our part that if Congress and the chief sectional leaders can agree upon a form of Dominion constitution, the British Parliament will ratify this, reserving only the right to secure reasonable protection for our legitimate interests; an undertaking that we would hold entirely aloof from negotiations between Congress and Moslems on these lines; and a simultaneous gesture which should demonstrate our sincerity and touch the imagination of the country, as, for example, a programme for accelerated Indianisation of the army. But, above all, the British task is to persuade Congress again in all sincerity of the honesty of our intentions, and to point to the two contrasted pictures: one of the continuance of the co-operation of the past two years, which could hardly fail to bring in a comparatively short time the substance of all that India politically aims at; the other of the drift towards a head-on collision which no one desires and the result of which could further no cause except that of reaction.

The Economic Alignment

THE table that is printed on the next two pages is an attempt to bring together, in convenient form, a statistical survey of the most important facts of the economic alignment of the nations.

The nations of the world have been arranged in twelve groups according to their geographical position and political sympathies. The first three and the last two groups are self-explanatory; they are the Allies and Greater Germany with her conquests. The neutrals have been arranged in seven groups. There are three obvious groups of European neutrals—the western and northern neutrals; Russia; and Italy with the Danubian States (Hungary, Yugoslavia, Roumania, Bulgaria). The Near Eastern group includes Greece, Turkey, Egypt, Arabia, Iraq, Iran and Afghanistan. The United States is a group by itself. Spain and Portugal have been included with Latin America. "Asia and Africa" includes not only those neutral countries not elsewhere included, but also the Spanish, Portuguese and Dutch colonies.

The order in which these twelve groups are arranged is intended as a rough order of preference. Thus, from Germany's point of view (reading from right to left), the most favourable circumstance is to have supplies of materials in her own territories; the next best is to have them in easily accessible Danubian countries; the next in Russia; the next in the Oslo states (where the advantage of acces-

sibility is—or should be—outweighed by the effects of Allied competition). From the Allies' point of view, the American Neutrality Act makes the United States a less desirable source of supply than Latin America, for goods which can be obtained there. But the shipping distances to Asia and Africa are a serious drawback to purchases from these countries.

In general, then, the nearer the big figures are to the left the greater the Allies' advantage.

In the case of neutrals, it is not their total production that is relevant to the assessment of war potential but only the export surpluses that they can sell to the belligerents. Figures of exports have therefore been appended for the neutral groups.

In general, the figures refer to the year 1937. For crops, however, they are an average of three years about 1937.

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Note:—Bold figures denote

	THE ALLIES			OVERSEAS NEUTRALS		
	United Kingdom and France	British Dominions and India	British and French Colonies	Spain, Portugal and Latin America	United States	Asia and Africa
A.—GENERAL						
1. Population(millions)	89	396	154	158	132	681
2. Value of foreign trade (million gold dollars)	5,880	3,780	2,160	2,940	3,730	2,980
3. Shipping(million gross tons)	20.41	2.00	0.40	3.06	12.34	5.20
4. Motor vehicles in use(millions)	4.61	2.86	0.43	0.97	29.71	0.36
5. Automobiles produced(thousands)	693	207	—	—	4,809	14
6. Electricity generated (thousand million kw.h.)	46.9	39.3	1.1	8.9	140	29.8
7. Gold produced(metric tons)	2	551	69	70	128	62
B.—FOODSTUFFS						
8. Wheat(million metric tons)	9.46	22.16	2.55	12.57	22.07	22.67
9. Rye(million metric tons)	0.76	0.18	0.02	0.77	1.10	—
10. Barley(million metric tons)	1.88	4.61	2.27	2.53	4.50	3.36
11. Oats(million metric tons)	6.64	5.70	0.23	1.58	14.52	1.09
12. Maize(million metric tons)	0.54	4.47	1.90	16.60	57.84	10.99
13. Potatoes(million metric tons)	21.10	5.10	0.34	7.03	9.94	5.07
14. Sugar (a).....(million metric tons)	1.23	4.61	1.33	5.72	2.59	4.74
15. Meat(million metric tons)	2.79	2.61	0.23	3.89	7.09	0.33
16. Butter(million metric tons)	0.26	0.55	0.01	0.06	0.97	—
C.—LIVESTOCK						
17. Cattle(millions)	25	204	48	83	66	43
18. Sheep(millions)	36	233	51	125	53	24
19. Pigs(millions)	12	8	6	43	44	78
D.—METALS AND MINERALS						
20. Coal (b) (c)(million metric tons)	288.9	66.3	2.2	9.4	448.4	80.5
21. Iron ore(million metric tons)	52.40	6.95	5.70	5.40	74.50	3.52
22. Manganese ore(million metric tons)	—	1.70	0.57	4.70	1.30	2.20
23. Pig iron and ferro-alloys (million metric tons)	16.55	3.86	—	0.48	0.04	0.12
24. Steel (c)(million metric tons)	21.09	3.72	—	0.38	51.40	6.15
25. Copper (d)(million metric tons)	—	0.30	0.28	0.55	0.76	0.25
26. Lead (d)(million metric tons)	0.03	0.48	0.13	0.32	0.42	0.02
27. Zinc (d)(million metric tons)	0.01	0.44	0.10	0.21	0.57	0.03
28. Tin (d)(million metric tons)	—	—	0.10	0.03	—	0.08
29. Nickel (d)(million metric tons)	—	0.10	0.01	0.03	—	0.07
30. Petroleum (c)(million metric tons)	0.07	0.67	5.14	42.43	172.87	17.96
E.—TEXTILES						
31. Cotton(million metric tons)	—	1.04	0.18	0.64	3.13	0.84
32. Wool(million metric tons)	0.07	0.77	0.05	0.38	1.24	0.14
33. Flax(million metric tons)	0.03	—	—	0.31	0.21	0.07
34. Rayon (e)(million metric tons)	0.104	0.007	—	0.20	—	0.01
F.—OTHER MATERIALS						
35. Rubber(million metric tons)	—	0.01	0.57	0.02	—	0.40
36. Timber(million cu. metres)	0.25	1.16	6.79	0.02	—	0.40
37. Paper (f)(million metric tons)	3.16	4.31	—	0.61	4.00	1.75

* Adjustments have been made, where possible, for the part of Poland annexed by Russia.
 (a) Production in terms of refined. (b) Including lignite in terms of coal. (c) Production includes crude material only; export figures include crude material and also exports of manufactured or refined products from countries producing crude material.

Alignment

production, *italic* figures denote exports.

The Near East	EUROPEAN NEUTRALS			THE ENEMY		
	Oslo States and Switzerland	U.S.S.R.* and Baltic States	Italy and Danube States	Poland* and Czechoslovakia	Germany	
73	38	187	102	38	75	1. Population(millions)
670	3,950	570	1,500	660	3,000	2. Value of foreign trade (million gold dollars)
2.12	10.57	1.63	3.68	0.09	3.94	3. Shipping.....(million gross tons)
0.08	0.90	0.60	0.51	0.14	1.57	4. Motor vehicles in use(millions)
—	9	191	75	14	338	5. Automobiles produced(thousands)
0.40	36.2	37.6	18.2	6.6	51.6	6. Electricity generated (thousand million kw.h.)
—	6	160	8	1	—	7. Gold produced.....(metric tons)
A.—GENERAL						
10.20	2.39	38.88	18.43	2.82	5.23	8. Wheat(million metric tons)
0.19	0.18	0.57	1.67	—	—	9. Rye(million metric tons)
0.47	1.91	24.64	1.75	5.89	8.15	10. Barley(million metric tons)
0.03	0.08	0.25	0.19	—	—	11. Oats(million metric tons)
4.06	1.88	8.70	2.74	1.98	4.05	12. Maize(million metric tons)
0.46	0.16	0.29	0.38	—	—	13. Potatoes(million metric tons)
0.36	4.14	20.19	1.91	2.95	6.41	14. Sugar (a)(million metric tons)
0.01	0.05	0.06	0.02	—	—	15. Meat.....(million metric tons)
2.52	—	2.84	16.16	0.41	0.35	16. Butter(million metric tons)
—	—	—	1.13	—	—	C.—LIVESTOCK
0.38	12.43	77.09	9.10	35.20	53.92	17. Cattle(millions)
—	0.48	0.04	0.19	—	—	18. Sheep(millions)
0.23	0.91	2.31	0.63	1.01	1.93	19. Pigs(millions)
0.06	0.19	0.13	0.03	—	—	D.—METALS AND MINERALS
0.06	1.59	2.37	0.90	0.88	4.00	20. Coal (b)(million metric tons)
—	0.28	0.07	0.03	—	—	21. Iron ore(million metric tons)
0.02	0.49	0.27	0.07	0.13	0.54	22. Manganese ore(million metric tons)
—	0.25	0.06	0.01	—	—	23. Pig iron and ferro-alloys (million metric tons)
11	15	63	20	13	23	24. Steel (c)(million metric tons)
45	6	13	47	3	5	25. Copper (d)(million metric tons)
—	8	31	13	9	27	26. Lead (d)(million metric tons)
2.4	45.5	110.0	8.4	63.8	227.7	27. Zinc (d)(million metric tons)
0.3	11.8	1.2	0.2	—	—	28. Tin (d)(million metric tons)
0.40	24.00	28.00	2.07	2.60	9.70	29. Nickel (d)(million metric tons)
0.30	17.50	0.35	0.61	—	—	30. Petroleum (c)(million metric tons)
0.19	0.01	3.00	0.12	0.11	—	E.—TEXTILES
0.19	0.01	1.00	—	—	—	31. Cotton(million metric tons)
—	7.56	14.50	1.40	2.40	16.30	32. Wool.....(million metric tons)
—	0.58	0.14	0.01	3.78	20.01	33. Flax(million metric tons)
—	7.50	17.50	3.00	—	—	34. Rayon (e)(million metric tons)
—	0.47	—	—	—	—	F.—OTHER MATERIALS
—	0.04	0.09	0.04	—	0.03	35. Rubber(million metric tons)
—	0.03	—	0.03	—	—	36. Timber(million cu. metres)
0.01	0.01	0.06	0.11	0.01	0.09	37. Paper (f)(million metric tons)
0.01	0.01	—	0.04	—	—	
0.02	0.05	0.07	0.13	0.08	0.18	
0.01	0.03	—	0.08	—	—	
—	—	—	—	—	—	
—	—	—	—	—	—	
—	—	—	—	—	—	
4.43	—	28.32	7.26	0.02	0.48	
4.00	—	1.80	5.70	—	—	
0.54	—	0.81	0.01	—	—	
0.41	—	0.19	—	—	—	
0.06	0.01	0.12	0.08	0.01	0.02	
0.03	0.04	—	—	—	—	
—	0.04	0.63	0.03	0.04	0.03	
—	0.06	0.08	0.02	—	—	
—	0.026	0.007	0.120	0.011	0.157	
—	—	—	—	—	—	
—	—	—	—	—	—	
—	9.44	7.65	3.23	1.95	2.28(g)	
0.02	3.19	1.05	0.62	0.47	3.87	

(d) Metal equivalent of ore production and metal equivalent of exports of ore-producing countries. (e) Including staple fibre.
 (f) Including paper boards. (g) Mainly Austrian exports, in part to Old Reich.

NOTES OF THE WEEK

The War in Finland.—The military situation has scarcely changed during the past seven days. The main effort of the Red Army seems to have been concentrated on a drive towards Rovaniemi, the railhead which would give them eventual access to the Gulf of Bothnia and the Finnish-Swedish frontier, and in this direction they have taken the small town of Salla. Once they reach Rovaniemi they will have cut Finland's north-south communications, and the Petsamo district should then fall to them without much trouble. But the ground is excessively difficult and the Finnish resistance very keen. On the other points of attack, north and south of Lake Ladoga, and in the extreme north, the Finns have remained masters of the situation. The so-called Mannerheim Line on the Karelian Isthmus, in reality a well-placed line of concrete redoubts, is still intact. No landings have been attempted along the coast. Weather conditions have discouraged the bombing of open towns. It seems fairly certain that the fire-power, mobility, and high morale of the Finnish army have falsified the calculations of the Russian Command. But the sum is now reduced to one of mere numbers. By pressing home their attacks on four or five points along the frontier, the Russians may suffer appalling loss of life; if that does not stop them, then they may be fairly sure of success, for no matter how hard the Finns fight there is then no question of transferring reserves or of relieving battle-worn troops. By skill and mobility, however, it may be that the Finns will be able to conserve their man-power; and the problem then will reduce to one of supply. Since they are fighting in their own country, the Finns are unlikely to run short of food and clothing, at least for some time; shortage of ammunition, small arms, and artillery represents the real danger. Britain, France and Sweden are now sending small consignments of war material, but it seems that these will have to be considerably enhanced if they are to have any decisive effect. For the moment the Germans have taken no steps to interrupt the passage of supplies within the Baltic—while the Russian blockade is limited by the minefields laid between the Swedish and Finnish coasts and the Aaland Islands—but the continuance of this non-intervention cannot be assured, and, from the news that war material consigned to Finland across Germany is being held up, seems likely to cease in the near future. Nothing could better illustrate the urgency of the Finnish appeal to the League.

The Swedish Dilemma.—The misfortune of Sweden is that there is no safe side to the fence upon which Swedish public opinion has been sitting for so long. Perhaps there never was a safe side; that is a matter for argument; at this point it is quite certain that there are only degrees of danger and discomfort. If the Swedes now declare war on Russia—as a public opinion which has become dangerously emotional seems to desire—then by implication they have also declared war on Germany; at least there can be no doubt that Germany would not miss so sterling an opportunity for undertaking the "protection" of a country that was manifestly incapable of "protecting" itself. The occupation of the Aaland Islands, of the iron-ore district, and of key-points in Southern Sweden might be demanded, and although the Swedes might then receive the active assistance of Britain and France they would have invited a war into their own countryside. If the Swedish Government wished to step down on the other side of their fence, right into Germany's arms, the "protection" might be less painful, but it would be just as effective—and in payment for that the Swedes would have forfeited their right to be regarded as an independent nation. Clearly, then, the Swedes can only remain where they are, perched uncertainly on their traditional fence; and, as far as the Western Powers are concerned, that is the best possible thing they can do. To involve ourselves

in war with Russia over Sweden would be to play Germany's game exactly in the way she wants it played; if we cannot deprive Germany of Sweden's iron ore then we should avoid giving Germany an excuse for seizing it outright. Provided that it does not prevent the Swedes from helping Finland to the very limit compatible with formal neutrality, no exception need therefore be taken to the new Swedish Government, ostensibly of "national union" but in fact merely including rather more Right opinion than before, which was formed this week. Hr. Sandler has gone because he wished to fortify the Aaland Islands, and also, one may well suspect, because he was very much *persona non grata* at Berlin and, latterly, at Moscow. In his place Hr. Hansson, the Prime Minister, has appointed a professional diplomat. Having decided to stay on the fence, the Swedish Government is doing what it can to mitigate the discomforts of that position.

The Events at Geneva.—The representatives of forty-three nations assembled at Geneva over last week-end. Monday's meeting of the Assembly, presided over by Hr. Hambro, the Norwegian delegate, listened to a well-argued speech from Hr. Holsti, representing Finland, and then remitted the question of the Finnish appeal (which had invoked Articles 11 and 15) to a specially elected Committee of Fourteen. Represented on this Committee were: Britain, France, Egypt, Bolivia, India, Eire, Norway, Poland, Portugal, Sweden, Thailand (Siam), Uruguay and Venezuela. On Tuesday evening a reply was received from the Soviet Government declining the Assembly's invitation to take part in the discussions. On Tuesday and Wednesday the Committee occupied itself in drafting a fact-finding report and a resolution condemning the Soviet Government and calling on League members to render Finland whatever assistance lay within their power. This was presented to the Assembly on Thursday, when forty-three nations voted for it, ten abstaining. By then it was known that the Soviet Government had refused to entertain the suggestion of the League Assembly Committee that hostilities should cease in favour of mediation, the formal excuse being that the U.S.S.R. was not at war with Finland but only with the unrepresentative Government which sits at Helsinki. The expected demand for expulsion came on Wednesday from the Argentine delegate, Señor Freyre, who announced that "the Argentine Government were determined to oppose the decay of moral values by the brutal use of force." He said that "they would not consider themselves a member of the League so long as the U.S.S.R. could claim that title. The Assembly seems to have found this worthy exposition sufficient for the day, for the Cuban delegate who rose after Señor Freyre, presumably to deliver himself in the same vein, was not allowed to speak.

The Course of the War.—Military activity is still a matter of patrols and sporadic bombardments. The British Expeditionary Force has been in action, but only in the most nominal way. The centre of operations is still at sea. A signal feature of the war so far has been the fact that the Germans have done better at sea than many people had expected. But no sure conclusions are yet possible. This week, for instance, the Royal Navy asserted itself afresh. So far its rôle has been the quiet though essential one of patrol. Temporarily, at least, the submarine has been mastered, but the magnetic mine has taken its place, and merchant shipping losses are still considerable, though not yet really damaging. This week it was the menace of the surface raider that was brought to grips. Ceaselessly naval patrols have spent three months in seeking Germany's

pocket battleships. On Wednesday, off the coast of Uruguay three British cruisers pitted their 6-inch and 8-inch guns against the 11-inch guns of the "Admiral Graf Spee." The cruiser "Exeter" was damaged in the fight. The pocket battleship was badly battered; 36 of her crew were killed and 70 injured. She limped into Montevideo for repairs. There she will stay for an indefinite period, while her assailants wait outside to cut off her exit. Nearer home there were other naval successes. On Tuesday a British submarine politely gave the "Bremen" passage into German waters, but took compensation for its chivalry by sinking a U-boat and torpedoing a German cruiser. These incidents may have no decisive consequences. The Germans' power to strike with sporadic violence at sea is still unblunted. But they do demonstrate the Navy's constant watch and ward and efficiency in action. Without the seas kept open the war could scarcely be carried on.

In the Air.—If the Germans have done better at sea than was expected, they have done less well than anticipated in the air—since their air force shattered the resistance of Poland. The attacks on shipping that have been the spearhead of German strategy so far have gained nothing from the aid of bombing aircraft. Convoyed merchant ships and naval squadrons have easily turned away their attempts to raid. Only the minelaying seaplanes whose island bases are now under constant surveillance by the Royal Air Force, a surveillance actively varied by the machine-gunning of Borkum and the bombing of Heligoland, have had any success at all. On land there have been no attempts at raiding, but the scouting planes which have come over (in increasing numbers in recent weeks) have met sufficiently strong resistance from fighters and anti-aircraft guns to suggest that the present state and organisation of our home defences would make determined enemy raiding extremely hazardous. Sir Kingsley Wood was able to claim in his review of the air war in the Commons this week that both in pilots and machines three months of continuous though tentative skirmishing have shown Britain to be superior. But, even more than the sea struggle, the conflict in the air has developed too little yet to give grounds for confident conclusions about its course in the future. It is a fact that the enemy has not tried to make any effective military use of aircraft in the West. Real raids on towns were always unlikely, given reasonably efficient ground and air defences, except as part of an accompaniment to some major offensive. Aircraft gain no ground. Their rôle is to break a way for advancing troops or to bomb centres of production and communications at the same time as pressure is being exerted on the fighting line. Large-scale raids at other times squander machines, pilots and fuel. Britain's successes in the air so far have been almost exclusively defensive. Their real gains will have to come in attack. That is why the relation of the R.A.F. to the Army and the ability of industry to turn out sufficient planes for full military use, as well as for defence and patrol, are burning topics of the moment.

The Growing Army. Last Saturday's registration gave one more proof that there is no difficulty in providing all the men that may be required for the fighting forces. The provisional figures show that 238,585 men reported, 9,914 of whom were provisionally placed on the register of conscientious objectors. Some of the remaining 229,671 will be set aside for reserved occupations or because they will be set aside for the required physical standards. But do not come up to the required physical standards. But the number finally called up for training will be little below 200,000, and most of them will in due course join the army in the field. The spearhead of this growing force has now taken its place in the main Maginot Line and is sharing the vigil of the French troops, under a French commander. The publication of this fact marks a stage in the British war effort which was signalled by a visit of the King, carried out with an accompaniment of military ceremony which gained in impressiveness from being per-

formed immediately behind the guns of the Maginot Line. The visit had a considerable token significance. It must now be followed as soon as possible by an expansion of our forces in the field to strengthen the personnel as well as the concrete defences of our own particular positions on the extension of the line between the Moselle and the sea. The advance guard is already at its post, and its work is being performed punctually and smoothly. The existing framework must now be filled out with more and more men. To this part of the task the supply organisation must make a contribution comparable to that which is already being made by the permanent nucleus of the Army and the willingness and strength of the young men. It is to be hoped that a new impetus will be given to the work of supply by the deliberations, behind locked doors, of the House of Commons.

Calendar Exports.—Last week the new Parliamentary session's debates on the Address were saved from complete mediocrity by the discussion of exports and economic policy which ended them. Mr Chamberlain was still sure that no fresh co-ordination of economic strategy was needed to give drive and central direction to the marshalling of our economic resources. Mr Stanley's ably-couched reply to the critics of the Board of Trade who rose up in all parts of the House was characteristic of Ministerial complacency. Everything was going well now, he claimed, after earlier setbacks and dislocation. He played a trump card. Exports, by rising 50 per cent. in November over their October level, had returned to their pre-war size. But Mr Stanley failed to take the trick. The November export figures (detailed returns are not yet available) may be misleading. The apparent increase in exports is very probably made up largely of exports which would have gone out in October or even September had it not been for shipping delays and the obstacles set up by the new administrative controls upon materials and overseas sales. Moreover, world prices went up in November and inflated the export returns. It will take more than doubtful successes like this one to win over critics who, despite their dismissal as amateurs by the Prime Minister, are at least as *au fait* with trade matters as those who bear the burden of State. The letter from a Norwegian merchant, which is published on page 418 of this issue, is ample evidence of the extent to which administrative shortcomings are responsible for the failure of British commerce to keep up with Britain's war needs. Unless our exports leap genuinely ahead very soon we shall be faced with the prospect of trenching dangerously upon our reserves of gold and foreign exchange. We shall see Germany making complete dependants of customers who might be ours. The fact that modern wars can be won by the efficient use of economic resources carries a corollary. They can equally well be lost by economic bungling.

Export
and
Import
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Provision for the Unemployed.—Whatever the public uneasiness at the possible effects of the present rise in wages and the cost of living, it has not been questioned that attempts to check the upward movement must avoid pressing below the subsistence level the incomes of those who are already living at or near that level. The raising of Public Assistance payments by 1s. in the case of persons of sixteen years of age and over and by 6d. for children under that age cannot therefore be reasonably opposed. Moreover, the criticism which has been levelled at certain other Government payments, as for example those made to disabled members of the Forces, that they do not distinguish adequately between the varying needs of individuals, is not applicable in this case, since all recipients of Public Assistance are subjected to a means test. In fact, the new regulations, which were approved by Parliament on Tuesday, can only be criticised for the meagreness of the basic scales. It is estimated that the present increase will cost £2,500,000 per annum, this amount including the cost of certain adjustments to the rules for the payment of rent allowances and for making up Public Assistance to Unemployment Insurance benefit rates.

Another class of the unemployed, having rather different needs, are those middle-class persons possessing technical and business qualifications, but not of a sufficient standard to allow them to be included on the Central Register. Their need is not so much for immediate sustenance as for a better prospect of employment. It is to be met as far as possible by the opening of a special register by the Ministry of Labour and National Service, from which appointments will be filled not only in Government Departments, but also on the staffs of private employers who care to use the machinery provided. The need for such machinery has been emphasised by the incidence of wartime unemployment on these classes; and the fact that they will not be required to visit employment exchanges is no doubt a wise concession to their particular susceptibilities.

Safe News.—This week's debate in the Lords on censorship and official publicity was little more than a personal argument between Lord Raglan and the Government's spokesman about what the noble Lord did or did not do while he was working in the censor's office. This was a pity, because there were two topics of great urgency awaiting full and constructive discussion. One is the actual day-to-day working of the censorship itself. Ostensibly, Sir Walter Monckton, who was made head of the censor's department when it was split off from the Ministry of Information two months ago, has the right views about what the censor should do. He should give out every scrap of news that it will be safe to publish—safe, that is, in the sense of giving away no useful information to the enemy. But the censorship is not working very well in practice.

Every week there are cases of inexplicable delays. Very often, too, news is given to one agency for publication and not to another for no clear reason. The fault seems to be administrative. It is not obvious whose job it is in debatable cases to decide whether a particular item of news is safe or not—the censor's, the Service Departments' or the Cabinet's. The Service Departments appear to put a brake on the wheel by frequently showing undue caution—except, it should be admitted, in the case of losses or reverses, details of which are ordinarily given out with commendable speed. Thus the complaint is not, as in France—where criticism of public policy is cut to the bone and secrecy made the rule rather than the exception—that news is withheld. It is rather that it is given out in such a dilatory and reluctant fashion that often it is scarcely news at all when it emerges.

The second urgent question is that of propaganda or publicity overseas. If the Germans are winning the war in any sector it is here. It is not that German propaganda methods are necessarily the best calculated to win over neutral opinion. It is simply that, on the one hand, they do give out a steady and up-to-date stream of news and that, on the other hand, they always take extreme care to put their case in the most plausible way possible. In this country there are two great failings: first, the lingering tendency of the Services to regard no news as the safest news of all; and, secondly, the regrettable habit, too often repeated, of putting out statements or explanations in slipshod or unconvincing terms. It should be easy to remedy these deficiencies. It will certainly be hard to remove their unfortunate effects abroad if they are not remedied very soon.

After the Grand Council.—Italy sees no reason to change her present attitude of "non-belligerency," and the meeting of the Fascist Grand Council passed off without anything more sensational than a communiqué in which—along with her non-belligerency—her interest in "South-Eastern and Mediterranean Europe" and in the safeguarding of her seaborne traffic was reaffirmed. These generalities were, however, stiffened by a pointed reference to the Pact of Alliance upon which, together with "the exchanges of views which took place before and after, at Milan, Salzburg and Berlin," Italo-German relations are based. The communiqué reflects a certain diplomatic embarrassment. Italian non-belligerency, however great its advantages in the material sphere, has this inconvenient consequence of removing Italy from the centre of the European stage. There is thus an underlying uneasiness lest, by virtue of her secondary rôle, Italy's interests should be forgotten. Her Press endeavours to counteract the inevitable shifting of the limelight by repeated warnings that Italy must have her word in the post-war reconstruction, that the Mediterranean question is not closed, that Italy, by virtue of Albania, is the first Balkan Power. Russia has been warned off the peninsula, and now those circles in France and Britain who have rather too blithely assumed that the Axis is broken are rapped over the knuckles with the reminder that the Pact still stands. At this point, however, Italy must stop short. If the Pact still stands, so do her embarrassing obligations under the Pact; therefore she qualifies the categorical affirmation by coupling it with a reference to the talks at Salzburg and Berlin (where notoriously Axis collaboration broke down). In fact, Italy is trying to use the Axis as she used it before September—as an instrument of pressure. Then, however, the possibility of pressure rested on the assumption that Italy would go to war. Now she is "non-belligerent," and there lies a certain difficulty in combining the advantages of non-belligerency with the influence and importance of an official combatant.

The Balkan Balance.—Little has been heard of the Balkans during the past few weeks, mainly because the managers of German propaganda have willed it so.

For the Nazis are not having things all their own way. Their main purpose must be to maintain peace in south-eastern Europe while increasing their commercial control of south-eastern markets; in this they are likely to come into conflict with the Russians and the Italians as well as with the Western Powers. So far, however, it is only the Western Powers who have shown any practical intention of intervening on behalf of Balkan independence. The short-lived campaign in the Russian Press demanding that Roumania should conclude a mutual assistance pact with the U.S.S.R. seems to have boiled down to little more than a Soviet-German intrigue designed to intimidate the Roumanians and reduce their faith in the Anglo-French guarantee. It would obviously suit the German-Soviet combination very well if that guarantee could be replaced by one of their own. A similar intrigue was uncovered last week in the German Embassy at Ankara, when it became clear that the German Ambassador, Herr von Papen, was directly implicated in the circulation of articles designed to create discord between Turkey and Russia. It is conceivable that Herr von Papen was acting in a genuinely anti-Russian sense: at the same time, probability seems to be with the contrary explanation. However that may be, the Germans are clearly more than ever anxious to make good their hold on Roumanian trade at least; the negotiations over which M. Bujoiu was forced to resign have now been brought to something like conclusion, the main point of which would seem to have been scored by the Germans. The value of the leu in terms of the Reichsmark has now been depreciated to 47, and although this is less than M. Bujoiu would have had to concede, it is enough to hinder appreciably the export of Roumanian goods to free-exchange countries. In the end it should merely mean that the Anglo-French purchasing committee will have to pay more for Roumanian produce than before; it is to be hoped, regretful though it may be, that the respective Treasuries will see it in that way.

The Mexican Oil Dispute.—The British and United States Governments are now presumably considering what shall be their next step, if any, in the Mexican oil dispute. The time limit for the appointment of valuers expired on Tuesday of this week, and since the principal petroleum companies had failed by that day to make the appointments, the Mexican Government had to appoint them itself. No statement has been issued from London on the Supreme Court's decision, reached on December 4th, upholding the constitutional basis of the expropriation. This decision may be regarded as the final stage in the long legal battle which has been waged for the past eighteen months and more; it was received with protest by the companies, and in Washington Mr Cordell Hull is reported to have said that it was still the contention of the Government to require "prompt, adequate and just compensation." Once it had recognised the principle of expropriation, of course, that was the only line left open to the State Department; the fact remains that the only compensation which the companies can consider is the right to work the wells on a lease-and-royalty basis. The main points of the Supreme Court's decision were confined to the question of compensation; companies may claim for capital "directly and legitimately" invested in the oil industry, but they need expect nothing on account of expectation of profits on oil still in the ground. The strength of the companies' case against this sort of compensation is revealed in the decision that payment may be deferred for ten years; in the case of three small companies which have accepted compensation, however, it may be pointed out that full payment is to be made within ten years. As things now stand, with the companies refusing to accept the Court's ruling, the Mexican Government is left to continue working the properties as best it can, to value them and to announce the scale of compensation. Meanwhile, the companies will have prepared their case against the Court's ruling; since the normal possibilities of litigation are exhausted, the matter will then be transferred into the directly diplomatic sphere. It would be wise to avoid prediction.

Taxation and the National Income.—The National Industrial Conference Board of New York has published an interesting analysis of comparative taxation in some of the principal countries of the world before the last and the present war. In view of the different size of the populations in these countries the figures, which include both national and local taxation, are shown on a *per capita* basis in the table below:—

TAXATION AND PUBLIC DEBT PER HEAD OF THE POPULATION
(In dollars at average rate of exchange)

	Taxation		Public Debt	
	1913 or 1913-14	1938	1913 or 1914	1938
U.S.A.	22.7	107.5	59.3	432.6
U.K.	25.8	107.8	136.4	1,014.6
Canada	26.6	76.8	142.0	602.7
France	28.3	54.5 (a)	191.8	414.2
Germany	14.3	109.7	74.7	192.0
Italy	14.6	30.9	93.6	178.5

(a) 1937.

In 1938, both the taxation and public debt per head of the population were very much greater than before the Great War. In Germany taxation per head was lowest in 1913 and highest in 1938, despite the comparatively small increase in her public debt. Equally interesting (though not so easily credible) is the fact that taxation per head in the United States is said to have been as high as in Britain in 1938, though the public debt in this country was then still more than twice as high as across the Atlantic. Even more interesting than comparative taxation is the ratio of tax collections to the national income (though, of course, estimates of National Income can vary widely both in definition and in accuracy):—

TAXATION AS PERCENTAGE OF NATIONAL INCOME PER HEAD
OF THE POPULATION
(In dollars at average rate of exchange)

	1913 or 1913-14	1938
U.S.A.	7.0	22.4
U.K.	11.1	21.7
Canada	(a)	20.7
France	16.2	23.3 (b)
Germany	8.9	26.2

(a) Not available.

(b) 1937.

While the taxation per head varies considerably from country to country, the proportion of the national income per head collected in taxation shows astonishingly little difference in 1938. As in the case of taxation, the proportion of the national income appropriated by the Government was highest in Germany. These figures do not, however, show the actual proportion of the national income per head appropriated by the Government, for they do not allow for borrowing which was also probably highest per head of the population in Germany last year.

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UNITED STATES BUSINESS INDICES
(1923-25 = 100: adjusted for seasonal)

	October, 1938	Sept., 1939	October, 1939*
Industrial production (total)	96	111	120
Manufactures (total)	95	111	120
Durable	83	103	122
Non-durable	106	117	117
Minerals	98	114	121
Construction contracts (total)	82	73	71
Residential	57	68	67
All other	102	76	73
Factory employment (total)	90.2	97.3	...
Durable	78.3	88.5	...
Non-durable	101.5	105.7	...
Factory payrolls (total)	84.2	93.6	...
Durable	74.6	87.5	...
Non-durable	94.9	101.5	...
Freight-car loadings (total)	68	77	80
Miscellaneous	72	82	86
Department store sales	84	91	90
Department store stocks	67	68	...

* Preliminary.

December 1st.

Canadian Exchange
Control

[FROM OUR OTTAWA CORRESPONDENT]

THE Foreign Exchange Control Board, whose earlier operations were attended by considerable friction, has been able to improve its administrative scheme, and the system is functioning with reasonable smoothness. The Board has met complaints about delays due to reference of every problem to Ottawa by opening branch agencies in Montreal, Toronto and Vancouver. The Board has discovered that its original regulations, designed to prevent the direct export of capital, were being evaded by indirect methods, and it has recently

promulgated a number of amendments to stop this. Apparently, certain people felt that, as long as no money was being actually exported, the order was being observed; and the amended orders forbid in general terms the export of capital, and set forth a number of examples of what may be regarded as export of capital in addition to money.

Hereafter the term "export of capital" will include the export of property for no payment or for payment on a long-term credit exceeding six months after shipment from Canada (except in cases where goods are shipped on consignment); the export of goods at a price less than their fair value; the payment for imports at a price more than their fair value; the transfer to non-residents of foreign securities or of property situated outside the country for payment of less than its fair value; the acceptance of Canadian dollars in payment of debt owing in foreign exchange; the relinquishment of any right to foreign exchange.

The amendment makes it clear, however, that exceptions will be made where desirable in regard to goods sold to any country of the British Commonwealth or any Allied country. And there is no intention to interfere with the export or transfer of securities owned by non-residents.

The new regulations also give power to the Board to designate certain services performed for non-residents for which payment shall be obtained in foreign exchange instead of in Canadian dollars. Then, in order to check the conversion of sterling into American dollars, except through the authorised channels, power is given to the Board to prescribe the particular foreign currencies in which payment for exports may be made.

To many British investors the Board's regulations about securities, domestic or foreign, held in Canada by non-residents will be of interest. Non-residents may obtain a licence to export such securities, and they are not required to declare foreign exchange or securities held in Canada on September 15, 1939. Non-residents may purchase Canadian or foreign securities in Canada with the proviso that the foreign securities purchased must be paid for in foreign exchange. In regard to dividends and interest, a non-resident is allowed to convert dividends and interests on Canadian domestic securities into foreign exchange, but a special application is necessary where a Canadian company's shares are held by fewer than 100 persons or where 50 per cent. or more of such shares are held by non-resident persons. Interest and dividend payments expressed in foreign currencies are to be paid in such currencies as heretofore, and may be freely withdrawn by non-residents. Residents are also permitted to remit abroad to non-residents a number of prescribed forms of current income like pensions, income from an estate or trust administered in Canada, insurance annuities, etc.

Business Sluggish

The past fortnight has witnessed no material change in the business situation in Canada, and the tendency of the general economic index of the Bureau of Statistics remains slightly downwards.

Week ended—	Car loadings	Wholesale prices	Bank clearings	General index
Nov. 19, 1938	69.1	73.5	93.7	108.4
Nov. 4, 1939	74.9	79.0	88.3	104.7
Nov. 11, 1939	73.7	79.1	82.0	103.1
Nov. 18, 1939	74.0	79.6	84.4	102.7

Business is at a substantially lower level than a year ago, but an upward movement is looked for, and there has been an encouraging gain in employment. The latest employment bulletin of the Bureau of Statistics (up to November 1st) shows that, during October, the reporting firms increased the number of workers on their payrolls by 18,914, a gain of 1.6 per cent.—which was opposite to the usual seasonal trend of employment in October. The employment index on November 1st stood at 123.6, compared with 121.7 on October 1st and 114.6 and 125.2 on November 1, 1938 and 1937, respectively.

There has been a better export demand for wheat in the past week, and its price has risen. But stocks continue to pile up, and in the week ended November 24th they totalled 360 million bushels, compared with 173 million bushels in the same week of 1938.

The Canadian War Supply Board has announced that, since September 1st, it has placed contracts of a total value of about 70 million dollars with different firms. But the British Supply Mission is still proceeding very cautiously, and the Canadian manufacturers who have been swarming into the capital in search of orders profess great disappointment with its apparent disinclination to make extensive commitments.

December 1st.

Germany at War

(An objective account of economic trends in the Reich compiled weekly by the editorial staff of The Economist from German and neutral sources.)

GERMANY'S hope of important economic aid from Russia is obviously declining. The *Militär Wochenblatt* recently concluded that the export capacity of the Soviet is limited to coal, iron and manganese ore. On the other hand, the U.S.S.R. is unable to provide Germany with the metals she wants—copper, lead, nickel. Attention is therefore increasingly called to South-Eastern Europe.

The recent report of the Institute of Economic Research of Vienna suggests that Germany should raise her industrial exports to South-Eastern Europe by using her former industrial exports to France, Great Britain, U.S.A., Spain and Portugal. These amounted in the year 1938 to Rm. 1,700 millions in value and represented 38 per cent. of the volume of German industrial exports. The German view is that the South-Eastern European countries will be compelled by the war to increase their agriculture and cut down their industry.

Only 30 per cent. of Germany's trade with South-Eastern Europe is carried on by sea; 70 per cent. was carried on by railway and via the Danube in the ratio 40:30. The Danube is "blockade safe," but the Danube traffic is not capable of unlimited expansion; the Iron Gate limits navigation to barges of 600 tons. It is of little use that Rumania has about 80 barges of 1,000 tons to carry goods from the Black Sea to Turnu Severin. Hungary, too, has some special ships for river and sea navigation of 1,200-1,400 tons to carry goods from Danubian ports to the Levant. Danubian transport is further complicated by the need for several transshipments of the goods on their way from German industrial centres to Black Sea ports.

Germany's transport problems are being made more difficult by the changing of the gauge of the railways in that part of Poland occupied by Russia. Transit traffic to and from Rumania is therefore to be diverted to the Hungarian railways and so it becomes more expensive.

Die Deutsche Volkswirtschaft suggests that present friendly relations with Russia open new ways to German commerce in South-East Europe. The trade of Russia with the South-East European countries could be carried on by triangular agreements related to trade and payments through Germany. By this means South-Eastern European countries—chiefly Hungary, Yugoslavia and Bulgaria—would be brought into close economic relations with Russia.

Labour Supply.—The *Deutsche Wirtschaftszeitung* recently compared the number of industrial workmen in Germany with England and France. In the year 1930 in the old Germany there were 11.3 million industrial workers, in England 8.1 millions, in France 5.7 millions. Thus, according to this calculation, England and France had then 2.5 millions (or 23 per cent.) more workers than Germany. Since the *Anschluss* with Austria and the occupation of Bohemia the number of German workers has been raised to 14.1 millions—thus exceeding, it is claimed, that of England and France. The question of industrial efficiency per worker is not discussed, nor (in this connection) the question of labour reserves among women and in non-essential industries, reserves which are much greater in Britain than in Germany.

Actually, the shortage of skilled workers has made it necessary to employ more and more women. Tramway workers, postmen, railway officials and even mine workers are being replaced by women. The Minister of Labour has ordered that prisoners of war, who until now could only be used for industrial work, can now be employed in agriculture as well.

In fact, Germany's reserve of women workers is engaging a great deal of attention. There is a lack of properly trained women to supervise women workers, and the Labour Front has instituted quick courses for training "Social Factory Workers." The principles for employing women are laid down as follows: women may only be employed in men's work if there is a real shortage of men; women workers from evacuated districts must have priority; the recruiting of women must begin in those groups of women who already earn their own living; women hitherto not employed who volunteer are to be earmarked for employment.

The intensified interest in the possibilities of female labour is due to the calling of more men to the colours. Germany is

calling up the 1908 and 1909 classes of untrained reserves who were medically examined in October. At the same time the demobilisation of some older classes will begin. These classes, aged 40 and over, served during the last war. Now they have been used in Poland as well as on the Western Front because of the valuable experience gained during 1914-18. The Press explains that the younger classes, only half trained at the beginning of the war, are now ready to take their place. It is difficult to estimate how many men will be affected by this reorganisation of the Army. Several hundred thousand will be demobilised and similar numbers will be called up. The result will be another upset in the labour market, which is still very disturbed by the migration of factories from the West, as well as by the building of new plants in Eastern Germany and in occupied Poland.

Industrial Policy.—The Press emphasises that Germany has now developed a "true" Socialist economy, whose principles cannot be understood by people who think in terms of privately directed economy. But, at the same time, private industrialists are asked to develop more initiative in overcoming the difficulties of wartime conditions. The chief difficulties are two: the task of increasing productive capacity for war purposes; the task of maintaining a considerable part of the civil industries which will remain closed down for the duration of the war.

The private industrialist is confronted by a movement of concentration and rationalisation in the big industries to expand capacity, and the capital for new industries, as well as the means for keeping closed-down industries in good condition, will have to be provided chiefly by co-operative efforts between whole groups of industries. These tendencies obviously restrict private initiative, and may perhaps explain to a certain extent the persistent rumour that leading industrialists are particularly dissatisfied with the Government's economic policy.

Industrial concentration mainly affects the State-owned "Hermann Goering Works," the leading iron and steel firms and chemical companies. Reorganisation for war purposes is now focused on Austria and Bohemia and Moravia. The machinery industry of Austria is being rapidly specialised. A leading Austrian firm, manufacturing rolling stock for railways, for instance, has transferred its boiler-making departments to a leading boiler-making firm. The whole industry of the Protectorate is in reconstruction. The former Czecho-Slovakian textile industry was wholly dependent on imported raw materials. There are now two new factories under construction for the manufacture of synthetic textile fibres. A new company has been started there to make synthetic petrol.

In the Reich itself rationalisation is the order of the day. Compulsion is more marked than before the war. The first measure has been to make compulsory all approved standards for industrial articles. In marked contrast to Britain working and production pools are compulsory. Building will concentrate on dwellings for workers, particularly around the new factories erected under the Four Year Plan. The economic federation of the building industry stated that, at the beginning of the war, work on 20,000 dwellings out of 150,000 was suspended, and all buildings not for workers will remain suspended. Repeated complaints by the small building firms about lack of orders show that unemployment in the building trade is greater than official announcements admit. The seasonal movement of foodstuffs and feeding-stuffs which hampered the carriage of building materials has now been completed.

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Letters to the Editor

Exports to Scandinavia

TO THE EDITOR OF THE ECONOMIST

SIR,—I have read with great interest your articles about economic warfare and British exports. The opinions expressed in general coincide with those of importers of British goods to this country. On October 14th you wrote: "A Ministry of Economic Warfare sprang into being fully armed as soon as war broke out."

This we, the neutral friends of Britain and importers of British goods, have had good occasion to experience. Delays in postage, interruptions in old-established business connections, difficulties in getting quotations and delivery dates or answers to inquiries, all give us the impression that export to Norway is considered either as a very negligible matter or as coupled with grave dangers of re-export to Germany.

The writer is working in the textile trade as agent for British firms, selling textile goods, machinery and supplies and having no connections in Germany or other Continental countries. It has been very difficult to sell British textile goods in the last two years, owing to cheaper prices from Continental firms, *subsidised exports*, cheaper wages and costs—or whatever the causes may have been.

The war has, of course, to some extent caused dislocation of British export trade and caused delays in deliveries. But the chief obstacles encountered by importers appear to have been of an official nature. Norway has practically no exports of textile goods, and we even have an embargo on the export of all textile materials and goods. So there is little danger of any goods getting into Germany, and control should be very easy to establish.

In comparison, I may mention that trade with Germany has been quite regular since the outbreak of war, with the exception of goods for the manufacture of which she lacks the necessary materials. Germany is making every effort to

keep up and to increase her export trade. She has very efficient organisations in private business and in official control, and no delay or "fatheadedness" is tolerated. Difficulties with regard to export licences have been cleared up in a day or two.

I was told an illuminating tale by a business friend who had sent in an order to a Polish manufacturer just before the outbreak of the war. The town where the manufacturer was was quickly occupied by the Germans. But my friend got a letter from the German officials in charge, dated only two days after the occupation, to the effect that his order had been found and that the goods would be duly delivered.

Our business men as a rule have British sympathies and prefer to do business with Britain. But they are at a loss to understand the necessity of all the restrictions imposed on British export trade. Control is necessary, but a more expeditious system must be found.

Yours sincerely,

N. G.

Oslo, Norway.

British Trade with Chile

TO THE EDITOR OF THE ECONOMIST

SIR,—The article in *The Economist* of November 11th, under the heading "New Markets for Great Britain," contains (page 201, second paragraph) a reference relating to British exports to Latin America in which the author states that, apart from the Argentine and Uruguay, no other Republic takes more than £1,000,000 of goods from this country. With regard to this, I have to explain that, according to the Official Foreign Trade Accounts, Chile has bought in this market the following amounts during the last four years:—

	£
1935	2,051,202
1936	1,746,447
1937	1,903,604
1938	1,639,886
	£7,341,119

These figures give an annual average of Chilean imports from Great Britain during that period of £1,835,279, that is to say, almost double the value erroneously quoted in the above-mentioned article.

Yours faithfully,
RICARDO HEATLEY,
Commercial Counsellor.

Chilian Embassy, W.1.

[We regret that so obvious an oversight was permitted to escape our notice. The Commercial Counsellor's figures are, of course, the correct ones.—EDITOR.]

Life Assurance and Savings

TO THE EDITOR OF THE ECONOMIST

SIR,—In a Note on "Life Assurance and the Savings Drive" in your issue of December 9th, you make the point that estimates of the "small man's savings" usually ignore the fact that a large proportion of claims are re-invested, and conclude that in 1938 life offices were directly or indirectly responsible for £125 millions.

In a sense this is true, but the addition of £125 millions to the other items of "small savings" would certainly involve double counting. Claims which are re-invested are placed in new securities, building society shares, other life insurance policies, etc.

It may be that life insurance is "responsible" for more than the usual estimates of savings show. Nevertheless, it would be statistically inconvenient to include these re-invested claims in any estimates of total savings, since it is impossible to tell what amounts in the various other items are really attributable to them.

Yours faithfully,

E. A. RADICE.

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THE BUSINESS WORLD

Shipping Shares

NO group among the positive wartime equities has a more debatable near-term outlook than the market for British shipping shares. In war, where there is a ship, there is a cargo. But investors are only too well aware of the necessity of differentiating, from their own viewpoint, between virtually unlimited demand and proportionately increased gross earnings; and, again, between higher earnings and increased residual receipts, after depreciation and taxation—both on a wartime scale—have been allowed for. The fact that the writing-up of shipping share values in the first few weeks of the war has now been interrupted affords evidence that investors have not been deceived by the high percentage rise in freight rates into the belief that fabulously high wartime profits and dividends are in store. Another factor in the market's conservatism, however, is a lively recollection of the deep and prolonged depression which followed the boom conditions of the last war and culminated, as much as fourteen years after the end of hostilities, in the financial break-up of the R.M.S.P. group—the largest shipping organisation (in other than Government hands) that the world has ever known. Before discussing the prospects for shipping shares in the present war, therefore, it may be well to see what lessons can be learned from the industry's profits history both in the Great War and in the years immediately preceding the renewal of war in Europe.

From figures collected regularly year by year in *The Economist*, and based on a changing but representative sample of the results of the larger British shipping concerns, it is possible to construct a chain index of shipping profits, and to contrast the rates earned and paid on ordinary capital throughout the last war and in the years which followed. These figures are given below, together with particulars of the average proportion of total profits set aside each year for depreciation and reserves:—

SHIPPING PROFITS IN THE GREAT WAR

Year	Total Profits (after debenture interest): Chain Index, 1913 = 100	Ordinary Capital		Proportion of Total Profits used for Depreciation and Reserves
		Earned	Paid	
		(%)	(%)	(%)
1913	100	29.8	11.6	53.2
1914	77	16.4	7.9	40.2
1915	157	40.8	13.1	59.8
1916	183	35.3	12.8	58.2
1917	148	22.2	12.5	39.2
1918	127	19.8	13.1	29.9
1919	172	21.6	11.0	43.3
1920	190	17.8	9.9	37.9
1921	145	12.9	9.1	24.0
1922	137	10.7	8.3	16.8

NOTE.—The figures are based on a changing, but mainly homogeneous, sample of 25 to 30 companies, including all the largest concerns, operating in the late war, whose shares were dealt in on the Stock Exchange. The total issued ordinary and preference capital of the companies included in the sample for the latest year shown was nearly £40,000,000.

The most striking feature brought out by the table is the sharp check to the rising trend of profits in 1917 and 1918 when (as was pointed out in an article on "Shipping Freight Rates" in *The Economist* of December 2nd, page 335) both central purchasing of Allied supplies and the requisitioning of ships became general. It was only after the war that shipping profits again rose sharply. And even in the boom year 1920, of unhappy memory, they were only a little higher than in 1916. Conversely, under the depressed conditions of 1921-22 they were still well above

pre-war level. It is hard to avoid the conclusion that the origin of the industry's post-war financial difficulties must be sought on the capital rather than the revenue side. The extent to which the issued capital of representative companies was swollen—particularly by the acquisition of new tonnage at inflated post-war values—is shown by the fact that in 1922, when profits were still 37 per cent. higher than in 1913, the average percentage rate of earnings on ordinary capital was little more than one-third of the pre-war figure. The average rate of ordinary dividend paid was remarkably stable throughout the whole period. Against a 1913 figure of approximately 11½ per cent. it never rose appreciably above 13 per cent. during the course of the war, and was still over 8 per cent. in 1922.

For investors to-day the figures in the last column of the table are most significant. "Depreciation" in the shipping industry means safeguarding earning power by making present provision for the eventual building of replacement tonnage. And the cost of new tonnage tends to be, to quite an appreciable extent, a function of the level of contemporary freight rates. Its wide fluctuations make "book costs" an unsafe basis for calculating depreciation

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in its widest sense. The full extent of the resources which prudent managements set aside for this purpose is not measured by the 5 per cent. of capital cost allowed by the income-tax authorities, or even by the amounts actually allocated to depreciation by the companies in their annual accounts. It includes also, for practical purposes, all profits retained in the business instead of being distributed to shareholders. The table already given shows that in 1913 this aggregate of "depreciation plus reserves" represented over 50 per cent. of total profits. After a temporary setback to earnings in 1914, the proportion rose nearly to 60 per cent. in 1915 and 1916, when profits were rising rapidly. Thereafter the policy of those in control became much less conservative, and the relative stability of dividends in the immediate post-war depression years was achieved only by cutting depreciation and reserve allowances to—and even beyond—the point of danger.

This question of depreciation provision is crucial at the present time. It underlies the whole discussion of what is a reasonable level for freight rates to-day, and it is instructive to examine the approach of British shipping companies to the question in the period which preceded the present war. The following table has been compiled on the same lines as the earlier one, except that a percentage figure of profits in relation to total issued capital has been substituted for a chain index, whose continuity is broken by the descent of profits "into the red" in 1931 and 1932:—

Year	Profits (after debenture interest) as percentage of Total Issued Capital	Ordinary Capital		Proportion of Total Profits used for Depreciation and Reserves
		Earned	Paid	
1927	10.5	(%) 13.0	(%) 5.6	44.8
1928	8.1	10.0	5.7	29.2
1929	7.6	10.3	5.8	32.8
1930	5.2	6.4	4.5	21.2
1931	Dr. 0.4	Dr. 2.1	2.6	...
1932	Dr. 0.8	Dr. 2.5	1.0	...
1933	1.9	1.7	1.2	13.8
1934	3.5	4.3	1.0	53.2
1935	6.3	7.1	1.6	63.5
1936	8.9	10.6	2.0	71.5
1937	13.3	16.6	3.5	70.2
1938	12.9	16.5	3.7	68.9

NOTE.—The number of companies in the sample varies from under 30 to over 40; the total ordinary and preference capital of the latest year's sample being £78,000,000.

The recovery in shipping earnings in recent years has been all the more striking in view of the tragic period, from the viewpoint of shipowners, which preceded it in the early

thirties. There is a certain causal connection between the two: for out of shipping's *de profundis* came the determination to cut much financial dead wood away. The assumption that E.P.T. will press unduly harshly on the industry is not wholly borne out by the figures, which suggest that the datum years came at or near the top of a very substantial and gratifying recovery in profits. What leaps to the eye from the table, however, is the extreme conservatism which resulted in the retention, for depreciation and reserves, of approximately seven-tenths of the earnings of these years of restored prosperity. The proportion naturally varies with individual companies, but the figures in the next table, which have been culled from the records of four big ship-owning concerns, show that the tendency is for the depreciation and reserve percentage to increase as earnings rise in general:—

	1932	1935	1937	1938
Clan Line	Depreciation (£)	190,553	251,484	269,935
	To Reserves, etc.* (£)	3,328	251,793	287,755
	Total, 1932 = 100	100	260	288
	Total, as % of year's profits	64.0	78.1	78.3
Furness, Withy (a)	Depreciation (£)	200,000	350,000	350,000
	To Reserves, etc.* (£)	111,576b	7,654	— 2,131
	Total, 1932 = 100	100	404	370
	Total, as % of year's profits	31.6	86.0	56.0
P. & O. (c)	Depreciation (£)	708,400d	885,000	885,000
	To Reserves, etc.* (£)	8,449	14,362	7,255
	Total, 1932 = 100	100	124	141
	Total, as % of year's profits	35.8	41.2	37.8
Royal Mail Lines	Depreciation (£)	393,375	343,600	321,000
	To Reserves, etc.*† (£)	8,868	82,835	272,055
	Total, 1932 = 100	100	106	147
	Total, as % of year's profits	43.5	45.5	53.4

* Amount retained out of year's profits, for reserves, additions to "carry forward," etc.

† Includes allocation to fleet replacement.

(a) Twelve months to April 30th of following years.

(b) Including transfer from internal reserves of approximately £100,000, made before striking year's profit balance.

(c) To September 30th of following years.

(d) Plus allocation from debenture redemption reserve.

War-time experience, so far, has suggested strongly that the Government, with the experience of the last war in mind, is anxious to keep freight rates from rising much above a level which will compensate shipowners for increased direct costs, plus war-time losses through sinkings and obsolescence. The scope of direct Government control by chartering, etc., is, as most shipowners are keenly aware, likely to increase progressively as the war goes on.

CAPITAL AND EARNINGS

Company (and Date of Accounts)	Clan Line (Dec. 31)	Coast Lines (Dec. 31)	Furness, Withy (Apr. 30)	Peninsular and Oriental (Sept. 30)	Royal Mail Line (Dec. 31)	Union Castle (Dec. 31)
Tonnage owned and/or controlled (gross reg. tons)	364,147	27,349	...	2,038,446	326,006	428,095
Main routes served	Africa and East	British Ports	Atlantic, Mediterranean, N. and S. America	India and East	Atlantic, N. and S. America, Pacific	Britain and U.S.A. to Africa
Issued Capital:						
Debenture	1,450,000	3,175,000	1,500,000	7,008,070	...	1,956,900
Preference	600,000	2,000,000	6,000,000	3,040,000(a)	...	2,740,000
Ordinary	...	...	...	4,592,518(b)	4,000,000	2,740,000
Earnings:						
Total profit	303	712	692	164	300	288
Earned for ord.	3	376	282	Nil	96	75
Rate earned on ord.	2.0	85.6	64.9	Nil	4.9	4.0
Rate paid on ord.	Nil	20.0	20.0	Nil	4.5	3.0
Each 10% increase in total profits* (before depreciation and fixed charges but after E.P.T.) raises available earnings on equity stock by (%)†	24.5	39.9	33.5	59.6	32.7	...
Ordinary Stock:						
Present price	57s	10s. 7½d.	20s. 0d.	20s. 11½d.	16s. 6d.	8s. 6d.
Yield on earnings	11.0	7.5	3.5	9.4	12.6	...
Yield on dividends	3.4	5.7	4.0	6.2	6.1	...

* Profits for latest available year. (a) Preferred stock.

(d) These and following figures refer to deferred stock.

to any additional depreciation allowance.

(b) Deferred stock.

(c) Approximate; before appropriation from internal reserve.

(e) Equivalent rate, in absence of preference dividend arrears.

† Subject, in each case,

Indeed, some of the complaints now voiced in highly responsible quarters against the alleged inadequacy of present rates (outside the limited "free" market), may have the prudent objective of ensuring that the basis adopted when control becomes more pervasive shall have due regard to the necessity of building reserves against hard times after the war. But some increase in wartime earnings can be confidently looked for, after all due allowance for official limiting influences and higher taxation payments. If investors presume that some small part of this increase will be passed on to them, but that its proportions are unlikely to be spectacular, then shipping shares may be viewed as a sound, though not over-exciting war equity group, whose post-war prospects will depend on many factors—including the level of shipbuilding costs—which it will be quite impossible to assess until the war is over.

Under these conditions, the two questions which will determine the investment appeal of any particular share will be, first, the dividend policy of the directors (which will govern the extent to which moderate profit increases are passed on to shareholders); and, secondly, the capital gearing, which will determine the proportion by which a given percentage increase in total profits will raise the percentage earnings available for ordinary shares, after meeting prior requirements.

On both these questions, investors may find the large table useful. The six companies whose figures are shown operate services over a wide network of routes. They can be taken, without exception, to be well managed and financially strong.

With some exceptions (such as Furness Withy and Royal Mail Lines) the capital of many shipping companies tends to be fairly highly geared; in the last decade a widespread (and welcome) reduction has been effected

in debenture indebtedness. The guiding principle of the Royal Mail group reconstruction, for example, was to free good tonnage from bad mortgages. But there is still a considerable amount of preference capital in issue, and the heaviest "prior charge" of all is depreciation. Consequently, as the table shows, a 10 per cent. increase in total profits means—in theory—much more than 10 per cent. on available ordinary share earnings, in every instance. But the dividend policy adopted by most boards of directors in depression and in prosperity (as revealed by the figures for key years shown in the "earnings" section of our table) is likely to be a serious deterrent to any expectation of a widespread increase in dividend rates. Between cup and lip, where shareholders are concerned, are interposed not only Government policy and high taxation, but also the financial traditions of the industry—whose persistence is all the more likely because departure from them in the past has cost it dear.

In the light of these considerations, it is difficult to maintain that shipping shares are greatly under-valued on the basis of the prices and yields shown in the above table. In this industry, and in wartime, earnings yields mean rather less and dividend yields rather more than in the majority of trades. And it can hardly be maintained that a present income of 3 to 6 per cent. on a shipping share is over-generous, if the arguments adduced in this article in favour of only a moderate increase in wartime dividends are sound. On the whole, if the industry has any appeal at all to the speculative investor as such, those companies whose pre-war recovery made least progress may now have chief attraction, because they have still the farthest to go. But for the general investor there is a sounder rule. Those concerns which are most efficient in peacetime will probably make the best showing under wartime conditions.

Finance and Banking

New Open Market Technique.—The abnormal accumulation of funds in Government accounts continues to exert its influence on credit conditions. During the past week money has again been in comparatively short supply, and the banks have been extremely diffident buyers of bills, and have in fact put up their buying rate for eligible Treasury bills to 1½ per cent. Last week's Bank return showed that as much as £47,100,000 was locked up in public deposits. This week's return shows a small improvement on this position, but with public deposits at £45,800,000 and bankers' deposits correspondingly attenuated at £87,700,000 the situation is still decidedly taut. The authorities evidently regard this temporary accumulation of funds in Government accounts as too ephemeral a phenomenon to require the customary offsetting open market operations. And yet they do not desire to see the somewhat harder conditions in the money market reflected in a steep seasonal rise in discount rates. Last Friday they therefore took steps immediately before the Treasury bill tender (which promised a sharp increase in the average rate) to ease the position sufficiently to avoid an unwanted increase in the price of Treasury borrowing. These measures deserve attention, for they appear to indicate an interesting departure in open market technique. A considerable deal in bills was apparently done between the Bank of England and one of the clearing banks. The clearing bank sold a big line of short-dated Treasury bills to the Bank—probably for account of Public Departments—and with the proceeds bought from the market the longest eligible bills at the rate of 1½ per cent. The unexpected appearance of this bank as a big buyer of bills at a rate which most of the clearing banks had by then already discarded naturally set the tone for the tender and the £65 millions of bills issued actually went at a mere 8d. above the previous average rate.

Penalising the Outsiders.—This new form of open-market technique is of interest in that it cuts across the tradition that clearing banks do not sell the bills they have once discounted. There is little to justify such a tradition, though it fits in well enough with the peculiar indirect relation between the central bank and the commercial banks which exists in this country. But it has been broken in the past, and on the evidence of last week's operation it looks as though a definite departure from it were being prepared. If the operation is repeated in the near future, other clearing banks will have to be utilised, as the supplies of really short-dated bills in the hands of any one bank are naturally moderate, and other banks' holdings will have to be tapped. Such open-market operations are obviously calculated to meet a temporary situation, since their expansionist effect is only felt during the comparatively short currency of the bills acquired by official quarters. One feature which endowed last week's open-market operation with special interest was the fact that the clearing bank in question, acting no doubt on instructions from the Bank, restricted its purchases of bills to houses in the discount market, i.e. to members of the syndicate. At the previous tender some of the usual outside applicants for bills had rather miscalculated the prospects and as a result had acquired far larger amounts of bills than they could conveniently carry. The authorities are, no doubt, intent on discouraging the kind of speculative "punting" in Treasury bills which became so prevalent a few years ago and thought this a good opportunity of administering a timely and decidedly awkward rebuke to the outside quarters in question. It will be interesting to see whether this new method of open-market operation will become a permanent weapon of credit control and whether it will be applied with the kind of discrimination which marked its first appearance.

Clearing Bank Figures.—The clearing bank figures for November are again dominated by the growth in the holding of bills discounted. This has risen over the month by £64,200,000 to £353,298,000, at which level it is almost twice what it was in April last. The expansionist influence of this abnormal rise in bills—wholly due to Treasury bill purchases—has to some extent been offset by reductions elsewhere. Thus cash is £10,300,000 down despite a further reduction in the items in transit. Short loans have also undergone a substantial reduction, being £17,300,000 down at £141,781,000. These abrupt changes in the items of bills and short loans may be largely due to the incidence of bill

(In £ millions)						
	Nov., 1938	July, 1939	Aug., 1939	Sept., 1939	Oct., 1939	Nov., 1939
Capital and reserves	138.6	138.8	138.8	138.8	138.8	138.8
Acceptances, etc.	129.0	122.4	132.8	125.7	132.2	108.2
Notes in circulation	1.4	1.4	1.4	1.4	1.4	1.4
Current, deposit and other accounts	2,248.6	2,239.9	2,245.1	2,278.1	2,327.3	2,344.6
Total liabilities	2,517.7	2,502.5	2,518.1	2,544.0	2,599.7	2,593.0
Cash	232.6	234.9	232.9	267.4	255.4	245.2
Cheques, balances, & items in transit	62.4	64.4	73.4	86.7	77.1	69.8
Money at call	149.0	155.4	147.5	145.6	159.1	141.8
Discounts	272.4	278.0	279.1	236.2	289.0	353.3
Investments	642.2	597.0	599.4	602.9	605.1	610.8
Loans and advances	961.7	981.9	984.5	1,010.9	1,013.1	995.2
Investments in affiliated banks	23.9	24.2	24.2	24.2	24.2	24.2
Cover for acceptances, premises, &c.	173.5	166.7	177.1	170.1	176.7	152.7
Total assets	2,517.7	2,502.5	2,518.1	2,544.0	2,599.7	2,593.0

maturities and payments in the market, and also to the fact that the returns show the position of each bank on an individual day in each month and do not therefore smooth out the fluctuations as was achieved before by the taking of weekly averages. Advances also show the substantial reduction of £17,900,000. The net result of these movements is an increase of £17,300,000 in deposits which at £2,344,624,000 are at the highest point ever touched by

them—in spite of the loss of the best part of £100,000,000 of foreign deposits.

Three-decker Silver Market.—The excitement in silver continues, and most of it is still being provided by India. Buying orders from Indian operators have continued to be impressive, and as yet show no signs of being discouraged by the apparent readiness of the Indian Government to sell for Bombay Mint delivery on the basis of the London price plus the equivalent of shipping costs. On the theory that in every major war silver has appreciated, the bazaar operator is prepared to lock up his capital in building up the biggest bull position seen since 1935. The Indian Government began to satisfy this demand with stocks which cannot have been much in excess of 160,000,000 ounces. To-day it can have little more than 100,000,000 ounces left. The international silver market is now a three-decker affair. There is the true world price dictated by the United States Treasury buying price of 35 cents an ounce—equivalent to, say, 19½d. per standard ounce. Then there is the London price protected from the American by the ban on the import of silver. This sterling price is dictated by the quotation of 23½d., at which the Indian Government is prepared to sell for delivery here or in India. Finally, there is the Indian price, which has, this week, risen to 63 annas per 100 tolas, equal to about 24d. per standard ounce. There is just the hint of a unification of this complicated price structure in the Board of Trade announcement this week that the existing facilities for the grant of licences for the import of goods for re-export purposes are being extended. If a demand for silver from outside the sterling group arises, it should be possible to satisfy it from London and recoup the metal from the United States at their lower price. It was learned on Thursday that business in silver for Bombay Mint delivery will no longer be done through the London market, but through the Bombay office of the Indian Reserve Bank. This will mean a big loss of commission for London brokers.

German-American Standstill.—The American banks, whose first reaction to the outbreak of the war was to denounce the Standstill agreement covering their credits to German banks, have, on second thoughts, decided to negotiate a new and separate agreement with their debtors. The first reason for denouncing the agreement was the hope that by attaching German banking assets in the United States greater compensation could be obtained than seemed promised by prolonging the agreement. These hopes were apparently disappointed. Free German banking assets attachable in the United States promised little more than \$1,000,000 and business instincts therefore suggested the wisdom of a renewal of the agreement. This has been secured this week. The new agreement runs for a period of seven months from November 11th last. It covers \$46,000,000 of credits as compared with the total of \$55,000,000 of American standstill claims at the date of the last renewal early this year. It is evident, therefore, that considerable repayment of these credits, presumably through special channels, since the registered mark outlet has been so narrow, has taken place over recent months. The new agreement, which is terminable by either party, if its continuation is thought inadvisable, provides that to the extent that indebtedness has been paid off and the corresponding lines of credit are unutilised new bills may be drawn for financing shipments from the United States which do not violate the Neutrality Act. Direct shipments to Germany may find it difficult to penetrate the Allied blockade. But if substantial unavailed lines can be utilised by Germany to finance trade between the United States and other neutral countries, this may well be the means of raising much-needed foreign exchange resources.

Barclays Bank (D.C. and O.).—At the annual general meeting of Barclays Bank (D.C. and O.), Sir John Caulcutt explained the biggest movement in the balance sheet at September 30th. This was a rise of £8 millions in the cash holding, which at £34,663,000 represented a ratio of 32 per cent. to liabilities. Sir John stated that during the year measures had been taken to increase the bank's

cash resources in various territories in anticipation of the emergency conditions which have arisen. That this precaution was justified will be readily realised, for in Palestine international crises have, on more than one previous occasion, been the signal for a run on the banks; and Barclays Bank (D.C. and O.), which acts as a quasi-Central Bank in Palestine, has an especial responsibility in such banking crises. The bank's position in this and other territories where it is established is also underlined by Sir John's announcement that in certain of them the bank had been appointed sole dealer in exchange in accordance with the new foreign exchange regulations. Apart from the war, the bank has had a very satisfactory year, with the balance sheet total £8 millions higher at nearly £121 millions. There is a small fall in net profits, but the dividend has been maintained at 6½ per cent.

Commercial Bank of Scotland.—The greater part of the Earl of Mar and Kellie's speech at the annual meeting of the Commercial Bank of Scotland was devoted to the effect of the war on the bank's figures. He emphasised the very liquid position in which the bank was placed, cash, balances with other banks, and money at call showing a rise of over £1,000,000 on last year at £11,124,000. If British Treasury bills are included, the total of liquid assets amounted to over £14,000,000 against deposits of £45,111,000. The Governor explained that before the outbreak of war the directors had decided that a position of unusual liquidity was called for, and that the investment holding had been reduced accordingly. British Government securities at £24,903,000 were approximately £3,600,000 less than last year. The net profits for the year at £353,098 are lower by £28,057, but the Governor pointed out that A.R.P. expenditure, heavier taxation and higher salaries were responsible for this small fall. He stated that the bank's annual contribution in respect of income tax and N.D.C. exceeded the whole annual expenses of the bank twenty-five years ago. The dividend on the "B" shares is again 10 per cent., but that on the "A" shares is reduced from 16 to 15 per cent.

MONEY MARKET NOTES

VERY few changes have occurred in the London official foreign exchange quotations. On Monday, Swedish and Norwegian crowns weakened by 5 points, and on Wednesday there was a depreciation of 15 points in belgas and Argentine pesos. In the free market there has been some fluctuation in Finnish marks, which, after being quoted at 200-230m. at the end of last week, have since come back to 200-220m. In New York sterling has shown a firmer tendency and on Wednesday closed 1½c. higher at 3.93½. This improvement has been reflected in the London quotations for lire and yen, which show small movements in favour of the pound.

The money market has again been in-

fluenced by the immobilisation of funds in public deposits, which has made the clearing banks very reluctant buyers of bills. The purchases, which they have made, have been mostly confined to March maturities for which their buying rate has been 1½ per cent. There has consequently been a firmer tendency for market discount rates, and that for the three months' bank draft is 1½-1¼ per cent., compared with 1½ per cent. last week. The restricted outlet for their bills is making the market houses eager borrowers to finance their swelling portfolios, but there is no indication that the clearing banks are loth to satisfy these demands for loans at their usual rate of 1 per cent. against bills. Outside lenders, however, are less

willing, and bond money is only obtainable at 1-1½ per cent. The fall in total applications at last week's Treasury tender from £105.9 millions to £94.6 millions provided another indication of the money shortage.

The Bank Return shows a big seasonal rise in the note circulation. The increase, which amounts to £11.2 millions, has been exactly offset by an increase in Government securities. Bankers' deposits, however, are still at a very low level, because public deposits, though £1.3 millions down on the week, are still at an extraordinarily high figure. The other changes in the Return are unimportant.

MONEY MARKET RATES

	Dec. 15, 1938	Dec. 7, 1939	Dec. 14, 1939
Bank Rate.....	2	2	2
London Deposit Rate ...	1½	1½	1½
Short Loan Rates:			
Clearing Banks	1½-1*	1-1¼†	1-1¼†
Others	½	1-1¼	1-1¼
Discount Rates:			
Treasury Bills (3 mth.)	7½	11½-15½	15½
Three months' bank bills	15½	15½	17½-11½

* Viz., ½ per cent. for loans against Treasury bills and other approved bills and British Government securities within six months of maturity. † ¼ per cent. for loans against 1 per cent. Treasury bonds and other gilt-edged stocks within six months of maturity; 1 per cent. for loans against other collateral. ‡ Viz., 1 per cent. for loans against Treasury bills and British Government securities; 1¼ per cent. for loans against other collateral.

THE BANK RETURN

	Dec. 14, 1938	Nov. 29, 1939	Dec. 6, 1939	Dec. 13, 1939
Issue Dept. £ mill.				
Gold	326.4	0.2	0.2	0.2
Value per oz. fine	85s.	168s. 0d.	168s. 0d.	168s. 0d.
Notes in circulation	495.3	528.7	533.9	545.1
Banking Dept.				
Reserve	61.1	52.7	47.5	36.2
Public Depts.	15.6	27.8	47.1	45.8
Bkrs' Depts.	99.5	103.5	86.3	87.7
Other Depts.	36.0	40.2	39.8	40.7
Govt. Secs.	68.4	109.8	114.9	126.1
Dis. & Adv.	16.8	4.5	5.4	5.4
Other Secs.	21.7	22.3	23.4	24.4
Proportion	41.1%	30.7%	27.4%	20.7%

THE BULLION MARKET

Date	Gold		Silver	
	Price per ounce fine*		Price per oz. standard	
	Cash	Two Mths.	Cash	Two Mths.
1939				
Dec. 8.....	168 0	231½	235½	
" 11.....	168 0	235½	231½	
" 12.....	168 0	237½	235½	
" 13.....	168 0	231½	231½	
" 14.....	168 0	23½	239½	

* Bank of England's official price.

Investment

Markets Stand at Ease.—This week's market movements will provide no pointer to investment policy. Gilt-edged lack the motive power of the institutional buyer; the Australian Conversion is not, in itself, an event of first-rank importance, even if its mere appearance may suggest that Defence borrowing in the open market may wait till 1940. But it has been a commodity week. The release of tin from the shackles of £230 per ton, the rise of rubber above 1s., and the straining of cotton to break the officially controlled maximum daily rises are the two leading commodity pointers. Tin shares have not made any really effective progress after their first response to the news of price freedom and a 120 per cent. quota for the first quarter of 1940. In cotton shares, however, something of a boomlet developed. J. and P. Coats, recently a depressed share on the company's adverse profits trend, jumped from 28s. 6d. to 32s.; English Sewing Cotton have also been featured; and the rise in Courtaulds and British Celanese—the latter assisted by the chairman's helpful remarks at this week's meeting—have shown keenness to Railway stocks, once again, have shown keenness to anticipate the outcome of the compensation discussions, and despite the approach of the year-end, and the necessity for preparation of dividend payments, there is complete absence of hard news to justify hope. The condition of the market, in general, shows little change. It may be significant that the volume of inquiry is increasing, and is being translated, to some extent, into actual business. But the approach of Christmas suggests that a major change in the market's mood in the near future is unlikely.

Australia Converts Again.—The latest Australian conversion operation, if not of major interest in itself, has a number of important implications. It is an offer to holders of two Tasmanian stocks—the 3 per cent. and 3½ per cent. issues, 1920-40—to exchange (at the rate of £99 of new stock and £1 cash per cent.) their holdings for £99 of new stock and £1 cash per cent., and Commonwealth stock carrying interest at 3½ per cent., and will be received at £99 per cent. War has denied the Commonwealth Government the opportunity, which it so frequently enjoyed in the past, of converting to a lower interest basis, and the present terms are clearly conditional upon the ultra-short character of the new loan, and its consequent special appeal to the money houses. The technique of the offer is also of particular interest. The prospectus was advertised in the first place last Monday, December 11th, but the cash lists did not open until Friday, December 15th, and the conversion lists were due to remain open until noon on Saturday, December 16th. Cash-main conversion offers in the past have frequently provided a free option for cash subscribers, because, although the cash lists were usually opened immediately, the conversion lists often remained open for several days after the cash lists were closed. Hence at any time before allotment cash applications could be withdrawn on any change in market conditions—a useful facility for the speculative subscriber of the "Heads I win, tails you lose" variety. In war, clearly, no issuer could afford to give such a one-way option. The present issue is not large—the total of the stocks to be repaid is £4,604,800—but its

appearance has been interpreted as a sign that a Treasury operation may not, after all, make its appearance before the holiday. Some quarters, indeed, argue that, if the authorities' first open market issue is designed to appeal to the same institutions as the Australian conversion, it may be preferable to wait until the New Year, when the traditional period of monetary ease has been re-established.

* * *

Czech Loan Plan.—Sir John Simon has indicated this week the general character of a scheme, which is apparently still in draft, for utilising Czech assets in British control for the payment of loan coupons and claims. The scheme does not contemplate the use of blocked Czech assets under the Czech Banking Accounts (Restriction) Act. Instead, it is proposed, on the one hand, to utilise the unexpended balance of the British Government's free gift to Czecho-Slovakia to assist the Czech Refugee Trust Fund, and, on the other hand, to utilise the balance of the British advance to Czecho-Slovakia for the payment of coupons on the Czech external debt and for meeting cash claims. The latter would appear to include the 24½ per cent. Czech guarantee on the 4½ per cent. Austrian Loan, 1934-59, at least so far as bonds in certified British ownership are concerned. The "A" and "B" 8 per cent. Czech bonds, which received their last interest payment in April, have recently improved, and are now quoted 55-60 in the Official List, in the expectation of coupon payments being resumed. At this stage, it would be premature to speculate on the nature of such payments, but their prospect is the more welcome in that the scheme also takes account of the needs of Czech nationals.

* * *

Industrial Profits in November.—Unlike September and October, when the outbreak of war and, later, the Budget delayed many company reports, the number of results published last month was about normal. It is, of course, too soon to discover anywhere the effects of war on profits, for at most, a month of war conditions is covered by the latest annual accounts.

INDUSTRIAL PROFITS 1937-39

Year and Month	No. of Cos.	Net Profits*	Change on prev. year	Year and Month	No. of Cos.	Net Profits*	Change on prev. year
1937		£	%	1938		£	%
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	+9.11	March	293	41,440,326	-11.57
April	225	28,481,318	+17.11	April	303	24,067,714	-11.57
May	320	45,915,238	+11.42	May	303	46,863,324	-6.29
June	260	38,076,415	+11.09	June	257	35,104,850	-8.33
July	181	16,530,811	+3.44	July	189	14,383,201	-6.30
Aug.	81	8,300,386	-1.76	Aug.	74	7,812,400	-6.65
Sept.	112	7,962,024	-10.31	Sept.	73	6,057,165	-10.58
Oct.	163	14,279,785	-1.06	Oct.	114	7,029,095	-7.65
				Nov.	214	16,590,305	-8.75

* After debenture interest.

No decided change is so far discernible, though examination of individual reports shows that heavier taxation makes the fall in net profits earned for dividend appear rather worse than the decline in total profits requires. The rate of fall in profits during the last seven months, in fact, has been unusually consistent, and not unduly influenced by any one group.

* * *

Progress of Defence Savings.—Sir John Simon last week announced that the first fortnight of the national drive for war savings had resulted in total cash applications of £10 millions for the new Savings Certificates, and that sales of Defence Bonds to December 6th totalled £11,226,370. The figures show that the campaign gathered strength during the second week, for compared with £4½ millions of the new certificates applied for in the first seven days, the total for the second part of the fortnight was £5½ millions, while the corresponding division of the Defence Bonds applications was £5 millions for the first week and nearly £6½ millions in the second week. At the

same time, national savings groups formed or in process of formation during the first week of the campaign totalled 1,226, compared with no more than 1,572 for the whole of last year. These figures are well in excess, as they should be, of the average weekly sales of Savings Certificates which, in the three months before the campaign opened, amounted to about 459,000 certificates weekly. The cash total involved, on the other hand, would cover expenditure for no more than three to four days of war. In saluting the inauguration of the campaign, therefore, it is still necessary to press for its extension throughout the body of small savers in the country. Since compulsory methods have been eschewed, the voluntary system must prove unmistakably its ability to achieve the same end—which is a self-denying ordinance on the part of consumers generally to provide the sinews of war.

Company Notes

Brewery Results Reviewed.—Further brewery reports confirm the better trend of total profits during the past year, but increased taxation requirements have prevented shareholders from participating in the improvements. Ind Coope report a 6 per cent. increase in profits, but tax and compensation requires £362,265 against £260,439, and earnings for the ordinary shares are in fact reduced, though the 23½ per cent. dividend on the increased capital represents a shade over the previous 27½ per cent. payment. Both Joshua Tetley and Son and Brickwood show a 4 per cent. increase in profits, but which is insufficient to meet higher taxation. The former company has lowered its ordinary distribution from 14 per cent. to 12 per cent.—though the previous year's reserve allocations are maintained—while Brickwoods, having fortunately reserved rather more than their actual tax liability for the past year, maintain the 15 per cent. dividend though earnings have fallen from 23.6 per cent. to 20 per cent. J. W. Green have also had a successful year, and profits have risen from £168,737 to £180,037. The company has been spared a heavy increase in taxation, but a conservative dividend policy has been pursued. A selection of the recent brewery reports is set out below:—

Company (Years to September 30th)	Total Profits	Earned for Charges	Ordinary Capital		Present	
			Amount	Rate	Price*	Gross Yield %
Ind. Coope, etc.:						
1937	1,171,204	723,524	470,832	36.0	27½	77/6 6.1
1938	1,188,151	770,423	519,869	37.7	27½	
1939†	1,259,748	736,354	496,542	31.3	23½	
H. and G. Simonds:						
1937	796,262	276,647	178,920	31.6	18	62/- 5.8
1938	847,395	270,714	165,895	30.3	18	
1939	1,019,438	277,581	164,982	31.0	18	
Brickwood and Co. (a):						
1937	271,463	202,119	163,119	26.7	15	52/- 5.8
1938	257,073	175,501	139,501	23.6	12	
1939	268,205	142,675	109,675	20.0	15	
J. W. Green:						
1937	173,107	106,648	61,278	26.5	19	57/6 6.6
1938	168,737	93,950	49,240	22.0	19	
1939	180,037	101,758	57,488	27.3	19	
J. Tetley and Son:						
1937	348,138	263,413	207,663	26.1	14	42/6 5.6
1938	306,466	236,741	180,991	22.4	14	
1939	316,885	224,174	168,424	22.3	12	
P. Phipps and Co. §:						
1937	379,892	166,865	138,115	19.1	15	65/- 6.5
1938	377,984	163,533	134,783	18.6	13¾	
1939	401,210	173,778	145,028	20.0	13¾	

* Per £1 ordinary share or stock unit. † Interim paid on £1,745,688 final on £1,963,911. Also 20 per cent. capital bonus declared from reserve. ‡ Earnings and dividend on £755,042. § Tax free rates earned and paid. (a) Total profits after depreciation, pensions, &c.

An exception to the general trend is provided by H. and G. Simonds, whose 20 per cent. increase in profits has been largely absorbed by higher expenses. But the earnings distribution policy in all cases has been commendably conservative. These reports, it should be noted, were closed before the increased beer duty became effective, before full mobilisation and before higher costs (to which the chair-

man of Brickwood and Company alludes in his speech) began fully to affect turnover and profit margins. Brewery shareholders, in these circumstances, should be the last to complain of cautious financial policy on the part of their directors. The unsettlement in the brewery share market on Wednesday, though based partly on rumour of a rationing scheme which need not yet be taken too seriously, does suggest that the market is alive to the immediate difficulties of the trade.

* * *

Carreras' Report.—The full accounts of Carreras, Limited, add little information to the preliminary profits statement, which was discussed in *The Economist* last week. Profits for the year ended October 31, 1939, total £2,087,264, against £1,672,959 the previous year—an increase of practically 25 per cent. A higher taxation provision of £547,415 against £185,354 absorbs the greater part of the increase, however, and an allocation of £165,000 to exchange reserve—the first provision since 1931—reduces equity earnings from £1,326,077 to £1,181,628. This sum would have represented earnings of about 48 per cent. on the old capital, compared with 60.5 per cent. in the previous year. Although the directors have reduced the rate of payment from 35 per cent. to 30 per cent., this distribution is made on a capital increased by the 50 per cent. bonus last January, and is thus equivalent to 45 per cent. on the old capital. Its payment, however, has entailed a considerable reduction in the normally generous earnings cover. The three latest years' profits distributions are set out below:—

	Years to October 31st	1937	1938	1939
Total profits	£	1,403,215	1,672,959	2,087,264
Depreciation	£	48,424	64,325	70,517
Taxation	£	124,212	185,354	547,415
Fees and staff funds ...	£	25,943	32,203	57,704
Exchange reserve	£	...	...	165,000
Prof. divs.	£	65,000	65,000	65,000
Ord., "A" and "B"				
Ord. Shares:				
Earned	£	1,139,636	1,326,077	1,181,628
Paid	£	868,067	868,067	1,116,090
Earned %	%	49.6	60.5	32.7
Paid %	%	35	35†	30
Carried forward‡	£	1,026,671	244,581§	303,210

† Plus 50 per cent. capital bonus.
‡ After £50,000 to reserve and £3,745 issue expenses in 1937: £6,908 issue expenses in 1939.
§ After capitalising £1,240,100 bonus distribution from undistributed profits.

An encouraging expansion in turnover for the year just ended is suggested by the balance sheet. Creditors and provision for taxation have increased from £424,492 to £1,229,049 and debtors from £1,153,389 to £1,746,861, while the expansion in stocks from £2,387,488 to £3,035,824, and a corresponding contraction in cash, argues a forward-looking buying policy. The increased tobacco duty and wartime taxation demands (though the company is reasonably well placed for E.P.T., judging by the profits of standard years) may limit the equity prospects for the future, but the directors' dividend policy indicates a degree of confidence which has been endorsed by a firm market for the shares. The "B" ordinary, now quoted at 14s. 6d., yield £5 3s. 3d. per cent.

* * *

A.B.C. Poor Year.—The passing of the Aerated Bread Company's preference dividend last month had prepared shareholders for disappointing results for the year to September 30th. The full accounts, in fact, reveal a 36 per cent. fall in profits from £189,406 to £121,057. The directors' report finds the cause for this ex-sharp drop in the "strained international relations" experienced during the year, but shareholders will be aware that profits have been slipping back since the year 1935-36. Depreciation requires £70,685, against £66,881; but



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ISSUED BY THE NATIONAL SAVINGS COMMITTEE

Company Meetings of the Week.—In this issue reports of company meetings begin on page 434. Addressing *Commercial Bank of Scotland* proprietors, the Earl of Mar and Kellie contrasted conditions now and in 1914. Normal income-tax and N.D.C. contributions now, he stated, exceeded whole annual running expenses, including taxes, twenty-five years ago. At the *Canadian Bank of Commerce* meeting, Mr S. H. Logan stressed the importance of Canada's larger production of materials as a factor in the greater margin of superiority held by the Allies over Germany as compared with the last war. Changes in the balance sheet were fully explained by Lieut.-Colonel C. A. Reid Scott at the *Manila Railway* meeting. Viscount Greenwood explained to *Dorman, Long and Company* members that profits had been maintained owing to the higher level of output which, by reducing costs, had justified the price reductions of January, 1939. Mr J. P. Colbert informed the *Industrial Credit Company* members that since beginning business the company had handled an underwriting turnover reaching a net cash total of £4,982,007. At the *J. Brockhouse and Company* meeting, Mr J. T. Brockhouse declared that though the proportion of armament work now undertaken was increasing, there had as yet been little diminution in the peace-time trade. At the meeting of *Hiram Walker-Gooderham and Worts*, Mr H. H. Hatch discussed the position of British subsidiaries. There was no restriction by the Government on the export of matured whiskies, and shortage of shipping had not yet become a problem. Sir Walrond Sinclair informed shareholders of *British Tyre and Rubber* that this was the eighth year in which an increase in profits had been recorded. Sir John R. Chancellor, at the *Wankie Colliery* meeting, enlarged on the long-term contracts with the Northern Rhodesian copper mines and Union Minière du Haut Katanga. Mr D. Christopherson informed shareholders of *Lake View and Star* that ore reserves showed an advance on the previous year's strong position and that development work had been satisfactory. At the meeting of *Barclays Bank (Dominion, Colonial and Overseas)*, Sir John Caulcutt referred to the bank's increased cash resources in various territories and discussed the past year's economic conditions in the overseas Empire. Sir Donald W. Cameron discussed the economics of war at the meeting of *The National Bank of Scotland*. At the *Bengal-Nagpur Railway* meeting Sir Trevredyn Wynne declared that gross earnings for the first seven months of the current year had increased by 73 lakhs (over half a million pounds) on the same period last year. Mr Walter Henderson-Cleland informed shareholders of *S. Smith and Sons (Motor Accessories)* that the changeover to maximum production of instruments for the services since war broke out, had been satisfactorily effected. The address of the Hon. Edmund W. Parker at the *Dalgely and Company* meeting is referred to on page 426. Discussing recent negotiations for an extension of the company's concession, Sir Alexander MacIntyre, at the *Sudan Plantations Syndicate* meeting pointed out that an amalgamation between the company and its subsidiary, Kassala Cotton, was desired by the Sudan Government. Sir Alexander, addressing shareholders of *Kassala Cotton*, expressed the hope that higher cotton prices would offset increased costs in the current year.

THE STOCK EXCHANGES

London

Note: All dealings are for cash

THE past week has been even more quiet owing to the approach of holiday influences and the absence of conclusive war news. There is, however, no fundamental change of trend, and in an unobtrusive way the undertone is quite satisfactory.

Little interest is being shown in *gilt-edged* stocks, the commodity share sections having for the time being supplanted *gilt-edged* as the focus of activity. During the week movements were small and varied. The dated stocks hardened at first, though in mid-week the lack of business was such that small sales of no special significance brought fractional declines. Perpetual stocks also were under the influence of day-to-day activity and changed only slightly on the week. Home corporation and Dominion stocks sagged a little in mid-week through sheer lack of interest. Among *foreign bonds*, Brazilian issues fell back at first and then recovered on reports of a satisfactory trade surplus, which again revived hopes of a debt offer. Argentine loans were duller than of late.

The *home rail* market still experiences spasms of hope that favourable compensation terms are to be announced at any moment. There were good gains on Monday, and active trading continued for a time though prices were occasionally checked on profit-taking. Interest tended to die down once more towards mid-week. Argentine rails lost ground after a fairly hopeful beginning.

★

The *industrial* market was again subdued, and there was no disposition towards a general move one way or the other. Buying remains somewhat selective, and the behaviour of the market groups is thus not always consistent. Iron, coal, steel and engineering shares generally were again uninteresting, but showed a firm undertone. The market seems already to have taken the measure of such companies' wartime prospects. Price movements were small. Aircraft and motor issues lacked outstanding features. After an uninspiring start, brewery shares fell sharply in mid-week on reports of beer rationing owing to requirements of barley for other purposes, but recovered later on denial of these reports. Tobacco shares hardened towards mid-week, though as a group they have not been very active recently. Textiles and still more rayon shares, with Courtaulds in the lead, were again one of the most active sections of the market. Courtaulds, for instance, gained as much as 1s. on Wednesday, and British Celanese received some support after the meeting. Miscellaneous issues made a mixed showing. Indo-China deferred were prominent among shipping shares.

★

Oil shares have been uninteresting this week. There was some demand for Mexican Eagle on Tuesday and Continental support imparted a rather firmer tone to leading issues on Wednesday. Despite this week's considerable improvement in the price of the commodity, rubber shares have enjoyed only fractional advances in quiet trading.

In the *mining* market, conditions have been generally quiet, apart from renewed interest in tin shares. Producing Kaffirs tended to ease towards mid-week, due rather to lack of business than to any selling pressure. The week-end crop of interim dividend announcements was well received, but had already been discounted in the trading at the end of last week. Developing issues have been dull this week with losses on balance. Among finance shares, Central Mining, Rand Mines and Union Corporation had a firm appearance on Monday, gains being held later in the week. West Africans tended to slide back in a dull market. Tin shares opened the week with a burst of activity on the release of the commodity price but the improvement was not maintained. Rhodesian coppers have been narrowly irregular.

"FINANCIAL NEWS" INDICATORS

1939	Total Bargains†	Corres. Day 1939	Security Indices	30 ord. shares*	20 fixed int.†
Dec. 8	3,760	5,740	74-3	118-1	
" 11	4,738	5,550	74-5	117-8	
" 12	3,996	5,510	74-5	117-8	
" 13	4,187	5,790	74-3	117-7	
" 14	4,062	5,785	75-0	117-7	
1939 High...	...	...	88-0	123-5	
Low ...	...	...	Mar. 10 66-4	Jan. 3 109-6	
			Sep. 26	Oct. 4	

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

New York

THE opening of this week's trading on Wall Street brought no change of sentiment. Good domestic business news on Monday was offset by sales for taxation purposes and liquidation by foreign holders, and in quiet trading prices moved to fractionally lower levels. By mid-week the market had shaken off some of its lethargy and prices advanced, encouraged by the trend of commodities. A notably dull feature, however, has been the oil share market. The Dow Jones industrial average touched 148.94 at the close on Wednesday, compared with 147.05 on Monday. *Iron Age* reports steel mill activity at 91.5 per cent. of capacity, compared with 93.5 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	Nov. 29, 1939	Dec. 6, 1939	Dec. 13, 1939
	Low Apr. 12	High Jan. 4		
347 Ind'l's....	92-8	114-5	107-6	107-9
32 Rails.....	23-34	32-5	29-9	29-9
40 Utilities....	77-8	89-94	86-8	87-0
419 Stocks	79-3	95-6	91-7	92-5
Av. yield*...	4-42% High	3-31% Low	4-33%	4-35%

* 50 Common Stocks. † Aug. 2nd. ‡ Aug. 23rd.

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

Dec. 7	Dec. 8	Dec. 9	Dec. 11	Dec. 12	Dec. 13
120-9	119-9	120-0	118-7	118-4	120-2
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
December 7	1,010	9,220
" 8	575	6,930
" 9	260	3,020
" 11	570	5,890
" 12	610	7,680
" 13	1,060	8,850

New York Prices

	Close Latest		Close Latest	
	Dec. 7	Dec. 14	Dec. 7	Dec. 14
1. Rails and Transport	1939	1939	1939	1939
Atchafalaya.....	25½	25½	Shell Union.....	12¼
Balt. & Ohio.....	6½	6½	Socony Vac.....	12
Ches. & Ohio.....	42¼	40	Stan. Oil Cal.....	25½
G.N. Ry. P.I.....	28¼	28¼	Stan. Oil N.J.....	44½
Illinois Cent.....	13½	13¼	Texas.....	45¾
N.Y. Central.....	18¾	19¼	2. Manufacturing	
Norfolk Pac.....	9½	9¼	Briggs.....	22½
Pennsylv. R.....	22¾	23	Chrysler.....	87¾
Southern Pac.....	15½	15½	Gen. Motors.....	53½
Southern Ry.....	19½	20½	Boeing Airplan.....	23½
Union Pac.....	99	98	Douglas Air.....	77¼
3. Utilities and Communications			United Aircraft.....	45¼
Am. Works.....	11½	11½	Allied Chem.....	17¼
Con. Edison.....	30	30	Dupont.....	180¾
Col. Gas & El.....	6¼	6¼	Gen. Electric.....	39¼
N. American.....	22½	22½	West'he Elec.....	112
Pac. Gas & El.....	32½	33	American Can.....	111½
Pub. Serv. N.J.....	39½	39½	Caterpillar.....	55½
United Corp.....	21¼	21¼	Int. Harvester.....	60½
Un. Gas Imp.....	14¼	14¼	Johns Manville.....	76½
Amer. Tel.....	169¼	170½	Corn Prods.....	62½
Inter. Tel. For.....	4¼	4	J.I. Case & Co.....	72¾
West. Union.....	27	27	Clidden.....	18½
Radio.....	55½	51½	Celanese.....	164
4. Extractive and Metal			Eastm'n Kdr.....	166¼
Am. Mol. Mill.....	17½	17	Loews.....	33¼
Beth. Steel.....	83½	84¼	20th Cen. Fox.....	12½
Republic St.....	23¼	23¼	5. Retail Trade, etc.	
U.S. Steel.....	69	69½	Mont. Ward.....	54½
Am. Metal.....	24½	24¼	Sears Roebck.....	80½
Am. Smelting.....	51½	52¼	Woolworth.....	37½
Anaconda.....	31¼	31¼	Nat. Dairy.....	15¼
Cerro de Pas.....	39½	39	Am. Tob. B.....	81½
Int. Nickel.....	36¼	36½	Nat. Distillers.....	23½
Kennecott.....	38½	38	6. Finance	
U.S. Smelt.....	66¼	62½	Comcl. Credit.....	45½
			Com. Inv. Tr.....	51¾

Capital Issues

CAPITAL ISSUE TOTALS

Week ending	Nominal Capital	Conversions	New Money
December 16, 1939			
To the Public.....	4,604,800	4,558,752	Nil
To Shareholders.....	Nil	Nil	Nil
By S.E. Introduction.....	300,000	...	312,000
By Permission to Deal.....	25,000	...	24,250
Savings Certs., week to Dec. 9, 1939.....	6,200,000	...	6,200,000
3% Defence Bonds sales, week to Dec. 9, 1939.....	6,350,000	...	6,350,000

Year to date	Including Conversions	Excluding Conversions
1939 (New Basis).....	149,552,165	122,467,471
1938 (New Basis).....	295,226,782	270,840,692
1939 (Old Basis).....	97,295,554	71,306,723
1938 (Old Basis).....	203,395,970	179,989,975

Destination (Excluding Conversions)

Year to date	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1939 (New Basis).....	94,848,455	25,373,284	2,245,732
1938 (New Basis).....	211,462,018	53,683,402	5,695,272
1939 (Old Basis).....	55,146,632	15,840,091	320,000
1938 (Old Basis).....	152,870,721	24,299,182	2,820,07

Nature of New Borrowing (Excluding Conversions)

Year to date	Deb.	Pref.	Ord.
1939 (New Basis).....	66,222,895	8,831,629	47,412,947
1938 (New Basis).....	147,037,000	21,395,837	102,406,795
1939 (Old Basis).....	58,458,921	2,688,459	10,159,343
1938 (Old Basis).....	130,498,683	12,654,505	36,837,287

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

Commonwealth of Australia (Government of).—Offer of 3½ per cent. registered stock at 99 (redeemable at par January, 1944, or from 1942 on notice) in conversion of £448,300 Tasmania 3 per cent. stock 1920-40 and £4,156,500 Tasmania 3½ per cent. stock 1920-40. Holders converting receive also £1 per £100 converted. In June, 1939, population, 6,960,891; £stg. 165 11s. 8d. public debt per head.

BY TENDER

South West Suburban Water.—Sale by tender of 5,000 5 per cent. £10 redeemable preference shares at a minimum of £10.

BONUS SHARES

G. D. Peters and Company.—Subject to Treasury consent, a 50 per cent. capital bonus is proposed. New shares will not rank for any final for year to December 31, 1939. Meeting, December 29th.

E. S. and A. Robinson.—A bonus of one ordinary share for seven held is proposed, by capitalising £139,603 of reserve and distributing to holders of £979,215 existing ordinary shares. Issue is subject to Treasury consent, and new shares rank with existing in respect of year to February 29, 1940.

Shorter Comments

Company Results of the Week.—Though there has been a fall in SECOND COVENT GARDEN PROPERTY revenue, the accounts are made up to November 30th, and thus include three months of war. Investment trusts continue to show a fairly substantial decline in income, but several companies, including THIRD EDINBURGH INVESTMENT, are able to maintain dividends. The full report of HARRODS (BUENOS AIRES) shows a gross trading profit of £640,871 against £586,286. A good 1938 sugar crop has provided BOOKER BROS., MCCONNELL AND COMPANY with total profit of £133,037 against £126,565, and the maintenance of the 1939-40 is foreshadowed owing to higher prices in the current year. Owing to low prices for local products and the lower value of the peso, AGAR CROSS AND COMPANY report a sharp fall in total profits from £247,058 to £90,690. EAST KENT ROAD CAR COMPANY are again paying 8 per cent., as traffic was satisfactory until the end of August. MITCHELL, COTTS AND COMPANY are paying 12 per cent. against 11 per cent., total profits being £113,411 against £105,115. In the year to August 31st, RADIO RENTALS made further progress, and report that the loss of subscribers early in the war has been more than made good. Another company whose accounts include three months of war is SUNLIGHT LAUNDRIES. Their dividend is reduced from 9 per cent. to 7 per cent. Profits of WATERLOW AND SONS have been relatively well maintained, and the dividend is maintained at 8½ per cent.

MISCELLANEOUS

Hiram Walker-Gooderham and Worts.—Earnings for the year ended

August 31, 1939, \$5,295,979; dividend paid, \$3,430,108; taxation, \$39,300,000; advertisement, \$2,443,525; inventories and properties, \$28,077,885 and \$17,534,667, respectively. These compare with \$2,705,110 and \$2,307,169 in 1927. In the last 12 years, 71 per cent. has been paid on capital received.

United Railways of Havana and Regla Warehouses.—For year to June 30, 1939, loss of £1,022,245 (£971,250) increases debit forward to £8,238,131. Railway receipts, £1,215,488; expenses, £1,355,465; loss, £139,977 (£139,095). Warehouses, etc., profits, £28,413 (£26,688). After interest, etc., credited, and charging £614,884 debenture interest, loss is £1,022,245.

Distillers Co.—Interim dividend is 6½ per cent. on capital as increased by 40 per cent. scrip bonus, against 7½ per cent. on the smaller capital.

Second Covent Garden Property Company.—Revenue for year to November 30, 1939, £175,950 (£181,322). Ordinary dividend 6 against 7½ per cent. Carry forward £44,266 (£36,205).

South West Africa Company.—Profit year to June 30, 1939, £79,720 (£123,453). To investment reserve, £150,000. Ordinary dividend 5 per cent., against 5 per cent. plus a 10 per cent. bonus. Carry forward, £73,697 (£170,567).

Bank of London and South America.—Gross profit year to September 30, 1939, £1,905,798 (£1,783,422). To contingency reserve, £270,000 (£260,000). Ordinary dividend unchanged at 5 per cent. Carry forward, £173,763 (£173,476). Total assets, £81,068,532 (£76,361,018). Cash, £21,445,637 (£14,865,394). Bills receivable, £10,883,812 (£9,418,322). Advances, £26,763,166 (£30,484,252). Deposits, etc., £60,494,660 (£56,286,068).

H. M. Hobson (Aircraft and Motor Components).—Net profit year to September 30, 1939, £65,102 (£46,613), after transferring £69,874 (£9,599) to tax reserve. Ordinary distribution 17½ per cent. as before, of which 12½ per cent. is on a larger capital.

J. Samuel White and Company.—Profit for year to September 30, 1939, after depreciation and tax, £116,563 (against £37,743, when £16,680 for depreciation and £29,071 for tax and N.D.C.). To reserve, £75,000. Carry forward, £16,192 (£17,854).

Orient Steam Navigation.—Operating profit and investment income after tax, £318,365 (£430,560); but after £281,409 depreciation and £49,503 loss on sale of investments, operating loss is £12,547, against a profit of £113,617. By transferring £74,377 from underwriting account, £25,000 from general reserve and adding £15,395 brought in, balance is £102,225, of which preference dividends absorb £82,260. Carry forward, £19,965.

Ariston Gold Mines (1929).—Profit for year to September 30, 1939, £267,602, after £35,556 for depreciation, against £169,404 after depreciation £32,044. Dividend 20 against 7½ per cent. Written off development, £47,395, and £75,000 for taxation. Carry forward is £28,179 (£36,589). An interim of 10 per cent. is declared on account of current year.

Transvaal Gold Output, November.—Witwatersrand, 1,074,771 fine ounces; other districts, 28,364 fine ounces; total, 1,103,135 fine ounces. October total, 1,102,212 fine ounces. Native labour employment at November 30th: gold mines, 304,954; coal mines, 18,037; total, 322,991.

Atlas Assurance Company.—With profits policies becoming claims during 1940 are to receive an interim bonus at same rate as if policy had become claim on December 31, 1939, i.e. at rate of 42s. per £100 per annum.

United Serdang Rubber Plantations.—Dividend proposed for year to August 31,

1939, is 5 (against 9) per cent. Credit balance for year, £106,193 (£174,715). To taxation, £35,000 (£20,000); depreciation, nil (£25,000); buildings, etc., £24,811 (£18,666).

Roneo, Ltd.—Net profit for year to September 30, 1939, is £56,300, against £52,108. Ordinary dividend 11½ against 10 per cent. It is proposed to offer 51,378 £1 ordinary shares at 22s. 6d. to ordinary stockholders in proportion of one for seven units held.

Woolwich Equitable Building Society.—Profit year to September 30, 1939, £1,129,599. Brought in, £17,957, making £1,147,556. Interest to shareholders, £984,298. To general reserve, £150,000. Carry forward, £13,258. Total reserve funds, £1,950,000 representing 4-87 per cent. of total assets and 6-64 per cent. of share capital. Advanced on mortgage, year to September 30, 1939, £4,603,404 (£6,277,351). Total assets, £40,073,564 (£39,353,191).

British Overseas Bank.—Report for year to October 31, 1939, shows profit of £4,277 compared with £29,823. Brought in, £81,424, making £85,701 available, which has been applied towards reserves against doubtful assets.

Anglo-Chilean Nitrate Corporation.—For year to June 30, 1939, net profits are £470,681, against £397,157. Debenture interest absorbs £207,239. Debt retirement receives £263,442, railway renewals £15,000 and general renewals, £93,540. Since July 1, 1934, £1,114,464 and \$2,443,000 nominal debt have been retired.

Abbey Road Building Society.—Interest rates payable on the society's shares and deposits for the half-year ending December 31, 1939, maintained at recent rates: shares, 3½ per cent. per annum; deposits, 2½ per cent., subject to one month's notice and 2½ per cent. subject to three months' notice of withdrawal. Substantial sums will be available for reserve after interest payments.

Seager, Evans.—Gross trading profit for the year to July 31st, £117,194 (£115,900), income from subsidiaries £15,136 (£112,609). Net loss £64,775, against a profit of £48,554. No dividend to be paid, against 10 per cent. After deducting a tax credit of £10,080 debit balance of £35,947 goes forward, against a credit of £18,748 brought in. Advertising expenditure of £71,319 (£63,541) charged to profit and loss.

Olympia, Ltd.—The meeting of 4 per cent. 1st mortgage debenture stockholders which was held December 6th was adjourned owing to the necessary quorum not being present, but the meeting of the preference stockholders which followed passed the resolution as detailed in the notice of November 27, 1939, authorising the board, subject to the consent of the debenture stockholders and the Treasury, if necessary, to borrow up to £100,000. For particulars of the scheme, see *The Economist*, December 2, 1939, page 345.

Radio Rentals, Ltd.—Trading profits for year to August 31, 1939, £127,041, a record and an increase of £23,107 over 1937-38. To depreciation of (a) radio sets, £81,803 (£74,378), and (b) sundry assets, £3,387 (£2,206), and directors' fees and commission, £2,591 (£912). The sum of £21,500 is provided for taxation against £3,961. Ordinary dividend, 7½ per cent. against 6½ per cent. Carry-forward, £9,820 (£1,802).

British India Steam Navigation.—Profits for the year to September 30th are £201,150 (£210,153). Year's figure includes £36,703 (£2,696) surplus on sale of steamers, £7,391 (£13,543) profit on sale of properties, etc., and £35,909 from provisions for liabilities not required. Ordinary dividend is maintained at 6 per cent. with a final payment of 3½ per cent. £56,435 is carried forward (£57,717).

Industry and Trade

Shipping Losses.—Compared with the heavy losses of merchant shipping during the height of the submarine campaign in 1917, Germany's bag in the first three months of the present war was relatively small. Between September 3rd and November 30th 312,000 gross tons of British shipping and 246,000 gross tons of French, Polish and neutral shipping were sunk; the corresponding figures for the single month of April, 1917, are 526,000 gross tons and 340,000 gross tons respectively. On the other hand, during the first three months of the Great War the tonnage lost by the British Empire and by Allied and neutral countries was only 210,000 gross and 40,000 gross respectively. The losses sustained during the first three months of the present war are analysed below:—

MERCHANT SHIPPING DESTROYED BY THE ENEMY (in gross tons)					
	November		September 3rd to		
	No.	Tonnage	No.	Tonnage	
British:—					
Armed merchant cruiser	1	16,697	1	16,697	
Passenger liners	...	...	2	23,764	
Cargo liners	5	26,188	16	95,037	
Cargo vessels	14	29,081	41	127,730	
Tankers	1	706	6	43,142	
Trawlers, etc.	7	2,038	15	5,183	
Total	28	74,710	81	311,553	
French	4	7,648	11	55,581	
Total Allied*	33	96,552	93	382,428	
Neutral	15	97,368	46	174,942	
Grand Total	48	193,928	139	557,370	

* Including one Polish vessel of 14,294 gross tons lost in November.

During September and October the losses sustained by the Allies were much heavier than those of neutral countries; last month, however, when Germany intensified her campaign by indiscriminate mine-laying, neutral losses exceeded those suffered by the Allies. By reason of the size of her fleet the losses have fallen most heavily on Britain, who owned 56 per cent. of the gross tonnage of vessels sunk during the first three months of the war, compared with only 10 per cent. owned by France. The sinking of neutral ships is naturally directed by Germany at the Allies in the belief that the reduction in the world's total available tonnage will diminish their carrying capacity almost as effectively as the destruction of their own vessels.

Britain's Shipbuilding Capacity.—Ultimately the supply of merchant shipping tonnage available to the Allies depends on the ratio between losses and replacements. In view of the reduction in the effective carrying capacity of the Allied merchant fleets through delays and requisitioning by the Defence Ministries, an excess of replacements over losses is necessary if the pre-war volume of trade is to be maintained. But so long as the rate of loss does not exceed the rate of replacement there is no cause for serious alarm. Since 1929 the merchant shipbuilding capacity of the United Kingdom has been reduced from about three million gross tons to two million gross tons per annum by the rationalisation scheme carried out by the industry. In addition, however, there are facilities for the construction of about 500,000 tons of naval vessels per annum in private shipyards. But as some of the craft required by the Navy can be constructed in merchant yards, the ratio between the output of merchant and naval vessels can be varied according to need. On the basis of the experience of the first three months of the war, when British losses of merchant ships were at the rate of 1,250,000 gross tons per annum, the capacity of the shipyards in this country appears to be more than adequate. Actual output

this year will fall considerably short of the industry's capacity because the fall in freight rates after 1937 had resulted in a sharp decline in new orders. Thanks to the Government's scheme to assist the shipping and shipbuilding industries announced last spring, the volume of merchant shipping on which work was begun rose from 71,000 gross tons in the first quarter to 402,000 gross tons in the second quarter of this year, while the tonnage on the stocks or in fitting-out basins amounted to 791,000 gross at the end of June. Since the outbreak of the war a further considerable volume of merchant tonnage has been put in hand, so that output can be expected to show a steady expansion next year. Moreover, as Mr Churchill pointed out on Wednesday last week, there are now one million tons (displacement) of naval vessels under construction. In view of the desirability of keeping the rate of replacement above the rate of loss because of the reduction in the effective carrying capacity of the existing fleet, it is absolutely essential to raise output to the maximum as quickly as possible. In the early years of the last war output showed a serious decline; according to Lloyd's Register of Shipping, the tonnage of merchant vessels launched fell from 1,932,000 gross in 1913 to 608,000 gross in 1916. Fortunately there are indications that the trend will be reversed this time.

Cotton Prices and Exports.—The remarkable rise in prices of materials and labour for cotton manufacture has had an adverse effect upon export trade in piece-goods, and keen discussions are now taking place in Manchester as to what should be done. It has been proved that many customers abroad cannot afford to pay the higher rates and it has been suggested that there should be an export subsidy at the expense of home trade. It is understood that the Cotton Controller, Sir Percy Ashley, and the Cotton Board are now considering the problem, and Mr Oliver Stanley, President of the Board of Trade, in the House of Commons last week, said that a scheme was in hand. For some foreign markets, however, a considerable business has been done, these being chiefly South America, Java, the Dominions and the Scandinavian countries. Part of this increased trade has been due to the depreciation of the pound. Countries within the sterling area have given very little support, but during the past fortnight some leading shippers to India have operated much more freely and certain standard cloths have been purchased on a considerable scale. The industry is now prosperous, and the current earnings of many concerns are probably higher than at any time since the boom of 1919-20. It is recognised, however, that the prosperity is artificial and entirely due to extensive purchasing by the home trade houses and the big Government contracts to meet the requirements of the fighting forces. It is therefore not surprising that there is some nervousness in the trade as to what will happen when the war comes to an end. Lancashire lost an appreciable part of her export trade in the Great War and after the unhealthy boom which followed. It is feared that this may happen again unless something is done to assist exports.

Increased Food Consumption.—The improvement in the standard of living in recent years is reflected in the steady increase in Britain's food consumption. The trend of food consumption is revealed by the table opposite, which shows changes in the volume of retail sales of food and perishable commodities in Great Britain, in the volume of retained imports of food, drink and tobacco and in the population. (The index of the volume of retail sales of foodstuffs has been obtained by adjusting the Bank

of England index of the value of sales for changes in prices by means of the food component of the Ministry of Labour's index of the cost of living):—

VOLUME OF RETAIL SALES AND IMPORTS OF FOOD (1935 = 100)			
	Retail Sales (Great Britain)	Retained Imports (U.K.)	Population, July 1st (U.K.)
1935	100	100	100
1936	103½	102·8	100·45
1937	105	103·1	100·90
1938	108½	106·3	101·31

Neither the index of retail sales of food nor that of the volume of retained imports of food is claimed to be an accurate measure of changes in the food consumption of the country as a whole. The one is based on a sample of stores and the other does not take account of changes in the volume of home production. Nevertheless they provide a rough indication of an unmistakable trend. Since the population only increased by 1·3 per cent. between the middle of 1935 and the middle of 1938, the food consumption per head of the population has undoubtedly shown a steady rise during this period. Nor was the improvement checked during the recession in 1938; this is due in part to the maintenance of wage rates in the face of falling prices.

Food Sales in 1938-39.—Measured by the index of the volume of retail food sales, the upward trend in consumption has continued this year. Thus, the volume of sales during the first ten months of the year showed an increase of no less than 5½ per cent. over the figure for the corresponding period in 1938. The improvement in the early part of the year was assisted by the recovery in

VOLUME OF RETAIL FOOD SALES (1935 = 100)			
	1938	1939	Per cent. Increase
January	101	103½	2·48
February	106	110	3·77
March	108	113½	5·10
April	116	123	6·04
May	109	123	12·85
June	110½	112	1·36
July	104½	112½	7·66
August	102½	109½	6·82
September	107	115½	7·94
October	108	109	0·93
November	107	...	...
December	129	...	...

business activity. In August and September sales were probably influenced by the desire to accumulate stocks, for in October they were only slightly above the level of the previous year. If the growth of food consumption cannot be maintained during the war, the increase in recent years will enable the British public to tighten their belts by a good many holes without suffering privation.

Tin Prices Unpegged.—It has been repeatedly pointed out by *The Economist* that the tin price policy which was appropriate in peace was unsuited to war conditions. In the past *The Economist* has often been critical of the International Tin Committee because, in its early stages at any rate, it sought to maximise profits by rationing the consumer. More recently the Committee has modified its policy by fixing maximum prices at £230 per ton. Although this maximum price was by no means a low one in pre-war conditions, the sharp rise in the prices of other materials since the war and the fact that the British Empire has a substantial export surplus of tin justified the decision to remove the peg announced a week ago. As a result of this decision prices rose from £230 per ton to over £270 per ton, which is more in line with quotations in the United States. Moreover, the removal of the price

peg is quite rightly to be coupled with a liberal supply policy. Exports in the current quarter as well as those to be released in January-March, 1940, probably exceed actual consumption. But there is no reason why the desire of consumers to increase the ratio between their stocks and requirements during the war should not be satisfied.

Subsidy for Milk.—The proposals put forward by the English and Scottish Milk Marketing Boards for an increase in milk prices next year have now been squashed by the Ministry of Food. It was announced on Thursday that retail milk prices will remain unchanged, but that the Government will give a subsidy sufficient to raise the "pool" price to milk producers by 3d. per gallon in January and February and by 2½d. per gallon in March above the level of prices in the corresponding months of 1939. This announcement is a welcome sign that the Ministry of Food has realised the vital importance of milk in the national diet and is determined to maintain the level both of consumption and production. It is also satisfactory that the retailers' margins will not be further increased. By next spring it is to be hoped that the Ministry will produce a scheme both for extending the supply of cheap milk to children and for rationalising the retail deliveries.

The Empire's Wool.—A few weeks ago it was announced that the British Government had agreed to buy the entire exports of Australian and New Zealand wool during the war and for one year after. An agreement has now been concluded with the South African Government by which Britain will buy a larger proportion of the South African wool clip than in recent years. This arrangement has given great satisfaction in South



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Africa, since Germany has in recent years been the largest single purchaser of South African wool:—

WOOL PRODUCTION AND EXPORTS, YEARS ENDING IN JUNE
(Million lvs., greasy)

	Australia	New Zealand	South Africa
	1937-8	1938-9	1937-8
Production	1,023	985	297
Total exports	786.3	874.9	258.8
to U.K.	337.7	381.3	163.8
to Germany	49.4	37.5	15.3
to Czechoslovakia	18.2	7.5	...
to Poland	18.5	7.6	...

In the year ended last June, Germany bought some 143 million lbs. of wool from the three main exporting countries, and took in addition nearly 10 million lbs. of wool re-exported from Great Britain. These agreements provide, therefore, a firm support for the overseas wool markets as well as ensuring ample supplies of wool for British requirements at very moderate prices. Such wool as is surplus to British requirements will be sold by the British wool control through the usual channels to other countries; the agreements with Australia and New Zealand provided for the apportionment of any profit obtained by the control on such sales. The London wool brokers, whose trade has been very seriously affected by the operations of the wool control, will probably find some business in negotiating these sales; although London brokers only handled some 30 per cent. of the British import of wool before the war, London has always been the centre of the very large export and re-export trade.

The Empire's Cocoa.—On November 13th the Colonial Office announced that the British Government was prepared to buy the whole of the British West African cocoa crop and a proportion of the cocoa produced in other parts of the Empire. A moratorium was introduced in the Gold Coast Colony and in Nigeria for cocoa sales while the necessary organisation was prepared. This moratorium has now been lifted. A Central Cocoa Organisation has been set up under the Ministry of Food, with Mr John Cadbury as director, together with an advisory committee of the selling organisations. All purchases are made through the shippers on the basis of fixed quotas. Some of the large shippers will also act as selling agents for the Central Control. About 400,000 tons of cocoa are involved annually in the bulk buying agreement, while British consumption is about one quarter of this amount; in addition, this country holds stocks equal to a year's consumption. If the Control is to sell a reasonable proportion of its large surplus, its price policy must be far-sighted, especially as most

of the large consumers outside this country are fairly well stocked and need not buy for some time if the selling prices are unattractive. As sales in London only started late last week, the policy of the Control is still unknown, but London market circles complain that the tonnage allotted to London dealers and brokers is unduly restricted. In addition it appears that the price now asked—31s. per 50 kilos. c.i.f. United Kingdom—is regarded as high by certain sections of the trade; the native growers receive only about 24s. 6d. c.i.f. United Kingdom. It is believed that the Control intends to accumulate a surplus from current sales in order to be able to counterbalance possible later losses, but past experience with commodity control schemes does not favour such a practice. A stabilisation of cocoa prices at a level which is regarded as attractive by buyers would enable the Control to sell its very large potential holdings at less risk of ultimate loss.

Further Rise in Prices.—Wholesale prices in this country as measured by *The Economist* index continued their upward trend during the past fortnight. Among industrial materials, cotton, flax, silk, tin, fuel oil and cement have all (some of them substantially) risen in price.

WHOLESALE PRICES IN U.K. AND U.S.A.
(1927 = 100)

	Oct. 26, 1938	Nov. 24, 1938	Dec. 8, 1938	Aug. 30, 1939	Sept. 27, 1939	Oct. 31, 1939	Nov. 28, 1939	Dec. 12, 1939
<i>The Economist Index</i> (U.K.):—								
Cereals and meat	69.5	66.8	66.4	66.9	75.9	80.9	85.5	87.3
Other foods	58.2	57.6	57.5	61.1	66.8	78.2	79.3	79.6
Textiles	54.4	53.6	52.7	54.3	62.6	68.1	72.6	77.4
Minerals	96.6	95.5	94.2	95.4	99.9	102.7	104.3	104.3
Miscellaneous	75.3	75.5	75.3	77.6	81.4	90.5	93.4	96.1
Complete Index...	70.0	69.0	68.4	70.3	76.8	83.3	86.7	89.0
1913 = 100	96.1	95.0	94.2	96.8	105.6	114.6	119.4	122.5
<i>Irving-Fisher Index</i> (U.S.A.)	85.4	85.6	84.8	83.4	88.9	89.0	89.3*	...

* This figure refers to November 11th.

The advance in foodstuffs was less marked, though barley, oats and cocoa are dearer than a fortnight ago. Since the beginning of the war *The Economist* index has now risen by no less than 27 per cent., compared with a rise of only 9 per cent. between the end of July and the end of December, 1914. Moreover, there are no indications that the advance in prices has been arrested.

INDUSTRIAL REPORTS

Coal

In most coalmining districts supply and demand seem to be keeping pace; though large stocks of household coal exist demand is increasing with the colder weather. Export business is still largely dependent on the quantity of shipping tonnage available for its transport.

Sheffield.—Household coal is in better demand, and industrial steams are freely taken up. The utility undertakings are good customers and the increased export inquiry is well maintained, many collieries having secured good orders.

Glasgow.—The heavy output is readily absorbed but there is no scarcity and the accumulated stocks of household fuel are being reduced. Supplies of washed nuts are adequate as Lanark-

shire production is being retained for heavy inland needs. The shipping areas, which are sharing in the larger home business, are fully booked for some weeks.

Newcastle-on-Tyne.—The position of the North-East coal market is still governed by the shipping tonnage available and the uncertainty is making it difficult for some of the collieries to maintain regular working. Home demand for Northumberland steam and Durham manufacturing coals is good, but other grades are plentiful. There is a persistent call from Scandinavia for patent over coke and local industrial requirements are heavy.

Cardiff.—Colliery steams have been slightly disorganised by delayed shipping movements. The bulk of the coal is allocated under requisitioning and contract commitments, but a few spot in-

quiries have been promptly executed. Duffs and other sized classes are very scarce and firm, but some of the drier steam coal grades are a little more plentiful. Industrial demand is very active, but household supplies have now overtaken demand.

Iron and Steel

THE removal of the import duties on iron and steel products earlier this month has been followed by a decision to subject to licence as from December 18th imports of virtually all iron and steel products. The stringency of the scrap and semi-manufactured steel position is being eased by larger imports.

Sheffield.—Under the regulations consumers are obtaining adequate supplies of iron and steel and the demand for all classes is heavy and increasing.

Good supplies of iron and steel scrap are available, although there is only a narrow margin between production and consumption in some classes.

Glasgow.—There is little change in conditions in this district. Plants are running to capacity and there is no falling off in new business. The raw material supply position is better and there is no doubt that practically all industries will be able to maintain the highest level of activity.

Middlesbrough.—Deliveries of home-produced foundry and hematite pig iron are controlled and there is little iron placed at the disposal of exporters. The output of manufactured iron and steel goes chiefly to Government departments and the shipyards, but it is understood that more heavy steel is to be released for export.

Cardiff.—The steelworks are experiencing difficulties from a shortage of scrap, but the tinplate output is steady at 72.04 per cent. of capacity, compared with 40.33 per cent. in the corresponding period last year. Sales for export have been less active and unexecuted orders are still in excess of 8 million boxes. Tinplate prices for export are a shade firmer owing to the decontrol of tin, but actual current quotations are unchanged.

News from Abroad.—There has been a further increase in the demand for steel on international markets and a further advance in prices. The intensification of the war at sea has affected both producers and consumers, who feel they can no longer rely upon the arrival of supplies of raw materials or finished products. The Belgian and Luxemburg steelworks will be compelled to reduce their output in coming months.

Textiles

Cotton (Manchester).—Raw cotton prices in Liverpool have advanced by about 1d. per lb. in the past week. The rise is partly due to the reduction of the United States export subsidy and to the fear of a shortage of Atlantic freight. The yarn market has been disorganised by this increase in price and more spinners have refused to quote, though

RAW COTTON delivered to Spinners

Variety ('000 bales)	Week ended		From Aug. 1 to	
	Dec. 2, 1939	Dec. 9, 1939	Dec. 9, 1938	Dec. 9, 1939
American	43.2	36.1	387	464
Brazilian	6.5	8.2	87	140
Peruvian, etc.	4.5	3.9	34	83
Egyptian	8.0	8.3	103	122
Sudan	3.2	2.2	66	72
East Indian	6.1	2.3	138	105
Other countries	2.0	1.4	52	70
Total	73.5	69.7	667	1,056

some contracts have been arranged for both American and Egyptian counts. There has been a considerable inquiry for cloth and some good orders have been obtained.

THE COMMODITY MARKETS

Metals.—Maximum prices for copper, lead and spelter have remained unaltered. In the United States, too, markets in these three metals were quiet, but prices were maintained at their level of last week.

Tin.—On Saturday the price of tin in the Straits Settlements was unpegged and this was followed by a similar move in the United Kingdom on Monday. Although the export quota for the first quarter of next year was increased from 100 to 120 per cent. of the basic tonnages, the London Metal Exchange quotation shot up to £271 per ton (standard cash) on Monday and £272 per ton on Tuesday. Later, however, there was a reaction to £260 per ton on Thursday. The three months' forward price, which had risen to £268 per ton on Monday and Tuesday, reverted to £263 15s. on Wednesday. The rise in price has caused a substantial increase in offerings. From Monday to Wednesday 1,250 tons changed hands, compared with the daily turnover of 25 tons in recent weeks. Probably tin prices will again recover as the international demand is still very active, and the influence of larger supplies from the high export quotas will not be felt before the New Year. Tin exports from this country are still interrupted, but substantial stocks of ore are known to have arrived at the British smelters. In the U.S.A. the price was easier after the week-end, but it rallied later and closed on Wednesday only very slightly down on the week at 50.75 cents per lb.

Grains.—Wheat markets have been very firm in the past week, with a continued rise in prices. Reports from Argentina show that the damage done to the standing crop by heavy rain in October and sharp frosts early in December is more than was at first expected; private estimates now place the yield at only 20 million quarters or less, against a crop last year of 42½ million quarters. Drought conditions in the United States continue unchanged and

December futures at Chicago rose to 102 cents per bushel on Wednesday. Shipments from Canadian ports are now at an end for the winter, but a very large quantity of Canadian wheat has been stored in the United States for re-export. The rise in wheat prices has also influenced maize and barley prices, though the advance in these markets has not been so strong.

Oils and Oilseeds.—Shipments of linseed to this country and to the Continent are very small, as the new Plate crop is not yet ready for export and speculation in India has forced the price of local supplies to a quite uneconomic level. Supplies to paint manufacturers have now been included under the licensing system of the Ministry of Food; the distribution of buying permits is being undertaken by the Paint Federation. Substantial supplies of other oilseeds are available for crushing and refining mills.

Rubber.—Both in London and New York, the rubber market was very firm with a rise in prices which more than offset the decline in the previous week. In London, smoked sheet on the spot closed on Wednesday at slightly over 1s. per lb. and in New York prices recovered to 20½ cents per lb.

Furs.—A large sale of silver foxes at which about 50,000 skins were offered took place in London this week. The supplies were chiefly Scandinavian skins, but included also some British bred furs. About 50 to 60 per cent. of the total offerings found buyers. Prices were unchanged compared with those in November. The free London fur market is very quiet, but in the United States active dealings are taking place at firm prices.

Potatoes.—The Minister of Food announced in the House of Commons on Wednesday that he was proposing to fix both minimum and maximum prices for ware potatoes for the remainder of the current season, to take the place of the existing schedule of maximum prices. He proposed to finance the crop in the 1940 season by means of a small levy on all potatoes sold for human consumption, which would be used to balance to the farmers the low prices which might be obtained from the sale of such potatoes as were surplus to the usual market demand. He hoped that these arrangements would encourage farmers to increase the acreage sown to potatoes in the coming season.

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From ('000 quarters)	Week ended		From Apr. 1 to	
	Dec. 2, 1939	Dec. 9, 1939	Dec. 10, 1938	Dec. 9, 1939
Argentina	110	255	10,715	12,175
Atlantic America ..	174	153	11,478	1,350
Danube Region	15	5	2,660	1,129
S. & E. Africa	41	34	1,114	2,742
Indo-China, etc.	36	28	1,489	1,224
Total	376	475	27,456	18,620

WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week ended		From Aug. 1 to	
	Dec. 2, 1939	Dec. 9, 1939	Dec. 10, 1938	Dec. 9, 1939
N. America	801	581	12,022	8,965
Argentina	509	533	2,310	8,236
Uruguay	...	...	3,515	612
Australia	...	...	4,073	114
Russia	204	255	3,859	2,795
Danube and dist.	15	4	793	315
Other countries	...	...	...	...
Total	1,529	1,376	26,572	21,037

COMPANY MEETINGS

THE COMMERCIAL BANK OF SCOTLAND, LIMITED

SATISFACTORY RESULTS DESPITE YEAR'S DIFFICULTIES

STRONG AND LIQUID POSITION

THE EARL OF MAR AND KELLIE'S REVIEW

The annual meeting of the shareholders of The Commercial Bank of Scotland, Limited, was held, at Edinburgh, on the 14th instant. The Earl of Mar and Kellie (Governor of the bank) presided.

TRIBUTE TO LATE MR HOWDEN

Before commencing the business of the meeting the Governor said:—

I have to refer to the loss which we have sustained since the close of the bank's financial year through the death of Mr Howden, who, for twenty years, was a member of the board of ordinary directors. Mr Howden took a great interest in the welfare of the bank, and his wide knowledge of men and affairs was always freely placed at the service of his colleagues. His kindly personality endeared him to us all and we miss him greatly.

In submitting the report the Governor said:—

I have pleasure in presiding again at the annual general meeting of shareholders of the bank, and, although on this occasion we meet under the shadow of a major war, I have to submit to you a report by the directors which I feel sure you will agree provides ample evidence that the bank is in all respects well placed to face the difficulties and uncertainties of the times which lie ahead.

PROFIT AND ALLOCATIONS

The profit for the year, after payment of all expenses and making provision for all bad and doubtful debts, contingencies, income tax and National Defence Contribution, amounts to £353,098, which is £28,057 less than the previous year. The directors' policy of improving the emoluments of the staff has resulted in a steadily mounting salaries item, and with the increased rate of income tax, provision for National Defence Contribution, and heavy special outlays in connection with Air Raid Precautions, it is not surprising to find the reduction in profit to which I have referred. Out of the profit the directors have allocated to contingency account the sum of £50,000; to heritable property accounts £50,000; to the trustees for the officers' pension scheme £30,000; and to the widows' and orphans' fund scheme £10,000.

BALANCE SHEET ITEMS

Turning to the balance sheet, our note circulation is again higher at £3,977,000, and we find that the tendency is still upwards, indicating greater industrial activity, no doubt due in no small part to the war effort.

Deposits and other credit balances amount to £45,111,000, which is approximately £372,000 more than last year. Certain special deposits of considerable amount were withdrawn during the year, but our general branch deposits were substantially greater, resulting in the net increase to which I have referred.

Acceptances and engagements on account of customers and banking correspondents (including foreign exchange forward contracts) at £2,684,000, are less by over £1,300,000, due almost entirely to a reduction in foreign exchange forward contracts on account of war conditions.

ASSETS

Turning to the assets side, you will be impressed, I feel sure, by the very liquid position presented. The first three items representing cash, balances with other banks, money at call and short notice, etc., aggregate £11,124,000, and exceed last year's figure by over £1,000,000. In addition we held this year British Government Treasury bills to the amount of £2,890,000, so that in items of the most liquid character we had over £14,000,000.

British Government securities appear at £24,903,000, or approximately £3,600,000 less than last year, the directors having decided before the outbreak of war that the circumstances indicated the

desirability of an even more liquid condition than usual. That decision has been justified by events, but it has to be kept in view that liquidity is not achieved and maintained without cost and that an increase in assets of the most readily available character at the expense of investments results in decreased earnings. It is satisfactory to note that the market value of the investments at the date of the balance was greater than the amount appearing in the balance sheet.

Bills discounted at £912,000 approximate closely to the amount in the previous statement, and consist of Bills discounted in the ordinary course of business.

Loans and advances at £13,385,000 are also approximately at the same level as a year ago, although a higher figure ruled for a portion of the intervening period. It can be readily seen that the resources of the bank will amply justify an expansion under this head.

Heritable property appears in the balance sheet at £1,025,000, which is an increase of £50,000. The installation of modern strong room accommodation at our offices, which has been an important feature of the extensive improvements and alterations proceeded with over a period of years, has proved to be of very considerable value under present circumstances.

DIVIDENDS

Interim dividends on the "A" shares of 8 per cent. and on the "B" shares of 5 per cent., less income tax, were paid in July last, and it is now proposed that a further distribution of 7 per cent. on the "A" shares (making 15 per cent. for the year) and on the "B" shares of 5 per cent. (making 10 per cent. for the year), both subject to income tax, be approved. The directors, after full consideration, decided to recommend in present circumstances a reduction of 1 per cent. in the dividend on the "A" shares. After payment of these dividends and allocations to which I have referred, the carry-forward to next year's account amounts to £67,897, approximately £2,000 less than the amount brought in.

COMPARISON WITH 1914

I have recently perused with interest a record of the proceedings at the annual meeting twenty-five years ago, following the commencement of the Great War. At that meeting my predecessor as Governor, the Marquis of Breadalbane, occupied the chair, and I was present as Deputy Governor. Uncertainty in financial matters then was even greater than at the present time. In so far as it was possible to value securities it could be seen that substantial depreciation had to be faced, and a sum was taken from the reserve fund for this purpose. Stock Exchange loans were then made subject to a special scheme evolved by the Government under which, for the time being, they were "frozen" and removed from the category of "Money at call and short notice." Upon this occasion it is satisfactory to record that no such difficulties have required to be dealt with.

BURDEN OF TAXATION—NEED FOR ECONOMY

Taxation is, however, now upon a level undreamt of twenty-five years ago, and it appears to me to be of the utmost importance that economy should not be overlooked in the anxiety to prosecute the war with vigour and in taking precautions for the safety and welfare of the civilian population. As illustrative of the changed relationship of imperial taxation to the total cost of operating the bank, I may say that our present normal annual contribution to the Exchequer in respect of income tax and National Defence Contribution exceeds the whole annual running expenses of the bank, including taxation, twenty-five years ago.

MANILA RAILWAY COMPANY (1906), LIMITED

DIVIDEND ON PREFERENCE CAPITAL

The thirty-second ordinary general meeting of the Manila Railway Company (1906), Limited, was held, on the 8th instant, at Sevenoaks.

Lieut.-Colonel C. A. Reid Scott, D.S.O. (the chairman of the company), who presided, said that the revenue for the period ended June 30, 1939, amounted to £152,122, as compared with £142,354 for the previous year, and was made up of £141,699 from interest on their Manila Railroad Bonds, £10,405 from interest on their holdings of own debentures, investments and bank deposits, and £16 from transfer fees.

Their income was now shown gross in conformity with modern practice. Directors' fees, trustees' fees, administration, legal charges, audit fees, and general expenses amounted to £4,645, as compared with £4,625 last year; £27,500 had been transferred to taxation reserve, as compared with the corresponding figure of £17,235 for the previous period.

TAXATION LIABILITY RESERVE

The balance sheet showed that provision for taxation, including reserve, amounted to £69,127. This figure included a substantial reserve towards future taxation liability, which would be based upon profits to June 30.

The balance carried down was £119,976, out of which £26,510 had been appropriated to the sinking fund for "B" debentures and £85,289 to interest on their "A" and "B" debentures. The surplus for the year was £8,176, out of which the board recommended a dividend of 1 per cent. on the preference capital, less income tax at 7s. in the £. This would absorb £7,797 and leave £378 to be added to the carry-forward. The balance at the end of the previous year was £2,352.

The Chairman then dealt with the changes in the balance sheet, and explained that the "B" debentures had been reduced by £52,140 through the operation of the sinking fund.

The report was approved unanimously.

BENGAL-NAGPUR RAILWAY COMPANY, LIMITED

PROGRESS IN CURRENT YEAR

The eighty-first ordinary general meeting of the Bengal-Nagpur Railway Company, Limited, was held, on the 14th instant, at 132 Gresham House, Old Broad Street, E.C.

Sir Trevredyn Wynne, K.C.S.I., K.C.I.E. (chairman and managing director) said:—Gentlemen, the report of the directors on the accounts of the undertaking for the year 1938-39 has been sent to all members, and, with your permission, I propose to take it as read.

These are not the times for a long speech from me, and I do not propose to make one. You will have seen from the report that our gross receipts for the year were nearly 940 lakhs, about the same as the previous year. This is satisfactory as, during the year under review, we carried 428,509 less tons of manganese than 1937-38, which resulted in a reduction of 35½ lakhs earnings under that commodity.

The increase in working expenses is due to various causes, in particular to necessary replacements and renewals expenditure, which is already being justified by better revenue.

Though there were no surplus profits for the year, you will be glad to hear that for the current year our gross earnings for the first seven and a half months have increased by 73 lakhs (over half a million pounds) as compared with the corresponding period last year. Now that the Indian Iron and Steel Company have completed their works, we may reasonably expect an increase in traffic in consequence.

The Board desire to place on record their appreciation of the good work of Mr Duncan, our agent and general manager, and of all the staff in India.

I now move the resolution asking you to adopt the report and accounts, and, after it has been seconded, I shall be glad to answer any questions the stockholders may wish to put.

Sir Charles Stewart-Wilson, K.C.I.E. (deputy chairman) seconded the resolution, and it was carried unanimously.

The report and accounts were unanimously adopted.

Saving also on the part of the community and lending to the Government will be necessary if inflation is to be restricted, and in saving there will require to be discrimination also if the day-to-day life of the community is to proceed with the minimum of dislocation.

In the utilisation of man power and finance to the best advantage, in the saving by the people for lending to the nation, and in the balancing of our manufacturing resources between the war needs of the nation and the retention and development of our overseas markets, there are problems ahead which will require not only the full attention of a wise Government but the wholehearted collaboration of a free and united people.

STAFF AND NATIONAL SERVICE

I understand that at the present time there are two hundred and forty-five of our staff on full-time national service, which figure will shortly be increased to approximately three hundred, and I am sure you will be glad to know that a scheme has been prepared which makes adequate financial provision for these officers during their temporary absence.

RE-ELECTION OF DIRECTORS

It is proposed that I be re-elected Governor, that Lord Milne be re-elected Deputy Governor, and that the extra-ordinary directors whose names appear on the list be re-elected.

It is also proposed that Mr Houston, the ordinary director who retires this time, be re-elected. Mr Macfarlan and Mr Annan, the auditors, being eligible, offer themselves for re-election for the current year.

The Governor then moved the adoption of the report, and the motion, having been seconded by Mr Inglis, was put to the meeting and carried.

VOTE OF THANKS TO DIRECTORS AND STAFF

At the close of the meeting, on the motion of Mr Francis Chalmers, W.S., a vote of thanks was accorded to the directors and the staff for their services during the year, and acknowledgment was made by Mr Archer on behalf of the directors and by Mr Erskine, the general manager, on behalf of the staff.

THE CANADIAN BANK OF COMMERCE

CANADA'S INCREASED PRODUCTIVITY

At the annual meeting of The Canadian Bank of Commerce, in Toronto, on the 12th instant, the President, Mr S. H. Logan, and the general manager, Mr A. E. Arscott, stressed Canada's increased productivity. The November figures show that industrial activity had increased by one-third since the early months of 1939. Manufacturing capacity of the country is 50 per cent. greater than at the end of the last war and is 10 per cent. above the 1929 peak.

Canada's larger production of basic materials is a considerable factor in the greater margin of superiority of the Allies over Germany compared with the last war, said Mr Logan.

The general manager pointed to the large increase in the bank's deposits and loans, especially to small borrowers on the Budget savings plan.

The bank's president urged the restoration of free play of private enterprise when peace returns. The prospect of an active business year ahead does not rest, he observed, solely upon the armament trade. Normal business has been stimulated by the recent near-record harvest and by the spectacular record in Canada's exports, the volume of which for the twelve months ending August was one-third greater than in the previous twelve months.

Since August a marked expansion was recorded in exports to the Americas, which had more than offset the decline in those to the United Kingdom and Europe.

The balance sheet figures already published show an increase in deposits of \$85,000,000 (mostly non-interest bearing) to \$662,708,426, a record figure. Loans increased \$43,000,000 and securities \$42,000,000. Balance sheet total is \$80,000,000 higher than at \$745,650,745, quick assets being 65 per cent. of liabilities to public. Net profits after deduction of taxes are \$2,938,105, against \$2,648,975 for preceding eleven months.

HIRAM WALKER-GOODERHAM AND WORTS, LIMITED

EMINENTLY SATISFACTORY OPERATIONS DESPITE DIFFICULTIES

EFFECTS OF WAR ON BUSINESS

MR H. H. HATCH'S REVIEW OF THE YEAR

The thirteenth annual meeting of Hiram Walker-Gooderham and Worts, Limited, was held, on the 8th instant, at Walkerville, Ontario, Canada.

In the course of his speech to the shareholders Mr H. H. Hatch, President and Chairman of the Board, said:—

As I rise to deliver another annual address to you I am more than ever sensible of our company's capacity for sound and impressive achievements. This annual meeting, which is the thirteenth in our history, maintains unbroken the traditions of our predecessors. Despite a year which has presented major difficulties to business enterprise generally, and to our industry especially, your directors are able to submit a record of eminently satisfactory operations calculated to maintain and extend our high position among the world's recognised producers of really fine whiskies.

The dollar value of our sales is in excess of 1938 and, if our profits are moderately reduced due to the generally lower prices that have prevailed throughout the industry, they are wholly gratifying in the light of existing conditions. I think you will agree with me that the record of earnings which has maintained our dividend disbursements—while leaving a prudent margin—convincingly demonstrates the inherent soundness of our enterprise and of the policy of safeguarding the quality of our product that has always guided it.

During the year we have again spent in advertising what may seem—and is—a large sum, namely \$2,443,525.37. Your directors look upon this, however, as one of our most important and essential expenditures, since our experience has demonstrated it to be the best means of protecting the goodwill that exists on the part of the public towards our "Canadian Club," "Ballantine's," "Stodart's," "Old Smuggler" and other brands. Such goodwill is, of course, a wholly priceless as well as an unique asset. Last year, following sound accounting practice, we wrote our goodwill item down from \$9,500,000.00 to \$1.00. That step was made possible by the successful character of our operations over the previous year.

PROGRESS SINCE 1927

Recently I had occasion to review the record of our company for the period January 1, 1927 (when the present management took it over), to August 31, 1939, the end of the fiscal year just closed. Our achievements over that period are impressive, and I believe that you will find them extremely interesting. For instance, preference and common shareholders have paid into the company's treasury for their holdings a total of \$28,546,540, which figure includes \$11,650,000 paid for the goodwill of Hiram Walker and Sons, Limited, Gooderham and Worts, Limited, and other subsidiaries, \$9,500,000 of which was written off last year and \$2,150,000 previously. As against this investment figure, the consolidated earnings of the company over a period of twelve years and eight months have totalled \$42,619,209.19—or approximately one and one-half times the amount paid in by the shareholders—and the company has declared dividends of \$20,330,382.25—equal to 71 per cent. of the amount received from shareholders. Furthermore, as many of you will recall, the company on January 1, 1927, owned and operated only this one distillery at Walkerville. Since then the magnitude of its operations has multiplied manifold, with the result that we now operate complete production and sales units in Canada, the United States and Great Britain.

\$22 MILLIONS PLOUGHED BACK

You will appreciate that during this period of expansion it has been essential to retain a substantial portion of our earnings in the enterprise for the creation of inventories and properties. The

value of these inventories and properties at the end of the fiscal year just closed amounted to \$28,077,884.67 and \$17,534,666.97 respectively, compared with \$2,705,110.41 and \$2,307,168.67 on January 1, 1927. Earnings ploughed back total some \$22 millions.

I would be in serious error, however, if I created the impression that the consistent progress we have made has accrued only to the advantage of the company's shareholders or to the proprietary account, as we have brought prosperity to those communities in which we operate, and those Governments with which we have had relations have benefited correspondingly. I suggest that the figures in this regard are both important and impressive. In its comparatively brief history of twelve years and eight months this company has paid salaries and wages in excess of \$30 millions and taxes of more than \$210 millions. Tax payments have consisted of Customs duties and Excise taxes of \$196 millions and income, municipal, corporation and miscellaneous taxes of \$14 millions. This record is being notably maintained at the present time. The corresponding figures for the year just closed show earnings of \$5,295,978.79, dividends paid of \$3,430,107.75, salaries and wages paid of \$5,500,000 and taxes of \$39,300,000.

EFFECTS OF NEW U.S. TRADE TREATY

Of major interest to the Canadian and American business world during the past year was the new trade treaty which came into effect last January. The new pact replaced the agreement which had been negotiated in 1935 and was a further step in the direction of the freer exchange of commodities between the two countries. Although the new arrangements have been in effect for less than a year, already they have given a substantial indication of the long-term mutual benefits in increased trade that may be expected from them. For the nine months of the current year for which statistics are available Canada's exports to the United States increased over the corresponding period a year ago from \$189,343,735 to \$233,104,639—an increase of \$43,760,904. Similarly, exports of the United States to Canada have increased from \$319,402,889 to \$330,461,192—an increase of \$11,058,303; and the total trade between the two countries has increased in the nine months from \$514,741,612 to \$569,964,781—an increase of \$55,223,169.

I come now to a more intimate review of the activities of our own company. Production at Peoria, as stated at the last annual meeting, is now on a replacement basis and consequently was lower than in previous years. Our plants at Walkerville and Toronto operated at practically the same level as in 1938. Dumbarton operated continuously throughout the year, but I am sorry to say that it was closed at the end of October as a result of the action of the British Government in commandeering all grain supplies in the United Kingdom, except home-grown barley. In common with other malt distilleries, Glenburgie and Milnorduff, our plants in North Scotland, are still operating and it is possible that they will be able to continue well into 1940.

POSITION IN THE UNITED KINGDOM

In this connection our industry was to some extent fortunately situated for the present crisis. In fact, when it intervened, stocks of whisky in Scotland were at or near an all-time peak, having increased by 20 million gallons in the last four years. Consumption, however, has also increased to such an extent that, taking six-year-old whisky as an average (and this is not unreasonable), shippers are actually in a worse position than they were four years ago. Representations have been made to the British Ministry

of Food by distillers as a group, and it is hoped that such relief will be secured as will allow manufacture, at least on a modified scale. As considerations of major importance to our United Kingdom subsidiary arise from the fact that the British nation is at war, I shall summarise briefly the state of our Scottish investment.

No restriction whatever has been placed on the export of matured whisky. Of necessity such exports must be governed by the available shipping facilities, but this is not a problem as yet. All shipments are insured against War Risk Loss and carry in addition the usual insurance coverage. Our whisky stocks in Scotland are insured against War Risk under the compulsory British Government Commodity War Risk Insurance plan. While the British authorities have announced that no similar scheme to cover buildings and equipment will be introduced, they have at the same time issued a statement that upon the cessation of hostilities, the Government will pay compensation to owners of private property damaged by enemy action on the highest scale compatible with the general situation of the country at that time. The statement says that the payment of compensation in full is regarded as the objective. But that the possibility of attaining it depends on the extent of the damage done and on the financial circumstances of the Government at the end of the war. We are rather fortunate in that the Dumbarton district is not classified as a dangerous area.

During the year the available market in the United States was further enlarged by the addition to the "Wet" column of the State of Tennessee and there are now only three out of the forty-eight States in the "Dry" column: Oklahoma, Kansas and Mississippi. The percentage of the population living in the "Wet" States now stands at 95.25 per cent.

RESEARCH DEPARTMENT'S WORK

As one means of maintaining the recognised quality of our products, our Research Department continued to exercise careful supervision over the raw materials used in manufacture. During the past year the laboratory's contribution to the maintenance of quality and efficiency at the Peoria Distillery alone included the analysis of 37,800 samples.

We are at present encouraging farmers in the vicinity of the Peoria Distillery to raise a variety of corn developed by the Illinois Experimental Station, Urbana, Illinois, which has a high starch content and is particularly suited to the distilling industry. Recently our research staff has been of considerable help to the management of Canadian Industrial Alcohol Company, Limited, in which we own a substantial interest, in investigating the possibilities of producing in that company's plant at Corbyville, Ontario, products for which there may be a demand in war time.

During the year a total of 12,376 visitors made inspection trips through the Peoria plant. This total included visitors from every State in the Union and from many foreign countries, as well as delegates from twenty-seven Conventions. It has been our practice for many years to welcome visitors at Walkerville Distillery, although in the past no systematic record of such visits was maintained. In June this year such a record was started and during the months of June, July and August the plant was inspected by 969 persons, including visitors from England, Scotland, Sweden, South Africa, Jamaica and the Netherlands, as well as from three provinces in Canada and thirty States in the United States.

EMPLOYEES' ANNUITY AND LIFE ASSURANCE PLANS

In appreciation of the loyal and faithful service of our employees, the directors last year submitted to shareholders for their approval a Retirement Annuity and Group Life Assurance plan which was approved almost unanimously at the annual meeting a year ago.

The plan was put into operation on the first of January and I am pleased to report that 95 per cent. of the eligible employees in Canada and the United States joined the Retirement Annuity plan, and 90 per cent. of those eligible for Group Life Assurance joined that plan. It is gratifying to note that such a large percentage of our employees has taken advantage of the opportunity to provide for their future security and for that of their families.

This is the first annual meeting your company has held under conditions of a major war. Obviously an international conflict cannot rage on its present scale without having important repercussions on a company such as ours, engaged in world-wide business. Indeed, no international business, let alone any Government, can hope to escape from some share of the consequences of the present

situation, since the time has long passed in world history when the effects of a war of the magnitude of the present one can be localised, in any real sense, to the theatres of actual fighting. But, while the economy under which we live makes this inevitable, yet nations to-day are so mutually interdependent that it is important for our own encouragement that we should realise that another significance of world-wide interest, greater than has ever prevailed under like conditions, is now working towards the restoration of peace at the earliest possible moment when peace can be negotiated upon terms of international justice and the reasonable promise of future security. It is reassuring to read several utterances by men of high position in public and Parliamentary life which indicate their full appreciation of this underlying sentiment on the part of the various peoples they represent.

BURDEN OF TAXATION

For the present, so far as our own industry is concerned, the effect of the War has been greatly to increase our burden of taxation. In Canada the excise imposts we bear have been almost doubled since War was declared. They have increased in Great Britain as well and taxes have been increased in some of the States, while increased taxation on industry may be looked upon as an inevitable accompaniment of War. It is important that the Governments concerned should recognise the danger, associated particularly with our industry, that increased levies may not yield the higher revenues they are intended to produce. The liquor industry is in a different position from other lines of enterprise. In fact in recent years it has been so heavily taxed that any increase in burden upon it almost immediately invokes the Law of Diminishing Returns. Already the taxation increases enacted at the emergency War Session of Canada's Parliament caused a marked reduction in consumption in Canada. At a time when public treasuries need money so urgently for national purposes the distilling industry is too important a source of revenue to justify taxation experiments which only prejudice the Government's financial interests and promote socially undesirable results.

I am happy to be able to assure you that our inventory position is sound and will compare favourably with any unit in the industry. The outlook in the United States market has been rendered fundamentally favourable by the fact that the production of American distilleries is generally on a replacement basis.

Our company enjoys the altogether priceless advantage of its world-wide reputation for the quality of its products, and thus favoured it secures at all times—and will continue to secure in the future, I am confident—its share of available business, having in mind those world conditions upon which I have touched; and having, also, a knowledge of operations under war conditions for the past three months since the fiscal year ended, I feel fully confident that we can look forward, with that faith which our company has always justified, to another year of satisfactory operations.

It is my sad duty to report the recent death of Mr E. W. Wright, K.C., of Toronto. Mr Wright served the company as a legal adviser for many years and had been a member of the Board of Directors since March, 1938. To fill the vacancy the Board recommends for nomination Mr B. E. Ford, who has been associated with this company since Repeal and holds the title of Comptroller and Assistant to the President.

SUDAN PLANTATIONS SYNDICATE, LIMITED

DIVIDEND OF 8 PER CENT.

The thirty-second ordinary general meeting of the Sudan Plantations Syndicate, Limited, was held, on the 13th instant, in London.

Sir Alexander MacIntyre (chairman and managing director) commenced by expressing regret at the death of the Hon. A. M. Asquith, D.S.O., who had been a director for twenty years and had played a large part in the founding and establishing of the Gezira Scheme. Proceeding to deal with the accounts, he said that the gross profits for the year under review amounted to £575,598 and the net profit was £199,912. The directors recommended a dividend of 8 per cent. Sales had not been easy to effect and prices had been low; nevertheless, they had been able to dispose of larger quantities than in the previous year at approximately equal prices. Recently prices had risen considerably but the improvement to some

extent was offset by an increase in freights, war risks, insurance and other costs, occasioned by war conditions.

All Zeidab cotton and cotton seed had been sold at satisfactory prices. The bulk of their Gezira cotton seed had been disposed of at prices somewhat higher than those in the previous year. The sale of the balance had been held up for some months until the Ministry of Food, which had established a control over all oil seeds, had completed its organisation. Except for about 750 tons, it had now been sold. They were continuing to develop the sale of cotton by means of auctions at Port Sudan.

The Giza futures contract in Liverpool still remained in an unsatisfactory form, resulting in a restricted market in forward sales. When such was made to any large extent, as was only to be expected when firms bought considerable quantities at the auctions and wished to cover themselves against a fall in values, there was a tendency for a continual and substantial lowering of cotton prices during the period of those auctions.

Under existing war conditions it was extremely difficult to predict the results for the coming year, although sales of previous years' cotton stocks to date had been very satisfactory. Taxation was heavy and might increase, and no one could foresee the trend of cotton prices. Other unknown factors were the increased costs of ginning, shipping insurance and marketing the crop which might arise in the course of the war.

Recently they had been negotiating with the Sudan Government with a view to the extension of the period of their concession. Nothing so far had been decided but he would like shareholders to know now that if a new agreement was evolved it would be necessary to amalgamate the Kassala Cotton Company with the syndicate in order to meet the Government's wish that the whole of the Gezira areas should be treated as one entity and run under one control. There should be no great difficulty in effecting that in view of the large interest which the syndicate already had in the Kassala Cotton Company.

The Kassala Cotton Company proposed paying a dividend of 8 per cent.; the Sudan Salt Company had made payments upon the preference and ordinary shares, and it was expected that the results in the current year would be no less favourable. The Cambuhy Coffee and Cotton Estates had declared a dividend of 6 per cent. The report and accounts were unanimously adopted.

KASSALA COTTON COMPANY, LIMITED

DIVIDEND OF 8 PER CENT.

The sixteenth ordinary general meeting of Kassala Cotton Company, Limited, was held, on the 13th instant, in London.

Sir Alexander MacIntyre, chairman and managing director, in the course of his speech, said:—Cash at £124,000 shows an increase of £54,000, which reflects the company's share in the larger sales and receipt of proceeds throughout the year. Gross profits for the year amount to £115,151, and there is a net profit, after deductions, of £24,027, compared with £33,503 for 1938. The provision for additional taxation accounts for the greater part of the difference. The directors recommend payment of a dividend of 8 per cent. for the year ended June 30, 1939.

Last season's crop was very good both as regards quality and yield, the return being 4.6 kantars per feddan. Cotton prices throughout the year and during the period when auctions of our cotton were held at Port Sudan, were little, if any, better than in previous years, but the sales of cotton and cotton seed effected were substantial. Recently prices have considerably improved and the bulk of the 1939 cotton has now been sold.

It is very difficult under existing war conditions to forecast what the results from the new crop will be. Taxation is heavy and likely to continue so, higher costs of ginning, freights and insurances and war risks, together with the carrying of larger quantities of stores against emergencies, increase the costs which have to be borne and we must hope for a better demand and higher cotton prices throughout the year to offset these additional burdens.

The report and accounts were unanimously adopted.

We regret that, owing to a printer's error in the report of the Meeting of THE AUSTRALIAN MERCANTILE, LAND AND FINANCE CO., LIMITED, in our issue of December 9th, the Chairman, SIR JOHN SANDERSON, K.B.E., was incorrectly described as SIR JOHN ANDERSON, K.B.E.

DALGETY & COMPANY, LIMITED

CONDITIONS IN AUSTRALIA

The fifty-fifth annual general meeting of Dalgety and Company, Limited, was held, on the 14th instant, in London.

The Hon. Edmund W. Parker (the chairman) said that despite the decline in the export income of the Commonwealth economic activity during the year had still remained at a high level. Unemployment had not increased as much as had been feared and, generally, although prices for primary products had been on an exceptionally low level, the community as a whole stood up well to the adverse influences to which Australia had been subject. Now there would be heavy borrowing for defence purposes, but against that must be set the increased income which would accrue to primary producers as a result of the acquisition by the British Government of the wool clip.

The financial position of all the State Governments had weakened during the year. With the exception of the Commonwealth and Queensland, all Governments had recorded deficits. Estimates by the States had provided for net deficits of £441,000, whereas the actual net deficits were about £4,200,000. On the other hand the Commonwealth, which had originally only expected to balance its budget, had had a surplus of £627,000.

In addition to borrowing to meet the defence expenditure, taxation had naturally been heavily increased, and their company would, of course, be affected by that additional burden.

EXCHANGE RATE

The exchange rate remained on the same level as last year, and they were again faced with the necessity of providing out of profit and loss the large sum of £93,667, being the cost of converting their overseas profits into sterling. That they were able to do so without calling upon any reserves in a year abundant in adverse factors was a tribute to the strength of the company.

Last year he had told them that they had had to come to the assistance of their clients in no uncertain fashion in order to assist them to carry on and re-stock after the very adverse seasons which they had passed through and that, coupled with their own requirements for building purposes and the acquirement of new business, had rendered it desirable to procure further temporary capital, and in May last they had made an issue of £500,000 terminable debentures at 4 per cent. for three years. Those funds enabled them to assist their necessitous clients to a large extent, and the help given had enabled them to retain their valuable connection and had also assisted them to uphold the high tradition of the company of always coming to the help of their constituents in hard times.

NEW ZEALAND AND EAST AFRICA

As to conditions in New Zealand, he regretted to say that the season there had been adverse throughout the Dominion, while prices for wool and stock had been low. The disappearance of the Dominion sterling balances in London had caused some anxiety and had led to a hurried visit to London of Mr Nash, the Minister of Finance. He was to be congratulated on having been able to arrange for the renewal of the £17,000,000 loan which fell due next month. It had become necessary for the New Zealand Government to impose stringent restrictions on imports into the Dominion, and that had caused a good deal of dislocation to trade but would eventually assist the position and also encourage the secondary industries. The war effort would make it necessary to raise further large sums and this would mean increased taxation, and there again was where their company would have to carry a further burden. As regarded their operations in East Africa, their participation in the business available had been well maintained.

As to the results for the year, the very low prices obtained for wool and stock were reflected in their figures for the year under review and, in addition, the territories covered by their activities without exception had suffered from one of the worst seasons ever experienced. It could therefore be imagined that they had had to make very special efforts to obtain the results they were able to show. He did not think that on the whole shareholders would consider them unsatisfactory, taking into consideration the many adverse factors they had had to contend with. In these very uncertain times the directors had thought it desirable to recommend a conservative dividend and they proposed to make a distribution on that occasion of 5 per cent. for the year. That was 1 per cent. less than they had paid last year.

The report and accounts were adopted.

DORMAN, LONG AND COMPANY, LIMITED

LOWER COSTS AND INCREASED EFFICIENCY

PRODUCTIVE STRENGTH AND OUTPUT MAINTAINED

VISCOUNT GREENWOOD'S ADDRESS TO THE SHAREHOLDERS

The fiftieth ordinary general meeting of Dorman, Long and Company, Limited, was held, on the 12th instant, at Winchester House, London, E.C.

The Right Hon. the Viscount Greenwood, P.C., chairman, who presided, said:—

This is the jubilee annual general meeting of Dorman, Long and Company, Limited.

In my address a year ago I said that the steel industry, following the crisis in September of that year, had prepared to meet any emergency. I am glad to say that to-day as an industry we are better prepared than ever before to do our part in helping to win the war.

At the outbreak of war the whole steel industry came under the Steel Controller, who was already prepared for the emergency. His organisation is staffed by officials drawn from the industry itself. This is an important fact and makes for efficiency. These officials are loaned by their firms and concentrate their whole time, and expert knowledge and energies to secure the maximum results and to make certain that the production and importation of steel will meet the heavy demands imposed by the war not only on us but on our allies.

In our own industry and in every other industry Australia, Canada, India and South Africa—all great steel-producing countries—are working in the closest co-operation with the Steel Controller to meet the common menace.

In a few weeks our enemies have created an economic and industrial unity of the British Empire which is proving one of the decisive factors in the war and without which the war could not be won.

When peace comes, as some day come it must, I fervently hope that this great economic unity of the British Empire, reinforced by the concentration of all its spiritual and material forces to win the war, will be held together for all time as a great constructive instrument for good in world affairs. The roads that join our Empire are on the sea. There is not a road in Europe that is not menaced by German or Russian bombs.

APPOINTMENT OF MR ELLIS HUNTER AS MANAGING DIRECTOR

In April last the board appointed Mr Ellis Hunter, our deputy chairman, to the position of managing director. Mr Hunter lives in the North and gives his whole and unremitting attention to the company's affairs. His long and intimate knowledge of the heavy industries and of the organisation of our own company, in which he took a prominent part, especially qualifies him for his high executive office.

In spite of many difficulties owing to pre-war and war conditions our company has maintained its productive strength and output, and this after fourteen weeks of war. We owe this strong position to many factors, but above all to the loyal co-operation of our army of fellow workers, who are working to-day with intensified vigour fully realising the threat to our freedom and indeed existence and our duty to the fighting forces. The total number of our employees at all the company's works and mines, including subsidiary companies, is approximately 39,000. I am sure you will want me to put on the record of our proceedings the sincere thanks of the shareholders to all those who serve in our great enterprise.

PROFIT AND LOSS ACCOUNT

The profits on trading at £1,481,395 show practically no reduction.

When I last addressed you I referred to the examination of steelmakers' costs which was then proceeding for the purpose of fixing selling prices. I remarked that costs vary according to level of output and that price calculations based on costs should take this consideration into account.

As a result of the investigation referred to, there was a substantial reduction in steel prices as from January 1, 1939. It has been suggested that this reduction was greater than the circumstances justified. However, it was followed by increased demands

for steel, and in the result the higher level of output which we attained has enabled us to maintain our trading profits.

Owing to the co-operation of the industry with the Steel Controller, steel prices in our country are much lower than export prices of foreign countries.

PROVISION FOR TAXATION

It has been our practice to provide out of the profits of each year for all taxation based on those profits. By the Supplementary Budget, income tax for 1939-40 has been increased from 5s. 6d. to 7s. The assessment to income tax for 1939-40 is based on our profits for the year to September 30, 1938, and had your directors known of this when they were dealing with last year's profits, they would have made a larger provision out of those profits. In the circumstances, they have transferred from general reserve to the provision for taxation the amount required to make up the income tax on the profits of last year. In doing this they have taken into consideration not only the transfer to general reserve of £200,000 out of the profits for last year, but also the reserves which have been built up since the reconstruction of the company in 1934 and the company's resources in cash and short-dated securities. Moreover, the company has been working at a high level of output for several months past and the demand for our products shows no signs of abating.

As regards the year now under review, the directors have provided for all taxation based on the profits of the year. The Finance (No. 2) Act, 1939, provided for income tax for 1940-41 at the rate of 7s. 6d. in the £, and for the imposition of an Excess Profits Tax from April 1, 1939. In the next Finance Act the legislation in respect of the new Excess Profits Tax will probably be amended in some respects, and there are factors affecting this company's liability which will require reconsideration. However, this year's provision for taxation of £429,640 is adequate on the information before us.

It is not considered wise, owing to the war, to give our usual table of interesting production figures in reference to our collieries, ironstone mines, coke ovens, blast furnaces, steel plants, rolling mills and constructional departments. I can, however, say these figures are satisfactory and that there is continuous progress in the modernisation of our plant, equipment and layout.

JUBILEE OF THE COMPANY

November 2, 1939, marks the fiftieth anniversary of Dorman, Long and Company's incorporation as a limited liability company. Dorman, Long and Company is to-day one of the largest coal, iron and steel undertakings under one management in Great Britain with works in South Africa and the Argentine and branches or agents in most countries of the world; and what is worthy of mention here is the fact that we are the largest constructional engineering group in Europe.

Our Jubilee commemorates a fine record of material achievement. Better than that, it commemorates a fine record of goodwill with over two generations of workers of all grades whose co-operation has built up our great and growing enterprise.

In the course of our development we have helped to create the great town and port of Middlesbrough and other places on Teeside. In their well-being and progress your company takes the greatest interest.

As a result of the financial rehabilitation of the company and the improvements to plant and works resulting in lower costs and increased efficiency, both always under the closest supervision, our company possesses a stability and power to face the future with confidence.

The directors' report, balance sheet and accounts of the company for the year ended September 30, 1939, were approved and adopted on the proposition of the chairman, seconded by the managing director, Mr Ellis Hunter.

The retiring director, Col. Sir M. L. Bell, Bart., was re-elected; the elections to the board of Mr J. B. Peat and Mr J. D. Stitt were confirmed.

WANKIE COLLIERY COMPANY, LIMITED

LONG TERM CONTRACTS

SIR JOHN R. CHANCELLOR ON THE OUTLOOK

The sixteenth ordinary general meeting of the Wankie Colliery Company, Limited, was held, on the 13th instant, in London.

Sir John R. Chancellor, G.C.M.G., G.C.V.O., D.S.O. (the chairman and joint managing director), after referring to the great loss sustained by the death of Sir Edmund Davis, dealt with the various items of the balance sheet. Continuing, he said:—

I turn now to the heavy reduction in our profits during the year. Although there has been an increase in the sales of coal, I would remind you that at the last general meeting the chairman stated that it had been considered advisable to enter into long-term contracts at reduced prices with our larger consumers. These contracts came into operation on October 1, 1938, and although under them we receive a lower price for our coal than we did in the past, we are assured of receiving orders for the total requirements of these customers for many years to come.

CONTRACTS WITH N. RHODESIAN COPPER COMPANIES

I should perhaps mention here our reason for entering into these long-term contracts at reduced prices. It came to our knowledge that the Northern Rhodesian copper companies were seriously considering the installation of hydro-electric energy in substitution for fuel, with a view to reducing their cost of production; and I believe I am correct in stating they were satisfied that the use of water-generated power would show an economy as compared with their costs when using our coal at the prices they had hitherto paid.

In order, therefore, to maintain our business with them, we reduced the price for all coal supplied to them since October 1, 1938, and at the same time the railways reduced the rate of freight, so that we were able to deliver fuel to the copper companies at a figure which induced them to continue using coal instead of proceeding with the installation of hydro-electric power. The consideration being, as mentioned above, that they undertook to obtain the whole of their fuel requirements from us over a long term of years, and they undertook not to use hydro-electric power during that period.

Our sales of coke show a decrease of 13,551 tons, chiefly due to the Union Minière du Haut Katanga having of recent years obtained the major portion of their requirements from Belgium.

The outbreak of hostilities has made it difficult for them to continue to obtain supplies from Belgium; and we have entered into an arrangement under which we are supplying them with larger tonnages of both coal and coke than we have done in the past. We have every hope that our company will, at least for some time to come, supply the Union Minière with their total requirements of fuel.

Further experimental work was carried out in mechanical loading of tubs by means of scrapers, but having regard to the excellent results now obtained with native manual labour, we are satisfied that no savings could at present be effected by the adoption of mechanical methods of loading.

The additions to our water supply installation, to which reference was made at our last general meeting, have now been completed. The pumping capacity of the plant has thus been increased by over 50 per cent. In order to safeguard our water supplies, application has been made to the Water Court for a grant of increased water rights.

EFFECT OF THE WAR

You will realise that the war has materially affected the operations of our company. The costs of production have been inevitably increased under war conditions. On the other hand, the enormous demand for copper and other metals required for the manufacture of munitions must lead to an increased consumption of coal and coke by the copper mines in Northern Rhodesia and the Congo. The policy of the Government of Southern Rhodesia to spare no effort to increase the production of everything that will help us to win the war is leading to increased activity in every branch of life in that colony, and consequently, to increased consumption of coal. It is satisfactory to be able to give you an assurance that the present equipment of the colliery has sufficient reserves of producing power to enable it to increase output so as to meet any demands that may be made upon it. I hope that through increased output, and consequent reduction of overhead charges per ton of coal raised, we shall to some extent make good the increase in costs already referred to, and also the reduction in profits which resulted from the long-term contracts at lower prices which have recently been made with our larger customers.

The report and accounts were unanimously adopted.

LAKE VIEW AND STAR, LIMITED

RECORD PROFIT

MR D. CHRISTOPHERSON'S SPEECH

The twenty-ninth ordinary general meeting of Lake View and Star, Limited, was held, on the 8th instant, in London, Mr D. Christopherson, C.B.E. (the chairman), presiding.

The Chairman, in moving the adoption of the report and accounts, after referring to the great loss the company had sustained by the death of Mr John A. Agnew, said that the profit of £526,459 was £44,428 in excess of the previous year and was a record one for the company. This improved result was due mainly to the increased tonnage treated, the lower mining costs arising from improvements in the underground workings and to the higher price received for gold. Unfortunately the bulk of the increased profit had had to be devoted to making provision for income tax. Three dividends of 12½ per cent. each had already been paid, and the directors now recommended a final dividend of 12½ per cent., making 50 per cent. for the year. An interim dividend of 12½ per cent. had also been declared on account of the current year's operations.

Development work had again been satisfactory, and it was a source of much gratification that both the No. 2 lode and the minor lodes had responded so well to the continued development campaign that they had now outstripped the No. 3 lode as producers. This year 32 per cent. of the total development was on the minor lodes and the production from these amounted to 140,541 tons of an average value of 6.19 dwts. per ton, both figures testifying to the importance of this group of lodes.

INCREASED ORE RESERVES

The ore reserve figures again showed an increase over the strong position established last year. At June 30, 1939, reserves stood at 3,664,800 tons of an average grade of 5.56 dwts. per ton, representing an increase of 75,800 tons after allowing for treatment of 652,989 tons during the year. This position was the more noteworthy in that positive ore had increased by 162,800 tons and broken ore by 82,000 tons, while there was a decrease in probable ore of 169,000 tons. Positive and broken ore now constituted 86.7 per cent. of the total reserves, and in the increase of broken ore 36,700 tons was in the Associated and 23,000 in the Lake View Mine. It would be seen that reserves were still over five years ahead of milling requirements even at the increased rate of 57,000 tons a month which the plant could now treat.

In the metallurgical section improvements had been effected in all departments. A new treatment plant was in course of erection at the Chaffers-Lake View tailings dump, and it was estimated that after allowing for its cost a working profit of between £40,000 and £50,000 yearly should be realised for a period of five years. Total working costs at 20s. 6.22d. showed a fall of 3.62d. per ton, due entirely to the reduction in mining costs of 9.38d. per ton, which had been made possible by the installation of new underground equipment and better ventilation.

TAXATION BURDENS

The Federal Government had placed an excise duty of 50 per cent. on the price of gold in excess of £9 per ounce Australian. This meant that at the present price of £10 10s. per ounce Australian the Government and the company shared the difference of 30s. per ounce equally. This tax, though a further very heavy incidence on profits, was practically unavoidable under present conditions, in view of the decision of the Commonwealth to strengthen her forces and assist Great Britain to the fullest extent. There was, however, one aspect of the matter that came in a different category, and that was the industry award made some years ago whereby labour received 2s. of every 10s. increase in the price of gold above £5 10s. per ounce. As gold was now at £10 10s. Australian, this would mean that under this award a total of 20s. Australian per week for industry allowance would be due to each employee. It was obvious that it would be most unfair to have to pay labour extra on a price the company had not received, and it was hoped that this payment would in due course be limited to the net amount received by the producer.

As shareholders knew, British income tax was now 7s. in the pound for the current year and of that they expected to obtain Dominion income tax relief of 3s. 6d. in the £. In addition there was the National Defence contribution, or excess profits tax, whichever was the greater. West Australian State taxes amounted to 3s. 10½d. in the £ at the present time, so that even on the lowest basis of 8d. net for National Defence contribution that would bring their total taxation to 8s. 0½d. in the £ or more than two-fifths of their income.

The report was unanimously adopted.

THE INDUSTRIAL CREDIT COMPANY, LIMITED

SATISFACTORY RESULTS

The sixth annual general meeting of this company was held, on the 12th instant, in Dublin.

The Chairman, Mr J. P. Colbert, in moving the adoption of the report and accounts, said:—At our last meeting I referred to the difficulties we had encountered during the year, and mentioned that at the time we had under consideration the underwriting of a very substantial amount of new issues. In normal conditions we should have been able to bring out a considerable number of flotations during the year, but unfortunately the difficulties caused by the international situation became intensified. In the circumstances, I am sure you will agree that the report and accounts which we present to you to-day are satisfactory, our net profit showing an expansion of £1,594.

The directors have regretfully decided that it would not be prudent to distribute any dividend and feel sure that in the circumstances it would not be in the company's interests to do otherwise.

Since the commencement of business we have handled an underwriting turnover amounting to a net cash total of £4,982,007, of which the underwriters were called upon to take up only 14.4 per cent. In addition to our own underwriting there have been other issues by companies in the Dublin market amounting to £2,968,142, making with our own a total of £7,950,149. Our own underwriting activities involved the sponsoring of 29 public issues, comprising 49 securities in respect of 25 separate companies. Of these 25 companies, 18 have paid a dividend in their latest year. A dividend was paid on 84.5 per cent. of the total capital involved in the public issues sponsored by us. If an investor had put an equal amount of money into each of the 49 separate securities his gross investment would show a depreciation, according to the most recent market quotations as at the date of our balance, of 4.94 per cent. His gross dividend according to the actual dividend declarations of the various companies concerned, over the most recent year, would yield 4.21 per cent. on his gross investment, which figure would be increased if allowance is made for the income-tax concession which, under Section 7 of the 1932 Finance Act, applies to many of the securities involved.

S. SMITH & SONS (MOTOR ACCESSORIES), LIMITED

RECORD PROFIT

The twenty-fifth ordinary general meeting was held, on the 14th instant, in London.

Mr Walter Henderson-Cleland, M.C. (the chairman), said that on the outbreak of war they were requested by the Government to reorganise the whole of their resources with a view to effecting the maximum production of instruments and other articles required by the Services. The changeover from peacetime to wartime activities had been effected smoothly without loss of turnover.

In the past year the turnover had been considerably increased and the profits were a record in the history of the company. The liquid position was a very sound one, the total amount of floating assets at £827,000, including stock, showing an increase of some £25,000 over last year.

As to their products in the motor accessory group, their position as leading suppliers of instruments to the motor trade had been fully maintained, and more instruments had been supplied than in any previous year. Considerable expansion had taken place in the aviation instrument section, and a large number of new types had been designed. The business of the K.L.G. Sparking Plug Company had continued to grow, and the Corundite Plug, produced some two years ago, was now established. The marine and aviation business of Henry Hughes and Son had benefited by the reorganisation of two years ago and continued to expand. The clock group business had again increased. It would be apparent, therefore, that every section of the company's business had expanded. Fortunately their principal products were as necessary in wartime as in peace. For instance, motor-car instruments, such as speedometers, clocks and gauges, were required for mechanical transport vehicles, and almost all their aircraft instruments were equally applicable to commercial and Service aircraft.

Although a certain proportion of the goods manufactured by the company served only a wartime purpose, it was satisfactory to remember that with the bulk of their output that was not the case. That must be a beneficial factor when the time came for them to reorganise their factories on a peacetime basis.

The report was unanimously adopted.

J. BROCKHOUSE AND COMPANY, LIMITED

CONSISTENT PROGRESS

The forty-second ordinary general meeting of this company was held, on the 12th instant, at West Bromwich.

Mr J. T. Brockhouse, J.P. (chairman and managing director), said that it was very pleasing to be able to present such a gratifying report, constituting as it did a record in the history of the company, which had now been in existence for some fifty-three years. The conservative policy which the board had always pursued had been responsible for the magnificent improvement recorded.

Since their accounts were made up to the end of September, it could not be said that the increase was the result of the declaration of war. Rather was it due to the enormous expansion of their business and the efficiency of their works. Their turnover had increased 4½ times during the last five years and, although their main works had shown the greatest increase, with only three exceptions every branch and subsidiary company had shown a substantial rise in turnover. The profit on that turnover was normal or even moderate, and the net result could be put down to the genuine expansion of the business.

The increase in turnover was remarkable, but it represented the present capacity of the companies concerned and it would be their endeavour to see that it was at least maintained. The proportion of armament work now undertaken by the company was rapidly increasing, but he was pleased to say that so far there had been very little diminution of their peacetime trade.

The importance of the export market during the war and afterwards could not be over-estimated and he was pleased to see that the Government were alive to that. He would, however, like to stress the need for allowing and encouraging private firms to get out abroad and help themselves as much as possible.

The available balance was £269,458 and they proposed to pay a dividend of 12½ per cent., less tax, on the ordinary stock, making 20 per cent., less tax, for the year. Notwithstanding the wonderful record of the past year, under present conditions there was no reason to think that it could not be exceeded during the coming year.

The report was unanimously adopted.

BRITISH TYRE AND RUBBER COMPANY, LIMITED

A SUCCESSFUL YEAR

The fifteenth annual general meeting of the British Tyre and Rubber Company, Limited, was held, on the 12th instant, at Winchester House, E.C.

Sir Walrond Sinclair, K.B.E., chairman and managing director of the company, said that the net profit amounted to £217,933 against £177,118, and it was the eighth successive year in which the board had been able to report an increase in profit.

The immediate effect of the outbreak of war had been a sharp increase in demand for the company's products.

The year's results fully justified the maintenance of the ordinary dividend at the same level as for the past five years by the payment of a final 4½ per cent., making 8 per cent. for the year. On the matter of bonus, after careful consideration the directors had decided to recommend a bonus of 3 per cent. as against 2 per cent., thus maintaining the distribution on the same level as for the last three years, plus an additional one per cent. to cover the increased rate of income tax.

At the outbreak of war the rubber industry had reacted to the altered situation promptly and in a manner worthy of the occasion, and a voluntary control panel has been set up. Taken as a whole the increased prices since the commencement of hostilities were unquestionably less than the actual additional cost of raw materials to the manufacturing undertakings.

An important aspect of trading conditions was that while, with a nation at war, their national effort must first be directed to the adequate equipment and efficient maintenance of the armed forces, and to the preservation of essential services at home, it was equally important they should not overlook the fact that the nation was so vitally dependent on overseas trade.

Export trade was more essential to the nation to-day than ever before. With a lead from the Government he was positive that the country's export industries would take full advantage of the opportunity offering, and by providing the nation with a free flow of foreign exchange, and purchasing power overseas, insure an appreciable measure of success, both in the present conflict and in the economic struggle which must inevitably follow it.

The report was adopted.

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week ended December 9, 1939, total ordinary revenue was £13,138,000, against ordinary expenditure of £24,839,000 and issues of £19,000,000 under the Defence Loans Acts. Thus, including sinking fund allocations but excluding issues from defence loans, the deficit accrued since April 1st last is £285,700,000, against £243,929,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Estimate, 1939-40	April 1, 1939	April 1, 1939	Week ended Dec. 9, 1939	Week ended Dec. 9, 1939
ORDINARY REVENUE					
Income Tax	390,000	93,350	97,818	814	2,425
Sur-tax	70,000	10,740	12,420	250	530
Estate, etc.	75,500	56,610	53,540	1,620	1,170
Duties	17,000	13,600	11,440	220	...
Stamps	25,000	11,940	17,980	660	640
N.D.C.	1,250	760	480	10	...
Other Inl. Revenue	1,250	760	480	10	...
Total I. Rev.	578,750	183,000	193,678	3,574	4,765
Customs	239,600	158,019	185,350	4,818	5,440
Excise	132,850	79,967	89,548	1,766	2,028
Total Cust. and Excise	372,450	237,986	274,898	6,584	7,468
Motor Duties	22,000	11,209	9,821	...	138
P.O. (Net Receipt)	400	10,980	6,954	350	500
P.O. Fund	1,600	...	...	...	...
Crown Lands	1,330	960	940	...	...
Rec. from Sun. Loans	5,000	4,791	3,695	155	93
Misc. Rev.	13,650	8,749	12,837	42	174
Total Ord. Rev.	995,180	457,675	502,823	10,705	13,138
SELF-BAL. P.O. and B'dcasting	83,449	50,320	53,096	1,400	950
Total	1,078,629	507,995	555,919	12,105	14,088

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	Estimate, 1939-40	April 1, 1939	April 1, 1939	Week ended Dec. 9, 1939	Week ended Dec. 9, 1939
ORDINARY EXPEND.					
Int. & Man. of Nt. Dr.	230,000	180,129	185,434	3,707	8,972
Pays. to Nt. Ireland	10,000	5,306	5,258	277	296
Other Cons. Fund Ser.	7,200	1,754	3,803	...	...
Total	247,200	187,189	194,495	3,984	9,268
Sup. Serv. (a)	118,371	507,944	587,294	10,042	15,571
Ditto, plus loans*	168,614	516,444	862,956	12,792	34,571
Total Ord. Expend.	1,430,911	695,133	781,789	14,026	24,839
Issues from Def. Lns. SELF-BAL. P.O. and B'dcasting	502,430	8,500	275,662	2,750	19,000
Total	1,933,341	703,633	1,057,451	16,776	43,839

* Supply Services, after addition of issues under Defence Loans Acts: (a) excluding expenditure being met from loans; including £500 millions Vote of Credit; allows for supplementary estimates and other changes since April, 1939, and for estimated saving in war Budget; (b) after allowing for changes in war Budget of September 27, 1939.

After raising Exchequer balances by £177,559 to £2,532,560, the other operations for the week (as shown in the next column) raised the gross National Debt by £31,825,000 to about £8,733 millions.

DEBT INCREASES (Net) (£ thousands)		DEBT REPAYMENT	
Treasury bills	20,525	Public Department Advances	1,250
Nat. Savings Cds.	6,200		
3% Defence Bds.	6,350		
	33,075		1,250

OTHER ISSUES (Net) (£ thousands)		OTHER REPAYMENT	
P.O. & Telegraph	850	Land Settlement	17
N. Atlantic Shipping	32		
Overseas Trade Gtes.	20		
Bullion adv.	61		
	963		17

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1 to December 9, 1939, are:—

Ordinary Exp. (£ thousands)		Ord. Rev. (£ thousands)	
Issues under Def. Loan Acts	275,662	Gross. borr. 570,043	
Misc. Issues (net)	8,649	Less—	
Inc. in b'cs.	33	Sinking fds. 6,733	
	1,066,133	Net borrowing	563,310
			1,066,133

FLOATING DEBT (£ millions)

Date	Tender	Tap	Public Depts.	Bank of England	Total Floating Debt	Floating Assets
1938						
Dec. 10	507.0	465.3	46.7	...	1,019.0	512.0
Sept. 2	500.0	618.3	49.2	...	1,167.5	667.5
" 9	495.0	633.3	47.9	...	1,180.9	681.2
" 16	500.0	662.1	50.5	...	1,212.6	702.6
" 23	505.0	663.7	47.5	...	1,216.2	701.2
" 30	510.0	676.8	49.1	...	1,235.9	725.9
Oct. 7	518.0	703.1	47.3	...	1,268.4	750.4
" 14	531.0	699.8	52.6	...	1,283.4	752.4
" 21	546.0	699.9	47.0	...	1,292.9	748.9
" 28	561.0	701.8	47.0	...	1,310.7	749.7
Nov. 4	580.0	696.6	59.0	...	1,345.6	765.6
" 11	605.0	695.6	57.6	...	1,358.2	753.2
" 18	630.0	687.5	57.5	...	1,375.0	745.0
" 25	665.0	677.7	53.1	...	1,395.8	732.8
Dec. 2	700.0	697.5	56.2	...	1,453.7	753.7
" 9	725.0	693.0	55.0	...	1,473.0	748.0

TREASURY BILLS (£ millions)

Date of Tender	Offered	Applied for	Allotted	Average Rate	Per Cent. Allotted at Minimum Rate
1938					
Dec. 9	35.0	68.8	35.0	8.19	52
Sept. 1	40.0	56.3	40.0	7.4	59
" 8	50.0	60.2	50.0	7.2	94
" 15	55.0	89.2	55.0	7.1	12
" 22	55.0	86.5	55.0	6.6	125
" 29	55.0	96.3	55.0	4.8	93
Oct. 6	50.0	97.0	50.0	4.2	63
" 13	50.0	103.0	50.0	4.0	82
" 20	50.0	98.2	50.0	3.4	39
" 27	55.0	99.9	55.0	2.8	83
Nov. 3	55.0	102.6	55.0	2.3	49
" 10	55.0	95.5	55.0	2.3	46
" 17	65.0	102.8	65.0	2.3	81
" 24	65.0	106.3	65.0	2.3	11
Dec. 1	65.0	105.9	65.0	2.3	10
" 8	65.0	94.6	65.0	2.4	68

On December 8th applications at 139 1/4 10d. per cent. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday, Friday and Saturday of following week were accepted as to about 57 per cent. of the amount applied for and applications at higher prices in full. £65.0 millions of Treasury bills are being offered on December 15th.

NATIONAL SAVINGS CERTIFICATES

Sales in	Number	Purchase Price
46 weeks to:—		
Nov. 19, 1938	28,545,628	21,409,222
Nov. 18, 1939	24,780,908	19,335,645
Week to:—		
Nov. 19, 1938	618,601	463,951
Nov. 11, 1939	563,656	422,742
Nov. 18, 1939	599,138	449,353

N.B.—The Revenue returns for the two weeks to December 9, 1939, show receipts of £10,000,000 net from sales of Savings Certificates and £10,650,000 net from 3% Defence Bonds.

BANK OF ENGLAND RETURNS

DECEMBER 13th, 1939

ISSUE DEPARTMENT

Notes Issued: £		Govt. Debt: £	
In circultn.	545,120,327	Other Govt. Securities	565,247,719
In Bnk. Dept.	35,099,234	Other Secs.	3,074,603
		Silver Coin	662,578
		Amt. of Fid. Issue	580,000,000
		Gold and Bullion (at 168s. per oz. fine)	219,561
			580,219,561

BANKING DEPARTMENT

Props' Capital £		Govt. Secs. £	
Rest	3,324,876	Other Secs.	5,378,759
Public Depts.	45,804,242	Securities	24,427,405
Other Depts.	87,738,589	Notes	29,806,164
Bankers' ...	40,657,375	Gold & Silver Coin	1,066,520
	128,395,964		192,078,082

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

THE WEEK'S CHANGES (£ thousands)

Both Departments		Compared with	
	Dec. 13, 1939	Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	545,120	+11,244	+49,771
Deposits: Public	45,804	+1,337	+30,196
Bankers'	87,739	+1,451	+11,809
Others	40,657	+834	+4,656
Total outside liabilities	719,321	+12,192	+72,813
Capital and rest	17,878	+10	...
COMBINED ASSETS			
Govt. debt and securities	702,369	+11,162	+40,457
Discounts and advances	5,379	+21	+11,440
Other securities	27,502	+1,121	+5,448
Silver coin in issue dept.	663	+2	+452
Gold coin and bullion	1,286	+63	+326,233
Reserves	36,166	+11,307	+26,004
Res. of notes & coin in banking department			
Proportion of reserve to outside liabilities—			
Bank. dept. ("proportion")	20.7%	7.2%	20.4%

COMPARATIVE ANALYSIS (£ millions)

		1938		1939	
		Dec. 14	Nov. 22	Nov. 29	Dec. 6
Issue Dept.					
Notes in circ.	495.3	527.0	528.7	533.9	545.4
Notes in bank- ing dept.	61.1	53.2	51.6	46.3	35.1
Govt. debt and securities	229.4	576.5	576.3	576.3	576.3
Other sec.	0.4	3.0	3.2	3.0	3.0
Silver coin	0.2	0.5	0.6	0.7	0.7
Gold, valued at s. per f. oz.	326.4	0.2	0.2	0.2	219.7
Deposits:					
Public	15.7	36.4	27.8	47.1	45.1
Bankers'	99.5	92.9	103.5	86.3	87.7
Others	36.0	39.3	40.2	39.8	40.4
Total	151.2	168.6	171.5	173.2	174.2
Bkg. Dept. Secs.					
Government	68.4	103.9	109.8	114.9	126.1
Discounts, etc.	16.8	5.3	4.5	5.4	5.4
Other	21.7	22.9	22.3	23.4	24.4
Total	106.9	132.1	136.6	143.7	155.9
Banking dept. reserve	62.2	54.3	52.7	47.5	36.1
"Proportion"	41.1	32.2	30.7	27.9	20.1

* Government debt is £11,015,100; capital £14,553,000.

OVERSEAS BANK RETURNS

NOTE.—The latest return of the Bank of Lithuania appeared in The Economist of November 11th; Egypt, Greece, India and Roumania, of November 5th; Australia, Japan, Latvia, Norway and Sweden, of November 2nd; Canada, Estonia, Finland, Hungary, Iran, Java, Reichsbank, Sweden and Switzerland, of December 9th.

BANK FOR INTERNATIONAL SETTLEMENTS.—(Million Swiss gold francs of 0.29 grammes)

		Nov. 30, 1939		Oct. 31, 1939		Nov. 30, 1939	
ASSETS		1938	1939	1938	1939	1938	1939
Gold in bars	34.0	16.5	17.5	22.1	...	...	...
Cash	23.2	27.3	15.9	28.7	...	...	...
Sight funds	19.8	11.5	13.8	12.4	...	...	...
Bills and acceptances:							
(a) Commercial bills	158.5	124.0	109.5	70.9	...	...	...
(b) Treasury bills	60.9	52.1	48.5	88.8	...	...	...
Time funds at interest	50.1	33.0	26.6	20.6	...	...	...
Sundry bills & invests.	246.4	226.0	214.3	210.6	...	...	...
Other assets	4.5	3.0	6.2	5.5	...	...	...
LIABILITIES							
Cap. and reserves	149.3	150.1	150.1	150.1	...	...	...
Long-term deposits:							
(1) Annuity trust	151.9	153.1	153.1	153.1	...	...	...
(2) Govt. deposits	102.9	97.8	76.5	76.5	...	...	...
Short and sight depts.:							
(a) Central banks	131.3	40.2	20.2	27.7	...	...	...
Own account	1.8	1.4	1.5	1.3	...	...	...
For acct. others	5.9	1.6	1.6	1.5	...	...	...
(b) Other deposits	9.4	10.7	10.7	10.3	...	...	...
Sight deposits—gold	45.4	38.6	38.6	39.1	...	...	...
Miscellaneous items	...	...	...	...	...	...	...

U.S. FEDERAL RESERVE BANKS

		Dec.		Nov.		Dec.		Dec.	
		14,	16,	16,	13,	13,	13,	13,	13,
12 U.S.F.R. BANKS		1938	1939	1939	1939	1939	1939	1939	1939
RESOURCES									
Gold certifs. on hand		11,714	14,867	14,998	15,025	15,025	15,025	15,025	15,025
and due from Treas.		12,063	15,231	15,299	15,338	15,338	15,338	15,338	15,338
Total reserves		340	354	291	303	291	303	291	303
Total cash reserves ...		7	6	8	8	8	8	8	8
Total bills discounted		1	1	1	1	1	1	1	1
Bills pt. in open mkt....		1	1	1	1	1	1	1	1
Total bills on hand.....		8	6	8	8	8	8	8	8
Industrial advances		16	12	11	11	11	11	11	11
Total U.S. Gov. secs.		2,564	2,649	2,512	2,512	2,512	2,512	2,512	2,512
and other bills and sec's ..		2,587	2,667	2,532	2,532	2,532	2,532	2,532	2,532
Total resources		15,566	18,999	18,623	18,789	18,789	18,789	18,789	18,789
LIABILITIES									
F.R. notes in circn.		4,433	4,805	4,900	4,909	4,909	4,909	4,909	4,909
Aggregate of excess mr.									
bank res. over reqts.		3,480	5,170	5,150	4,856	4,856	4,856	4,856	4,856
Deposits : Member-									
bank reserve account		9,034	11,587	11,617	11,288	11,288	11,288	11,288	11,288
Gov. deposits		413	564	346	75	75	75	75	75
Total deposits		9,997	12,923	12,748	12,748	12,748	12,748	12,748	12,748
Cap. paid in and surplus		310	312	312	312	312	312	312	312
Total liabilities		15,566	18,999	18,623	18,789	18,789	18,789	18,789	18,789
Reserve		83.6%	85.9%	86.7%	86.8%	86.8%	86.8%	86.8%	86.8%
U.S.F.R. BANKS AND									
TREASURY COMBINED :									
RESOURCES									
Monetary gold stock ..		14,380	17,235	17,408	17,466	17,466	17,466	17,466	17,466
Treasury and Nat. Bk.									
currency		2,784	2,939	2,949	2,955	2,955	2,955	2,955	2,955
LIABILITIES									
Monetary circulation....		6,858	7,384	7,545	7,566	7,566	7,566	7,566	7,566
Treasury cash and de-									
posits with F.R. Bks.		3,064	2,905	2,737	3,151	3,151	3,151	3,151	3,151

BANK CLEARINGS

Publication of the weekly returns of Town Clearing, Metropolitan Clearing, Country Cheque Clearing is suspended until further notice.

PROVINCIAL

(£ thousands)

No. of working days	Five weeks ended			Week ended Saturday		Aggregate from January 1 to	
	Dec. 3, 1938	Dec. 2, 1939	Change	Dec. 10, 1938	Dec. 9, 1939	Dec. 10, 1938	Dec. 9, 1939
30	30	%	6	6	292	290	
BIRMINGHAM	12,982	10,979	-15.4	2,288	2,057	114,412	110,253
BRADFORD	4,190	7,068	+68.7	797	1,417	38,890	46,615
BRISTOL	6,550	6,804	+3.9	1,194	1,281	62,018	66,623
HULL	5,143	3,671	-28.6	800	714	40,877	37,674
LEICESTER	3,682	3,521	-4.3	619	644	34,201	34,374
LIVERPOOL	26,549	29,293	+10.7	5,171	5,538	253,239	245,002
MANCHESTER	47,701	52,319	+9.7	8,349	10,356	450,906	469,937
NEWCASTLE	8,092	7,065	-12.7	1,289	1,332	73,937	71,551
NOTTINGHAM	2,487	2,037	-18.1	486	424	24,230	22,883
Total: 9 Towns	117,376	122,727	+4.6	20,993	23,763	1,092,710	1,104,912
DUBLIN	30,409	29,795	-2.1	5,952	5,775	303,661	295,250
LEEDES	...	...	...	726	...	46,469	...
SHEFFIELD	...	...	...	878	654	52,442	45,750

* Suspended publication. † Clearing of suburban cheques through local clearing discontinued from September 7, 1939. ‡ 49 weeks.

MONEY RATES

LONDON

	Dec. 7, 1939	Dec. 8, 1939	Dec. 9, 1939	Dec. 11, 1939	Dec. 12, 1939	Dec. 13, 1939	Dec. 14, 1939
Bank rate (changed from 3% Oct. 26, 1939)	2	2	2	2	2	2	2
Market rates of discount							
60 days' bills, drafts	15 1/2-11 1/2	15 1/2-11 1/2	15 1/2-11 1/2	14 1/2-11 1/2	15 1/2-11 1/2	15 1/2-11 1/2	15 1/2-11 1/2
3 months' do.	15 1/2-11 1/2	15 1/2-11 1/2	15 1/2-11 1/2	14 1/2-11 1/2	15 1/2-11 1/2	15 1/2-11 1/2	15 1/2-11 1/2
4 months' do.	15 1/2-11 1/2	15 1/2-11 1/2	15 1/2-11 1/2	14 1/2-11 1/2	15 1/2-11 1/2	15 1/2-11 1/2	15 1/2-11 1/2
6 months' do.	15 1/2-11 1/2	15 1/2-11 1/2	15 1/2-11 1/2	14 1/2-11 1/2	15 1/2-11 1/2	15 1/2-11 1/2	15 1/2-11 1/2
Discount Treasury Bills							
2 months	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2
3 months	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2
Loans—Day-to-day	3 1/2-11 1/2	3 1/2-11 1/2	3 1/2-11 1/2	3 1/2-11 1/2	3 1/2-11 1/2	3 1/2-11 1/2	3 1/2-11 1/2
Short advances: Bk.	3 1/2-11 1/2	3 1/2-11 1/2	3 1/2-11 1/2	3 1/2-11 1/2	3 1/2-11 1/2	3 1/2-11 1/2	3 1/2-11 1/2
Discount houses at call	12	12	12	12	12	12	12
At notice	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2

MONTHLY STATEMENT OF BALANCES OF LONDON CLEARING BANKS

(000's omitted)

	Barclays Bank	Coutts and Co.	District Bank	Glyn, Mills and Co.	Lloyds Bank	Martins Bank	Midland Bank	National Bank	National Provincial Bank	Westminster Bank	Williams Deacon's Bank	Aggregate
November, 1939												
ASSETS												
Coin, bank notes and balances with the Bank of England	46,434	2,605	9,254	3,620	45,486	11,712	49,975	3,095	29,997	38,867	4,147	245,192
Balances with and cheques in collection on other banks in Great Britain and Ireland	12,500	487	2,404	2,400	12,427	1,750	14,634	308	6,531	9,278	2,037	64,756
Items in transit	20,078	3,341	6,067	6,243	25,920	6,080	22,578	3,287	16,479	24,444	7,264	141,781
Money at call and short notice	72,034	1,623	10,964	1,174	70,087	8,134	78,698	1,396	52,354	55,758	1,076	353,298
Bills discounted	99,114	6,973	29,461	13,752	107,311	33,818	113,511	14,186	75,724	105,319	11,598	610,767
Investments	202,135	9,951	33,629	8,386	165,211	48,060	220,721	17,210	139,426	135,853	14,657	995,219
Advances to customers and other accounts	15,543	740	6,721	4,183	23,148	6,976	16,223	228	10,112	21,461	2,543	107,878
Liabilities of customers for acceptances, endorsements, etc.	7,497	412	1,621	740	7,480	2,838	9,729	579	7,456	5,459	1,042	48,853
Bank premises account	7,016	...	...	...	3,624	...	8,016	...	2,514	2,992	...	24,162
Investments in affiliated banks and subsidiary companies	482,351	26,112	100,121	40,498	463,923	121,231	534,085	40,289	340,593	399,431	44,364	2,592,998
Ratio of cash to current, deposit and other accounts	10.55	11.15	10.58	10.52	10.95	10.99	10.19	8.59	9.60	10.82	10.62	10.46
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	78,187
Reserve fund	10,750	1,000	2,977	530	9,500	3,550	12,410	1,160	8,500	9,320	900	60,597
Current, deposit and other accounts	440,200	23,372	87,447	34,420	415,458	106,526	490,293	36,045	312,502	359,315	39,046	2,344,624
Acceptances, endorsements, etc.	15,543	740	6,721	4,183	23,148	6,976	16,223	228	10,112	21,461	2,543	107,878
Notes in circulation	...	...	...	...	...	...	...	...	...	...	...	...
Reduction of bank premises account	...	...	...	...	...	...	...	...	...	...	...	...
	482,351	26,112	100,121	40,498	463,923	121,231	534,085	40,289	340,593	399,431	44,364	2,592,998

OIL OUTPUTS

British Burmah Petroleum.—Output, November, 1939: 50,672 barrels.

Kern Oil Company, Ltd.—The total output of the company and its subsidiary, Kern Trinidad Oilfields, Ltd., during September, 1939, was 210,165 barrels, or about 30,024 tons; during

October, 1939, 216,633 barrels, or about 30,947 tons; during November, 1939, 220,807 barrels, or approximately 31,544 tons. The company's wells in Mexico now closed in.

Phoenix Oil and Transport Company, Ltd.—The output of crude oil of the Phoenix Group for August, 1939, was

48,105 tons; for September, 1939, 44,704 tons; October, 1939, 47,240 tons.

Trinidad Consolidated Oilfields.—Output, September, 1939, 41,900 barrels. Total output for October, 1939, 42,075 barrels. Output for November, 1939, 42,890 barrels.

Comparison with previous weeks

	Short Loans	Bank Bills			Trade Bills		
		3 Months	4 Months	6 Months	3 Months	4 Months	6 Months
1939							
Nov. 16	3 1/2-11 1/2	1 1/2	1 1/2	1 1/2	2 1/2-3	2 1/2-3	3 1/2-5
" 23	3 1/2-11 1/2	1 1/2	1 1/2	1 1/2	2 1/2-3	2 1/2-3	3 1/2-5
Dec. 7	3 1/2-11 1/2	1 1/2	1 1/2	1 1/2	2 1/2-3	2 1/2-3	3 1/2-5
" 14	3 1/2-11 1/2	1 1/2	1 1/2	1 1/2	2 1/2-3	2 1/2-3	3 1/2-5

NEW YORK

The Irving Trust Company cables the following money and exchange rates in New York:—

	Dec. 14, 1938	Nov. 15, 1939	Nov. 22, 1939	Nov. 29, 1939	Dec. 6, 1939	Dec. 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)	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2
Bank acceptances	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2
Members—eligible, 90 dys.	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2
Non-mem.—eligible, 90 dys.	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2
Commercial accept., 90 days	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2

New York on	Dec. 7, 1939	Dec. 8, 1939	Dec. 9, 1939	Dec. 11, 1939	Dec. 12, 1939	Dec. 13, 1939
London:—						
Cables	391 1/4	390 7/8	391 1/4	393 1/2	392 5/8	393 3/4
Demand	390 1/4	389 3/4	389 3/4	392 7/8	391 1/2	393
Paris, Fr.	2 22	2 21 3/4	2 21 3/4	2 23	2 22 1/2	2 23 1/2
Brussels, Bel.	16 51 1/2	16 50	16 49 1/2	16 49 1/2	16 44	16 52
Switzerland, Fr.	22 43	22 43	22 43	22 43	22 43	22 43
Italy, Lire	5 05	5 05	5 05	5 05	5 05	5 05
Berlin, Mark	40 20	40 20	40 20	40 20	40 20	40 20
Amsterdam, Gldr.	53 09	53 09	53 10	53 09	53 09	53 09
Copenhagen, Kr.	19 32	19 32	19 32	19 32	19 32	19 33
Oslo, Kr.	22 72	22 72	22 72	22 72	22 72	22 73
Stockholm, Kr.	23 82	23 81	23 81	23 81	23 81	23 82 1/2
Athens, Dr.	Unq't'd	Unq't'd	Unq't'd	Unq't'd	Unq't'd	Unq't'd
Montreal, Can. \$	87 180	87 000	87 000	87 310	87 000	87 180
Japan, Yen	23 49	23 49	23 49	23 49	23 49	23 49
Shanghai, \$	7 48	7 45	7 45	7 45	7 45	7 45
B. Aires, Pso. (mkt. rate)	22 95	22 90	22 90	23 00	22 85	23 80
Brazil, Milreis	5 10	5 10	5 10	5 10	5 10	5 10

Official Buying Rates for Bank Notes:

The following rates were fixed on December 14, 1939:—
New York, \$4 11; Montreal, \$4 54; Paris, 178 1/2; Brussels, 24 85b; Amsterdam, 7 68f; Switzerland, 18 10f; Stockholm, 17 40kr; Oslo, 18 25kr; Buenos Aires, 18 35 paper pesos; Java, 7 76c.

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 Dec. 8, 1939 (£'000)			Aggregate Gross Receipts 49 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down—						
1938	1.5	0.4	1.9	120.0	21.5	141.5
1939	1.9	0.7	2.6	126.9	23.4	150.3
Great Northern—						
1938	8.0	9.1	17.1	537.6	460.1	997.7
1939	9.2	11.6	20.8	550.6	544.5	1,095.1
Great Southern—						
1938	30.7	59.2	89.9	1,793.8	2,070.8	3,864.6
1939	30.6	60.3	90.9	1,788.9	2,247.1	4,036.0

OVERSEAS WEEKLY TRAFFIC RECEIPTS

Name	Weeks	Ending	Gross Receipts for Week		Aggregate Gross Receipts	
			1939	+ or -	1939	+ or -
Bengal & N. Western	7	1939 Nov. 20	Rs. 48,72,160	-1,54,182	Rs. 44,35,323	-6,01,489
Bengal-Nagpur	33	20	25,27,000	-63,741	6,54,29,400	+73,56,829
Bombay, Bar. & C.I.	34	30	39,30,000	+6,62,000	7,60,43,000	+74,000
Madras & S. Mahatta	33	30	18,18,000	-2,08,343	4,74,11,744	+10,24,718
S. Indian	32	10	13,13,634	-31,263	3,36,43,722	-1,91,773

SOUTH & CENTRAL AMERICAN

	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842</
--	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	--------

LONDON ACTIVE SECURITY PRICES AND YIELD

In calculating yields of fixed interest stocks allowance is made for interest accrued, less income tax at the standard rate, with allowance for 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 yield on ordinary stocks and shares is calculated on the latest dividends, account being taken of any increase or reduction of interim dividends.

Prices, Jan. 1 to Dec. 13, 1939		Prices, Jan. 1 to Dec. 13, 1939		Name of Security	Price, Dec. 13, 1939	Ch'ge since Dec. 6	Yield, Dec. 13, 1939	Prices, Jan. 1 to Dec. 13, 1939		Name of Security	Price, Dec. 13, 1939	Ch'ge since Dec. 6	Yield, Dec. 13, 1939
High	Low	High	Low					High	Low				
British Funds													
79 1/4	64	71 1/8	61	Consols 2 1/2%	67 3/4	...	£ s. d.	533	480	Investment Trusts	483	...	£ s. d.
111 3/4	98	107 1/8	98	Do. 4% (aff. 1947)	104	...	3 15 10 3/4	230	184	Alliance Trust	185	...	3 13 10
100 3/4	90	96 3/4	80 1/8	Conv. 3 1/2% 1947-49 ..	95 1/4	- 1/4	3 15 10	214 1/2	150	Anglo-Am. Corp. Stk.	160	...	6 5 0
103 1/4	92	99 1/8	82 1/8	Do. 3% 1948-53	97 1/2	...	3 5 8	117 1/2	87 1/2	Guardian Investment ..	87 1/2	...	8 0 0
104 5/8	90 1/2	99 1/8	87	Do. 3 1/2% after 1961 ..	93	...	3 15 3 1/2	240	175	Ind. and Gen. Ord.	175	...	6 17 1/2
105 1/8	100	104 1/4	100 3/4	Do. 4 1/2% 1940-44	100 3/4	...	3 15 3 1/2	225	170	Invest. Trust Def.	172	- 3	7 11 1/2
115 5/8	102	112 1/8	103 3/4	Do. 5% 1944-64	108 1/4	...	3 5 0	237 1/2	180	Mercantile Inv.	180	...	6 17 1/2
91 1/16	81	87 1/4	79 3/4	Fund. 2 1/2% 1956-61	85 1/4	...	3 10 3	118 1/2	77	Merchants Trust Ord.	78 1/2	...	6 17 1/2
97 1/16	88 1/2	93 5/8	87 3/4	Fund. 2 3/4% 1952-57	91	...	3 8 9	217 1/2	170	Metropolitan Trust	175	...	6 17 1/2
99 1/16	90	95 1/8	87 1/2	Fund. 3% 1959-69	92 1/4	...	3 8 10	195	160	Trustees Corp. Ord.	162 1/2	...	6 3 0
114 1/8	98	109 1/2	100 1/2	Fund. 4% 1960-90	105 3/4	+ 1/4	3 10 10 1/2	180	152 1/2	United States Deb.	152 1/2	- 8	6 11 1/2
100 1/16	90	96 7/8	94 3/4	Nat. D. 2 1/2% 1944-48 ..	98	...	2 17 9 1/2	27 1/12	16 7/12	Financial Trusts, &c.	20 1/2	+ 9d	6 3 3
100 1/16	93	96 7/8	91 1/2	Do. 3% 1954-58	94 1/2	+ 1/2	3 7 8	27 1/12	16 7/12	Brit. S.Afr. 15/- fy. pd.	41 1/2	...	5 11 1/2
112 1/16	100	108 1/2	102	Victory Bonds 4%	105 1/4	...	3 12 10 1/2	51 4	4 1/8	Dalgely £20, £5 pd.	22 1/2	+ 1/3	6 12 1/2
103 5/8	90 1/2	98 7/8	86	War L. 3 1/2% af. 1952	92 1/2	...	3 15 8 1/2	29 1/2	14 6	Forestal Land £1	22 1/2	- 9d	6 12 1/2
90 1/8	78	83 7/8	73	Local Loans 3%	79 3/4	+ 1/4	3 15 3	25 1/2	17 1/2	Hudson's Bay Co. £1	23 1/2	- 9d	4 11 1/2
102	90 1/2	99	91	Austria 3% 1933-53	97	...	3 7 2	36 3/3	22 6	Sudan Plant. £1	35 1/2	+ 2 10	4 11 1/2
68 1/2	55	64	55 1/2	India 2 1/2%	59 1/2	+ 1/2	4 4 0	...	...	...	...	...	...
65 1/8	55	64	55 1/2	Do. 3 1/2%	82	+ 1/2	4 4 0	...	...	...	...	...	...
117 3/8	110	115 1/4	104 1/2	Do. 4 1/2% 1958-68	104 1/2	...	4 3 6	26 9/12	14 1/2	Breweries, &c.	18 1/2	...	5 11 1/2
108 7/8	97	106 1/4	95	Dom. & Col. Govts.	102 1/2	...	4 10 7	73 1/2	45 1/2	Barclay Perkins £1	118 1/2	- 5 9	4 4 1/2
104 1/16	97	103 1/2	98	Austr. 5% 1945-75	102 1/2	...	4 10 7	73 1/2	45 1/2	Bass Ratcliff Ord. £1 ..	56 1/2	- 2	4 8 1/2
115	109 1/2	112 1/2	103	Canada 4% 1940-60	101 1/2	...	3 18 10 1/2	67 1/2	61 9	Courage Ord. £1	62 1/2	- 2 6	4 10 1/2
108	95 1/2	103 1/2	92	Nigeria 5% 1950-60	105 1/2	+ 1	4 9 11 1/2	113 1/2	75 1/2	Distillers Ord. £1	76 3/4	- 7 6	4 10 1/2
112 1/16	97	110	102	N. Zealand 5% 1946	101 1/2	...	4 14 10	91 6/8	64 1/4	Guinness Ord. £1	78 1/2	- 2 6	6 2 0
115 1/4	101	111 1/2	104	S. Africa 5% 1945-75	105 1/2	...	3 19 2	68 3/3	47 3/3	Ind. Coope & All. £1	51 1/2	- 3 7	7 0 0
87 1/2	77	81 5/8	72	Corporation Stocks	105 1/2	...	4 3 9	6 1/2	4 1/2	Iron, Coal and Steel	5 1/3	...	7 12 1/2
97 1/2	90 1/2	93 1/8	86 1/2	Bir'ham 5% 1946-56	78	...	3 16 11	48 1/2	35 9	Baldwins 4/-	46 3/4	...	5 2 1/2
105 3/4	94 3/8	102 3/4	95	L.C.C. 3%	87 1/2	...	3 16 1	34 1/2	23 1/2	Bolsov Col. Ord. £1	27 1/2	- 1 1/2	7 14 1/2
96 1/2	78	91 1/2	73 3/4	Liverpool 3% 1954-64	98	+ 1/2	3 13 3	26 1/2	14 1/2	Brown (J.) Ord. 10/- ..	6 1/2	...	7 10 1/2
89	38	65 1/2	34	Middx. 3 1/2% 1957-62 ..	65	...	2 17 9 1/2	31 1/2	20 1/2	Camell Laird 5/-	6 1/2	...	7 10 1/2
99	80	85 1/2	74	Foreign Governments	89	- 2	5 1 2	26 1/2	18 1/2	Colvilles Ord. £1	25 1/2	...	8 14 1/2
36	31	31	8	Arg. 4 1/2% St. Bds.	49	- 4	9 3 8 1/2	31 1/2	20 1/2	Firth Brown £1	21 1/2	...	5 7 1/2
37 1/2	12 3/4	23 1/2	6 1/2	Austria 4 1/2% 1934-59 ..	63 1/2	+ 1	6 18 10	76 1/2	60 1/2	Guest Keen & Co. Ord. £1	21 9	...	5 10 1/2
19 1/8	14	19	9	Belgian 4% (36) 1970	17 1/2	...	14 5 8 1/2	25 1/2	20 1/2	Hadfields 10/-	26 10 1/2	- 7 1/2	7 8 1/2
73 1/2	40	55 1/2	23 1/2	Brazil 5% Fd. 1914	23	+ 3	Nil	31 6	20 1/2	Horden Collieries £1	26 10 1/2	- 7 1/2	7 8 1/2
105 3/4	20	72	30	Chile 6% (1929)	19	+ 1	10 10 6 1/2	28 1/2	20 9	Powell Duffryn £1	17 1/2	+ 1 1/2	7 9 1/2
99	94	100	65	China 5% (1913)	32 1/2	+ 1/2	15 4 10	46 3/4	33 1/2	Sheepbridge C. & I. £1 ..	45 7 1/2	- 7 1/2	8 0 1/2
104	84 1/2	86 1/4	58	Czechoslovakia 8%	57 1/2	+ 1/2	4 12 4	37 1/2	24 10 1/2	Staveley Coal, etc. £1 ..	48 1/2	+ 7 1/2	4 3 1/2
13	9 1/4	12 1/2	9	Denmark 3%	76 1/2	+ 1	5 4 7	47 1/2	36 3/4	Stewarts & Lloyds £1 ..	41 3/4	...	6 0 1/2
40	20	44	4	Egypt United 4%	51 1/2	...	6 0 0 1/2	36 3/3	26 3	Swan, Hunter & Co. £1 ..	30 7 1/2	...	8 3 1/2
66	15	33 1/8	3	French 4% (British)	41 1/2	- 1	?	3 10 1/2	2 7 1/2	Thomas (Rich.) 6/8	3 1/2	...	6 11 1/2
34 1/2	25	30	15	Ger. Dawes L.n. 5%	51 1/2	...	12 0 0 1/2	45 1/2	25 1/2	Thornycroft, John £1	32 1/2	...	6 11 1/2
58 1/2	20	35 1/2	15	Do. Young L.n. 4 1/2%	41 1/2	- 1	?	89 1/2	84 1/2	U. States Steel \$100.	21 3/4	+ 1 1/2	7 10 1/2
54	35	61 1/2	33	Hungary 7 1/2%	25	...	8 4 10 1/2	25 1/2	19 1/2	Un. Steel Cos. Ord. £1 ..	21 3/4	- 3d	7 10 1/2
50	35	55	40	Japan 5 1/2% 1930	59 1/2	+ 2	8 0 0	24 1/2	14 1/2	Vickers 10/-	16 1/2	...	6 0 1/2
75 1/2	54	65	20	Peru 7 1/2% 1922	50	...	8 0 0	24 1/2	14 1/2	...	...	...	...
15 3/4	9 1/4	11 1/2	4 3/4	Poland 7%	20	...	28 18 0 1/2	...	...	...	...	...	...
15 3/4	9 1/4	11 1/2	4 3/4	Roum. 4% Con. 1922	61 1/2	- 1	28 18 0 1/2	8 1/4	2 9	Brit. Cel. Ord. 10/-	7 3/4	+ 6d	6 13 1/2
Public Boards													
112	103	21 1/2	2 1/2	C. Elec. 5% 1950-70	106 1/2	...	£ s. d.	39 1/2	23 1/2	Coats, J. & P. £1	30 1/2	+ 1 1/2	6 13 1/2
115	103	21 1/2	2 1/2	Lon. Pass. Transport	107 1/2	...	4 2 10	36 7/12	23 1/2	Courtaulds £1	35 1/2	+ 1 1/2	2 10 1/2
84	64 1/2	11 1/2	Nil b	4 1/2% "A" 1985-2023	65 1/2	...	2 6 0	32 1/2	22 1/2	English Swg. Ctn. £1	28 1/2	...	5 4 1/2
85 1/2	74	11 1/2	Nil b	C. 1956 or after	81	...	3 14 1	21 1/2	3 1/2	Lintas Thread Stk. £1 ..	23 1/2	...	5 4 1/2
114	106	21 1/2	2 1/2	Met. W. B. "B" 3%	108	...	4 4 6	36 1/2	25 1/2	Patons & Baldwins £1	55 7 1/2	...	5 12 1/2
38	21 1/2	4 c	1 1/2 c	P. of Lon. 5% 50-70	108	...	4 4 6	81 3/3	61 3	Whitworth & Mit. £1 ..	11 10 1/2	+ 7 1/2	2 10 1/2
35	38	5 c	Nil c	G.W. Ord.	35	+ 2 1/2	1 8 6	42 1/2	32 1/2	Electrical Manufacts.	38 1/2	...	5 3 1/2
38 1/4	19	4 c	Nil c	LNER 5% Pref. 1955	37 1/2	+ 2	Nil	30 4 1/2	20 9	Associated Elec. £1	11 9 1/2	- 1 1/3	5 3 1/2
17	9 1/4	1 1/2 c	Nil c	Do. 4% 1st Pf.	121 1/4	+ 1 1/4	Nil	30 4 1/2	20 9	British Insulated £1	80 1/2	...	5 0 1/2
46 1/2	20	4 c	Nil c	L.M.S. Ord.	41 1/2	...	6 14 5	27 1/2	18 1/2	Callenders £1	60 1/2	...	5 0 1/2
63 1/2	37 1/2	2 d	Nil c	4% Pf. 1923	59 1/2	+ 1	6 14 5	27 1/2	18 1/2	Crompton Park A 5/-	17 6 1/2	+ 7 1/2	5 18 1/2
19	7	1 1/2 c	2 c	4% Pf.	59 1/2	+ 1	6 14 5	27 1/2	18 1/2	English Electric £1	31 3/4	- 1 1/3	6 18 1/2
78	46 1/2	4 d	2 1/2 b	Southern Def.	12	+ 1 1/4	Nil	34 1/2	24 1/2	General Electric £1	75 1/2	...	5 18 1/2
100	77	2 1/2 b	2 1/2 b	Do. 5% Pf. Ord.	65	...	8 1 6	29 1/2	17 9	Johnson & Phillips £1 ..	41 3/4	+ 1 1/3	7 5 1/2
13 3/8	5 1/2	Nil	Nil	Do. 5% Pf.	89	+ 1	5 12 5	29 1/2	17 9	Electric Light, &c.	26 1/2	...	5 9 1/2
10 1/2	4	Nil	Nil	Dom. & Foreign Rys.	91 1/2	+ 1	Nil	32 3/3	23 1/2	British Pow. & L. £1	26 1/2	...	4 16 1/2
11 1/4	5	Nil	Nil	B.A. Gt. Stn. Ord.	91 1/2	+ 1	Nil	32 3/3	23 1/2	Clyde Valley Elec. £1	33 1/2	...	5 16 1/2
7 1/8	3 3/8	Nil	Nil	B.A. West. Ord.	72	+ 1 1/2	Nil	38 1/2	27 6	County of London £1	36 3/4	...	5 16 1/2
60 1/2	45 1/3	10 b	7 1/2 a	C. Arg. Ord.	7	...	...	38 1/2	27 6	Edmundsons £1	23 1/2	...	5 2 1/2
77 1/8	45 1/3	41 1/2 b	3 1/2 a	Can. Pac. Com. \$25	7	...	...	38 1/2	27 6	Lancashire Elec. £1	28 1/2	...	5 2 1/2
330	289	6 c	8 c	Banks and Discount	60 1/2	...	5 16 8	131	75 1/2	Leam			

THE ECONOMIST

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CONCLUSIONS

Diplomacy in 1939

IN a year which has seen the destruction of three independent countries and the unleashing of a major European war, it is an unexpected piece of good fortune when one of the principal actors in the diplomatic drama vouchsafes inside information not merely within the customary decades of official and archival silence but within the year itself. Count Ciano's speech, delivered in Rome on December 16th, throws so much light on the tangled history of the last few months and his evidence clarifies so many points which were hitherto obscure or shrouded in rumour, that it is now possible to go back over the year's doings and to attempt an analysis and a summing-up.

It is not necessary to undertake as wide a survey as most of the Italian Foreign Minister. The pinning of most of the blame for our present anarchy on the perpetrators of Versailles and on their subsequent unwillingness to modify the *status quo* is good polemics and, at the same time, an appropriate way of establishing a delicate—a “non-belligerent”—balance of blame; but for an intelligent appraisal of the year's diplomacy there is no need to go further back than Munich. Here occurred three events of major importance. The post-war system of French security was shattered, the Axis appeared for the first time as a successful and dominant counter-system, and Russia withdrew from the concert of Powers after three years' intensive “collective” diplomacy. In the following months this withdrawal made possible a Europe in which two hostile groupings faced each other across the political arena, on the one hand the Western democracies weakened by a severe diplomatic defeat, on the other Germany and Italy, aggressive, expanding and apparently convinced that the

blow delivered at Munich had broken once and for all their opponents' will to fight. Germany spoke confidently of the return of the colonies "without war," while Italy raised the cry of "Tunis, Corsica, Nice." There was, however, an element of ambiguity in the position. For Germany the Axis was a useful lever for further German expansion, whereas Italy felt strongly that *her* time had come and pressed for a "Mediterranean Munich." The term is significant. Both the Axis Powers considered the next step simply in terms of a further capitulation of the West.

The invasion of Czecho-Slovakia opens a new era in diplomacy. There were, of course, internal strains and stresses which drove the Nazis to the *coup*. Nevertheless, it was a supreme blunder. The Italians felt defrauded of their "rights" (in spite of their independent counter-stroke in Albania), and at one blow Hitler wiped out the chief advantage gained at Munich—the paralysis of the West. The process, it is true, was cumulative, and even before March there were signs of a growing indignation and uneasiness in the West. Yet the final thrust which goaded the democracies into action was the violation of the Munich Agreement within a bare six months of its signature.

At this point begins a series of astonishing changes in the diplomatic practice of the Great Powers. Never in so short a time has the whole movement of European diplomacy been so drastically reversed. Between the British guarantee to Poland of March 31st and Italy's declaration of non-belligerency exactly five months later, Britain, Germany, Russia and Italy all put their diplomatic engines

AMERICAN WHOLESALE PRICES

	Dec. 6, 1939	Dec. 13, 1939		Dec. 6, 1939	Dec. 13, 1939		Dec. 6, 1939	Dec. 13, 1939
	Cents	Cents		Cents	Cents		Cents	Cents
GRAINS (per bushel).—			METALS (per lb.)—cont.			MISCELLANEOUS (per lb.)		
Wheat, Chicago, Dec.	97½	102¼	Tin, N.Y., Straits, spot	51 50	50 75	Cotton, Am. Mid., Dec.	10 14	11 56
Wheat, Winnipeg, Dec.	79½	83½	Lead, N.Y., spot	5 50	5 50	Lard, Chicago, Dec.	6 07½	6 35
Maize, Chicago, Dec.	54¾	55½	Spelter, East St. Louis, spot	6 00	6 00	Petroleum, Mid.-cont. crude		
Oats, Chicago, Dec.	40	41½				33 deg. to 33-90, at well, per		
Rye, Chicago, Dec.	60½	69½	MISCELLANEOUS (per lb.)	5 63	5 75	barrel	102	102
Barley, Winnipeg, Dec.	47½	49½	Cocoa, N.Y., Accra, Dec.			Rubber, N.Y., smkd. sheet spot	19½	20½
			Coffee, N.Y., cash			Do. do. Jan.-Mar.	18¾	19½
METALS (per lb.)—			Rio, No. 7	5½	5½	Sugar, N.Y., Cuban Cent.	2 95	2 95
Copper, Connecticut	12 50	12 50	Santos, No. 4	7½	7½			
Expor. c.i.f.	...	...	Cotton, N.Y., Am. mid., spot	10 29	11 66			

into reverse. The cumulative effect is that of a major revolution. By September the only familiar landmark remaining in the international field was the undeviating depth and fidelity of the Franco-British entente.

The lead, paradoxically enough, was given by the most conservative of the Powers. On March 31st Great Britain announced its guarantee, jointly with France, of Polish independence, and when the Prime Minister declared the decision to be "a tremendous departure . . . a new point—I would say a new epoch—in the course of our foreign policy," he was speaking the bare truth. Not in centuries had the European frontier of Britain lain east of the Rhine. In the more immediate perspective of post-war policy France's whole attempt to underpin the Eastern frontiers had time and again split on the reef of Britain's determination to take no commitments beyond her immediate sphere of influence. Now she was committing herself to the most threatened of the Eastern frontiers, and her decision to seek Russian support in the new Polish undertaking—however strategically essential—constituted a further reversal of her previous policy of aloof distrust.

There is an obvious causal link between Britain's overtures and the next major reversal of policy, the announcement on August 21st of the Russo-German Pact of Friendship and Non-Aggression. Although feelers had been put out from Berlin as early as February, the two countries came to grips only *after* the opening of the Russo-British negotiations. So complete was the secrecy in which the talks between Berlin and Moscow were carried on that the first announcement of an agreement was telephoned to Germany's Italian ally on August 21st only forty-eight hours before Ribbentrop's departure to Moscow, and the Allied military missions were actually negotiating in the Russian capital when news of Germany's success reached them. The Russo-German Agreement—thanks to the flamboyant nature and methods of the High Contracting Parties—has attracted far more attention than the British change of front. Yet it may be argued that this reversal of policy on the part of statesmen as essentially opportunist as Stalin and Hitler is less sensational, and in the long run probably less far-reaching in its consequences, than the previous reversal in British diplomacy. The possibility of such an accommodation had always been there. Shrewd observers had long pointed out that it was not Russia's Bolshevism so much as her underpinning of the Versailles system through her treaties with France and Czechoslovakia, that roused Hitler's anger. After Munich, the link with the West was broken, and it was Germany's fear of seeing it re-established that led her to make the Pact. On the Russian side the line of approach was much the same. The notion of collective security and indivisible peace held good so long as France and Britain seemed ready to counter a German outbreak with a League war. At Munich they proved that they were not, and Russia returned to her pre-Litvinov isolation. Since Germany primarily asked no more of her than that the isolation should continue, the Pact from Russia's point of view was hardly even a change of front, and her subsequent advance into the Baltic, which was simply a function of the removal of German counter-pressure, would, in the event of a war with the West, have taken place whether a Pact had been signed or no. It is only in the sphere of ideology that really important repercussions are justified, and here the two States have been defeated by their own propaganda. Hitler has excused his expansionism with the plea of defending the West. Stalin has camouflaged a naked policy of power with the tags of a Marxist vocabulary. It is these verbal conceits which are now a serious embarrassment. It is no new thing to see thieves settle down to divide the swag, but a certain piquancy is added to the picture when they have both been masquerading as policemen.

Italy's decision not to fight, the third of the great reversals, is—thanks to Count Ciano—better documented than the second, from which in part it springs. The chief service of the German connection to Italy lay in the fact that by linking herself with the most powerful advocate of revision she could hope to use the combined strength of the Axis as an instrument of pressure against the West. To the achieving of any concrete result there were, however, two pre-conditions, the first that Germany would

give Italy a breathing-space in which to advance her claims, the second that the Western Powers would continue to retreat. By the summer it was clear that neither condition would be fulfilled. Within a week of Prague, Hitler had taken Memel; within a week of Memel troop movements were reported along the Polish frontier. This crescendo of aggression roused Britain and France and their sudden return to the arena covered not only purely German spheres of interest, but to Italy's chagrin impinged upon the Balkans and Eastern Mediterranean as well. However, so long as peace was preserved Italy could still hope both to slacken Germany's tempo of conquest and to use the Axis in order to re-affirm her Mediterranean position. The Pact signed at Milan on May 22nd had this double purpose in view. It was accompanied (we now learn) by the interesting proviso that aggression should not be pushed to the length of war for three years. At the same time, its apparent scope and effect—it was a fully offensive and defensive pact—acted as a counterblast to British and French action in Roumania, Greece and Turkey. As the summer advanced, Italy's hope of restraining Germany faded. Count Ciano's accounts of her various attempts is possibly the most revealing passage in his entire survey. While Italy, ignorant of the Russian negotiations, was seeking a way out of the Polish impasse, Germany was negotiating the terms of partition with Russia. At the time of the Salzburg meeting (August 12th) Hitler declared that the matter had passed beyond the scope of diplomacy. Italy did not know it, but agreement with Russia had been reached. Ribbentrop's telephone conversation of August 21st was the first intimation Germany's ally received, and it is from this piece of double-dealing that Italy's "non-belligerency," coming within three months of her full alliance, can be held to spring.

The Balance Sheet

As satisfied Powers, France and Great Britain are chiefly concerned, on the diplomatic front, with the preservation of peace. When this proves impossible, our next concern is to see that our adversary enters the contest under the worst possible conditions. To-day we are at war, and to this extent our diplomacy has failed. Yet we are fighting an isolated and discomfited Germany; to this extent our diplomacy can be said to have succeeded. There are thus two relevant questions when we come to consider our recent diplomatic record. On the one hand, we have to ask whether another course of action would have averted war. On the other, we have to decide to what extent our efforts are responsible for Germany's unfavourable position.

Those who assert that war could have been averted are not generally arguing that Britain should have assisted at a Polish Munich. We could have avoided war by running away from it; but that is not the point. The assumption made is that if we had achieved a Russian alliance, the possibility of a war on two fronts would have led Hitler to abandon the Polish campaign. It is a big assumption. The Czechs had their treaties with France and Russia, yet Hitler was perfectly prepared to gamble on the unwillingness of the West for war. He might have been equally prepared to gamble on a Russo-British pact, especially as Ribbentrop always insisted on Britain's essential pacifism. Once the assumption is made, then the case hinges on the question whether Britain could have secured a Russian alliance. The argument runs that had we on March 18th accepted Litvinov's offer for a conference at Bucharest and opened negotiations *before* guaranteeing Poland we should both have given clearer signs of good faith and have secured a better bargaining position. Our chief disadvantage lay in the fact that we came to Stalin having already given away for nothing our one bargaining counter, a guarantee against Germany of Poland's frontiers (and hence of Russia's own).

In point of fact, the argument does not bear scrutiny. We know that Berlin had already made a tentative approach to Moscow. Russia had, therefore, no interest in a mere guarantee when there was a chance of positive territorial aggrandisement. Moreover, if—as certain writers affirm—Stalin had long since decided upon an under-

standing with Hitler, the British mission, however placed in the matter of guarantees, arrived too late. The position grows even clearer when we turn to the *quid pro quo* Russia demanded. By the time the negotiations with Britain were fairly engaged it is likely that Russia had already received from Germany an undertaking to withdraw in the Baltic and to accept the transfer of the Baltic States to Russian suzerainty. If Russia could get so much from Germany, she would have asked no less of Britain. The attainment of the Pact would, therefore, have necessitated the bartering away of third-party rights and territories, and the gain to Britain of *not* being partner to such discreditable transactions can hardly be overestimated. On balance then our conclusion may well be that, given Germany's accommodating attitude, there was never much hope of an alliance with Russia, and that, having failed to secure one, we may, like Dogberry, "presently call the watch together and thank God we are rid of a knave."

On the final question of Germany's present isolation and discomfiture, it is obvious that her own diplomacy, not ours, is responsible for her present plight. By her anti-Bolshevism, her anti-Comintern front, her intervention in Spain, Germany had gradually over a number of years built up a certain capital of sympathy in Right wing circles abroad. At least a part of her success at Munich was due to the British Conservatives' unwillingness to see in her anything but a bulwark against Bolshevism. The sudden reversal of Germany's policy after so long and so sustained a campaign has had a disastrous effect on her prestige, for nothing could have so clearly shown the moral bankruptcy of the regime or the pure opportunism of its foreign policy. Possibly such a moral slump might not have been too dear a price to pay for concrete material help, in the

shape of oil and grain and war materials, but such help has not been forthcoming, and Russia has used the opportunity afforded by Germany's immobilisation in the West to conduct a lightning raid upon hitherto cherished spheres of German influence. Finally, the attempt to shake off the West by the Russian agreement has apparently lost Germany the support of Italy and Japan, which, had it been active, would have created the ugly military problem for the Allies. As it is, Germany has thrown away the substance and has not even touched the shadow. She may perhaps console herself with the reflection that her "friendship" has been as damaging to Russia as Russia's to her, and that the new Red imperialism which her commitments elsewhere have made possible has disillusioned the international Left as greatly as her Moscow journey outraged the international Right; but it is cold comfort for Germany to know that Stalin has destroyed his own chief instrument of propaganda when by the same gesture she has destroyed her own.

Here the rôle of British diplomacy has been purely passive. We have not driven the Reich into the feverish policy of expediency and opportunism which it has pursued since the coming of Ribbentrop. On the contrary, our excessive forbearance has created a hundred opportunities for Germany to retrieve her position, and there is little doubt that up to March, and even after, our Government would have welcomed with real eagerness any signs of a change in Germany's aggressive heart. For us it is therefore a matter of thankfulness rather than of self-congratulation that, however inexhaustible our patience, the ultimate impossibility of saving Hitler's face has placed us in a diplomatic position more favourable than, by our own efforts, we could have hoped to achieve.

Public Health Services

IN matters of health the distinction between prevention and cure is blurred. So far as public health services are concerned there has been a steady progress towards the full realisation of this, accompanied by an expansion of medical services from purely curative measures towards purely preventive measures and the still distant goal of complete health supervision for all. This progressive movement, pursued step by step through a jungle of customs, conventions, institutions and regulations so thick as to make each advance towards order and efficiency a minor miracle, has encountered a new and sudden check. The war has shifted the emphasis sharply back to the tasks of curing and alleviating and the margin of skill and resources left over for prevention is reduced.

Preparation for war conditions has been proceeding for some time. So far as the Ministry of Health is concerned it began in the early months of 1938 when a survey of hospital accommodation was undertaken. It was then becoming apparent that prudence required the making of arrangements for clearing the decks for quick action to deal with casualties in an emergency. The object was not to prevent the occurrence of injuries but to forestall their worst results by providing that attention to the persons injured should be administered as promptly as possible. Hospital space and medical skill being only available in limited quantities, it necessarily followed that smaller provision could be made for those of the sick requiring less urgent attention, as well as for the latter stages of a cure of those receiving war injuries. The emphasis which has been liberally placed by the Ministry of Health on the efficiency with which the preparation for the reception of war casualties was carried out must not be allowed to obscure the basic fact that, seen as a whole, the process has been one of making a limited amount of resources go further by spreading them more thinly over the whole number of those in need of them. Moreover, in the waiting period—which has now lasted nearly four months—between clearing the decks and the full action called for by the occurrence of war casualties, the amount of fully efficient medical service is actually reduced.

The principal factors to be supplied by a civil defence medical organisation are five in number: hospital accom-

modation, ambulances, supplies, first-aid posts and personnel. The organisation to provide ambulances and supplies is straightforward in character, if not without difficulty in detailed execution. It need not detain us here. The provision of first-aid posts is rather more difficult. Under the Air Raid Precautions Act of 1937, local authorities were required to draw up schemes. Schemes were made and submitted in due course to the Ministry of Health, which assumed control of the first-aid post service in December, 1938. Local authorities were then recommended to allocate a doctor and a trained nurse to each post; to locate the posts near hospitals if possible (for the dual purpose of protecting the hospital proper from disorderly inrush of casualties, and allowing the posts themselves to begin work at short notice); and to provide mobile units where desirable. All this was done with commendable willingness. Since the war began, the doctors attached to each post (they are generally local practitioners) have been given complete charge at a salary of £50 per annum instead of merely training the personnel for a fee of 20 guineas. So far so good. The machinery for receiving casualties, administering first aid and passing the casualties on to the hospitals, is ready to be tested by action. How it would stand up to heavy pressure remains to be seen. Much of the personnel has been hastily trained and there will no doubt be weak spots. But there is no reason to anticipate a bad breakdown. Moreover, the greatly increased numbers who have undergone first-aid training provide a permanent asset for peacetime as well as wartime.

The most knotty problems occur in the questions of hospital accommodation and medical personnel. Once again there is ample evidence that the maximum effort has been put forward and the maximum results achieved within the limits of the present system. The hospital question, as clearly stated in the last annual report of the Ministry of Health, was to provide a large number of beds quickly for the reception of casualties. Early in 1938 a survey of accommodation was undertaken by the Ministry, the country being divided into ten regions for the purpose. One hospital officer from the Ministry's staff was appointed in each region, except London, where the number was three, with the task of preparing an

emergency hospital scheme. It was estimated that the additional beds for casualties could be provided as follows:—

By sending home ordinary sick	100,000
By introducing extra beds into existing hospitals ...	100,000
By introducing further beds if and where necessary	50,000
By huts	40,000
	290,000

In addition to this, arrangements were made to evacuate 3,000 to 4,000 patients from London hospitals to safer regions, and similar arrangements were made for other vulnerable areas. When the war began, the evacuation was smoothly carried out; the staff of the first-aid posts began their vigil; the London medical schools were transferred to the provinces; everything was made ready for the clearing of 200,000 beds for casualties within twenty-four hours; 700 specialists took up new posts in the Emergency Medical Service and left London for hospitals situated in the provinces—and nothing happened. The last fact proved precisely nothing so far as the arrangements were concerned. Whether those arrangements are practically efficient cannot be fully ascertained until they are tested by numbers, but all the evidence is that they are as good as they can be in existing circumstances. Moreover, the service actually received by patients since the war began has not been reduced nearly so drastically as a few professional grumblers have indicated. But there was one department in which the absence of immediate casualties caused considerable alarms and excursions and that was among the doctors.

To understand the precise situation here it is necessary to go back to the pre-war preparations. The Central Emergency Committee of the British Medical Association compiled a register of those medical men who were willing to offer their services in an emergency, and undertook to meet in an orderly manner demands for doctors for the Services (including the staff of 200 medical boards to examine recruits); for emergency hospital services; and for first-aid posts, while ensuring that essential health services for the civil population would be maintained. Grades and salaries were fixed. Parallel arrangements were made for dental and nursing services.

Changes began as soon as the war started, and since then there has been a continuous and somewhat painful process of shaking down. On September 8th, the 700 specialists who had left their practices were given the opportunity of returning to them or of going on indefinite leave without pay. On September 19th, a Committee representative of the profession recommended an offer to the specialists to transfer to part-time service in the Emergency Medical Service. Very little came of either of these

suggestions, and finally, on November 23rd, the Ministry of Health accepted a scheme for dividing the whole service into three grades—a full-time nucleus, a body of part-time specialists to be paid at £500 per annum and left free to engage in private practice, and a further part-time grade of officers paid on a sessional basis.

This scheme stands for the present. But here the characteristic patchwork character of the British health services enters upon the scene. The above arrangements apparently apply to London only. In the provinces the work of dealing with air raid casualties will fall principally upon the unpaid staff of voluntary hospitals. The goodwill and self-sacrifice of these doctors is to be further rewarded out of a pool of 1s. 6d. per day per occupied bed and 6d. for each out-patient attendance, the cost to be met by the Minister of Health.

It has been said and repeated that the physical arrangements for dealing with casualties—for picking them up, carrying them to hospitals, and attending to their needs, probably make the most economical use of the available resources. Effectiveness here is the product of sheer necessity. In the medical services, a tolerable arrangement has been reached for the London doctors and for practitioners in charge of first-aid posts. But beyond that the characteristic chaos of the British health services asserts itself.

Emphatically, the obstacles to the most effective use of medical skill, the efficient working of hospitals, and full provision for preventative and curative services are not the responsibility of those officials who have done their best to reduce the toll of civilian suffering in air raids. They are due to the miserable structure of "voluntary" services, guinea-pigging and divided responsibility which bars the way to public health in Great Britain at all times. The dead hand of this system has already been visible since the war began, in the inadequacy of the original arrangements for the medical care of evacuated children and other persons, and in the attempt to use auxiliaries when fully trained nurses are available, and thus to exaggerate unnecessarily the hardships imposed upon the latter devoted body of women.

Fortunately, these things are being put right. The main grievances of the nurses have been met, and a drive towards the provision of health services for evacuated children has begun. But so far there has been no public discussion of the opportunities which the war gives for rapid progress towards the ideal of complete and comprehensive provision of health services. Already a modicum of order has been forced into existence by the war. There is every incentive to increase it. The argument against changing horses in midstream surely has little force when the nation's mount at a critical time is so crossbred a nag as the British health services.

Parliamentary Arithmetic

TWO weeks ago *The Economist* published a list showing the private interests and business connections of the wartime Controllers of essential supplies. This sort of research is very fashionable just now. *The Economist's* aim, it should be promptly stated, was simply to illustrate a debatable point of procedure in economic policy, whereas the current vogue is rather to expose democratic politics under capitalism as a "racket" run for the benefit of the wealthy few. It was much seen a few years ago when the armaments industry was under hostile discussion. Lists of leading politicians were published to demonstrate that their holdings of shares in arms firms made it impossible for them to seek peace and ensue it. More recently, the fashion reached its peak in a book called "Tory M.P.,"* which very ably analysed the family connections, wealth and economic interests of Conservative Members of Parliament—not so much to add to the stock of information as to suggest that English politics were "rigged" to the detriment of the toiling masses.

It is unfortunate that political analysis of this kind should

* "Tory M.P.," By Simon Haxey. Gollancz. 263 pages. 7s. 6d.

usually be done by axe-grinders, because, objectively carried out, it has a great contribution to make to the understanding of political processes. It is squarely in the realistic tradition of Burke and Bagehot, who both realised that the conventional interpretation of representative government was necessarily an abstraction. In theory thirty-odd million individual electors in six hundred-odd separate geographical constituencies choose six hundred-odd individual Members of Parliament who go to Westminster and make laws by talking things over. The practice is, and must be, quite different. Most electors cast their votes for parties, not for individuals. In the present House of Commons, 95 per cent. of the members adhere to the two large parties. The party system, as it has developed in Great Britain, means that it is the Government, the Cabinet, that not only decides policy and controls administration, but makes the laws as well. But even if there were no political parties, Members of Parliament would inevitably belong to groups. People naturally do belong to groups—families, trades, churches, charitable associations, propaganda organisations, friendly societies and a thousand others. They tend to think and act and vote in accordance with the groups they belong

to, and political parties seek votes by representing the wishes of the most important of these groupings. Even private members' legislation in Parliament is mostly inspired by outside organisations. These groups and group interests are a fact of social life. In itself, their effect upon politics is no indictment of democracy, but rather the reverse. There are obvious dangers in a system of group representation. "Party" may degenerate into "faction"—to employ Burke's distinction. And "faction" may not only substitute its self-interest for the common weal, it may infringe upon those inalienable rights of freedom that belong to the individual in a democracy, even though, as individual, he cannot appear in representative institutions. The remedy is not to pretend that there is no representation of vested minorities, still less to attempt to stamp it out, but to submit it to the full light of publicity.

Set in a true perspective, then, realistic researches into vested interests can be valuable. In the first place, they can be the basis of descriptions of political life as it really is. What sort of people go into Parliament? Where do they come from? How were they educated? What do they do for a living? How old are they? In the second place, they can serve as warning signs against the encroachment of faction. A study of the political activities of the National Farmers' Union, with its political fund of over £68,000 in 1937 and its connections with and influence over members, might usefully accompany any account of the course of food prices (which affect all consumers as individuals) in recent years. The fact that 35 Labour Members are financed by the Mineworkers' Federation has not helped the House, already under heavy pressure from mineowners, to devise a coal policy fully in the national interest.

Happily, not all students of politics are intransigent partisans. Recently there has been a thin but important stream of published researches into the social facts of English political life. Professor Jennings's book on Parliament* (reviewed in *The Economist* on November 11, page 201) is one very useful contribution. When it is published, Dr J. A. Thomas's London University thesis on the economic interests of nineteenth-century Members of Parliament† will be another. Few books or articles about Parliament nowadays do not contain a leaven of factual analysis.

In the backward vista of history the results are revealing. From 1832 to the end of the nineteenth century landed interests were uppermost in the Commons. But the power of the land was declining. In 1832 landed interests were seven times as strongly represented as either finance or law, the nearest rivals. A generation later, in 1865, land was only 2½ times as strong in the House as finance and only 4 times as strong as railways, the new political influence. By 1885 financial had caught up with landed interests and, symbolic of Industrial Britain, mining and manufacturing interests were also almost level in their representation. In 1901 both mining and manufacturing and finance had gone slightly ahead of land. The face of Britain was changing, and with it the face of politics.

In the twentieth century there has been surprisingly little change in a generation in the balance of interests. The rise of the Labour Party has meant a notable rise in members who have worked as wage-earners in factories, mines or offices, an increase from about 10 to over 80. But the number of those deriving their living from rents, dividends and directors' fees was still in 1935 twice those practising the law—as in 1901. There are now more worker members than there are members actively engaged in mining or manufacturing; and, if any trend is to be picked out, it is that, whereas in the nineteenth century industrial and commercial interests were chiefly represented in Parliament by men daily directing business operations, working employers and managers, now the *rentier* and the director reign supreme. Many more particular interests and occupations are represented directly now than used to be the case. Professional and academic members are more common. But the men of 1901 would

* "Parliament." By W. Ivor Jennings. Cambridge University Press. 548 pages. 15s.

† Quoted by Professor Jennings.

not be bewildered by their associates in the Parliament of 1939.

There is one good reason for this. The average age of the Commons in 1936 was about 50. They are the product of the educational system that ruled in 1901. Of the predominant Conservatives, over a half were graduates of Oxford and Cambridge and over two-thirds were schooled at Eton, Harrow or the other larger public schools. A quarter were directors of companies. A third were members of the Regular or Territorial forces. A sixth were barristers, though very many did not practise.

The Labour Opposition was opposite in more senses than one. Well over half were or had been wage-earners. Over nine-tenths had received education in elementary or State-aided secondary schools. True, they were older than the Conservatives, averaging 56 years of age against 49.7. They had had to serve an apprenticeship in industry and trade union politics before they could afford to come to Westminster. But they represented the new education.

The question of age is important. Among the associations which most affect a man's outlook is the age-group to which he belongs. In 1936, as many as a fifth of the Conservatives were under 30 years of age. Only one in forty-eight of the Labour members was as young as that; a quarter were over 50. Because of the electoral victories of 1931 and 1935 an unusual number of Conservatives were young. That is why the average age of the House was below 50 in 1936. That is why the wartime Commons in 1939 is younger than the wartime Commons in 1914.

It is even claimed that Ministers now are younger on the average than twenty-five years ago. To a point this is inevitable. To find over thirty Ministers and Secretaries out of the comparatively youthful Conservatives and National parties means bringing young men in. But it is doubtful whether the men who count in the planning of the war are younger now than in 1914. The Prime Minister is 70 years of age against Mr Asquith's 62 years. The Chancellor of the Exchequer, Sir John Simon, is 15 years older than Mr Lloyd George was then. The First Lord of the Admiralty is twenty-five years older than Mr Winston Churchill was in 1914. The fact that a youthful Commons is shepherded by elderly Ministers from another generation has considerable significance.

This is the make-up of the House of Commons that spends two-fifths of its time (excluding financial business) in making our laws, the House of Commons that is made up mainly of the representatives, direct or indirect, of vested interests. The prime political problem is to prevent the demands of vested interests, very properly and usefully expressed in Parliament, from overriding the common weal. This is the task of the Government and of public opinion. The Government holds the key because it holds the purse strings.

If interests want to dig their hands into the national money bag they must persuade the Treasury to hold the mouth open (writes Professor Jennings). Where log-rolling takes place, the Chancellor of the Exchequer captains the team. The pork barrel is kept locked up in 11 Downing Street, and those who want to take part must stand on the doorstep and prove their credentials.

The spoils system in Britain has a bottle neck because only the Government can propose charges upon the public revenue.

In recent years it has been the tendency of Governments to be complacent, to give State aid to industries and to confer with it powers of self-government, to give tariffs and subsidies and power to mulct consumers with the same hand. This is to give faction statutory sanction, and it is the function of public opinion, which has always the power to convert a Government into an Opposition, to put a rein upon it. Vested interests must necessarily be represented in Parliament. Their wishes and expert views must necessarily be consulted. But they must never be put at the helm. It is not that democracy is a sham in our present system, but rather that it is not always operated democratically. Parliament, whose chief business is to debate and criticise public policy, has the remedy in its hands. It may be itself an amalgam of vested interests, but public opinion at the polls holds the fate of every Member in its hands.

Transport in Danubia

THE peregrinations of Dr Schacht and of Herr Funk have provided German propaganda with a plausible excuse for claiming South-Eastern Europe as a natural sphere of influence. If they wished to draw on the untapped resources of the Balkans, it seemed that it was necessary only for trade missions to step out of Germany's back-door. Here were Germany's neighbours. Here, therefore, were her markets. Let other nations compete if they could. They must understand that Germany rightfully held first place. Mountains, rivers, marshes, even the facts of history (above all, perhaps, the facts of history) vanished before the all-persuasive name of *Lebensraum*.

At first sight, there is much to be said for the idea. The economies of Germany and South-Eastern Europe are at this present time in large measure complementary, though whether this will long remain so, or should remain so, is a matter for dispute. Ever since the decay of the Ottoman Empire, and even before that, Central Europe has been the most important client and source of supply for the Balkan countries. On a longer view, however, this interplay is seen to have something of an artificial nature; for not only did the great movements of peoples from the East come to a halt along the line of the Carpathians and the Dinaric

of loyalties, perhaps the beginning of genuine co-operation. But improvement in the transport of goods has shown no comparable advance; while there have been changes in detail and acceleration in delivery, the old ways still persist—for the simple reason that they are still the best.

In part this is explicable on economic grounds. In 1919 the countries of South-Eastern Europe faced the future with scanty capital resources and little hope of immediate relief. Whether they welcomed foreign capital, or, like Turkey, disliked its obligations more than they did the discomforts of self-development, they could not in any case provide the large sums which would have been necessary for well-planned improvement of their systems of communication. Roumania, for instance, was left with a legacy of three distinct railway systems; one the work of the old Roumania, the second that of the Hungarians, and the third that of the Russians. Twenty years later they had made little progress in the task of linking up these three systems into a commercially feasible whole. When German trade missions in 1938 and 1939 talked of German-Roumanian collaboration for the improvement of railways, they were hitting a tactically sound note.

But geography has the last word, for in normal times it will never be commercially worth while to build railways over the mountains merely to compete with maritime transport. It would be worth German money only if corresponding political privileges were reaped at the same time. Even then, there would be a strict limit to railway development. It takes the scantiest knowledge of geography to realise that both Turkey and Greece must continue to trade with Europe almost exclusively by sea; and the proportion of their foreign trade carried by ship is unlikely ever to fall much below its present 80 or 90 per cent. For Yugoslavia, Bulgaria, and Roumania, the choice is less compelling; while for Hungary the choice is completely reversed.

Nevertheless, as the following table shows, Bulgaria sent through the port of Varna 42.8 per cent. of her total exports in 1938 and received 38.5 per cent. of her total imports:—

TRANSPORT OF BULGARIAN FOREIGN TRADE IN 1938
(percentages by weight)

	Rail	Danube	Maritime	Air
Exports	44.3	12.7	42.8	0.2
Imports	40.7	20.6	38.5	0.2

The figures for Yugoslavia are similar to those for Bulgaria, except that maritime transport plays a rather less important rôle. The future trend of development is all against the German argument, for with the development of harbour facilities at Susak and at other points along the Adriatic coast in pace with the exploitation of mineral resources in Bosnia and South Serbia, it seems probable that more and more goods will go by sea.

But the most interesting set of figures relating to geographical remoteness is provided by Roumania, the country which, on Dr Goebbels's reckoning, is German living space *par excellence*:—

TRANSPORT OF ROUMANIAN FOREIGN TRADE IN 1938*
(in thousand metric tons)

	Rail	%	Danube	%	Maritime	%
Cereals	62	4.0	217	14.1	1,260	81.9
Oil products	224	5.0	941	20.9	3,332	74.1
Timber	466	57.5	45	5.5	300	37.0
Total all Exports ...	1,159	15.7	1,272	17.2	4,973	67.2
Total all Imports	369	45.0	111	13.5	341	41.5

* Statistics published by the Asociația Românească Pentru Studiul Conjuncturii Economice, Bucharest, in their quarterly bulletin, *Conjunctura Economiei Românești*, No. 4, 1938.

Of Roumania's three leading exports only timber makes substantial use of the railway. Of the other two, 81.9 per cent. of cereals and 74.1 per cent. of oil products are carried by sea, thus making nonsense of the purely geographical claim to *Lebensraum*. A little reflection on these figures will show how greatly Germany's trade with

South-Eastern Europe must have been dislocated during the opening months of war and to what extent it must remain so. There occurred immediate shortage of railway wagons, piling up of stocks at railhead, long delays in delivery as German importers made efforts to obtain by rail what they could no longer get by sea. The commodities vitally affected were grain and oil products. Balkan exports of timber are not essential to Germany, and, as the Roumanian figures show, about half of the timber in any case goes by rail, using the Hungarian system. If Germany had not been at war, of course, it might have been possible to despatch Reichsbahn wagons into the south-east; as it was, the needs of military transport caused a shortage in Germany itself. An obvious alternative was to use the Danube, although the difficulties had long been recognised; now, in its own turn, the pressure on Danube traffic revealed a shortage of suitable barges. As well as the shortage of barges, there remained the fact that barges displacing more than about 600 tons were unable to navigate the Iron Gates on the Yugoslav-Roumanian frontier. Transshipment becomes necessary at Turnu Severin, and there is a corresponding loss of time.

The Allied embargo on German trade with the Balkans is therefore a good deal more effective than is generally supposed, however much its efficiency may be impaired by the commercial connivance of neutrals in helping Germany to avoid its worst effects. For the time being, the Germans will have serious difficulties in obtaining their regular supplies of grain and oil; and until they have undertaken a

thorough reorganisation of communications there can be no question of increasing those supplies. For railway traffic they must rely on the Hungarian system and the north Yugoslavian connections to carry a volume of traffic far exceeding that for which they were built; even if the Russians do allow them to use the Galician line between Roumania and German Silesia they may find that their companions in invasion have brought with them their own ideas on railway gauge.

Without large capital expenditure and the passage of many months they will find it impossible to increase very much the quantity of goods carried by rail. And it is difficult to see how it will be possible under any circumstances to replace maritime transport by the Danube or to do more than make the Danube carry a rather higher percentage of goods than it has done in the past.

There is, of course, another side to the picture. Without their German markets the Balkan countries will face ruin, so that, unless the Allied Governments are prepared to step in with alternative markets, we may expect to see the Germans obtain every help they can desire, no matter what political implications are involved. The effect on Roumania is already apparent with the depreciation of the leu in terms of the Reichsmark. But this effect can be countered. If the Allies conceive their aim to be the blockading of Germany's every available means of supply, they begin in the Balkans with a marked geographical advantage. It remains only for them to clinch the blockade by the provision of alternative markets.

NOTES OF THE WEEK

Successes at Sea.—The victories of the Royal Navy in the last week or so are by now too well known to require re-stating in detail. The *Admiral Graf Spee* was last week beaten into Montevideo harbour by the audacity, rapidity of manoeuvre and first-class gunnery of three British cruisers which, even in combination, were more lightly armed. She was forbidden under pain of internment by the Uruguayan Government to shelter any longer in the neutral port. So on Sunday she came out and was scuttled by her captain to avoid a further engagement with the waiting British forces. Those forces were still only a trio of cruisers (the *Cumberland* replacing the battered *Exeter*) out-gunned by the pocket battleship's 11-in. armaments. Earlier, British submarines had had the best week that the First Lord of the Admiralty, broadcasting on Monday, could remember in this war or the last. H.M. Submarine *Salmon*, close to the German shore, had blown to pieces an ocean-going U-boat and hit one 6,000-ton cruiser with one torpedo and another with two. H.M. Submarine *Ursula* had sunk yet another 6,000-ton cruiser, screened though it was by six destroyers. The record is no more than is to be expected from Britain's strategical mastery and tactical skill at sea. Nothing is added to its significance by condemnation of the captain and crew of the *Graf Spee* for ineptitude or cowardice as some people have tended to do, contrasting their surrender, not unnaturally, with the fighting end of the *Rawalpindi*. The scuttling of the pocket battleship was directly ordered by Hitler, and the German captain's own account of his defeat by the British cruisers was fair and unstinting of praise for their courage and superior skill. The *Graf Spee*'s record in fifteen weeks of raiding, if unimpressive, was at least clean. It was Dr Goebbels, not Captain Langsdorff, who fatuously claimed the battle as a German victory, only for his stupid falsehood to be given a monument in the ship sunk in Montevideo's shipping fairway. Captain Langsdorff committed suicide when the distasteful business was all over.

It is Britain's strength rather than Germany's weakness that should be loudly deduced from these successes—the courage and competence of commanders and men and the relentless pressure which is being organised to squeeze away

the last vestiges of German striking power on the high seas. Mr Churchill himself rightly laid stress upon the day-to-day toil and strain which makes triumphs like these not only possible but likely. It is the organisation of a naval network covering every sea that will win the maritime struggle, even though weeks may often pass without spectacular achievements or even with grim losses of our own. The submarine has been beaten as a major menace. The mine, though not yet mastered, is not proving too dangerously damaging. The German assault from the air upon shipping, now directed against small merchant and fishing craft, after its failures against warships and convoy escorts, has still to be decisively warded off. Of the German surface raiders, whose activities have been extremely circumscribed by the Navy's vigilance, the *Graf Spee* has gone, but the *Deutschland* slipped through the net in the Northern seas not long ago, and the whereabouts of the *Admiral Scheer* is not publicly known. "Rough and violent times still lie ahead," Mr Churchill has once more warned us, but recent successes must add to our confidence that the final reckoning at sea must come out on the side of the Allies.

Neutrality and Pan-America.—The carrying of the war into South American waters and the *Graf Spee*'s retreat into the harbour of Montevideo have raised a pretty crop of neutrality problems. Uruguay's immediate puzzle was to decide what grace might be permitted the damaged warship in order to effect repairs. The position is, it is true, governed by the Hague Convention, but its stipulations leave considerable latitude to the discretion of the neutral host. An undamaged warship may remain in a neutral harbour for twenty-four hours only; damaged, it may remain in harbour only long enough to recover seaworthiness; the right to restore armaments and fighting capacity is not conceded. The *Graf Spee* claimed two weeks in order to effect repairs, but after an examination by the Uruguayan naval authorities the Government granted only seventy-two hours' grace and the warship received an order to leave the harbour on Sunday, December 17th. Considerable obscurity shrouds the negotiations after this point. It appears that the German Government flatly refused to accept Uruguay's



Alps, overflowing only in isolated waves which spent themselves on the Bohemian uplands and over the wide Pannonian plain, but the sociological development of Europe still bears the traces of this in the sharp definition which exists between the cultures of the centre and of the south-east. They are two different worlds and where they make intimate touch, as in Bohemia, they are not happy together. In spite of its 1,700 miles of winding across Europe, the Danube has never been a corridor for the easy passage of men and goods. The way has had to be smoothed by artificial means.

The geographical argument for regarding the Balkan countries as a naturally German sphere of interest—and by that is implied the virtual exclusion of competition—will stand up little better than the argument based on history. The Austro-Hungarian regime, it is true, did something towards the welding of Central to South-Eastern Europe, but it was never much interested in Trans-Carpathian Europe, and, even where it was, the impulse was political rather than commercial.

The geographical remoteness of South-Eastern from Central Europe has not been much lessened during the past twenty-five years. New railways, though not many, have made their appearance on the map; old ones have become more reliable. A network of air lines has come into existence. There is a freer exchange of ideas, even a broadening

decision and even threatened to have the *Graf Spee* scuttled in Montevideo harbour. A hurried consultation on Sunday morning between the representatives of eleven American States—including the United States—is reported to have led to a joint declaration supporting Uruguay's interpretation of her neutral obligations and condemning Germany's attitude. On this, the German Government gave way. The diplomatic complications were increased by the fact that although the scene of the battle was well outside territorial waters it was well within the 300-mile "safety belt" drawn around the Americas, at the instance of the United States, by the Panama Conference in the first month of the war. This "safety belt" was never more than an aspiration and its status in international law is of the most shadowy. The *Graf Spee* did not observe it either in sinking the *Clement* on September 30th or in beginning the action with the British squadron. In these circumstances the British Navy would not only be conceding a great advantage to its opponents but would also be failing in its duty to British (and perhaps to neutral) merchant shipping if it promised not to fire again within 300 miles of the coasts of North or South America. Even if the American nations patrolled the vast area sufficiently closely to be able to guarantee the absence of any German vessels, the proposal is not one that would commend itself to Great Britain. As conditions are, with no effective patrol and no possibility of one, the proposal is absurd, but the American nations, having adopted it, are compelled to take it seriously. Consultations are in progress and it is reported that a joint Pan-American protest will be made both to Germany and to Great Britain. It will be quite easy for Hitler to promise not to go within 300 miles of America. But the reason for his doing so will not be the annoyance of the American Governments. It will be the *Exeter*, the *Ajax* and the *Achilles*.

Air Force Activity.—It is not only at sea that important events have lately taken place. Day in and day out, British bombers are patrolling the western islands and estuaries of Germany in search of mine-laying sea-planes and warships, and on Monday the enemy's opposition to this constant vigil flared up into a considerable air battle. According to the Air Ministry report, some seven British planes were lost, while twelve out of 24 German fighters were brought down; the German account claimed 36 destroyed out of 44 British machines. Combats of this kind are rare, for the air war is still in its tentative stages. For the time being, two considerations largely determine the strategy and tactics of both belligerents. One is the absence so far, by mutual restraint arising from reasons of expediency, of bombing upon land targets. The other is the possibility that land bombing may begin at any time. This means that, in the air, both Britain and Germany are chiefly on the defensive. The British security patrols do not take the direct step of bombing the enemy's bases, bombers though they mainly are. They cruise in the air to quell any air or sea initiative that the enemy may start, and the frontier of Britain for these defensive purposes is set in the Heligoland Bight. The greater part of the Royal Air Force, the fighters of the Fighter and Coastal Commands, await larger scale enemy offensives at home, standing by to repel invading aircraft and maritime pirates. The new stage of Germany's efforts at sea, consisting as it does of bombing and machine gunning helpless coastal craft and fishing vessels, will add to the ceaseless work of these air defenders.

Canada's Contribution.—On Sunday last the first division of the Canadian Active Service Force landed in England. Almost simultaneously, a final agreement was signed in Ottawa between Canada, Australia, New Zealand and Great Britain for the setting up in the Dominion of the Empire air training scheme which has been steadily planned since September. It is hardly realised yet how decisive a contribution Canada may make to winning the war. The Dominion's great contribution in men and muni-

tions between 1914 and 1918 is well remembered, and since then a generation of rapid mining and industrial development has gone by. The new expeditionary force now in England is mainly made up of ex-Service men and their sons. It is drawn from every district and occupation in Canada. It is commanded by a general who won honour when very young in the last war and is, in addition, an eminent scientist. The pick of the Canadian people, French and British, the C.A.S.F. was raised on a voluntary basis, and it will reproduce all the qualities that made its predecessor famous and feared twenty-five years ago. But this time it will have behind it Canada's greatly increased power to produce the goods of war. Canada still ranks among the world's producers of wheat, and by now she is also in the first rank of industrial countries. Manufactures based upon her vast mineral wealth and associated with the industries and markets of her American neighbour are there to be harnessed to the Empire's war effort; there are Canadian shipbuilding yards to be occupied and expanded. Much prior planning has been done. The Canadian aircraft industry was organised before the war to turn out the machines that, added to the Allied output in Europe, will give the Allies command of the air. There will be personnel to match the planes, for the Empire air training scheme will centralise in Canada the advanced instruction of from 10,000 to 20,000 airmen annually from Australia and New Zealand as well as from Great Britain and Canada. It is important that Canada's war power should be mobilised to the full as quickly as possible. There have been grumblings among both farmers and manufacturers in the Dominion that Allied orders have been slow to appear. These are *ex parte* opinions, and Britain and France have other sources of supply to recruit and satisfy. But Canada's potential strength is too great, and her determination to use it, since the Quebec election too plainly unanimous, for any suspicion of needless delay in marshalling her aid to be tolerable.

The Indian Crisis—A Correction.—It is not very often that the accidental omission of a single word can so completely change the meaning of a whole article as occurred in the article on "The Indian Crisis" in the last issue of *The Economist*. The crucial sentence in this article appeared in the following form: "It is with these considerations in mind that the British Government has to seek a way to satisfy the very natural desire for constitutional advance; and if the Moslems reject the proposal for a constituent assembly the British can force it upon them." The last few words should have read "the British can hardly force it upon them." Study of the context may have led some readers to make the mental insertion; but the omission (the blame for which does not lie either on the author or on the editorial staff of *The Economist*) is none the less culpable.

More Help for Finland?—With continuing Russian pressure on all fronts, and particularly on the Karelian Isthmus and towards Kemijaervi in Finland's "waistline," President Kallio's appeal last Sunday for a larger measure of practical help becomes of the greatest urgency. "Every one grants that in modern warfare," the President said, "the decisions lie with instruments of defence suited to their particular purpose and men to use them, so that we need more active help than we have hitherto received." Without attempting any facile estimate of comparative strengths it is as clear as day that the Finns will be able to last out long into the New Year only if they are given by a sympathetic outside world the means to relieve, replenish, and renew their hard-fought supplies of men, morale, and material. It is known that they are receiving a certain amount of new material, that the British Government has taken steps to ease the export of arms which otherwise would have gone into our own stock, that the Government of the United States has taken similar steps,

and the Swedish Government is collaborating with these efforts as well as making some of its own. The Secretary-General of the League has now invited members to inform him in what manner they intend to implement their resolution of December 15th, calling upon them as it did to "furnish such material and humanitarian assistance as is within their power." It is to be hoped that those neutral States which blew so hot over the aggression of the U.S.S.R. will register the same temperature in helping to mitigate some of its worst effects.

Scandinavia's Neutrality.—In this connection there is no good reason to upbraid the Swedish Government for standing and wringing its hands rather than plunging headlong to the help of Finland. Although it may be hoped that the present state of affairs in Scandinavia will lead Swedish opinion towards a firmer conception of the needs of self-defence than has been held in the past, maintenance of formal neutrality is, at any rate for the moment, Sweden's own possible course of action. It might be different if the Swedes felt more confidence in their ability to withstand the German pressure which almost certainly would follow an intervention on Finland's behalf. To be able to point to substantial material gains in the Baltic must at the moment be the dearest wish of those in Germany who have initiated the retreat from the south Baltic coast and connived in the invasion of Finland. Those gains can come now only by acquiring a firmer hold on Denmark and a stake in Sweden's policy. For a majority of Swedes Germany has always represented, as she did for Finland, the real safeguard against Russian imperialism; if those two facts are brought together against a background of Sweden's weakness and Germany's strength, it is easy to see that before she is strong enough to resist the temptation of German "protection"—no matter how disinterested that protection might appear to be, it must still go into inverted commas—Sweden must pass through an intensive period of moral and material preparation. But the dilemma is acute. It can be resolved finally only by the removal of the Nazi regime, since only then can Scandinavia receive Western help in sufficient weight to discourage Stalinist expansion.

Russia and the League.—The official Soviet reaction to their expulsion from the League of Nations is interesting only as illustrative of the technique whereby Russians are provided with their opinions. The Kremlin will not expect anyone outside Russia apart from fools and fanatics to respect the façade with which they have sought to cover their aggression. This being so, there was nothing to gain by resigning from the League before the resolution expelling the U.S.S.R. was passed; while, from the point of view of domestic opinion, there was much to lose. The Kremlin can now pose as the victim of capitalist intrigue. Britain and France have turned the League into an instru-

ment for the destruction of Russia, just as Mussolini and Hitler, in their turn, claimed that it had become an instrument against Italy and then Germany. Such an obvious tactic need not be despised by the ultra-subtle minds that reign in Moscow. Accordingly, the League's "absurd decision," in the words of an official commentary, is met with "an ironic smile." Britain and France, "under whose dictation the resolution . . . was adopted, have neither the moral nor the formal right to talk about the 'aggression' of the Soviet Union . . ." With all due modesty, the writer suggests that "one cannot help admitting that the pact between the Soviet Union and the Republic of Finland testified not to aggression but, on the contrary, to the peaceful, friendly policy of the Soviet Union towards Finland, a policy aiming at ensuring the independence of Finland and at increasing her might by extending her territory." Quite so. Coupled with this commentary, however, there came vague threats of retaliatory action against the Western Powers. As might have been expected, these have led to nothing; nor is there any sign that they will lead to anything. Soviet policy has become so completely anti-British—in the sense of supporting Germany and of worsening the war by involving Finland—that there is probably nothing now that the Soviet Government can do against the Western Powers without at the same time weakening its own position. No one now believes, however much he may wish to cherish the hope, that a Russian success in Finland will satisfy the Kremlin's expansionist policy. But, until that success is assured, we may count on words going unsupported by deeds.

Christmas Fare.—In deciding to postpone the start of butter and bacon rationing until early in January, the Cabinet no doubt thought that the absence of ration cards would add to the pleasures of Christmas. They were also bending a little to the vehement opposition of a section of Members of Parliament who have a rooted objection in principle to compulsory rationing, a gospeller's faith (voiced this week on the report that meat rations were being projected) in voluntary rationing and a complete inability to see that the voluntary way, simply because it is inefficient and tends to be discriminatory, is not really rationing at all. Unfortunately the Government's good intentions for the festive season may not be fully appreciated even by housewives catering for Christmas. The fact is that, as things are, until the ration cards are put in use, supplies to shops will be strictly controlled, while distribution to customers will not. There will be a premium on evasions. The absence of ration cards does not mean that there is an abundance of butter and bacon and sugar, which alone would excuse it. It simply means that a short supply is being badly and irritatingly distributed. More serious, it means that the short supply will in the long run become shorter than it need. The sooner rations are made effective the larger they can be. The element of a lottery is introduced to add to holiday pleasures. The little vouchers that are being handed

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to those of the B.E.F. and the Services at home who have Christmas leave are now the tickets to a lucky dip; if the possessor intends to spend Christmas in a "Christmas evacuation" area, such as London, or in the neighbourhood of large boarding schools, his chances (quite speculative anywhere) of getting half-rationed foods are likely to be higher than in a reception area where grocers have the unenviable task of spreading the supplies allowed for their registered customers over a temporarily increased population. Civilian travellers will not even have the little vouchers to go with their breakfast egg. At this season of goodwill it would be uncharitable to hope that the members of the Cabinet should find themselves in the latter type of district; but we can at least wish them, and ourselves, a happier New Year complete with ration cards and fairly and smoothly apportioned rations.

* * *

Prices and the Cost of Living.—Since the war started the cost of living index of the Ministry of Labour (still unrevised and reflecting purchasing habits as they were before the last war) has risen 18 points. Between October and November it rose 4 points, or 2½ per cent., due mainly to increases in the price of eggs, fish, bacon, cheese, clothing, coal and gas. A rise of something like 10 per cent. in the cost of living during the first three months of war is not excessive. If the index were reliable, there would be only small cause to fear, either that the poorer members of the population were being unduly mulcted in their purchases of necessary articles or that an inflationary movement had begun. Actually there have been many onerous increases in the prices of goods which are, or have come to be regarded as, necessities. It is the intention of the first Order made under the Prices of Goods Act to check this tendency. The Order, which was published early this week, cites the articles to which the price-regulation powers given by the Act may be applied after January 1st. They are, deliberately, articles of general use, including clothing, dress materials, black-out stuff, a variety of domestic ironware, sandbags, electric torches and knitting wool. It is not the Act's purpose either to fix maximum prices for the goods cited or to impose price regulation upon traders. Under the Order the initiative is left to customers; it is for them, if they feel that the prices charged in specific instances coming under the Order are unreasonable, to register their complaints with one of the 16 local price committees set up in the United Kingdom.

* * *

The principle upon which committees will work will be that the prices charged on August 21st last should not be increased except in respect of increased costs and expenses or because there have been changes in the volume of business upon which fixed overhead costs fall. It is primarily a question of deciding whether individual traders are acting legitimately or not. Indeed, the main virtue of the Act is that it will furnish a stick with which to beat the palpable profiteer—the man who engrosses torches and batteries and gains 300-400 per cent. It will not, in itself, cut down the cost of living; indeed, since the machinery can only be operated by individual appeals, it may even afford a protection for rising prices, if the procedure of appeal is either complicated or expensive. Nor will it diminish the danger of inflation, except as a small corollary part of a planned campaign, by rationing, taxation, borrowing and so on, to prevent the calamity of growing purchasing power bidding for increasingly scarce goods. Misapplied, price regulation might even enhance the dangers of inflation by keeping goods of general consumption at unduly attractive prices. Not the least effective means of cutting down consumption is by letting prices rise, and this should be remembered when further Orders covering goods of a more obviously luxury character are issued.

* * *

Back to the "Old Order"?—The decision of the Japanese Government to reopen the river Yangtse and possibly the Pearl river to the merchant ships of other

nations throws interesting light on the awkward dilemma into which two years of inconclusive warfare have thrust Japan. Just over a year ago the fall of Hankow and Canton should, from the military point of view, have brought the war to a triumphant conclusion. It seemed to be only a matter of weeks before the collapse of the Chiang regime would set the final seal on Japan's victory. With their "New Order" so nearly within their grasp, the Japanese embarked vigorously on one of that "Order's" pre-conditions—the liquidation of foreign commercial interests; the closing of the Yangtse and Pearl rivers to the shipping of other Powers (by the simple prevarication of refusing them any guarantee against attack) was simply part of a larger offensive on the rights of foreigners. Protests might be met with the plea of military necessity, but it was clear that Japan, in establishing a monopoly in river-borne traffic, had advanced to a position from which only a major reverse was likely to dislodge her. In the year which has elapsed since the British, French and American Notes of Protest of November 7, 1938, the major reverse has been slowly taking effect; not a sensational military defeat but an unsensational inability to liquidate China's resistance is changing the whole basis of Japan's East Asian policy. The "New Order" is as far off as ever. In the meantime Germany's defection from the anti-Comintern front has destroyed Japan's extra-Asian diplomatic footing, her extremists have been weakened by the combined effect of Russian and German aggression, and, most serious of all, the United States has begun to show signs of fight. In August it denounced its commercial agreement with Japan. The six months' grace expires in January. Japan, loaded with debt and dependent on the United States' markets for her vital supplies, cannot ignore the challenge, and Monday's conditional guarantee to reopen the Yangtse, which was conveyed first to the American and then to the British Ambassador, is frankly admitted to be a bargaining counter in the negotiations for a new treaty on which Japan must count. Britain's position is less clear, since she lacks the commercial lever and is involved in European hostilities. Salvation for her lies in the closest co-operation with the United States, and there are welcome signs that this co-operation is present. Whether the Japanese offer will, in fact, be acceptable is, however, open to question. All the assurances that "Japan is misunderstood" when she is held to be acting in "an exclusive and monopolistic manner" do not cover the blatant fact that there is no room in the New Order for anyone but Japan and that only the present impossibility of achieving that Order is leading her to give the rights of other Powers some little consideration.

* * *

Dutch-Belgian Co-operation.—One of the main diplomatic questions of this war, or of the early stages of it, concerns the degree of solidarity between Belgium and Holland. In case of German invasion, would the one go to the help of the other? In the past the answer must have been negative, or at the best a very sceptical affirmative; neither Dutch nor Belgian ruling opinion had shown much warmth of feeling for the other's misfortunes, and the exchange of visits between Queen Wilhelmina and King Leopold, made last summer, was, in fact, regarded as the beginning of a period of improved relations. In the excessively cautious Cabinets of The Hague and Brussels any question then of direct military assistance would have been met with severe discouragement; discussion of the matter could lead, it would have been said, only to regrettable complications. During the September crisis of 1938 the extent of Dutch-Belgian co-operation would seem to have been limited to an exchange of telephone calls on the decision to order partial mobilisation. For the real test, however, we have had to wait for another year; the facts are still shrouded in the usual official secrecy, but a speech made this week by M. Spaak, the Belgian Foreign Minister, appears to confirm the general impression that Belgium has now promised and arranged to fight with the Dutch if the Netherlands are invaded. At the height of the military threat which the Germans prepared some weeks ago, first for Belgium and then for the Netherlands, there

was consultation not only of the King and Queen and of their foreign ministers, but also of their chiefs of staff. The sudden way in which the threat was removed by the Germans would argue that a new factor had been introduced into their calculations. That could only be an arrangement for military collaboration. M. Spaak's pronouncement chimes in very well with this conclusion. Economic, political and military solidarity between the two countries, he said, would be of the greatest benefit. Belgium could not think of her northern neighbour as being other than independent and neutral. Dutch independence and neutrality were a factor for peace in Europe. Belgium had her hands free, but they had to consider the situation in the light of circumstances as they arose. It is difficult to interpret this other than as a warning to Germany that the Dutch are now assured of Belgian help. The German reaction should be instructive.

* * *

The Importance of Railway Wagons.—The more obvious inconveniences to the public which result from the wartime reorganisation of the internal transport system have received their due share of publicity. The enormous strain imposed on equipment and personnel—particularly in the case of the railways—and the success with which that strain has so far been taken, have been less in the news. It has consequently been possible for the importance of two recent transport events almost to escape the attention of the public. The first of these events was the Railways (Demurrage Charges) Order, which increased the charges the railway companies may make for wagons left loaded at stations, and reduced the free time which is allowed for their clearance. The second is the contract which has been placed by the Ministry of Supply for 10,000 20-ton covered goods wagons. These two developments represent a determined attempt to avert serious difficulties in our transport arrangements. The magnitude of the threat has again been insufficiently emphasised through a lack of balance in the news, this time by the exclusive emphasis which has been placed on a similar danger in Germany. It is true that we stand an incomparably better chance than the enemy of getting through this war without a disastrous transport breakdown; but we shall not improve that chance by ignoring the importance of the above measures, the difficulty of implementing them and the necessity to supplement them with other improvements.

* * *

War Damage to Property.—It was not to be expected that the report of the Weir Conference on Government policy concerning compensation for war damage to property would be accepted by all property owners without question. A joint committee convened by the Association of British Chambers of Commerce and representative of a number of responsible trade and professional organisations has now registered its formal disagreement. The interpretation which the Weir Conference put upon the situation, in stating on the one hand that no really helpful mutual insurance scheme could be found, and on the other hand not questioning Sir John Simon's warning that no definite undertaking can be given as to the amount of compensation to be paid out of public funds, undoubtedly made the worst of both worlds. The joint committee has quite rightly emphasised that in order to achieve the immediate end of restoring confidence among property owners the Government must give legislative backing to the half-promise it has already made. They have gone further and claimed that it is necessary to give Parliamentary sanction to a scheme for compulsory provision against war damage involving a flat rate premium of 2s. per cent. per annum payable by all property owners. These suggestions are interesting. They embody the useful idea that the Government, while sticking closely to its promise of compensation as complete as possible, should assist property owners to undertake effective action to make up the difference between what the Government can pay and the actual damage incurred. To this end it is even suggested that further premiums might be paid after the war has ended,

at a rate not exceeding 10s. per cent. per annum. The objections to the scheme are obvious enough. It does not destroy the basic difficulty that war damage is incalculable and that any big catastrophe may reduce the insurance side of the scheme to empty nonsense; that the consideration that property owners may recoup themselves to some extent from other sources will have a material effect on the Government assessment of what can be paid out of public funds; and that a flat rate of premium will not be welcomed by property owners in the less vulnerable areas. But the basic motive behind it is understandable enough. The Government's policy is half-hearted, and any kind of mutual indemnity scheme being better than none, it is reasonable to seek for the best possible. Such a scheme will have to be centralised and compulsory.

* * *

Education in 1940.—The wartime unemployment problem is worst of all in education. Something like three-quarters of the country's schoolchildren are wholly unemployed or on short time. The aim of evacuation was to enable schooling to be carried on in safety, and yet after four months of war a majority of the children are neither safe nor being educated. Nor is it education alone that has suffered. A feature of progress in public health in the past generation has been the expansion of medical services based upon the schools. In September, with the continued closing of most schools after the holidays and the migration of something near to half the children of vulnerable towns, this system of medical care and examination was split apart. Now we know, from Lord De La Warr's speech last week-end, that the Board of Education is duly and deeply perturbed about the present state of affairs. It is not easy to set right. Not weeks but many months will be needed to build communal boarding schools of camp or other types which would remove the frictions of billeting in the reception areas and make possible the resumption of proper schooling there. Even the *pis aller* opening of schools in the danger zones for the million or so children who are now there will take time. The problem is twofold; to prevent the piecemeal drift of children back to the towns which augments the burden of civil defence and multiplies the difficulties in the way of furnishing continuous schooling again for the children; and to set the school medical services in operation again. Every effort is being made by propaganda to keep the children "happy and safe" over Christmas, and a far-reaching plan for the immediate medical inspection of the children (mentioned on page 454) has been announced. The root troubles remain, and a New Year when the restoration and maintenance of schooling will be all important is only a week away. Several weeks ago *The Economist* reminded its readers that English education is by law compulsory—it is an obligation of the State to provide schooling and of parents and guardians to send their children to school. Realisation of the validity of this point is spreading. The voluntary nature of evacuation must no longer be permitted to absolve either the State or parents from their legal obligations. Once schools have been made available by the Government in sufficient numbers wherever there are children, there must be no more idleness or itinerancy among children of school age.

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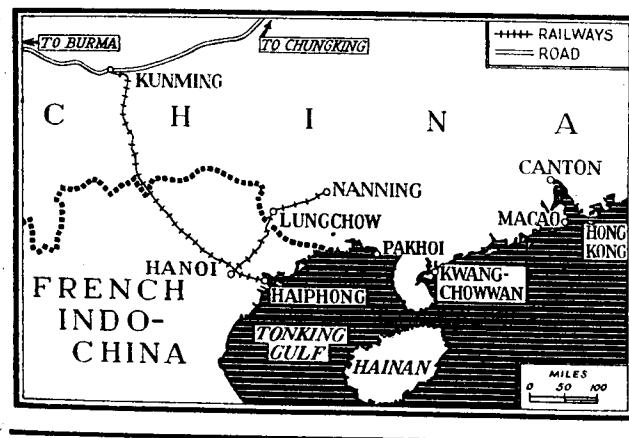
THE WORLD OVERSEAS

The Lifelines of Free China

(From Our Shanghai Correspondent)

THE Japanese landing on the shores of the Tongking Gulf and the subsequent capture of the port of Pakhoi, as well as of the inland city of Nanning, in November, 1939, deprived the Chinese National Government of two important outlets for Free China's foreign trade. The fall of Nanning also threatens the Lungchow route, one of the few important lines of communications connecting the areas under Chungking's control with the outside world. Access to Free China has become more difficult. The problem of her foreign communications is more burning than ever. The continuation of trade with the Chinese areas pledging allegiance to the Chungking Government depends upon the solution of this problem.

Pakhoi, early in 1939, temporarily showed the largest foreign trade turnover of all the Chinese Customs stations outside the Japanese sphere of power. Later, in expectation of a Japanese attack, the Chinese gradually diverted Pakhoi's trade elsewhere. By October, 1939, they had reduced imports via Pakhoi to insignificance, but almost 20 per cent. of Free China's exports still left the country via this port. This route



is now closed. The South China ports not yet under Japanese control continue to transact only 25 per cent. of Free China's foreign commerce, with most of it concentrated in Portuguese Macao and French Kwangchowwan. The remainder of these ports—Ningpo and Wenchow in Chekiang; Santuao, Foochow and Chuanchow in Fukien; Lappa and Limchow in Kwangtung—are blockaded by Japanese naval forces and can load or unload foreign trade goods only surreptitiously and within narrow limits. Hongkong is the only partner in this trade.

Despite the Japanese seizure of Canton over a year ago, the bulk of Free China's foreign trade continued to go via Chinese seaports until the Japanese occupation of Swatow, in early summer 1939. From then onward, that trade chiefly passed along overland routes through non-Chinese territory to non-Chinese ports. Of these routes, the French railway Haiphong-Kunming and the Hanoi-Lungchow-Nanning route (railway to Lungchow, motor road Lungchow-Nanning) are the two most important. At the termini of these routes, Kunming and Nanning became the centres of foreign trade and distribution in South China. The Lungchow route and Nanning, in autumn, 1939, carried one-third of Free China's imports and one-fourth of its exports. To double this route, a French consortium was building from Chen-nan-kuan to Nanning a railway to be completed early in 1940. With Nanning taken and destroyed by the Japanese, and the

latter likely to advance westwards against Lungchow, this railway project had to be given up. Free China traffic and trade via Lungchow, diverted westward and northward around Nanning, still continued late in November, 1939, but will have to be stopped if the Japanese penetrate closer toward Lungchow and the border of French Indo-China.

The Vital French Railway

The French railway Haiphong-Kunming automatically becomes Free China's main line of communications. Half of the Chungking-controlled areas' imports and one-third of their exports went up and down this railway late this autumn. The transport capacity of the line, which a year ago was only 3,000 tons monthly, has been increased to 20,000 tons, and is being further increased to 30,000 tons by the New Year 1940. Chinese complaints of the limited capacity of the line stopped long ago, and for months the chief obstacle to its full exploitation has been the shortcomings of the inner Chinese transport system, which proved incapable of taking prompt and full delivery of all the military supplies and commercial goods carried by the railway into Yunnan. Consequently, there is a huge congestion of foreign goods for Free China in both Kunming and Haiphong, amounting in the latter port to little less than 150,000 tons.

The Chinese National Government during the past twelve months have built a tremendous mileage of new overland motor roads which to-day connect Kunming with the other provincial capitals in South and West China, as well as the latter with each other. The official and private truck services on these roads, unfortunately, lack in efficiency. The organisation of fuel supply, service stations and repair shops leaves much to be desired, and inexperienced or careless drivers too quickly ruin the vehicles. Many new trucks are wrecked within three months, and most do not last over a year. There has been, of late months, a steady improvement in these services, but their general condition often is still appalling. Nevertheless, were it not for these truck services, however inefficient, the Chinese National Government long ago would have had to give up armed resistance against Japan.

The Burma-Yunnan Road remains the most publicised but the least important of Free China's foreign communications. Long sections of the road are badly constructed. The truck services suffer from the same faults as elsewhere. During this year's rainy season the traffic was frequently interrupted, and even during the dry season traffic along the road never even distantly approached the carrying trade of the Lungchow route or the Haiphong-Kunming railway. Unsatisfactory also is the condition of the three routes which, connecting Soviet Russia with North-West China, converge upon Lanchow, Kansu Province. But on these routes the Soviet-organised motor services are more efficient than on the Burma road. Two of the Soviet routes cross the Gobi Desert, while the third follows the track of the ancient Silk Road from Sinkiang along the northern slope of the Kuen-Lun mountains. These north-western routes are available for Sino-Russian traffic only. German efforts to induce Russia to open these routes for Sino-German trade have been reported, but as yet do not appear to have had positive results.

For certain categories of foreign trade, goods of high value but small bulk, Free China remains accessible by air also. It continues to pay, for instance, to fly pharmaceutical goods from Hongkong and Haiphong to Chungking and to bring back Szechuen bristles.

November 30th.

Steel and United States Recovery

[FROM OUR NEW YORK CORRESPONDENT]

FOR seventeen consecutive weeks the index of steel production has advanced without hesitation. In that time it rose from 89.1 on August 5th to 146.8. In the lowest week this year, in May, the index stood near 60; and the average for the first half of the year was about 70. In short, current steel operations (at 94 per cent. of estimated capacity) are approximately 100 per cent. above the average for the first half of the year. Last week, after the seventeen weeks of consecutive advance, the figure was unchanged.

The computed capacity of the steel industry is 70 million tons. At 94 per cent. of capacity, it is presumably producing something like 65 million tons. In no period of twelve consecutive months in United States history has demand ever totalled 50 million tons; and not even the most hopeful prognostications have ever ventured the forecast that an average of 5 million tons a month is to be regarded as probable for any sustained period. Indeed, it is doubtful whether a rate as high as 94 per cent. of computed capacity represents economic working for the industry.

One week of hesitation is rather slim evidence that a recognisable cyclical move upward has culminated. But there is a good deal of support for that view. The simple fact is that no other statistical series has either set such a pace as steel production or advanced comparatively to such a high level. According to the record of the past, steel production "at the rate of" 65 million tons a year would symbolise a boom; and, while the economy is decidedly better off than it was in the first half of the year—or indeed at any time since 1929 or 1930, with the possible exception of a few weeks in 1936-37—it is very far from being in a state of booming prosperity. There is a boom in steel. That is all that can be said definitely.

The bulk of opinion—even of optimistic opinion—expects a period of consolidation or even of mild recession. A minority is inclined to the view that we are at the top of a cycle, and that the next real phenomenon will be a downturn of some steepness. Another minority view is that the general upturn, being more substantial and less speculative than the 1936-37 episode, is more capable of maintenance; that, since steel production gives an exaggerated impression of the extent of recovery in the economy taken as a whole, the general recovery is well capable of further advance.

The Role of Steel

Steel enters into personal consumption in an increasing number of ways from pocket knives to tin cans, motor cars and even furniture. But the usual non-armament destination of the bulk of steel tonnage is in some form of capital or producers' goods. Steel is an ancillary product, not a primary product; it is produced in order to produce other things; and the purchaser is not the individual but the business enterprise—usually, in the American economy, a corporation. Corporations purchase steel in order to increase, improve or maintain their productive equipment. For the past decade, our productive equipment has not, in general, been improved in proportion to the advance in technology or increased in proportion to the growth of the population. It is even doubtful whether it has been maintained in as good repair as it was at the time of the crash just ten years ago.

The reason for this is familiar. Corporations purchase capital equipment out of capital funds; and access to capital funds is provided only by corporate earnings—either directly out of undistributed profits or indirectly by an appeal to the capital market on the strength of earnings. As in the Parable of the Unprofitable Servant, the absence of earnings in a capitalistic economy is *prima facie* evidence of discreditable stewardship. The past decade has indubitably been a period of low corporate earnings, and in the aggregate almost continuous corporate deficits. Corporations without earnings, or with but sporadic and small earnings, neither had undistributed profits to expend on plant and equipment nor any grounds for claiming additional funds from the market. Nor did the individual investors, who compose the market, derive any great sum of investible funds from their shrunken or passed dividends and defaulted coupons.

Rising Earnings

For the first time in ten years, we are now in the sixth consecutive quarter of rising corporate earnings. While these earnings are not high compared with the '20's, they are high

for the '30's. While dividends have been restored or increased in numerous instances, it seems likely that for the year as a whole the sum of undistributed corporate profits will be large, and that of these undistributed profits a large fraction is going into capital equipment. As yet, however, there has been no revival of the new issue market; but allowing for reasonable lags, this should not occasion any surprise or disappointment yet.

It is quite possible that the rise in earnings has led to a "bunching" of equipment orders, a concentration in a few weeks of orders that might have been placed earlier, or might have been distributed more evenly over a longer time. Had the steel production of this year as a whole held to a running monthly output at, say, 65 per cent. of capacity, it would not have produced anything like the disturbance occasioned by averaging 50 per cent. for the first half-year and over 90 per cent. for the last quarter—yet it would have represented the same production for the year as a whole. And, just as orders that could have been placed in the first half were deferred to congest the last half, so it is perfectly possible that orders that might have been deferred to next year have been anticipated in current production.

While the theory that the remarkable activity in steel production is essentially a reflection of corporate earnings is more than plausible, it does not alone guarantee sustained demand at the current level. It does, however, suggest that the current recovery is better grounded than the brief, abortive rally of 1932, the flash-in-the-pan devaluation boomlet of 1933, or the Soldiers' Bonus and price speculation boom of 1936-37.

December 7th.

Bolsheviks on the Move

[FROM A CORRESPONDENT IN RIGA]

THE embarrassment and discomfort which the Latvians, Estonians and Lithuanians may feel over the presence in their "free and independent" republics of strong Soviet garrisons appear, to the foreign observer, to be decidedly less than that felt by the Bolshevik troops now stationed here—officers as well as men. Early fears that these forces would prove to be germ-carriers of Bolshevism on a large scale, first throughout Eastern Europe and then farther West, now seem to have been dispelled, and such "contamination" as may be taking place is most probably in the other direction. Having seen for themselves what sort of food the Red troops are given to eat, how shabbily they are dressed, what miserable-looking horses they have, how primitive appears to be their intelligence, and how utterly ignorant they are of what has been happening in the world outside Russia in the last twenty years, it is not likely that even the simplest peasants in the Baltic countries will be any more eager than before to embrace this doctrine from the East.

It is, indeed, much more probable that the Red forces now in these countries are learning from their travels and friendly contact with peoples outside the "workers' paradise" that it is they and not the rest of the world who have been living in an economic fool's paradise for the last twenty years. They stare at shop windows as if they had never before seen goods freely offered for sale, and it is credibly reported that the commander of one of the Soviet camps has asked the civil authorities in that district not to allow the local population—simple peasants though they are—to fraternise with the Red troops. There is, moreover, little doubt that a substantial number of soldiers are deserting and "losing themselves" in the villages or hiding in the forests. When they marched out of "the workers' paradise," it seems, they marched not to conquer so much as to seek freedom.

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A False March?

Many times in the last few weeks have I heard the question asked what moved the leaders in the Kremlin to undertake this gamble of a westward march? If they were doing such a wonderful job inside Russia, why not stay there in peace and quietness to complete it? The answer, it would seem, must either be that the level of intelligence of the closed-in Kremlin leaders was not much higher than that of their military forces and political agents when they began moving westward in September, in which case they may still do the most incomprehensible things; or that conditions inside "the workers' paradise" had become so chaotic that the most attractive way out was for the Mad Paul to change his rôle to Alexander the Great and hope for the best. It was possible to do this only when Germany and Great Britain had been locked in mortal combat; and the haste with which the Kremlin is now moving its forces throughout Eastern Europe suggests both that Moscow does not expect the struggle in the West to last anything like three years, and that it is bracing itself for the repercussions which will follow the collapse or downfall of Hitlerism in Germany. The view is widely held in the Baltic States that Stalin will survive Hitler, if at all, by not more than a few months.

The position of the Baltic States, in the meantime, is difficult in the extreme. Without any of the sympathy and glory that will eternally belong to Finland, the foreign trade of Latvia, Estonia and Lithuania has been ruined by the war; their military forces are now virtually immobilised by the establishment of Soviet garrisons on their territories; and they are increasingly afraid to make any move that might offend Germany or Soviet Russia. They pray for the downfall of both, but are powerless at the moment to do more than pray. They are hoping and waiting for a repetition of 1917-18, when first Russia and then Germany collapsed, in order to begin throwing their own weight about. The circumstances of 1917-18, however, may not again be repeated. The Baltic States might by now have been making a more tangible contribution towards the establishment of a better European order if they had had in September the courage to act decisively as a unit and to be less concerned with individual privileges and political jobs. No matter what fate is now in store for Germany and Russia, the Baltic States in the long run will survive—if at all—only as a single economic and monetary unit. Their present military forces, though useless, are a heavy burden on the economic development of the three States. There will surely be no place in a better Europe for a cluster of independent, chauvinistic States in Eastern Europe that are more or less the private preserves of political cliques.

December 11th.

Finland's Resources

[BY A CORRESPONDENT]

THE Finns have not flinched. The whole nation is mobilised. Their army, based on the principle of universal and compulsory military service, is admirable both in efficiency and morale. It is trained after the German model, its nucleus being formed by Finnish officers formerly in Russian Imperial service, and by the famous Jaeger Battalion of Finnish volunteers trained in Germany during the last war.

As well as the regular army, Finland possesses a small professional force and a navy consisting of two capital ships, two gunboats, four submarines, a number of armed motor vessels as well as armed icebreakers and merchantmen. The voluntary Civic Guard provides over 100,000 fully trained men. An important addition is the women's organisation, "Lotta Sward," of 80,000 members, providing equipment, clothing and food for the troops. And in the last few years the Finnish military budgets have been progressively increased.

With these forces at its disposal, the General Staff have worked out a special defence tactic which consists in lengthening to the utmost the duration of the war. The inten-

tion is to exhaust the Soviet troops, who are said to be ill-prepared for an extensive military effort, and to await international developments likely to help the Finnish cause. Their most serious menace is the Soviet air force, and it will be relatively easy for the enemy to bomb important towns and industrial regions.

Another aspect of the war—its economic strategy—looks no less hopeful. Though Finland's resources of textiles, manure, iron, coal, leather and explosives can last only a few months, it is possible to replace some of these commodities by home products, by the use, for instance, of more electric power and timber instead of coal. Naphtha, too, can be obtained from peat. The food situation is equally hopeful. There is an abundance of grain and potatoes; an increased cultivation of cereals and vegetables is planned. In addition to that, large supplies are expected from abroad, particularly via Sweden.

Minerals

The Soviet invasion has drawn attention to the value of Finland's mineral deposits. The Government-owned Outokumpu copper mine in Knopio province in Eastern Finland has ore reserves exceeding 20 million metric tons. At the present rate of operation they are adequate for fifty years to come. The sulphur from the greater part of the concentrates is condensed into liquid sulphur dioxide in a factory reputed to be the largest of its kind in the world. Prior to 1936 the copper concentrates were exported, but they are now sent to the electrolytic smelter works at Imatra in Southern Finland.

The Outokumpu Copper Company produced 10,545 tons of copper, 60,000 tons of sulphur, 75,000 tons of iron residues, 120 kilograms of gold and 1,200 kilograms of silver in 1937 and 11,824 tons of copper last year (1938). At the present time the company has under construction a copper refinery at Imatra and a copper rolling mill near Pari in Björneborg. The Finnish copper output is nearly three times the domestic demand and some 8,000 tons of the red metal are exported, largely to Germany. Finland has also become a producer of cobalt in the last two years or so, though figures of output are not available. She exported 240,575 lb. of the commodity to the United States last year.

Large deposits of nickel-copper ore occur near Petsamo in Northern Finland. In 1934 the International Nickel Company secured a concession to work the property, and up to the end of 1938 spent \$3 millions on development work designed to produce one million lb. of nickel and half a million lb. of copper per month. The company contemplated the production of bessemer matte in Finland and its further treatment in England. The mine, smelter and the connected hydro-electric power station had been scheduled to begin operations in the autumn of 1940.

Foreign Trade

But perhaps the most imposing of Finland's resources is her strong foreign trade position. From 1920 to 1938 her exports increased by more than 200 per cent., the volume of her industrial production by over 80 per cent., and her harvests by 200 per cent. Thanks to the favourable balance of payments, foreign debts, which amounted to 5,400 million marks in 1931, are now reduced to less than 1,000 million marks; and the fact that Finland has never defaulted on her American post-war loan had greatly contributed to the sympathy which the U.S.A. now extends to her.

Timber is Finland's economic mainstay; two-thirds of the country is covered with forests, and timber, pulp and paper account for 80 per cent. of her exports. In grain, dependence on imports has been much reduced; and exports of food-stuffs, especially butter and meat, amount now to 10 per cent. of total exports; last year 17,000 tons of butter were exported. The number of industrial workers rose from 135,000 in 1920 to 237,000 in 1937. Apart from the expansion of the timber, pulp and paper industries and the development of mineral resources, new manufacturing industries were set up and the production of the textile industry now covers the larger part of domestic demands.

Great Britain is the principal market for Finnish products; last year 43.9 per cent. of Finland's exports went into this country. The second place was held by Germany with 15.2 per cent., the third by U.S.A. with 9.2 per cent. In Finnish imports, Great Britain supplied 21.6 per cent. and Germany 20.0 per cent., Sweden 13.0 per cent. and the U.S.A. 9 per cent. Of her coal supplies, 70 per cent. were derived from this country (1,599,000 tons as against only 138,000 tons from Germany and 256,000 tons from Poland).

Finland's importance for the upkeep of Germany's war machine was considered high because of the embargo on Germany's imports. The Germans hoped to bring Finland within their orbit through political pressure, thus obtaining essential raw materials, especially timber.

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Germany at War

(An objective account of economic trends in the Reich compiled weekly by the editorial staff of The Economist from German and neutral sources.)

HERE have been two extremely important changes in German wage policy since the war began. First (as has several times been noted on this page) wages were put back to the level of 1936 many weeks ago. This was done by means of abolishing the overtime pay and other additions to wages which had infringed the decrees fixing wages in 1934 and 1936. The first aim of war policy was to cut down and then stabilise wages. No wage was to be altered while the war lasted. Wages had in name been fixed ever since 1936, but this had been evaded by subterfuges, by the extra payments and additions removed by this war decree.

In principle, the aim was to avoid the uncontrolled movements of prices, wages and profits which undermined morale in the last war. In theory profits as well as prices and wages were controlled. The "wages-stop" was part of a scheme to lower prices, the original idea being that the amounts saved by the employers in extra wage payments should be used to lower prices—a number of reductions made in actual wage rates to bring them back to the prescribed level were not covered by this scheme. Pending arrangements with the Price Commissar actually to bring down the price of the articles affected, however, the sum saved was to be paid into the State Treasury. The original idea faded. No reductions in price were made, and none could be made without the Commissar's consent. The wage cuts were not used to lower prices, and they ranked for the most part as extra taxes on workers' incomes—deducted at source, so to speak. This was reactionary enough, but another order went even farther. Certain employers, notably the Reich, local authorities, the Nazi Party, owners of small factories and workshops and farmers, were not to pay over the savings they made on their wages bill, though they continued to pay cut wages. Thus, to take the most glaring example, farmers pocketed the difference and food prices were not brought down. There was a gap here between precept and practice which was not unfamiliar in Nazi policy.

But this time the material discrepancy was too great for the workers to stomach. Ca' canny methods and malingering became common, and the authorities, under pressure, have been compelled to reverse their stringent wages rules. Overtime pay and other extra payments have been restored—as significant a step in Nazi economic policy as the war has yet seen.

The change of tune is not, however, wholly due to trouble among the workers, though Dr Ley's recent outburst against the international capitalists of London and the claim that the Nazi aim is to uphold true Socialism both suggest that there was considerable proletarian resentment to soothe. Indeed, it has been plain since the war started that the monetary burden was being laid disproportionately heavily on the working classes (see *The Economist*, October 14th, page 52). Nevertheless, the view that the "quietness" of the war so far, by making it unnecessary for the Germans to pour away their resources in large-scale offensives, renders it possible for the Nazi authorities to permit an increase in civil consumption, has an element of plausibility in it, as an explanation of these higher wages measures. And it may even be that, for one reason or another, the Germans have obtained greater quantities of supplies from abroad than was expected when the stringent wage decrees of September and October were issued—though this is not probable as a major factor.

Industrial Finance.—Scarcely less notable than the reversal in wages policy has been the increase (noted on this page week by week) in long-term private industrial issues and bonds. The Nazi policy formerly, under the Four-Year Plan, has been to finance large-scale capital investments by the State; the State has enforced upon business men the rate of savings required to finance necessary capital projects. Now there has been a swing back to more individualistic methods—in finance at any rate.

The intensive development of substitute industries, the working of low-grade ores and all the other expensive consequences of peacetime autarky and wartime blockade have come very near to using up the capacity, especially in electricity, which the Germans carried over from 1929. There is urgent need, as on the railways, for extensions, replacements, new plant and equipment; and the urgency and scale of the

need are measured by the great size of these recent capital issues.

It would be a mistake, however, to interpret the return to private financing to mean that the Nazis are now giving *entrepreneurs* a free hand. Direct control over business is in fact still growing greatly. The amalgamation and rationalisation movements in industry discussed on this page last week, though they are operated and, in so far as they require new capital, financed by groups of private firms, are State-induced. The pattern of German industry is far more dictated from above than the British.

There is some revulsion, recently represented by an article in the *Deutsche Volkswirt*, against the parcelling out of German industry among a few vast combines, and a crucial point in discussion is the maintenance of closed-down civil industries. Measures are being taken to meet these views. Special levies are made on a wide range of firms for "the maintenance of factories," and an increasingly thorough system of sub-contracting to bring in small and middle-sized businesses for war work is being developed. Herr Funk laid great stress on these points in his much-quoted speech of December 2nd.

* * *

Foreign Trade.—Germany has kept up her exports to contiguous countries surprisingly well. She has obtained fairly high prices for her goods and has not had to pay very much increased prices for her imports. The Allies' economic warfare has not yet been very successful in worsening Germany's terms of trade. Germany's chief failure has been in the size of her imports. She has not succeeded in forcing neutrals to keep up supplies to Germany. Her export surpluses have grown and her clearing debts, except in the case of Hungary, have fallen.

The accessible neutrals have not been anxious to increase their deliveries to the Reich. After war broke out Bulgaria, Roumania and Hungary all overvalued the pound sterling in their adjusted wartime exchange rates, thus seemingly showing a preference for trade with the Allies—not yet capitalised, however, by the Allies themselves. At least, these countries prefer to use German exports to wipe off German debts rather than to increase sales to Germany. Germany's urgency in trade negotiations with Roumania, which have now yielded useful results, illustrate the lengths to which the Nazis are going to avoid this.

The trade of some neutrals with Germany during the first two months of the war gives some indication of the trend. In the table below are set out the imports and exports of seven countries from and to Germany during September and October, expressed as a percentage of the trade in August, 1939:—

	(Value in August, 1939=100 in every case)	Imports from Germany		Exports to Germany	
		Sept.	Oct.	Sept.	Oct.
Hungary		91.5		43.9	
Jugoslavia		105.6	98.3	39.5	62.8
Bulgaria		89.2	181.5	281.5	385.0
Holland		92.3	131.2	58.7	67.8
Belgium		72.9		89.2	
Switzerland		83.2	128.3	37.7	42.4
Denmark		81.9	124.2	109.0	103.5

Switzerland's imports from Germany during November amounted to 121.6 per cent. of the August total, and exports to Germany amounted to 63.5 per cent. of the August figure.

With the exception of Yugoslavia the increase in exports during October is considerable, and it seems likely that exports during November have remained on the same level. Imports show, however, a different picture. There are heavy decreases with the exception of imports from Bulgaria and Denmark. At the same time, much to Germany's alarm, the exports of South-Eastern Europe to the United States of America are growing considerably. The following table shows the exports of Yugoslavia, Bulgaria and Greece during September and October, 1939, expressed as a percentage of the monthly average in the period January to July, 1939:—

	EXPORTS TO U.S.A. (Value)		
	(Monthly average January to July, 1939=100)		
Jugoslavia		September	October
Bulgaria		153.0	348.0
Greece		1,000.0	1,830.0
		317.0	829.0

Books and Publications

The Economics of War

THE *Economic Journal* is not always easy going for non-academic readers. The first wartime number of the *Journal*,* however, notably combines an exhaustive inquiry into some of the most pressing problems of the moment with all its accustomed skill in dialectic and economic analysis. The theme of six out of eight articles is war economics and Britain's war potential, and from them emerges with unusual clarity, not only the basic facts about our resources of money and men, but also straight guiding lines for public economic policy. They represent the beginning of a contribution which the *Journal* hopes to make, quarter by quarter, while the war lasts.

Mr Keynes starts the ball rolling by examining the country's capacity to meet the Government's demands in terms of money. That is, he gives the calculations upon which his recent proposal for a scheme of compulsory saving, especially directed at people in the £3-£10 weekly income group, was based. The necessary war outlay, over and above pre-war Government spending, can only be met by liquidating existing assets (selling gold and foreign investments abroad,† saving on the maintenance of capital assets at home and letting stocks run down); by expanding output (increasing hours of work and overtime and bringing unoccupied persons into industry); and by diverting output to war uses. Mr Keynes concludes that in these ways the Government's real expenditure could without great difficulty be raised by £1,500 millions, at pre-war prices, or even by £2,000 millions without drastic or extraordinary measures.

But this is only possible, even in theory, if there is no increase in civilian consumption at the same time. Incomes available for consumption are likely to be increased by something like 15 to 20 per cent., mostly in the income group below £10 a week. This increase must go back to the Treasury in taxes or loans if the country's capacity is to be used to the full. It must not compete with the Government for resources. In round and very approximate terms the task is to get back for the Government some £525 millions of increased incomes. Fresh taxation would mop up only £100 millions of it at the most, more probably only about £50 millions. To try to sterilise the new purchasing power simply by letting prices rise at large would be regressive, discriminatory and inefficient, though to allow prices to rise slightly, say, 5 per cent. more than wages and salaries, might be useful. Mr Keynes wants £400 millions from forced loans to round off Government expenditure of £2,750 millions a year, at pre-war prices.

It emerges from Mr Keynes's figures (which should be compared closely with those given in an analysis of the war economic problem in the current issue of *The Round Table*) that "some reduction of the real expenditure of the working class may prove inescapable if the war is to be prosecuted with full intensity." This is the basis of Mr E. A. G. Robinson's article on wage policy. The resources available for the production of consumable goods in wartime are only the residue left over after the resources taken over for the war effort have been deducted; if aggregate wages are raised above the total required to buy the product of that residue at prevailing prices, prices will surely rise, real incomes fall and inflation begin.

"Reductions in working-class standards of living will probably be required." The question is whether this is to be effected by inflation, muddle and acrimony as in the last war (the experience of which Mr Robinson thoroughly examines) or by open-eyed realisation of the facts by all concerned.

Limitations in labour supply constitute the theme of further articles by three members of the Oxford Institute of Statistics. Miss Makower and Mr H. W. Robinson survey the broad field of the country's capacity to meet the Govern-

* *The Economic Journal*, December, 1939. (Quarterly Journal of the Royal Economic Society.) Macmillan. 6s.
† This issue contains Sir Robert Kindersley's indispensable annual survey of British overseas investments.

ment's need for men. They base their calculations of the distribution of workers between individual industries on changes between 1914 and 1918. They assume the withdrawal of 3,800,000 men for the Forces (arguing from the percentage of withdrawals in the last war, corrected to allow for the fact that twice as many workers are now needed to maintain one man in the line as in 1918). They calculate that, on that basis but allowing for new entrants into industry, there would then be a net fall of 2,981,000 in male employment. They put the number of unoccupied females available for work at just over 4 millions, and arrive at the conclusion that a net increase of 1,116,000 in total employment, or 5 per cent., is possible.

Even more interesting than this over-all result are the detailed wartime changes envisaged in separate industries—divided by the authors into expanding, contracting by 10 per cent. or less and contracting by more than 10 per cent. Half a million more men and a million more women will be needed in the metal trades; nearly 900,000 extra women in commerce; nearly 700,000 in the professions; and half a million more in both Government service and banking and finance. Of these extra women some 800,000 can be drawn away from the miscellaneous industries; and 600,000 men will come, in this scheme, from building. Mr Bowen, in an article on building in war, rightly suggests that this conclusion may be too drastic, and himself surveys in detail the labour reserves and problems of war adjustment in the industry.

It is a very practical and pointed picture of wartime economic tasks that this collection presents, rounded off by Dr Einzig's lucid and characteristic plea for positive control in the foreign exchange market. The details of statistics and arguments will here and there be questioned by other pundits. But none will question that here are the bones of the problem.

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THE BUSINESS WORLD

America in World Finance

THE year 1938 seems by now to be very distant in time and the financial problems of the United States equally distant in space. But it would be a pity if the admirable annual survey of the Balance of International Payments of the United States* failed, because of pre-occupation with war finance in Europe, to receive the attention that is its due as a compilation still, unfortunately, unique throughout the world for the volume of the information it gives and the instructive nature of the interpretations.

The summary figures of the American balance of payments in 1938 are given, together with those for 1937 and 1929, in Table I. The outstanding characteristics of 1938 were a very sudden depression in the United States in the earlier months succeeded later in the autumn by the severe political crisis in Europe that culminated in the Munich Agreement. Both these forces left their mark on the balance of payments, but the effect of their different

TABLE I.—BALANCE OF INTERNATIONAL PAYMENTS OF THE UNITED STATES
(\$ millions)

	1929			1937			1938		
	Bal.	Cr.	Dr.	Bal.	Cr.	Dr.	Bal.	Cr.	Dr.
Merchandise trade*	+ 841	3,437	3,218	+ 219	3,187	2,231	+ 956		
Shipping and freight	- 66	107	210	- 103	113	155	- 42		
Tourist expenditures	- 638	160	563	- 403	159	516	- 357		
Immigrant remittances, charities, etc.	- 265	25	205	- 180	35	190	- 155		
Interest and dividends	+ 565	578	280	+ 298	549	216	+ 333		
War debts	+ 207				1		+ 1		
Govt. transactions	- 92	30	126	- 96	33	98	- 65		
Miscellaneous current items (net)	- 105	230	61	+ 169	191	60	+ 131		
Balance on current account	+ 447	4,567	4,663	- 96	4,268	3,466	+ 802		
Gold movements	- 120	46	1,632	- 1386†	6	1,979	- 1640‡		
Currency movements	15	52	52		60	45	15		
Total	- 135			- 1,386			- 1,625		
Long-term capital movements	- 137	3,183	2,661	+ 522	1,724	1,701	+ 23		
Short-term capital movement (net)†	- 80			+ 359			+ 292		
Balance on capital account	- 217			+ 881			+ 315		
Residual item	- 95			+ 601			+ 508		

* Including silver. † Including miscellaneous capital items. ‡ Including net ear-marking of gold.

timing was to divide the year into two rather divergent halves. For the first seven months there was a distinct tendency for capital to flow out of the United States. Foreigners drew on their dollar balances to finance the heavily increased credit balance of visible trade; in addition, the so-called "dollar scare" led to heavy repatriations of foreign-owned funds from New York. As a result, the whole account was probably more nearly in balance—though by accident—in these months than at any other period in recent years; at least, the inflow of gold almost ceased. But from the beginning of August, fears of war in Europe brought enormous sums of capital to America

* "The Balance of International Payments of the United States in 1938." Prepared in the Finance Division of the Bureau of Foreign and Domestic Commerce, Department of Commerce, under the direction of Amos E. Taylor. (Washington) Government Printing Office. Price 15 cents.

and the year closed with a net import of \$1,640 millions of gold. These divergent tendencies can be summed up by saying that the current account of the balance of payments (that is, the balance of trade, visible and invisible) reflects the effects of American depression, while the capital account is dominated by European fears.

The effect of depression—or, at least, of the particular depression that hit the United States in the autumn of 1937—on the balance of trade was very striking. The depression was much more violent in America than elsewhere, and in consequence American imports suffered more than exports. What is more, the depression took the form of an extreme unwillingness to accumulate the normal inventories of raw materials. Since America's imports are very largely of raw materials and her exports of manufactures, this still further enlarged the contrast between the behaviour of exports and imports. The total value of exports fell by 7 per cent. and of imports by as much as 30 per cent. The result was to pile up the largest favourable balance of merchandise trade since 1928. But whereas the \$1,037 millions net credit on merchandise account in 1928 was offset by a net debit of \$312 millions in the various "invisible" items, last year the invisible items resulted in a debit of only \$154 millions. If visible and invisible trade be taken together, there was a net credit of \$802 millions, which is by a considerable margin the largest recorded in the last dozen years. Indeed, in the three preceding years, 1935-6-7, the current account showed a net debit.

In 1938, then, the international finances of the United States deserved the reproaches so frequently cast at them

TABLE II.—AMERICAN AND BRITISH BALANCES OF PAYMENTS ON CURRENT ACCOUNT

	United States (\$ millions)			United Kingdom (£ millions)		
	Visible trade†	Invisibles*	Balance	Visible trade	Invisibles*	Balance
1927	+ 681	- 174	+ 507	- 387	+ 469	+ 82
1928	+ 1,037	- 312	+ 725	- 353	+ 475	+ 122
1929	+ 841	- 394	+ 447	- 381	+ 484	+ 103
1930	+ 782	- 153	+ 629	- 386	+ 414	+ 28
1931	+ 334	- 174	+ 160	- 408	+ 304	- 104
1932	+ 289	- 158	+ 131	- 287	+ 231	- 56
1933	+ 225	- 10	+ 215	- 264	+ 260	- 4
1934	+ 392	- 17	+ 375	- 294	+ 287	- 7
1935	- 100	- 53	- 153	- 261	+ 293	+ 32
1936	- 141	- 186	- 327	- 345	+ 327	- 18
1937	+ 219	- 50	+ 96	- 442	+ 386	- 56
1938	+ 956	- 154	+ 802	- 377	+ 322	- 55
Average—1927-38	+ 460	- 153	+ 307	- 350	+ 354	+ 4

* Including interest and dividend receipts. † Including silver.

in the dying years of the gold standard—namely, that the United States so arranged her affairs that the rest of the world was compelled to pay tribute in gold as the only means of meeting its liabilities. But Table II—which summarises the American and British accounts for the past twelve years—shows that the popular reproach was justified in 1938 only by way of exception—or, rather, that if it can justly be made against the United States on the average of years, then it can be made with hardly less force against Great Britain for many of what we should like to believe are the most typical of recent years. Both countries, in fact, are creditors and lenders, and their "natural"

state is to have a credit balance on account of all trade, visible and invisible together. America makes money on visible trade and loses it on invisible; Great Britain is in the exactly contrary position.

The same tendency to ignore the invisible items is also responsible for another popular delusion—that British purchases from America are many times larger than American purchases from Britain. Even if the financial relations of the United States with the United Kingdom alone are taken into account, the popular belief is more false than true. Two-thirds of our net purchases of American goods come back to us in a net receipt on invisible account. Moreover, America's purchases from the colonial empire are considerably larger than her sales. If the United Kingdom and the Crown colonies are taken together, their commercial and financial transactions with the United States result, in a normal year (though possibly not in 1938), in a small net credit to Britain.

Of the figures of the capital account there is little that need be said. The only way in which the \$802 millions due to the United States on trade account could have been paid without an inflow of gold would have been by an export of capital. Actually, however, there was a recorded inflow of capital in the net amount of \$315 millions, and in addition it is probable that the greater part of the "residual item" represents unrecorded inflows of capital. Gold, therefore, had to be shipped to America to cover not merely the \$802 millions due on trade account but an approximately equal amount of capital flow as well. It would be foolish, however, to blame American financial policies for this result. It is hardly America's fault if New

York is considered to be the safest place in the world for liquid capital.

The present report holds out the prospect that the Department of Commerce will shortly be in a position to bring together the results of many years' intensive study of balance of payments problems in a survey of long-term trends in America's international financial position. This will be awaited with interest; for there is no question more fundamental to the organisation of a sane system of international finance than that posed by the American balance of payments. The United States is not only a "strong" trader (i.e. there is normally a more urgent demand for what she has to sell than for what she buys), she is also a magnet for liquid capital. For both reasons there is an inherent tendency for gold to flow to New York. Both reasons arise from circumstances over which the American Government has little or no control. Offsetting them by enormous American loans to the rest of the world is neither a possible nor, in the long run, a desirable policy. Yet if America continues to attract the world's gold, even the improvised currency system of the last three years, symbolised by the Tripartite Agreement, will collapse. One solution can be found by exchange control in Europe, which interrupts the flow of capital and limits the demand for American goods. Is there any other solution? Or must we conclude that the financial strength of the dollar is so great that no other currency can stand up to it in a regime of free exchanges? The compilers of the annual estimates have never been narrowly limited by official reticence; perhaps they will hazard an answer to these far-reaching questions.

Waste Reclamation

THE problem of waste has long engaged the attention of the economist and the industrialist. To the economist waste means not only unused economic resources in the form of idle capital, plant and labour, but also a mis-application of resources. To the industrialist waste means chiefly inefficiency in manufacturing and distributing methods. If he discovers that his costs of production are higher than they need be he proceeds to eliminate the waste by cutting down unnecessary expenditure. There is, however, another and more narrow sense in which the term waste is employed. Waste occurs through the incomplete utilisation of raw materials in the factory and the home; the gas escaping in the combustion of coke in the blast-furnace or in that of coal in the domestic hearth is a "waste" product, though in the former case it is no longer wasted in the majority of modern plants. Again, the conversion of metals in the factory, by turning operations for example, gives rise to waste or scrap which is carefully collected and re-smelted. In the home, the scraps left over from the table, including food containers, find their way into the dustbin as refuse. Apart from the waste which occurs in the process of manufacture or consumption, there is a continuous stream of discarded or outworn durable goods such as plant, machinery, ships, motor-cars and clothing.

Not all these waste products arising in manufacturing and consuming processes or through obsolescence of durable goods, however, are actually wasted in the sense that they are not put to any further use. The extent to which waste is actually utilised depends largely on technical and financial considerations. If the cost of recovering materials from scrap compares favourably to that of virgin materials, they will be reclaimed. Similarly, if a use can be found for by-products, such as gas, they are marketed so long as the price obtained for them exceeds the cost of treatment and distribution.

Much progress has been made in recent years in the reclamation of waste by the utilisation of by-products and by the recovery of scrap arising in the process of manufacture and consumption or through obsolescence.

There are many notable examples of the utilisation of by-products in manufacture which were formerly wasted.

The dust which occurs in the mining of coal was formerly regarded as valueless; now it finds a ready market for many purposes. Again, hundreds of valuable chemicals, including the raw materials of the important aniline dye industry, are now obtained as by-products in the distillation of coal tar. Coal tar itself is obtained as a by-product by the gas companies and by producers of metallurgical coke. In the iron and steel industry progress has been conspicuous, partly as a result of the integration of the various processes of manufacture. To take only one example, formerly the gas discharged by the blast-furnace in the smelting of iron ore with coke was allowed to pollute the air; nowadays the percentage of blast-furnace gas utilised in an integrated steelworks provides an important test of the efficiency of its methods. Again, the recovery of hydrochloric acid from the waste gases of alkali works yields a great number of indispensable chlorine products.

No less important has been the progress made in the recovery of scrap arising in manufacturing and consumption and through obsolescence. Indeed, scrap is now one of the principal raw materials of numerous industries, especially in the metallurgical field. Thus, in 1937, the iron and steel industry used no less than 7½ million tons of scrap in the manufacture of 13 million tons of crude steel; some 3 million tons of scrap were recovered by the industry itself, while 4½ million tons (valued at about £13 millions) were obtained by purchase at home and abroad. According to the Census of Production for 1935, the value of the materials (including fuel) used in that year by the copper and brass trade was £12.6 millions; this included £5 millions of raw copper and ores and no less than £3.7 millions of scrap. Similarly, of a total expenditure on materials of £23.2 millions in 1935, the aluminium, lead, tin and related trades spent £17.6 millions on virgin metals and £2.5 millions on scrap.

Scrap or waste also plays an important part in the textile, rubber and paper manufacturing industries. In 1935, the woollen and worsted industry used 59 million lbs. of recovered wool, valued at £1.6 millions, and 119 million lbs. of woollen rags, valued at £2.1 millions, besides 529 million lbs. of raw wool, valued at £31 millions. During the same year the cotton spinning industry used 131 million lbs.

of cotton waste (valued at £2.3 millions) in addition to 1,283 million lbs. of raw cotton (valued at £37 millions). Again, the paper industry, whose total consumption of materials was £23.7 millions, spent £9.3 millions on wood pulp and £1.7 millions on waste paper and rags. The rubber recovered from used tyres and other appliances has become an important source of supply to the rubber manufacturing industry. Thus, in 1938, the consumption of crude rubber in the United States and in the United Kingdom was 437,000 tons and 107,000 tons; in the same years these two countries used 121,000 tons and 9,000 tons respectively of reclaimed rubber.

Just as the utilisation of by-products is engaging the activity of many research workers, the recovery of scrap has given rise to important industries with world-wide ramifications. Apart from the big organisations engaged in the collection and sorting of scrap metals, textile materials, etc., some 65 plants are in use by public authorities in England and Wales for the separation of refuse; among other things, they recover annually about 1½ million tons of paper and some 50,000 tons of iron and steel scrap. The proportion in which scrap and virgin materials are used depends largely on their relative prices and, consequently, shows considerable variation from year to year. When the prices of virgin materials are low, as during the Great Depression, the proportion of scrap used in manufacture tends to fall. Conversely, in times of rising prices the proportion of scrap used tends to increase. Indeed, several attempts of raw material producers to mulct the consumer have come to grief as a result of the

consequent expansion in the supply of reclaimed materials.

In war, the utilisation of hitherto wasted by-products and of scrap naturally assumes even greater importance, especially if, as in the case of Germany, imports are severely reduced by blockade and lack of foreign exchange. It is therefore scarcely surprising that the Ministry of Supply has set up a special Salvage Department, charged with the duty, in co-operation with other Government Departments, of intensifying the reclamation of waste and scrap. The Salvage Department has already issued an appeal to householders, hotels, factories and institutions to prevent waste. Concurrently, the Iron and Steel Control has launched a campaign for an increased recovery of scrap iron and steel, while the Boy Scouts' Association is assisting in the collection of clean waste paper. Moreover, several important waste products have been included in the price and control regulations now in force for raw materials. The enlistment of chemistry, which has always been keenly interested in these problems, and of the trades experienced in the collection and grading of waste, will considerably assist the Salvage Department in its task.

Experience in the Great War has shown how much an intensification of research into the utilisation of by-products and of the collection of scrap can contribute to Britain's war effort. Many of the innovations introduced in times of emergency have in the past been retained in normal times and have greatly contributed to industrial progress, so that the rewards of the efforts now being made may be reaped partly by increased efficiency in a post-war world.

Finance and Banking

More Open Market Help.—The money market position continues to be influenced by the accumulation of funds in Government accounts and by the special steps which the authorities are taking both to remedy this sterilisation of funds and to prepare the credit situation for the turn of the year. The special operations to which we drew attention last week have been duly repeated during the past week. The Bank of England, acting through the usual channel, has arranged considerable "swap" transactions in bills with several of the clearing banks. These institutions have sold short bills—December and January maturities—to the Bank, and in return have bought the longest eligible bills from the market. By this means the credit situation is being eased over the turn of the year, and the appropriate influence is being brought to bear on the rate for three months' Treasury bills, thus preventing this rate from undergoing its normal seasonal increase. The need for beginning the year-end preparations at a fairly early date has been stressed by recent bank returns. Last week's return showed bankers' balances at the very low level of £87,738,000. By the end of December his figure should probably reach £150,000,000. The task of filling this gap, bearing in mind especially the size of the Treasury bill position carried by the market and the further increase in the volume of tender bills between now

and the end of the year, is evidently one of some magnitude. It is being filled by the above-mentioned purchases of short-dated Treasury bills, which, whether for direct account of the Bank or for public departments, are steadily helping to bring bankers' deposits towards the required year-end peak.

* * *

Year-end Prospects.—During the past week these open market operations have assumed steadily growing dimensions and it has been apparent that they have been spread more evenly than in the previous week over the whole range of clearing banks. Once again the resources liberated by these official purchases of short-dated paper have in part at least been utilised by the clearing banks in purchasing March Treasury bills, which have been taken at 1½ per cent. Last Friday such purchases were once more focused at the very heart of the discount market syndicate so as to exert their maximum effect on the Treasury bill tender. They succeeded in keeping the average rate at a shade over 1½ per cent. The success of the open market purchases made this week has been well reflected in the result of the Northern Ireland Treasury bill tenders on Tuesday, when £600,000 of three months bills to be taken up on December 21st were issued at an average rate of £1 4s. 8.8d. per cent. As the bills have to be paid for before the turn of the year this result betokens considerable confidence in the ease with which the coming test of market liquidity will be passed. It also suggests that the seasonal peak in discount rates has already been passed. This confidence is all the more striking since this year the whole of the bills tendered for in respect of the last week of the year must, in fact, be taken up and paid for during 1939. In view of the magnitude of the task called for this year by the temporary expansion of bank cash to the required end-of-year level some recourse by the market to the Bank of England must not be ruled out, though general market opinion still inclines to the view that if direct help to the market is needed it will be provided by the readiness of the authorities to purchase short-dated bills as and when the market requires such assistance.

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THE ECONOMIST

Banks' Short Loan Rate.—The readiness of the discount market to abstain from raising discount rates more than they have done with the approach of the end of the year is partly explained by a growing belief that at a fairly early date in the New Year the whole range of discount rates will be appreciably reduced. Such a reduction would have to go hand-in-hand with a reduction of the clearing banks' present scale of charges for short loans. During the long period of 2 per cent. Bank rate which was temporarily interrupted last August the banks' charge for short loans secured by bills was $\frac{1}{2}$ per cent., or the same as their deposit rate. When Bank rate returned to a 2 per cent. level on October 26th the clearing banks fixed their minimum short-loan rate at 1 per cent. Consequently the discount rate on three months' bills, which in the previous 2 per cent. Bank rate era ranged on the average between $\frac{3}{4}$ and $\frac{3}{8}$ per cent., now finds its equilibrium level exactly $\frac{1}{2}$ per cent. above this range. The case for the clearing banks' decision is that since August of this year they have been called upon to incur considerable additional expenses on A.R.P., decentralisation, more costly clearing, etc., for which they must find some compensation in a larger return on their bills and short loans. In addition, they can argue that the former state of affairs—a spread of $1\frac{1}{2}$ per cent. between Bank rate and the short-loan rate, and the establishment of the latter at the same level as the deposit rate—was wholly artificial and unprecedented, and should never have been allowed to occur.

The whole question is likely to come up for discussion in the near future, and the issue will be that of reconciling the justifiable claims of the banks with the public interest, which, especially in these times, demands the lowest possible rate on Treasury bills. A solution may be found by giving the banks their *quid pro quo* for a reduction of the short-loan rate by further reducing or even abolishing altogether the rate paid on deposits. There would be ample precedent for such action, though admittedly it would raise certain problems. In the United States no interest is at present paid on bank deposits, and it may be recalled that in Switzerland there was a period during which certain bank deposits had to pay a negative rate of interest, i.e. a charge was incurred for the right to maintain Swiss francs in this convenient and liquid form. With the approach of the real War Loans it will behove the authorities in this country to do everything to discourage liquidity

preference among the public, and the bankers' deposit rate offers one instrument for achieving that object.

Rupee Silver Price Controlled.—Developments in the silver market have again been exceptionally interesting during the past week. It was announced towards the end of last week that the Indian Government, in satisfying the needs of Indian operators, would no longer do so by the circuitous route of the London market, but by direct sales handled through the Bombay office of the Reserve Bank of India. The intimation followed that for the time being the rupee price of silver would be fixed between 62 and 64 rupees per 100 tolas. These developments have not as yet done much to cool the ardour of Indian silver speculators, who still profess confident belief in their ability to absorb so large a part of the Indian Government's stock of silver as to force it in self-defence to raise appreciably the controlled selling price. The Indian Government's answer has been to announce this week that it would be prepared to accept requests for the import of silver into India from the United States, provided the metal were sold in India within the permitted price limits. The prospect which this move conjures up cannot be to the taste of the bull speculator in silver. He may feel confident of his ability to "clean up" the stocks of the Indian Government. But to be confronted with the task of meting out the same treatment to the stocks of the U.S. Government is quite another proposition.

Nevertheless, the Bombay operator remains for the moment quite undaunted. He has, it is true, built up a decidedly extended bull position. Of the 55,000,000 ounces now being carried in the Bombay market it is estimated that almost the bulk—certainly more than 50,000,000 ounces—is being financed by bank loans. These facilities are at present fully extended, and this probably explains this week's return of the Indian operator to the forward market in London. Here he can still operate by putting up a 15 per cent. margin, and his activities have been responsible for the rise in the forward price to 28 $\frac{3}{4}$ d. The position in Bombay would cause concern were it not for the recent growth of the up-country demand, which now accounts for 250,000 to 300,000 ounces a day. With prosperity spreading through India following the considerable advances in the prices of cotton, jute, shellac and other domestic products, the genuine offtake of silver may not

MONEY MARKET NOTES

Foreign Exchanges

AMONG the officially quoted exchanges there has been an improvement in the belga, which from 24.20-24.45 at the end of last week has come back to 24.00-24.25. On the other hand, Norwegian and Swedish crowns have been adversely affected by political fears, and on Wednesday depreciated by 7 points to 17.60-17.80 and 16.80-17.00 respectively. There has also been a depreciation in Argentine pesos, the rate for which rose at the end of last week by 20c. to 17.50-18.00 pesos. In the free market in New York sterling has shown a considerable improvement. On Monday, after opening unchanged at 3.93 $\frac{1}{2}$, it finally closed 1 $\frac{1}{2}$ c. higher at 3.95 $\frac{1}{2}$. This was not maintained on the following day, but after easing to 3.94 $\frac{1}{2}$ the rate improved during the afternoon and was finally quoted only $\frac{1}{4}$ c. lower at 3.95. Monday's rise was reflected in the unofficial London quotations for lire and escudos, which on Tuesday weakened against sterling, the rate for lire being 77-78 $\frac{1}{2}$, compared with 76 $\frac{1}{2}$ -78 $\frac{1}{2}$, and for escudos 107 $\frac{1}{2}$ -108 $\frac{1}{2}$, compared with 107 $\frac{1}{2}$ -108 $\frac{1}{2}$. Chinese dollars, on the

other hand, improved slightly to 4 $\frac{3}{4}$ d. from 4 $\frac{3}{8}$ d.

The Money Market

There has been a rather larger outlet for bills this week, and money has been easier, probably as a result of the special operations undertaken by the authorities. The large allotment quota, 70 per cent., secured by the discount market at last week's Treasury tender has meant that their portfolios are very swollen; but there has been no undue rise in rates, though the banks have in-

	Dec. 22, 1938	Dec. 14, 1939	Dec. 20, 1939
Bank Rate.....	$\frac{9}{16}$	$\frac{9}{16}$	$\frac{9}{16}$
London Deposit Rate ...	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$
Short Loan Rates:			
Clearing Banks	1 $\frac{1}{2}$ -1 $\frac{1}{4}$	1-1 $\frac{1}{4}$ ⁺	1-1 $\frac{1}{4}$ ⁺
Others.....	$\frac{7}{8}$	1-1 $\frac{1}{4}$	1-1 $\frac{1}{4}$
Discount Rates:			
Treasury Bills (3 mth.)	1 $\frac{1}{16}$ -1	1 $\frac{1}{16}$	1 $\frac{1}{4}$
Three months' bank bills	1 $\frac{1}{16}$ -1	1 $\frac{1}{16}$ -1 $\frac{1}{4}$	1 $\frac{1}{4}$

⁺ Viz. 1 per cent. for loans against Treasury bills and British Government securities; 1 $\frac{1}{4}$ per cent. for loans against other collateral.
creased their buying rate for March maturities from 1 $\frac{1}{16}$ to 1 $\frac{1}{32}$ per cent.

The three months' bank draft is now a full $\frac{1}{4}$ per cent. There has again been some business in loans over the turn of the year. As January 1st is a bank holiday, these loans have now to be carried till January 2nd, so that the rate has risen to $\frac{1}{4}$ per cent.

For the £600,000 Northern Ireland three-month Treasury bills placed this week the average rate worked out at 24s. 8.81d. per cent., which is slightly better than last week's English Treasury bill result. Applications totalled £4,500,000.

The Bullion Market

Date	Gold		Silver	
	Price per ounce fine*		Price per oz. standard	
			Cash	Two Mths.
1939	s.	d.	d.	d.
Dec. 15.....	168 0	23 $\frac{3}{8}$	23 $\frac{3}{8}$	23 $\frac{3}{8}$
" 18.....	168 0	23 $\frac{1}{2}$	23 $\frac{1}{2}$	23 $\frac{1}{2}$
" 19.....	168 0	23 $\frac{1}{2}$	23 $\frac{1}{2}$	23 $\frac{1}{2}$
" 20.....	168 0	23 $\frac{1}{2}$	23 $\frac{1}{2}$	23 $\frac{1}{2}$

* Bank of England's official price.

merely save the Bombay bazaar speculator but grant him the reward of his initiative. That, however, depends on the readiness with which the Indian authorities are prepared to grant import licences. Meanwhile the Indian Government continues to sell in London at the price of 23 $\frac{1}{2}$ d. Its stocks here have been seriously depleted by recent operations and are being replenished by shipments from Bombay.

Bank of London and South America.—The question of export trade came up at the annual general meeting of the Bank of London and South America, when the chairman, Lord Wardington, drew attention to the possibilities that exist for increasing British exports at Germany's expense in the South American countries. This, he pointed out, can only be done on the basis of reciprocal

trading, but fortunately South America produces food-stuffs and raw materials of vital importance and Great Britain has for some time been the chief customer of Argentina and Uruguay. Lord Wardington also emphasised the competition which Great Britain will have to meet from the United States, which is already making successful attempts to recapture the South American trade lost to the Germans. So far as the bank was concerned, he was able to record a small increase of £10,286 in net profits, the dividend being maintained at 5 per cent. The balance sheet total on September 30th was at the record level of £81 millions. Part of the increases in the individual items is explained by an improvement in exchange rates; but £1,709,000 of the rise in deposits is ascribed to increased business, and of the jump of £6,580,000 in cash £4,400,000 is an actual increase, so that the bank's position is extremely liquid.

Investment

Holiday Markets.—Even in wartime, the great festivals of the year retain some of their influence, and this week's Stock Exchange story is one of traditional pre-Christmas idleness, robbed of some of its cheer. The gilt-edged market has been almost excessively idle. So long as there was the immediate prospect of a loan, the market could adjust its position as opinion forecast an ultra-short issue or a fifteen-year stock by turn. But as the holiday approached, such incentive has completely disappeared. The rival schools are now concerned more with the timing of the issues than with their character. One insists that the turn of the year should provide a favourable opportunity—particularly for a short-dated loan—while the other side argues, less assuredly, that borrowing might even be deferred until the end of the financial year. Meanwhile, the equity markets are swayed by commodity price movements. The boomlet in cotton textiles has boiled over, but base metal shares, led by Rhodesian Copper issues, after responding to the announcement of increased controlled prices with apparently excessive vigour, did not, in fact react on Wednesday. One helpful investment pointer comes from the investment trusts. For nearly three months the trusts were not prepared to adopt any positive policy. Within the past fortnight, however, their inquiries have been resumed and some groups have been buying. Even granted the specialised character of their purchases—apparently intended to replace high-yielding German bonds—the reappearance of the trusts is surely significant.

Orthodox Unit Trust Changes.—A meeting of unit holders in Orthodox Unit Trust has been called for December 27th to consider modifications to the trust deed. The trust was formed in April this year and offers an investment apportioned over various investment categories on a fixed basis. The proportion to be invested in gilt-edged securities is 20 per cent., and one of the alterations which the managers, with the assent of the trustees, seek to effect is the power to add to the specified list of one hundred gilt-edged securities any new loans which have been, or may be, issued by the British Government while a state of war exists. The proposed substitution of Crompton Parkinson "A" ordinary shares for the ordinary shares is a mere matter of marketing convenience, but other alterations affect the trust period and the sub-division of the units. At present the trust has a twenty years' life, and it is proposed to extend this for a further five years. At the same time, each of the existing units, which are now quoted at 13s. 9d. to 14s. 9d., is to be divided into two. As a result, the initial purchase of fifty units and the subsequent purchase in multiples of ten will involve a smaller cash investment and may assist a larger number of small investors to participate in the trust. The managers have power at present to terminate the trust if at any time after the first year less than 250,000 units are in issue, and it will be necessary to double this figure if the sub-division proposals

are approved. The managers frankly state that sub-division will benefit them to the extent of upward price adjustments on the offered price of each unit to the nearest multiple of 3d. On the other hand, five years' additional service will be available without any increase in the initial charge, although it may be pointed out that the managers are also entitled to a half-yearly charge payable from capital of $\frac{1}{16}$ of 1 per cent. of the value of the trust, from which trustees' remuneration is payable. So far as existing holders are concerned, however, the changes appear to be unobjectionable, and they may well assist sales in these difficult times.

Gas Prices Order.—The Defence (Gas Charges) Order (Statutory Rules and Orders, 1939, No. 1788) issued this week by the Board of Trade includes no provision for companies operating under the basic price and dividend system. Hence the Gas Light and Coke Company and other large London gas companies whose gas prices were raised early in November do not come within its scope. The new rules are of considerable interest, however, for their introduction of a new (and presumably temporary) principle by which permissible dividends are related, firstly, to changes in output as compared with 1938 and, secondly, to changes in prices compared with those ruling before the outbreak of war. Undertakings working under the maximum price system, whose manufacture of gas in any quarter does not exceed 95 per cent. of the quantity made in the same quarter of 1938, are allowed to charge up to a "permitted" price, though local authorities may only exceed the maximum price in certain circumstances. Company undertakings whose price for gas exceeds the maximum, may not consider as available for distribution a sum greater than the amount required for preference dividends plus an amount on their ordinary capital, which is 1 per cent. less than the average dividend for 1936, 1937 and 1938, with a maximum of 5 per cent. in cases where the average, after deducting 1 per cent., is under 5 per cent. Companies operating under the sliding scale method of determining dividends, whose output is 95 per cent. or less of the 1938 rate, need not take into account for dividend calculation purposes any increase in prices above the pre-war level, except to the extent that the "permitted" price is exceeded. But such companies are subject to the same limitations upon divisible profits as companies working under the maximum price system. The crux of the matter is the "permitted" price, which is the average pre-war selling price, plus 0.1d. per therm for every 1 per cent. by which the quantity of gas made falls below that for the corresponding quarter of 1938. The pre-war rules for determining gas company dividends were clearly inappropriate in times of rapid changes in output and costs. It is not easy to assess the effect of the new rules on the dividends of companies operating under the sliding scale and maximum price systems, but the modification of the rules to take account of changes in output is clearly reasonable.

Turner and Newall Disappointment.—Although the profits of Turner and Newall, announced this week, show an increase from £1,650,386 to the record level of £1,727,453, the grasping hand of the tax collector is responsible for the heavy cut in the dividend from 20 per cent. to 15 per cent. The tax provision has, in fact, been increased from £238,749 to £618,826, while the depreciation provision is raised from £130,693 to £145,250. As a result, ordinary earnings are sharply reduced from £1,166,596 to £849,517 and the 15 per cent. dividend is covered by earnings of 16.3 per cent., compared with 22.6 per cent. for 1937-38. The following table analyses the latest profits:—

	Years to September 30th		
	1937	1938	1939
	£	£	£
Trading profits*	1,543,876	1,650,386	1,727,453
Depreciation	122,117	130,693	145,250
Fees	3,106	3,250	2,762
Taxation	125,164	238,749	618,826
Staff funds	10,000	10,000	10,000
Preference dividend ..	101,098	101,098	101,098
Ordinary stock:—			
Earned	1,182,391	1,166,596	849,517
Paid	1,065,690	1,065,756	799,364
Earned (%)	22.9	22.6	16.3
Paid (%)	20	20	15
To reserve	100,000	100,000	100,000
Carried forward	115,770	116,610	66,763

* After charging mines amortisation.

If precedent has been followed, the trading profits represent the full distribution of subsidiary companies' earnings. The full report, due early in the New Year, may disclose something of the effects of war upon the company's trade. Asbestos is an essential fibre of war, but its industrial uses are essentially pacific. Asbestos cement is widely used in general construction, which must be curtailed in wartime, while the brake-lining business also will suffer from the decline in private motoring. Turner and Newall will play an essential part in wartime, and its income position should not be vulnerable. But it can hardly be regarded as an outstanding war equity. Possibly this conclusion has combined with disappointment regarding the dividend to produce the sharp fall in the £1 ordinary stock units from 74s. to 65s. 7½d.

Bowater's Paper Group Position.—Published profits for the year to September, 1939, and the directors' reports of the Bowater companies suggest that the group last year fared about as well as in 1937-38, and that the recent postponement of the half-yearly preference dividends was largely a precautionary measure. The Bowater's Paper Mills' report, for instance, shows that until the outbreak of war the group's volume of business had been fully maintained, and that revenue from associated companies showed some increase. A year ago the group earned £775,000, which covered interest, preference dividends and £270,500 depreciation, with £28,000 to spare. To have achieved similar or slightly better results for 1938-39 does not, however, represent material progress for the ordinary stockholders. It will be recalled that the 1938 contract price of newsprint was raised from £10 to £11 10s. a ton, and the price was only reduced to £11 5s. from March, 1939. But the impact of war is evident in the balance sheet, and the year's results include one month of war. Arithmetical comparison of profits is affected by the fact that in 1937-38 credit was taken from the provision for increased costs previously made. The only company to refer in the latest profit and loss accounts to a further transfer from this source is Edward Lloyd. It is also not quite clear to what extent the Bowater-Lloyd Newfoundland debenture interest has been provided

by the guarantor companies, though the report of the Paper Mills Company discloses that this company has provided its proportion. The Newfoundland debenture interest requires £56,250 in a full year, and runs from about September, 1938. The Paper Mills Company shows total profits of £224,474, against £202,478, and instead of charging the balance of preference dividend requirements, provides £70,000 for a dividend reserve. The Mersey Company's total profits are £145,119, against £124,962 (though much of the increase is absorbed by writing off debenture expenses) and it sets up a reserve of £15,000. Edward Lloyd, Ltd., who report a substantial decline in prices of paper other than newsprint, is the only company to record a fall in income, from £371,833 to £315,433, and its dividend reserve allocation is £50,000. These dividend reserves of the operating companies exceed the balance of preference dividend requirements, but the Edward Lloyd Investment payment of £42,292 is not backed by earnings, since Edward Lloyd paid no dividend. In the aggregate, the four companies' preference requirements of £393,500 gross are fully covered by actual amounts charged, plus the special reserves.

The current outlook, however, is very obscure. Shipping difficulties are causing a serious shortage of supplies of material (Edward Lloyd stocks at the end of September were £735,454, against £1,026,789) and are adding seriously to costs. Moreover, the companies are having to buy back their requisitioned stocks at higher prices from the Control. Recently the contract price of newsprint was raised from £11 5s. to no less than £17 a ton, and the undoubtedly large rise in costs seems to have been successfully passed on to the consumer on his very much reduced consumption. It is not likely that the rise in price should of itself much affect Bowaters' output, for the opportunity of consumers to import newsprint is not, generally speaking, very large. Since pulp prices and particularly freights are rising, the tendency should be for newsprint prices in general to be adjusted to the British controlled price. An additional, but uncertain, factor for Bowaters is the development of the Newfoundland properties. A substantially lower rate of group operations is clear for 1939-40, but provided the companies are able—as seems the case—to recoup themselves, profits need not necessarily fall further. At best, however, this possibility merely holds out the prospect of earnings sufficient only to cover preference dividends, and leaves no change in equity prospects.

Lancashire Cotton Corporation Tonic.—Almost unseemly vigour in these days of market quietude was shown in Tuesday's jump from 16s. 7½d. to 20s. 9d. in the Lancashire Cotton Corporation's ordinary stock, but the news of the first dividend of 7½ per cent. certainly deserved a good reception. The spectacular advance in profits (after sundry small charges) from £304,425 to £582,807 for the year to October 31st is in striking contrast to the chairman's rather disheartening view of the year's prospects last January. Moreover, the 7½ per cent. dividend is very comfortably covered. Depreciation requires £155,000 as in the previous year, and mortgage debenture interest and preference dividends absorb £143,875, leaving a balance of £283,932. The 7½ per cent. ordinary dividend would require about £125,000 gross, and £150,000 is being placed to general reserve. Two years ago, the Corporation failed to pay an ordinary dividend though earnings were over 18 per cent., but the marked change in conditions, and the greater activity in the cotton trade due to the war may well justify the optimistic view which the directors evidently take. Indeed, it is possible that this progress has been achieved in no small part thanks to Government orders, which should provide a firm domestic market for the duration. The directors' report may, however, provide some clue to current problems in the export branch and whether the relation of prices to rising costs and labour shortage may affect turnover and profit margins. But for the present these results have certainly given support to the opinion that many cotton and rayon

sub-marginal stocks (given the 6 per cent. ordinary earnings basis promised by Sir John Simon for E.P.T. assessment in the standard years) have now a definite speculative appeal. This week's advance in textile shares suggests a hardening of opinion along these lines, although the subsequent check has seen Lancashire Cotton ordinary weaken by 1s. to 19s. 9d.

Company Chairmen on the War.—Few company reports so far published really reflect the full impact of war. Most of them cover eleven months of "near war" and only one month of a state of war distinguished by disorganisation rather than hostilities. Chairmen's remarks at recent meetings, however, have shed some light on wartime problems in different industries. Lord Greenwood, for example, informed *Dorman Long* shareholders last week that an organisation adaptable to wartime control of the steel industry already existed before September last. The Controller was now assisted by a staff of full-time officials loaned from iron and steel firms. Such control was doubtless comparatively easy to institute in an industry which has lent itself increasingly to central government in recent years. At the *South Durham* meeting, however, Mr Benjamin Talbot was concerned with the adaptation of steel plant left idle for lack of civil contracts to wartime work. During last year the company's productive capacity had been enlarged, and it was hoped that full advantage would be taken of these developments. The adaptation of the productive machine, even in certain sections of the steel industry, evidently cannot be accomplished in a few days. A contrasting experience is shown by *J. Brockhouse and Company*, which, according to Mr J. T. Brockhouse, has experienced a rapid increase in armament work but without any diminution in civil contracts. An interesting example of indirect wartime activities is recorded by *Raleigh Cycle*, whose chairman, Sir Harold Bowden, referred at last week's meeting to the "phenomenal" demand for bicycles which had developed since petrol was rationed. But a warning note on the probability of lower profit margins on new wartime products from even the most comprehensive and adaptable of plants was sounded by Sir Valentine Crittall at the *Crittall Manufacturing* meeting. In general, chairmen have adopted a cautious attitude on future prospects and have placed considerable emphasis on the rising burden of taxation, on higher costs and on the need for adequate reserves for contingencies. This is true even of companies which may be described as "key" concerns. It is difficult, for example, to measure the effect upon *Tate and Lyle* of the Ministry of Food's control of sugar distribution. According to Sir Leonard Lyle, the company had entered into particularly large contracts for sugar supplies before the war broke out. These have been put at the disposal of the Government, together with the company's distributive organisation.

Brewers and Barley Rationing.—Last week rumour laid one more burden on the brewing share market. In addition to rising costs, increased excise duty and higher taxation, the fear spread through the market that supplies of barley were to be rationed to ensure adequate supplies of pig food. This story was not clothed with the respectability of any official announcement, but it caused general uneasiness, which was reflected in a severe setback in brewery shares last week. It has been answered by Sir G. L. Courthope at this week's Ind Coope and Allsopp meeting. Barley prices are certainly high, but this is probably due to a large proportion of this year's crop being still in the rick, owing to delay in threshing. Sir George did not rule out the possibility that the Government might interfere in the barley market to ensure adequate supplies of seed for increased sowing next spring, but he thought it unlikely that the Ministry of Agriculture would be easily prevailed upon to commandeer grain for pig keepers who were willing to pay 20s. or 25s. a quarter when farmers could obtain the present price of 70s. for good malting quality barley. Furthermore, brewing by-products provided valuable additions to the supplies of feeding stuffs. Other brewery company chairmen have thrown doubt on last week's scare.

At the meeting of *Benskin's Watford Brewery*, Colonel W. H. Briggs referred to this season's good crop of malting barley, while the Hon. A. T. J. Fraser, addressing shareholders of *Cornbrook Brewery*, was more concerned with the relation of present prices to the fixed minimum price established within the last year. Indeed, the indications are that brewery companies are reasonably placed at the moment for working stocks, though higher prices may have to be paid in the course of the coming year.

Chilean Nitrate Results.—Investment interest in the Chilean Nitrate and Iodine Sales Corporation is two-fold. By statute, the company guarantees the service of the old "Cosach" debentures. By law, also, the company's sales of nitrate (in which it has a monopoly in Chile) are regulated to control the profits distribution of the nitrate-producing companies. It must draw for at least 20 per cent. of total sales on excess stocks of nitrate accumulated before June, 1933, by the nitrate industry. For the year to June 30th total sales of nitrate showed a slight decline at 1,557,028 metric tons, compared with 1,578,108 in 1937-38, while production advanced from 1,420,312 metric tons to 1,427,472 metric tons. But an improvement in exchange and clearing conditions helped to absorb increased wage costs, and net revenue rose by 20 per cent., from £2,265,351 to £2,726,687. The Government of Chile takes 25 per cent. of these net profits, or £681,672, the balance being divided between debenture interest and amortisation (largely created by conversion of "Cosach" bonds) and the producing companies. Debenture service absorbs £749,475 and is well covered out of earnings of £2,045,015, while the producing companies receive the balance of £1,295,540, against £1,006,947. These satisfactory results are enhanced by the directors' statement that surplus stocks created before June, 1933, should be liquidated during 1940-41, two years earlier than the previous estimate. Last year the value of pre-June, 1933, stocks fell by £1,055,528, compared with £1,088,610 during the course of the previous year, leaving a balance of £1,961,793 still to be realised. One of the producing companies, *Lautaro Nitrate*, which receives approximately 35 per cent. of the net profits of Chilean Nitrate available for the producing companies, has also published its accounts for the year to June 30, 1939. Though its own sales quota fell slightly last year, the company has shared in the selling organisation's progress. Nitrate and iodine sales increased from £548,981 to £596,744 and total income from £588,641 to £641,165. Renewals reserve absorbs £131,545, against £124,233. Under the 1936 revenue scheme the company must pay a minimum non-cumulative rate of 2 per cent. on bank loans, which are secured by the pre-June, 1933, nitrate stocks held by Chilean Nitrate, and makes repayment of principal each year out of its share of the latter company's sales of such stocks. This interest payment ranks *pari passu* with the mortgage service, and absorbs £28,145 this year, against £35,071, while £385,357 of principal is repaid, compared with £334,699 for the previous year, thus reducing the company's debt to £1,156,567. At this rate of repayment the bank debt should be cleared by 1941-42. Under the same scheme, so long as any pre-June, 1933, stocks remain, the balance of profits is divided as between mortgage interest and amortisation in the ratio of 75 per cent. to 25 per cent. The three mortgage issues receive a maximum non-cumulative 4 per cent. interest payment for the second year in succession. Moreover, the company retired £331,301 of mortgage indebtedness last year, compared with £317,762 the year before. The truly encouraging feature of the year's results for the

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

FAMOUS SINCE 1795
OTARD'S
 COGNAC BRANDY

equity shareholder, of course, is the expectation of Chilean Nitrate that old nitrate stocks should be liquidated by 1940-41. After this has been accomplished the Lautaro ordinary shares are entitled to 20 per cent. of the balance of profits, subject to a minimum payment of 2 per cent. on the stocks and bonds.

—And Prospects.—War, however, has presented problems for the nitrate industry. The International Nitrogen Cartel was scrapped in September, and it has yet to be seen whether war will bring a sudden increase in the demand for nitrate or a more assiduous exploitation of synthetic materials. Old nitrate stocks may be more rapidly liquidated, but post-June, 1933, stocks held by Chilean Nitrate jumped last year from £587,563 to £994,728, and would thus already appear to discount a considerable expansion in demand. The company's directors take a cautious view of the future. Higher costs and in particular higher freight rates may cut into profits margins, while the dislocation of financial facilities in Europe has forced the company to seek accommodation in New York instead of London. Confidence is expressed in increased sales for the current year, however, and both nitrate and iodine production has been stepped up accordingly. A war of three years' duration would finish in 1942-43. Should nitrate and iodine become real war equities, the significance of that date could hardly be lost on Lautaro ordinary shareholders with long memories.

Further Kaffir Dividends.—Dividend announcements from the Rand Mines-Central Mining and the Anglo-American groups have pleased the market no less than the earlier batch of declarations. Details of the announcements are set out below:—

	Dividends per share				
	Dec., 1938	Total, 1938	June, 1939	Dec., 1939	Total, 1939
<i>Rand Mines-Central Mining</i>					
Rand Mines (5s.)	4/-	8/-	4/-	4/-	8/-
City Deep (£1)	1/3	2/3	1/6	2/6	4/-
Consol. Main Reef (£1)*	2/6	5/-	3/-	3/-	6/-
Crown Mines (10s.)	9/6	19/-	9/6	9/6	19/-
Durban R. Deep (10s.)	1/3	2/6	1/3	1/6	2/9
E. Rand Prop. (10s.)	1/9	3/6	1/9	1/9	3/6
Geldenhuis Deep (£1)	3/-	5/-	2/-	2/6	4/6
Modder. B. Gold (5s.)	1/3	2/6	1/3	1/3	2/6
Modder. East (£1)*	3/6	6/6	4/-	4/-	8/-
New Modder. Gold (10s.)*	2/6	5/3	2/6	2/6	5/-
Nourse Mines (£1)*	2/-	4/-	2/3	2/3	4/6
Rose Deep (£1)	1/6	2/9	1/6	2/-	3/6
Transvaal Consol. (10s.)	1/6	1/6	...	1/-	1/-
<i>Anglo-American Corp.</i>					
Brakpan (5s.)	1/7½	3/1½	1/9	1/9	3/6
Daggafontein (5s.)	1/3½	2/6½	1/3½	1/6	2/9½
New Era Consol. (5s.)	-/6	1/-	-/4½	-/4½	-/9
S. African Land (3s. 6d.)	-/6	-/6	2/3	3/6	5/9
Springs (5s.)	1/4½	2/7½	1/3½	1/4½	2/8½
West Springs	1/3	2/6	1/4½	1/4½	2/9

* Financial year ends June 30th.

Perhaps the best of all December Kaffir dividends is the City Deep final payment. Rapidly rising revenues per ton in the past few months had prepared investors for some increase, but the doubling of the December, 1938, declaration has exceeded forecasts. Mines in the Anglo-American

group are all paying higher rates for the year. The "Sallies" dividend for the first full year's working has entirely satisfied the market. The finance company itself, however, is postponing its dividend declaration until profits can be ascertained, so that the two announcements can be made together.

The Week's Company Profits.—This week our usual table of profit and loss accounts, appearing on page 492 contains results of 39 companies for which comparable figures are available. Net profits of these companies amount to £2,264,000, against £2,052,000 a year ago. This is a rise of 10 per cent., and is the first increase of any size to appear for very many weeks. Actual results, however, are mixed, and the Alvis profits are an important factor in the increase. Aggregate net profits of 2,305 companies reporting in 1939 to date are £2,644,988,000, or just under 8 per cent. less than £2,87,003,000 earned by the same companies a year ago.

Company Meetings of the Week.—Reports of this week's company meetings will be found from page 482 of this issue. Lord Wardington, having emphasised the importance of exports to this country in the present emergency, at the *Bank of London and South America* meeting, declared that the bank was ready to give advice and assistance in any trade drive with Latin American countries. The remarks of Sir George L. Courthope at the meeting of *Ind Coope and Allsopp* are discussed in a Company Note on page 475. Mr Edward S. Baron informed shareholders of *Carreras* that though the effect of the increased tobacco duty could not yet be estimated, the current year had made a good beginning. Shareholders of *Avon India Rubber* were informed by Sir H. E. Blain that last year's record sales had been achieved largely through civil production but the Government was now placing large orders, which helped to create a record forward sales position. At the *Cam and Motor Gold Mining* meeting, Viscount Elibank declared that the directors saw no reason why a satisfactory dividend position should not be assured for many years to come. Depreciation of investments, declared Sir Dougal Malcolm, at the meeting of *South West Africa Company*, had necessitated a special reserve allocation of £150,000. Discussing the diamond market since September at the *Consolidated African Selection Trust* meeting, Mr A. Chester Beatty anticipated a satisfactory turnover in industrial stones next year. Viscount Elibank discussed revenue prospects in the current year at the *London and Rhodesian Mining and Land* meeting. Receipts should be little changed, subject to unforeseen occurrences, except perhaps for smaller operations in the sale of shares. Addressing shareholders of *Malayan Tin Dredging*, Mr C. V. Stephens declared that a mining lease for about 2,460 acres had been applied for from the Government, while at the *Southern Malayan Tin Dredging* meeting Mr Stephens informed shareholders that the company had applied for a lease for 500 acres. Discussing wartime conditions at the *Woolwich Equitable Building Society* meeting, Mr Fred Hoar declared that members' mortgage repayments had been well maintained. At the meeting of *Mexican Railway Company*, Mr Vincent W. Yorke discussed the effect of the war and Mexican Government policy on the company's prospects. Viscount Goschen informed shareholders of *Nelson Financial Trust* that sources of revenue hitherto dependable no longer existed. Viscount Greenwood pointed out at the *Aerated Bread Company* meeting that business was being developed in neutral and reception areas. At the *J. Samuel White and Company* meeting, Sir Archibald Mitchellson declared that capacity last year in the boat-building department had been doubled. Addressing shareholders of *Mitchell Cotts and Company*, Mr Alexander Hamilton enlarged on Government control of shipping freights in war. At the *Castlefields (Klang) Rubber Estate* meeting Mr W. Arthur Addinsell anticipated improved net profits in the current year, despite higher costs and increased taxation.

THE STOCK EXCHANGES

London

Note: All dealings are for cash

DURING the past week the main features of the previous week have been repeated, with the addition of a display of interest in copper shares. Business has sunk if anything to still lower levels on the approach of Christmas, and except for certain groups with a commodity interest, movements in prices have been small and irregular.

There was too little activity in the gilt-edged market really to test prices, but where changed at all, the tendency was for quotations to harden. Gains ranged up to ½ on Tuesday, War Loan reaching 92½. Home corporations remained steady and unexciting. Among Dominions stocks, dealings in the Australian 3½ per cent. scrip opened at 1 discount, and other loans lost ground slightly in sympathy. The scrip weakened a little more, while Dominions stocks in general tended to recover their equilibrium. In the foreign bond market, Japanese issues advanced, though South American issues were not so good. Among European securities, French Railway bonds were well supported. In the absence of fresh news, or even hopes, interest in home rails slackened, and without the support that has sustained this market on and off for some weeks past, most prices receded. Movements, however, remained small. The lower Argentine wheat crop estimate affected Argentine rail issues adversely.

The industrial market again lacked any decisive trend in prices, though textiles continued to be one of the most active groups. Iron and steel shares were uninteresting, though news of the Government's locomotive orders brought support for a few of the leading companies in the engineering section towards mid-week. There was some demand for shares of shipbuilding concerns. Aircraft and motor issues were dull on the whole, and Fairey reacted on the reduced dividend. Excellent Lancashire Cotton figures gave still further impetus to the advance in textile shares. But towards mid-week profit-taking caused some hesitation in textile and in rayon shares. With occasional exceptions, breweries were inclined to sag. Among tobacco shares, British-American Tobacco were uncertain pending the delayed dividend declaration. There were few important movements in the provision and catering or stores groups. In the miscellaneous section, higher base metal prices assisted Imperial Smelting.

Among oil shares, Royal Dutch have been a feature this week, with the price well maintained in mid-week on growing optimism regarding dividend prospects. Other leading issues have been quiet. Rubber shares have enjoyed some public support and a firm tone has been assisted by the current price of the commodity. Tea shares were dull this week.

Base metals were again the feature in the mining market this week, but turnover has been affected by pre-holiday sentiment. Leading producing Kaffirs remained firm on last week's dividend

announcements, prices ruling quietly steady in mid-week. On Tuesday, Rand Mines and Union Corporation led a slight upward movement among finance shares. Developing issues have been neglected. Rhodesian coppers advanced in decisive fashion after the week-end, but mild profit-taking caused no more than a fractional setback in some issues. Tin shares, however, failed to live up to their recent record and prices eased in quiet trading.

"FINANCIAL NEWS" INDICATORS

1939	Total Bargains†	Corres. Div. 1938	Security Indices	
			30 ord. shares*	20 fixed int.†
Dec. 15	4,265	5,755	74.8	117.5
" 18	4,764	5,535	74.9	117.3
" 19	3,575	4,510	74.4	117.3
" 20	3,209	4,095	74.5	117.2
1939 High...	...	...	88.0 Mar. 10	123.5 Jan. 3
Low ...	...	...	66.4 Sep. 26	109.6 Oct. 4

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

New York

AFTER the week-end, Wall Street opened in more cheerful mood than for some time past. A setback in motor issues after an early advance, however, reversed the trend. Dealers were inclined to hold off the market owing to the confusing near-term trade outlook and renewed firmness in the commodities was ignored. Copper shares were in demand, however, and the setback in steel mill activity had little effect on steel issues. Later in the week, liquidations for taxation purposes were offset by bargain hunting at the lower levels and prices were little changed. The American Iron and Steel Institute estimates steel mill activity at 90 per cent. of capacity this week, against 91.2 per cent. last week.

New York Prices

	Close	Latest		Close	Latest
	Dec. 20,	Dec. 20,		Dec. 20,	Dec. 20,
	1939	1939		1939	1939
1. Rails and Transport					
Atchafalaya	24½	23½	Shell Union...	12½	12½
Balt. & Ohio...	27½	26½	Socony Vac...	11½	11½
Ches. & Ohio...	40½	39½	Stan. Oil Cal.	24½	24½
G.N. Ry. P.	27½	26½	Stan. Oil N.J.	42½	42½
Illinois Cent...	13½	12½	Texas ...	43	43
N.Y. Central	18½	18½	4. Manufacturing		
Northern Pac.	9	8½	Briggs ...	22½	21½
Pennsylv. R.	22½	22½	Chrysler ...	88½	89½
Southern Pac.	15	14½	Gen. Motors	53½	54
Southern Ry.	20½	19½	Boeing Airplan	22½	22½
Union Pac. ...	96	96	Douglas Air...	78½	80½
2. Utilities and Communications					
Am. W. Works	11¼	10	United Aircr.	45¼	45¼
Con. Edison	29½	30	Allied Chem.	177	179
Col. Gas & El.	6½	6	Dupont ...	179¼	179¼
N. American	22	21½	Gen. Electric	39½	40½
Pac. Gas & El.	32½	32½	West'hc Elec	112½	116½
Pub. Serv. N.J.	39½	39½	American Can	112	112
United Corp.	2½	2½	Caterpillar ...	57½	55½
Un. Gas Imp.	14½	14½	Int. Harvester	61½	61½
Amer. Tel.	168¼	169	Johns Manvle	75	73½
Inter. Tel. For.	4	3½	Corn Prods...	61½	62½
Westn. Union	26½	25½	J.I. Case & Co.	72½	71
Radio ...	5½	5½	Glidden ...	17¼	17
3. Extractive and Metal					
Am. Mol. Mill	16½	16½	Celanece of A	28½	29
Beth. Steel ...	82½	81½	Eastm'n Kdk	167	165½
Republic St...	23½	23½	Leav... ..	39	32½
U.S. Steel ...	68½	67	20th Cen. Fox	12	11½
Am. Meral ...	23½	23½	5. Retail Trade, etc.		
Am. Smelting	51	51¼	Mont. Ward.	55	54
Anaconda ...	30½	31½	Sears Roebck	82¼	87¼
Cerro de Pas.	38½	37½	Woolworth ...	37½	37¼
Int. Nickel ...	36	36¼	Nat. Dairy ...	15½	16
Kennecott ...	38	38¼	Am. Tob. B.	83	83½
U.S. Smelt...	62¼	62¼	Nat. Distillers	23½	22½
6. Finance					
			Comcl. Credit	45½	45½
			Com. Inv. Tr.	51½	51½

TOTAL DEALINGS IN NEW YORK

1939	Stock Exchange	
	Shares 000's	Bonds \$000's
December 14	890	8,320
" 15	700	7,230
" 16	340	3,100
" 18	720	7,830
" 19	750	8,030

Capital Issues

CAPITAL ISSUE TOTALS

Week ending December 23, 1939	Nominal Capital	Conversions	New Money
To the Public	Nil	...	Nil
To Shareholders ...	Nil	...	Nil
By S.E. Introduction	Nil	...	Nil
By Permission to Deal	129,116	...	405,222
Savings Certs., week to Dec. 16, 1939	4,550,000	...	4,550,000
3% Defence Bonds sales, week to Dec. 16, 1939	6,800,000	...	6,800,000
Year to date	Including Conversions	Excluding Conversions	
1939 (New Basis)...	161,307,387	134,222,693	
1938 (New Basis)...	206,251,907	271,690,083	
1939 (Old Basis)...	108,645,554	82,656,723	
1938 (Old Basis)...	203,686,595	180,105,586	

Destination

(Excluding Conversions)

Year to date	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1939 (New Basis)	106,509,173	25,467,788	2,245,73
1938 (New Basis)	212,311,409	53,688,402	5,695,27
1939 (Old Basis)	66,496,832	15,840,091	320,00
1938 (Old Basis)	152,986,332	24,299,182	2,820,07

Nature of New Borrowing (Excluding Conversions)

Year to date	Deb.	Pref.	Ord.
1939 (New Basis)	77,572,895	8,831,629	47,816,16
1938 (New Basis)	147,191,726	21,795,937	102,702,42
1939 (Old Basis)	69,808,921	2,688,459	10,159,34
1938 (Old Basis)	130,348,169	12,754,505	37,002,91

* NOTE.—"Old Basis" includes only public issue and issues to shareholders only. New Basis includes all new capital in which permission to be has been granted.

BY TENDER

Ulster Treasury Bills.—The Ulster Government, on December 19th, received tenders for three months' Treasury bill for £600,000. Total of £4,500,000 was applied for and £600,000 allotted. Minimum price accepted was 99 13s. 10d and 50 per cent. of applications were allotted at that price. Average rate of discount was 1 4s. 8 81d. per cent. per annum.

RESULTS OF ISSUES

Australia (Commonwealth of).—Underwriters of the 3½ per cent. Loan 1942-44, issued at 99, were left with 62 per cent.

Shorter Comments

Company Results of the Week.—Both LEEDS AND WAKEFIELD BREWERIES and NEWCASTLE BREWERIES are maintaining their former dividends. Total profits are higher, but in the latter case, taxation more than absorbs the increase. Use of the company's resources on Government work has converted the 1937-38 loss of £64,950 of ALVIS, LTD., into a total profit of £73,014. The full report of H.M. HOBSON AIRCRAFT confirms the satisfactory nature of the preliminary statement. Further progress (owing in part to a remunerative acquisition) is reported by SCOTTISH MOTOR TRACTION, whose net profits are £378,880, against £292,430. BRITISH (Continued on page 478)

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Industry and Trade

Control of Steel Imports.—Further measures were taken this month to bring the organisation of the iron and steel industry into line with war conditions. First, the import duties originally imposed to protect the industry in this country against foreign competition had become anomalous as a result of the war. Not only are prices on the international market substantially higher than in this country, but wartime exigencies require the supplementing of home production by imports. The duties were therefore abolished on December 5th. A further step was taken on December 18th, when a licensing system was introduced for the imports of iron and steel as well as of many of the raw materials required by the industry. The control of imports is, of course, essential, for it will enable the Government to regulate purchases in accordance with needs and to exercise some influence over prices and over the sources of supply. Incidentally, this measure should also tend to prevent speculation. The licences are being issued by the Import Licensing Department of the Board of Trade on the recommendation of the Iron and Steel Control of the Ministry of Supply. By vesting ultimate authority in the Board of Trade it will be possible to regulate imports with reference to considerations other than those of the immediate concern of the Ministry of Supply. Care is to be taken, however, not to disturb arrangements between individual importers and exporters by allowing imports to pass through the normal trade channels as far as is practicable.

Industrial Development in 1938.—The Survey of Industrial Development, 1938, published this week (H.M. Stationery Office, 6d.), contains a concise account of the

number and nature of factories opened and closed. The number of new factories opened declined from 522 in 1937 to 414 in 1938, while factory extensions also fell, from 178 to 145. During the same period the number of factories closed rose from 362 to 432. The explanation of these developments is to be found largely in the recession of business activity early in 1938. The location of the new factories opened and of those closed in the past year is shown below:—

	New factories	Factory extensions	Factories closed
S. and S.W. England ...	12	7	4
Greater London	168	44	191
Wales and Monmouth ...	23	2	11
Midlands	58	39	61
Eastern Counties	5	3	8
N.W. England	77	24	94
N.E. England	50	23	44
Scotland	21	3	19
Total	414	145	432

Greater London, it will be seen, combined to attract the biggest number of new factories, but it also led in the number of factories closed. An attempt has been made to obtain information concerning the location of the new factories. Convenience of premises was given as the reason for the location of no less than 182 of the 305 new factories for which information was available. A further analysis of 110 of these factories showed that as many as 59 of them are located in Greater London.

Overseas Trade in November.—The table opposite summarises the total foreign trade of Britain in November,

SHORTER COMMENTS

(Continued from page 477)

VACUUM CLEANER have had a severe setback, and the dividend is reduced from 40 to 12½ per cent. **HAY'S WHARF** net profits have advanced substantially from £139,836 to £188,618, and the rise in dividend is less than earnings would justify. Total profits of **R. HOOD HAGGIE AND SON** are £81,605, against £63,514, though taxation provision takes most of the increase. **RONEO, LTD.**, report a moderate advance in total profits, and are paying 11½ against 10 per cent.

Olympia, Ltd.—Original resolutions will not be put to the adjourned meeting on December 27th. The Association of Investment Trusts has suggested appointment of a committee, and a shorter moratorium period (with power to committee to extend). Proposals will be put to a further meeting.

Transvaal Working Profit, November.—Total estimated working profit of gold mines of the Witwatersrand for November, 1939, amounted to £3,093,403, compared with £3,090,543 for October.

Foster Clark, Ltd.—The profits analysis in *The Economist* of December 2, 1939, on page 359, showed this company's net profits for the 52 weeks to September 13, 1939, as £75,634, against £80,816 for 1937-38. The former figure, however, excluded £13,764 profit on sales of investments, but the 1937-38 figure included £11,480 such profit. On a comparable basis, excluding profit from sales of investments, the 1938-39 net profits should be £75,634, against £69,336 for 1937-38.

Lena Goldfields.—Dividend for year to September 30, 1939, is 6½ per cent. tax free (first payment since payment of 14 roubles per share tax free in 1916).

Investments at cost less reserve stand at £57,235 (£42,721); market value is £52,214 (£41,778). Balance outstanding from U.S.S.R. Government, £2,025,000.

Union-Castle Mail Steamship Company.—Owing to war, and as rate of hire on requisitioned vessels is not yet determined, it has been decided to postpone for the present payment of the dividend on the £2,500,000 6 per cent. "A" cumulative £1 preference shares, due January 1, 1940. Dividend on 24,000 4½ per cent. £10 preference shares, due the same date, will be paid.

Bank of Montreal.—Profits year to October 31, 1939, \$3,462,446 (\$3,398,391). Dividend 8 per cent. as before. To bank premises, \$500,000 (\$500,000). Carry forward, \$1,265,700 (\$1,183,254). Total assets, \$1,025,508,367 (\$874,255,828).

Universal Asbestos Manufacturing Company.—Ordinary dividend raised from 25 to 30 per cent. for year to October 31, 1939. Profits, after fees, N.D.C. and E.P.T., £129,017 (£67,197). Income tax, £49,750 (£19,000). To reserve, £25,000 (£10,000). Carry forward, £51,058 (£20,641).

Gold Coast Selection Trust.—Total income year to March 31, 1939, £374,183 (£190,997). Dividends and interest, £294,091 (£172,589). Profit on sale of investments, £69,218 (£18,408); also £10,874 profit on sale of property. Net profits, before tax, £366,367 (£172,861). To tax, £78,552 (£42,987). Tax free ordinary dividend raised from 10 to 15 per cent. To directors' additional remuneration, £10,000. Carry forward, £269,189 (£103,874). An interim of 10 per cent. has been declared in respect of 1939-40.

Marlu Gold Mining Areas.—For year to July 31, 1939, profit earned was £531,343 after £92,622 for depreciation and development. For previous year credit balance

was £529,396. Development expenditure £53,883 written off share premium account, and depreciation £70,408 from profit and loss. Total dividends 25 per cent. tax free against 25 per cent. less tax. To taxation, £100,000 (£149,500). Carry forward, £23,749 (£102,405). An interim of 10 per cent. less tax has been declared in respect of 1939-40.

Henekeys, Ltd.—For year to October 16, 1939, final ordinary dividend is 8 per cent. plus bonus 1 per cent., both less tax at 7s. As tax was deducted at 5s. 6d. from the 7 per cent. interim, total dividend is equal to 16.8 against 17½ per cent. Net profit £50,165 (£53,206). This year's figure is struck after nearly £1,800 for A.R.P.

Fairley Aviation Company.—Net profits, after tax, year to September 30, 1939, £248,122 (£260,125). The dividend remains at 12½ per cent. tax free, but there is no bonus, which had been 2½ per cent. tax free.

Jones (R. E.).—Profits year to October 31, 1939, £26,048 (£43,409). No dividend on ordinary shares, against 5 per cent. To income tax and N.D.C., £4,965 (£3,109). To property reserve, £15,000 (£15,000). Carry forward, £13,373 (£8,446).

Central Wagon Company.—Trading profit year to September 30, 1939, £114,397 (£97,793). To tax provision, £40,000 (£22,000). Net profit, £72,611 (£72,323). Ordinary dividend maintained at 10 per cent. To reserve, £35,000 (same). Carry forward, £12,100 (£8,114).

De Beers Consolidated Mines.—The directors announce that the company is ceasing mining and washing operations at the Bultfontein mine until further notice. The present operations at the Wessels mine are to be continued.

(Continued on page 494)

while the detailed figures of individual classes will be found on page 494. The recovery in the value of imports compared with October was spread over most of the major groups, and compared with November, 1938, imports of cotton were up by £4.3 millions, and imports of meat,

U.K. IMPORTS AND EXPORTS (£'000)

	1937	1938	1939	Change between 1938 and 1939	Per cent.
<i>November</i>					
Total Imports	97,268	77,974	83,988	+ 6,014	+ 7.7
British Exports	45,183	42,923	37,360	- 5,563	- 13.0
Re-exports	5,306	5,114	2,745	- 2,369	- 46.3
Total Exports	50,489	48,037	40,105	- 7,932	- 16.5
Excess of Imports over Exports	46,779	29,937	43,883	+ 13,946	+ 46.6
Transshipments under Bond ...	3,406	3,106	3,366	+ 259	+ 8.4
<i>Eleven Months ended November</i>					
Total Imports	935,723	846,982	800,896	- 46,086	- 5.4
British Exports	477,980	432,001	398,687	- 33,314	- 7.7
Re-exports	70,224	56,809	43,429	- 13,379	- 23.6
Total Exports	548,204	488,809	442,116	- 46,693	- 9.6
Excess of Imports over Exports	387,519	358,173	358,780	+ 607	+ 0.2
Transshipments under Bond ...	34,385	29,756	27,572	- 2,185	- 9.3

beverages, non-ferrous ores and scrap, oil seeds and nuts, iron and steel manufactures, vehicles and manufactured oils and resins were also higher. Exports of coal and textile goods were also valued higher in November than a year ago, but allowance must here be made not only for the rise in prices (which has also influenced the increase in the value of imports) but also for the goods which were held up in September and October by the introduction of controls.

Higher Metal Prices.—The Ministry of Supply has taken bold steps to adjust British metal prices. A week ago it unpegged the tin price; now it has decided to raise the maximum prices of copper, lead and spelter from December 18th. Electrolytic copper is now fixed at £62 per ton free to buyers' premises against £51 c.i.f. since the outbreak of war. Lead, which was stabilised at £17 5s. per ton ex warehouse and ex duty (7s. 6d. per ton), is now quoted at £25 duty paid delivered to buyers' premises, while the price of spelter was increased from £15 12s. 6d. per ton ex warehouse and ex duty (30s. per ton) to £25 15s. per ton duty paid delivered to buyers' premises. The new prices can be justified, as they still remain below the prices paid outside this country. Unlike last week's unpegging of the tin price, the increase in the maximum prices for copper, lead and spelter does not mean increased trading facilities. As before, every order must be licensed and the new maximum prices are fixed and not variable ones, so that there is still no possibility of a resumption of dealings on the London Metal Exchange. Export licences for copper, lead and spelter are at present not granted in this country. Foreign buyers, therefore, will not be affected by the adjustment in British maximum prices. On the other hand, the British bulk buying purchases in the Empire have dislocated the international metal trade to some extent, a fact which is likely to make itself felt in prices after the present abnormal international re-stocking demand has come to an end. On the international copper market this dislocation is very marked, as the world's potential output is in excess of requirements, and certain producing countries, such as Chile, have lost their British orders.

Imports of Oils and Fats.—On page 349 of *The Economist* of December 2nd we discussed the relative importance in international trade of the principal oils and fats. The leading importers of oils and fats are, naturally, the highly industrialised countries of the world, i.e. Britain, Germany and the United States. Britain and the United States are also exporters of manufactured goods. The second most important group of oil and fat imports includes France, Belgium, Denmark and Holland. In this group, however, Denmark is a net exporter of fats because of her large exports of butter.

TRADE IN OILS AND FATS* (In thousands of metric tons)

(a) Total Imports and Exports

	Vegetable, Whale & Fish Oils				Butter, Lard and Tallow			
	Imports		Exports		Imports		Exports	
	Average 1935-37	1938	Average 1935-37	1938	Average 1935-37	1938	Average 1935-37	1938
U.K.	896	1,028	135	106	547	571	8	30
Germany	824	929	33	9	125	133	...	16
U.S.A.	1,108	817	33	34	5	0.6	57	95
France	607	607	90	94	3	4	12	11
Belgium	118	138	24	28	5	3	...	...
Denmark	183	155	82	64	0.4	1	154	166
Holland	312	383	258	237	11	7	64	61

(b) Excess of Imports over Exports of Oils and Fats in 1938

	Total Imports	Total Exports	Import Surplus
Great Britain	1,599	136	1,463
Germany†	1,062	25	1,037
U.S.A.	818	129	689
France	611	105	506
Belgium	141	28	113
Denmark	156	230	74†
Holland	390	298	92

* For purposes of comparison oilseeds have been taken at their oil equivalent.
† Export surplus. ‡ Old Reich.

The largest exporter of manufactured oils and fats is Holland, followed closely by Denmark, which is actually an exporter on balance. Britain has the largest import surplus, followed by Germany, the United States and France. Imports consist chiefly of vegetable and marine fats, though Britain is also a large importer of butter and lard. The bulk of the imports of vegetable fats consists of oilseeds. This indicates that these countries have a highly developed oil-crushing industry. Their exports are thus mainly processed vegetable oils. The greater part of the United States shipments consists, however, of lard, and the greater part of Denmark's shipments of butter. Holland is the leading exporter of processed vegetable oils.

Speculation in Textiles.—The price of raw jute has about doubled in the last two months; after some weeks of comparative stability early in the war, native first marks, which were quoted at £20 10s. per ton c.i.f. in August and at about £25 per ton in September, rose to £52 per ton at the end of November. Since then the market has suffered a relapse, but the price of jute is still out of all proportion to its cost to the growers. The main reason for this phenomenal rise is the wild speculation in Calcutta, which in turn is due to the large orders for sandbags placed both in Calcutta and Dundee, and to the realisation that the British Government did not intend to control jute prices. These orders are, it is believed, based on costs, plus a percentage profit, so that manufacturers have no inducement to resist the advancing price level. There seems, however, no reason why the Indian and British Governments could not agree on a form of bulk purchase of Indian jute at a fixed price for the duration of the war, on the lines of purchases made from other Dominions, and prices for sandbags could be adjusted accordingly. A similar outburst of speculation has taken place in cotton on the Alexandria and Bombay exchanges. At Alexandria, for instance, Giza 7, f.g.f. rose slowly from 11.63 dollars per cantar on September 1st to 14.91 dollars on November 30th, since when the price has been forced up to nearly 19 dollars. As a result of this rise, trading in cotton and yarns at Liverpool has been much hindered, and the Liverpool Cotton Association has now instructed its members to limit transaction in cotton futures to clients already on their books. The Egyptian Minister of Finance has also assumed by decree control over the internal conduct of the Alexandria exchanges and has modified the regulations concerning local "on-call" trading. The American subsidy

on cotton exports has also been cut by three successive stages from $1\frac{1}{2}$ cents to $\frac{1}{2}$ cent per lb. If these steps do not succeed in stopping unnecessary and harmful speculation, it is to be hoped that the Governments concerned will not shrink from more severe measures.

* * *

Supplies of Softwoods.—The main task of the Timber Control is to acquire sufficient supplies of the softwoods formerly drawn from the Baltic and Scandinavian countries. This type of timber, mainly pine (redwood) and fir (white-wood), is extensively used in construction work of all kinds, whether building or A.R.P. defence work. Polish and Finnish timber has been very difficult to secure since the outbreak of war, but the Control has now received large quantities of the Russian timber which is to be exchanged against rubber, and this has materially eased the scarcity. Further quantities of softwoods are being drawn from Canada; Canadian exports to Britain of this type of timber may amount to as much as 500,000 standards during the current year, which represents about 25 to 30 per cent. of the normal peace-time consumption. These supplies, together with Russian shipments, will meet the most urgent demands for softwoods, and unlimited quantities of other types of timber will be available from North America.

* * *

The Christmas Turkey.—If international trade does indeed provide a stimulus towards international good feeling, the turkey for the British Christmas has much to its credit. In 1938 Britain imported turkeys from Hungary, Yugoslavia, Poland, Lithuania, France, Argentina and Uruguay; even Eire supplied turkeys, dead or alive, to the British, together with thoroughbred horses, cattle, and the I.R.A. But the British are not so unenterprising as to leave the turkey trade entirely in foreign hands. There were some 1.4 million turkeys in the United Kingdom in June, 1938, of which probably three-quarters had but six months more of life. The supply of turkeys for last Christmas may be summarised thus:—

	'000
Home grown	1,043
Imported, dead,* 170,000 cwt. at 8 turkeys to 1 cwt.....	1,360
of which from Eire.....	376,000
Central Europe	784,000
S. America	32,000
Imported, alive†	100
Total	2,503
* Imports in November and December. † Estimated.	

The turkeys recorded as being imported alive came from Eire and the majority walked or were otherwise transported across the land boundary into Northern Ireland, possibly to obtain there the final layer of flesh. Northern Ireland had, according to the June, 1938, census, one-third

of all the turkeys in the United Kingdom; Norfolk had 6.3 per cent. and Devon 3.6 per cent., while turkeys were bred in small numbers in practically every county in England and Wales. The census held in June, 1939, revealed a fall of 11 per cent. in the number of turkeys in the United Kingdom, but it is believed that imports from Eire and Central Europe will be almost normal in size, so that the Christmas turkey is still available at a moderate price.

* * *

Land Settlement.—Land settlement was boosted in 1934 and 1935 as a solution for the problem of the middle-aged men in the distressed areas who had been so long without work that they had become unemployable. The Land Settlement Association was formed to try out a small scheme for about 1,000 families from Durham, Tyneside and West Cumberland; later, under pressure from the Commissioner for Special Areas, the Association enlarged its plans to include twice that number, and in 1936 and 1937 it bought some 11,000 acres of agricultural land in the Midlands and South of England. By July, 1939, it had formed 1,500 holdings, on which were settled only 700 families; each group of holdings was linked to a central agency which undertook the purchase of supplies and the marketing of produce. The committee of enquiry which was appointed last year and whose report* has just been published points out that the Association was handicapped in its work, firstly by the sudden enlargement of its plans, secondly by the haste urged upon it from outside, and thirdly by the trade revival, which led to a rapid fall in the number of applicants. But, even allowing for these difficulties, the results obtained by the Association reaffirm the lessons learned after the Great War—that as a means of solving unemployment, land settlement on a large scale is costly and uncertain. It is uncertain because, even when would-be settlers are carefully chosen, a number will be unable to adapt themselves to the move to another district and to the completely different type of life. In fact, nearly half of the men who went for training to the Association's estates had returned home before April, 1939. The capital cost of training and of equipping a small holding worked out at £1,000-£2,000; if the settler has to repay this sum, he starts with an intolerable load of debt. The small and localised schemes run by the Durham County Council and the Welsh Land Settlement Association have been more successful, partly because capital costs were lower and partly because these settlers were not moved out of their own districts. Even for these, the number of applicants has not been large. The land hunger of the urban population is, in fact, largely a myth of the economic reformer and of the industrial magnate who can find no other solution for the wreckage left by the collapse of local trades.

* "Report of the Committee of Enquiry into Land Settlement." Stationery Office. 2s. 6d.

INDUSTRIAL REPORTS

Coal

THE accumulated stocks of household coal in many districts have been reduced by the increased demand caused by the colder weather. Business in all other sections, including export markets, continues at recent levels, though transport difficulties are increasing.

*

Sheffield.—The market is firm all round. Household, industrial, locomotive and gas fuels are all in demand, though smalls are readily available for both inland and export trade. Business in coke is very active, the price of blast-furnace qualities being 5s. a ton higher

under the sliding scale arrangement in relation to pig iron.

*

Glasgow.—Apart from the uncertainties arising from the Russo-Finnish conflict, the German stoppage of neutral vessels and offerings of Polish coal, the market position is good. The larger production is readily absorbed, and with the year-end stoppage approaching buying has recently increased and pit-head stocks have been steadily reduced.

*

Newcastle-on-Tyne.—Inquiry and forward bookings on export account are good, but the current position is made difficult by transport problems

and in some sections it is hard to maintain regular working. There is a good home demand for Northumberland steam and Durham manufacturing coals, but gas and bunker classes are plentiful.

*

Cardiff.—Work has been interrupted at some of the collieries by a temporary scarcity of wagons and delayed shipping movements. Representations have been made to the Board of Trade on the strain imposed on the available transport facilities by the diversion of road and coasting traffic to the railways. Production, however, is higher than in the closing weeks of 1938

(Continued on page 488)

FRANCE

LAND OF FREEDOM

produces delicious alcohols. The whole world knows Cognac and Armagnac, derived from distilling the remarkable wines which are only made in France.

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COGNAC

and

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will always give you entire satisfaction, dry, with soda or in cocktails. They never fail to comfort and exhilarate you, and are pleasing to your guests.

French Cognac and Armagnac are

PRODUCTS OF QUALITY

COMPANY MEETINGS

BANK OF LONDON AND SOUTH AMERICA,
LIMITED

SOLIDITY OF THE INSTITUTION

BRITAIN'S OPPORTUNITY IN LATIN AMERICA

The seventy-seventh ordinary meeting of the Bank of London and South America, Limited, was held, on the 19th instant, in London.

The Right Hon. Lord Wardington (the chairman), in the course of his speech, said:—Within the lifetime of most of us here, Great Britain is now engaged in a second major European war, with all its inevitable suffering and sacrifices. Amid these troubles, however, we are fortified by the knowledge that Britain and her allies are endeavouring to rid the world of elements which have for too long militated against the quiet confidence and normal conduct of both personal and business life. Britain's determination, despite the sacrifices involved, is to achieve a real settlement of Europe's problems which would, I venture to think, be the signal for a true economic recovery. Meanwhile, it becomes increasingly evident that the struggle is more and more a test of economic strength, in which the Allies have the undoubted advantage.

IMPORTANCE OF EXPORTS

The ultimate source from which Great Britain draws the major part of her economic strength is her export trade, and the expression that "Great Britain must export or die" loses nothing in value by constant repetition. Up to the end of August last British exports were at about the same level as in 1938. For the two months September and October, however, there was a decline of as much as 43 per cent. compared with the corresponding months of last year. Latest information, however, is to the effect that exports for November were brought up to the level of those of the last pre-war month. If our export trade is so necessary in peace-time, its maintenance and expansion during a war period is even more essential in order to provide the foreign currency to pay for our enormous purchases of foodstuffs, etc., from abroad and so avoid dangerous depletion of our gold reserves and foreign assets. Britain's recent decision to seize Germany's exports in addition to enforcing the contraband system in respect of imports into Germany will cut that country off from overseas markets, so that a unique opportunity presents itself for the necessary expansion of British overseas trade. It so happens that Latin America has provided one of the largest markets for German goods, and I have been at some pains at our last few annual meetings to stress the manner in which German trade, conducted on a "compensation" or barter basis, often supported by German subsidies, has proved so inimical to British trade.

In most South American countries the difficulties of the past few years have led to official control of importation as well as of the foreign exchange markets, and the outbreak of the European war found many of the republics restricting imports in an effort to restore or increase their favourable balance of trade. In varying degree, however, this policy is now being reversed in view of the difficulties of obtaining goods from Europe, whilst, should the European war be prolonged, the purchasing power of the South American countries should improve through the greater demand and higher prices for primary commodities and the consequent general improvement of the exchange position.

RECAPTURING LATIN AMERICAN MARKETS

The moment, therefore, appears opportune for a British sales campaign in the Latin American countries, and particularly in those countries where the blockade of Germany will leave the largest gap in imports, although, in the present phase of reciprocal trading, Britain must on her part endeavour to increase purchases of South and Central American products. Moreover, whilst there still continues preference for British goods in Latin America, our prices and credit terms must be competitive, and our sales methods as modern as those of other supplying countries. It is already evident that, in seeking to recapture Latin American markets, Britain will be faced with keen competition from neutral countries, and particularly the United States. Already the Washington Government has shown much activity in concluding trade agreements with the various Latin

American countries as well as arranging trading credits through the export-import bank, so that business between North and South America has quite recently shown a fairly important increase.

I do not pretend that the task of winning back our markets in Latin America will be easy. This bank, however, is ever ready, as in the past, to place its assistance and advice unreservedly at the disposal of British trading circles seeking information as to outlets in those markets.

As the European war broke out as recently as September, its effects upon our working and upon the economic conditions in the countries where we are established were naturally not apparent to any marked degree during the period covered by our accounts. Largely due to the depressed prices of commodities, the value of overseas trade continued generally at a low level. Banking business continued very competitive, with interest and commission rates at low levels, whilst the burdens connected with restrictions upon foreign exchange dealings and the movement of funds, import regulations, etc., still had to be borne.

PROFIT AND DIVIDEND

The various items in the balance sheet total £81,000,000, the highest figure recorded during the seventy-seven years that your bank has been in existence.

The business of the bank continues to run on smooth lines. A very liquid position is shown, and the solidity of the institution needs no better demonstration than the fact that public confidence in it, despite the war, has remained firm, as evidenced by the increase in deposits. This, indeed, is gratifying to us all.

The gross profit brought in is £1,905,797, and there is an available balance for distribution of £645,762, as against £635,467 a year ago. This increase of £10,286 will, I am sure, be considered satisfactory in view of the conditions that prevailed during the period under review.

The directors recommend a final dividend of 3 per cent., making 5 per cent. for the year, subject to income tax and the allocation of £270,000 to contingency reserve.

So far as the prospects of our business are concerned, we may count ourselves fortunate that our assets are principally in neutral countries far removed from the war zone, but as a British institution we shall have to bear our share of the heavy burden of increased taxation which we may expect to be our general lot for as far as can be seen ahead. Apart from considerations of this nature, however, I feel that the Bank of London and South America can fill an important rôle in the national war effort by promoting and assisting the interchange of goods with South and Central America. Already the number of collections passing through our bills department is on the increase, and recent advices from our branches indicate that British firms out there are doing their utmost to secure orders.

THE OUTLOOK

With regard to the future, at a time like the present you will not expect me to do more than limit my remarks to a few observations of a general character. The primary producing countries of South and Central America were among the first to suffer in the economic crisis of 1931, and they were hard hit by the disastrous fall in commodity values which followed. The impact of the present European war, as you all know, caused an immediate rise in prices and a demand for essential commodities, and these same countries stand to benefit thereby. The currencies of Latin America have already shown an all-round improvement, leading to a general appreciation in British capital investments there—which is an important consideration—and also to prospects of an easing in the remittance situation and liquidation of frozen commercial debts. It may be as well, however, to emphasise that we may not expect to witness a repetition of the sharply fluctuating conditions of 1914-18, since any relaxation of exchange or import restrictions will probably be made gradually and with due regard to the conditions prevailing from time to time.

The report and accounts were unanimously adopted.

WOOLWICH EQUITABLE BUILDING
SOCIETY

92nd ANNUAL GENERAL MEETING

£150,000 ADDED TO RESERVES

MR. FRED HOAR'S SPEECH

In the absence of the chairman, Mr Fred Hoar, through indisposition, his speech was read by the general manager, Mr T. R. Chandler, F.I.A., at the ninety-second annual general meeting, held at the Chartered Insurance Institute, 20 Aldermanbury, E.C.2, on the 21st instant. He said that having regard to the unsettled conditions which had prevailed throughout the year, culminating in the outbreak of war on September 3rd, the statement which the directors submitted was not unsatisfactory. The assets had increased during the year by nearly three-quarters of a million, and it was possible, after paying the usual rates of interest on all investments, to add the substantial sum of £150,000 to the reserves, increasing the ratio of reserves to assets from 4.58 to 4.87.

REBATE TO BORROWERS

The amount advanced on mortgage, £4,603,404, was less than for several years past—in fact the figure was the lowest since 1933. The rapid expansion of the past few years could not be expected to continue indefinitely, and an increase in mortgage assets of £700,000 could not be regarded as other than satisfactory. Losses on realisation represented less than fourpence per cent. of the mortgage assets at the end of the year.

In July last the directors had announced that a rebate of interest would again be granted to borrowers paying rates of interest in excess of 5 per cent. and the warrants amounting to £63,900 had been dispatched. He ought to say that borrowers could not look for a continuance of the same generous treatment. The cost of these rebates to the Society over a period of seven years exceeded half a million pounds.

A QUARTER OF A MILLION IN TAXES

Total management expenses had decreased by some £8,000—but this saving was more than counterbalanced by the increased provision which it had been necessary to make for income tax. Including National Defence Contribution, the Society was this year providing no less than £246,600, nearly a quarter of a million pounds, to satisfy the demands of the Chancellor of the Exchequer.

EFFECT OF WAR CONDITIONS

The shareholders would, he was sure, be anxious that he should afford them some enlightenment as to the effect of the war on the Society. So far as borrowing members were concerned, mortgage repayments had been well maintained. Where a borrower, either through service with the Armed Forces or for other reasons arising from the war, had found himself unable to meet the full repayment on his mortgage, the Society had expressed willingness to accept a smaller payment to tide over a difficult period, but there were very few cases where the Society would not receive its interest in full. From long experience, he could assure the shareholders that the vast majority of the Society's borrowers were only too anxious to meet their obligations to the full.

PUBLIC CONFIDENCE MAINTAINED

So far as the investing members and depositors were concerned, there had been no evidence of any loss of confidence. Naturally, withdrawals had been on a larger scale than usual and it had been necessary to impose some restrictions. No member or depositor had been kept waiting for his money for a day longer than the period prescribed by the rules, and conditions were rapidly returning to normal.

Whilst the Board regretted that His Majesty's Government had not found it practicable to introduce a scheme for the insurance of property against war damage, the board appreciated their difficulty and were reassured by the Government's reiterated promise that on the conclusion of hostilities all claims would be met so far as the resources of the State permitted, and that up to a certain limit claims would be paid in full. As the great bulk of the Society's securities consisted of small properties spread over a very wide area,

the board felt that a reasonable measure of protection was afforded both to the Society and to its members.

THE BUILDING SOCIETIES ACT, 1939

The Act of 1939 which recently came into operation placed beyond a doubt (if any ever existed) the validity of transactions such as had been the subject of litigation during the past year, defined the classes of collateral security which might be accepted for the future, and made it certain that the purchaser of a new house should have full knowledge of the arrangements existing between the vendor and the building society of financing the transaction. The Society welcomed the Act, which, for the most part, only served to make compulsory what had been the general practice of the Society for many years past.

He could not conclude these remarks without expressing his personal obligation to his colleagues on the board of the Society for their continued loyalty and co-operation. He also wished to place on record the board's appreciation of the loyalty and devotion to duty of the officers and staff of the Society, both at head office and at the branches, and in this connection he would mention especially those members of the staff who had been transferred to the Society's new quarters at Westerham. Thanks to the untiring energy of all concerned in the transfer, the change over had been accomplished with a minimum of disturbance of normal routine.

He would like to express the hope that they might all meet again in twelve months' time and that the shadows which now enveloped them would by then have been dispelled by the dawn of a new era of peace and prosperity.

J. SAMUEL WHITE AND COMPANY,
LIMITED

IMPROVED RESULTS

The forty-second ordinary general meeting of J. Samuel White and Company, Limited, was held, on the 20th instant, in London.

Sir Archibald Mitchelson, Bart. (chairman), said it was gratifying to the directors to be in a position to show what he thought shareholders would consider very satisfactory results for the year. They closed the year with a considerable amount of work in hand. There had been increased activity at their works throughout the year they were now dealing with, and there appeared to be every prospect of a continuance of that activity with an abundance of work.

The profit for the year, after providing for depreciation and taxation, was £116,563, and they had been able to set aside no less a sum than £75,000 to general reserve after providing for a dividend of 20 per cent. to the ordinary shareholders.

As to the prospects for the current year, the position up to date continued satisfactory and the outlook encouraging, subject, of course, in these abnormal times, to the incidence of taxation and to the course of the war. It was their desire, as on the present occasion, that their shareholders received the utmost possible in the form of dividends, compatibly with the necessity of taking advantage of every opportunity of building up a strong cash reserve position so that they might be adequately equipped not only to meet all demands upon them in connection with heavy work of national importance, as at present, but to prepare themselves for their various activities under peace conditions.

He thought there could be no harm in referring to the two large destroyers (*Grom* and *Blyskawica*) which they delivered, some two years ago to the Polish Government, and which were now serving as very useful units with the British fleet.

During the year the capacity of the boat-building department had been doubled and they were receiving large orders. Here he would mention that they had recently delivered the *James Braidwood*, a fast fire float, and the first of its type, to the London County Council for service on the Thames. Their orders for their specialities, Clinsol strainers and oil fuel installations, had been increasingly maintained.

The report was adopted.

Every year many hundreds of Companies publish Reports of their Annual General Meetings in *The Economist*, thereby reaching thousands of investors in the quiet of their own homes.

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CARRERAS, LIMITED

RECORD RESULTS

The thirty-sixth annual general meeting of Carreras, Limited, was held, on the 19th instant, at Arcadia Works, London.

Mr Edward S. Baron (chairman and managing director), in the course of his speech, said that the net profit for the year was £2,005,839, which established a new record in the company's history, being £401,205 higher than the previous record reported last year. The result was mainly due to a further increase in the general demand for their well-known brands—an increase which had been sufficiently large to counteract a lower margin of profit—other contributing factors being a continued advance in the efficiency of their manufacturing processes, sales policy, staff co-operation, purchase of materials, and the maintenance of the high standard and never varying quality of their products, which the board recognised was essential to continuing success.

The amount available for distribution was £2,242,000, and they recommended that the dividend on all classes of ordinary shares, as increased by the bonus distribution made last year, should be at the rate of 30 per cent. for the year, leaving a balance of £303,210 carried forward. The provision for various taxes was naturally on a much higher scale than anything previously experienced, and this year such provision absorbed nearly the whole of their increased profit. The taxation which they as shareholders were called upon to bear amounted to a very formidable figure, the one item of satisfaction to them being that the company was making a considerable contribution towards national needs.

They would note that it was proposed to set aside for fluctuations in foreign exchange an amount of £165,000; the board was convinced that that was a wise provision in these uncertain times, and a good insurance for the future. If, happily, the course of events made it unnecessary for the exchange reserve to be drawn upon to any great extent, the balance could be free for other purposes in the future.

BALANCE SHEET ITEMS

The balance sheet revealed a strong position, and he would only comment on the principal changes in the items.

Sundry creditors.—Shareholders would note that these are higher by £804,557, the major proportion of that being taxation liabilities; the balance was accounted for by the larger business they were doing. Cash at bankers had decreased by £441,011, largely due to the necessity of financing the higher tobacco duty and adding to their stocks. Sundry debtors showed an increase of £593,472, due to the larger volume of business.

Stocks.—Their increased trade, together with certain precautionary measures taken to ensure ample stocks being available, resulted in that item showing an increase of £648,336.

MANY PROBLEMS

The past year had been one of more than usual strain and anxiety for many sections of the business community, and the board and staff of this company had certainly not escaped, for, apart from the many problems connected with two increases in duty, there had been many others to be faced. Questions of alternative factory accommodation and extra warehousing space had had to be considered, and they were in process of equipping a small-scale factory in case of emergency and also of extending the factory premises of their associated company, John Sinclair, Limited.

In most parts of the world their business had shown an increase, but trading conditions became more difficult every day, and the widespread trend for countries to become self-supporting had produced quite a number of problems. Furthermore, the unsettled conditions which had prevailed throughout the whole year and which had culminated in the outbreak of war, had added to their difficulties, not the least of which had been that of foreign exchange. They attached a great deal of importance to the retention of their export business, and he could assure shareholders that the directors would continue to do everything possible to maintain the important position they had established in overseas markets. and to meet the changing situations as they arose.

After stating that they were executing orders for the supply of their popular brands of cigarettes to the Services, he concluded by saying that the increasing of the duty on tobacco twice within six months was unprecedented, but it was premature to say what the effect would be on the current year. The new financial year had had a good beginning, but it would be unwise to make any forecast. That there would be increased costs in more than one direction and difficulties under war conditions they were fully aware, but they would adapt themselves to changing circumstances.

The report was adopted.

AERATED BREAD COMPANY, LIMITED

A POLICY IN WAR TIME

The eighty-sixth annual general meeting of the Aerated Bread Company, Limited, was held, on the 20th instant, at Friends' House, Euston Road, N.W.

The Rt. Hon. the Viscount Greenwood (the chairman) said that for 11 months of the year under review they had been living in the shadow and in the fear of war. The whole life and activity of the business community, particularly in London, had been dominated by the international situation prevailing throughout the period. It had not been possible for this company to pass through such a period without serious effect on their business and trading results.

The general experience was evidenced by the figures of retail trade published by the Board of Trade, which showed how severe the decline had been in the Central and West End districts of London, where by far the major portion of the company's business was carried on; 90 per cent. of their branches were situated in evacuation areas. Although evacuation had not officially commenced until the month of August, there had been an increasing exodus from those districts throughout the period under review, intensified immediately on the declaration of war on September 3rd.

Their trade had been further affected by the severe lighting restrictions, the confused marketing conditions arising from Government control of essential primary commodities and the many other difficulties inseparable from a time and state of war.

RESULT OF OPERATIONS

The decrease in the trading profit was nearly £64,000 and was mainly attributable to the disturbed trading conditions. Increased interest charges and rates had also contributed to the decrease. The profit carried to the balance sheet was £34,954, and they were unable to recommend the payment of a dividend on the ordinary shares. Since 1930 a regular dividend of 5 per cent. had been paid, and it was with great regret that they were compelled to break that sequence of dividends, but the profits had been affected by causes beyond the control of the directors.

They had planned and had been pursuing a long-term policy of extension, development and modernisation of the whole business of the company. That policy included the opening of new branches, the reconstruction and modernisation of existing branches and the rebuilding and re-equipment of the bakeries and factory. In pursuance of that policy during the year under review, new branches had been opened, further branches had been reconstructed and modernised and the new bakeries and factory had been completed and brought into production.

RIGOROUS ECONOMIES

Their policy had been planned in times of peace, but war had disturbed their peacetime economic basis, and the circumstances of to-day called for the readjustment of their policy to meet war conditions. The major problem they now had to face was the finding of a wartime economic basis for the conduct of the business. They were tackling their problem with all their energies. On the one side the most rigorous economies were being enforced. Branches which ceased to be profitable owing to the exodus of customers from London were temporarily closed. On the other side, first, they were developing their trade in the neutral and reception areas. They had 19 branches in neutral areas and five branches in reception areas. They were showing a substantial increase since the outbreak of war, and the increase was growing.

Secondly, they were developing their trade with wholesale customers. That section of the business was expanding and the returns were showing encouraging increases week by week. Thirdly, the completion of their new large bakeries and factory, equipped with the most modern and up-to-date plant, had enabled them to be placed on the list of suppliers of bakery goods for the Admiralty, the War Office, and the Royal Air Force. He was glad to be in a position to say that they were now making deliveries of bread under their first contract. Further contracts from Army Commands had now been received, and they expected their bread plant would be kept well employed. In addition, they had received orders for supplies for the Royal Navy. They anticipated receiving further contracts and orders.

Those were welcome and encouraging facts, but they could hardly expect to return to a dividend-earning level of profits until they first saw a revival in the trade of that 90 per cent. of their branches situated in the evacuation areas. That depended mainly on the return to those areas of a considerable number of the army of exiles whose absence had been, and still was, the greatest blow to their trade and to the prosperity of London.

The report was adopted.

SOUTH WEST AFRICA COMPANY, LIMITED

Sir Dougal Malcolm, K.C.M.G., presiding at the annual general meeting of this company, on the 19th instant, in London, after paying a tribute to the late Sir Edmund Davis, in the course of his speech said that the balance after deductions amounted to £79,720.

Continuing, he said:—I must now turn to the forecast made last year by our late chairman that the balance of profit for the year with which we are now dealing should be sufficient to warrant the declaration of a dividend of 5 per cent., with a bonus of 10 per cent. As you will gather from the accounts, our profit for the year does approximate very closely to the amount necessary to pay a dividend of 5 per cent. plus a bonus of 10 per cent.

Unfortunately, however, owing to circumstances which the shareholders will appreciate were entirely beyond the control of the directors, our investments have suffered from the general decline in values, with the result that at one time our figure of depreciation amounted to £159,000. This was the kind of position with which we were faced when we had to take a decision as to what we ought to recommend to you and, after consultation with the auditors, we came to the conclusion that the only prudent and correct procedure would be to create a reserve to cover the depreciation until such reserve should be no longer required. Your board has consequently placed the sum of £150,000 to a reserve for this purpose, and recommend to the shareholders that the dividend in respect of the company's financial year ended June 30, 1939, should be 5 per cent. without bonus.

The board has also decided that the suggestion to reduce the capital of the company by 50 per cent. and to return 10s. per share to shareholders was contrary to the best interests of the shareholders at the present.

The report and accounts were unanimously adopted.

MEXICAN RAILWAY COMPANY, LIMITED

ADVANCE IN GROSS RECEIPTS

The one hundred and forty-ninth ordinary general meeting of the Mexican Railway Company, Limited, was held, on the 20th instant, in London.

Mr Vincent W. Yorke (chairman) presided, and, in the course of his address, said:—Though somewhat conflicting tendencies are in evidence in Mexico at the present moment, it is difficult for me to find any real encouragement to offer you to-day. The results of the half-year under review proved nearly, though not quite, equal to the forecast which I made to you at the meeting in June last, namely, a profit of 313,000 pesos as compared with 350,000 pesos which I anticipated would be earned. The gross receipts proved to be higher than those in any first half of the year in the history of the company, and very nearly equal to those of the second half-year of 1921, when record figures were reached. They averaged the high figure of P46,300 per day. As compared with the corresponding half-year of 1938, while passenger traffic was virtually the same, foreign goods traffic showed an increase in receipts of 18 per cent., and local or national traffic of 4 per cent. Working expenses, in spite of more work having been performed, were only P117,000 greater than in the first half of 1938, and of this no less than P94,000 is attributable to hire of rolling stock, which was necessitated by the sudden increase of traffic.

The results of the current half-year to the end of September are somewhat disheartening. A high level of receipts has been maintained but expenses, even after allowing for the payment of the award against the company reserved for in the accounts under review, have increased by some P110,000, and I am afraid that we can only look forward to a serious deficit on operation at the end of the half-year.

As regards the future, the war in Europe has introduced many factors into the situation the effect of which is most difficult to calculate; judging from the experience of the last war, it would appear probable that imports from Europe, if they do not entirely cease, will be very much diminished, and that Mexico's requirements will be almost entirely supplied from the United States.

The prospects for tourist traffic from the United States which are of considerable importance to our railway seem to be most favourable.

able. Such traffic was discouraged recently by the exhibitions in New York and San Francisco, but now that these have ended, and travel to Europe is practically impossible, the attractions of Mexico for such travel are greater than they have ever been before. It is also being fomented by a powerful organisation in Mexico with ramifications all over the United States.

On the whole, I am inclined to think that our own situation is more likely to deteriorate than to improve, and I cannot see any probability of a real improvement until the attitude of those who govern Mexico towards domestic and specially towards foreign capital undergoes a complete change.

The general manager cables:—"Local passenger traffic fairly good, heavy movement due to presidential electioneering activities. Tourist traffic much diminished possibly may improve due European war. Foreign freight heavy especially wood pulp and newsprint but continuance problematical due further depreciation exchange. Local freight improved. Stocks on line satisfactory. Crops first division good second better than last year. Tuxpango strike October seriously affected earnings. Prospects not encouraging. Dollar exchange 5.83."

The report was adopted.

CAM AND MOTOR GOLD MINING COMPANY (1919), LIMITED

SATISFACTORY ORE RESERVE POSITION

The ordinary general meeting of this company was held, on the 19th instant, in London.

Viscount Elibank (chairman), in the course of his speech, said that receipts from bullion realisation at £653,739 compared with £709,319, a falling-off of about £56,000, due to lower grade ore having been treated. The effect on net revenue was that they carried £276,938 to appropriation account, compared with £330,692 in the previous year, with £115,339 brought in. There was £392,277 available, of which £243,750 had been paid in dividends and £12,183 written off for depreciation. That would have left a carry-forward of £136,344, but as that was not represented by liquid resources, £50,000 had been written off their main shafts, bringing them down to £172,459, and £50,000 put to reserve, increasing that to £150,000. The balance forward was thus reduced to £36,344.

Ore reserves stood at only £64,757, which, calculated on the 1,697,900 tons in reserve at June 30th last, was approximately about 9d. per ton, which was very favourable when compared with the 3s. per ton written off under working costs.

Development so far in the lower levels had been disappointing. The ore reserve position, however, was very satisfactory. The tonnage available at June 30th was 1,697,900 tons, an increase of nearly 300,000 tons on the year in spite of 307,000 tons having been drawn from the mine. The average value was 7.7 dwts., compared with 8.3 dwts. at the end of the previous year. The actual tonnage blocked out in reserve ready for treatment represented nearly six years' requirements for the mill, but, allowing for the tonnage coming from reclamation and development, they were more than seven years ahead.

Shaft-sinking was well ahead. Values on the thirty-sixth level were at least as good as on the thirty-fourth and thirty-fifth, but the average on these levels was, as he had previously said, lower than in the upper levels of the mine. Approximately 7,000 feet were being developed per level and between 100,000 to 120,000 tons opened up on each level.

Under war legislation passed by the Southern Rhodesian Government, the Government took over all gold at 150s. There was provision, however, for allowances for increased costs and they hoped to receive proper consideration in this respect.

With regard to the future, they must hope that development at the bottom of the mine, which was still proceeding in payable values, would open up ore of a higher average value than had been encountered during the past two or three years. The directors saw no reason why a satisfactory dividend position should not be assured for many years to come, but what those dividends were likely to be he could not, of course, forecast. At a board meeting that morning an interim dividend of 3s. per stock unit was declared, which would be payable less tax to holders registered on December 30th.

The report was unanimously adopted and a resolution altering the articles, providing for the removal of the head office of the company to Rhodesia, was approved.

NELSON FINANCIAL TRUST, LIMITED

INTERESTS MAINLY BRITISH

The ordinary general meeting of the Nelson Financial Trust, Limited, was held, on the 20th instant, in London.

The Rt. Hon. Viscount Goschen, G.C.S.I., G.C.I.E., C.B.E. (the chairman) said that various changes had taken place in their investments, but nothing to alter materially the classification. The geographical distribution was as follows:—Great Britain, 51.53 per cent.; British Empire (outside Great Britain), 31.2 per cent.; Europe, 3.9 per cent.; Asia, 4.5 per cent.; North America, 2.5 per cent.; and South and Central America, 5.3 per cent. They had fortunately about 83 per cent. of their investments in the British Empire, and in regard to those they had the opportunity of revising their judgment from time to time.

Conditions in Europe and the Far East were so affected by the state of war now prevailing that sources of revenue that could formerly be depended upon no longer existed. The 5.3 per cent. in South America was to a major extent made up of first debenture securities in Argentine railways, and, in view of improved prospects there, they thought those were well worth holding.

In regard to the revenue account, there was a reduction of £5,487 in the net balance, which was chiefly accounted for by the unsettled conditions prevailing. Amusement and luxury trades were greatly affected, and to what extent industries which were necessary to the country would be able to distribute profits it was at present impossible to say.

It was obviously impossible to throw much light on the present position. From the many balance sheets that came before them one could realise the large proportion of profits which had to be retained to meet taxation, and even in those cases where trading profits, after taxation, showed an improvement, there was a natural desire for the directors to conserve their resources, although they feared shareholders must, in consequence, feel the deprivation of income. In the circumstances, they were not prepared to make any forecast, but they did not propose to be unduly pessimistic on the point of revenue, and would certainly do all in their power to maintain regular payments to their stockholders.

The report was unanimously adopted.

MITCHELL COTTS & COMPANY, LIMITED

INCREASED DIVIDEND

The ordinary general meeting of Mitchell Cotts and Company, Limited, was held, on the 20th instant, in London.

Mr Alexander Hamilton (chairman and managing director) said that the trading profits were £113,411. The directors recommended a final dividend of 8 per cent., making a total of 12 per cent. for the year compared with 11 per cent. paid last year. The carry-forward would be increased by £2,604 to £38,024.

In their chief trading section, coal, they had had a successful year. At the outbreak of war it was thought that there would be a very big demand in South Africa, but with the Mediterranean being reopened the demand for bunker coal had returned to about normal and the export trade from Durban had suffered a little owing to the difficulty in securing tonnage.

Their London subsidiary steamship companies showed satisfactory results. The freight market had taken an unfavourable turn and in the earlier part of the year profitable business was hard to find. It was expected that the measure of assistance promised by the Government would be put on the Statute Book without delay, but the Bill had not taken shape when war broke out. Both freight rates and running expenses had risen with the outbreak of war, and British shipping had come under close Government control. There was no possibility of British shipowners making extravagant profits and, indeed, one did not find any desire among them to take advantage of the country's necessity. On the other hand, there was a general realisation that shipping must be allowed to earn sufficient to cover depreciation, a reasonable return and provision for replacement, and it was hoped that the negotiations which were at present proceeding between the industry and the Government would result in the establishment of a basis which would be satisfactory to all parties concerned.

The engineering section in South Africa had again produced good results, and their engineering works at Birmingham were now reaping the full benefit of the extensions and improvements and at present were very busily employed on Government and other contracts.

The report was unanimously adopted.

AVON INDIA RUBBER COMPANY, LIMITED

RECORD FIGURES

The fiftieth annual general meeting of the Avon India Rubber Company, Limited, was held, on the 14th instant, at the registered offices, Melksham, Wiltshire. Sir Herbert E. Blain, C.B.E., presided.

The chairman, in the course of his speech, said that the directors submitted to the shareholders their annual report and the accounts of the company with satisfaction at the results shown.

Trading profits had increased to £169,029 against £112,177 in the previous year, and the net profit for the year was £105,516, against £62,024 in 1937-38. The complete year's dividend on the 6 per cent. cumulative preference shares and the interim dividend of 3 per cent. per annum declared on the ordinary shares on June 30th last absorbed £23,905, and a reserve for income tax, National Defence Contribution, and Excess Profits Tax was being set up, amounting to £36,000. This leaves a balance now available for distribution of £79,478.

Sales have again broken all previous records, and the predominant portion of the increase lies in connection with the normal manufactures of the company, and not in abnormal war work. The Government has continued to place large and important contracts with the company, and every resource in plant and facilities is being utilised to the fullest capacity.

With regard to raw materials, our position is distinctly favourable, and not at any time in the history of the company have the forward sales orders and contracts assumed so high a figure.

The directors think it well to draw attention to the heavy burden which the company is bearing arising out of the war in connection with taxation, A.R.P. provision, etc., the figures of these items and ordinary taxation amounting to not less than £75,823.

At no previous time have the quality of Avon manufactures been higher, the financial prospects better, and the relations between the management and staff and employees of a more happy character. The directors look forward to the forthcoming year with confidence in its results.

The report and accounts were adopted.

IND COOPE AND ALLSOPP, LIMITED

A RECORD YEAR

The twenty-seventh ordinary general meeting of Ind Coope and Allsopp, Limited, was held, on the 18th instant, in London.

Colonel the Rt. Hon. Sir George L. Courthope, Bt., M.C., M.P. (the chairman), in the course of his speech, said that they had had another good year, in spite of the fact that it included eleven months of nervous uncertainty and one month of war. Strange to say, during that month of war—September—they had sold more beer than they had ever sold in a month before; the output for the year had also broken the previous record. Trading profit had increased by £58,000 and interest by £14,000. Interest on debenture stock was down by nearly £7,000 and all the other items were up; the notable increases were £72,000 in provision for income tax and £30,000 for N.D.C., leaving them with a net profit of £580,955, which was £30,000 less than last year. After the addition of the carry forward and provision for the preference dividends and the interim dividend of 7½ per cent. on the ordinary stock they were left with an available balance of £773,000, out of which they recommended a final dividend of 16 per cent., less tax, making 23½ per cent. for the year, and the restoration of the public house improvement reserve to the usual figure of £250,000; those two items required £308,000, leaving a balance of £465,000 which they proposed to carry forward to next account.

The conditions and working of their breweries and bottling stores were satisfactory; the policy of improvement of licensed houses had been continued steadily up to the outbreak of war.

Fortunately, they held large stocks of barley and malt, much of which were purchased before the rise became severe, so that the increase would not affect them seriously in the next few months, but before the year was out they would be using more expensive malt. Hops had risen by an average of 10s. per cwt. Brewing sugar had practically doubled in price. Fuel, petrol, casks, bottles and cases were all up, while wages had risen considerably and would probably rise further. The Beer Duty had been increased by 24s. per bulk barrel as from September 28th. That increase was equivalent to 1d. a pint; it was too soon to estimate what effect that would have on the consumption of beer.

The report was unanimously adopted.

MALAYAN TIN DREDGING, LIMITED

IMPROVED OUTLOOK

The twenty-eighth annual general meeting of Malayan Tin Dredging, Limited, was held, on the 18th instant, at the Institute of Chartered Accountants, London.

Mr C. V. Stephens (the chairman) in the course of his speech said: The permissible output of the company worked out for the year at an average of 26 per cent. of assessed production, plus 5.725 per cent. on account of buffer stock. The average permissible production for the previous year was 64.75 per cent. The quantity of ground dredged was 4,561,800 cubic yards, as against 11,617,300 cubic yards in the year before. The average recovery of concentrates was 0.28 kati per cubic yard as against the average of 0.33 kati in the previous year. The total quantity of tin ore produced was 756 tons, of which 112 tons were produced on account of the buffer stock. Duty paid to the F.M.S. Government amounted to £15,804. Since the company commenced it has paid to Government in duty, quite apart from premiums and rents, £586,000, and to shareholders in dividends in the same period £1,526,000. The profit for the year amounted to £31,112.

At the last annual meeting I told you that we had entered into an agreement to prospect an area of some 6,000 acres with the right to select up to 3,000 acres. The work has now been completed and an area of approximately 2,460 acres has been proved payable. An application for a mining lease on this land has been sent in to the Government.

The conditions for our industry have improved considerably since July 1st last. The International Tin Committee has, therefore, found it necessary to make several increases in the production quota in order to keep step with market requirements. A healthy level of consumption appears likely to be continued for at least the next few months and, if such proves to be the case, we are then fully justified in expecting the year's work to provide us with a satisfactory result.

Warrants for the interim dividend of 10 per cent. and the bonus of 5 per cent. on account of the current year which were declared recently and, if sanctioned, for the final dividend of 5 per cent., in all 20 per cent., will be posted to shareholders on December 20th.

The report and accounts were unanimously adopted.

SOUTHERN MALAYAN TIN DREDGING, LIMITED

BETTER PROSPECTS

The thirteenth annual general meeting of Southern Malayan Tin Dredging, Limited, was held, on the 18th instant, in London.

Mr C. V. Stephens (the chairman), in the course of his speech, said:—Mining operations were severely restricted throughout the year, the permissible quota being limited to an average of 26 per cent. of assessed production, plus 5.725 per cent. on account of buffer stock; 6,560,200 cubic yards were treated as compared with 15,499,900 in the previous year. The average recovery of concentrates was 0.35 kati per cubic yard, the same as in the previous year. The amount of tin ore produced was 1,430 tons, which included 178 tons on account of the buffer stock. Sales of tin as ore realised an average price of £135 18s. 11d. per ton, as against the average of £127 3s. 4d. per ton in the year before. Duty paid to the F.M.S. Government amounted to £27,853. The profit for the year was £45,824. In the circumstances, I consider the amount of the profit for the year to be very satisfactory.

An area of 66 acres was worked, and some 223 acres were purchased during the year. At June 30th last the unworked area amounted to 3,885 acres. Prospecting operations were carried out over an area near our Temoh property, and some 500 acres were proved payable. An application for the land has been submitted to Government.

The prospects for the current year present a far brighter picture. The quota has been increased on no less than six occasions, the object being to get early deliveries of tin in order to cope with the rapidly growing needs of the market. The prospect that the consumption of tin will be maintained for some time at a satisfactory level is at present very encouraging, and I look forward to having the privilege of submitting at our next annual meeting a set of figures showing a substantial improvement on those before you to-day.

Warrants for the interim dividend of 7½ per cent. and the bonus of 2½ per cent. on account of the current year, which were declared recently, and, if sanctioned, for the final dividend of 2½ per cent., in all 12½ per cent., will be posted on December 20th.

The report and accounts were unanimously adopted.

CASTLEFIELD (KLANG) RUBBER ESTATE, LIMITED

DIVIDEND OF 2½ PER CENT.

The thirty-third annual general meeting of Castlefield (Klang) Rubber Estate, Limited, was held, on the 20th instant, in London.

Mr W. Arthur Addinsell, the chairman, said, *inter alia*: The average export quota for the period was 29 per cent. lower than the previous year. Our output, however, declined by only 12½ per cent., mainly because of substantial increase in the standard assessment of the Bukit Benut Division, based on the tappable area of 2,934 acres, out of 3,564 acres planted. Your directors are more than ever convinced that its purchase was fully justified.

We have a balance on profit and loss account of £13,868. It is proposed to pay a dividend of 2½ per cent., to write off £4,000 from buildings and machinery, and to transfer £1,000 to special cultivation account. Under the Restriction Regulations this company was entitled to plant 343 acres. We already have a large area of comparatively young rubber, and the directors sold the "rights." The proceeds, £1,608, have been credited to property account.

Our holdings in Hongkong Tin and Killinghall Tin Companies remain unchanged. The dividends during the last financial year showed substantial decline, but there has been a marked improvement in the earnings of both during recent months.

Edensor Rubber Estate, Limited, recently commenced an extension programme, covering 650 acres, and when the programme has been completed next year, the Castlefield interest will amount to approximately 140 acres.

Since the outbreak of war, the price of rubber has risen by over 3d. per lb. This improvement is due to abnormal conditions. Accordingly, a contract has been entered into to deliver 16 tons per month into godown in Malaya, during the first six months of 1940. The sale price is equivalent to approximately 11½d. per lb. delivered in London. The quantity represents about one-quarter of the exportable allowance on the basis of 80 per cent.

You will not expect me to estimate the results of the current financial year. There will be an increase in costs, and additional taxation, but there seems to be some justification for anticipating an improvement in net profit.

The report and accounts were unanimously adopted.

CONSOLIDATED AFRICAN SELECTION TRUST, LIMITED

THE DIAMOND MARKET

The fifteenth annual general meeting of the Consolidated African Selection Trust, Limited, was held, on the 18th instant, at 20 Aldermanbury, E.C.

Mr A. Chester Beatty (the chairman) presided, and in the course of his speech said: The net profit for the year was £266,054, as compared with £374,444 for the preceding year and £582,406 for the year ended June 30, 1937. This reduction for the second successive year was due to a further decrease in total diamond sales.

With regard to the diamond market there was very little activity during the unsettled period in September, 1938, and immediately afterwards, but during this year, in spite of the deterioration of international relations and also since the outbreak of war, there has been a relatively good demand for practically all categories of diamonds. Taking into account the present difficult times the demand for gem stones continues to be satisfactory, and I think we may hope for an increased demand from neutral countries, and especially from the American continents. The demand in Europe, particularly for the higher grade diamonds, has naturally been affected by the war.

The market for industrial stones has improved since the outbreak of war. The use of diamond for industrial purposes has grown considerably during recent years, and to such an extent that it has now become an important commodity in engineering production for war purposes. It is reasonable to assume that sales for next year will prove satisfactory.

We are now working our Gold Coast Mines at about 50 per cent. of their capacity, and in Sierra Leone we are working at about the same reduced rate as last year. Our plants and equipment are all in first-class condition and able to meet at once any demands for increased production.

The finances of the company, and of its subsidiary, Sierra Leone Selection Trust, Limited, are sound, and both companies have a substantial surplus of liquid funds. Our reserves of proved diamond-bearing ground are very large, and they have been appreciably increased during the last financial year.

The report and accounts were unanimously adopted.

LONDON AND RHODESIAN MINING AND LAND COMPANY, LIMITED

DIVIDEND TOTALLING 7½ PER CENT.

The ordinary general meeting of this company was held, on the 19th instant, in London.

Viscount Elibank (the deputy chairman), in the course of his speech, said that they had suffered a falling off in revenue, but the total net profit at £79,003, which was £25,000 less than in the previous year, was not unsatisfactory in view of the many difficulties. An interim dividend of 5 per cent. was paid in January and another 2½ per cent. in August. After deducting £25,000 taken from reserve, the total book value of their investments at June 30th was £560,774, which compared very favourably with the total valuation of £682,399, showing an appreciation of about £122,000. Of their investments approximately 75 per cent. were dividend or interest earning securities. Although they had been unable to maintain their usual 10 per cent. dividend they did sufficiently well to pay a total of 7½ per cent., and the board had that morning decided

to make an interim distribution of 5 per cent. on account of the current year.

The Cam and Motor Company remained one of their best assets, and they looked forward to a steady revenue from it by way of dividends for many years to come.

Royalties during the year showed a falling off, but since June 30th there had been a decided improvement, and they confidently expected that their mining revenue would show a material increase this year.

As to the immediate future, it was difficult to make any forecast. They looked for increased mining revenue, and their ranching interests they hoped would at least do as well as they did last year. They could not, however, expect much in the way of profits from the sale of shares. Their rentals should be very much the same and, so far as they could judge, their revenue from interest and dividends should be somewhere near the amount received last year. On the whole, therefore, subject to unforeseen occurrences, they should do quite as well as they did last year. More he could not say, except that their interests were being carefully studied both here and locally and that every economy was being exercised.

The report and accounts were unanimously adopted.

INDUSTRIAL REPORTS

(Continued from page 480)

and shipments to the Mediterranean and South America are good.

Iron and Steel

Sheffield.—Consumers are prepared to take up any material which comes on offer, but under the regulations the accumulation of stocks is impossible. While good tonnages of forge, foundry and hematite are available, basic pig requirements are barely met in spite of the increased output. Good supplies of billets are coming to hand. The demand for iron and steel scrap is keen.

Glasgow.—Demand from the Home Office has slackened off for the moment and there has accordingly been a little more tonnage available for ordinary commercial business and for export, though not nearly enough to satisfy the requirements of either section. Tube-makers are finding business increasing both in small and in the larger diameters. There has been sufficient semi-manufactured material to keep plants supplied on a hand-to-mouth basis.

Middlesbrough.—The output of all classes of manufactured steel is maintained at a high level and demand is equally active, but export licences are being granted for fair quantities. Foundries are being furnished by the Control with sufficient iron for their requirements, but it is impossible to accumulate stocks. Arrangements are being made to increase the supply of heavy melting steel scrap.

Cardiff.—Tinplate shipments at Swansea last week were heavier than in the corresponding period last year and production equalled 74.43 per cent. of capacity compared with 37.7 per cent. Contracts for future deliveries now exceed 9 million boxes. Prices are a shade firmer for export at 32s. per basis box. The heavier branches of the industry continue to be fully employed.

News from Abroad.—International demand at this season has never been so large as this year. Scandinavian buyers have recently become more reluctant, but most other countries have large requirements, particularly for prompt delivery. Belgian exporters have smaller quantities available as Government requirements have increased, but American offers have been more numerous,

though it is doubtful if sales have increased correspondingly.

Textiles

Cotton (Manchester).—The abnormal fluctuations in raw cotton prices and the reports of gambling led the Directors of the Liverpool Exchange to stop operations by outside dealers. The Cotton Controller's decision to fix standard margins for yarn has caused some confusion and in conjunction with the abnormal raw cotton situation has made business difficult, though inquiry has been active. A good inquiry and encouraging sales have been experienced in piece-goods for both home and export markets.

RAW COTTON delivered to Spinners

Variety ('000 bales)	Week ended		From Aug. 1 to	
	Dec. 8, 1939	Dec. 15, 1939	Dec. 16, 1939	Dec. 15, 1939
American	36.1	39.6	400	503
Brazilian	8.2	4.1	96	144
Peruvian, etc.	3.9	5.3	37	88
Egyptian	8.3	4.6	106	127
Sudan Sakel	2.2	1.9	170	73
East Indian	2.3	4.7	142	109
Other countries	1.4	1.7	64	74
Total	62.4	61.9	915	1,118

Wool (Bradford).—Last week a deputation from Bradford—chiefly the principals of the different sections of the British Wool Federation—saw the Minister of Supply. Mr Burgin has promised to give serious consideration to Bradford's complaint. The wool textile industry is more concerned with supplies than prices and spinners and manufacturers consider their ration too small to cover machinery requirements.

Jute (Dundee).—There have again been wide fluctuations in the price of jute, but the trend has been downwards and the full group of Daisee 2/3 was down to £46 2s. 6d. per ton after reaching £56 in the early part of this month. Inconvenience is still being caused by the non-arrival of raw jute and jute goods from Calcutta. Dundee production is insufficient for urgent demands and the earliest delivery promises are for May and June.

THE COMMODITY MARKETS

Metals.—The new maximum prices for copper, lead and spelter are discussed in a Note on page 479. In the United States, metal prices remained

unchanged, but demand has shrunk further and dealings, particularly in zinc, are very small.

Tin.—The unpegging of the tin price has not led to the boom which many traders expected. The cash price closed on Wednesday at £256 2s. 6d. per ton and £255 2s. 6d. per ton for three months, a decline of £16 and £13 respectively. Supplies have been plentiful throughout the week. Although the trend appears to be downwards at present it is not unlikely that a rally will take place shortly, especially as the demand outside this country is still very large and will probably continue to be so for some time. In New York the price of tin declined by one cent to 50.25 cents.

Grains.—The Argentine Ministry of Agriculture has estimated the 1939-40 wheat crop at 4 million tons, or 17½ million quarters, which is about the equal of the smallest crop in recent years, that of 1935. The Ministry also stated that the quality of the wheat so far received was poor and that 4.2 million acres had been abandoned. Although a larger crop than this was not generally expected, the publication of the forecast brought a very firm tone in export markets and prices of all types of wheat are 1s. 6d. to 2s. a quarter dearer on the week. The long continued drought in the American winter wheat belt was also a bullish factor which helped to lift prices of American maize, though those of Plate maize are little changed.

Oils and Oilseeds.—Allocations of edible oils continue on a satisfactory scale. Supplies of linseed are small, owing to the reduced shipments from the Plate. The new Plate crop is now estimated by the Ministry of Agriculture at 1½ million tons, a considerable reduction on last year's crop; prices in the free markets have risen in sympathy. The excitement in the cotton markets has brought a rise in the price of Egyptian cotton seed to £8 5s. per ton for December-January loading, the highest price for some time. Home produced oil cakes and meals are available in fair quantities at unchanged prices.

Rubber.—After the advance last week in spot and nearby rubber, the markets both in London and New York have eased, though there has been but little change in prices. The shortage of spot rubber was the main cause of the recent improvement, and the knowledge that a considerable addition to supplies will occur early in the New Year has calmed the market.

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week ended December 16, 1939, total ordinary revenue was £14,123,000, against ordinary expenditure of £32,664,000, issues of £15,000,000 under the Defence Loans Acts, and issues of £260,000 to Sinking Funds. Thus, including sinking fund allocations but excluding issues from defence loans, the deficit accrued since April 1st last is £304,500,000, against £248,429,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Estimate, 1939-40	April 1, 1938 to Dec. 17, 1938	April 1, 1939 to Dec. 16, 1939	Week ended Dec. 17, 1938	Week ended Dec. 16, 1939
ORDINARY REVENUE	390,000	94,739	100,324	1,389	2,506
Income Tax	70,000	11,220	13,060	480	640
Sur-tax, etc.	75,500	54,310	54,740	1,700	1,200
Duties	17,000	14,020	11,710	420	270
Stamps	25,000	12,470	18,680	530	700
N.D.C.	1,250	770	520	10	40
Other	1,250	770	520	10	40
Total I. Rev.	578,750	187,529	199,034	4,529	5,356
Customs	239,600	162,524	190,256	4,505	4,906
Excise	132,850	84,800	92,036	4,833	2,488
Total Cust. and Excise	372,450	247,324	282,292	9,338	7,394
Motor Duties	22,000	11,361	9,821	152	...
P.O. (Net Receipts)	400	11,330	7,604	350	650
P.O. Fund	1,600	...	...	...	...
Crown Lands Rec.	1,330	960	940	...	...
Sun. Loans	5,000	4,791	4,061	...	366
Misc. Rec.	13,650	8,769	13,194	20	357
Total Ord. Rev.	995,180	472,064	516,946	14,389	14,123
SELF-BAL. P.O. and B'dcasting	83,449	51,720	54,246	1,400	1,150
Total	1,078,629	523,784	571,192	15,789	15,273

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	Estimate, 1939-40	April 1, 1938 to Dec. 17, 1938	April 1, 1939 to Dec. 16, 1939	Week ended Dec. 17, 1938	Week ended Dec. 16, 1939
ORDINARY EXPEND.	230,000	182,423	188,598	2,295	3,164
Int. & Man. of Nt. Dt.	10,000	5,306	5,258	...	...
Pays. to N. Ireland	7,200	1,844	3,803	90	...
Other Cons. Fund Ser.	247,200	189,573	197,659	2,385	3,164
Sup. Serv. (a)	118,371	524,194	616,794	16,250	29,500
Ditto, plus loans*	168,614	534,194	907,456	17,750	44,500
Total Ord. Expend.	143,091	713,767	814,453	18,635	32,664
Issues from Def. Lns.	502,430	10,000	290,662	1,500	15,000
SELF-BAL. P.O. and B'dcasting	83,449	51,720	54,246	1,400	1,150
Total	151,436	765,487	868,699	20,035	33,814

* Supply Services, after addition of issues under Defence Loan Acts: (a) excluding expenditure being met from loans; including £500 millions Vote of Credit; allows for supplementary estimates and other changes since April, 1939, and for estimated saving in war Budget; (b) after allowing for changes in war Budget of September 27, 1939.

After raising Exchequer balances by £146,639 to £2,679,199, the other operations for the week (as shown in the next column) raised the gross National Debt by £34,500,000 to about £8,767 millions.

DEBT INCREASES (Net) (£ thousands)		DEBT REPAYMENT (£ thousands)	
Treasury bills	27,600	Public Department Advances	4,450
Nat. Savings Cts.	4,550		
3% Defence Bds.	6,800		
	38,950		4,450

OTHER ISSUES (Net) (£ thousands)	
P.O. and Telegraph (Money) Acts	500
North Atlantic Shipping	38
Overseas Trade Guarantees	15
	553

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1 to December 16, 1939, are:—

Ordinary Exp. (£ thousands)		Ord. Rev. (£ thousands)	
Issues under Def. Loans	814,453	Gross borrs.	516,946
Loan Acts	290,662		
Misc. Issues (net)	9,202	Sinking fds.	6,993
Inc. in b'cs.	179	Net borrowing	597,550
	1,114,496		1,114,496

FLOATING DEBT (£ millions)

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt	Floating Assets
	Tender	Tap	Public Dept.	Bank of Eng.		
1938						
Dec. 17	500.0	474.2	51.5	...	1,025.7	525.7
1939						
Sept. 9	495.0	633.3	47.9	4.7	1,180.9	681.2
" 16	500.0	652.1	50.5	...	1,202.6	702.6
" 23	505.0	663.7	47.5	...	1,216.2	701.2
" 30	510.0	676.8	49.1	...	1,235.9	725.9
Oct. 7	518.0	703.1	47.3	...	1,268.4	750.4
" 14	531.0	699.8	52.6	...	1,283.4	752.4
" 21	546.0	699.9	49.0	...	1,294.9	748.9
" 28	561.0	701.8	47.9	...	1,310.7	749.7
Nov. 4	580.0	706.6	59.0	...	1,345.6	765.6
" 11	605.0	695.6	57.6	...	1,358.2	753.2
" 18	630.0	687.5	57.5	...	1,375.0	753.0
" 25	665.0	679.7	53.1	...	1,397.8	732.8
Dec. 2	700.0	697.5	56.2	...	1,453.7	753.7
" 9	725.0	693.0	55.0	...	1,473.0	748.0
" 16	740.0	705.6	50.5	...	1,496.1	756.1

TREASURY BILLS (£ millions)

Date of Tender	Amount			Average Rate %	Per Cent. Allotted at Minimum Rate
	Offered	Applied for	Allotted		
1938					
Dec. 16	30.0	70.6	30.0	8.0	0.79
1939					
Sept. 8	50.0	60.2	50.0	72	0.98
" 15	55.0	89.2	55.0	71	1.12
" 22	55.0	86.5	55.0	66	1.25
" 29	55.0	96.3	55.0	48	9.83
Oct. 6	50.0	97.0	50.0	42	6.63
" 13	50.0	103.0	50.0	34	3.39
" 20	50.0	99.9	50.0	23	8.83
" 27	55.0	102.6	55.0	23	4.39
Nov. 3	55.0	95.5	55.0	23	4.66
" 10	65.0	105.8	65.0	23	8.01
" 17	65.0	106.3	65.0	23	11.46
" 24	65.0	105.9	65.0	23	10.21
Dec. 1	65.0	94.6	65.0	24	6.48
" 8	65.0	92.6	65.0	25	3.81
" 15	65.0	92.6	65.0	25	3.81

On December 15th applications at £99 13s. 8d. per cent. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Saturday of following week were accepted as to about 70 per cent. of the amount applied for and applications at higher prices in full. £65.0 millions of Treasury bills are being offered on December 22nd. Applications at £99 13s. 9d. for bills to be paid for on Friday were accepted in full.

NATIONAL SAVINGS CERTIFICATES AND 3% BONDS

The Revenue returns for the three weeks ended December 16, 1939, show receipts of £14,550,000 net or £16,250,000 gross from sales of National Savings Certificates, and £17,450,000 gross from 3 per cent. Defence Bonds. For the week ended December 16, 1939, the receipts are £4,550,000, £5,000,000 and £6,800,000 respectively.

OVERSEAS BANK RETURNS

NOTE.—The latest returns of the Banks of Estonia and of Finland appeared in *The Economist* of December 9th; Argentina, Belgium, Bulgaria, Denmark, France, International Settlements, Roumania, U.S. Federal Reserve Banks and N.Y. Federal Reserve Bank, of December 16th.

FEDERAL RESERVE REPORTING MEMBER BANKS.—Million \$s

ASSETS	Nov. 15, 1939		Nov. 22, 1939	
	1939	1939	1939	1939
Loans, total	8,521	8,549	8,617	8,656
Investments	14,314	14,465	14,475	14,503
Reserve with Federal Reserve banks	9,852	9,698	9,790	9,792
Due from domestic b'ks.	3,089	3,166	3,079	3,072
LIABILITIES	Nov. 15, 1939		Nov. 22, 1939	
	1939	1939	1939	1939
Deposits: demand	18,660	18,604	18,918	18,972
Time	5,250	5,256	5,252	5,232
U.S. Government	535	533	534	535
Inter-bank	8,673	8,830	8,641	8,625

REICHSBANK Million Reichsmarks

ASSETS	Dec. 7, 1938		Nov. 30, 1939	
	1938	1939	1939	1939
Gold & for. currencies	76.4	76.6	76.8	77.1
Bills and cheques	7252.3	9624.7	10147.8	9920.7
Rentenbank notes	47.1	35.0	36.2	38.8
Advances	*	1218.4	997.2	941.9
Secs. for note cover	1374.6	1628.6	1740.7	2032.5
Other assets	...	...	...	...
LIABILITIES	Dec. 7, 1938		Nov. 30, 1939	
	1938	1939	1939	1939
Notes in circulation	7629.4	10583.5	10974.1	10922.0
Daily maturing liab.	1002.9	1552.1	1574.3	16

BANK OF JAPAN.—Million yen

	Nov. 12, 1938	Oct. 28, 1938	Nov. 4, 1939	Nov. 11, 1939
ASSETS				
Coin & bullion: Gold	501.3	501.3	501.3	501.3
Other	300.7	300.7	300.7	300.7
Spec. for exch. fund	542.0	530.8	596.2	596.2
Discounts and advances	1438.4	2043.7	2058.6	1867.1
Government bonds	126.8	199.2	212.2	203.6
LIABILITIES				
Notes issued	1927.6	2686.9	2678.9	2517.8
Deposits: Government	682.1	567.8	684.3	712.2
Other	93.3	98.4	79.2	70.5

BANK OF LATVIA

	Nov. 15, 1938	Oct. 30, 1938	Nov. 20, 1939	Nov. 27, 1939
ASSETS				
Gold coin and bullion	82.60	97.93	97.94	97.94
Silver coin	12.20	5.93	6.21	6.30
Foreign currency	42.76	21.45	13.76	12.98
Treas. notes and change	8.64	8.10	9.37	9.96
Short-term bills	49.63	61.32	60.39	59.49
Loans against securities	100.65	135.22	136.37	138.22
LIABILITIES				
Notes in circulation	82.53	117.95	112.51	109.71
Deposits & current accs.	150.56	125.47	131.08	131.43
Government accounts	53.98	65.16	61.41	60.40

BANK OF LITHUANIA.—Million litas

	Nov. 15, 1938	Oct. 31, 1938	Nov. 15, 1939	Nov. 22, 1939
ASSETS				
Gold	71.02	57.64	57.66	57.66
Silver and other coins	16.23	7.69	7.43	6.10
Discounts	90.83	117.48	121.38	122.94
Advances	21.73	26.71	24.76	24.88
LIABILITIES				
Bank notes in circulatn.	141.43	165.37	159.81	162.10
Current accounts	40.12	40.94	44.83	46.82
Deposits	14.54	8.00	10.05	11.79

BANQUE MELLÉ IRAN

	Nov. 1938	Oct. 1938	Nov. 1939	Nov. 1939
ASSETS				
Gold	310.7	310.8	310.8	310.8
Silver	405.8	406.9	408.7	408.7
Discounts	286.6	394.2	386.0	394.8
Public departments	711.6	797.0	778.3	794.3
Other debit accounts	723.0	907.9	931.3	916.9
LIABILITIES				
Notes in circulation	792.7	983.1	985.9	1000.9
Public departments	494.1	567.9	548.9	569.1
Other credit accounts	1139.1	1257.2	1265.6	1255.3

BANK OF NORWAY

	Dec. 7, 1938	Nov. 30, 1938	Nov. 1939	Dec. 1939
ASSETS				
Gold reserve	147.7	120.0	120.0	120.0
Bal. abroad & for. bills	190.8	59.5	66.3	67.1
Gold, not in gold res.	62.8	106.6	106.5	106.5
Nor. & for. govt. secs.	134.1	151.8	152.7	152.7
Discounts and loans	102.3	270.5	275.6	271.1
LIABILITIES				
Notes in circulation	450.0	527.6	528.4	531.9
Deposits at sight	147.7	119.9	121.4	114.0

BANK OF PORTUGAL

	Oct. 1938	Oct. 1938	Oct. 1939	Oct. 1939
ASSETS				
Gold	920.4	920.4	920.4	920.4
Balances abroad	816.7	832.4	819.1	809.3
Discounts	417.7	418.0	418.5	427.0
Securities	117.8	117.9	117.9	117.8
Government loans	1035.7	1035.7	1035.7	1035.7
LIABILITIES				
Notes in circulation	2407.9	2375.2	2349.3	2350.0
Deposits: Government	283.7	308.8	306.0	276.0
Bankers'	530.9	530.1	517.9	537.3
Other	109.9	109.9	110.4	109.5
Foreign commitments	314.4	342.4	369.9	365.1

BANK OF SWEDEN.—Million kronor

	Dec. 7, 1938	Nov. 30, 1938	Nov. 1939	Dec. 1939
ASSETS				
Gold reserve	591.4	626.6	627.3	624.0
Govt. sec.: Swedish	32.6	208.1	213.1	213.1
Foreign	115.8	106.1	106.0	109.3
Gold abroad not in res.	173.3	347.7	327.4	267.2
Bills with for. banks	13.7	34.5	65.2	137.1
Bills payable in Sweden	379.3	16.7	17.7	15.4
Advances	32.5	121.5	149.6	165.5
LIABILITIES				
Notes in circulation	954.2	1211.9	1232.4	1276.6
Deposits: Government	488.7	305.3	318.4	467.7
Bankers and others	486.1	274.3	93.0	95.5

NATIONAL BANK OF EGYPT

	Oct. 1938	Aug. 1938	Sept. 1938	Oct. 1939
ASSETS				
Gold	1938	1939	1939	1939
Brit. Govt. Secs.	6.24	6.24	6.24	6.24
Egyptian Govt. Secs.	16.55	15.76	18.36	18.16
Cash	1.50	1.50	3.00	5.50
Investments	14.72	13.02	12.12	9.14
Bills and Advances	9.75	9.09	12.35	13.89
LIABILITIES				
Notes issued	24.30	23.50	27.60	27.90
Deposits: Govt.	3.70	3.94	4.49	5.89
Other depts. and accs.	20.93	21.00	19.47	20.72

NATIONAL BANK OF HUNGARY

	Dec. 1938	Nov. 1938	Nov. 1939	Dec. 1939
ASSETS				
Metal reserve:				
Gold coin and bullion	94.1	124.1	124.1	124.1
Foreign exchange	100.4	80.9	76.4	76.8
Int. bills, wts., & secs.	452.8	584.5	593.1	554.9
Advances to Treasury:				
Long and short term	193.3	247.5	217.5	217.1
Czech-Kr. exch.	77.2	95.3	95.3	95.3
LIABILITIES				
Notes in circulation	778.2	979.7	965.3	933.8
Current accounts, and sight liab.	199.9	199.6	196.8	192.5
Cash certificates	66.0	93.5	93.5	93.5

NATIONAL BANK OF JUGOSLAVIA

	Dec. 8, 1938	Nov. 8, 1938	Nov. 30, 1938	Dec. 8, 1939
ASSETS				
Gold	1938	1939	1939	1939
Other foreign exchange	1,907	1,987	1,988	1,988
Discounts and advances	552	606	589	637
Gov. adv. and credits	1,766	2,505	2,560	2,488
LIABILITIES				
Notes in circulation	6,794	9,172	9,163	9,286
Sight liabilities	2,284	1,622	1,930	1,823

NETHERLANDS BANK.—Million florins

	Dec. 12, 1938	Nov. 13, 1938	Dec. 11, 1939	Dec. 11, 1939
ASSETS				
Gold	1427.8	1058.6	1028.6	1018.6
Silver	1427.8	1058.6	1028.6	1018.6
Home bills, etc.	10.8	17.6	48.2	48.2
Foreign bills	3.6	1.6	1.6	1.6
Loans and advances	307.2	219.8	219.6	217.7
LIABILITIES				
Notes in circulation	987.6	1133.8	1157.8	1142.0
Deposits: Govt.	146.3	Dr12.6	Dr13.1	Dr11.9
Other	696.8	223.4	195.2	203.3

NATIONAL BANK OF ROUMANIA

	Nov. 1938	Nov. 1938	Nov. 1939	Dec. 1939
ASSETS				
Gold and gold exchange	20,616	20,648	20,671	20,675
Foreign exchange	1,844	2,046	2,064	2,293
Commercial bills	18,786	18,688	18,487	18,281
Treasury bills issued	4,621	4,622	4,622	4,622
Advances on credits	3,885	3,740	3,709	3,769
State debt and adv.	5,583	5,583	5,583	5,583
Secs. and participatns.	2,318	2,308	2,280	2,255
LIABILITIES				
Notes in circulation	48,379	48,338	47,891	48,069
Other sight liabilities	9,702	9,849	10,407	10,206
Long-term liabilities	6,672	6,699	6,080	6,061

RESERVE BANK OF NEW ZEALAND

	Dec. 12, 1938	Nov. 13, 1938	Dec. 11, 1939	Dec. 11, 1939
ASSETS				
Gold	1938	1939	1939	1939
Sterling exchange	2.80	2.80	2.80	2.80
Advances to State	4.57	5.79	6.16	6.20
Investments	14.37	24.03	22.80	22.80
LIABILITIES				
Bank Notes	15.20	17.39	17.51	18.00
Demand liab.: State	3.03	2.87	2.43	3.24
Banks and others	6.04	13.88	12.91	12.17
Reserves to sight liab.	29.8%	25.1%	26.6%	26.9%

RESERVE BANK OF INDIA

	Dec. 9, 1938	Nov. 24, 1938	Dec. 8, 1939	Dec. 8, 1939
ASSETS				
Gold coin and bullion	444	444	444	444
Rupee coin	709	696	691	674
Liabilities abroad	12	151	166	106
Sterling securities	608	825	825	925
Indian Gov. rupee sec.	324	373	373	373
Investments	59	68	69	70
LIABILITIES				
Notes in circn.: India	1,758	2,100	2,117	2,187
Burma	70	101	103	107
Deposits: Govts.	99	128	139	123
Banks	122	201	192	145
Gold and sterling liabilities	50.5%	54.3%	54.4%	56.7%

SWISS NATIONAL BANK

	Dec. 15, 1938	Nov. 15, 1938	Dec. 15, 1939	Dec. 15, 1939
ASSETS				
Gold	1938	1939	1939	1939
Foreign exchange	2889.6	2312.1	2307.5	2302.8
Discounts, etc.	282.3	341.0	334.5	321.7
Advances	93.8	85.7	87.6	88.5
Securities	27.7	58.1	61.4	61.6
LIABILITIES				
Notes in circulation	1663.3	1975.4	1990.5	1979.0
Other sight liabilities	1702.8	863.2	833.6	833.7

N.B.—Exchange Equalisation Fund and the assets representing it are 538,583,653 frs.

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 Saturday		Aggregate from January 1 to	
	Dec. 3, 1938	Dec. 2, 1939	Change	Dec. 17, 1938	Dec. 16, 1939	Dec. 17, 1938	Dec. 16, 1939
No. of working days:—	30	30	%	6	6	298	296
BIRMINGHAM	12,982	10,979	-15.4	2,545	2,347	116,958	112,600
BRADFORD ...	4,190	7,068	+68.7	713	1,819	39,603	48,433
BRISTOL	6,550	6,804	+3.9	1,302	1,462	63,320	68,085
HULL	5,143	3,671	-28.6	828	948	41,662	38,622
LEICESTER	3,682	3,521	-4.3	875	781	35,076	35,154
LIVERPOOL	26,549	29,293	+10.7	5,267	5,948	258,506	250,950
MANCHESTER	47,701	52,319	+9.7	8,905	10,198	459,811	480,136
NEWCASTLE	8,092	7,065	-12.7	1,486	1,274	75,423	72,825
NOTTINGHAM	2,487	2,037	-18.1	475	374	24,695	23,257
Total: 9 Towns	117,376	122,727	+4.6	22,396	25,151	1,115,054	1,130,062
DUBLIN	30,409	29,795	-2.1	5,356	6,296	309,017	302,246
LEEDS*	...	...	...	1,227	...	47,696	...
SHEFFIELD†...	...	...	...	946	451	53,389	46,202

* Suspended publication. † Clearing of suburban cheques through local clearing discontinued from September 7, 1939. ‡ 50 weeks.

MONEY RATES

LONDON

	Dec. 13, 1939	Dec. 14, 1939	Dec. 15, 1939	Dec. 16, 1939	Dec. 18, 1939	Dec. 19, 1939	Dec. 20, 1939
Bank rate (changed from 3% Oct. 26, 1939)	2	2	2	2	2	2	2
Market rates of discount							
60 days' bnkrs. drafts	13 ¹⁶ -14	13 ¹⁶ -14	14	14	13 ¹⁶ -14	13 ¹⁶ -14	13 ¹⁶ -14
3 months' do.	17 ³² -11 ¹⁴	17 ³² -11 ¹⁴	14-19 ³²	14-19 ³²	14	14	14
4 months' do.	14-15 ¹⁶	14-15 ¹⁶	14-15 ¹⁶	15 ¹⁶	15 ¹⁶	15 ¹⁶	15 ¹⁶
6 months' do.	1 ¹²	1 ¹²	1 ¹²	1 ¹²	1 ¹²	1 ¹²	1 ¹²
Discount Treasury Bills							
2 months'	15 ¹⁶	13 ¹⁶	13 ¹⁶ -14	13 ¹⁶ -14	13 ¹⁶ -14	13 ¹⁶ -14	13 ¹⁶ -14
3 months'	15 ¹⁶	15 ¹⁶	14	14	14	14	14
Loans—Day-to-day ..	34-114	34-114	34-114	34-114	34-114	34-114	34-114
Short	34-1 ¹⁸	34-13 ⁸	34-1 ¹²	34-1 ¹²	34-1 ¹²	34-1 ¹²	34-1 ¹²
Deposit allwncs.: BK.	1 ¹²	1 ¹²	1 ¹²	1 ¹²	1 ¹²	1 ¹²	1 ¹²
Discount houses at call	1 ¹²	1 ¹²	1 ¹²	1 ¹²	1 ¹²	1 ¹²	1 ¹²
At notice	34	34	34	34	34	34	34

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Balance Brought in	Net Profit after Debit Interest	Available for Distribution	Appropriation				Preceding Year	
					Preference Dividend	Ordinary Dividend	Rate	To Reserve, Depreciation, etc.	Net Profit	Dividend
Banks										
British Overseas Bank	Oct. 31	81,424	4,277	85,701				85,701	29,823	
Breweries, etc.										
Leeds and Wakefield Breweries	Sept. 30	53,858	104,339	158,197	29,500	22,000	11	45,487	61,210	11
Newcastle Breweries	Oct. 31	112,311	(b) 145,555	257,866	12,000	70,000	17½	55,000	120,866	17½
Preston Breweries	Sept. 30	Dr. 2,216	Dr. 1,300	Dr. 3,516					(c) 161,939	(a)
Financial, Land, etc.										
Lloyd (Edward) Investment	Sept. 30	145,889	Dr. 1,786	144,123	42,292				Dr. 3,516	
Metropolitan Ground Rents	Sept. 30	1,158	2,101	3,259		2,031	11½	1,228	2,109	11½
Iron, Coal and Steel										
Armistone Coal	Sept. 30	20,059	40,625	60,684		20,312	12½	20,000	101,831	12½
Hill (Richard)	Sept. 30	9,824	25,998	35,822		6,961	6	13,074	20,372	6
Motor, Cycle and Aviation										
Alvis, Ltd.	July 31	7,862	67,729	75,591				49,175	26,416	Nil
Elswick-Hopper Cycle, etc.	July 31	5,598	3,798	9,396				3,663	3,048	Nil
Henlys, Ltd.	Aug. 31	26,663	22,064	48,727	2,685			2,198	34,717	40
Hobson (H. M.) Aircraft, etc.	Sept. 30	21,813	104,158	125,968	8,437	3,375	7½	23,128	68,956	17½
Nasmyth, Wilson and Co.	Dec. 31	Dr. 7,149	2,017	Dr. 5,162				368	Dr. 7,216	Nil
Rubber										
Kong Lee (Perak)	Aug. 31	299	Dr. 839	Dr. 540					Dr. 540	Nil
Langkappa (Sumatra)	June 30	8,308	2,736	11,044	200	2,212	2½	3,500	Dr. 540	7½
Associated Tea Ceylon										
Bandanga, Ltd.	Sept. 30	252	8,941	9,193	3,600			1,706	3,887	Nil
Textiles										
Barran (John)	Oct. 31	20,461	33,190	53,651	17,550	10,042	7		26,059	24,770
Shannon (John) and Son	Oct. 31	29,711	18,535	48,246	5,727	2,451	74		40,068	13,272
Shannon and Godlee	Sept. 27	6,200	Dr. 18,787	Dr. 12,587					Dr. 12,587	Nil
Tramways, etc.										
Buenos Aires Town Trams	June 30	999	6,631	7,630		6,436	2	1,194	2,301	3
Scottish Motor Traction	Oct. 31	7,149	378,880	386,029	47,125	107,304	10½	223,046	8,554	292,430
Trusts										
Aberdeen, Edinburgh, etc., Trust	Nov. 30	6,296	11,783	18,079	5,334	5,333	4		7,412	13,175
London Scottish American	Oct. 31	90,930	62,497	153,427	22,500	40,000	8		90,927	67,338
Scottish International	Oct. 31	10,543	13,269	23,812					13,539	14,851
Trans-Oceanic	Oct. 31	11,096	27,256	38,352	19,750	5,283	2	367	8,319	32,657
Other Companies										
Aboyne-Clyde	June 30	Dr. 4,215	Dr. 340	Dr. 4,555					Dr. 4,555	3,723
Bigwood (Joshua)	Sept. 30	1,633	5,264	6,897	2,349			4,176	372	(a)
Bowaters, etc., Sales	Sept. 30	36,669	77,433	114,102	20,000	55,312	27½		38,790	80,719
Bowaters' Mersey Paper	Sept. 30	35,581	117,119	152,700	18,333			96,595	37,772	96,962
British Vacuum Cleaner	Sept. 30	41,724	187,405	229,129	67,833			112,500	48,796	165,444
Brooke Tool	Sept. 30	13,717	37,595	51,312	18,750			11,870	12,442	81,818
Caldwell's Paper	Sept. 30	5,198	44,379	49,577	34,000			510	15,067	(a)
First Garden City	Sept. 30	16,509	93,979	110,488	10,992	21,734	10	40,000	21,253	21,814
Hay's Wharf	Sept. 30	28,906	23,929	52,835	7,500	12,500	5	2,748	30,087	68,041
Hood Haggie (R.) and Son	Oct. 31	56,430	188,618	245,048	89,400	70,000	7		123,991	139,836
Klinger Manufacturing	Oct. 31	56,430	64,855	121,285	4,000	30,000	12½		25,188	62,097
Lloyd (Edward)	Sept. 30	7,174	36,401	43,575	104,250	10,592	10½		25,951	7,032
Mentmore Manufacturing	Oct. 14	2,036	14,103	16,139	3,473		10		108,445	371,833
Roneo, Ltd.	Sept. 30	23,260	56,301	79,561	13,924	26,299	11¼		7,109	13,894
United Match Industries	Oct. 31	14,019	13,833	27,852	6,168	2,031	50	5,073	39,338	52,108
Valparaiso Drainage	Mar. 31	13,756	Dr. 7,791	5,965					15,814	15,814
Total Profits, 1939, in £000's—										
To December 16	No. of Cos.	90,080	262,234	352,314	49,185	136,768		71,613	94,748	284,951
To December 23		2,266	204,498	355,652	49,765	137,359		72,652	95,903	287,003

† Free of income tax. (a) No comparable figure. (b) Excluding tax provision, £75,000. (c) Excluding tax provision, £30,000. (d) Absorbed £85,843. (e) 14 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
BANKS					Tronoh Gold	12½*	Jan. 5	2½*	2½*
Can. Bk. of Commerce	2½*	Feb. 1	2	2	Un. Tin Nigeria	10*	Jan. 23	Nil*	Nil*
Dominion Bank	2½*	Feb. 1	2½*	2½*	Vereeniging Ests.	8½*	Feb. 6	1½*	1½*
TEA & RUBBER					INDUSTRIALS				
Chulsa Tea	3*	Jan. 17	3*	3*	A.C.E. Machinery	12½*	20	5*	5*
Jugra Estate	3*	Dec. 21	Nil*	Nil*	Alliance Box	5*	Jan. 1	5*	5*
New Sylhet Tea	5*	Jan. 1	5*	5*	Assoc. Motor	10	Jan. 1	10	10
Rajawalla Produce	2	2	2½	2½	Cape Asbestos	4*	Jan. 16	3	3
MINING					Charterhouse Invest.	3	Jan. 16	3	3
Brakpan	1/9 ps	Feb. 6	1/7½ ps	1/7½ ps	Crossley (John)	5	Feb. 1	Nil*	Nil*
Cam & Motor Gold	24*	Feb. 6	28*	28*	Distillers Co.	(a) 6½*	Jan. 12	5*	5*
City Deep	12½	Feb. 6	6¼	6¼	Duff Development	(a) 6*	Jan. 12	5*	5*
Cons Main Reef	15	Feb. 6	12½	12½	Dussex Bros.	8½*	Jan. 12	10	10
Crown Mines	95	Feb. 6	95	95	Elder Dempster Lines	4*	Jan. 15	Nil*	Nil*
Daggafontein	1/6 ps	Feb. 6	1/3 ps	1/3 ps	East India Distilleries	3*	Jan. 15	Nil*	Nil*
Durban Deep	15	Feb. 6	17½	17½	English Clays	2½	Jan. 15	10	10
East Rand Prop.	17½	Feb. 6	17½	17½	Fairway Aviation	12½*	Jan. 16	15	15
Goldenhuis Deep	12½	Feb. 6	15	15	Gardner (John)	7½	Jan. 16	15	15
Idris Hydraulic Tin	5*	Dec. 28	Nil*	Nil*	Green King	6*	Dec. 20	6*	6*
Kinta Tin	7½*	Dec. 22	2½*	2½*	Int. Tea Stores	5*	Dec. 29	5*	5*
Komata Reef	16½*	Jan. 16	2½*	2½*	Lancs. Cotton Corp'n.	7½	Jan. 16	5*	5*
Lena Goldfields	5*	Feb. 6	25	25	Rio Claro Invest.	4*	Jan. 16	Nil	Nil
Lon. & Rhodesian	5*	Feb. 6	17½	17½	Shardlow (A.)	2½*	Jan. 1	6½	6½
Modder "B"	25	Feb. 6	33½	33½	Steel Barrel, etc.	6*	Jan. 1	2½*	2½*
Modder East	20	Feb. 6	21¼	21¼	Turner and Newall	11¼*	Feb. 3	20	20
Natal Nav. Colls.	11¼*	Feb. 6	25	25	Universal Asbestos	3½	Feb. 3	8	8
New Modder	11¼*	Feb. 6	25	25	Victoria Falls Co.	4*	Jan. 15	4*	4*
Nourse Mines	11¼	Feb. 6	10	10	Wells (Matthew)	8*	Jan. 15	8*	8*
Pari Tin	2½*	Jan. 3	80	80	White (A. J.)	5*	Jan. 15	5*	5*
Rand Mines	80	Feb. 6	25*	25*	Witan Investm't.	2*	Jan. 15	2½*	2½*
Rezende Mines	25*	Feb. 6	7½	7½	UNIT TRUSTS				
S.A. Land	3/6 ps	Feb. 6	6d ps	6d ps	Limited Investment	£3.40	Jan. 15	Pence	£3.80
South Crofty	10	Feb. 6	5*	5*					
St. Tronoh Tin	10½	Feb. 6	12½	12½					
Sungei Besi Mines	1/4½ ps	Feb. 6	1/4½ ps	1/4½ ps					
Tanjong Tin	16½*	Dec. 29	3½*	3½*					
Trans. Cons. Land	7½*	Dec. 22	2½*	2½*					

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

ANGLO-AMERICAN CORPORATION OF SOUTH AFRICA.—In order to comply with the wishes of the Committee of the Stock Exchange, a declaration of an ordinary dividend for 1939 will be deferred until profits are ascertained and can be announced simultaneously with the dividend.

CAM AND MOTOR GOLD MINING COMPANY.—Interim dividend on the ordinary stock reduced from 28 to 24 per cent.

COMPANIA HISPANO AMERICANA DE ELECTRICIDAD S.A.—Interim dividend on "A" "B" and "C" shares increased from 20 Argentine paper pesos to 22.50 paper pesos and from 4 to 4.50 paper pesos on its "D" and "E" shares.

INTERNATIONAL TEA COMPANY'S STORES.—Interim ordinary dividend maintained at 5 per cent.

POWELL DUFFRYN GROUP.—Interim dividend 2 per cent. as before on Powell Duffryn Steam Coal. Welsh Associated is paying an interim of 2½ per cent. on 4½ per cent. preferred ordinary stock. Powell Duffryn Associated is to pay half-year's dividend on 4½ per cent. cumulative preference stock.

SUEZ CANAL COMPANY.—Interim dividend 1939, 196-33 fcs., against 290-85 fcs. in previous year.

TRONOH MINES.—Interim dividend 12½ per cent., making with two previous interims of 2½ per cent. each, 17½ per cent. to date. A year ago the three interims amounted to 15 per cent.

UNITED DOMINIONS TRUST.—Interim ordinary dividend maintained at 6 per cent.

VENEZUELAN OIL CONCESSIONS.—Interim dividend is maintained at 5 per cent. on preference and ordinary shares. Last year both classes of shares received a final dividend of 1s. 7d. per 13s. 4d. share.

BRITISH WHOLESALE PRICES

	Dec. 12, 1939		Dec. 18, 1939			Dec. 12, 1939		Dec. 18, 1939	
	s.	d.	s.	d.		s.	d.	s.	d.
CEREALS AND MEAT					TOBACCO (per lb.)				
GRAIN, etc.					Virginia, stemmed and un-	8	0	8	0
Wheat—					stemmed, common to fine	2	6	2	6
No. 1, N. Man. 496 lb. f.o.b.	29	1½	31	0	Rhodesian, stemmed and un-	0	9	0	9
Vanc.	7	1	7	1	stemmed	1	10	1	10
Eng. Gaz. av., per cwt.	22	0	22	0	Nyasaland, stemmed and un-	0	7	0	7
La Plata, per 280 lb.	10	9	11	11	stemmed	0	5	0	5
Straights, d/d London	22	0	22	0	East Indian	1	6	1	6
Barley, Eng. Gaz. av., per cwt.	10	9	11	11	Unstemmed	1	4	1	4
Oats	24	0	23	9					
Maize, La Plata, 480 lb. f.o.b.									
MEAT					TEXTILES				
Beef, per 8 lb.					COTTON (per lb.)				
English long sides	5	0	5	0	Raw, Mid-American	8	75	8	80
Argentine chilled hinds	5	0	5	0	Giza, F.G.F.	11	15	10	70
Mutton, per 8 lb.	2	8	2	8	Yarns, 32's Twist	17	18		
English wethers	3	7	3	7	60's Twist (Egyptian)	25	27		
N.Z. frozen wethers	4	0	4	0	Cloth, 32 in. Printers, 116 yds.	24	0	25	0
Lamb, per 8 lb.	5	1	5	1	36 in. Shirtings, 75 yds.	33	0	34	0
N.Z. frozen	5	1	5	1	38 in. ditto, 38 yds.	13	2	13	8
Pork, English, per 8 lb.					18 x 16, 10 lb.	12	2	12	8
BACON (per cwt.)					16 x 15, 8¼ lb.				
English	115	0	115	0	FLAX (per ton)				
Danish	115	0	115	0	Livonian ZK	135	0	135	0
Dutch	115	0	115	0	Pernau HD	130	0	130	0
Irish	115	0	115	0					
HAMS (per cwt.)					HEMP (per ton)				
Canadian	125	0	125	0	Native PC	Nom.	Nom.		

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 November 30		Month ended November 30	
	1938	1939	1938	1939
I.—Food, Drink and Tobacco				
A. Grain and Flour	5,836,982	3,873,254	70,072,055	49,216,942
B. Feeding-stuffs for Animals	1,022,102	621,621	10,555,219	8,455,222
C. Animals, Living, for Food	1,105,866	1,374,044	8,413,363	9,714,635
D. Meat	6,916,821	8,593,227	82,348,131	83,015,373
E. Dairy Produce	6,862,549	5,899,289	73,972,289	67,639,687
F. Fresh Fruit and Vegetables	3,363,327	2,681,764	35,628,851	32,635,130
G. Beverages and Cocoa Preparations	4,333,808	6,281,172	42,513,125	36,263,220
H. Other Food	6,654,609	8,468,303	52,021,572	57,016,387
I. Tobacco	2,925,337	809,780	20,979,538	13,208,427
Total, Class I	39,021,401	38,602,454	396,504,143	357,165,023
II.—Raw Materials and Articles Mainly Unmanufactured—				
A. Coal	947	1,363	12,954	17,414
B. Other Non-Metalliferous Products and Quarry				
C. Iron Ore and the like	400,087	516,850	4,374,448	4,806,102
D. Non-Ferrous Metalliferous Ores and Scrap	337,245	863,370	10,375,427	8,859,068
E. Wood and Timber	1,136,531	2,222,323	14,983,595	15,995,532
F. Raw Cotton and Cotton Waste	4,069,690	2,227,424	39,413,401	34,708,162
G. Wool, Raw and Waste, and Wollen Rags	2,254,500	6,537,633	27,136,407	29,221,288
H. Silk, Raw, Knubs and Noils	3,199,332	1,340,051	38,859,483	38,503,373
I. Other Textile Materials	150,248	375,167	1,899,845	2,065,783
J. Seeds and Nuts for Oil, Oils, Fats, Resins and Gums	1,082,493	1,350,329	10,411,679	11,421,664
K. Hides and Skins, Undressed	1,867,540	3,109,627	28,929,905	28,228,616
L. Paper-making Materials	1,289,105	868,849	16,485,625	13,886,738
M. Rubber	1,352,331	1,938,258	14,590,611	13,627,442
N. Miscellaneous Raw Materials and Articles mainly Unmanufactured	662,529	1,504,879	10,868,873	8,606,378
Total, Class II	913,180	848,115	9,608,596	8,577,986
III.—Articles Wholly or Mainly Manufactured—				
A. Coke and Manufactured Fuel	658	13	7,576	6,022
B. Pottery, Glass, Abrasives, etc.	646,988	221,713	6,757,669	5,032,639
C. Iron and Steel and Manufactures thereof	844,781	2,229,284	13,762,540	15,727,824
D. Non-Ferrous Metals and Manufactures thereof	3,249,055	2,986,285	37,610,248	34,758,691
E. Cutlery, Hardware, Implements and Instruments	636,800	296,243	6,493,363	5,386,450
F. Electrical Goods and Apparatus	286,048	228,853	2,851,306	2,496,990
G. Machinery	1,935,306	1,931,834	20,262,844	22,807,297
H. Manufactures of Wood and Timber	522,835	253,631	5,801,289	4,766,085
I. Cotton Yarns and Manufactures	287,502	78,962	2,889,177	2,186,597
J. Wollen and Worsted Yarns and Manufactures	332,251	179,301	3,545,906	3,305,700
K. Silk Yarns and Manufactures	426,896	103,406	4,582,280	3,491,474
L. Manufactures of other Textile Materials	437,541	589,390	4,225,945	6,279,224
M. Apparel	594,323	123,211	7,560,858	5,556,831
N. Footwear	209,014	58,812	2,653,394	2,639,150
O. Chemicals, Drugs, Dyes and Colours	1,213,381	1,424,878	12,269,396	14,467,723
P. Oils, Fats and Resins, Manufactured	3,566,407	5,332,506	40,680,379	42,624,553
Q. Leather and Manufactures thereof	613,467	840,325	5,943,394	6,910,528
R. Paper, Cardboard, etc.	1,345,195	1,369,131	13,674,576	14,224,937
S. Vehicles (including Locomotives, Ships and Aircraft)	421,166	1,725,196	4,074,834	5,279,895
T. Rubber Manufactures	63,409	79,005	737,602	997,521
U. Miscellaneous Articles wholly or mainly Manufactured	2,043,534	1,156,359	19,833,617	19,783,966
Total, Class III	19,676,557	21,208,338	216,218,193	218,730,097
IV.—Animals, not for Food	252,900	262,225	3,037,466	2,917,067
V.—Parcel Post	307,002	210,745	3,271,373	3,557,890
Total	77,973,618	83,988,000	846,982,024	800,895,623

SHORTER COMMENTS

(Continued from page 478)

Apex Trinidad Oilfields.—Final dividend 17½ per cent. making 30 per cent., against a total of 40 per cent. Net profit £256,049.

R. A. Lister and Co.—Final dividend of 5 per cent. plus bonus of 6 per cent., making 16 per cent. (against 17½). Profit £219,417, against £245,023.

Allied Bakeries.—Interim 3d. per share (same).

English Clays, Lovering Pochin and

Company.—Profit year to September 30, 1939, £104,869 (£101,869). Ordinary dividend increased from 2 to 2½ per cent.

Proprietors of Hays Wharf.—Profit year to June 30, 1939, £188,618 (£139,836). Ordinary dividend raised from 5 to 7 per cent. Carry forward £123,991 (£94,773).

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MONTHLY TRADE SUPPLEMENT

The Liberal Tradition

WE have come to the close of a year in which Europe has achieved an astounding crescendo of aggression, revolutionary violence and ideological double-dealing. We cannot suppose that the forces which brought it about have spent their fury or that the Maginot Line and the Channel offer a permanent *cordon sanitaire*. We stand on the edge of chaos. How shall we emerge? In the past, our measure of isolation has conditioned our particular political rôle in the European comity. The storms of revolution, sweeping out from the Continent, tended to lose some of their force after the rigours of a Channel crossing. The milder atmosphere of Britain tempered the impact of new ideas on old institutions and the peaceful evolution of new political systems became possible. Nor did the process end with the achievement of new institutions. The experiments worked out in Britain have—more fully than any ideology—proved to be “articles for export.” In exchange for the original stimulus we have returned a finished product, often to the very centres of former revolution, a process which reached its culminating point in the nineteenth century when the institutions of liberal democracy, Britain's response to the overwhelming challenge of the industrial and scientific revolutions, became the common currency of progressive reform throughout the world.

It is just possible that this latest effort will prove our last, for the revolutions which it was designed to meet have largely destroyed that geographical isolation upon which some at least of our habits of political compromise were based. Industry and science have drawn us into the net of Europe hardly less closely than any strictly Continental State and, in confirmation of the possibility, there are few signs of a really creative approach to new problems of government; in fact, we have become—politically—a rentier class on our Victorian tradition, a position only tolerable in

a world still living under the Victorian dispensation, which palpably it is not. Once more Britain must face and take up the challenge of new ideas, and it is a sorry commentary on her loss of isolation that for the last decade or so she has tended more and more to answer the challenge not in terms of her own tradition but in the vocabulary of the revolutionaries themselves.

To the Left, the spearhead of opposition has taken over, more or less uncritically, the Marxist creed. The political upheavals on the Continent and the political structure of this country have alike been thrust into a strait-waistcoat of dogmatic thought, and the whole conception of Britain possessing a separate tradition is obscured by the universality of the Marxian categories; capitalism is capitalism the world over, and local variants must in the interest of orthodoxy conform to type. With the Bolshevik Revolution there entered a new element of rigidity. What the dialectical method had been and still was to thought, the infallibility of Russia became to practice. It is true that the Communist Party proper remained a minute and negligible fraction of the community, yet the success of such institutions as the Left Book Club illustrated the extent to which admiration for and belief in Russia and loose acceptance of the Marxian categories had become general.

If the Right, by reason of its distrust for intellectual activity, has been spared the rigidities of dogma, it sins in the opposite sense of drifting more and more into an uncritical conservatism. The tradition of Tory democracy is moribund. The possessing classes' instinct for self-preservation masquerades as the “defence of the social order,” and even here, though the order they wish to preserve is necessarily British, the same tendency to look abroad is apparent in the readiness to see Bolshevism behind every lamp-post, to forgive almost any villainy to an anti-Communist. This is not to say that the Right

have become Fascists. They are good democrats provided there is no threat to the *status quo* (under which they profit); but tenderness for Fascist restorers of order in foreign countries might, in changed circumstances, lead to something other than democracy at home. Britain has certainly been anything but revolutionary during the last two decades, but this fact does not mask the other, that when men have thought of alternatives to existing institutions, it has been in terms of foreign revolutionary experiments—to Left or Right.

To-day, when Hitler's pact with Russia has taken the ground from under his anti-Communist pretence and Stalin's invasion of Finland has provided a pretty problem for those to whom imperialist war is only conceivable under capitalism, political thinkers are given an unrivalled opportunity to be rid of their Continental fixations. We have the chance to break away from the moribund of ideology and return to our secular British tradition. Liberalism, our last great and successful political experiment, is not a bad point of departure.

The principles of Liberalism were not original. The dignity and liberty of the human person, the rule of law as the basis of society and the subordination of Government both to law and to the purposes of the citizen were inherent in Europe's Christian tradition. So, too, were the respect for reason and the belief in objective truth underlined by Renaissance and Enlightenment and completed (through them) by a deep intellectual curiosity and a passion for science. What was new in Liberalism was the desire to see these principles translated into terms of social fact and actual government, to see in practice the principles long accepted in theory. There is much to be said for the view that Liberalism was not so much a theory as a new energy of mind and heart. Yet, since it was a philosophy of action, it depended enormously on the social stuff upon which it had to work. The process of expressing Liberal thought in appropriate institutions was conditioned through and through by pre-existing political forms, the more so as it was accomplished in this country without any revolutionary break. The authoritarian and absolutist character of the pre-Liberal State made it inevitable that Liberalism's conception of liberty, however positive in content, should take negative forms, freedom *from*, not freedom *to*. The general tendency was to limit as far as possible the interventions of the State, and nowhere more than in the sphere of commercial enterprise where restrictions had formerly been most severe. It is hard to realise now that the cry "each man has a right to do what he will with his own" was in its day a cry of self-defence.

The point must be stressed, for here surely is the reason for failure. All the other achievements of Liberalism—self-government (locally and nationally), legal reform, universal education, international co-operation—have all been brought down because of the incompleteness of economic Liberalism. The Liberals of the early nineteenth century cannot be blamed because they did not foresee that the failure of free enterprise to cure the evil of social inequality would come, for a good half of the voters, to outweigh all its successes. Still less could they have foreseen that a time would come when the relief of unemployment would become a more important object of public policy than the increase of production, and when the voters would command the State to intervene in industry in order to control the trade cycle. It is our heavy responsibility to have continued to apply the economic expedients of Victorian Liberalism to a situation so changed that they have come to be almost the negation of the principles from which they were originally derived. No one has improved on Mill's "The liberty of each limited by the like liberty of all." The early Liberals thought the limits to be self-functioning. It is our disaster that we have clung to that belief long after it has become demonstrably false.

Now if this analysis is correct it follows that in any reconsideration of our Liberal tradition we are faced with a dual problem. On the one hand, are its principles valid? And, if so, how can we apply them to the social stuff of our industrialised, urbanised twentieth-century society? Nineteenth-century Liberals were secure about their inherited principles. We are not so fortunate to-day. Historical and anthropological research has weakened the hold

of historical Christianity; the new physics has shattered the comfortable, measurable Newtonian universe; Freud has thrown doubt on the sovereign reason; the dialectical method has reduced law, science, the processes of thought themselves to the blind interplay of economic forces. Hitler and Marx are alike in revolt against the tradition of Western culture; "class statistics" would have been as incomprehensible a century ago as "racial justice." From this welter of relativism only one thing emerges—force. The ruthlessness of the new creeds is no coincidence.

It follows that in restating the principles of Liberalism we are reaffirming our faith in the spiritual and intellectual tradition of the West. Again it is no irrelevance that the semi-alliance of the two Totalitarianisms has evoked a counter-movement of alliance and reconciliation among men of faith. "The restoration of a Christian order" is something more than a parrot cry. It springs to-day from a clearer vision of Europe's need and danger than would have been possible in the self-evident atmosphere of last century. The appointment of an envoy by the head of the United States of America, largest and most modern Western State, to assist the Pope, head of the oldest Western institution, in the task of restoring peace and a Christian order is a remarkable outward sign of the new attention to principle. Yet it has its dangers. In periods of social jeopardy, panaceas flourish—Douglas Credit, British Israel, the extremer forms of Federal Union. The hallmark of panaceas is not so much the universality of the cure they offer, but its simplicity and its automatic nature. The principle is that of a slot machine. Nothing could be more disastrous than to use Christianity, Liberalism or any other valid set of principles in this glib sense. We shall not exorcise the evils of our social system by *talking* about a Liberal Christian order or elaborating its abstract principles. Let us admit that Liberalism could have flourished only in the traditional culture of the West; the task of its re-adaptation to contemporary social fact remains.

The weakness of Liberalism lay primarily in its failure to assist the community to control its unruly economic environment. In reaction to the negative conception of the State's rôle, the pendulum has swung to the bureaucratic Leviathan of the modern revolutions. The growing complexity of industrial society made the existence of some such bureaucracy inevitable, but by assuming the *negative* functions of government and thus denying the necessity for fixing frontiers to the State's activity, we have failed to set up limits to its encroachments. It does not follow, however, that no such limits can be set or that a revised Liberalism cannot provide a criterion. A new Declaration of the Rights of Man (in practical form, shall we say an extension to *majorities* of the post-war Minorities Treaties?) might reassert the frontiers beyond which the human person is inviolable. The application of such a Declaration to property is obvious enough. The one-sided ownership of *laissez faire* led, first, to the one-sided abolition of ownership in Communism, to the principle that when nobody owns anything, everybody owns everything—at best a *non sequitur*, at worst jabberwocky—and ultimately to the Communist or Fascist Leviathan where the community itself becomes the private property of the bureaucrats. This fixation on ownership—capitalists and Marxists are equally "men of property" in this sense—has led to a vast confusion between ownership and use, between ownership and control. The preoccupation with the extremes of absolute ownership and absolute abolition has obscured a hundred intermediate possibilities of private organisation under public supervision—which, if the experience of the Western fringe of Europe is any guide—gives far more hope of better social conditions than any bureaucratic extremism.

Here a whole uncharted field lies open both to the political student and the man of affairs if they will come to it, shedding their ideological or instinctive prejudices. The present discredit of both extremes offers just such an opportunity. Nor should we be in doubt as to the results of letting it slip. If we in Great Britain do not return to the rôle of pathfinder, the alternative is the totalitarian jungle. If we fail, the European tradition may well go with us and with it the two-thousand-year effort to build up a society on liberty, equality, fraternity, reason and law.

The Boom We Left Behind Us

WHAT would have happened to the state of trade if war had not broken out at the beginning of September? It is an interesting speculation. All through the summer the trend of economic activity in Great Britain was quite sharply upwards and in many industries the limits of capacity were being reached. The United States was emerging from one of its periodic attacks of doubtfulness and in France the improvement was more consistent and regular than at any time since the onset of the Great Depression. For once the three great free-economy countries were all pulling together. Would it have lasted? Should we by now have been approaching a boom? Or was the improvement so completely based on preparation for war that another autumn crisis without war would have led to a rapid change in trend? It is impossible not to feel a certain resentment that Hitler should have chosen a moment so crucially interesting to the student of the trade cycle for the beginning of his war.

The behaviour of the trade cycle since 1937 has been quite contrary to the textbook. It is true that a very good case could be, and was, made out for the probability of a cyclical recession in Great Britain, where the upward movement had gone on very rapidly for a very long time. But though this recession in Great Britain arrived in the autumn of 1937, it was extremely moderate and short-lived and seemed to be derived more from external sources than from those internal developments on which the prophecies of a recession were founded. And in the United States, where there seemed to be little *a priori* reason to expect any reversal in a recovery movement which had not yet carried the level of activity back to normal, there was a recession of astonishing sharpness. Unlike other cyclical movements, the events of 1937 are difficult to explain even in retrospect; they present a fascinating clinical exercise for the economic diagnostician.

But if the recession of 1937 presents its problems, so does the fact that it stopped in 1938 almost as suddenly as it came. For several months the ominous parallel with 1930 could be drawn, and to the fearful another Great Depression seemed to be in sight. But in the summer of 1938 (unlike the summer of 1930) the downward movement stopped and "re-recovery" began. The explanation of this reversal is the central theme of the eighth annual edition of the League of Nations' "World Economic Survey,"* which covers the period July, 1938-June, 1939. This year's "Survey," like its immediate predecessor, is the work of Mr J. E. Meade, and no more need be said of its quality than that it admirably maintains the usual standard of excellence. In it the reader will find not merely all the data that he needs to follow the economic events of the year under review, but a mass of information on topics going far outside the boundaries of any twelvemonth. (Two of these wider topics deserve special mention: Mr Meade has collected in one table the estimates of the National Incomes of 26 countries from 1929 to 1938; and his chapter on population trends is an admirable compendium of the available statistics.)

So far as the European nations are concerned, there is an adequate explanation of the "re-recovery" of 1938 ready to hand. Activity was stimulated by the rapidly growing size of re-armament programmes—and it is no contradiction of this statement that activity in Germany, the first and fastest re-armed, failed to advance in 1938 with the speed of earlier years, since the limit was set in Germany by the productive capacity of the national economy. In France and England there can be little doubt that re-armament increasingly dominated the national economies in the twelve or fifteen months before the actual outbreak of war. Yet there are some puzzling factors

about even this apparently obvious chain of causation. For example, the amounts spent on re-armament in Great Britain, though large alongside the yield of income tax, were, at that time, small relative to the National Income. In the financial year 1938-39, for example, the total of defence expenditure was £382 millions, of which about £260 millions (roughly 5 per cent. of the National Income) can be regarded as in excess of the normal level, and only £128 millions (2½ per cent. of the National Income) was borrowed. Is it safe to assume that Government expenditure of £128 millions more than revenue is enough to reverse an incipient slump? Would the effect be the same if the money were spent on something useful, like roads and houses, instead of on bombers and machine guns? Perhaps these would be unduly rash assumptions. For we do not even know for certain that it was the re-armament programme that rescued Britain from a slump. There is a certain amount of evidence—the remarkable persistence of heavy consumption and the slowness of the building decline—for the view that the slump was never, after all, a very serious threat. And even if we accept the common assumption that it was re-armament that reversed the trend, we must bear in mind, before we draw parallels for future use, that the programme was in being before the recession began and was continually increasing all the time. A deficit of £128 millions might be utterly insufficient at a later stage of depression.

The deficit argument seems, at first sight, much stronger in the United States. The recession was at its sharpest there; spending and lending were deliberately adopted as remedies; and the tide duly turned. But even here there are doubts that must be voiced. If the 1937 recession in America was, as it may well have been, more in the nature of a market panic or buying strike than a fundamental industrial depression, then it could be expected to cure itself after a short interval. And if the "re-recovery" of 1938-39 is really a triumph for the public works idea, why is it that the American economy has since appeared to be struck with paralysis after each small advance?

These questions, thanks to the war, must remain unanswered. After the Armistice there will, unfortunately, be plenty of opportunities for testing trade cycle cures. The only lesson that emerges with any approach to certainty from the experience of the last two years is that re-armament is the only form of public works that can always be counted on to do its economic duty—and that lesson will hardly be appropriate to a world that will be seeking to disarm.

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* "World Economic Survey, Eighth Year, 1938-39." Published by the Economic Intelligence Service of the League of Nations. (London) Allen and Unwin. 247 pages. 6s. net.

Japan's Dilemma

ALTHOUGH Japan has announced her neutrality in the present conflict, she has not thereby evaded a serious crisis in her conduct of foreign affairs. Its root is naturally the war in China and it is largely a dilemma of choice. Japan must go forward. In the last three years her budgetary expenditure has sprung from 5 to over 10 milliard yen and each year an increasing proportion has had to be covered by loan (3,033 million yen in 1937-38, as against an estimated 5,400 millions in the coming year). Sixty-four per cent. of the Budget is earmarked for military purposes and obviously such staggering expenditure cannot be combined with a policy of marking time. The greater the pressure—and the degree of internal friction and dissatisfaction embodied in the present Party truce against the Government is a measure of that pressure—the greater must be the Japanese effort to close the "China incident" and move from conquest to exploitation.

In two years' warfare, however, Japan has proved her inability to defeat the Chinese without outside support. She must associate herself with another Power or Powers but her choice is strictly limited to the revolutionary grouping of Russia and Germany on the one hand and on the other to the conservative West. The dilemma arises because an association with either group offers Japan little hope of achieving the end for which in the first place she went to war.

Her aim was a compound of patriotic nationalism and stern economic fact. Japan felt conscious of her imperial destiny long before she transformed herself into an industrial state. Since then, however, certain economic considerations have appeared to reinforce the original imperialist urge. Japan's economy has been largely based on the differential advantage (over against the West) of a great, disciplined and frugal labour force; so far this has compensated her for her lack of essential raw materials. If, however, China, with her excellent supplies of coking coal, iron ore and lighter metals, coupled with a labour force even vaster and even more frugal, were to enter the field against Japan, her precarious economic structure would be shattered and with it Great Powerhood. Thus when the persistence of General Chiang-kai-shek in overcoming internal faction and the assistance given by the West in restoring order to China's finances had given the country two pre-conditions of industrial development—national order and economic stability—Japan had either to accept the loss of her differential advantage or to strike.

In 1937 three obstacles stood in Japan's "Imperial Way." The truce between General Chiang-kai-shek and the Communists enabled China to meet the shock of invasion in a united front; the hostile attitude of Russia helped both to supply the Chinese and also to draw off the pick of the Japanese Army to watch the Manchurian frontier; and, finally, there was the problem of the Western Powers, whose trade with and investments in China offered an apparently insuperable obstacle to the creation of a purely Japanese economic bloc in East Asia. For two and a half years, therefore, Japan has been fighting on three fronts. By all the normal rules of war China is defeated, but she refuses resolutely to accept defeat. Government is carried on at Chungking, lifelines are thrown out across the mountains to Russia, Burma and Indo-China, a new system of light industry organised, an expanding Chinese army built up. In the "occupied" areas, Japan's attempts to organise her conquests—in the political sphere by setting up puppet governments, in the economic field by establishing a new currency—have been failures.

Japan's anti-Soviet policy did not only consist in open conflict on the Mongol frontier. By associating herself with the Anti-Comintern bloc in Europe, she sought diplomatic support with a possibility of more concrete assistance. Her link with Germany and Italy also served her purposes on the third front, against the West. Friction

between Britain and Japan over the Concessions developed on parallel lines with Britain's growing estrangement from the Axis Powers in Europe. When, after the fall of Prague, Britain opened negotiations with Russia, the ring was complete. In a potential conflict, Japan might count on the immobilising of the British Fleet in the North Sea and the Mediterranean, while Russian action could be countered by a German advance to the East. In the summer, therefore, Japan's determination to drive Britain from China came to a head in the blockading of Tientsin. Extremists were clamouring for a hard and fast military alliance with the Axis and war with Britain. When on August 24th news of the Russo-German agreement shattered two years' patient diplomacy, the Cabinet's immediate resignation was an apt symbol of Japan's dismay.

Now that the whole promising Anti-Comintern policy has been betrayed, Japan's freedom of movement is by so much reduced; yet the necessity of seeking outside support in the struggle with China remains as urgent as ever. Therefore, unless the next few months produce a new series of international transformation acts, two courses only appear open to Japan. She may on the one hand come to an agreement with Russia. There is a truce in Manchuria, and although rumours of a Non-Aggression Pact have so far been denied, negotiations for a new commercial treaty were definitely announced on November 24th and are to open in Tokyo on January 10th. More revealing are the reports coming from China. The possibility of a Russo-Japanese rapprochement is a serious embarrassment to General Chiang-kai-shek. It is not merely a question of the loss of Soviet supplies or of Japan's military preoccupations on the Manchurian frontier. Internally the position is much graver. Russia's fear of Japan was the motive force behind the Communist truce with General Chiang. The United Front in the East (as in the West) was largely dictated by the Soviet's strategic needs. If Russia now reaches an understanding with Japan, the Chinese Communist Party may receive new marching orders and there are signs that they have already done so. They appear to be demanding more complete control in the frontier districts in order to establish a species of *imperium in imperio* on the Inner Mongolian frontier. Russia's way is clear. She can either prevail on General Chiang to permit greater liberty to the Communists as a price of her support or transfer her support directly to them, establishing Soviet states in Sinkiang, Inner Mongolia, Shansi, Kansu, and Szechuan, leaving it to Japan to conquer the rest. Japan, in her turn, with Soviet complaisance secured and General Chiang's resistance broken by the disaffection of the Communists, will then, it is argued, be in a position to make a final military effort to finish the campaign, set up a central government under Mr Wang-ching-wei, and turn to the exploitation of her conquest.

There are, however, corresponding disadvantages. If Russia establishes a ring of satellite states on the very fringe of Japan's precarious conquests, how long is she likely to resist the temptation of China's agricultural and industrial riches? The policing of China alone will drain Japan's resources; how much more so if she has also to maintain a vast frontier force. Russia's attack on Finland suggests a type of imperialism applicable in the East as in the West. The extremists in Tokyo have been significantly silent since November 30th. Moreover, the "final military effort" begs the whole question of the West. A pact with Russia does not solve the problem of Tientsin. Even if a move towards Russia were to break China's resistance, Japan would still have to deal with Great Britain and the United States.

Great Britain's insistence during the Tokyo talks that currency and other general problems could only be settled in co-operation with other interested Powers, the

United States' denunciation on July 26th of the 1911 Commercial Agreement and the American Ambassador's more recent attack on the whole Japanese conception of a "new Asiatic order," are clear evidence that there exists a certain minimum basis of co-operation between the Western Powers, and that they will work together rather than compromise their rights. A move towards Russia on Japan's part would exhaust still further Japan's very limited capital of sympathy in the United States and she dare not risk reprisals for they could be almost immediately effective.

Japan is deficient in the main materials of modern heavy industry and therefore of war. In spite of the big advances she has made in her trade with the yen-bloc of Manchuria and North China (three-sevenths of Japan's imports are now supplied by yen-bloc countries) they cannot supply such essential goods as petrol, iron and machinery and, in 1937, 54.2 per cent. of Japan's essential war materials came from the U.S.A. and 17.5 from the British Empire. The six months' grace on the U.S. commercial treaty will run out in a month, and Japan cannot envisage the possibility of a boycott. The government which succeeded Baron Hiranuma on August 29th is decidedly more moderate, and Admiral Nomura, the new Foreign Minister, is an acknowledged friend of the United States. The recent pledge to reopen the Yangtze to the merchant shipping of other nations, although it is obviously connected with the desire to secure a new American treaty,

may also be counted as a gesture of good will. There is thus at least a countervailing possibility that counsels of moderation will prevail, and a settlement in China be sought on the basis of accommodation with the Chinese Nationalists and with the West.

Yet—and this is the root of the dilemma—this second course is hardly less hazardous than the first. Japan has bled herself white in two years' inconclusive warfare. Her industrial structure is strained to breaking point, her reserves depleted, her wealth squandered, her whole economy thrown out of gear. Even the political structure shows signs of strain. After seven years' subservience to non-party governments largely composed of military nominees, the traditional parties are showing signs of fight—a highly significant turn of events among people as well drilled in loyalty as the Japanese. Can Japan afford to abandon an effort which has cost so much? And can she pretend that agreement and co-operation with the West falls far short of abandonment? Her material poverty is such that in the post-war race to re-stock and develop China she must fall behind. Even though a prolonged war put Great Britain out of the running, it is by the industrial giants of the U.S.A. and just possibly the U.S.S.R. that Japan will be outclassed.

This then is the unhappy dilemma. For the time being, Japan is not committed to either course, but she cannot evade the choice. For the sake of China, we can only hope that she will choose the second.

Entertainment in Wartime

A NATION at war cannot live as it does in peacetime. It must work harder and play less. Its resources of men, materials and money must increasingly be turned over to war purposes. People must pay more in taxes, save more for Government loans and spend less on goods and services which are not essential. At first glance, the entertainments industry may appear to single itself out for cutting down in wartime. Plays, films and football matches, for example, can hardly be held to be as necessary as food, clothing, shelter and munitions. Moreover, in this war there is an added reason for cutting down public entertainments in the fact that the possibility of air raids makes it unwise for large numbers of people to congregate together.

In the early weeks of the war, indeed, entertainments did suffer very badly, and there is still distress. A series of civil defence measures either compelled theatres and cinemas to close down or, by precautions like the black-out and restrictions on transport, made it difficult for people to get about. The unemployment figures show how hard entertainment was hit. In August, at any time a slack season for the industry, some 19,000 out of a total insured labour force of 150,000-odd were unemployed. By September 11th, only a week after war began, the number out of work had risen to nearly 45,000, not far short of a third of those insured persons normally engaged in entertainments and sport; on October 16th the total still exceeded 40,000; on November 13th it was 37,500.

This was not deliberate war policy. The idle workers in the industry were not being absorbed by more important national duties, and the public were being deprived gratuitously of the recreation which, because of the nervous strain imposed upon them by wartime conditions, they needed more than ever.

It is not possible to look in detail at the entire entertainments industry. The industry is made up of many branches, and it is not organised. Precise facts and figures are hard to come by. But it is possible to look at what has happened to one or two of the main branches of entertainment. The theatre, the cinema, dancing and music make excellent examples.

During September and October nine-tenths of all stage personnel were out of work. Then London comedies and straight plays, costing, say, £2,000 to put on, began to tour in the provinces, where the defence ban on shows was not so complete as in the capital. Only the larger musical

shows, costing perhaps £10,000 to produce, were too expensive to follow suit. The provincial theatre came to life again. This week practically every provincial house is open. The pantomime season is well started; and it is even being claimed that this Christmas more are at work in the profession in the provinces than at any time over the last two years—which were very depressed.

London is different. Evacuation, the black-out and special regulations for Central London make the problem more difficult, though there has been a marked increase in London's theatrical activity in recent weeks. At Christmas, 1937, 37 London theatres employed 1,026 artistes—as a rule three other operatives are employed for every two artistes. At Christmas, 1938, 35 theatres employed 910 artistes. Last week 25 theatres were using only 490 artistes; the average size of cast has shrunk from 26 artistes last Christmas to under 20 now. Even so, there has undoubtedly been an improvement. On November 18th only 13 London theatres were open, employing a mere 226 artistes.

There is still severe unemployment in London. Minimum rates of pay (£3 per week for actors and £4 for chorus singers) have not been cut, but the higher salaries have fallen throughout the country, often being paid now on the so-called commonwealth system, i.e. a percentage of box-office takings. Young actors between 23 and 30 years of age, thrown out of work by the war, are not yet wanted for the Services. But, even so, the stage has improved even in London, and in the provinces a period of relative prosperity has set in.

The chances of a theatrical boom like the last war's are slender. Taxes and theatrical rents are too high. The prospect of serious interference by air raids cannot be ruled out. The immediate problem is to keep things going when the present holiday boomlet is over. Meanwhile, many artistes are at work in entertaining the troops. The profits of the Navy, Army and Air Force Institutes (NAAFI), which provide canteens, etc., for the Services, are used to finance this. The Entertainments National Service Association (ENSA) organises the shows. On September 25th, NAAFI through ENSA sent twelve concert parties to camps in England and six companies of 80 artistes in all are now in France giving straight plays, variety and concert parties. Altogether 1,200 professional artistes are at work for NAAFI; another 200 are employed in bands and orchestras; and pay is at standard contract rates.

As the Forces grow the number employed in entertaining the troops will increase as well. But it cannot possibly increase enough to affect appreciably the economic prospects of the theatrical profession. Those prospects depend upon the demand for entertainment among civilians. If the people have the money to spend, and if they are not unduly hampered or immobilised by defence restrictions, the recent improvement in the fortunes of the stage should be maintained and even considerably extended.

In the film industry, as on the stage, conditions have been worse in London than in the provinces. Cinemas have not on the whole suffered so badly as theatres. On an average, exhibitors in the provinces are experiencing perhaps a 10 per cent. fall in their total takings—offset to some slight extent by savings in advertisement and other outlay. Cinema-going is a fixed habit, more fixed and more widely diffused among the bulk of the population than theatre-going. As long as people can afford it, even barely, they will go to the pictures. So far, cinema prices have, in effect, come down. They have remained the same while most other prices have gone up. Provided these prices are not drastically raised, cinema attendances at the rate of everyone once a fortnight may be kept up—now that all the cinemas are open again.

The difficulty here is not demand but supply. It may well be that fewer films—and these of lower quality—will be available to exhibit as the war goes on. Runs at cinemas might then be lengthened, and aggregate attendances would tend to fall off. Film production was declining before the war started. In the year up to the end of last March, 150 fewer British long films and 100 fewer foreign long films were registered in this country than in the previous year. World conditions and the closing of European markets had discouraged American producers, and since the film slump of 1937 four-fifths of British production has been idle. It is reckoned that 600 long films are needed every year to satisfy the British market, and a recent estimate claims that when the year ends next March the total number made available in the twelve months will be 438—nearly 170 short of requirements.

Some production is dragging on in British studios. The Films Act, which protects home film production by a system of quotas, is to be kept in being, after a bitter controversy, for at least another three months. Meanwhile, American companies cannot expect more than 50 per cent. of their gross British revenues—about \$17,500,000 a year at the most. They have agreed not to restrict film exports to Britain, and not to raise their rentals. Nevertheless, it is difficult to see how the freezing of 50 per cent. of their credits can fail to result in their sending us fewer films, or ones of poorer quality. And even if the supply of films equals that of April-September, 1939 (192 long films imported), there will be a serious shortage.

The solution may lie in the utilisation of the frozen American credits for the production of films in this country to be distributed by American facilities throughout the whole English-speaking world, and beyond it. The home population here is going to need a sufficient supply of films to keep up its spirits. Films from this country at the present time may have unusual interest for America

and the rest of the world. It is urgent, moreover, in this war that good films in support (explicitly or implicitly) of the democratic cause should counteract totalitarian propaganda in all countries. Little has yet been done with this weapon. The Ministry of Information gave Mr Korda production and distribution facilities for "The Lion has Wings" in return for 50 per cent. of the profits, and it may do as much again for a film about the Navy. It is also producing twelve short films. The British Council hopes to spend £100,000 next year supplying films expressive of British life to neutrals, some 20 per cent. of which sum may be spent on production.

These are useful beginnings, but they are small. The great handicap of British film production has been its lack of capital. Its products have not yet appreciably reached the huge American audiences (about 80,000,000 tickets are there sold each week, compared with not more than 25,000,000 in the United Kingdom and Ireland). The use of American capital to production in Britain, with an eye on these audiences, as well as on those of Britain and the Empire, has already been successful in a small way, and it has increased the prestige of British production. The credits made available now by the exigencies of the war may accelerate this development.

Thus the outlook for cinemas, like that for theatres, is still unsettled. The public will go to the pictures as long as they can afford it and as long as there are sufficient good films to see. The same is true—to take a third illustration from quite another field of entertainment—of dancing.

In an interesting study (shortly to be published) of the effects of the war on the people, the research organisation Mass Observation (run by Messrs Harrison and Madge) pay special attention to the rôle of dancing. They suggest that it will increase its hold, and they forecast that jazz music, which came and largely still comes from America, will be naturalised during the war. More than ever it will be made in Britain and, they suggest, since jazz music, like films, is a potent form of propaganda in other countries, the home-made article may have an important part to play in one sector of the war itself.

There is much more that could be said about wartime entertainment—about the reversion of British radio to a single programme, about the parlous plight of unemployed musicians and orchestras, and about the meagre crowds and the unreal atmosphere of the *ersatz* professional football matches in the wartime regional competitions. It would take too much space to say it. But three things do emerge from any examination of the entertainments industry under present conditions. In the first place, it is, so far, A.R.P. entirely and not reduced real purchasing power at all that has cut the industry down so sharply. In the second, despite the fact that tens of thousands of entertainers are still out of work, a more prosperous tide has been flowing steadily in for several weeks. In the third, the likelihood is that this tide will rise near to flood next year if the cost of entertainments does not increase unduly. The demand is there. Only when resources can no longer be spared to carry it on can the sacrifice of popular entertainments be seriously contemplated.

Defence Measures

EMERGENCY LEGISLATION

Postponement of Enactments (Miscellaneous Provisions) Act

Postpones the operation of three Acts, which would in the ordinary course have come into operation on January 1st, to a date prescribed in each case by Order-in-Council. The Acts concerned are: Adoption of Children (Regulation) Act, Marriage (Scotland) Act, and House to House Collections Act.

DEPARTMENTAL ORDERS AND INSTRUCTIONS

Air Raid Precautions. (December 4th)—Local authorities authorised to compensate any of 700,000 reserve part-time civil defence volunteers for loss of remunerative time up to 10s. per day for men and 7s. per day for women. Government will in turn reimburse local authorities. (December 7th)—

Dances may continue after 11 p.m. except in the West End of London; but Chief Constables may forbid holding of dances in premises which would be particularly dangerous in an air raid. (December 14th)—Announced that Order would be made permitting low intensity street lighting in all areas except East and South-East Coasts. (December 17th)—Order announced permitting lights on street stalls for Christmas shopping.

Controlled Commodities. (December 15th)—Orders made introducing new maximum prices for ungraded farmers' clips, and requisitioning wool still owned by farmers. (December 18th)—Order consolidating all previous Orders governing non-ferrous metals, fixing new scales of maximum prices and setting out circumstances in which maxima may be varied for special lots.

Evacuation. (December 3rd)—First special trains at cheap rates for parents visiting evacuated children.

Food. (December 3rd)—Introduction of full control of marketing of live-stock and distribution of home-killed meat postponed until January by Order. (December 11th)—Unofficial rationing of sugar by retailers to registered customers commenced—rate 1 lb. per head per week. (December 13th)—Announced that maximum and minimum prices for ware potatoes of the 1939 crop will be fixed to cover the remainder of the season. (December 15th)—Powers of Potato Marketing Board to be taken over by Ministry of Food on December 20th.

Fuel. (December 2nd)—Rise in prices of all grades of pool paraffin, Diesel oil and white spirit. (December 7th)—Rise of prices of pool fuel oil, pool Diesel oil (other than for road vehicles), pool gas oil and pool bitumen. (December 8th)—Soldiers on leave from the B.E.F. permitted to obtain additional petrol vouchers for 300 miles of motoring. (December 11th)—Introduction announced, as from January 1st, of system of petrol distribution to farmers by coupon.

Labour. (December 10th)—Ministry of Labour and National Service to open a register for middle-class unemployed. (December 15th)—Further changes announced in schedule of reserved occupations, affecting members of fire salvage corps (limit of reservation reduced from 30 to 18), railway workers and technicians.

Prices. (December 18th)—First Order announced regulating prices of goods under Prices of Goods Act.

Rationing. (December 4th)—Unofficial rationing of bacon and butter begins on the recommendation of the Ministry of Food. (December 18th)—Troops on leave to be issued with authorisation to buy from retailers the same quantities of rationed foods as are supplied to registered customers.

Services. (December 1st)—All men between ages of 20 and 23 to register for military service on December 9th. (December 6th)—First sitting of Appellate Tribunal appointed under the National Service (Armed Forces) Act to consider appeals from local tribunals concerning registration as conscientious objectors. (December 9th)—Re-entry into Royal Navy or Royal Marines invited, for the duration of the war, of men under the age of 46 who have had previous service.

Shipping. (December 5th)—Navicert system extended to shipments from Brazil, Argentine and Uruguay to Iceland, Norway, Denmark, Sweden, Finland, Estonia, Latvia, Lithuania, the Netherlands, Belgium and Italy. (December 9th)—Use by British merchant and other private vessels of any other ensign than the Red Ensign discontinued for the duration of the war. Naval Commanders-in-Chief of home ports authorised to prohibit or restrict the movement of ships in all the ports, and their approaches in their command. Order to be confirmed every seven days by the Admiralty, or lapse.

Shops.—Restricted shop window lighting to be permitted as an experiment, with a view to helping Christmas shopping.

Supply.—Ministry announces that, as a matter of urgency, area committees will be set up in nine provincial centres.

Trade. (December 5th)—Certain categories of iron and steel products added to the Free List. (December 10th)—Facilities extended for the grant of licences for the importation of goods for re-export under bond or on recovery of duty. Permission to be given to motorists to use nearside headlamps, unmasked, during thick fog.

Miscellaneous. (December 16th)—Treasury announce that January 1st will be observed as a close holiday in all banks in England, Wales and Northern Ireland.

NOTES OF THE WEEK

The Peril of Complacency.—On January 9th, the Prime Minister will open a barnstorming tour of the provinces by members of the War Cabinet. On February 24th, after his colleagues have been to Glasgow, Leeds, Manchester, Newcastle, Bristol and Cardiff, Mr Chamberlain will close the campaign at Birmingham. Presumably the Ministerial line in this drive will resemble the pamphlet "Assurance of Victory" (H.M. Stationery Office, 3d.), which the Ministry of Information put out a few days ago. Ministers will certainly do well to take in the terse statement given there of the Allies' undoubted material advantages. The fear is, however,—and it is a very real fear—that the Ministers, like the pamphlet, will prove too much. It is invaluable to count and measure the economic and strategic strength of the Allies—but only as a prelude to first mobilising and then using that strength. The greatest snare for Englishmen is to believe that victory will come like manna from heaven if they rest on their laurels and live on their fat.

We do not have to defeat the Nazis on land, but only to prevent them from defeating us. If we can succeed in doing that, we can rely on our strength in other directions to bring them to their knees.

So the pamphlet. So presumably the touring Ministers. But it is not true. It is dangerously untrue. It is wrong to think on these lines and doubly wrong to speak in this way; and it will be an actual danger to the Allies' chances of victory if it is not realised that vast economic superiority is the means to the end of victory in the field, not the end itself—and that it is not even superiority if it is not organised, applied and used. Propaganda pamphlets have to be confident; but they need not, like this one, be smug. "We must win. Why bother to fight?" is its burden. If the Ministers echo this theme on their provincial platforms, then it will indeed be time to become worried lest we should lose the war after all. M. Paul Reynaud, who from the outbreak of the war has been the Allies' supreme propagandist, is not suffering from any of these comfortable illusions. "The enemy," he said on Thursday, "is trying to hide the danger from us to disarm our wills. We have superiority of war potential. What the Allies have lacked for twenty years to obtain peace is not the material means, but lucidity and daring." M. Reynaud is right. Whoever hides from the people the magnitude of the danger or the

scope of the effort needed to overcome it, whether he is a Minister or the author of an official pamphlet, is indeed doing the enemy's work.

Laws and Orders.—Not all the innocents were slaughtered when Parliament tore up its peace-time programme of legislation on the outbreak of war. Some Bills without any warlike or defence implications at all had already slipped on to the statute book, and most of these enter into force next Monday, New Year's Day. The Criminal Justice Bill, which might have been the landmark of a generation, was set aside. The Adoption of Children Act and the House to House Collections Act, each intended to put a term to notorious evils and abuses, are law but will not operate because of the administrative burden they would place upon local authorities. These are conspicuous victims of the war. But the survivors are scarcely less notable. On January 1st, under the Cancer Act, an extended and reorganised cancer service calculated to make advanced treatment available in every part of the country will formally begin; the Prevention of Fraud (Investment) Act will start to operate against bucket shops and fraudulent financial practices; an amended Official Secrets Act will restore citizens' right to fair treatment and open trial, except in clear cases of treason and espionage; an Access to Mountains Act, sadly plucked by virtue of the lingering power of the land in Parliament, will give Pennine walkers at least the shadow of the *laissez passer* they have been demanding for something like two generations.

The Prices of Goods.—The first Order made under the wartime Prices of Goods Act will also come into force on January 1st. Retail prices are the chief indicator of the war's effect upon the pockets and tables of ordinary people. Profiteers symbolise the domestic horrors of war, and the new Act and Order are intended to provide a channel of protest and complaint for honest resentment against excessive prices. How well the procedure will work is,

however, very uncertain. Shopkeepers are afraid that frivolous and unmerited complaints may now be lodged in great numbers. Shoppers, on the other hand, are afraid that, because the Order puts the initiative for legal action upon individual customers and sets up quite a complicated and lengthy procedure of inquiry, profiteers will seldom be molested. Time will tell. Meanwhile a chief problem is to learn what the committees of inquiry will regard as a fair price in particular cases. The principle is to add to the August 21st price an additional amount to cover increased costs and expenses since. Some shopkeepers argue that unless they are given a free hand to fix these prices in relation to the vicissitudes of their entire business the new law will bankrupt them. This at least is certainly untrue. But it is true that the major blame for rising prices is not to be laid on retail shopkeepers, but rather on those who stand further in the background and will only be reached at second or third hand, if at all, by local committees of inquiry.

* * *

The Red Army Forced Back.—This week has seen the further humiliation of the Red Army in its failure to win the boasted lightning victory over Finland. In less than a month since the Russian invasion the Finns had not only been able to consolidate and hold their main defensive positions against strenuous and well-maintained assaults at many points along their frontier from Petsamo on the Arctic Coast to the Karelian Isthmus on the shores of the Baltic. They had not only withstood air bombardment, temporary isolation from the rest of the world (even now contact is only partially established), and the disheartening prospect of having to fight alone. This week they have carried the war to the enemy, and at certain points are understood even to have penetrated into Russian territory. On the Karelian Isthmus the Red Army's waves of assault have been rolled back and the Finnish defensive line is still intact; in the far northern sector the invaders are reported to have retreated within a defensive position based on Petsamo; in the centre of Finland, precisely at that point where the Russian attack was most to be feared, since if successful it would have cut Finland into two parts, the Finns have made a counter-attack which has carried them many miles to the east, at considerable cost to the enemy in men and equipment. Setting aside the exaggerating effects of enthusiasm in the reporting of these Finnish counter-attacks, it would seem no more than the bare truth to say that the Red Army has been out-maneuvred and out-fought. Its great reserves of man-power and equipment (though in many ways the equipment of the Russian troops seems to be poor and insufficient) have been squandered in massive frontal attacks which have taken no account of the ground over which they have had to be made. The morale of its troops has been subjected to the discouragement of unsuccessful warfare under climatic conditions of extreme severity. It remains to be seen whether that morale will hold.

* * *

Unfortunately for the Finns, the Soviet High Command need worry much less than most commands about the effects of weakening morale. All they have to do is to replace discouraged troops—and many of those now fighting Finland appear to have come from eastern Russia and from as far afield as Georgia—from their inexhaustible reservoir. On their side the Finns must watch anxiously over their comparatively tenuous supplies of men and ammunition; on the score of ammunition alone there must have been a good deal of heart-searching before the Finnish commanders undertook this week's general counter-attack. The amount of supplies reaching Finland from friendly countries is not, and for obvious reasons cannot be, precisely known; by this time, however, the Finns should be able to reckon what they are likely to receive during the next few weeks and months, and it is to be hoped, in default of knowledge of the facts, that their counter-attack was based on this calculation. Last week also saw the departure from Sweden of the first contingents of volunteers, numbering several

thousands, but, helpful though these will be, it seems that the final decision will turn on material rather than on men. Several governments have now informed the Secretary-General of the League of the ways in which they intend to implement their resolution to help Finland; among these is the Government of South Africa, which has arranged to release to Finland aircraft that had been earmarked for South African defence. South American help looks like being as shadowy as its promise was substantial. In the U.S.S.R. itself news of the Red Army's casualties appears at last to be leaking out; reports from Moscow and Leningrad refer to a widespread feeling of uneasiness; there is the usual crop of rumours about changes of personnel, including this time the report that the Red Army commanders in charge of the Finnish operations will shortly be replaced. From the lists of candidates presented and duly elected at last week's general elections, however, the Politburo itself seems to be still intact, while no one will any longer raise his eyebrows over the shooting of a few Russian army officers. And with the eyes of the world watching to see how the Soviet regime is taking the strain of war, purging has become more difficult than ever to dissociate from loss of prestige. If, after its weeks of clumsy failure in Finland, the Soviet regime—for the regime and Red Army must stand or fall together—is to retain any of its carefully acquired prestige, there will have to be a swift change in the fortunes of war. And of that change there is no present sign.

* * *

Collective Insecurity.—Just before the Christmas holiday the British, French and German Governments received from the President of Panama a statement signed by the 21 American Republics protesting against belligerent acts in the waters of the Western Hemisphere. The doctrine of the "safety belt"—a line drawn round the Americas 300 miles from land, within which no European nation would be allowed to fight its enemies—is thus carried one step further; though whether it will lead to anything more than a waste of time and paper is as hard to say as ever. It is a welcome sign of returning realism that the Press of the United States should have begun to describe the project for the vague and impractical thing that it is. If there were any real ground for supposing that the American nations—and, in effect, that would mean the United States alone—intended to patrol their continental waters so as to prevent the occurrence of belligerent acts by becoming, at need, belligerent themselves, then the Allied Admiralties might well see in the project a useful means of cutting down their own liabilities. In default of that patrol, the whole idea of a safety-belt makes sheer nonsense. The more specific plans which the American Republics may have in mind concern the internment of belligerent warships which seek to refuel or refit in American harbours after being in action; but, while it might be technically possible to carry out a joint resolution of that kind, it is difficult to see what legal justification could be found for it. There can be no question, at least at this stage of world development, of the American Republics enjoying an "inherent right" to enclose a wide expanse of sea; for even belligerents, as Lord Lothian is understood to have remarked, have rights, and the most vital of those rights is to engage the enemy on the high seas wherever he may be found. Of all the many projects for collective security which the world has listened to in the past decade the "safety-belt," at any rate in its present form, has probably the least to recommend it.

* * *

The North Sea War.—The safety-first struggle for the sea which washes the coasts of all the belligerents still stands out in the Western War. While the Russians, in their own Northern War, spent Christmas in bombing Finnish towns, the Germans did not emulate their deed of twenty-five years before, when they opened land-raiding by releasing two bombs upon Dover on Christmas Eve. This time they were still chiefly engaged in the *minutiae* of the guerrilla combat they have chosen as their means of nibbling away British mastery in Western Europe. Their

futile and inexcusable machine-gunning of the very smallest fishing craft shows their attention to detail. It has also given rise to new precautions and reprisals by Britain. The smaller coastal fry now are not only guarded by aeroplanes and patrol ships; they are also screened by a new minefield running continuously from the Moray Firth to South of the Thames Estuary. Moreover, the bombers of the British Heligoland security patrol have begun to harry still more the seaplanes, warships and patrol boats of the enemy. There is still no sign of any sea or air assault. These patrol skirmishes are growing in intensity. The numbers engaged in the air and on the sea are increasing, too. But so far it is purely defensive—on both sides.

* * *

Blockade Statistics.—Within the limits assigned to it the Ministry of Economic Warfare has achieved a considerable success, which was illustrated by the graphic statistics in which it indulged at the end of last week. In the first fifteen weeks of war the Allied Contraband Control seized 870,000 tons of contraband suspected of being destined for Germany. No doubt the popular imagination will be fired by the size of the train which the Ministry estimated would be necessary to carry this total; by the thought of the five million pairs of boots which the German Army will have to forgo as a result of the loss of their hides and skins; and particularly, perhaps, by the 23 million gallons of petroleum products which would more than fill the tank of every motor vehicle on Britain's roads. More important is the fact that in four months alone the Allied Control must have actually seized about 4 to 5 per cent. of Germany's average yearly oil imports, without taking into account the oil that has not been seized because it has never been shipped. Obviously, the success achieved by the Contraband Controls in detaining cargoes will make exporters to Germany more and more loth to try their luck or induce them to try it by different routes. This probably explains why the British share of the Allied total, which after two months of war amounted to 400,000 tons out of 500,000, has fallen away and has only just passed the half-million mark. The French total, on the other hand, which was only a quarter of the British at the end of October, is now rapidly catching up and amounts to 360,000 tons. Simultaneously with the slowing down of seizures, the Ministry of Economic Warfare can point to a speeding up of the procedure of control. This is mainly due to the extension of the navicert system, whose advantages are becoming so widely recognised that over 5,000 applications for these commercial passports were received in the first three weeks of December.

* * *

The Balkan Export War.—The German-Roumanian trade agreement concluded last week reflects once again the perilous condition in which the peace of south-eastern Europe now lies, and emphasises more clearly than ever how unwise it would be for Western opinion to assume that the British and French Governments were now "taking the strain" hitherto felt by small eastward-lying countries. Little more than nine months after Herr Wohlthat had signed his far-famed economic treaty with Roumania, Herr Clodius has been able to secure concessions which carry Germany substantially further along the road to domination over the Roumanian economy. Last March the Germans announced, discreetly but firmly, that Roumania would henceforth assume the rôle of German economic protectorate; her industries, such as they were, would supplement but not compete with those of Germany, her agriculture would be developed and organised with the main purpose of making good Germany's own deficiencies. Although it was clear that the process of protection had already gone a long way, the Roumanian authorities resisted this interpretation and applied to Britain and France for help. Sir Frederick Leith-Ross went to Bucharest to examine their claims, and a credit of £5½ millions was granted. After the outbreak of war it was understood, though not publicly admitted, that the British

and French Governments were arranging to buy up Roumanian produce at prices competitive with those offered by Germany. In several cases it appeared that this was being done indirectly, by the promotion of trade, for instance, between Roumania and Near Eastern countries such as Egypt. The prices offered, it was understood, were not "those prevailing at world prices"—as the Anglo-Roumanian agreement had foreshadowed—but those prevailing between Germany and Roumania. In default of precise information, the outlook seemed quite hopeful.

* * *

The Germans replied to this economic offensive by sending a large delegation to Bucharest; and this, from available reports, seems now to have obtained most of the concessions which its directors would have desired. The leu has been depreciated in terms of the Reichsmark from 41½ to 49½—not, as was first reported, to 47—and the oil quota has been stepped up to 130,000 tons per month, or over 1,500,000 per year, which is nearly half a million tons more than in 1938. Subsidiary agreements arrange for the continued supply of Czech armaments, and for the payment of these in additional oil. The March treaty, whereby Germany might take 25 per cent. of her imports in oil, has thus been superseded. The leu depreciation will give the Germans a firmer hold than ever over a Roumanian Government which must reckon its loyalties to the Allies against a large clearing debt in Germany and the demand of its agricultural producers for high prices. The present concessions are far-reaching enough. If they are not to be a direct step to further concessions in the near future, it is obvious that the Anglo-French purchasing committee will have to begin its career with a vigorous and boldly-executed policy. Once decided upon that policy, however, the committee will find little difficulty in obtaining Balkan collaboration in carrying it out. The consent of the Roumanian Government to German demands upon the independence of its trade policy was given only after weeks of hard bargaining, a change of ministers, and with the customary executive reservations involving possible delay and obstruction. Transport difficulties, to which attention was drawn in last week's issue of *The Economist*, will provide plenty of excuse if only the Allies will take full advantage of their control of the sea. Awareness of the perils of German economic penetration is witnessed to this week by the departure from Sofia of trade delegates to Moscow and Madrid, seeking alternative export markets, and by the signing in Belgrade of a French-Yugoslav agreement. The Allied opportunity is there: it requires only to be resolutely seized.

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Allied Resources in America.—The December issue of the *Federal Reserve Bulletin* contains an estimate, bearing the *cachet* of the Federal Reserve Board, of the assets of various belligerent and neutral countries in forms which

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could with reasonable readiness and certainty be converted into dollars. The figures are summarised below (direct investments are those that are not in negotiable form):—

HOLDINGS OF GOLD, DOLLAR BALANCES AND AMERICAN INVESTMENTS, AUGUST 1939
(\$ millions)

	Gold reserves balancs.	Dollar	Marketable securities (market value)	Total cols. 1-3	Direct invests.	Total cols. 4 & 5
	(1)	(2)	(3)	(4)	(5)	(6)
United Kingdom	2,000	595	735	3,330	900	4,230
France	3,000	315	185	3,500	80	3,580
Canada	215	355	500	1,070	560	1,630
Other British & French countries	540	...	...	540	...	540
Total Allies	5,755	1,265	1,420	8,440	1,540	9,980
Germany	150	10	...	160	...	160
Italy	190	10	...	200	...	200
Netherlands	770	160	470	1,400	380	1,780
Switzerland	590	285	375	1,250	170	1,420
U.S.S.R.	1,000	...	...	1,000	...	1,000
Other European coun- tries	2,190	430	130	2,750	120	2,870
Latin America	660	390	40	1,090	10	1,100
Far East and others	375	355	380	1,110	180	1,290
Total neutrals	5,775	1,630	1,395	8,800	860	9,660
All foreign countries	11,680	2,905	2,815	17,400	2,400	19,800

The total for the United Kingdom alone, it will be seen, comes to \$4,230 millions, or about £1,050 millions. Moreover, this is in some respects a minimum figure, as marketable securities are included at their market value, not at book value. In addition, marketable securities in these figures include only United States securities and, as was argued in *The Economist* of August 12, 1939, there are considerable British holdings of non-American securities (e.g. Canadian industrials, gold mines, rubber and tin companies, etc.) which might be attractive to the American investor. The figure of \$9,980 millions does not therefore represent the absolute ceiling of the Allies' possible dollar resources. The *Bulletin* also gives an interesting estimate of gold and dollar resources now and in 1914. The figures are given in the following table, though reference should be made to the *Bulletin* for the sources from which they are taken:—

HOLDINGS OF GOLD AND DOLLAR RESOURCES
(\$ millions)

	1914	1939
United Kingdom	2,765-3,965	4,230
France	1,080-1,280	3,580
Canada	115*	1,630
Germany	1,030-1,330	160
Netherlands	660-860	1,780
All other	2,450-2,550	8,420
Total	8,100-10,100	19,800

* Gold only.

The figures show a considerable improvement in the Allied position since 1914, both absolutely and relatively to Germany. From this fact encouragement can be drawn. But the value of a dollar is lower now than in 1914; and then there was no "cash and carry." Indeed, in the war of 1914-18 American loans to foreigners totalled \$8,800 millions, against a realisation of their American assets by European nations of only \$3,000 millions.

Pope and President.—President Roosevelt's appeal to the President of the Federal Council of Churches of Christ and to the President of the Jewish Theological Seminary to consult with him from time to time on the possibility of "throwing the great weight" of the Churches into the task of building up a better international order by a similar initiative in the Old World. By appointing Mr Myron Taylor as representative to the Holy See in order to make possible co-operation between the White House and the Vatican in the sphere of humanitarian work and efforts for peace, the President has made an encouraging and at the same time symbolic gesture. The readiness of the West's latest-comer to consult with its oldest established seat of authority is typical of a growing

interest in and respect for the European tradition. The Pope has warmly welcomed the President's initiative, and his allocution of Christmas Eve breathes the same desire to see peace and international order re-established in terms of the Christian West. His speech was remarkable—given the Papacy's traditional neutrality—for its open condemnation of the particular aggressions of Germany and Russia. The papal attitude during the last war was far more reserved. But Pius XII is in the tradition of Benedict XV in the principles which he lays down as conditions of a just settlement. They are eminently sane—the right of all nations great and small to life and independence, the acceptance of disarmament, the creation or reconstitution of international institutions—the Papacy has apparently no desire to see the complete abandonment of the League experiment—with emphasis on the necessity of creating instruments of revision, the recognition of true national needs and rights in a spirit of goodwill, and finally the restoration to rulers and peoples of that sense of "moral justice" without which institutions must remain a dead letter. The Pope declared his readiness for mediation "whenever the opportunity offers with the requisite guarantees and securities," but no concrete proposal was made; and the Pope probably shares with President Roosevelt the conviction that "in these present moments no spiritual leader and no civil leader can move forward on a specific plan to terminate destruction and build anew." There may, therefore, be an impatient tendency to ask, Why all the consultation, the speech-making, the declaring of principle if nothing is to come of it? To which the answer is not only that a negative result is by no means certain, but also that in an epoch in which the rule of law and the rôle of reason and objective truth have ceased to be accepted even *in principle*, their restatement at regular intervals by eminent persons is a matter of vital importance.

The Shadow of the Presidential Election.—There are days when the war in Europe is forced off the front pages of the American newspapers by the growing importance of the fact that within little more than ten months a new President will have been elected and that the nominating conventions are barely six months off. The great question is, and will remain, the intentions of Mr Roosevelt. Does he intend to defy tradition and seek a third term of office? And if he does, will it help or hinder his party? To judge by all available indications, the public mind is in the same state of confusion as for some years past. The New Deal is no longer very popular; or perhaps to say that the New Dealers, other than the President, are down-right unpopular would be more accurate, since the Republicans are still constrained to say that they would not reverse the New Deal, but would serve the same objects more effectively. On the other hand, Mr Roosevelt himself is still head and shoulders, waist and thigh, above anybody else in political stature and in personal popularity, and has gained very considerably from the widespread approval of his conduct of foreign affairs since the outbreak of war. What is driving him to run for a third term is not so much personal ambition as the knowledge that he is certainly the only candidate who would have a chance of holding the White House for the New Deal and probably the only one who could keep it for the Democrats. Until he has made up his mind, most of the other Democratic "hopefuls" have to keep quiet. Vice-President Garner has not withdrawn his intention of being a candidate, against the President if need be. But the war has largely healed the schism between the President and the "Southern Conservatives" in the party, from which Mr Garner drew most of his strength. On the Republican side, three contenders are in the open. The favourite at the moment is Mr Charles Dewey, the successful "racket-busting" prosecuting attorney of New York City, whose opinions on matters other than gangsters and Tammany are not known to the general public, if to himself. The other two are Senators, Mr Taft of Ohio and Mr Vandenberg of Michigan. Both are economic conservatives; Mr Vandenberg is an isolationist, Mr Taft is a supporter of the President on this—

but only on this—issue. From now until next summer the manœuvring of these headliners will make the substance of American politics.

The Czech National Committee.—Towards the end of last week it became known that the British Government had accorded formal recognition to the Czechoslovak National Committee. This body was formed a short time before in Paris to represent Czechoslovak interests until the time was ripe and circumstances permitted the formation of a Government comparable to that of General Sikorski; it had already been recognised by the French Government, and it was generally understood that British recognition was only a matter of time. The members of the Committee as made known in a letter from Dr Benes to Lord Halifax include three Slovaks, M. Osusky, General Viest and M. Slavik, the other members being, as well as Dr Benes himself, General Ingr, M. Outrata, M. Ripka, and Mgr. Shramik. The committee is charged with the particular responsibility of arranging, where necessary in agreement with the British Government, for the "reconstitution of the Czechoslovak army in France." From several points of view the committee looks like a strong body, and with the experienced leadership of Dr Benes it should accomplish much. Its recognition by the British Government will be sincerely welcomed here and in France as setting a necessary seal on the difficult period of adjustment through which the exiled Czech and Slovak leaders have passed since the outbreak of war; it may now be accepted that they have finally settled their course and have reached a common determination to steer together through the difficult days which lie ahead. Their establishment thus early in the war will enable them on the one hand to plan for the future and, on the other, to provide against possible dangers of disagreement by discussion in good time with the Allied Governments, including, of course, the Polish Government. For the Czech and Slovak peoples, each in its different way, the committee should provide a focus for hope and a source of encouragement; here again it should be possible to arrange for the timely resolution of problems which in any case will have to be faced at the peace settlement. But perhaps the most useful purpose to be served by the committee will be that of continuous liaison between the movement of British and French public opinion and the hopes of the Czech and Slovak leaders; with a regular exchange of views the danger of misunderstanding and consequent disillusion should be entirely averted. That, at least, must be one of the committee's main objectives.

Soaring Wages.—All the dangers of haphazard and uncontrolled increases in wages now exist. Last month increases worth £20 millions a year were granted. Now a million and a half engineers and railwaymen are asking for increases worth £40 millions a year; 750,000 coal-miners, who were given an extra 8d. a shift in November, are pressing for a cost-of-living supplement to their wages as well; 100,000 shipyard workers are negotiating for an extra 10s. a week; 60,000 passenger transport employees have been given higher wages. The movement is gathering speed. Soon the whole sorry business seen in the last war, when wage increases pushed up prices and defeated their own object, will be bound to recur. Yet all this time the Government stays silent and the Trades Union Congress, in public at least, is scarcely less mute. Neither has a consistent wages policy. Each case for an increase is "treated on its merits" by the negotiators in each industry. Each case undoubtedly has merits, because prices have risen and work has become harder and more difficult. So the increases are given. But the Ministers and trade union leaders who look on know very well that, in the broad context of national economic policy, the "merits" of individual wage claims are scarcely relevant. Some key workers perhaps need rewards and incentives to spur them on. Other workers with low wages and large families need allowances to keep up to a reasonable subsistence level.

For the rest the point is twofold: in the first place, if soaring wages touch off the jumping cracker of inflation, workers will be worse off than they are now; in the second, and more important, this war cannot be waged full out without a clear reduction in the expenditure of all classes, including the workers. To effect that reduction by giving higher wages freely and waiting for inflation to cancel the gift twice over is clumsy, inefficient and stupid. The only way to do it is to state the issues frankly and make a nation-wide agreement about wages that will rule out the piecemeal *sabotage* of the national price structure which the unions and the employers are currently carrying on.

Cutting the Cost of War.—Parliament is in recess, but next week will see the Commons' new eyes and ears in matters of finance hard at work. The Select Committee on National Expenditure, set up early in the war after years of agitation by the Liberal Party for a body to follow the details of public spending closely and to suggest savings, has split itself up into seven sub-committees. These will begin their operations with the New Year. Six of them are told off to focus their investigations upon particular Government departments—Army, Navy, Air, Trade and Economic Warfare, Home Defence and Supply. The seventh, under the main committee's chairman, Sir John Wardlaw Milne, will serve to co-ordinate these departmental activities. Given the chance, the new committees will undoubtedly do most useful work in checking the details of expenditure and closing waste-holes. Their personnel is, on the whole, apt for the purpose, and their eagerness to save the nation's money is conspicuous. But their own goodwill is not enough. They will also need the goodwill—and assistance—of the Treasury and the departments. They will need staff and access to outside experts as well as to every detail of departmental finance. If the Government treats the Select Committee unreservedly as an *aide* the national finances will gain from its labours. If it treats the Committee merely as a necessary nuisance the nation will not profit at all.

The Silk Controller.—In the list of Controllers which appeared in *The Economist* of December 9th, Mr H. O. Hambleton, the silk and artificial silk controller, was associated with the firm of Wm. Frost and Company, silk throwsters. *The Economist* now learns that Mr Hambleton was not associated with this firm, but, prior to his appointment as controller, was managing director of T. H. Hambleton, Ltd., silk manufacturers, of Macclesfield. The mistake is regretted, but it would not have occurred if the Ministry of Supply had not been quite unnecessarily secretive about the names and business interests of its controllers.

INSURE WITH



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THE WORLD OVERSEAS

South America Looks at Europe

THE war has only to a limited extent added to the political and economic problems of the South American Republics. It is true that hostilities have disorganised their European markets, but, in doing so, they have only slightly increased an existing dislocation. Ever since 1929 South America has had a difficult task in marketing her goods abroad, and as long after the crisis as 1938 the total exports of the Republics were nearly 40 per cent. lower than in 1929. South America is still at the "colonial" stage of economic development, still exchanging raw materials—foodstuffs and metals—for manufactured goods. The range of exports from the whole South American continent is small. Taken country by country, the narrowness of the range is astonishing. Brazil depends almost entirely on coffee and cotton, Chile on copper and nitrates, Bolivia on tin. They are precariously dependent on the sharp movements of world primary prices.

To pass beyond this stage, the South American States are in need of a vast outlay of capital. Communications, for example, are hopelessly inadequate. Unfortunately, the Republics' economic backwardness, which only capitalist development can remedy, has the consequence of discouraging foreign capital, and much that has already been invested (Britain's £1,400 millions, for instance) is far from giving uniformly interesting returns. These difficulties explain the small extent to which German influence has been able to impose itself in South America, in spite of important increases in the Americas' foreign trade with Germany. The simple truth is that the Nazis had no capital to invest, and without it there can be little hope of achieving political influence.

Yet the implications of this need for large-scale capital investment should not be misconstrued. The various Republics' unfortunate experience in the past, combined with their growing sense of national assurance, makes it likely that the days of the "Dollar Diplomacy" are at an end.

This is borne out by a marked change in the attitude of South America towards the United States. The old distrust, the fear of Yankee Imperialism, of dollars *plus* the big stick, is giving place to a new desire for co-operation. This new departure is not simply a function of the United States' recent change to a policy of the "Good Neighbour"—nor even of the Republics' need for money. It is, above all, a new confidence in the power of the various States, conjointly and separately, to look after their South American independence.

Recently, therefore, there has been a big increase in South America's financial and trading relations with the United States. Chile has secured a loan. Paraguay is embarking on a large programme of reconstruction, backed by the U.S. Import and Export Bank. Brazil negotiated a credit agreement in March, and in the early months of the war there were even rumours that Argentina, hitherto most hostile to and suspicious of any "truckling to the United States," was prepared to negotiate a financial and commercial agreement.

Political Stability

On the political side, the general situation in the South American States has been more stable in the last year or two than for many decades. It is true that the tradition of personal rule and of revolution as the normal method of changing

Governments dies hard. Thus in Bolivia the constitution was abrogated on April 24th and a totalitarian State set up by General Busch. Four months later almost to the day the worthy General was assassinated and another General set in his place. In Chile a military revolt under General Herrera was suppressed during the summer. But recently such typically South American incidents have been the exceptions, not the rule. Stable parliamentary government exists in Argentina, Chile and Uruguay—in the latter two States with progressive majorities. In Brazil the Vargas dictatorship is entering its third year of power, and in Paraguay the Estigarribia regime is undertaking wide schemes of economic and social reconstruction. There are even signs in Peru and Bolivia of a turning away from dictatorship. In Peru, Dr Manuel Prado has the reputation of being a moderate Conservative reformist politician. In Bolivia the choice of General Quintanilla to follow General Busch was held to presage a retreat from dictatorship, and the General confirmed the belief by relaxing the censorship, promising constitutional government and fixing Congressional elections for March, 1940.

In the wider sphere of inter-State relations, the old Gran Chaco bitterness is fading. Bolivia and Paraguay recently concluded an agreement on a frontier oil concession. Paraguay has also come to an understanding with Argentina over a free zone on the River Plate. Further north, Venezuela and Colombia have reached an amicable settlement about a long-outstanding frontier dispute on the Rio de Oro; there is little doubt that the war, and still more the general feeling that extra-American Powers are always ready to exploit South American differences, have greatly encouraged this new spirit of accommodation.

This fear of foreign influence has increased enormously since the Nazi revolution. Any local adherents the Nazis may have gained has been offset by their clumsy intervention in such doubtful adventures as the Integralist revolt in Brazil. Their reputation for imperialist intrigue is so firmly established that the German Government has found it necessary to lodge an official protest against the rumours that Germany intended the annexation of Patagonia or the seizure of Guatemala as a base for operations against the Venezuelan oilfields. A persistent belief that General Trujillo had "sold himself" to Hitler and that San Domingo would provide submarine bases for the German Navy was current at the beginning of the war, and did much to stiffen South America's attitude towards neutrality.

The Impact of War

The first reaction to the news of war in Europe was a unanimous determination to keep out of it. Between September 4th and 11th all the South American States passed neutrality decrees, together with special safeguards against the misuse of their harbours, shipping, wireless, etc. The Republics were not content with separate action. The Declaration of Lima of 1938 had already arranged for Pan-American consultation in the event of an extra-American war. On September 23rd representatives of all the Americas south of Canada gathered together at Panama. The conferring States were all determined to avoid military and political commitments. They were most anxious to safeguard their neutrality and to soften the economic impact of war on their none too resistant economies. In Mr Sumner Welles they found a tactful and sympathetic negotiator. It was found possible to avoid delicate military and political problems, and even the question of economic co-operation, in spite of various proposals—such as a tariff truce (Brazil), a joint commission of economic co-operation (Chile), the substitution of United States for European imports (Venezuela), and price agreements for industrial goods (Peru)—was handed over to a committee of experts whose deliberations were to begin in the second half of November.

The tone of the conference and various subsequent transactions make it possible to forecast the general nature of this economic co-operation. The aim will be to maximise North-South American trade. The United States Maritime Commission has already promised an unlimited supply of

merchant shipping to replace that of the belligerents. To a point the warring nations are at a disadvantage in this adjustment of South American trade. Germany hoped right until November to continue her barter arrangements through neutral shipping (Chile has an outstanding credit for rail stock of 20 million pesos), but the Allied decision to seize all German exports destroyed even that last hope. Britain and France, in turn, absorbed by war, are confronted with the United States' claim to the reversion of their peacetime preserves in South America. But they will not easily give way, for they have a palpable pull over the United States in their need and desire to buy South American materials in bulk. War or no war, Panama or no Panama, the Republics will tend to buy where they can sell. The Argentinian Government has already counselled its nationals to buy as much as possible from the Allies, for the sole reason that Argentina wishes to sell to Britain and France, and all over South America a positive economic policy might enable the Allied democracies to hold their own in the present commercial manoeuvring.

If an added growth in Pan-Americanism is the chief outcome so far of the struggle in Europe, it must not be thought that the South American Republics are either indifferent to it or to the position of the Allies. Neither economic interests nor moral and political sympathies are detached from the war. With almost complete unanimity—from Socialist Mexico to traditionalist Ecuador, from Conservative Argentina to Popular Front Chile—the Allies are warmly upheld. There is no neutrality of thought or sentiment. The spectacle of the German and Russian dictators, symbols of two types of foreign influence most heartily disliked throughout the South American continent, coming together over the prostrate body of Poland, has roused the strongest expressions of disgust. Communism in particular has come in for a vigorous trouncing; and the eagerness with which the South Americas espoused the cause of Finland and secured the expulsion of Russia from the League is a measure of their detestation of European totalitarianism—and hence, by implication, of their sympathy for the Allied cause. But all this will not make them any readier to depart from their neutral stand. Pan-Americanism, away from European entanglements, is the order of the day, and its firm foundation is the strictest neutrality.

Production and Productivity in the United States

[FROM OUR NEW YORK CORRESPONDENT]

It is estimated that the Federal Reserve Board's index of production reached 125 in November, against 120 in October. It is not unlikely that it reached the highest level ever recorded for any month, even including 1929. The index was constructed almost 15 years ago; it is necessarily limited to industries regarding which data are promptly available monthly. Private computations made several years ago, taking in industries for which less frequent data are available, suggested that the official index understated the level of activity; a number of industries not included in the official index had become important after 1925 and showed a rather marked growth. Again, the index makes no adjustment for the growth of population. It is heavily weighted with steel, and the steel industry, in this calendar year, passed from deep depression in the second quarter to definite boom in the fourth quarter. It seems not unlikely that the inclusive index at present somewhat exaggerates the general level of production. In short, while there has been a marked recovery this year, it is, perhaps, not so spectacular as one might infer from the index.

These considerations are important in considering the problem of unemployment. The National Industrial Conference Board estimates average unemployment in 1929 at about 400,000 and actual unemployment in October, 1939 (when the index was near the same level), at about 8,000,000. The N.I.C.B. further estimates the total labour potential of 1929 at about 48 millions, and at the present time 54,500,000—an increase of 6,500,000 in the decade, or at the rate of about 650,000 a year. On this calculation approximately 46,500,000 persons were actually employed in October, 1939, or only 1,500,000 fewer than in 1929. Of course, these data are by no means complete, but in their main inferences they seem to be pretty well supported. In October, 1939, the Bureau of Labour Statistics gave an index of Factory Employment of 101, against an average of 106 for 1929. But it must be remembered that the average for 1929 was 119, while the figure of 120 in October this year was reached by a

sky-rocket ascent, principally in the steel industry. Allowing for lags and cumulative influences, it seems probable that there has not been, in the decade, any measurable change in relations between the index of manufacturing production and the index of employment in manufacturing.

If this be true, and it seems about as persuasive as any sort of argument based on statistics, it supports three comments: (1) that such technological changes as have been introduced have effected a transposition rather than a displacement of labour; (2) that the shortening of the working week from 48 to under 44 hours has been approximately compensated, but that no increase in the demand for labour has derived therefrom; and (3) that the so-called secular trend in the productivity of labour, which had always been a feature of the American economy, may have been flattened out, possibly as a consequence of the shorter week. This trend had been well marked in the '20s. Between the base period (1923-25) and 1929, manufacturing production rose from 100 to 119, while employment in manufacturing rose only to 106—that is, the productivity of each worker rose about 10 per cent. Taking the crude figures of 119 for manufacturing production in 1929, and 120 for October 1939, and the employment indices as 106 and 101 respectively, there is an apparent increase of productivity of about 5 per cent. in ten years. On the whole, as this Correspondence has conjectured several times in the past, the data support the argument that labour productivity has continued to increase in the past decade, but that this productivity has been offset by the shorter week. In the '20s, the increased productivity took the form of a larger national product; now it takes the form of an increase in leisure time for the workers.

December 20th.

A New Irish Loan

[FROM OUR DUBLIN CORRESPONDENT]

ANOTHER large addition has been made to the Irish public debt which has increased at a steadily expanding rate in recent years. The latest issue consists of 4 per cent. Exchequer Bonds amounting to £7,000,000, issued at par and redeemable in 1950-60. Ample sinking fund provisions are secured, and investors in the loan are guaranteed the right of conversion into any other Government issue "during the present state of emergency or within six months of the termination thereof." The purpose of the loan is to provide money for funding outstanding Exchequer Bills, for defence, advances to the Local Loans Fund, the development of the Liffey hydro-electric scheme and the relief of unemployment.

Most of the debt created by this new borrowing will be, unfortunately, unproductive, and, still more unfortunately, a large part of the subscriptions are believed to have involved the sale of other securities. In other words, the loan has been subscribed less out of fresh savings than out of the liquidation of the sterling assets of the banks and the public.

In this connection it is interesting to note that the creation of a Central Bank is being considered by the Government. It will be recalled that the Banking Commission, which reported last year, recommended that the functions of the Currency Commission should be enlarged by endowing it with many of the powers usually possessed by central banks. Strictly circumscribed powers of rediscounting bills and of engaging in open market operations were recommended, but no fundamental change in the existing system of note issue or reserves was suggested. The Commission emphasised the desirability of consultation between the Government and the monetary authority prior to the formulation of measures involving financial consequences, and, in particular, prior to the incurring of further public debt. The principal function of the proposed Central Bank was to act as a brake on the unsound financial practices which the Commission severely criticised in other parts of its Report.

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A New Conservatism

The fact is that the Central Bank, far from facilitating a policy of extreme financial separation, as was hoped for by many monetary "reformers," was designed as a check on currency experimentation and inflation. The Commission's recommendations were not on this account any less welcome to the Government, which has been converted to conservatism and caution by the bitter experience of hard facts. Mr de Valera has, in recent speeches, been stressing the limitations rather than the possibilities of public action in the economic sphere, and has more than once confessed that the solution of the problem of unemployment was beyond his power. In currency matters in particular he has issued numerous warnings that there is no easy road to affluence by credit manipulation, and, while sponsoring the proposal for a Central Bank, he has emphasised that such an institution will not provide a philosopher's stone to cure the problems of poverty. A comparison of Mr de Valera's recent speeches with those which he made when in opposition show that seven years of office have made him a wiser and sadder man.

All this new-found orthodoxy is, of course, anathema to the "reformers" who continue to assert that Ireland is a slave of the Bank of England. The extreme economic Nationalists are painfully aware that high protection, which they never ceased advocating before it was attempted, has failed to improve the condition of the country, and they are now clamouring for "financial freedom," which means freedom to issue unlimited quantities of inconvertible paper. What these people fail to understand is that, as long as Ireland remains a creditor nation, her financial affairs can never be dictated by any outside authority. The one thing that would deliver Ireland into the thrall of Threadneedle Street would be the dissipation of her sterling reserves, which might necessitate application to the London capital market for accommodation.

The lessons of Mr Nash's recent visit to London have not been unnoticed by the Government, which has come round more and more to the view of the economists and bankers that Ireland's sterling reserves are one of the mainstays of her independence. It is because of the importance of preserving these reserves that the new issue of Exchequer bonds, though no doubt necessary in the exigencies of the time, is a subject of anxiety rather than congratulation.

December 15th.

War Problems in Canada

[FROM OUR OTTAWA CORRESPONDENT]

THE negotiations about the great air training scheme for the whole Empire were very protracted. The plan finally agreed upon will be on a much smaller scale than was originally contemplated. The financial burden which the other partners in the scheme wanted Canada to shoulder was considered too heavy by the financial advisers of the Canadian Ministry, and their veto was decisive. The British Munitions Mission has recently placed a small order for shells with a farm implement firm in Toronto, but it is trivial in extent, and is described as of an "educational" type. It has not appeased the demands of the *Financial Post* and other papers for some explanation as to why the flow of war orders that was expected from the British Government is still being withheld.

"No programme of war buying," writes the *Post*, "as far as munitions are concerned, has yet been authorised or implemented. Canadians may still rightly ask: 'Why the delay?' Has the Canadian Government been too isolationist, too niggardly in its negotiations? Have the Britishers made unreasonable requests in seeking to tap Canadian resources on credit rather than arrange payment in gold or through repatriated securities?"

Negotiations which have been in progress about wheat have also encountered snags, which have not yet been removed. It is believed that, as the result of discussions conducted with Mr Crerar, the Canadian Minister of Mines and Resources, in London, the British Government was prepared to buy a large quantity of Canadian wheat, at a price which was above the price then ruling in Winnipeg—but only on condition that a system of fixed prices for wheat in Canada was established for the duration of the war. Now, as the result of reports about the ravages of rust in Argentina and about the poor prospects of the American winter wheat crop, grain prices have risen sharply in the past few weeks, and the view of the Canadian grain trade is that they are likely to go substantially higher by the spring. So the Canadian Government was intelligibly reluctant to commit itself to a fixed price, fearing that if the price rose above the level fixed it

would incur the wrath of the prairie grain-growers, who think that, after having endured many lean years, they are entitled to reap whatever benefits may accrue to them from the war. The result is that so far the negotiations about wheat have come to nothing, but the agents of the British Government have recently been making larger purchases than in the opening weeks of the war.

Canadian exporters are much concerned about the consequences of the new customs regulations being enforced by the Australian Government for the purpose of curtailing imports. They fear that a considerable proportion of an export trade which has recently been running to about \$32 millions annually will be placed in jeopardy.

A survey (published by the Bureau of Statistics) of business conditions in Canada during the first 10 months of 1939 puts the index of the physical volume of business for this period (1926 = 100) at 120.2, compared with 110.4 in the parallel period of 1938, a gain of 8.9 per cent. The index of industrial production was placed at 123.1, compared with 112.6, a gain of 9.3 per cent. In the different lines of economic activity the greatest individual advances were in mineral production (10 per cent.), flour production (22.4 per cent.), steel ingot production (10.7 per cent.), exports of planks and boards (34.8 per cent.) and construction (9.6 per cent.). The most serious decline was in the production of motor vehicles, down 15.4 per cent. Exports, valued at \$735½ millions as compared with \$692 millions, were up 6.3 per cent., but imports, valued at \$570 millions compared with \$595 millions, were down 4.4 per cent.

There has recently been some improvement in business conditions.

Week ended	Car loadings	Wholesale prices	Bank clearings	General index
December 3, 1938	66.6	73.4	90.6	106.1
November 18, 1939	74.0	79.6	84.3	102.7
November 25, 1939	77.9	79.9	83.0	103.5
December 2, 1939	82.7	80.2	86.1	105.2

Definite evidence of the increased purchasing power of the farming community is provided by the publication of the Bureau's first estimate of the value of the production of Canada's field crops in 1939. It is estimated at \$635,764,000, compared with \$544,443,000 in 1938 and \$556,220,000 in 1937; it is the highest recorded value since 1930 and represents an improvement of more than \$91 millions over the figure for 1938; and it is likely to be increased by later estimates as the result of the recent advance in grain prices.

Active Production

Industrial activity is being well maintained, and numerous plants engaged on war orders are working at full capacity. Textile mills are very busy, and in some of them the scale of production is 30 per cent. higher than a year ago. The primary iron and steel plants are also very active, and the output of steel ingots in October, 149,980 tons, was almost double the figure for October, 1938, 76,256 tons; while the October output of pig iron, 87,079 tons, compared with 50,657 tons, reached its highest figure since January, 1930. There has been no abatement in the activity of the flour milling industry, which produced in October 2,089,562 barrels of flour, as compared with 1,906,385 barrels in October, 1938.

November witnessed a further advance in Canada's export trade. The total value of exports was \$97,238,850, compared with \$90,433,315 in October and \$85,979,453 in November, 1938. The largest gains over the previous October were in wheat, wheat flour, newsprint, meats, wood pulp and cheese. When the war broke out the trade experts at Ottawa anticipated a very serious shrinkage in Canada's export trade. Its maintenance at a very satisfactory level for the first three months of the struggle has been an agreeable surprise, and encourages hopes that the loss of certain markets in Europe will not cause serious inconvenience.

There is evidence that certain British firms which have branches in Canada are arranging to have export orders for regions like the West Indies filled here instead of in the parent plants in Britain. British manufacturers are also negotiating to obtain supplies of goods which they formerly obtained from the continent of Europe from Canadian firms; for example, a farm implement firm in Ontario recently received inquiries about an order for 75,000 ploughshares, which before the war would have been filled in Czechoslovakia. The Canadian Manufacturers' Association has circulated its members urging them to offer their help to British firms through co-operative arrangements for the period of the war and make an effort to convince British manufacturers and exporters that they do not want to steal their markets.

December 11th.

MONTHLY
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The Crown Colonist

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In the January, 1940, Number is included the Annual Colonial Survey

Foreword by the RT. HON. MALCOLM MACDONALD, M.P..

Secretary of State for the Colonies

"I invite readers to study this Survey with close interest."

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By Major C. H. Dale, C.M.G., O.B.E.,
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Achievements of Uganda in Peace and War

Protectorate striving to make utmost contribution to Empire's effort in the economic sphere.

By Max Nurock, O.B.E.,
Acting Deputy Chief Secretary for Uganda

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Improved transport facilities and increased output from the Copper-belt make the Territory prosperous.

By Sir John Maybin, K.C.M.G.,
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Estate production supplemented by peasant farming. New crops await favourable markets.

By K. L. Hall, C.M.G.,
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Sources of Wealth in Gold Coast Territories

Period of normal and encouraging development giving place to a wartime concentration of effort.

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Improved Social Services in Sierra Leone

Developments in labour relations, agricultural education, stock-breeding, health and housing.

By Sir Douglas Jardine, K.C.M.G., O.B.E.,
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Gambia's Fortunes Dependent on Groundnuts

Excellent quality crop but low prices. Protectorate more self-supporting in foodstuffs.

By Sir Thomas Southorn, K.C.M.G., K.B.E.,
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Barbados during Legislative Tercentenary Year

Island dependent on sugar production. Progress in public works and social services.

By Major W. H. Flinn, O.B.E.,
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Virgin Country Broken in the Bahamas

Islands where visitors go to play, and remain to develop new resources.

By Lieut.-Col. N. G. Thwaites, C.B.E., M.V.O., M.C.,
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Social and Economic Structure of Leewards

Although immediate prospects are not good, long-range measures promise greater strength.

By Sir Gordon Lethem, K.C.M.G.,
Governor and Commander-in-Chief of the Leeward Islands

Measures for Development in British Guiana

Rice-growing, gold-mining and timber industries likely to be stimulated by the war.

By Sir John Waddington, K.C.M.G.,
Acting Governor of British Guiana

Substantial Improvement in British Honduras

During the past five years there has been a marked evolution in social and economic life.

By Captain M. S. Melzyen, M.B.E.,
Commissioner for the Stann Creek District

Malaya's Great Contribution in Peace and War

Raw materials, financial aid and trained man-power from country in "key" position.

By G. E. Cator, C.M.G.,
Agent for Malaya in London

Sarawak's Sound Finances and Social Progress

Experiment in native administration, increased educational and health services and enlarged food resources.

By J. R. Archer,
Chief Secretary of Sarawak

Economic Readjustments in Hong Kong

How a duty to the Empire and a responsibility to the Chinese are being discharged by the Colony.

By Sir Geoffrey Northcote, K.C.M.G.,
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Industrial and Commercial Aims of Ceylon

The Island seeks to develop its resources and provide for its own needs as far as possible.

By E. A. P. Wijeyeratna,
ex-Deputy Speaker, Ceylon State Council

Mauritius Becoming a Model Colony

Rapid progress in social legislation and measures to develop local resources.

By Capt. the Hon. Sir Bodo Clifford, K.C.M.G., C.B., M.V.O.,
Governor and Commander-in-Chief of Mauritius

More Advantageous Situation in the Seychelles

Large land purchase by the Government. Schemes of development now well advanced.

By Sir Walter Buchanan-Smith, C.M.G.,
Administrator of the Government of Seychelles

Sure Basis for Advances in Cyprus

Progress in agriculture, industry, education and health bring solid achievements.

By William D. Battershill, C.M.G.,
Governor and Commander-in-Chief of Cyprus

Repercussions of War on the Life of Malta

Although schemes of economic and social improvement must be postponed, recent advances will be held.

By Gen. Sir Charles Bonham-Carter, K.C.B., C.M.G., D.S.O.,
Governor and Commander-in-Chief of Malta

Conditions in Fiji and the Western Pacific

Expansion of pineapple canning and mining industries and development of social services.

By Sir Harry C. Luke, K.C.M.G.,
Governor and Commander-in-Chief of Fiji and High Commissioner for the Western Pacific

THE CROWN COLONIST, 33 TOTHILL ST., WESTMINSTER, LONDON, S.W.1

Germany at War

(An objective account of economic trends in the Reich compiled weekly by the editorial staff of The Economist from German and neutral sources.)

THE tragic series of railway accidents in the Reich since the war began freshly underlines the railways' need for repairs and replacements. So far the railways have done surprisingly well to cope with the movement of troops and materials and the migration of factories and workers. But the underlying inadequacy of both rolling stock and permanent way is still regarded as Germany's greatest weakness as a belligerent.

In spite of the building of many miles of much-publicised motor roads, transport by rail is still the major means of moving troops and materials, especially over long distances. The question is how capable are the railways of meeting the demands made on them. Between August, 1938, and June this year, the railways had to strain every effort to carry the military traffic required for the annexation of Sudetenland and then of Bohemia-Moravia. In the West the strain of transporting material for the feverish construction of the West Wall or Siegfried Line was scarcely less.

The Reich railway authorities themselves have recognised for a long time that the rolling stock was neither maintained nor replaced sufficiently. Before the war they planned the construction between 1940 and 1943 of 2,000 locomotives, 10,000 passenger coaches and 112,000 goods wagons. Even then this programme seemed hard to carry out. There were not the constructional factories to do it. The number of locomotive works has fallen, during the period of concentration on arms output, from 21 to 9, and the number of wagon works from 70 to 55.

Finance.—In 1939 total capital issues will probably slightly exceed the 1938 figure, which was Rm. 8,673 millions. Some time before the outbreak of the war capital issues (with the exception of the issue of tax certificates under the New Financial Plan) had come to a virtual standstill. Of an estimated total of Rm. 8,500 to Rm. 9,000 millions roughly one-fifth may be private capital issues, in the form of industrial loans, debentures, mortgage bonds, and paid-up share capital. In 1938 the share of Reich loans amounted to 89.3 per cent.

The bulk of the Reich loans in 1939 was accounted for by the issue of tax certificates—amounting during the six months from May to October to roughly Rm. 5,000 millions. Nearly Rm. 2,000 millions were ordinary Reich loans, subscribed by savings banks, banks, and insurance institutes. Before the war the issue of industrial debentures had reached Rm. 382 millions, and, since the war started, nine industrial loans have amounted to Rm. 129 millions, apart from the loan to the State railways of Rm. 500 millions. The tax certificates' failure to meet financial needs may be judged by the original intention of issuing between Rm. 7,000 millions and Rm. 8,000 millions. As it was, the issue of tax certificates actually exhausted the liquidity reserves of private industries. Only by the intervention of the Reichsbank could a disastrous fall in the prices of tax certificates be prevented. By the middle of July the issue of new capital had come to a standstill. During August the Government resorted directly to the Reichsbank, whose notes in circulation increased by Rm. 2,200 millions.

One of the most important of present financial problems in Germany is the finances of municipalities and communes. Communes now have to pay additional war contributions to the Reich Treasury, as well as 20 per cent. of the allowances made to the dependants of soldiers. This will increase the expenditure of the communes by roughly 30 per cent. At the same time, the communes are responsible for anti-air raid precautions and for the administration of rationing. Mostly, too, the additional work has to be carried out by reduced staffs. There is hardly any possibility at all that the communes will be able to cut their usual expenditure by 30 per cent., and the Reich is now contemplating an equalisation fund to even out the burden upon the communes, for the number of mobilised soldiers naturally varies between different communes.

Labour Policy.—The relaxation of the very stringent labour decrees instituted early in the war (*The Economist*, December 23rd, page 466) has been carried a step further.

A decree published on December 15th limits average working hours to eight per day, and restricts daily working hours, including overtime, to 10 hours. Night work for women and adolescent workers is again forbidden. Any overtime taking daily hours over 10 per day must be specially permitted by the Ministry of Labour. At the same time, additional pay for overtime increasing the day's work beyond 10 hours has been reintroduced. The additional overtime pay was resumed on December 18th, and the decree limiting the over-all working day to 10 hours will come into force on January 1, 1940. How far fatigue among workers has gone may be judged by an announcement by the German Labour Front that, from January, 1940, onwards, 100,000 armament workers will be given a special holiday, with all expenses paid by the Labour Organisation.

Surprisingly, the Unemployment Board has again published unemployment figures. Publication was suspended in May, 1939. Unemployment in November is officially given as 126,000, against 461,000 in November, 1938. It is also stated that only 18,000 of the unemployed are able-bodied persons. It would be useless to question this figure, because nothing is said about short-time work: all civilian industries, i.e. textiles, leather, and building have been advised to organise short-time work instead of dismissing workers. Short-time working must be considerable, because the rations for clothing and shoes are roughly 25 per cent. of normal consumption, and building activity has also been restricted to 25 per cent. of its peace-time level.

Industrial Trends.—The trend towards centralising all industries in a small number of giant combines has come to a halt. The recognised principle now is to maintain a balance of large and middle-sized factories and companies in each industry. There is still another trend indicated by a recent decree relating to the coal industry. Two organisations, one of them dating back to the Great War, i.e. the Reich Coal Commission, and the Reich Coal Council, have been abolished. The Reich Coal Council was set up in 1919, and was originally charged with preparing for the nationalisation of the coal industry. The Reich Coal Commission, established in 1917, controlled the distribution of coal. The new decree appoints Reich Coal Commissar, Herr Walter, to head of the Reich Control Board for Coal.

Herr Walter had been charged in June, 1939, with increasing the output of the coal industry. The new decree makes him practically the coal dictator. He is not only responsible for increasing the output of coal, but also for the transport and the distribution of coal to consumers. This is the first time that all activities of one industry, i.e. production, transport and distribution, have been centralised in one controller. There is every likelihood that the next industry to be centralised in this way will be the machine industry.

Centralisation is also going on in transport on the inland waterways. The entire traffic of the waterways will be controlled by five shipping boards situated in Hamburg, Magdeburg, Dresden, Halle, and Aussig. The Central Board is in Hamburg, and every transaction has to be registered in Hamburg. Army transport has priority. Traffic essential for war industries comes next.

Agreement with Roumania.—On December 21st a new German-Roumanian Trade Convention was signed. The exchange rate was fixed at 49.5 lei to the Reichsmark, compared with 41 lei under the old agreement. The monthly quota of mineral oil to be delivered to Germany has been fixed at 130,000 tons, or in twelve months 1,560,000 tons. In 1938 Roumanian exports to Germany amounted to 703,732 tons, and to Czecho-Slovakia to 294,887 tons—998,619 tons in all. The new quota will give Germany 35 per cent. of Roumania's total exports of mineral oil—provided Roumania's exports remain at the level of 1938, i.e. 4,503,431 tons. In 1938 Germany imported 5,000,000 tons of mineral oil, and imports from Roumania under the new agreement will thus amount to no more than 31 per cent. of the peace-time imports of the "Old Reich." Germany will deliver mainly arms in exchange.

Books and Publications

Trade Fetters

DR HEUSER in his valuable book* gives a detailed and well-documented account of the causes of contemporary foreign trade regulation, the methods of control adopted and the results of regulation. He attributes the need for wide and swift economic adjustment which brought about these controls to three major economic changes: the relatively greater fall in agricultural than in other prices owing to the Depression; the cessation of international investment in Central and South-Eastern Europe; and the depreciation of sterling.

This study makes it abundantly evident that, often in the absence of clear and well-informed economic thinking, *ad hoc* measures were taken, the avowed motives of which did not always agree with the actual. The maintenance of internal economic activity and the desire to safeguard the currency became vehicles for protection of particular interests and shields for the growth of monopoly. So one thing led to another. Global quotas led to administrative difficulties; geographical quotas involved the difficulties of securing just discrimination; licensing importers constituted a handicap to new enterprise. We get the extraordinary spectacle of a country's imports coming to be licensed by a body in a foreign exporting country, from which it is only a step to the bilateral quota with its cartel machinery. The quota, originally a cartel term, was adopted partly no doubt owing to its simple and immediate effectiveness. It certainly tended to insulate internal prices from otherwise unavoidable (and unpleasant) adjustments. But it also tended to raise internal prices and to dislocate the internal balance of the economy, by increasing costs in other industries not affected by the quota. And it is at least significant that between 1929 and 1934 the cost of living in countries adopting quotas fell but 21 per cent., against 34 per cent. in countries employing exchange control and 54 per cent. in "free" countries.

Dr Heuser's conclusions with regard to currency restrictions are that they tended to maintain artificially high prices; that, while at first they stimulated production, a generally higher production level was not maintained; that they contributed to a decrease in the total share of labour; and that, while the profits of sections of the community were raised, the standard of living of the rest was lowered. We in this country have seen the results of relatively cheap imports of food and raw materials in an amazing development of the national income and the standard of living. But the fatal adoption in European countries of restrictive expedients—so hard now to slough off—has had an opposite effect upon their standards of living. "The new methods of regulating foreign trade do not deserve the support of those who have the well-being of the community intelligently at heart."

Shorter Notices

"International Yearbook of Agricultural Statistics, 1938-39." (Rome) International Institute of Statistics. 1,022 pages. Lire 100.

The usefulness of this publication is well known. The latest of the series includes the statistics for the crop year 1938-39, as well as revised data for preceding seasons. The suppression of many statistics in the European belligerent countries at the outbreak of war gives added value to this compilation of statistics in the year before the war.

"Whitaker's Almanack 1940." Complete edition, 1,136 pages. 7s. net.

The volume for the bissextile year 1940 has many new sections, including full details of the emergency legislation, tables of the productive capacity of allied and neutral nations and tables by which the local times for black-out can be computed. But these valuable additions have not been made at the expense of the old favourites; and we can still study at the celestial phenomena of the coming year and learn that the period of incubation for a turkey on a hen's eggs is three days longer than a hen on a hen's eggs but two days shorter than a turkey on a turkey's eggs and six days shorter than a hen on a duck's eggs.

* "Control of International Trade." By Heinrich Heuser. Ph.D. (London). Routledge. 258 pp. 12s. 6d.

Books Received

Gestapo Trial. By Jan Petersen. (London) Gollancz. 286 pages. 7s. 6d. net.

When Freedom Shrieked. By R. Reynolds. (London) Gollancz. 320 pages. 10s. 6d. net.

Revue de Lois Décrets et Traités de Commerce, Septembre-Octobre, 1939. (Brussels) Institut International du Commerce, Palais d'Egmont, rue Aux Laines. No price stated.

War Aims. By G. D. H. Cole. (London) *The New Statesman and Nation*. 56 pages. 6d. net.

Sudan Government. Annual Report of the Department of Economics and Trade, 1938. (Cairo) The Sudan Agent, 6 Midan Tewfik. 242 pages. Pt.20. (4s. 2d.) net.

Japan's Economic Offensive in China. By Lowe Chuan-Hua. (London) Allen and Unwin. 179 pages. 7s. 6d. net.

Studies in the Theory of Money and Capital. By E. Lindahl. (London) Allen and Unwin. 391 pages. 10s. 6d. net.

Oxford Pamphlets on World Affairs: No. 17. The Blockade, 1914-1919. By W. Arnold-Forster. 40 pages. No. 18. *National Socialism and Christianity.* By N. Micklem. 32 pages. No. 19. *Can Germany Stand the Strain?* By L. P. Thompson. 31 pages. No. 20. *Who Hitler Is.* By R. C. K. Ensor. 32 pages. No. 21. *The Nazi Conception of Law.* By J. Walter Jones. No. 22. *An Atlas of the War.* No. 23. *The Sineus of War.* By Geoffrey Crowther. No. 24. *Blockade and the Civilian Population.* By Sir William Beveridge. 3d. net each.

The English Cabinet System. By Wangteh Yu. (London) P. S. King. 408 pages. 18s. net.

The Open Door Policy and World Peace, being the Richard Cobden Lecture for 1939. By H.E. Dr V. K. Wellington Koo. (London) H. Milford. 24 pages. 1s. net.

Documents on American Foreign Relations. January, 1938-June, 1939. Edited by S. Shepherd Jones and D. P. Myers. (Boston, Mass.) World Peace Foundation. 582 pages. \$3.75 net.

Documentation for the European Conference on Rural Life, 1939. (Rome) International Institute of Agriculture. 370 pages. L. 25.

Ahriman: A Study in Air Bombardment. By O. L. Spaulding. (Boston, Mass.) World Peace Foundation. 143 pages. \$1.00.

Old-Age Security. By M. Grant. (Washington) Committee on Social Security; Social Science Research Council. 261 pages. No price stated.

Treaty Relations of the British Commonwealth of Nations. By Robert B. Stewart. (London) Macmillan. 503 pages. 21s.

Brain Efficiency. By J. E. Almond. (London) Anthony John, Limited. 174 pages. 10s. 6d. net.

The Socialist Sixth of the World. By Hewlett Johnson. (London) Gollancz. 384 pages. 7s. 6d. net.

My Fight to Re-arm Britain. By Viscount Rothermere. (London) Eyre and Spottiswoode. 190 pages. 5s. net.

Federation and World Order. By D. and E. Wilson. (London) Nelson. 184 pages. 2s. 9d. net.

Official Publications

Housing: House Production, Slum Clearance, etc. England and Wales. Position at March 31, 1939. 4d. net.

Report of the Committee on the Restoration of Land Affected by Iron Ore Working. 117 pages. 2s. net.

Customs and Excise Tariff in the United Kingdom of Great Britain and Northern Ireland in operation on August 1, 1939. 1s. net.

Imperial Economic Committee: Industrial Fibres, 1938-39. 2s. 6d. net.

Finance Accounts of the United Kingdom for the Financial Year 1938-39, ended March 31, 1939. 1s. 6d. net.

National Debt. Return for each of the years 1913-14 to 1919-20 and 1924-25 to 1938-39. Cmd. 6092. 6d. net.

Twenty-seventh Report of the Department of Agriculture for Scotland. Being for the year ended December 31, 1938. 3s.

Annual Report of the Ministry of Health, 1938-39. Cmd. 6089. 5s. net.

Statistical Abstract for the British Empire for each of the Ten Years 1929 to 1938. 68th number. Cmd. 6140. 3s. 6d. net.

Report of the Chief Registrar of Friendly Societies for the year 1938. Part 5. Building Societies. 9d. net.

The Assurance of Victory: Ministry of Information. 3d. net.

Report from the Select Committee on Estimates, 1938. 6s. net.

THE BUSINESS WORLD

Germany's Clearing Debts

A REVIEW of Germany's clearing accounts since 1934 was made here a year ago (*The Economist*, December 3, 1938). Since that time there have been some interesting developments. As is well known, the clearing accounts are not published in Germany, but a number of other countries publish their accounts in more or less detail with all countries including Germany; and from these accounts the German position is partially revealed.

In this way the development of six important clearing accounts is known: those with Italy, Holland, Yugoslavia, Turkey, Switzerland and Greece—the first four weekly, the others monthly. A few other accounts are published, e.g. in Finland, Norway, Estonia, etc., but these have always been unimportant. German clearing accounts with Hungary, Denmark, Roumania and Bulgaria, on which it is known that important German debts have accumulated from time to time, are not published from either side. There is also no information published with regard to the volume of ASKI-marks outstanding (South America).*

In the accompanying table the German clearing debts or *Spitzen* are shown for the six important accounts mentioned above, converted into Rm. for comparison. It should be emphasised that these figures are only the *Spitzen*, i.e. the amounts which have fallen due but remain unpaid. They do not take into account credits granted on either side. (In parentheses it may be mentioned that export credits granted to Germany, where published, are sometimes mistakenly included in the German clearing debts. Properly, the figures should include only sums actually paid into the clearing accounts.)

GERMAN DEBTS ON CLEARING ACCOUNTS

At end of month in million Rm.	1937		1938		1939					
	Dec.	June	Dec.	June	July	Aug.	Sept.	Oct.	Nov.	
Italy.....	3*	9*	6	52	63	62	61†	40‡	6‡	
Holland....	7	22	39	58	55	57	49	28	11	
Switzerland	23	25	26	39	40	36	37	30	...	
Yugoslavia..	13	10	27	13	10	12	15	7	8	
Turkey.....	35	7	11	2	2*	2*	7*	14*	22*	
Greece.....	9	0	1	12	9	15	13	8	...	
	84	55	110	176	175	180	168	99	...	

* Balance in favour of Germany.

† Last published figure (for September 22nd).

‡ Estimated, see below.

Germany ran heavily into debt on these accounts before the war began, and unofficial reports from other countries, e.g. Roumania and Bulgaria, confirm that similar conditions obtained there also.

In the first three months of the war there has been a rapid reduction of the German clearing debts: for the four countries for which end of November figures are available, viz., Italy, Holland, Yugoslavia and Turkey, the net debt (i.e. deducting Germany's credit against Turkey) fell from Rm. 129 millions at the end of August to a mere Rm. 3 millions at the end of November. The October figures for Switzerland and Greece also show an appreciable reduction on August. It should be noted that Turkey, which appears to have learned the technique of clearing, has

* The breaking off of German trade with South America has made these ASKI-marks unusable. A report from Chile states that the Chilean Government is considering the retention of German ships in Chilean ports as "cover" for these credits.

managed to run into debt to a tidy sum (not only to Germany but to most other countries as well).

The clearing figures published by Holland are in sufficient detail to give a reasonably clear picture of developments. In the first half of 1939 the German debt was growing at a rate of about Fl. 2½ millions a month so that a deficit of some Fl. 15 millions was incurred which, added to the debt of Fl. 29 millions remaining for 1938, raised the total *Spitze* to Fl. 44 millions at the end of June. To appreciate the change which has occurred since then it is useful to set out a brief summary of the account monthly.

1939 Monthly Figures in million florins	Payments into Dutch Clearing Office					Payments into German Clearing Office	Excess (+) or Deficiency (-) of Payments into Dutch Clearing Office
	Gross	Deductions			Net		
		Interest Service	Free Disposal of Reichs- bank	Total			
Jan.	21.0	0.4	2.1	2.5	18.5		
Feb.	24.9	0.3	2.5	2.8	22.1	23.0	- 4.5
Mar.	26.6	0.6	2.5	3.1	23.5	23.8	- 1.7
Apr.	22.7	0.3	2.4	2.7	20.0	26.4	- 2.9
May	24.7	0.3	2.4	2.7	22.0	22.7	- 2.8
June	28.1	0.6	2.8	3.4	24.7	23.8	- 1.8
July	28.2	0.5	2.8	3.3	24.9	25.8	- 1.1
Aug.	25.8	0.3	2.6	2.9	22.9	22.9	+ 2.0
Sept.	23.9	0.3	2.2	2.5	22.9	23.1	- 0.2
Oct.	33.9	0.4	3.4	3.8	21.4	15.9	+ 5.5
Nov.	33.4	0.4	3.3	3.7	30.1	15.0	+ 15.1
					29.7	16.5	+ 13.2

Payments in florins into the Clearing Office in Holland are made by Dutch importers of German goods, and a deficiency occurs when Dutch exports to Germany are lower than the "bilateral level," or credit terms granted by the Germans are longer than those given by the Dutch (thus delaying payments into the Dutch Clearing Office). The "bilateral level" includes not only goods but some Fl. 400,000 a month service of German debts to Holland and an amount generally about Fl. 2½ millions placed monthly at the free disposal of the Reichsbank.

In September there was a sharp fall of payments into the German Clearing Office by importers of Dutch goods, which has generally been explained partly by the dislocation of the war and the closing of the frontier on certain days, but chiefly as the result of the Allied blockade and the abrupt cessation of Dutch re-exports (particularly from the Dutch East Indies) to Germany. The low level of September continued practically unchanged in October and November.

Payments into the Dutch Office, on the other hand, were practically unchanged in September, while in October and November they rose by nearly 50 per cent. Two reasons are given for this—the forcing of exports by Germany *à tout prix* and the sharp curtailment of credit terms granted on German exports. For many years German exporters have given generous credit, so that even when German arrears on the Dutch clearing were of considerable proportions it was estimated in Holland that this debt was counterbalanced by Dutch importers' debts to Germany, which would eventually come in to balance the clearing at maturity.

This balancing process was rapidly speeded up by recent events. The table gives a reduction of the German debt by Fl. 34 millions in the first three months of the war. The weekly figures, however, show a decided slowing up

of this movement during the last week of November, but by then the total German arrears amounted to only Fl. 8 millions (Rm. 11 millions), less than 20 per cent. of the debt at the end of August. It will be noticed that the monthly amount placed at the free disposal of the Reichsbank has risen from Fl. 2½ to Fl. 3½ millions concurrently with the increase of gross payments into the Dutch Clearing Office, of which it is a proportion (about 10 per cent.).

The figures of *Spitzen* in the Italian clearings (not the full accounts) were published weekly until September 22, 1939, from which date they were suppressed together with certain other statistical material in Italy. The German clearing debt reached its highest point at Lit. 481 millions on August 11th and was somewhat reduced at Lit. 465 millions on September 22nd. The extraordinary German coal deliveries which have passed through Switzerland in recent weeks en route for Italy have done something to bring down these arrears. Unofficial reports from Rome indicate a reduction by over one-third at the end of October, i.e. to say Lit. 300 millions. The figure of Rm. 6 millions for the end of November is an estimate based on the "waiting time" for Italian exporters' receipts out of the clearing. This waiting time, which is still published, although the amounts involved are suppressed, was only eight days at the end of November, compared with about 80 days when the debt was around Rm. 60 millions. And from November 13th the Italian Clearing Office has again

renewed its guarantee of the Reichsmark rate "as a consequence of the reduction of the German clearing debt." This guarantee, of evident importance as an encouragement to Italian exporters, had been suspended six months ago to check the rate of accumulation of the German clearing arrears.

A point worth noting is that the *Spitzen* on the separate Italian clearing with the Protectorate of Bohemia and Moravia turned from an Italian debt of Lit. 12½ millions on August 4th to an Italian credit of Lit. 6½ millions on September 22nd. The change-over of Lit. 19 millions may not seem very large, but it is significant that the clearings of the Protectorate with other countries (e.g. with Yugoslavia) show the same movement and indicate that Germany is using up the Protectorate's clearing assets and running into debt through this small loophole.

To sum up briefly. A careful examination of incomplete data permits one to affirm with some assurance that Germany had unusually high debts on most of its European clearings in the summer of 1939 before the war began, and even at that time had probably reached the limits of what neutral countries would allow on this sort of credit. The first three months of the war give evidence of considerable German repayments on the clearings. In other words, the first proceeds of German exports to the clearing countries since the war, and the maturing of earlier export credits, have gone largely to repay debts rather than to create purchasing power abroad.

Cosmetics

SELF-ADORNMENT and self-embellishment are universal instincts, and the use of cosmetics is but one means of satisfying them. Sometimes it has been frowned upon and sometimes encouraged, but it is a means which has existed perhaps in every civilisation and certainly throughout the centuries of our own. Did not Hamlet complain of women to Ophelia "God has given you one face and you make yourselves another"? The Romans were modern enough to use yeast face-packs. And, to go back farther still, Jezebel was probably not the first woman who powdered her nose in a crisis.

Till recent times, however, cosmetics were a luxury for the few: in one form or another they are now a feminine habit, and this change has come about entirely since 1918. By the naughty nineties, it is true, the use of make-up, which was actively disapproved in the Early Victorian era, was no longer regarded as the exclusive hallmark of naughtier ladies; but most of the few others who applied it did so surreptitiously, and even in Edwardian days the demand was so small that the production of cosmetics (including perfumery, and excluding toilet and shaving soap) was less than £1,000,000. But with the emancipation of woman, and her entry into the earning classes, production was revolutionised, and from £3,000,000 in 1924 rose to over £9,000,000 in 1935. Cosmetics came in as corsets went out. Nor do these figures include beauty services, a modern development which, if it could be valued, would swell the 1935 total. Fees for treatment and make-up in beauty parlours, for hairdressing and manicuring and pedicuring, would, if added to the value of the production of cosmetics, make it one of the most important industries of modern times.

It is an industry which has had to face obstructive tariff restrictions during the same years that it has grown to its present size. Consequently, the demand for cosmetics in most countries with a high standard of living is now chiefly met by domestic production with a varying proportion of it controlled by foreign capital. The Coty company, for instance, which started as an entirely French concern, transferred its production to the export markets lost through tariff restrictions, and is now an international concern with subsidiary producing companies in countries so far apart as Great Britain, Argentina, Brazil, Italy, Mexico, Roumania and Switzerland. Most of the other leading firms have adopted the same policy, and the export trade in cos-

metics is therefore small in proportion to total output. The most important export markets are colonial and other countries with a large population of low purchasing power. Great Britain's total exports of cosmetics (excluding perfumed spirits, essential oils and soap) amounted to just over £1,150,000 in 1938, of which over £860,000 went to Empire countries.

The census figures of output give a poor indication of the actual amount spent by consumers on cosmetics, even if the cost of beauty services is ignored. One of the peculiarities of the cosmetic trade is the high margin between wholesale prices and the cost of production and the very high margin in the retail price. The average distribution margin for the cosmetic industry as a whole is roughly 100 per cent. of the wholesale price, owing largely to expensive advertising. The annual expenditure on cosmetics in Great Britain, therefore, based on the 1935 census figures, with the necessary adjustments for imports and exports, is approximately £22,000,000, or £14,000,000 if the utilitarian preparations such as soap and dentifrices are excluded. Female consumers probably account for at least 90 per cent. of the latter total, so that, with a female population aged between 20 and 50 of about 12,500,000, the average expenditure per feminine head in this country is roughly £1 per annum. But large classes of women within this age-group use no cosmetics at all, either on principle or for reasons of expense, while many others confine their purchases to an occasional box of face powder, so that the per head expenditure varies from several pounds per annum to several shillings. There can be no doubt, however, that the purchase of cosmetics, even on a small scale, is, in most countries with a high standard of living, coming to be regarded more and more as a necessary rather than a luxury. This was brought out by an investigation undertaken by the National Resources Committee in the United States, which found that a family's expenditure on "personal care" showed a bigger percentage of total expenditure among the lower income classes than among the higher.

There are two factors which distinguish the demand for cosmetics from most other articles. In the first place, the demand is unaffected by time, weather, place or season. One type of cosmetic is used in the daytime; another is used to take it off again; and still another is used at night. Similarly, a slackening in the demand for some

cosmetics during the summer is counterbalanced by an increase in the demand for preparations specifically made for use, for example, at the seaside or on the grouse moors. There is no close season for cosmetics. The other factor is that, generally speaking, women will always buy the most expensive cosmetics they can afford. The price of a lipstick may vary from 6d. to 7s. 6d., but nobody accustomed to paying 7s. 6d. would consider for a moment buying a cheap one. Women are notorious bargain-hunters, but they will not bargain over cosmetics.

This demand for the most expensive is one of the reasons why the high-priced article can hold its own against the competition of cheaper brands. But it should not be assumed that the demand is entirely irrational or that it is mainly based on the attractive jars and containers in which the expensive makes of cosmetics are sold. Partly it rests on the assumption that a high price guarantees the purity of the product. Another reason lies in the composition of the various makes. The raw materials of the cosmetic industry are so numerous and so varied that it is impossible to give more than a broad outline of them. It may safely be said that the basic materials, which enter the body of most preparations, are comparatively cheap. Thus, the cost of materials in the United States cosmetics industry in 1937 was \$54,000,000, or roughly one-third of the wholesale and one-fifth of the retail value. These basic materials are animal, such as tallow and lanoline, which are used in creams; vegetable, such as coconut oil, palm oil and olive oil, which are used in creams, rouges and lipsticks; and mineral, zinc oxide and talcum, providing the base for powders. But in addition to these materials, which are virtually the same for every make, there are those that give cosmetics their colour and scent; and it is here that the manufacturers of the expensive products excel, for they provide a far wider range of colours and better perfumes than their competitors.

Natural dyestuffs have for the most part now been displaced by synthetics, but against synthetic aromatics essential oils, which are distilled from blossoms and fruit, are more than holding their own. They are produced all over the world, but as the volume of production in each country is frequently very small, the value is generally very high. Bulgarian otto of rose oil, for instance, has been quoted at £1 12s. 6d. per ounce. Great Britain's retained imports of essential oils in 1938 amounted in value to

£865,000, so that they are clearly an important item in the cost of production of those cosmetic manufacturers who use them. Here is material justification for the wide difference in the prices of the finished products.

Before the outbreak of war the future of the cosmetic industry seemed reasonably assured, based though it is on the shifting sands of feminine fashion. For one thing, the industry is very adaptable. Manufacturers in recent years have shown great skill in making their products conform to decreed fashions in clothes and colours. The leading firms, too, are becoming more and more scientific, both in the manufacture of preparations and in the beauty services which they offer. Some of them now employ trained dieticians at their beauty salons to give advice to clients; and many products claim to have a curative and health-promoting function as well as a beautifying one. Manufacturers, in fact, have allied themselves to the present vogue for vitamins, hormones and physical fitness generally.

Whether the industry will suffer badly from war conditions it is impossible to predict. Quite apart from the possible difficulty of obtaining the raw materials, which include the valued fats and vegetable oils, and the probability of higher prices, there is the question of whether the demand will fall off as a result of clothing women in uniforms, and the curtailment of entertaining and night life generally. These developments, however, will not perhaps affect the aggregate demand to the extent that might have been expected. Presumably, coloured nail varnishes, eyelash dyes and other artificial make-ups will suffer. It is probable, too, that there will be a greater economy in consumption, and that the normal tendency to discard lipsticks and rouges when only half finished in favour of new colours will be checked. One lipstick will probably do the work of two. But it is unlikely that the demand for the basic cosmetics, such as powders and creams, will fall off to any extent, for using them has become such a habit with all cosmetic consumers that it would need a serious rise in price to break it. In the meantime the manufacturers will no doubt exercise their usual ingenuity in adapting themselves to the changed conditions. Some of them may turn to the manufacture of ointments and dressings; from others we may expect to see make-up preparations specifically devised for hasty application when the air-raid warnings have sounded.

Finance and Banking

Year-end Preparations.—The discount market had by the end of last week made up its mind that no difficulty would be experienced in financing its bill and bond positions over the turn of the year. Last week's Bank return showing an increase of £22,782,000 in the aggregate holding of securities and a parallel expansion of £27,112,000 in bankers' deposits indicated the lengths to which the authorities were going to avoid any appearance of stringency or any necessity for market borrowing at the Bank of England over the turn of the year. The main feature of the authorities' open-market operations has again been the purchase of the short-dated January bills from the clearing banks in amounts adequate not merely to neutralise the expansion in the circulation, but to allow the banks to continue their purchases of longer-dated bills from the market. This week, therefore, the clearing banks have again proved buyers of bills on a moderate scale, though by normal precedents they should have withdrawn altogether from the market. The Bank return showing the position on Wednesday of this week reveals the continuation of these special purchases of bills in a further increase of £6,235,000 in Government securities, a movement which finds its partial reflection in an expansion of £2,478,000 in bankers' deposits. At £117,329,000 these deposits have risen by about £30 millions over the past fortnight. They will probably have to rise by another £20 millions before the turn of the year is reached. The

readiness of the authorities to see that this temporary expansion is accomplished without direct market borrowing at the Bank has evidently been made known to the discount market. Otherwise precautionary borrowing at the Bank would have begun on the first working day of this week. In its abstention from such normal precautionary borrowing the market, which is carrying an exceptionally large holding of bills at the moment, must be relying on the knowledge that if special help is needed at the eleventh hour it will be made available by open-market purchases of bills at market rates and not by direct rediscounting at Bank rate or borrowing at 2½ per cent. from the Bank.

One important factor of help to the credit position at this year-end has been the *masse de manœuvre* made available to the authorities by the abnormal accumulation of funds in Government deposits. These deposits have been reduced by nearly £18 millions over the past three weeks, partly no doubt as the result of open-market purchases of bills for account of Public Departments. At £29,724,000, the total appearing in the latest Bank return, they are still nearly £14 millions higher than at the corresponding date of last year, and thus provide a

(Continued on page 516)

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(Continued from page 514)

reserve out of which the further seasonal expansion of market resources will have been fed between Wednesday and the end of the week. During this week there has been the expected abundance of "bad" money, and loans repayable before the end of the year have been available down to $\frac{1}{2}$ per cent. For money into the New Year, however, up to $1\frac{1}{2}$ per cent. has been paid—a rate which itself emphasises the complete faith with which the market has been awaiting the climax of this period of normal stringency.

* * *

Holiday Circulation.—In reaching its Christmas holiday peak the Bank of England note circulation touched £554,616,000, and thus broke, with some £1,200,000 to spare, the previous high record set up on September 13th last, at the height of the rush for currency which followed the declaration of war. The latest figure may be taken as indicating what was virtually the seasonal peak in the circulation. That peak tends to occur over the actual Christmas holiday, and normally some reflux of notes has taken place before the next Bank return is published. On this occasion the incidence of Christmas, making Tuesday a Bank holiday, meant that by Wednesday very little reflux of currency had in fact been experienced by the Bank of England. Even allowing for this, however, it is evident that the demand for currency is at present pursuing an upward basic trend. As compared with the Christmas peak of 1938 the circulation is up by about £50,000,000 on the year. There is no special factor, such as Continental hoarding of sterling notes, to account for this increase over the past twelve months. A year ago the circulation contracted by £41,000,000 over the four weeks which followed the post-Christmas Bank return. It will be very interesting to watch the comparative movement in the coming weeks.

* * *

Postal Orders as Currency.—An Order in Council, issued under the Defence (Finance) Regulations, 1939, has deprived postal orders of their legal tender attributes from December 21st. Post offices will, however, continue to encash them in accordance with the normal arrangements. As a result of the withdrawal of postal orders as legal tender they must on being issued again bear the poundage from which they were freed on the outbreak of the war when they were included in the circulating medium of the country. Thus closes a chapter in the history of postal orders for which little justification can, in retrospect, be found. The temporary elevation of postal orders to the rank of full legal tender currency had been decided upon long before the outbreak of the war as one of the precautionary measures based on the assumption that within a few days of the beginning of hostilities the normal machinery for the issue and distribution of currency would have been bombed into at least partial immobilisation. Had this happened, it is evident that there would have been considerable advantages in a system of postal order currency available at every post office in the country. From the first, however, these facilities for the issue of an alternative currency were not needed. Since the appearance of these postal orders into the circulation brought with it vague suspicions that the Government had chosen this as

a veiled method of currency inflation their legal tender facilities, unneeded as they were, should have been immediately withdrawn. The total of these postal orders which came to be used as currency has not been published. The only indication of their circulation has been the intimation in the Bank of England's monthly statistical summary of the postal orders held by the clearing banks as part of their till money. For September they averaged £700,000 and for October £2,100,000. Since even the larger of these totals represented but $1\frac{1}{2}$ per cent. of the till money held by the banks, it is evident that no appreciable inflation of the circulating medium has been perpetrated by this particular channel.

* * *

Tightening the Exchange Control.—The process of tightening the regulations for the control of sterling exchange was taken an important step forward towards the end of last week by the issue of an Order in Council (S.R. and O., No. 1827, of 1939) amending the Defence (Finance) Regulations. The Order provides that as from January 8th next all transfers of sterling from the account of a resident to that of a non-resident will be subject to permission granted by or on behalf of the Treasury. Similar restrictions will be placed on the transfer of sterling securities by a resident to a non-resident. Such transfers have since the imposition of exchange control been subject to completion of Form E.I., a formality with which the paying banker has from the start complied with the greatest ease. About three weeks ago it was suggested by the Bank of England to all authorised banks that before giving their consent to such transfers of sterling they should demand evidence of the commercial justification of the operation and that in fact they should apply the same strict standards for authorising transfers of sterling to a non-resident account as for authorising conversions of sterling into foreign currency. The new Order, of which full details will be published when the regulation comes into force, is no doubt intended to regularise the position, dotting the i's and crossing the t's of the request to authorised banks on which the interpretation of this particular section of the regulations now rests. By this measure, and even more by restricting the transfer of securities from resident to non-resident accounts, the channels by which sterling reaches the unofficial foreign exchange markets abroad should be considerably narrowed. The official announcements of the new regulations goes out of its way to state that the Order does not affect the sterling accounts of non-residents. These remain free as heretofore.

* * *

The Car Owner and His Insurance.—The drastic reduction in road traffic resulting from the war has obvious repercussions on the amount of motor business transacted by the insurance companies. The increase in the horsepower tax, however, which is one of the most powerful of the deterrents to motor users, comes in with the New Year, so that the full effect of wartime restrictions has yet to be felt. Already, nevertheless, the refunds of premiums on cars laid up have reached substantial proportions. This question of premium refunds reiterates a lesson which has been given many times in the past—the wisdom of insuring with a well-established insurance company or underwriting syndicate. For while the tariff companies and many of the non-tariff insurers readily make refunds of premium when cars are out of commission—though in the usual case the repayments are naturally not on a *pro rata* basis—a few smaller non-tariff insurers are now recompensing themselves for excessive cutting of rates in the past by refusing refunds. This is strictly within the policy terms in such cases, for the conditions have been framed so as not to give the favourable treatment accorded by the better-established companies and underwriters, which only goes to show that if the policy-holder cannot bother to study the conditions of his contract he should at least discriminate in placing his insurance. It may be further noted that the tariff companies have also made the gesture of



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refunding premiums on a *pro rata* basis when cars are laid up by members of the Forces who are sent abroad—a gesture which costs them money. The car owner who is insured by one of the better-known insurers, who is able to keep his car in commission and is also brave enough to drive at night, at least has the comfort of knowing that when his policy falls due for renewal he will be charged no more premium to cover the black-out risk. That this is a valuable concession may be judged from the road accident statistics. The Ministry of Transport returns for November, issued this week, show that 926 deaths occurred on the roads during the month, compared with 613 in November of last year. In the two months of September and October of 1939 the figures of road fatalities were 1,130 and 919 respectively, compared with 554 and 641 in the same two months of 1938. Thus, while insurance premium incomes in the motor departments have drastically declined, the accident rate, assuming a comparable trend in non-fatal accidents, has increased. It may be, of course, that when the forces reducing the number of vehicles on the roads have had their full effect accidents will decline considerably from the figures so far recorded. Another factor is also not without its significance: the Courts are making lower awards for "loss of expectation of life" by taking into account war risks to which persons killed in motor accidents would otherwise be subject. Despite this rather curious factor, however, it is probable that the average cost per accident will rise substantially as a result of the black-out. This will have the effect, already discernible, of creating a certain restiveness among motor re-insurers, who re-insure in this country on an "excess loss" basis—that is to say, they pay to the re-insured company the amount by which individual claims exceed a given figure. With total premiums declining, a greater volume of heavy claims thus hits the re-insurers.

* * *

Insuring Other Black-Out Risks.—While motor insurance provides the outstanding example of black-out

risks, most pedestrians who have to negotiate sand-bagged pavements after dark are painfully conscious of others. Cover against black-out accidents is comprised in the personal accident insurance of existing policy-holders without extra charge, and (so far as the majority of the insurance companies are concerned) no additional premium is being demanded by them on renewal of policies. A similar situation applies to public liability insurances, where the owner or tenant of premises is insured against his liability to third parties for accidents occurring on or about his premises, except that if special wartime changes effected on the premises involve a large increase in hazard, the rate of premium would be reconsidered on renewal. It is to be expected that there will be a fairly substantial increase in the demand for both personal accident and public liability insurance, and already there has been an increase in the number of inquiries for this type of cover. Similarly, the black-out produces an enhanced risk of burglary, for which insurance is readily available. On the whole, the black-out should mean that the miscellaneous risks dealt with in the accident departments of the insurance companies will bring them a welcome, if unspectacular, influx of new business. Recent conditions enhance other hazards, beside that of burglary, which face the householder who in many cases has evacuated himself, leaving his home unoccupied. If he is insured by a comprehensive policy, the normal period of unoccupancy allowed is 90 days, and where this period is exceeded he should notify the insurance company without delay.

* * *

Silver Weakens.—The latest developments in the Indian silver position and, in particular, the announcement of the readiness of the Indian Government to consider applications for the import of silver from the United States have already had a very cooling effect on the ardour of the Indian speculator in silver. Whereas such imports are to be allowed, provided the silver is sold in India at

MONEY MARKET NOTES

AMONG the officially quoted foreign exchanges there has been an appreciation in the belga, the rate for which on Thursday fell from 24.00-25 to 23.90-24.15, and a narrowing of the margin for Argentine pesos, which are quoted at 17.50-17.80, compared with 17.50-18.00. Otherwise there have been no changes. Among free market rates, the Finnish military success caused an improvement in the Finnish mark before the holiday, but on Wednesday the rate relapsed in common with those of the smaller Baltic states.

* * *

In the money market the efforts made by the authorities to offset the immobilisation of funds in public deposits have resulted in a slight weakening of rates and a relaxation of the previous stringency. The clearing banks have been buying February and March matu-

rities at $1\frac{1}{2}$; and though their purchases have not been large, they have helped the market to finance the large quota of Treasury bills which it obtained last week. This quota amounted to 67 per cent., total applications for the £65 millions of bills on offer amounting to £89.5 millions, against £92.6 millions in the previous week. The easier trend in rates generally was responsible for the fall in the average rate of discount from £1 5s. 3.81d. to £1 4s. 7.63d. per cent.

* * *

The latest Exchequer return shows that the floating debt has passed the £1,500 millions mark. Of the total of £1,515 millions, which compares with £1,030 millions a year ago, £1,459 millions is accounted for by Treasury bills. The tender issue of these has now reached £750 millions, and this is the

amount of the effective floating debt as the balance consists of tap Treasury bills and advances from Public Departments, which are covered by corresponding assets.

* * *

The last two Bank Returns show some very big movements resulting partly from the big outflow of Christmas currency and partly from the action taken by the authorities to offset the immobilisation of funds. Over the two weeks the note circulation has gone up by £9.5 millions, and the proportion has fallen to the low figure of 14 per cent. Bankers' deposits, however, have recovered from their previous low level owing to the special bill purchases which are discussed in a Finance Note. As a result of these purchases Government securities are at the extraordinarily high level of £151.5 millions.

THE MONEY MARKET

	Dec. 29, 1938	Dec. 20, 1939	Dec. 28, 1939
Bank Rate.....	2	2	2
London Deposit Rate ..	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$
Short Loan Rates:			
Clearing Banks	1-1 $\frac{1}{2}$	1-11 $\frac{1}{4}$	1-11 $\frac{1}{4}$
Others	1- $\frac{3}{4}$	1-11 $\frac{1}{4}$	3-11 $\frac{1}{4}$
Discount Rates:			
Treasury Bills (3 mth.)	11 $\frac{1}{2}$	11 $\frac{1}{4}$	11 $\frac{1}{2}$ -11 $\frac{1}{4}$
Three months' bank bills	11 $\frac{1}{2}$ -11 $\frac{1}{4}$	11 $\frac{1}{4}$	11 $\frac{1}{2}$ -11 $\frac{1}{4}$

* Viz., $\frac{1}{2}$ per cent. for loans against Treasury Bills and other approved bills and British Government securities within six months of maturity. $\frac{3}{4}$ per cent. for loans against 1 per cent. Treasury bonds and other gilt-edged stocks within six months of maturity. 1 per cent. for loans against other collateral.

† Viz., 1 per cent. for loans against Treasury bills and British Government securities; $\frac{1}{4}$ per cent. for loans against other collateral.

THE BANK RETURN

	Dec. 28, 1938	Dec. 13, 1939	Dec. 20, 1939	Dec. 27, 1939
Issue Dept.	£ mill.	£ mill.	£ mill.	£ mill.
Gold	326.4	0.2	0.2	0.2
Value per oz. fine	85s.	168s. 0d.	168s. 0d.	168s. 0d.
Notes in circulation	504.7	545.1	552.3	554.6
Banking Dept.				
Reserve ..	51.7	36.2	28.9	26.6
Public Depts.	15.9	45.8	34.5	29.7
Bnks' Depts.	101.0	87.7	114.9	117.3
Other Depts.	36.8	40.7	40.4	42.0
Govt. Secs.	69.2	126.1	145.2	151.5
Dis. & Advs.	28.5	5.4	5.4	4.3
Other Secs.	21.5	24.4	28.0	24.6
Proportion	34.1%	20.7%	15.3%	14.0%

THE BULLION MARKET

Date	Gold		Silver	
	Price per ounce fine*		Price per oz. standard	
			Cash	Two Mths.
1939	s.	d.	d.	d.
Dec. 21.....	168	0	23 $\frac{3}{8}$	23 $\frac{1}{2}$
" 22.....	168	0	23 $\frac{5}{8}$	23 $\frac{1}{2}$
" 27.....	168	0	22 $\frac{1}{2}$	22 $\frac{1}{8}$
" 28.....	168	0	22 $\frac{1}{8}$	22 $\frac{7}{8}$

* Bank of England's official price.

between Rs. 62 and Rs. 64 per 100 tolas, the open market price in Bombay has already sagged to Rs. 60.04. The London price has followed this weaker trend. On Wednesday the spot and forward quotations both fell by $\frac{1}{8}$ d. to 22 $\frac{1}{2}$ d. and 22 $\frac{1}{4}$ d., respectively, though on Thursday bear covering brought about rises of $\frac{1}{8}$ d. in both positions. The selling in the London market has come from Indian operators but has been of quite modest proportions. The violence of the price reaction is thus a token of the exceptional sensitiveness of the market. A bull position of some 5,000,000 ounces has been built up in London by Indian operators, in addition to their accumulation of a position of over ten times that figure in Bombay. If renewed doubts about the future of silver cause any appreciable liquidation of the speculative position in London, it would be reasonable to expect the sterling price to fall closer to the dollar parity of around 20d. It would, however, be unwise to assume that the reaction in the sterling price of silver will go beyond this point or that it has much permanence. Now that silver imports into this country are prohibited, save under licence, the normal requirements for the metal, once the speculative position has been liquidated, must depend for their satisfaction on the stocks of the Indian Government. These, it may be assumed, will only be made available, as in the past, at the price of 23 $\frac{1}{2}$ d. per ounce. After the disturbances that must be the inevitable aftermath of speculative excesses in silver, the price is likely to return to the anchor provided, for countries within the sterling area, by the selling price of the Indian Government.

Investment

Next Year's Maturities.—Unlike the year now ending, 1940 should see considerable activity in conversion and repayment operations. The total of loans finally maturing in 1940 is fairly small. But in many cases, 1940 is the first optional year for redeeming a large number of stocks, whose final redemption dates frequently extend to the 'sixties. First and foremost comes £352,755,133 of 4 $\frac{1}{2}$ per cent. Conversion Loan, which is callable from July, 1940, on 3 months' notice and finally due July 1, 1944. It is generally assumed that the Treasury will take an early opportunity for converting this loan to current rates of interest, which for a comparable short-dated loan might be 1 per cent. lower than the existing rate. Some £3 $\frac{1}{2}$ millions is a respectable sum to save in interest, though it cannot be ruled out that in view of wartime borrowing it might be decided not to exercise the earliest option. As sentiment fluctuates on this point, one may expect some rather considerable movements in the stock during the next few months. Some time during 1940, moreover, the market should know the authorities' intention regarding £99,999,900 1 per cent. Treasury bonds, which are finally due February 1, 1941, but which call for 3 months' notice if earlier repayment is decided upon. Definite maturities of British public debt are very small: the £600,000 British Government-guaranteed Mauritius 3 per cent. loan is due on January 1st, and small repayments of an aggregate of £2,061,000 are due from Belfast, Croydon, L.C.C. Housing bonds, and Glasgow. The coming year, however, provides the first chance for redeeming some 13 corporation loans carrying interest at 6 per cent., and amounting altogether to £12,857,000 nominal. The largest item is the £1,990,119 Middlesex loan, and the £1,944,014 Herts issue has already been provided for out of the recent £3,000,000 loan. Current prices suggest that early repayment is expected, and the only possibility of difficulty lies in the Treasury's own requirements. Equally important is the £13,707,446 issue of L.C.C. 5 per cent. consolidated stock, which can be called on or after October 31st and is now priced at 102 $\frac{1}{2}$ cum 2 months' interest. In a closely similar class may be entered a total of £6,232,000 consisting of 4 $\frac{3}{4}$ per cent. loans of the Port of London, Birkenhead, Bradford and Walsall. The P.L.A. stock, of which £2,647,879 is outstanding, requires six months' notice before redemption, which can be July 1st next at the earliest. Border-line cases

Bank of New South Wales.—A strong plea for a co-ordinated economic policy for the prosecution of the war was made by Mr R. W. Gillespie, President of the Bank of New South Wales, at the general meeting. He pointed out that Australia was in a favourable position for making her war effort, as the British Government's decision to purchase her surplus of wool, meat, dairy produce and other commodities protects producers from any trade dislocation and also assures higher prices. But that careful planning and supervision will be necessary is evident from Mr Gillespie's review of conditions during 1938-39. The trading banks' deposits in this period rose by only £2.1 millions, while advances increased by £7.3 millions owing to the heavy demands from primary industries. The ratio of advances to deposits, therefore, rose by 1 per cent. to the very high figure of 93.3 per cent. This strain on the banks should, of course, be relieved by Great Britain's war purchases; but another adverse financial factor last year was the persistent undersubscription of Government loans in spite of higher rates of interest. One reason for this was the demand for funds by semi-Governmental bodies, which has consequently been brought under the control of the Loan Council. The Bank of New South Wales itself had a successful year with a small increase in net profits at £550,876. Advances rose by £4,337,000; but with regard to liquid assets there has been a switch over from Government securities to Treasury bills as part of a deliberate policy to place the Bank's resources at the disposal of the Government and the Central Bank.

in the 4 $\frac{1}{2}$ per cent. category among home corporation loans amount to £4,950,000, including £2,000,000 each for London and Edinburgh, while there is £1,977,607 of 4 per cent. P.L.A. stock, which is dated 1940-60. One point is clear from the 1940-60 list—the £1,380,000 3 per cent. Croydon stock, 1900, is not a candidate for conversion at current interest rates.

Dominions Conversions Possibilities.—Not only home stocks, however, will engage the attention of the Treasury in 1940. The British 4 $\frac{1}{2}$ per cent. Conversion Loan apart, Dominions government stocks present even more important conversion possibilities than home issues next year. The New Zealand 3 $\frac{1}{2}$ per cent. stock due January 1st has already been provided for by the assisted issue last July, and the Tasmanian 3 per cent. and 3 $\frac{1}{2}$ per cent. loans are now replaced by the 3 $\frac{1}{2}$ per cent. Commonwealth issue. In addition to these stocks, Ceylon 5 per cent. stock, amounting to £2,850,000 nominal, carries the single redemption date of May 1, 1940. But, as in home issues, the main question lies with the possibilities of conversion rather than inevitability of repayment. Among stocks carrying 5 per cent. some £7,900,000 South Africa stock can be called on or after July 1st, and £18,108,800 Queensland stock from October 1st. In addition there are amounts of £5,989,400 Commonwealth and of £5,913,200 Victoria stocks in the 4 $\frac{3}{4}$ per cent. category, for which conversion is at least a possibility. An important border-line case consists of £19,300,000 Canada 4 per cent. stock 1940-60, which now stands at 101 $\frac{1}{2}$ cum three months' interest. The dates 1940-50 or 1940-60 are also carried by six 4 per cent. and 3 $\frac{3}{4}$ per cent. stocks of Australian States (amounting to £17,430,000 in all), but at present rates these stocks are hardly in the conversion zone. As for Dominions corporations, loans of some 13 separate authorities mature finally in 1940. But the total sum involved is only about £4 $\frac{1}{2}$ millions, and Wellington alone has over £1,000,000 to repay. Conversion operations by Dominions corporations can be left out of account, for £1,145,914 Winnipeg 4 per cent. Consolidated stock 1940-60 now stands at 85, and the 4 $\frac{1}{2}$ per cent. Pretoria loan amounts only to £504,118 nominal. Whether or not their labours become apparent to the public, the Treasury

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will have a delicate task in 1940 in satisfying the numerous candidates who seek permission to convert their issues, and in view of the prime necessity for war borrowing it will hardly cause surprise if the actual number of operations is much smaller than the maximum which would be practicable in peacetime circumstances.

* * *

L.M.S. Preference Dividend.—Though scarcely a surprise, the announcement of payment on January 1st of the second half-year's dividend on the L.M.S. 5 per cent. redeemable preference stock has been well received by the market, and has assisted a further rise in the prices of home rail securities. In isolation, this preference payment is not of prime importance, for only £9,699,132 of this stock is quoted, and it is the second smallest of all the L.M.S. issues. But while this 5 per cent. stock is non-cumulative, it ranks equally with the very large 4 per cent. preference issue, of which £118,908,762 is quoted, so that the declaration is tantamount to an announcement of full payment on the 4 per cent. stock also. No indication, however, is forthcoming of the position of the marginal 4 per cent. 1923 preference stock. For 1938, only £37,326 was earned for this marginal stock, which requires £1,605,359 in a full year, and nothing was paid. Now that railways are under Government control, compensation terms to provide a return considerably better than that of so poor a year as 1938 have been hoped for, and in the continued absence of definite news of these terms the outlook for the L.M.S. 1923 preference and ordinary stocks is as uncertain as ever. The extent of the market's hopes is shown by the estimate that earnings of over 4½ per cent. would be shown on the L.M.S. ordinary stock if the guaranteed revenue were mid-way between the standard revenue which the companies are reported to seek and the 1936-37 average which the authorities are said to be offering.

* * *

Company Profits in 1939.—Though detailed analysis must await later comment, our usual table of profit and loss accounts on page 534 provides the first indication of the course of industrial profits in 1939. Some 2,334 companies (other than banks, or companies for which comparable figures are not available) have issued reports. These disclose net profits of £266,912,000, or 7½ per cent. less than £289,431,000 earned by the same businesses a year earlier. For several months past, the rate of decline of net industrial profits has shown hardly any variation, and in recent weeks there has been a tendency for a larger number of companies than in previous months to record higher total profits, though taxation frequently reduces net profits. The 2,334 companies paid out £189,112,000 in preference and ordinary dividends, and provided £72,982,000 for depreciation and reserves. For the past week only, net profits of 29 companies showed merely a fractional decline to £2,414,000, compared with £2,428,000 in the preceding year. The week's results are discussed in succeeding Notes, and on page 524 under the heading "Shorter Comments."

Company Notes

British-American Tobacco.—A preliminary profits statement last week announced the reduction of the final dividend on British-American Tobacco ordinary stock from 3½ per cent., tax free, to 2½ per cent., tax free, making a total dividend for the year ended September 30, 1939, of 19½ per cent., tax free, against 20 per cent., tax free, the previous year. The net income figure (after all expenses, including taxation) is disclosed as £5,165,453, compared with £5,590,886, a decline of nearly 8 per cent. But taxation no doubt accounts for much of this setback, for it may be recalled that Carreras, whose report was recently published, showed a 25 per cent. increase for the year in gross profits, but that heavier taxation and special reserves reduced the net income figure by over 10 per cent. The conclusion that British-American Tobacco have

had a somewhat similar trading experience is also suggested by the directors' confident decision to distribute almost the whole of the available earnings in dividend and to draw largely on the previous year's carry forward for a special contingencies reserve of £500,000. After paying the preference dividends, tax free earnings available for the ordinary shares are no more than 19.3 per cent. Confidence in the company's trading position in the current year is also reflected in the decision to pay in January a 4½ per cent., tax free, interim dividend in respect of the year 1939-40—the same rate as for the first interim of the previous year. How large a part taxation has played in reducing earnings for the year ended last September may be disclosed in the directors' report. It would be no small feat for a company of this size to maintain tax-free dividends for the duration in the face of increasingly severe wartime taxation.

* * *

Investment Trust Reports.—At first sight the results of investment trusts whose financial years ended on or since September 30th last are as satisfactory as could be expected. Dividends are only moderately reduced, and in many cases maintained, though the reduction in total revenue—usually not of serious dimensions—was a foregone conclusion. But the latest setback follows a fall in income in 1937-38 when investment trust revenues followed the downward trend of industrial profits with an unexpected promptitude, and distinctly upset the calculations of those who trusted the time-lag theory. Some of the companies are, in fact, reporting revenues not greatly higher than the low levels of the previous depression. And while dividends are usually still adequately covered by earnings, they generally represent a more generous distribution policy than in 1937-38. Income and earnings of some of the larger trusts whose reports have recently appeared are set out below:—

Company (and date of accounts)	Total Rev.	Earned for equity		Ord. div.	Depn. of Invests.	Present	
		Amt.	Rate			Price	Yield
Clydesdale Inv. (Sept. 30)—	£	£	%	%	%		%
1937	120,335	31,046	10.2	6	10.0	} ...	...
1938	113,857	26,889	9.2	6	24.6		
1939	101,041	19,217	6.9	5	*		
Lon. Scott. Amer. (Oct. 31)—							
1937	117,289	53,164	11.5	8	11	} 112½ (Stk.)	7.1
1938	106,600	44,838	9.3	8	18		
1939	102,262	39,997	8.0	8	21		
North. Amer. Tr. (Nov. 1)—							
1937	231,912	90,839	20.0	15		} 240 (Stk.)	6.3
1938	217,076	83,279	19.1	15			
1939	205,464	67,575	16.5	15			
Scott. Investment (Nov. 5)—							
1937	178,495	24,498	13.0	4	13.4	} 3/6 (5/-)	5.7
1938	165,008	14,529	7.9	4	17.4		
1939	153,777	10,180	6.2	4	18.7		
Sec. Edin. Inv. (Sept. 30)—							
1937	113,898	35,202	15.4	10		} ...	...
1938	117,772	37,849	17.1	10			
1939	106,791	30,196	14.7	10			
Southern Stockholders (Sept. 30)—							
1937	85,482	52,051	5.6	4	5.9	} 8/9 (L1)	8.0
1938	81,885	40,338	5.1	4	23.1		
1939	71,981	35,046	4.0	3½	19.7		

* Not available.

† Appreciation.

‡ Fully represented.

It should, however, be recalled that most recent trust accounts cover one or more months of the initial war period when the precautionary reductions or delays of British industrial dividends were common. As for capital assets, a number of trusts refer to fairly heavy realised losses (or losses due to writing down), though there are occasional instances of small profits. Companies which normally publish analyses of their investments continue to do so—they disclose little uniform change, apart from a larger proportion of home securities—but in some instances valuations have been omitted, because the directors consider they would be misleading, or because reliable valuations for

some securities cannot be obtained. Certain trusts have made no valuation; others have made a valuation but do not publish it. One trust records a depreciation of over 37 per cent., but our table bears witness to the existence of satisfactory exceptions. Second Edinburgh Investment still show no depreciation at all, and Southern stockholders have reduced their depreciation figure. The record of trusts generally for the past two or three years, however, does not encourage hopes of a sensitive response to industrial revival, especially as E.P.T. renders it the more necessary to distinguish total profits from equity earnings.

* * *

R.M. and E.D. Announcements.—Until recently, R.M. and E.D. Realisation ordinary shares were both quoted at 3s. in accordance with the general opinion that the remaining assets of both companies should realise about the same on liquidation. After the cash payments in November last year, each company held about £70,000 ordinary stock in Union Castle Mail Steamship, and the larger miscellaneous holdings of E.D. were regarded as balancing the larger R.M. holding of Anglo-Foreign Properties. Since the issued capital of both companies consists of 1,000,000 ordinary shares, their total assets each had a current market value of £150,000. But last week's announcement has qualified this apparent equality. A cash payment of 2s. per E.D. share, absorbing £100,000, will be made next month, but no payment is promised for R.M. shareholders. According to the liquidator's statement, funds do not permit of a further distribution. It may be that E.D., having redeemed its debenture stock somewhat earlier than R.M., had a larger cash surplus in hand after liquidation was approved in December, 1937, which was possibly not completely absorbed by the cash payment in December, 1938. Alternatively, certain assets may have been relieved of a contingent liability. The actual realisations effected during the year have yet to be disclosed, but clearly the later stages of liquidation are not assisted by the recent trend of share and property values or by wartime control of security transfers. The R.M. shares are still quoted at 3s., while E.D. are now priced at 3s. 6d.

* * *

Charterhouse Investment Trust.—The year 1939 was not satisfactory for investment trusts and finance companies. The decision of Charterhouse Investment Trust to maintain the 3 per cent. ordinary dividend must therefore be regarded "not without some measure of satisfaction," to quote the chairman's speech. In March of this year the trust decided to separate its investment business from its finance activities, and for this purpose the wholly-owned subsidiary Charterhouse Finance Corporation was formed to take over the new issue and financing business. In consequence, the form of accounts is somewhat changed. Certain operating expenses charged to the trust's profit and loss account in 1937-38 have for this reason been transferred, for the year ended November 11, 1939, to the accounts of the new subsidiary. Hence last year's gross revenue of £52,749 is not comparable with the previous year's figure of £110,456. Taxation requires £12,610 against £21,868, and after paying the preference dividend, ordinary earnings are reduced from £20,202 to £8,594. The 3 per cent. dividend therefore requires a draft on the previous year's carry-forward, but the chairman points out in his speech that this is more than balanced by profits retained in the subsidiaries. The balance sheet reflects the company's reorganisation last March, when the finance company took over assets valued at £650,000 from the parent company (and the corresponding reserves), while the latter subscribed the whole of the new company's £450,000 ordinary capital at a premium of £200,000. In November, 1938, the trust's quoted securities showed a depreciation of 7.18 per cent. below their book values of £1,047,533. In November, 1939, the quoted and unquoted securities of both the trust and finance company (which correspond to £1,115,592 for

quoted and unquoted securities held by the trust itself in the previous year) had a book value of £1,105,579 and a market valuation of £981,130, a depreciation of over 11 per cent. This is eloquent of a difficult year, but the trust's depreciation rate of 14.27 per cent. on book values is comfortably covered by reserves. The segregation of activities seems to be working well, for combined overheads alone were cut 17 per cent. last year, while the reserve and liquid position of both companies is satisfactory. But the future is obscure, particularly for the trust's property interests in London. The subsidiary, the Monument Property Trust, has temporarily suspended preference dividend payments and its balance sheet to March 31, 1939, is not appended this year to the parent company's accounts, owing to the drastic change in conditions since that date. The chairman is confident, however, that the group's reserves are adequate to meet even the worst contingencies.

* * *

Apex (Trinidad) Setback.—The known reduction in Apex (Trinidad) output during the year ended September 30th and the subdued state of the oil market for most of that period had prepared investors for some reduction in the Apex dividend. The year's distribution is reduced from 40 per cent. to 30 per cent., and since the carry forward is raised by only a small sum, this dividend is not apparently covered by any large margin of earnings. Oil profits are shown by the preliminary statement to amount to £417,957, against £482,875. This 14 per cent. drop is, however, rather more than the reduced output alone would account for, and sluggish prices and higher labour costs seem also to have played a part in the fall. Amortisation of wells requires £151,483, against £158,604, and the previous year's special provision of £10,000 is not repeated. The familiar story of a substantial increase in taxation charges appears in the Apex statement no less than in other companies' accounts, and £80,464 is set aside, against £64,740. Hence the reduction in dividend is greater than would be required by the fall in profits alone. With every prospect of a good volume of demand and the adjustment of prices to increased costs, the outlook is quite satisfactory at present, despite the widening gap between retail prices and the price received by the prime producer. At 25s. 10½d. Apex 5s. shares yield £7 6s. 7d. per cent.

* * *

Trepca Mines Outlook.—The absence of a Trepca dividend in a financial year that has seen no important movements in average lead and spelter prices is due to well recognised special causes. The strike in the late summer (but for which operations were at a higher rate than in the previous year) caused a reduction in ore milled from 655,712 metric tons to 616,403 metric tons. Expenses fell by a slightly smaller proportion; operating

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and transport costs per ton rose by 3d. to 20s. 1d., though they included 1s. against 1d. for maintenance of properties not in actual production. Reduced average assay values of lead, and more particularly zinc, however, were partly responsible for a 10 per cent. drop in lead concentrates produced to 65,561 metric tons, and of 24 per cent. in zinc concentrates to 53,182 metric tons. The consequence is a fall from £197,923 to £46,446 (or 2½ per cent. actual) in equity earnings, as shown below:—

	Years ended September 30th	1937	1938	1939
Total proceeds	£	1,558,412	995,379	836,906
Operating expenses	£	579,258	624,928	589,527
Taxation	£	266,676	88,440	117,749
Other charges	£	80,008	84,088	83,184
Stock (tax free)				
<i>Earned</i>	£	632,470	197,923	46,446
<i>Paid</i>	£	447,244	154,425	Nil
<i>Earned %</i>	%	46.6	13.9†	*
<i>Paid %</i>	%	30	10†	Nil
To reserves	£	125,000	25,000	10,600
Special charges	£	16,594	406	
Carry-forward	£	92,261	94,165	129,605

† On capital before Zletovo, etc., merger; interim on £1,118,908; final on £1,120,263. * Or 2.6 per cent. actual on £1,789,023.

Roughly, one-quarter of the latest earnings is placed to a new reserve for contingencies, and the rest added to the carry-forward. Cash holdings have fallen from £1,076,060 to £750,038, which is partly offset by a new item of £159,454 for shares in subsidiaries, the smelter now in course of construction being owned through a Yugoslav

subsidiary. Owing to the official control of production and exports of minerals in Yugoslavia, and to exchange difficulties, the effect of war on Trepca Mines (which last year shipped two-fifths of its output to Germany) is unusually hard to foresee. So far, shareholders have lacked any authoritative guidance. Mr Chester Beatty's comments at the meeting on Friday were made after *The Economist* had gone to press. Trepca 5s. units stand at 5s. 9d.

Company Meetings of the Week.—Reports of company meetings will be found from page 528 of this issue. Addressing shareholders of *Orient Steam Navigation*, Mr I. C. Geddes expressed the hope that a comprehensive policy would be adopted by the Government for British liners, since the shrinkage of the company's passenger revenues could not be covered by any possible increase in freight rates or from reserves. Discussing property war losses compensation at the *Stoll Theatres Corporation* meeting, Sir Oswald Stoll advocated a Government advisory committee to make recommendations for compensation for special loss arising out of the war. Mr H. Cecil Booth informed shareholders of *British Vacuum Cleaner and Engineering* that in June, 1939, the company had added substantially to its machine-tool equipment and this section was working to capacity. At the *Booker Bros., McConnell and Company* meeting, Sir Alfred P. Sherlock pointed out that the decision to increase the ordinary interim dividend in July, 1940, from 4 per cent. to 5 per cent., was to equalise the annual distribution and would not of itself mean that larger profits had accrued.

THE STOCK EXCHANGES

London

Note: All dealings are for cash.

In view of the dull tendency for a week or so past, the relatively cheerful re-opening of the markets after Christmas is a healthy sign. Business remains on a small scale, but the underlying firmness of the markets is shown by the prompt response of quotations to a modest volume of buying orders.

The renewed strength of *gilt-edged* stocks which became apparent towards the end of the previous week continued on the resumption of business on Wednesday. War Loan was outstanding, and a gain of ¼ was followed by a similar rise on Thursday. Thus at 93½ War Loan is at its highest level since war began. Other *gilt-edged* stocks followed suit, though in a rather more restrained manner. The actual amount of business, however, was unimportant. Home corporation and Dominion issues were again unexciting but firm, and the new Australian scrip improved to around ½ discount. Japanese issues were prominent among *foreign bonds*, and Chinese loans also improved. South American securities remained without support, and European bonds generally produced little of note. One of the chief features of the markets was provided by *home rails*. Assisted by the strength of *gilt-edged*, and more particularly by the L.M.S. 5 per cent. preference dividend, marginal and debenture and guaranteed stocks improved, and the ordinary stocks also were firmer. Though there were few further advances on Thursday, profit-taking failed to depress prices. While Argentine rails were neglected, there was some support for Canadian Pacific preference.

A firm undertone despite quiet conditions was the characteristic of the industrial markets on re-opening. There was little of interest in iron and steel or coal shares or the heavy industries generally, apart from the continued strength of the shares of locomotive makers. Aircraft and motor issues were featureless. Textile shares again proved one of the best sections of the market, and on Thursday Calico Printers rose 1s. to 8s. In addition, there is now less disposition to confine support to the leading issues. Breweries began with a moderate display of strength, though interest was not sustained, and tobacco shares were firm. Provision and catering and stores issues produced no important movements. In the miscellaneous section, there was some demand for leaders such as I.C.I. and newspaper shares received a certain amount of support.

Firmness in other sections of the market and a shortage of stock imparted a brisk tone to the oil market after the holiday. Royal Dutch were particularly favoured. Mexican Eagle were bought on Wednesday and the

"FINANCIAL NEWS" INDICATORS

1939	Total Bargains†	Corres. Day 1938	Security Indices	
			30 ord. shares*	20 fixed int.†
Dec. 21	3,288	4,095	74.7	117.3
" 22	2,762	3,835	74.7	117.3
" 27	2,893	3,685	74.7	117.2
" 28	2,902	4,465	74.8	117.3
1939 High...	...	...	88.0 Mar. 10	123.5 Jan. 3
Low ...	...	...	66.4 Sep. 28	109.6 Oct. 4

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

generally firmer appearance was well maintained later in the week. *Rubber and tea* share markets have been quiet.

Trading has been small in the *mining* market. Kaffirs improved on Wednesday in anticipation of a Government statement in January on state-aid for companies short of developing funds. Among base metals, tin shares, where changed, improved against the easier trend of the metal price. Rhodesian copper shares were hardly tested.

New York

Despite a considerable increase in turnover after Christmas, there has been no improvement in tone on Wall Street. A setback in some leading commodity prices started a moderate bout of selling, which together with rumoured liquidations for taxation purposes drove down the Dow Jones industrial average from 149.85 on December 23rd to 148.52 by the 27th. Rails and copper issues have been particularly dull features. Holiday influences have reduced this week's steel mill activity, according to *Iron Age*, to 74 per cent. of capacity, compared with 91.5 per cent. the previous 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 Apr. 12	High Jan. 4	Dec. 13, 1939	Dec. 20, 1939	Dec. 27, 1939
347 Ind'ls....	92.8	114.5	107.9	108.0	107.4
32 Rails....	23.3†	32.5	29.9	29.3	28.8
40 Utilities	77.8	89.9†	87.0	86.5	86.5
419 Stocks	79.3	95.6	91.9	91.8	91.3
Av. yield*	4.42%†	3.31%	4.39%	4.37%	4.39%
	High	Low			

* 50 Common Stocks. † Aug. 2nd. ‡ Aug. 23rd.

CAJA DE AMORTIZACION

The Caja Autónoma de Amortización de la Deuda Pública de la Republica de Chile, in accordance with the provisions of Article 6 of the Regulations of Law No. 5580 of the 31st January, 1935, approved by the Supreme Decree No. 3837 of the 24th October, 1938, declares that in the year 1939 it has received the following revenues to be applied to the service of the External Debt:—

Profits of the Chilean Nitrate and Iodine Sales Corporation	U.S. \$2,979,512.14
Fourth category and additional income tax on the Copper Companies	6,348,008.74
Quota of the duties on petroleum for the nitrate industry (Article 7 of Law No. 6155 of the 6th January, 1938)	65,810.14
Quota of the duties on petroleum for the Copper Companies (Article 7 of Law No. 6155 of the 6th January, 1938)	62,872.14
	U.S. \$9,456,203.16

50% of this revenue, or the sum of U.S. \$4,728,101.58, will be applied to the payment of interest at the rate of U.S. \$1.5225 per hundred dollars nominal capital, Sw. Fcs. 1.5225 per hundred Swiss francs nominal capital, and £1 10s. 5.4d. per hundred pounds nominal capital.

With the remaining 50% of the revenue received, bonds have been redeemed to the nominal amount of U.S. \$5,882,000, £120,560 and Sw. Fcs. 228,000, and have been withdrawn from circulation.

The balance not utilised of this 50% will be carried forward to increase the funds applicable to amortisation in the next year.

After making the above-mentioned redemptions, the balances of bonds of the External Debt are as follows:—

£27,763,571.
U.S. \$176,424,000.
Sw. Fcs. 109,794,000.

The last-mentioned of these balances has, moreover, been reduced by Sw. Fcs. 800,000. This reduction corresponds to Swiss Franc bonds redeemed extra-ordinarily by the Municipality of Santiago in the year 1939. Deducting this amount from the figures given above, the actual balances of the bonds of the External Debt in circulation are as follows:—

£27,763,571.
U.S. \$176,424,000.
Sw. Fcs. 108,994,000.

Santiago de Chile, 29th December 1939.

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

Dec. 14	Dec. 15	Dec. 16	Dec. 18	Dec. 19
120.0	120.6	120.5	120.3	120.1
Dec. 20	Dec. 21	Dec. 22	Dec. 23	Dec. 27
120.5	121.0	121.2	120.5	119.8

1939 High: 130.3 January 4th. Low: 98.8 April 8th.

TOTAL DEALINGS IN NEW YORK

	Stock Exchange	
	Shares 000's	Bonds \$000's
December 20	910	7,770
" 21	740	9,060
" 22	720	7,590
" 23	330	(a)
" 26	720	7,620
" 27	1,150	10,820

(a) No figures available.

New York Prices

Close Latest Dec. 20, 1939	Close Latest Dec. 20, 1939
1. Rails and Transport	Shell Union... 12 12½
Atchafalaya 23½	Socony Vac. 115½
Balt. & Ohio 59½	Stan. Oil Cal. 24½
Ches. & Ohio 39½	Stan. Oil N.J. 43½
G.N. Ry. P. 27½	Texas 43½
Illinois Cent. 12½	4. Manufacturing
N.Y. Central 18½	Briggs 21½
Pennsylvania 22½	Chrysler 89
Rocky Mt. 14½	Gen. Motors 53½
Southern Ry. 20½	Boeing Airplan 22
Union Pac. 95½	Douglas Air. 80½
2. Utilities and Communications	United Aircraft 45½
Am. W. Works 11½	Allied Chem. 17½
Con. Edison 29½	Dupont 17½
Col. Gas & El. 6	Gen. Electric 40½
N. American 21½	West. Elec. 116½
Pac. Gas & El. 36½	American Can 112
Pub. Serv. N.J. 39½	Caterpillar 54½
United Corp. 24	Int. Harvester 61½
Un. Gas Imp. 14½	Johns Manville 74½
Amer. Tel. 169½	Corn Prods. 63½
Inter. Tel. For. 37½	J.I. Case & Co. 71
West. Union 26½	Glidden 17½
Radio 53½	Celanese of A. 29½
3. Extractive and Metal	Eastm'n Kdk 166
Am. Rol. Mill 16½	Loews 34
Beth. Steel 82½	20th Cen. Fox 11½
Republic St. 23½	5. Retail Trade, etc.
U.S. Steel 67½	Mont. Ward 54
Am. Metal 22½	Sears Roebuck 82½
Am. Smelting 50½	Woolworth 38
Anaconda 31½	Nat. Dairy 16½
Cerro de Pas. 37½	Am. Tob. B. 85½
Int. Nickel 36½	Nat. Distillers 22½
Kennecott 37½	6. Finance
U.S. Smelt. 62	Comcl. Credit 44½
	Com. Inv. Tr. 50½

Capital Issues

CAPITAL ISSUE TOTALS

Week ending December 30, 1939	Nominal Capital	Con- versions	New Money
To the Public	Nil	Nil	Nil
To Shareholders	Nil	Nil	Nil
By S.I. Introduction	Nil	Nil	Nil
By Permission to Deal	Nil	Nil	Nil
Savings Certs., week to Dec. 23, 1939	3,000,000	Nil	3,000,000
3% Defence Bonds sales, week to Dec. 23, 1939	3,100,000	Nil	3,100,000
Year to date	Including Conversions	Excluding Conversions	
1939 (New Basis)	167,407,387	140,322,693	
1938 (New Basis)	297,685,560	273,123,736	
1939 (Old Basis)	114,745,554	88,756,723	
1938 (Old Basis)	203,686,595	180,105,586	

Destination
(Excluding Conversions)

Year to date	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1939 (New Basis)	112,609,173	25,467,789	2,245,732
1938 (New Basis)	213,745,062	53,683,402	5,695,272
1939 (Old Basis)	72,596,632	15,840,091	320,000
1938 (Old Basis)	152,986,332	24,299,182	2,820,072

Nature of New Borrowing
(Excluding Conversions)

Year to date	Deb.	Prof.	Ord.
1939 (New Basis)	83,672,895	8,831,629	47,818,169
1938 (New Basis)	147,191,726	21,795,937	104,136,073
1939 (Old Basis)	75,908,921	2,688,459	10,159,343
1938 (Old Basis)	136,348,189	12,754,505	37,002,912

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 AND
REPAYMENT

Kinta Kella Rubber Estates.—It is proposed to issue £22,000 new 5½ per cent. debentures, 1950, at 97½, to repay about £22,000 7 per cent. debentures due March 31, 1940. Holders of latter may convert.

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.
RAILWAYS	%	%	%	%
L.M.S. 5% Red. Pref.	2½*	5	Jan. 1	5
TEA & RUBBER	2½*	5	Jan. 1	5
Brunei Rubber	2½*	5	Jan. 1	5
Hongkong Rbr.	15*	Dec. 28	Nil*	Nil*
Limbuguri Tea	5*	Jan. 15	5*	5*
Rajah Alli Tea	5*	Jan. 15	5*	5*
Sylhet Tea	2½*	Jan. 24	2½*	2½*
MINING	%	%	%	%
De Beers 40% Cum. P.	10/p.s.	5	Jan. 10	10/p.s.
Dundee Coal (Natal)	5*	Jan. 16	6½	6½
Gold and Base Metal	5*	Jan. 30	10*	10*
Jos Tin (Nigeria)	5*	Jan. 30	12½	12½
INDUSTRIALS	%	%	%	%
Allied Bakeries	5*	30	Jan. 27	5*
Apet (Trinidad) Oil	17½*	40	Jan. 25	40
Brit. Amer. Tobacco	16½*	19½	Jan. 25	19½
Ditto	10½*	10½*	Jan. 25	10½*
Caribonum Trust	1*	1*	Jan. 15	1*
Chilean Nitrate Sales	5*	5*	Jan. 15	5*
5% Ster. Debs.	2½*	2½*	Jan. 1	2½*
Dundee Shipping	4*	4*	Jan. 1	4*
Eastwoods Flettons 8%	5*	5*	Jan. 15	5*
P.F. Ord.	3	3	Jan. 15	3
Hollins Mill	9.7	16.17	Jan. 20	16.17
Industrial News	25½	32½	Jan. 20	32½
Int. Combustion	11½	16	Jan. 1	16
Jute Inds. (Pref.)	15½	25	Jan. 1	25
Lister (R.A.)	21½*	21½*	Jan. 1	21½*
Lindley (C.)	21½*	21½*	Jan. 1	21½*
Manchester Dock	38 cts*	\$1½ ps	Jan. 31	\$1½ ps
Manchester Warehouse	1½*	1½*	Jan. 1	1½*
Montreal Light	8½*	12½	Jan. 1	12½
New Brick (Newhey)	5*	5*	Jan. 1	5*
Roberts (J.F. & H.)	5*	5*	Jan. 1	5*
Rogers (R.H. & S.)	23 cts*	23 cts*	Feb. 15	23 cts*
Shawinigan Water	14*	14*	Feb. 15	14*
Sheepbridge Coal	6	6	Jan. 1	6
Smith's Dock	2*	2*	Jan. 1	2*
Sth. Brit. Invest.	4*	4*	Jan. 1	4*
Standeren	2½*	2½*	Jan. 1	2½*
Stoddard (A.F.)	4*	4*	Jan. 1	4*
Tamplin and Sons	4*	4*	Jan. 1	4*
Telephone Rentals	4*	4*	Jan. 1	4*
Van den Berghs, etc.	28*	28*	Dec. 28	Nil*
Yeast-Vite	Nil*	Nil*	Dec. 28	Nil*

* Free of income tax.

JUTE INDUSTRIES, LTD.—Dividend 4 per cent. on 8 per cent. non-cumulative participating preference shares for year to September 30, 1939, against 3 per cent. for previous year.

SHEEPBRIDGE COAL & IRON COMPANY.—Tax free interim dividend on ordinary shares reduced from 5 to 4 per cent.

SMITH'S DOCK COMPANY.—Ordinary dividend 6 per cent. for year to September 30, 1939, against 7½ per cent.

VAN DEN BERGHS AND JURGENS.—Interim ordinary dividend, 4 per cent. tax free, against 4 per cent. less tax.

Shorter Comments

Company Results of the Week.—Further progress has been made by ADELAIDE ELECTRIC SUPPLY COMPANY, whose gross revenue for 1938-39 is £1,064,905 against £986,618. The full report of UNITED TOBACCO COMPANIES (SOUTH) confirms the satisfactory dividend announcement. A substantial loss for 1938-39 is reported by

SISAL ESTATES, whose consolidated profit and loss account shows estate expenses in excess of gross proceeds from sisal sales. EAST INDIA DISTILLERIES AND SUGAR FACTORIES have experienced a good year and pay 15 per cent. against 10 per cent. R. A. LISTER AND COMPANY have experienced a setback, and are making a small reduction in dividend after showing trading profits of £224,619 against £265,922, and bringing in £30,011 provision for contingencies not now required. Both SCOTTISH CONSOLIDATED TRUST and SECOND BRITISH STEAMSHIP TRUST maintain their dividends. BOWMAKER, LTD., are not declaring a final dividend, owing to war conditions and financial provisions to meet them. The whole of the general reserve of £175,000 has been transferred to inner reserves for war contingencies.

Orthodox Unit Trust.—Resolutions agreeing to proposed changes in the Trust Deed were passed at a meeting of unit holders on December 27th. (These changes were described and discussed in *The Economist* of December 23, 1939, on page 473.)

Royal Bank of Canada.—Total assets, November 30, 1939, \$1,014,708,343 (\$908,064,712). Deposits stand at \$911,519,209 (\$804,108,757). Increase in deposits to the extent of \$39,000,000 is due to larger Dominion Government balances, while non-interest bearing accounts increased by about \$48,000,000. Cash, \$234,483,551 (\$200,287,265). Profits, after taxation, \$3,724,842 (\$3,696,234). Dividends absorb \$2,800,000 as before. To: Pensions, \$300,000; premises, \$250,000. Carry forward, \$3,096,252, an increase of \$374,843. Meeting in Montreal January 11, 1940.

Beechams Group Interim Dividends.—Beecham Maclean Holdings is paying 16 per cent. For period July 13, 1938, to June 30, 1939, there was an interim of 13½ per cent. and a final of 3½ per cent. Macleans announce a second interim of 18 per cent., making 25½ per cent. to date against a total dividend of 25 per cent. for previous nine months. Eno Proprietaries is paying an interim of 12 per cent. for 15 months to March 31, 1940, against 7 per cent. for 1938. Yeast-Vite's interim is 28 per cent. against nil.

De Beers Consolidated Mines.—Dividend 10s. per share on the 40 per cent. cumulative preference shares of £2½, for the six months to June 30, 1939, to holders as at December 31, 1939. The previous preference payment for the second half of 1938 was made in July, 1939.

Consolidated Diamond Mines of South West Africa.—This company announces a dividend on the 7½ per cent. cumulative preference for half-year ended June 30, 1939.

Consolidated Tin Mines of Burma.—Profit year to September 30, 1939, £48,974 (£59,222). For Government taxes, £14,500 (£5,000). To depreciation, £6,500; drilling, £2,000. Ordinary dividend 10 per cent. on £318,088 (subject to tax at 3s. 8d.), against 5 per cent. on £848,235.

Great Western of Brazil Railway Company.—It is announced that the committee appointed under the scheme of arrangement of May 27, 1938, have extended the moratorium period on the 4 per cent. debentures and permanent 6 per cent. debenture stock until December 31, 1940.

Commercial Union Assurance.—Under new life prospectuses, bonuses on new participating policies will be allotted by compound reversionary bonus system. That is, bonuses will be declared as reversionary bonuses as percentage of sum assured (or sum and existing bonuses), instead of being allotted in first place as cash bonuses and converted to reversionary equivalent.

(Continued on page 525)

Industry and Trade

Engineering in War.—Britain's engineering industry, long renowned for its skill and the variety of its products, has a vital task in war. It must render the Allies superior to the enemy in the capacity to produce munitions as well as munition-making machinery. This task is not beyond the industry's capacity. Under the pressure of re-armament the industry has been further expanded in the past year and, as the following table shows, its man-power is impressive:—

	NUMBER OF INSURED PERSONS IN ENGINEERING TRADES (In thousands)		
	July, 1938	July, 1939	Percentage unemployed
General engineering	640.5	661.6	3.4
Electrical engineering	117.7	122.9	2.6
Marine engineering	57.2	59.9	3.4
Constructional engineering	46.7	49.4	5.5

In every section of the industry, it will be seen, the number of insured workers has shown an increase between July, 1938, and July, 1939. Moreover, much has already been done in changing over from a peace to a war economy. No less than 75-80 per cent. of the industry's current output is for military purposes. As a consequence production for the export markets and for the satisfaction of domestic civil demand had to be curtailed; the proportion of the industry's current output destined for the export markets is under 10 per cent. and that for domestic civil demand between 10 and 15 per cent. These proportions are averages for the industry as a whole, and they vary considerably in individual factories. Despite the virtual elimination of unemployment among skilled engineers, the industry has by no means reached the limits of its capacity. At present the chief difficulty is not so much the lack of plant

as the shortage of skilled labour. The extent to which production can be speeded up in future, indeed, depends largely on the foresight exercised by employers, trade unions and the Government in securing the best distribution of the available skilled labour.

Industrial Changes in 1938.—In *The Economist* of December 23rd (page 478) we showed the geographical incidence of factories opened and closed as recorded in the latest Survey of Industrial Development. Equally interesting is the analysis of changes by industries given below:—

	NUMBER OF FACTORIES OPENED AND CLOSED IN 1938		
	New Factories	Factory Extensions	Factories Closed
Non-metalliferous mining products	9	3	5
Bricks, pottery, glass	15	4	8
Chemicals	23	5	11
Iron and steel	34	22	34
Engineering	59	27	38
Vehicles	37	17	12
Non-ferrous metals	5	4	5
Textiles	29	9	98
Leather	11	2	11
Clothing	75	18	102
Food, drink, tobacco	29	10	16
Timber	44	3	45
Paper, printing & stationery	24	9	22
Miscellaneous	20	12	25
Total	414	145	432

In the majority of industries the number of new factories opened was either equal or greater than the number closed. But the excess of the number closed over that opened in

SHORTER COMMENTS

(Continued from page 524)

Bowmaker, Ltd.—Trading profit year to October 31, 1939, £196,223 (£213,728). Net profit, £40,333 (£82,004). Ordinary dividend reduced from 10 to 3 per cent. To general reserve, nil (£25,000). Carry forward, £15,924 (£15,040). It is proposed to transfer all the £175,000 general reserve to inner reserves for war contingencies. Consolidated balance sheet shows that bills, debtors, etc. (less reserves) have fallen from £4,237,059 to £3,900,095. Creditors, £211,827 (£341,976). Loans and acceptances, £2,927,831 (£2,864,241).

Cooper and Company's Stores.—Profit year to October 10, 1939, £71,018 (£65,115). After debenture interest and full dividend on preference shares, carry forward is increased from £21,304 to £34,321. Stocks, £321,383 (£264,582). Debtors, £239,384 (£189,769). Creditors, £257,062 (£161,009).

Bengal Doars Railway.—It is the intention of the Governor-General of India in Council to purchase the company's railway and extensions on December 31, 1940.

British Northrop Loom Company.—Profit year to October 28, 1939, £24,631 against £13,343 after tax and N.D.C. provision of £21,890. To reserve, £10,000 (nil). Written off patent rights, £750. Carry forward, £11,670 (£13,006).

Eagle Star Insurance.—Interim bonuses on claims by death or maturity on and from January 1, 1940, are at rates per cent. shown below on various funds: Current life: ordinary with profit and full premium abstiners, £1; abstiners (premiums reduced), 7s. 6d. Sceptre closed, whole life: temperance, £1 10s.; general, £1 6s. Eagle closed, £5. English and Scottish closed, £1 compound. Star closed, £1 compound.

Peel River Land and Mineral Company.—Net profit for year to June 30, 1939, £13,654 (£32,921). Ordinary dividend 6 per cent. tax free, against 11 per cent. tax free plus special cash distribution of 10 per cent. from a capital profit. In July, 1938, the capital was reduced from £360,000 to £216,000 by a return of 8s. per £1 capital stock.

Purnell and Sons.—Profit for year to September 30, 1939, £26,485 (£42,419). To tax and N.D.C., £2,200 (£15,000). Ordinary dividend reduced from 8 to 2 per cent. To general reserve, £8,494 (£5,431). Carry forward, £10,673 (£6,697).

Adelaide Electric Supply Company.—Gross revenue for year to August 31, 1939, £1,064,905 (£986,618). Net revenue, £473,051 (£455,102). Net profit, £366,348 (£365,592). To reserve, £118,690 (£118,900). Ordinary dividend, 10 per cent., as before. Carry forward, £146,185 (£146,027).

East India Distilleries and Sugar Factories.—Trading profit for year to September 30, 1939, £94,894 (£41,961). Net profit, £71,908 (£30,116). To properties reserve, £5,000 (same); income tax, N.D.C. and E.P.T. reserve, £21,000 (£2,300); general reserve, £10,000 (nil). Ordinary dividend raised from 10 to 15 per cent. Carry forward, £9,086 (£5,226). Cash has risen from £18,500 to £105,438.

R. A. Lister and Company.—Profit for year to September 30, 1939, £219,417 (£245,023). Dividend and bonus lowered from 17½ to 16 per cent. Tax provision, £94,138 (£72,092). To general reserve, £25,000 (£25,000). Carry forward, £75,961 (£70,296). Cash, £211,828 (£451,948). Plant, etc., £227,201 (£183,126). Debtors, £427,804 (£332,543). Creditors, £318,518 (£153,192). Consoli-

dated balance sheet shows rise in current assets from £477,859 to £552,551.

British Industrial Plastics.—Trading profit for year to September 30, 1939, £110,630 (£97,565). Ordinary dividend raised from 6 to 8 per cent. To taxes, £20,000 (£10,000); depreciation, £15,040 (£11,331); research, £10,290 (£9,870). Net profit, £22,400 (£22,185). Carry forward, £3,917 (£5,698).

Associated Provincial Picture Houses.—Profits for year to May 31, 1939, £96,123 (£111,889). To depreciation, £26,250 (£26,000); tax and N.D.C., £20,550 (£20,353); general reserve, £15,000 (same). Ordinary dividend reduced from 6 to 4 per cent. Carry forward, £89,334 (£90,511).

Witbank Colliery.—Working profit for year to August 31, 1939, £113,159 (£107,392). Capital expenditure, £23,001 (£12,159). To taxation, £7,959 (£8,143). Ordinary dividend 17½ against 15 per cent. Carry forward, £168,983 (£156,424).

McCarthy, Rodway and Company.—Trading profit for year to June 30, 1939, £75,810 (£78,193). Net profit, £26,678 (£25,270). Ordinary dividend maintained at 10 per cent. To reserves: general, £8,490 (£10,000); dividend equalisation, £10,000. Carry forward, £1,744 (£2,007).

Radio Corporation of America.—Net profit for third quarter of 1939 \$1,894,000, against \$727,091 for second quarter and \$1,616,449 for corresponding quarter of 19

the textile and clothing trades far outweighed the growth of other industries. The decline in the number of textile and clothing factories is a reflection of the sharp recession which overtook these trades in 1938. In the case of the chemicals, engineering and vehicles trades the number of factories opened was substantially greater than the number closed. The expansion of the capacity of the engineering and vehicle trades is largely a consequence of the intensification of re-armament. In the aircraft industry (grouped under vehicles) 23 new factories were opened and 13 extended last year, while only 3 were closed.

Self-Government in Agriculture.—An article in *The Economist* of December 9th pointed out that the wartime industrial controls set up under the Ministry of Supply are largely exercised by representatives of the organised bodies of each individual industry. Self-government of industry by industry, initiated in the coal mines legislation and the shipbuilding rationalisation schemes, has become the norm. But in agriculture the reverse process has apparently taken place. Since the outbreak of war much of the machinery set up under the Agricultural Marketing Acts has been scrapped or suspended. The main functions of the Potato Marketing Board have been taken over by the Ministry of Food and the tax on new potato plantings, the chief weapon of producers against unregulated expansion has been abolished. The elaborate structure of the Pigs and Bacon Marketing Boards has been put into cold storage, as the purchase and distribution of all fat stock is to be taken over by the Ministry of Food. The budding Milk Products Marketing Scheme, on which a poll was to be taken this autumn, has been postponed indefinitely, and only the Milk Marketing and Hop Boards continue to function. It is true that the Chairman of the Potato Marketing Board and the Manager of the Milk Marketing Board have been appointed controllers-designate of their respective commodities, but, if these appointments are made, they will function as representatives of the Ministry of Food and not as the servants of the very large number of individual farmers by whose votes these Boards were formed, and who were supposed to direct their policy. On the other hand, the fact that the present Minister of Agriculture is an ex-president of the National Farmers' Union will probably ensure that the farmers' point of view is not ignored in questions of price and organisation.

Cotton Trade Control.—Before the holidays the Cotton Controller, Sir Percy Ashley, announced that measures were soon to be taken to meet war conditions. An Order-in-Council is expected to be issued by the Government providing for fixed spinners' margins for all types of yarn, in most cases below current margins. Arrangements are also being made for price concessions to help the export trade. Certain proposals are now being considered, and these are to be embodied in a Bill designed to give statutory authority to the Cotton Board for the war period. This Bill will incorporate most of the recommendations contained in the Reorganisation Act, which has been postponed. The compulsory registration of producers will be included and also the voluntary registration of merchants. A levy on raw cotton is to be applied to prosecute the export trade, and arrangements are being made to appoint an Export Development Committee and a Rayon Committee. In a letter to Sir Percy Ashley, the President of the Board of Trade indicated that the levy which is to be imposed for the promotion of the export trade is not to exceed 0.04 pence per lb. of raw cotton. The uncertainty concerning the new profit margins for spinners has caused some confusion on the Manchester Royal Exchange. It remains to be seen whether spinners will be prepared to sell at the reduced margins. Buyers of cloth for export are also uncertain concerning their policy in view of the suggestion that lower prices should be taken for export contracts than for home trade orders.

Meanwhile, the demand for most kinds of yarn and cloth continues to exceed the supply.

Changes in Wages.—The December issue of the *Ministry of Labour Gazette* contains the usual summary of changes in wages reported during the previous month. From these figures the following table has been compiled, showing the increase in wages in the first three months of war:—

ANALYSIS OF WAGE INCREASES

Industry	No. of workpeople affected '000	Estimated net change in weekly wages £'000
Coal-mining	626.7	145.7
Other mines and quarries	9.3	1.5
Bricks, pottery, glass, chemical	170.8	24.0
Iron and steel	86.9	15.3
Engineering	76.7	6.9
Shipbuilding	163.8	16.5
Other metal	16.3	4.6
Textile	610.7	105.5
Clothing	86.1	23.8
Food, drink and tobacco	56.1	30.7
Wood and furniture	139.8	20.9
Paper, printing, etc.	30.0	4.8
Building, contracting	35.6	8.6
Utilities	2.3	0.4
Transport	243.7	114.3
Public administrative	18.4	4.3
Other	42.9	7.2
Total	2,416.1	534.8

To offset these increases the Ministry of Labour has recorded since September a fall in weekly wages of £12,300 affecting 228,000 workpeople. There has therefore been a net increase in the wages in these industries of some £522,500 per week, or £27 millions per annum. During this same period the cost-of-living index compiled by the Ministry of Labour has risen by some 12 per cent.—from 155 to 173 per cent. of the base level. Since these figures were compiled there have been further increases in wages. Some statement on national wage and price policy from the Government is long overdue.

Mortality Among Restriction Schemes.—The war has interfered with the international control of commodity markets and few of the numerous schemes have survived. Amongst these the tin, tea and rubber schemes are the most important. In some cases (steel, sugar, nitrate) the discontinuation of co-operation was simply due to the fact that both sides on the war front participated in it; in others (copper, lead) the steep rise in demand made further restrictions superfluous and even dangerous. Even those schemes which have survived were faced with the necessity sharply to increase the production and export quotas. The experience of the past four months has not lent much support to the theory that the elasticity of supplies can be increased by international control. In almost all cases of organised production control producers quickly lost hold of their markets after the outbreak of war and prices in the free market shot up. In the cases of base metals and rubber, production is now on the way to adapting itself to the higher level of demand. In other cases new supplies (tin from current production, sugar, tea) are coming forward at a slower pace. Although the past decade has brought a substantial number of new types of commodity control schemes (tin, tea, rubber, etc.) which appeared much stronger and much more efficient than the many half-hearted schemes of the 'twenties, it has not brought a solution of the problems of raw material producers.

Higher Petrol Prices.—On December 22nd the Petroleum Board announced a further increase of one half-penny per gallon in the retail price of petrol. The latest
(Continued on page 529)

FRANCE

LAND OF FREEDOM

produces delicious alcohols. The whole world knows Cognac and Armagnac, derived from distilling the remarkable wines which are only made in France.

FRENCH COGNAC

and

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will always give you entire satisfaction, dry, with soda or in cocktails. They never fail to comfort and exhilarate you, and are pleasing to your guests.

French Cognac and Armagnac are
PRODUCTS OF
QUALITY

COMPANY MEETINGS

STOLL THEATRES CORPORATION,
LIMITED

ENTERTAINMENT IN WARTIME

The eleventh ordinary general meeting of the Stoll Theatres Corporation, Limited, was held, on the 21st instant, at the London Coliseum, St. Martin's Lane, London.

Sir Oswald Stoll said:—Ladies and gentlemen,—Before beginning the proceedings I should like to propose that we congratulate Sir Douglas McCraith on the honour which has been conferred upon him by the King since we last met. The rest of the Board seconded the resolution, which was carried unanimously. Sir Douglas McCraith thanked the meeting.

The Chairman then continued: As you know, governing conditions as regards the entertainments industry for a number of years have not been favourable. These conditions worsened on the air raid precautions broadcast in March, 1938, and when war came the theatres in which we are interested, as well as all other theatres and cinemas, of course, were closed down and blacked out.

Property which is closed down and blacked out loses for the time being much of its selling value. As far as we can see our intention to sell our theatres cannot be carried out until the end of the war.

The attitude of the Government towards loss of property in war and compensation for war damage has not deprived property of its real value, but it has suspended property transactions.

It would please a company such as ours if a Government Advisory Committee were in existence for the purpose of making recommendations for compensation in relation to special loss arising out of the war.

The declaration of war had many effects. In the case of the Coliseum, for example, we had a good contract for a play with important stars in it, which would have filled that theatre for many months. The artistes became entitled by the declaration of war to suspend the contract, and they have avoided the West End of London. I think they were wrong, because it has since been proved that very big business can be done in the West End in spite of the present adverse conditions.

However, the Coliseum has secured a very good pantomime. The advance bookings for it are encouraging and business in the London districts and the provinces is substantial.

During the last war a time came when we had an actual war boom after having gone through a very lean time at the beginning. I am hopeful, now that the troops from abroad are having leave, that our theatres and cinemas will benefit in the same way again.

I beg formally to move: "That the directors' report and balance sheet at September 30, 1939, and profit and loss account for year ending that date be approved and adopted and that the balance of £114,750 4s. 3d. at credit of profit and loss account be carried forward to the current year's accounts."

Sir Douglas McCraith seconded the resolution, which was carried.

BOOKER BROS., McCONNELL AND
COMPANY, LIMITED

INCREASED PROFIT

The annual general meeting of Booker Bros., McConnell and Company, Limited, was held, on the 21st instant, in London.

Sir Alfred P. Sherlock, who presided, said that they had acquired 97 per cent. of the issued capital of the Corentyne Sugar Company and welcomed on the board Mr C. A. Campbell and Mr E. R. Campbell.

The profit for the year amounted to £106,688, an increase of £8,083, due solely to the fact that Bookers Demerara Sugar Estates, Limited, was able to declare 5 per cent. on its increased capital, thus maintaining the actual rate paid in the previous year, but giving the parent company £8,000 more in cash. The profits on trading for the year were not quite so good; he thought that that slight setback might be ascribed to the very difficult conditions that had existed.

During the year 1939 sugar prices had improved and in September Government control had been instituted, giving a basic price of 11s. 3d. c.i.f. United Kingdom for their crop to August 31st next. They had also made good sales of rum. They were faced with greatly increased costs of supplies and wages. They had to meet increased taxation in this country and the sugar industry in the Colony might be called upon to shoulder still heavier burdens. There

had always been a tendency to consider sugar as the milch cow of British Guiana.

After stating that they regarded 10 per cent. as their standard rate of dividend and thanking the whole of the staff and employees for their work, he said that now that they were fighting for their existence, their duty was obviously to produce as much sugar and rum as they possibly could, and they could only do that if they had the co-operation of the local Government and of labour and its leaders. Up to the present they did not consider that they had had a fair deal.

They intended to increase the interim dividend on the ordinary shares on July 1st next from 4 per cent. to 5 per cent., but that would be merely with a view to evening up the annual distribution and would not mean that they had made, or anticipated making, larger profits.

The report was unanimously adopted, and the proposed final dividend of 6 per cent., making 10 per cent. for the year, and a bonus of 5 per cent., all less tax, were approved.

ORIENT STEAM NAVIGATION
COMPANY, LIMITED

THE AUSTRALIAN SERVICE

WARTIME PROBLEMS

The fortieth ordinary general meeting of the Orient Steam Navigation Company, Limited, was held, on the 21st instant, at 3 and 5 Fenchurch Avenue, London.

Mr I. C. Geddes, who presided, said that the Orient company tried to provide the best possible service between England and Australia for passengers, mails and appropriate cargo. Now war had come and the free movement of passengers across the world, which was the company's main business, had stopped and they learned the expense of specialising in an article thus suddenly deprived of its normal employment.

It was much to be hoped that before long a comprehensive policy would be adopted which would, as in the later stages of the last war, make use of British liners, do justice to tramps and, as far as possible, enable neutral ships to perform those transport services to the United Kingdom by which they lived in peace. As an indication of the importance of reaching as soon as possible the right policy for control of the British Mercantile Marine, the special fleet of Orient ships presented a curious problem in this war, in which transport would be one of the greatest needs and in particular transport from Australia, for which their ships had been built.

POTENTIALITIES OF FLEET

It was evidently impossible to continue the service during the war on lines of peace economics; expenses had advanced sharply—war risk insurance alone for twelve months would cost more than £500,000 for their fleet—and the civilian passengers whom they existed to serve no longer travelled. Freight rates had been advanced and might advance further, but the gap left between increased expenses and shrunken passenger revenue was too wide to be filled by any possible increase in freight rates or to be borne by the company's reserves, which had seemed ample for emergencies of peace.

So the normal commercial course, which was not always right in war, was to tie up the whole Orient fleet in Sydney or some other safe harbour, where it need pay no war risk premium until it was wanted by the Commonwealth Government or the Ministry of Shipping. If their seamen and ships were really not wanted for national purposes at present, it was right to keep them out of harm's way, because that they would be very much wanted before long he had no doubt at all.

He declined to believe that they had produced a peace speciality of no value in war. Before long he felt sure that the economics would be adjusted to suit the facts and that their ships and men would prove to be of even more value to the State in war than they had been in peace.

The profit from the ships' working and from interest on investments was £318,365, and the net profit was £268,862. They did not think it wise to recommend a dividend on the ordinary shares. The report was unanimously adopted.

Every year many hundreds of Companies publish Reports of their Annual General Meetings in *The Economist*, thereby reaching thousands of investors in the quiet of their own homes. Full particulars of the charges for inserting these reports may be obtained on application to The Reporting Manager, *The Economist*, 8 Bouverie Street, E.C.4.

THE BRITISH VACUUM CLEANER
AND ENGINEERING COMPANY,
LIMITED

IMPORTANT CONTRACTS SECURED

The 36th ordinary general meeting was held on December 20th in London.

Mr H. Cecil Booth, F.C.G.I., M.I.C.E., chairman and joint managing director, said that at the time he last addressed them on December 30th last, the sales volume for the first three months of the financial year showed an increase. At that time the outlook was hopeful, but subsequently the situation deteriorated progressively. Since then they had applied themselves to maintaining their sales volume, but in spite of their efforts the results for the year showed a heavy decline in sales. The vacuum cleaner industry as a whole had suffered, but the company's strong relative position in the market was unimpaired.

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increase, which took effect from December 23rd, brings the retail price of petrol up to 1s. 10d. per gallon, compared with 1s. 6d. per gallon charged at the beginning of the war. The rise since the beginning of September is therefore of the order of 22 per cent. In contrast to the previous increases, the latest advance has not been made to meet the rise in the costs of imports and wholesale distribution but that in the overheads of dealers. Actually the dealers' margin was increased from 2½d. to 3½d. per gallon by raising the retail price by one halfpenny per gallon and by reducing the wholesale price to them by one farthing per gallon.

The Fur Market in War.—In the interval of peace between 1918 and 1939 London recaptured much of the trade in furs which it had lost to New York during the Great War. From 1933 London also benefited by the exodus of Jewish firms from Leipzig, bringing with them valuable trade connections with Russia and Central Europe. The size of the fur trade in London can be judged from the figures for imports and re-exports of furs, given below:—

BRITISH TRADE IN FURS*

	1929		1937		1938	
	'000 cwt.s.	£'000	'000 cwt.s.	£'000	'000 cwt.s.	£'000
Imports:—						
(a) Undressed:—						
Total	9,072	90.2	13,232	77.0	11,358	11.358
from Russia	14.3	3,339	19.7	3,295	1.882	1,882
" Canada	5.1	1,893	5.6	1,731	1,731	1,731
" U.S.A.	16.1	2,152	13.8	868	868	868
(b) Dressed	4,226	11.0	1,249	7.2	882	882
(c) Manufactures	899	...	1,261	...	...	...
Re-exports:—						
(a) Undressed:—						
Total	7,974	48.1	9,532	47.2	8,123	8,123
to France	...	6.8	1,480	6.5	1,219	1,219
" U.S.A.	...	22.9	5,370	24.4	4,581	4,581
(b) Dressed and manufactured	1,316	...	848	...	840	840
Exports:—						
Dressed:—						
Total	948	...	2,262	...	1,971	1,971
to Germany	...	...	1,394	...	1,336	1,336

* Excluding rabbit skins.

Since the outbreak of war in September there has been a double shift in the international trade. Furs are one of the few goods which Russia is able and willing to supply to Germany under the new trade agreement, and there has been a certain revival of trade through Leipzig to neutral countries round Germany. Supplies of furs to the home market have been severely restricted in Germany, in order to make the most of the foreign trade. But a more substantial loss to London is the transference of trade to New York, which formerly purchased much of its fur supplies through this country; a long war in Europe will undoubtedly stimulate direct selling to New York by the main fur-producing countries.

He was glad to report that their installation section had shown an appreciable increase and they had been responsible for carrying out a number of very important orders. In January last they acquired, on terms considered very favourable, the business and goodwill of the Magneta Time Company, Limited, an old-established company specialising in electrical time-recording apparatus. The acquisition was already proving of undoubted value.

The balance sheet reflected the strong position of the company. The net profits amounted to £29,782, and the directors recommended the payment of a final ordinary dividend of 7½ per cent., making 12½ per cent. for the year.

With regard to the outlook and prevailing war conditions, business in the domestic field was likely to be severely restricted. He was glad to report, however, that in June last, with the possibility of war in mind, steps were taken to substantially add to their machine-tool equipment. Consequently, shareholders would be interested to hear that the works are occupied day and night on important contracts.

The report and accounts were unanimously adopted.

Grants for Land Drainage.—Before the Christmas recess, the Minister of Agriculture stated that the Government intended to give further assistance towards the drainage of agricultural land. It has now been announced that the section of the Agriculture Act of 1937 that dealt with grants for drainage will be amended; schemes carried out mainly by hand labour will be eligible for a Government grant irrespective of the time of year they are carried out and schemes affecting one holding only may also be subsidised. Further, the time-limit for the submission of schemes of July, 1940, laid down in the Act, will be extended for one year. The Government is proposing to authorise Catchment Boards to prepare and execute drainage schemes for land outside the area of the Internal Drainage Boards. Farmers and landowners will also be encouraged to carry out schemes of mole drainage by a Government grant of half the cost subject to a maximum grant of £1 per acre. While mole drainage can only be used on certain types of soils, this new grant and the relaxation of the other conditions for grants to Drainage Boards should stimulate a badly needed activity.

Fruit Trade in Canada.—One of the main advantages of anti-trust legislation lies in the power it gives to conduct investigations into individual trades. Under the Combines Investigation Act the Canadian Ministry of Labour has recently conducted an inquiry into the domestic trade in fruit and vegetables in the western provinces, and its report has just been published. The striking expansion in the fruit industry in British Columbia in the last thirty years has led to a situation where, in years of good crops, the supply far exceeds the potential demand, whether in the United Kingdom or in Canada itself. Consequently the jobbers and wholesale fruit dealers who control the retail trade in Canada are in these years in a very strong position, and have a very definite inducement to combine in order to maintain their own margins. The Commissioner has, in fact, found that a number of such firms were parties to a combine which injured the public, but it is interesting to note, firstly, that this alleged combine is only the latest in a long series dating back to the early 'twenties; and secondly, that it was built up after the collapse of the Government-sponsored scheme for organised selling. A British Columbia Marketing Act passed in 1927 was declared *ultra vires* in 1931, and the same fate befell in 1937 the Dominion Natural Products Marketing Act passed in 1934, though the corresponding provincial Act has been upheld. Under these laws a central board was set up to control, on behalf of the growers, sales of fruit, and in years of glut, such as 1937-38, all sales of apples were made through the board. The operations of the Fruit Board, which was established by law and whose workings are made public, are accepted, but secret combinations of jobbers with the firms who handle the growers' fruit on commission (and who are therefore the growers' agents) arouses public condemnation.

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week ended December 23, 1939, total ordinary revenue was £17,560,000, against ordinary expenditure of £24,050,000 and issues of £17,500,000 under the Defence Loans Acts. Thus, including sinking fund allocations, but excluding issues from defence loans, the deficit accrued since April 1st last is £310,990,000, against £249,223,000 a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Receipts into the Exchequer (£ thousands)						
Revenue	Estimate, 1939-40	April 1, 1938	April 1, 1939	Week ended Dec. 23, 1938	Week ended Dec. 23, 1939	
ORDINARY REVENUE						
Income Tax	390,000	95,704	102,426	965	2,102	
Sur-tax	70,000	11,910	13,990	690	930	
Estate, etc.	75,500	53,660	56,020	1,350	1,280	
Duties	17,000	15,090	12,680	1,070	970	
Stamps	25,000	13,010	19,040	540	360	
N.D.C.	1,250	780	530	10	10	
Other Int. Revenue	578,750	192,154	204,686	4,625	5,652	
Total I. Rev.	1,328,500	480,208	503,776	12,290	15,110	
Customs	239,600	167,154	195,471	4,630	5,215	
Excise	132,850	87,700	100,380	2,900	3,344	
Total Cust. and Excise	372,450	254,854	295,851	7,530	8,559	
Motor Duties P.O. (Net Receipt)	22,000	11,361	9,821	...	...	
P.O. Fund	400	9,130	5,104	Dr2200	Dr2500	
Crown Lands Rec. from Sun. Loans	1,330	...	940	...	...	
Misc. Rec.	5,000	4,791	4,258	...	197	
Misc. Rec.	13,650	9,210	13,847	441	652	
Total Ord. Rev.	995,180	482,460	534,507	10,396	17,560	
Self-Balancing P.O. and B'dcasting	83,449	55,720	58,396	4,000	4,150	
Total	1,078,629	538,180	592,903	14,396	21,710	

Issues out of the Exchequer to meet payments (£ thousands)						
Expenditure	Estimate, 1939-40	April 1, 1938	April 1, 1939	Week ended Dec. 23, 1938	Week ended Dec. 23, 1939	
ORDINARY EXPEND.						
Int. & Man. of Nt. Dr.	230,000	183,025	189,940	602	1,342	
Pays. to Nt. Dr.	10,000	5,697	5,644	390	386	
Other Cons. Fund Ser.	7,200	1,897	3,857	54	54	
Total	247,200	190,619	199,441	1,046	1,782	
Sup. Serv. (a)	118,371	534,338	639,062	10,144	22,268	
Def. Lns. SELF-B.L. P.O. and B'dcasting	83,449	55,720	58,396	4,000	4,150	
Total	449,020	1,280,677	1,296,899	15,190	28,200	

* Supply Services, after addition of issues under Defence Loans Acts; (a) excluding expenditure being met from loans; including £500 millions Vote of Credit; allows for supplementary estimates and other changes since April, 1939, and for estimated saving in war Budget; (b) after allowing for changes in war Budget of September 27, 1939.

After raising Exchequer balances by £150,790 to £2,829,989, the other operations for the week (as shown in the next column) raised the gross National Debt by £24,913,000 to about £8,792 millions.

DEBT INCREASES (Net) (£ thousands)	
Treasury bills	13,243
Public Department Advances	5,395
National Savings Certificates	3,000
3% Defence Bonds	3,100
Other debt (War Loan Acts)	175
Total	24,913

OTHER ISSUES (Net) (£ thousands)	
P.O. and Telegraph (Money) Acts	500
North Atlantic Shipping	50
Overseas Trade Guarantees	52
Anglo-Turkish Armaments Credit	190
Total	772

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1 to December 23, 1939, are:—

Ordinary Exp. (£ thousands)	
Issues under Def. Loans Act	534,507
Misc. Issues (net)	9,974
Inc. in b'ces.	331
Total	1,156,970

FLOATING DEBT (£ millions)

Date	Tender	Tap	Public Depts.	Bank of England	Total Floating Debt	Floating Assets
1938						
Dec. 24 1938	493.0	495.3	42.1	...	1030.4	337.4
Sept. 16 1939	500.0	652.1	50.5	...	1202.6	702.6
" 23 1939	505.0	663.7	47.5	...	1216.2	701.2
" 30 1939	510.0	676.8	49.1	...	1235.9	725.9
Oct. 7 1939	518.0	703.1	47.3	...	1268.4	750.4
" 14 1939	531.0	699.9	52.6	...	1283.4	752.4
" 21 1939	546.0	699.9	49.0	...	1294.9	748.9
" 28 1939	561.0	701.8	47.9	...	1310.7	749.7
Nov. 4 1939	580.0	706.6	59.0	...	1345.6	765.6
" 11 1939	605.0	695.6	57.6	...	1358.2	753.2
" 18 1939	630.0	687.5	57.5	...	1375.0	745.0
" 25 1939	665.0	679.7	53.1	...	1397.8	732.8
Dec. 2 1939	700.0	697.5	56.2	...	1453.7	753.7
" 9 1939	725.0	693.0	55.0	...	1473.0	748.0
" 16 1939	740.0	670.6	50.5	...	1461.1	756.1
" 23 1939	750.0	708.8	55.9	...	1514.7	764.7

TREASURY BILLS (£ millions)

Date of Tender	Offered	Applied for	Allotted	Average Rate %	Per Cent. Allotted at Minimum Rate
1938					
Dec. 23 1938	35.0	62.9	35.0	22 0/45	44
Sept. 15 1939	55.0	89.2	55.0	71 1/12	47
" 22 1939	55.0	86.5	55.0	66 1/25	100
" 29 1939	55.0	86.3	55.0	48 9/83	45
Oct. 6 1939	50.0	97.0	50.0	42 6/63	52
" 13 1939	50.0	103.0	50.0	40 2/34	59
" 20 1939	50.0	98.2	50.0	34 3/39	59
" 27 1939	55.0	99.9	55.0	23 8/83	31
Nov. 3 1939	55.0	102.6	55.0	23 4/39	53
" 10 1939	55.0	95.5	55.0	23 4/66	61
" 17 1939	65.0	105.8	65.0	23 11/46	60
" 24 1939	65.0	106.3	65.0	23 8/01	49
Dec. 1 1939	65.0	105.9	65.0	23 10/21	42
" 8 1939	65.0	94.6	65.0	24 6/48	57
" 15 1939	65.0	92.6	65.0	25 3/81	70
" 22 1939	65.0	89.5	65.0	24 7/63	67

On December 22nd applications at 99 1/2 p. cent. for bills to be paid for on Wednesday, Thursday, Friday and Saturday of following week were accepted as to about 67 per cent. of the amount applied for and applications at higher prices in full. £65.0 millions of Treasury bills are being offered on December 29th.

NATIONAL SAVINGS CERTIFICATES AND 3% BONDS

The Revenue returns for the four weeks ended December 23, 1939, show receipts of £17,550,000 net or £20,250,000 gross from sales of National Savings Certificates, and £20,550,000 gross from 3 per cent. Defence Bonds. For the week ended December 23, 1939, the receipts are £3,000,000, £4,000,000 and £3,100,000 respectively.

BANK OF ENGLAND RETURNS

DECEMBER 20th, 1939

ISSUE DEPARTMENT

Notes Issued: £	
In Circul.	552,339,893
In B'ng. Department	27,879,668
Total	580,219,561

BANKING DEPARTMENT

Props. Capital £	
14,553,000	
Rest	3,327,115
Public Depts.*	34,497,796
Total	52,377,911

DECEMBER 27th, 1939

ISSUE DEPARTMENT

Notes Issued: £	
In Circul.	554,615,983
In B'ng. Department	25,603,578
Total	580,219,561

BANKING DEPARTMENT

Props. Capital £	
14,553,000	
Rest	3,327,115
Public Depts.*	29,724,616
Total	47,604,731

THE WEEK'S CHANGES (£ thousands)

Both Departments	
Amt. Dec. 27, 1939	Compared with Last Week Last Year
COMBINED LIABILITIES	
Note circulation	554,616 + 2,277 + 49,889
Deposits: Public	29,725 - 4,773 + 13,787
Bankers'	117,330 + 2,479 + 16,303
Others	42,027 + 1,650 + 5,272
Total	743,697 + 1,632 + 85,251
Capital and reserves	17,915 + 35 - 52
COMBINED ASSETS	
Govt. debt and securities	727,807 + 6,311 + 428,925
Discounts and advances	4,269 - 1,177 - 24,770
Other securities	27,617 - 3,472 + 6,112
Silver coin in issue dept.	663 - 0 + 377
Gold coin and bullion	1,257 + 7 - 325,944
RESERVE	
Res. of notes & coin in banking department	26,641 - 2,271 - 25,834
Proportion of reserve to outside liabilities—Banking dept. ("proportion")	14.0% - 1.3% - 20.1%

OVERSEAS BANK RETURNS

NOTE.—The latest returns of the Banks of Estonia and of Finland appeared in The Economist of December 9th; Argentina, Denmark, and International Settlements of December 16th; Australia, Canada, Egypt, Hungary, Iran, Japan, Java, Jugoslavia, Latvia, Lithuania, New Zealand, Portugal, Roumania, Switzerland, and Federal Reserve Reporting Members of December 23rd.

U.S. FEDERAL RESERVE BANKS

Million \$'s	
12 U.S.F.R. BANKS	Dec. 23, 1939
Gold certifs. on hand and due from Treas.	11,788
Total reserves	12,123
Total cash reserves	325
Total bills discounted	7
Total bills on hand	1
Industrial advances	16
Total U.S. Govt. sec.	2,564
Total bills and sec.	2,587
Total resources	15,511
LIABILITIES	
F.R. notes in circ.	4,470
Aggregate excess m. bank res. over reqts.	3,070
Deposits: Member-bank reserve account	8,577
Govt. deposits	941
Total deposits	10,023
Cap. paid in and surplus	310
Total liabilities	15,511
U.S.F.R. Banks and Reserve	83.6% 86.5% 86.4% 86.8%
TREASURY COMBINED: RESOURCES	
Monetary gold stock	14,508
Treasury and Nat. Bk. currency	2,790
LIABILITIES	
Money in circulation	6,912
Treasury cash and deposits with F.R. Bks.	3,648

NEW YORK FEDERAL RESERVE BANK—Million \$'s

Total gold reserves	
151.8	142.5
Total bills discounted	1.7
Bills in open mkt.	0.2
Total U.S. Govt. sec.	815.4
Total bills and sec.	815.2
Deposits: Member-bank reserve account	4,404.5
Govt. deposits	613.2
Total deposits	5,017.7
Cap. paid in and surplus	6.0
Total liabilities	10,034.4
U.S.F.R. Bank and Reserve	87.5% 90.7% 90.7% 90.9%

REICHSBANK Million Reichsmarks

Total gold reserves	
151.8	142.5
Total bills discounted	1.7
Bills in open mkt.	0.2
Total U.S. Govt. sec.	815.4
Total bills and sec.	815.2
Deposits: Member-bank reserve account	4,404.5
Govt. deposits	613.2
Total deposits	5,017.7
Cap. paid in and surplus	6.0
Total liabilities	10,034.4
U.S.F.R. Bank and Reserve	87.5% 90.7% 90.7% 90.9%

* Figures not comparable.

RESERVE BANK OF INDIA

Million rupees	
ASSETS	Dec. 23, 1939
Gold coin and bullion	444
Rupee coin	701
Balances abroad	5
Sterling securities	595
Indian Gov. rupee sec.	323
Investments	55
LIABILITIES	
Notes in circ.: India	1,774
Burma	74
Deposits: Govts.	105
Banks	114
Gold and sterling liabilities	50.4% 54.3% 57.8% 58.5%

NETHERLANDS BANK—Million florins

ASSETS	
Gold	1461.2
Silver	28.8
Home bills, etc.	8.8
Foreign bills	3.6
Loans and advances	307.6
LIABILITIES	
Notes in circulation	978.4
Deposits: Govt.	152.8
Other	700.4

* Not yet available.

NATIONAL BANK OF BULGARIA

Million levans	
ASSETS	Dec. 7, 1939
Gold holdings	2,003
Balances abroad and foreign currencies	1,147
Discounts and advances	1,046
Advances to Treasury	3,468
LIABILITIES	
Notes in circulation	2,858
Sight liabs. and deposits	3,637
Cover	30.4% 25.4% 26.3% 26.6%

† Sight liabilities only.

BANK OF GREECE—Million drachmae

ASSETS	
Gold and for. exchange	3,778
State sec. in for. curr.	521
Bills discounted	735
Advances	7,578
State debt	3,784
LIABILITIES	
Notes in circulation	9,939
Dep. and current acct.	9,263
Foreign exch. liabilities	293

BANK OF NORWAY

Million kroner	
ASSETS	Dec. 15, 1939
Gold reserve	188.0
Bal. abroad & for. bill.	188.0
Govt. not in gold res.	62.8
Nor. & for. gov. sec.	137.8
Discounts and loans	103.9
LIABILITIES	
Notes in circulation	471.0
Deposits at sight	124.7

EXCHANGE RATES

(a) Rates fixed by Bank of England

London on	Par of exchange per £	Dec. 20, 1939	Dec. 21, 1939	Dec. 22, 1939	Dec. 23, 1939	Dec. 27, 1939	Dec. 28, 1939
New York, \$	84.80	4.02-04	4.02-04	4.02-04	4.02-04	4.02-04	4.02-04
do. do.	84.80	4.04-14	4.04-14	4.04-14	4.04-14	4.04-14	4.04-14
Montreal, \$	84.80	4.43-47	4.43-47	4.43-47	4.43-47	4.43-47	4.43-47
do. do.	84.80	4.47-14	4.47-14	4.47-14	4.47-14	4.47-14	4.47-14
Paris, Fr	124.20	176-177	176-177	176-177	176-177	176-177	176-177
Brussels, Bel.	35.00	24.00-25	24.00-25	24.00-25	24.00-25	24.00-25	23.90-24.15
Amst'd'm. Fl.	12 107	7.52-58	7.52-58	7.52-58	7.52-58	7.52-58	7.52-58
Batavia, Fl. ...	12 111	7.46-56	7.46-56	7.56-7.58	7.46-56	7.46-56	7.46-56
do. do.	12 111	7.58-17	7.58-17	7.58-17	7.58-17	7.58-17	7.58-17
Switzerl'd. Fr	25 221a	16.80-95	16.80-95	16.80-95	16.80-95	16.80-95	16.80-95
Stockh'm, Kr	18 159	16.85-95	16.85-95	16.85-95	16.85-95	16.85-95	16.85-95
Oslø, Kr. ...	18 159	17.60-80	17.65-75	17.65-75	17.65-75	17.65-75	17.65-75
B. Aires, ...	11 750	17.50-18.00	17.50-18.00	17.50-18.00	17.50-18.00	17.50-18.00	17.50-18.00
P. Pesos	18 122f	18.00-18.00	18.00-18.00	18.00-18.00	18.00-18.00	18.00-18.00	18.00-18.00
do. do. ...	18 122f	18.02-17	18.02-17	18.02-17	18.02-17	18.02-17	18.02-17

BANK CLEARINGS

Publication of the weekly returns of Town Clearing, Metropolitan Clearing, Country Cheque Clearing is suspended until further notice.

PROVINCIAL

(£ thousands)

No. of working days:—	Five weeks ended			Week ended Saturday		Aggregate from January 1 to	
	Dec. 3, 1938			Dec. 24, 1938		Dec. 24, 1938	
	Dec. 3, 1938	Dec. 2, 1939	Change	Dec. 24, 1938	Dec. 23, 1939	Dec. 24, 1938	Dec. 23, 1939
BIRMINGHAM	12,982	10,979	-15.4	2,042	2,308	119,000	114,908
BRADFORD	4,190	7,068	+68.7	757	1,148	40,360	49,581
BRISTOL	6,550	6,804	+3.9	1,192	1,464	64,512	69,549
HULL	5,143	3,671	-28.6	766	713	42,476	39,335
LIVERPOOL	3,682	3,521	-4.3	702	702	35,739	35,856
MANCHESTER	26,519	29,293	+10.7	4,714	6,080	263,220	257,030
NEWCASTLE	47,701	52,319	+9.7	8,276	9,565	468,086	489,701
NOTTINGHAM	8,092	7,065	-12.7	1,510	1,541	76,933	74,366
Total: 9 Towns	117,376	122,727	+4.6	20,364	23,842	1,135,476	1,153,904
DUBLIN	30,409	29,795	-2.1	5,245	**	320,213	**
LEEDS	...	...	...	845	...	48,541	...
SHEFFIELD†	...	...	...	1,013	585	54,402	46,787

* Suspended publication. † Clearing of suburban cheques through local clearing discontinued from September 7, 1939. ‡ 51 weeks. ** Not yet available.

MONEY RATES

LONDON

Bank rate (changed from 3% Oct. 26, 1939)	Dec. 19, 1939						
	Dec. 19, 1939	Dec. 20, 1939	Dec. 21, 1939	Dec. 22, 1939	Dec. 23, 1939	Dec. 27, 1939	Dec. 28, 1939
3 months' do.	114	114	114	114	114	114	114
6 months' do.	114	114	114	114	114	114	114
12 months' do.	114	114	114	114	114	114	114
Discount Treasury Bills	114	114	114	114	114	114	114
2 months' do.	114	114	114	114	114	114	114
3 months' do.	114	114	114	114	114	114	114
Loans—Day-to-day	114	114	114	114	114	114	114
Short	114	114	114	114	114	114	114
Deposit allwncs.: Bk.	114	114	114	114	114	114	114
Discount houses at call	114	114	114	114	114	114	114
At notice	114	114	114	114	114	114	114

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 Dec. 22, 1939 (£'000)			Aggregate Gross Receipts 51 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Ireland & Co. Down—						
1938	1.7	0.3	2.0	123.2	22.4	145.6
1939	2.2	0.6	2.8	131.1	24.8	155.9
Ireland Northern—						
1938	11.7	9.9	21.6	557.7	480.6	1,038.3
1939	13.0	15.4	28.4	573.0	575.3	1,148.3
Ireland Southern—						
1938	45.5	44.9	90.4	1,872.2	2,172.4	4,044.6
1939	47.3	56.0	103.3	1,869.8	2,360.1	4,229.9

CANADIAN

(For heading, see Overseas Traffic in second column)

Canadian National	1939			1938		
	Dec. 21	Dec. 22	Dec. 23	Dec. 21	Dec. 22	Dec. 23
Canadian National	4,475,346	4,475,346	4,475,346	4,475,346	4,475,346	4,475,346
Canadian Pacific	3,041,000	3,041,000	3,041,000	3,041,000	3,041,000	3,041,000

SHORTER COMMENTS

(Continued from page 525)

Antofagasta (Chili) and Bolivia Railway.—A scheme for postponement, until January 1, 1943, or earlier, of repayment of 40 per cent. of principal and for payment of premium on outstanding 5 per cent. debenture stock, has been approved by the 5 per cent. debenture stockholders. In meantime, payment on

account of 5 per cent. cumulative preference dividend arrears must be deferred.

Union Corporation.—This Corporation is increasing its registered capital to the full amount authorised, from £962,500 to £1,000,000, by creating 60,000 new shares of 12s. 6d. There is no present intention of issuing these shares.

Benskin's Watford Brewery.—Net profit, year to September 30, 1939, £257,009 (£255,167). Ordinary dividend maintained at 18½ per cent. To: reserve,

Comparison with previous weeks

Short Loans	Bank Bills			Trade Bills		
	3 Months	4 Months	6 Months	3 Months	4 Months	6 Months
1939						
Nov. 30	34-114	15-1516	114-1516	112	212-3	234-3
Dec. 7	34-114	15-1516	114-1516	112	212-3	234-3
Dec. 14	34-114	15-1516	114-1516	112	212-3	234-3
Dec. 21	34-114	15-1516	114-1516	112	212-3	234-3
Dec. 28	34-114	15-1516	114-1516	112	212-3	234-3

NEW YORK

The Irving Trust Company cables the following money and exchange rates in New York:—

Call money	Dec. 20, 1939			Dec. 21, 1939			Dec. 22, 1939			Dec. 23, 1939			Dec. 24, 1939			Dec. 25, 1939			Dec. 26, 1939			Dec. 27, 1939		
	Dec. 20, 1939	Dec. 21, 1939	Dec. 22, 1939	Dec. 23, 1939	Dec. 24, 1939	Dec. 25, 1939	Dec. 26, 1939	Dec. 27, 1939	Dec. 28, 1939	Dec. 29, 1939	Dec. 30, 1939	Dec. 31, 1939	Dec. 1, 1940	Dec. 2, 1940	Dec. 3, 1940	Dec. 4, 1940	Dec. 5, 1940	Dec. 6, 1940	Dec. 7, 1940	Dec. 8, 1940	Dec. 9, 1940	Dec. 10, 1940	Dec. 11, 1940	Dec. 12, 1940
Time money (90 days' mixed coll.)	114	114	114	114	114	114	114	114	114	114	114	114	114	114	114	114	114	114	114	114	114	114	114	114
Bank acceptances	114	114	114	114	114	114	114	114	114	114	114	114	114	114	114	114	114	114	114	114	114	114	114	114
Members—eligible, 90 dys.	114	114	114	114	114	114	114	114	114	114	114	114	114	114	114	114	114	114	114	114	114	114	114	114
Non-mem.—eligible, 90 dys.	114	114	114	114	114	114	114	114	114	114	114	114	114	114	114	114	114	114	114	114	114	114	114	114
Commercial accept., 90 days	114	114	114	114	114	114	114	114	114	114	114	114	114	114	114	114	114	114	114	114	114	114	114	114

New York on	Dec. 20, 1939			Dec. 21, 1939			Dec. 22, 1939			Dec. 23, 1939			Dec. 24, 1939			Dec. 25, 1939			Dec. 26, 1939			Dec. 27, 1939		
	Dec. 20, 1939	Dec. 21, 1939	Dec. 22, 1939	Dec. 23, 1939	Dec. 24, 1939	Dec. 25, 1939	Dec. 26, 1939	Dec. 27, 1939	Dec. 28, 1939	Dec. 29, 1939	Dec. 30, 1939	Dec. 31, 1939	Dec. 1, 1940	Dec. 2, 1940	Dec. 3, 1940	Dec. 4, 1940	Dec. 5, 1940	Dec. 6, 1940	Dec. 7, 1940	Dec. 8, 1940	Dec. 9, 1940	Dec. 10, 1940	Dec. 11, 1940	Dec. 12, 1940
London:—																								
Cables	395	395	395	395	395	395	395	395	395	395	395	395	395	395	395	395	395	395	395	395	395	395	395	395
Demand	394	394	394	394	394	394	394	394	394	394	394	394	394	394	394	394	394	394	394	394	394	394	394	394
Paris, Fr.	2.24	2.24	2.238	2.234	2.231	2.234	2.231	2.234	2.231	2.234	2.231	2.234	2.231	2.234	2.231	2.234	2.231	2.234	2.231	2.234	2.231	2.234	2.231	2.234
Brussels, Bel.	16.66	16.66	16.67	16.66	16.66	16.66	16.66	16.66	16.66	16.66	16.66	16.66	16.66	16.66	16.66	16.66	16.66	16.66	16.66	16.66	16.66	16.66	16.66	16.66
Switzerland, Fr.	22.43	22.43	22.43	22.43	22.43	22.43	22.43	22.43	22.43	22.43	22.43	22.43	22.43	22.43	22.43	22.43	22.43	22.43	22.43	22.43	22.43	22.43	22.43	22.43
Italy, Lire	5.05	5.05	5.05	5.05	5.05	5.05	5.05	5.05	5.05	5.05	5.05	5.05	5.05	5.05	5.05	5.05	5.05	5.05	5.05	5.05	5.05	5.05	5.05	5.05
Berlin, Mark	53.09	53.10	53.10	53.10	53.10	53.10	53.10	53.10	53.10	53.10	53.10	53.10	53.10	53.10	53.10	53.10	53.10	53.10	53.10	53.10	53.10	53.10	53.10	53.10
Amsterdam, Gldr.	19.3212	19.3212	19.3212	19.3212	19.3212	19.3212	19.3212	19.3212	19.3212	19.3212	19.3212	19.3212	19.3212	19.3212	19.3212	19.3212	19.3212	19.3212	19.3212	19.3212	19.3212	19.3212	19.3212	19.3212
Copenhagen, Kr.	22.7212	22.7212	22.7212	22.7212	22.7212	22.7212	22.7212	22.7212	22.7212	22.7212	22.7212	22.7212	22.7212	22.7212	22.7212	22.7212	22.7212	22.7212	22.7212	22.7212	22.7212	22.7212	22.7212	22.7212
Stockholm, Kr.	23.8212	23.8212	23.8212	23.8212	23.8212	23.8212	23.8212	23.8212	23.8212	23.8212	23.8212	23.8212	23.8212	23.8212	23.8212	23.8212	23.8212	23.8212	23.8212	23.8212	23.8212	23.8212	23.8212	23.8212
Oslo, Kr.	22.7212	22.7212	22.7212	22.7212	22.7212	22.7212	22.7212	22.7212	22.7212	22.7212	22.7212	22.7212	22.7212	22.7212	22.7212	22.7212	22.7212	22.7212	22.7212	22.7212	22.7212	22.7212	22.7212	22.7212
Montreal, Can. \$	88.125	88.375	88.500	88.500	88.500	88.500	88.500	88.500	88.500	88.500	88.500	88.500	88.500	88.500	88.500	88.500	88.500	88.500	88.500	88.500	88.500	88.500	88.500	88.500
Japan, Yen	23.49	23.49	23.49	23.49	23.49	23.49	23.49	23.49	23.49	23.49	23.49	23.49	23.49	23.49	23.49	23.49	23.49	23.49	23.49	23.49	23.49	23.49	23.49	23.49
Shanghai, \$	7.85	7.85	7.85	7.85	7.85	7.85	7.85	7.85	7.85	7.85	7.85	7.85	7.85	7.85	7.85	7.85	7.85	7.85	7.85	7.85	7.85	7.85	7.85	7.85
B. Aires, Pso. (mkt. rate)	22.75	22.75	22.75	22.75	22.75	22.75	22.75	22.75	22.75	22.75	22.75	22.75	22.75	22.75	22.75	22.75	22.75	22.75	22.75	22.75	22.75	22.75	22.75	22.75
Brazil, Milreis	5.10	5.10	5.10	5.10	5.10	5.10	5.10	5.10	5.10	5.10	5.10	5.10	5.10	5.10	5.10	5.10	5.10	5.10	5.10	5.10	5.10	5.10	5.10	5.10

Official Buying Rates for Bank Notes:

The following rates were fixed on December 28, 1939:—

THE ECONOMIST

BANKING SUPPLEMENT

VOL. CXXXVII]

NOVEMBER 4, 1939

[No. 5019]

Prices, Jan. 1 to Dec. 27, 1939		Last two Dividends		Name of Security	Price, Dec. 27, 1939	Ch'ge since Dec. 13	Yield Dec. 27, 1939	Prices, Jan. 1 to Dec. 27, 1939		Last two Dividends		Name of Security	Price, Dec. 27, 1939	Ch'ge since Dec. 13	Yield Dec. 27, 1939
High	Low	(a)	(b)					High	Low	(a)	(b)				
Mines															
19/6	7/6	8	c	Allied News, Pic. 5/-	10/-	...	12 0 0	75/-	59/4½	95	c	Ashanti Goldfields 4/-	64/4½	-7½d	6 0
13 1½	6/6	10	a	Assoc. Brit. Pic. 5/-	8 6	...	11 15 0	12/6	7/4½	p4	a	Burma Corp. Rs. 9	11/9	+3d	7 5
76/9	58/-	12½	b	Assoc. P. Cement £1	62/6	-2/6	6 8 0	69/-	30/7½	614	a	Cons. Glds. of S. Af. £1	45/-	+2/6	6 12
9/4½	5/6	28½	c	Beechams Pills Df. 2/6	7/9	...	6 6 9d	16½	11½	95	b	Crown Mines 10/-	137½d	+14	12 0
45 7½	31/10½	32½	c	Boots Pure Drug 5/-	39/4½	...	4 2 0	48/5¼	31/3	15	c	De Beers (Def.) £2½	64	+1/3	8 11
60/7½	48/9	8½	b	Brit. Aluminium £1	50/-	-7½d	5 0 0	41/-	31/3	114	b	Jo'burg Cons. £1	37½d	+1/3	12 0
104 4½	76/3	120	c	Brit.-Amer. Tob. £1	92/6	+3/9	4 3 0†	1378	958	25	a	Randfontein £1	11	+34	4 15
82/6	58/9	10	b	British Oxygen £1	71/3	-1/3	4 15 6	12½	8½	75	a	Rhodana Corp. £1	16/-	+1/-	7 12
49/-	37/-	7½	a	Brookhouse (J.) £1	47/6	-1/3	8 8 6	8½	588	5/6	b	Roan Antelope Cpr. 5/-	9½d	+1/8	5 14
58	35	4	c	Cable & W. Hdq. £1	56½	-1	7 2 0	69½	2¼	Nil	Nil	Sub Nigel 10/-	7/8	+18	5
61½	4¾	15	a	Carreras 'A' Ord. £1	5½	-14	5 0 0			Nil	Nil	Union Cp. 12/6 fy. pd.	3½	-18	Nil
30 4½	22/-	9	c	Dunlop £1	30/-	+2/6	6 0 0					W. Witwatersrand 10/-	3½	-18	
14/6	6/6	5	c	Elec. & Mus. Ind. 10/-	7/6	+6d	Nil								
26 4½	18/-	15	b	Ever Ready Co. 5/-	26/-	+1/-	5 15 0								
6½	4/9	20	b	Gallaher Ltd. Ord. £1	5½	+1/6	4 15 6								
32/6	20/-	15	a	Gaumont-Brit. 10/-	2/6	...	Nil								
87/6	71/10½	20	b	Gestetner (D.) 5/-	26/3	+7½d	7 12 0								
68/-	30/7½	11	b	Harrison & Cros. Df. £1	87/6	+1/3	5 14 3								
33/6	25/-	9	c	Harrods £1	40/-	...	8 0 0								
32/6	25/7½	5	b	Imp. Airways £1	33/1½	...	4 4 6								
13/3	8/6	5	c	Imp. Chem. Ord. £1	30/3	+1/3	5 6 0								
71½	4/8	117½	b	Imp. Smelting £1	13/1½	+1/10	Nil								
86½	4/5	82	25c	Imp. Tobacco £1	5½	+1/6	4 4 0†								
13 1½	9/1½	5	b	Inter. Nickel n.p.	47	+6d	4 5 1								
38/6	26/10½	1	b	International Tea 5/-	12/-	+6d	4 3 4								
52/3	23/9	20	c	Lever & Unilever £1	30/7½	+7½d	7 0 6								
52½	23½	4	b	London Brick £1	31/3	+1/3	8 0 0h								
66/6	73/9	27½	b	Lyons (J.) Ord. £1	4	-18	4 16 0								
85/-	72/6	7½	a	Marks & Spen. 'A' 5/-	51/10½	...	3 19 0								
27/9	16/3	5	b	Murex £1 Ord.	80/-	+5/-	5 0 0								
18/3	15/-	3	a	Pinchin Johnson 10/-	18/9	-7½d	4 16 0								
62/6	52/6	12½	b	Ranks Ord. 5/-	16/6	-6d	4 17 0								
48/9	32/-	12½	a	Spillers Ord. £1	57/6	-1/10½	5 4 6								
38/9	17/6	25	c	Tate and Lyle £1	57/6	...	4 14 0								
91/-	68/1½	10	a	Tilling, Thos. £1	40/-	+1/3	5 0 0								
82/9	65/-	33½	a	Triplex Safety G. 10/-	20/-	...	10 0 0								
56/-	42/6	5	a	Tube Investments £1	88/9	...	5 7 0								
27 7½	19/7½	15	b	Turner & Newall £1	66/3xd	-4/6	4 10 6								
49 4½	49 4½	50	b	United Dairies £1	47/6	...	4 7 0								
				United Molasses 6/8	25/7½	+7½d	5 17 0								
				Woodworth Ord. 5/-	61/10½	+7½d	5 5 3								

UNIT TRUST PRICES															
as supplied by managers and Unit Trusts Association (Table does not include certain closed trusts)															
Name and Group		Dec. 27, 1939	Change since Dec. 13	Name and Group		Dec. 27, 1939	Change since Dec. 13								
Municipal & Gen				Keystone											
For. Govt. Bond				Gold 3rd Ser. ...											
Limited Invest.				11/7½-13/1½xd											
New British...				9/9 bid											
Bank-Insurance				Keystone 2nd ...											
Bank & Insuranc				11/9-13/2											
Bank 3rd ...				Keystone Flex...											
Secot. B.I.I.T.				10/10½-12/4½											
Cornhill deb. ...				Keystone Cons...											
Cornhill def. ...				10/9-12/-xd											
National				Allied											
National D.				Brit. Ind. 2nd ...											
Nat. Gold ...				11/3-12/9xd											
Scotish ...				Do. 3rd ...											
Universal 2nd...				Do. 4th ...											
"15 Mortgage"				12/9-14/5											
Inv. Flexible ...				6d Elec. Inds. ...											
Inv. General ...				11/9-13/3											
Inv. Gold ...				Metals & Mins.											
Inv. Provident ...				Other Groups											
Inv. Foreign ...				11d-1/2											
Inv. Flexible ...				Rubber & Tin...											
Inv. General ...				16/3xd bid											
Inv. Gold ...				B. Emp. Inst Unit											
Inv. Provident ...				Producers ...											
Inv. Foreign ...				5/6-6/3											
Inv. Flexible ...				Domes. 2nd Ser.											
Inv. General ...				1st Prov. "A" ...											
Inv. Gold ...				Do. "B" ...											
Inv. Provident ...				Bank, Ins. & Fin.											
Inv. Foreign ...				10/9-8/9											
Inv. Flexible ...				Lombard Indust.											
Inv. General ...				15/-											

(a) Interim dividend. (b) Final dividend. (c) Last two yearly dividends. (d) Yield on 18-95% basis. (e) Allowing for rate of exchange. (f) Yield on 12½% bank (m) Including bonus of 5% free of tax. (n) Also share bonus 4%. (p) Annas per share. (q) 8½% paid free of Income Tax. * Bid and offered prices are free of Commission and Stamp Duty. † Free of Income Tax. ‡ Nominal.

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Balance Brought in	Net Profit after Debiture Interest	Available for Distribution	Appropriation					Preceding Year	
					Preference Dividend	Ordinary Dividend	Rate	To Reserve, Depreciation etc.	Balance Forward	Net Profit	Dividend
		£	£	£	£	£	%	£	£	£	%
Banks											
Bank of New South Wales	Sept. 30	166,977	550,876	717,853	...	526,800	6	...	191,053	547,835	6
Breweries, etc.											
Cobbold and Co.	Sept. 30	7,709	36,906	44,615	14,000	14,686	10	7,786	8,143	45,379	12
Devenish (J. A.) and Company.....	Sept. 30	23,770	57,566	81,336	3,438	22,613	15	25,050	30,235	56,230	15
Electric Lighting, etc.											
Adelaide Electric Supply	Aug. 31	146,027	387,817	533,844	185,000	62,500	10	140,159	146,185	365,592	10
Financial, Land, etc.											
Anglo-Belgian Co. of Egypt	July 31	264	Dr. 2,568	Dr. 2,304	...	...	...	Dr. 2,000	Dr. 304	3,286	6d f
Beaumont Property Trust	Sept. 30	5,762	44,227	49,989	...	7,975	...	6,610	26,704	29,295	7
Bowmaker, Ltd.	Oct. 31	15,040	49,114	64,154	28,417	7,476	3	12,337	15,924	89,824	3
Charterhouse Investment	Nov. 11	30,033	31,504	61,537	22,911	14,625	3	5,067	18,934	44,995	11
Peel River Land, etc.	June 30	15,000	13,654	28,654	...	12,960	6†	...	15,694	32,921	3
Scottish Australian Company	June 30	5,628	Dr. 17,450	Dr. 11,822	32,000	...	...	Dr. 50,000	6,178	9,880	3
Sisal Estates, Ltd.	June 30	9,262	Dr. 31,818	Dr. 22,556	4,350	...	...	...	Dr. 26,906	...	Nil
Iron, Coal and Steel											
Lister (R. A.) and Company	Sept. 30	70,296	82,580	152,876	13,050	68,876	16	Dr. 5,011	75,961	128,030	17
Motor, Cycle and Aviation											
Fairey Aviation	Sept. 30	47,585	248,122	295,707	...	128,469	12½†	125,000	42,238	260,125	15
Jowett Cars	Sept. 30	Dr. 10,636	14,781	4,145	...	...	...	9,750	Dr. 5,605	Dr. 5,000	Nil
Oil											
Tampico Oil	June 30	Dr. 155	Dr. 166	Dr. 321	...	...	...	...	Dr. 321	Dr. 486	Nil
Rubber											
Nomeo Tongan	Aug. 31	16,774	16,412	33,186	...	13,500	4	3,000	16,686	30,008	6
Peureula (Sumatra)	Sept. 30	675	Dr. 238	437	...	...	...	...	437	502	Nil
Waterfall (Selangor)	Sept. 30	29,344	24,151	53,495	...	...	...	...	53,495	13,963	Nil
Shops and Stores											
Cooper and Co.'s Stores	Oct. 10	21,304	41,017	62,321	28,000	...	...	...	34,321	35,115	Nil
Trusts											
Ashdown Investment	Nov. 30	1,501	24,145	25,646	...	18,433	4	...	7,213	(a)	(a)
Scottish Consolidated Trust	Nov. 30	20,085	22,604	42,689	14,906	5,963	3	...	21,820	26,650	3
Second British Steamship.....	Dec. 1	30,511	32,231	62,742	12,422	16,852	6½	...	33,468	31,264	3
Other Companies											
British Emulsifiers	Sept. 30	2,963	5,339	8,302	...	1,400	2	5,817	1,085	3,963	16
British Northrop Loom	Oct. 28	13,006	24,631	37,637	...	15,187	7½	10,750	11,709	29,847	11
Dussek Brothers and Co.	Oct. 31	12,555	24,970	37,525	3,652	12,513	12½	7,876	13,484	15,712	11
East India Distilleries, etc.	Sept. 30	5,178	66,053	71,231	18,000	12,000	15	32,145	9,086	42,614	16
Industrial Newspapers	Sept. 30	2,319	14,449	16,768	7,734	3,656	9	2,000	3,378	18,632	16
Irish Times	Sept. 30	763	10,354	11,117	...	...	...	1,159	9,958	18,107	16
Purnell and Sons	Sept. 30	6,698	24,286	30,984	9,641	2,175	2	8,495	10,673	21,988	16
United Tobacco Cos. (South)	Sept. 30	407,329	1,170,135	1,577,464	56,500	1,087,497	22½(s)	...	433,467	1,052,350	(i)
Uxbridge Flint Brick	Oct. 31	Dr. 56,673	Dr. 8,103	Dr. 64,776	...	...	...	...	Dr. 64,776	(a)	(a)
Woodhead (Jonas) and Sons	Aug. 31	9,647	23,722	33,369	2,175	11,700	10	11,473	8,021	26,724	10
Total Profits, 1939, in £'000's											
To December 23	No. of Cos. 2,305	91,154	264,498	355,652	49,765	137,359	...	72,652	95,903	287,003	...
To December 30	No. of Cos. 2,334	92,009	266,912	359,011	50,230	138,862	...	72,982	96,917	289,431	...

† Free of income tax.

(a) No comparable figure.

(s) Free of South African normal income tax.

(i) Absorbed £960,000.

For all banking transactions:



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HEAD OFFICE

GÖTEBORG

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Chief Office in France: Paris.

BARCLAYS BANK S.A.I., Rome.

BARCLAYS BANK (CANADA), Montreal and Toronto.

BARCLAYS TRUST COMPANY OF CANADA, Montreal.

THE BRITISH LINEN BANK.

Head Office: Edinburgh.

THE UNION BANK OF MANCHESTER LIMITED.
Head Office: Manchester.

1839-1939

Hambros Bank Limited

41, Bishopsgate.
London, E. C. 2.

West End Office.
67, Pall Mall, S.W. 1.

THE ECONOMIST

BANKING SUPPLEMENT

A SURVEY OF BRITISH AND FOREIGN BANKING

VOL. CXXXVII]

NOVEMBER 4, 1939

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The War and British Banking

No comparison with the past can teach us much about the prospect for British banking during and after this war. Hitherto the essential feature of banking development in this country has been its slow growth and gradual adaptation to changing conditions in the world in which it has had to function. Even during the war of 1914-1918 there was no real disturbance of this traditional process of evolution, except perhaps a hastening of the forces which had for long been working towards greater integration in the structure of British banking. "Business as usual" remained the motto for banking as for every other part of our economic machine during the last war. The orgy of mammoth amalgamations which occurred towards the end and immediately after the war were not a direct product of it. Some such concentration of forces among joint-stock banks would have occurred, war or no war. The conflict, then, left the organisation of British banking fundamentally unchanged. The return to an orthodox gold standard was a symbol of the cancellation of anything abnormal which the war might have introduced into our currency and credit system. The position of the Bank of England in its relation with the Government and as controller of currency and credit was during the 1920's essentially what it had been before 1914. The organisation of commercial banking in this country remained equally undisturbed. Joint-stock institutions, merchant banks, discount houses, all continued to perform functions roughly similar to those which they

performed before the outbreak of hostilities. The most discernible change in the distribution of these functions was a tendency for the clearing banks to encroach on business which had previously been the preserve of the private and merchant banks—foreign exchange and acceptance credits. But these changes were mere ripples in the evolutionary process.

To-day the position is altogether different. We are no longer in a period of dignified evolution. The changes in our financial system which have occurred over the past ten weeks are revolutionary, in the full sense of the word. We have within this short period travelled most of the way from a free to a rigorously controlled economy. From the banking point of view, this change has been most apparent in the new control of the foreign exchange and capital markets. But this tradition has found its counterpart in most other facets of our economic system—in the commodity markets, in our industrial organisation, in the world of insurance. It is still too early to estimate whether we can as an economic unit ultimately reverse the trend towards increasing controls and State interference in which we find ourselves. But we can already discern some of the permanent effects which this revolution is having on our banking organisation.

At the apex of the banking system, evidence of the new omnipotence of the Government is steadily accumulating. With the introduction of a complete official control of the foreign exchange market the directive power in monetary policy has finally switched to the Treasury. The broad lines of exchange policy are now devised and amended as occasion requires, by a Treasury committee on which the Bank of England is represented, but in the rôle of a minority. The Bank is the instrument through which the policy framed in Whitehall is put into operation, and admittedly a considerable power is vested in the few individuals charged with the task of interpreting policy and applying it to the concrete cases placed before them. But that initiative is being exercised, on the whole, with a regard for bureaucratic standards which would be rated high at the Treasury. If a symbol of this transition of power were needed it would be found in the concentration of the whole of our gold reserve into the hidden resources of the Exchange Equalisation Account.

The subservience of credit policy to the requirements of the Treasury goes hand in hand with the official control of the exchange and capital markets. The expansion of bank cash which has occurred since the outbreak of the war and the evident synchronisation of Bank rate policy with the

Treasury's borrowing programme may be regarded as the expression of the Treasury view put into effect by the smooth and willing co-operation of the Bank of England. In other words, the directive functions of the Treasury and the executive functions of the Bank have recently become more and more part of the same machine of currency and credit control. That fusion of the two organisms has already gone further in ten weeks of war than it did at any time during the war of 1914-1918. The guess can, moreover, be hazarded that there will be no parallel after the end of this war to the temporary reaction from the centralisation of financial power which occurred during the 1920's.

The clearing banks are bound to react to the Government control, which is steadily extending over our financial and commercial system. The control of the foreign exchange markets has already reacted appreciably in their favour. The clearing banks, by reason of their branch representation all over the country, have been chosen by the authorities to act as authorised dealers in foreign exchange business. This has diverted to these institutions a good deal of business which, in the normal course, would have gone to the private and overseas banks which in the past have specialised in foreign exchange work. We may assume that if an official control of the foreign exchange market is to be a permanent part of our financial machinery, the clearing banks, given their direct contact with the industrial and commercial clientele, will continue to provide the mechanism by which all traffic in foreign exchanges to and from the official control will be canalised. As a relative factor in profits, however, this diversion of foreign exchange business is likely to affect the losers more than the recipients.

In their more normal domestic banking activities the clearing institutions are likely to see the result of increasing State control in a diminution of the demand for advances and probably in a corresponding increase in the supply of Government securities—both long and short. The decline in the commercial and industrial demand for bank accommodation is a trend of already long standing. It derives much of its force from the concentration movement in British industry and from the greater financial self-sufficiency which has been attained by our giant combines. These mammoths are so capitalised and financially so managed as to be far less dependent on banking credit facilities than were their component parts in the days of their autonomous existence. That independence of bank advances must be increased as a result of the Government control of large branches of industry and of important commodity markets. Stocks of controlled raw materials which previously were financed, in the normal course, by bank advances and acceptance credits, will now find their financial support in the borrowing operations of the Government. From the banks' point of view, this will mean a diversion of assets from advances and commercial bills to Treasury bills and medium-term Government loans. It does not take much imagination to visualise the general character of such a trend. It is one which must make for a more mechanical type of banking, for a diminution in the exercise of initiative, of judgment in the granting of credit, of all the qualities which had come to be regarded as the special attributes of the sound and intelligent banker. The big banks will, of course, continue their function of providing repositories for funds which must be kept liquid and for the savings entrusted to deposit accounts. By their current accounts and clearing machinery, they will continue to provide an elaborate and extremely efficient system for the transmission of credit in this country. But as regards the more active and positive aspects of their business, the forces set in motion by the war are likely to make for a certain stereotyping and for simplification in the range of activities, which, if carried to extremes, might increase the temptations of a future Government to round off the process by nationalising the whole system.

The symbol of the all-pervading Treasury bill is even more applicable to the discount market. The market should

do well out of the expansion in the floating debt which is bound to occur in the course of financing the war. That expansion is likely to do more than neutralise the further falling-off in genuine commercial paper caused by the war and by Government financing of trade in essential commodities. Moreover, the discount houses, which have already become so essential a part of the gilt-edged market, are not likely to miss the opportunities for active and profitable jobbing which the Government's loan operations are bound to provide. But this increasingly exclusive concern with homogeneous Government paper must sooner or later influence both the personnel and structure of the discount market. It is likely to make for further concentration of forces, and the amalgamation movement, of which ample evidence has appeared in recent years, is likely to make further headway as opportunities connected with the individual affairs of each firm occur.

The merchant banks and acceptance houses constitute a group for which the developments set in motion by the war bear little promise. Their foreign exchange business, where their supremacy in the London market was assured, is gradually but inexorably being diverted to the clearing banks as a direct result of the foreign exchange control regulations. Their new issue business is at a standstill and will remain there as long as the official control of the

capital market is worked on its present lines. International acceptance business must be seriously encroached upon by the intrusion of the Government in the commodity markets. Foreign exchange control must eventually involve the virtual disappearance of security arbitrage business, which in the past provided such firms with an important and interesting source of income. Bullion arbitrage has already disappeared. Moreover, certain of these houses are being called upon to nurse losses due to old-established standstill commitments in Germany or to defaults on Polish and other credits. In this group of banks the impact of the war is also likely to make for amalgamations. The private banks, and the subtle, delicately balanced international activities in which they find their typical employment, represent a conception of economic organisation which accords ill with the heavy-handed bureaucratic control of our financial system which the war has unfortunately but inevitably brought in its wake.

If our banking organisation is viewed as a whole, it appears therefore as though the forces of control and State interference let loose by the war must make for a more mechanistic system in which units will tend to become fewer and larger, in which individualism and private initiative will tend to be crushed by the bureaucratic machine.

Banking Trends

THE trend of banking figures over the past year has been dominated by two main influences. First, the operations of the Exchange Equalisation Account, which held undisputed sway until about March of this year. Secondly, the financing of the Budget deficit, which began in the spring to neutralise the effect of the first influence and then, with the outbreak of the war, came to occupy complete supremacy in the credit situation.

The operations of the Exchange Equalisation Account were, until the imposition of foreign exchange control, concerned wholly with meeting a persistent drain of foreign capital out of this country and with the problem of neutralising the consequent pressure on sterling and on the credit situation. Between September 30 1938 and March 31st of this year we lost gold to the tune of 18,570,000 ounces, or about £138 millions at the price prevailing during this period. This movement, being the counterpart of an outflow of capital from this country, involved either directly or indirectly a drain on banking deposits. The clearing banks alone provide over this six-monthly period a fall of £116 millions in deposits. As the Exchange Account had to lose gold and gain sterling, it was in a position to repay bills previously issued on its behalf. From the banks' point of view, therefore, the loss in deposits was approximately counterbalanced by a smaller holding of bills and, in so far as that reduction in bills affected the holdings of the discount market, by a smaller volume of short loans. The pub-

lished clearing bank figures broadly confirm this adjustment. Between September 1938 and March 1939 the combined total of clearing banks' bills and short loans fell by some £105 millions as against the fall in deposits of £116.7 millions and the aggregate loss of gold of about £138 millions.

During this period the amount of bank cash was, on balance, held stable, and the cash ratio, given the persistent reduction in deposits, rose steadily from 10.31 for September to 10.80 for March. Nevertheless, it was a period of some stringency for the banking system as a whole, a stringency due to a shortage of liquid assets. The bulk of the reduction in deposits being offset by lower holdings of short loans and bills, i.e. by reductions in the second and third lines of defence, the result was a fall in the ratio of liquid assets to a figure well below the normal. In the past, the banks have considered a figure of 30 per cent. of deposits as the safe minimum below which their cash (including transit items) plus short loans, plus bills should not fall. In September, 1938, the ratio was 32.2 per cent. By last March it had fallen to 29.0 per cent. Hence efforts were made to restore the liquidity ratio, and these included sales of investments which over the period in question fell by about £35 millions.

After the end of March, the operations of the Exchange Equalisation Account continued to affect the banking position in the same manner. The Account must have lost

MONTHLY STATEMENTS OF LONDON CLEARING BANKS
(£ millions)

1938	Capital and Reserves	Acceptances, etc.	Notes in Circulation	Deposits	Total Liabilities or Assets	Cash	Cheques, Balances and Items in transit	Money at Call	Discounts	Investments	Loans and Advances	Investments in Affiliations	Cover for Acceptances, Premises, etc.
June	138.6	116.3	1.4	2,299.3	2,555.6	246.6	71.6	153.7	289.4	629.6	980.5	23.9	160.3
July	138.6	115.3	1.4	2,309.0	2,564.3	244.2	63.5	158.8	301.4	633.1	980.1	23.9	159.3
August	138.6	116.0	1.4	2,298.1	2,554.1	241.0	59.5	153.1	304.7	641.5	970.3	23.9	160.1
September	138.6	122.4	1.4	2,268.9	2,531.3	233.9	54.7	148.2	289.0	645.8	969.2	23.9	166.6
October	138.6	129.8	1.4	2,255.6	2,525.4	234.1	62.1	148.5	268.2	645.3	969.2	23.9	174.1
November	138.6	129.1	1.4	2,248.6	2,517.7	232.6	62.4	149.0	272.4	642.2	961.7	23.9	173.5
December	138.6	128.9	1.4	2,253.9	2,522.8	243.4	71.0	159.5	250.3	635.0	966.3	24.0	173.3
1939													
January	138.8	126.3	1.4	2,230.0	2,496.5	248.3	62.6	143.0	255.6	623.9	967.7	25.1	170.3
February	138.8	127.4	1.4	2,176.3	2,443.9	242.7	61.9	137.7	211.9	616.7	977.4	24.1	171.5
March	138.8	124.0	1.4	2,152.2	2,416.4	232.4	60.4	141.4	190.3	611.0	968.6	24.2	168.0
April	138.8	126.5	1.4	2,154.8	2,421.5	229.0	65.1	145.2	184.4	610.5	962.5	24.2	170.6
May	138.8	127.6	1.4	2,166.8	2,434.6	236.1	65.8	143.5	200.7	604.5	988.0	24.2	171.8
June	138.8	127.6	1.4	2,181.8	2,483.7	235.2	69.4	149.8	248.6	600.2	987.3	24.2	169.0
July	138.8	122.4	1.4	2,239.9	2,502.5	234.9	64.4	155.4	278.0	597.0	981.9	24.2	166.7
August	138.8	132.8	1.4	2,245.1	2,518.1	232.9	73.4	147.5	279.1	599.4	984.5	24.2	177.1
September	138.8	125.7	1.4	2,278.1	2,544.0	267.4	86.7	145.6	236.2	602.9	1,010.9	24.2	170.1

* Includes reduction of bank premises account.

gold until the outbreak of the war, when the movement was reversed as a result of compulsory handing over of foreign exchange assets under the Defence Regulations. But from March onward the influence of deficit financing began to neutralise the continued reduction in liquid assets due to the operations of the E.E.A. The repayments of bills consequent on the activities of the Account were first balanced, then outdistanced, by the issues of additional bills needed to cover the current Budget deficit. After about three months of virtual stability—when the two counter-acting forces were pulling with approximately the same strength—the Budget factor got the upper hand and a considerable deflation of deposits and liquid assets became apparent. By August the clearing banks' deposits had recovered by £93 millions as compared with the March average figure, and of this £89 millions had been contributed by the growth in the bill holding, while short loans provided another £6 millions to the reconstitution of liquid assets. The position had been "reflated," but with an important difference. The void created by the exodus of foreign funds had been filled by credit created in the course of covering a Budget deficit by short-term borrowing. From the banking point of view, however, the liquidity position had been restored to normal, and for August the liquidity ratio had recovered to 32.6 per cent.

All the forces acting on the banking position from the budgetary angle were inevitably accentuated after the outbreak of the war. The mounting of the deficit immediately gathered momentum and for a time at least it has been left to the floating debt to bridge the gap between revenue and expenditure. The September figures, however, do not altogether reveal the expected—namely, a further expansion in bills and short loans accompanying and explaining a corresponding increase in deposits. Deposits have risen—by some £33 millions—but discounts were down by no less than £43 millions on the month, while short loans fell by some £2 millions. The new basis on which the monthly clearing bank figures are now calculated may to some

extent have affected the strict comparability of the series, but not sufficiently to account for divergences of this magnitude. The tap and tender distribution of Treasury bills since the outbreak of the war provides a partial explanation of this surprising reduction in clearing banks' discounts. For a time at least it has been possible to effect the expansion in the floating debt by loading various Public Departments, including the Issue Department of the Bank of England, with more Treasury bills issued through the "tap." For the rest the sudden slump in commercial credits must have seriously affected the banks' portfolios. The significant feature of the September figures is their revelation of a substantial increase in bank cash, the rise of £34 millions in this item being rather more than adequate to explain the accompanying increase in deposits. Thus despite the exceptional fall in bills during September the liquidity ratio remains extremely comfortable at 32.2 per cent.

The banking position as revealed by the September returns is admirably poised for that participation in Government loan operations which is certain to be expected of the banking system as a whole. The cash position, as shown in the latest monthly statement, is exceptionally easy and, as far as may be seen from the subsequent evidence of Bank of England returns, has eased even more since the end of September. Investments, for their part, are some £43 millions below the level at which they stood a year ago, when total deposits were £10 millions lower than the level shown in the latest return. Advances have risen appreciably over the intervening period, but the greater part of the increase occurred in September and must be due to special factors. One of these is the complete closing of the new issue market, which must have diverted to the banks the task of financing emergency expenditure such as that incurred by local authorities on A.R.P. That trend in advances is unlikely to be maintained and it is probable that further expansion in the banking figures will find their motive force in a re-expansion of the bill portfolio and the holding of investments.

The Germanisation of Czech Banking

(By a Correspondent)

THE loss of territories during October and November, 1938, and the events of March, 1939, have produced remarkable alterations in the economic structure of what was formerly Czecho-Slovakia. Much of this economic revolution has been wrought through the banking system. The banks in former Czecho-Slovakia controlled the greater part of industry either directly by share holdings or indirectly by the provision of credits. This key position of the banks in all branches of industry has greatly assisted Germany since the establishment of the Protectorate to exercise an ever-increasing influence on the industry of Bohemia and Moravia. It was merely necessary for German capital to find its way into one or other of the leading banks to exercise control over a large part of industry.

Before Munich there were in Czecho-Slovakia 78 commercial banks with 561 branches. During October and November, 1938, 16 mostly small institutions which had their branches in the areas ceded to Germany, Hungary and Poland disappeared. With them went 216 branches of Czech banks with 2,870 million crowns of savings deposits which represented 22 per cent. of the deposits of all commercial banks. All Sudeten-German branches were taken over by German banks, chiefly by the Dresdner Bank, the Deutsche Bank and the Allgemeine Deutsche Creditanstalt of Leipzig. The negotiations regarding the transfer had hardly been concluded or were still being conducted when the catastrophe of March, 1939, broke and the dismemberment of Czecho-Slovakia was completed.

Those German banks, which had taken over the major part of the branches in the Sudetenland, immediately started to extend their influence over the head offices of the Czech banks with which they were already in contact, namely the Boehmische Eskomptebank, the Boehmische Unionbank and the Laenderbank at Prague. The negotia-

tions between the Dresdner Bank and the Boehmische Eskomptebank very soon produced tangible results, as this bank had become closely related to the Dresdner Bank after Munich. The Boehmische Eskomptebank was in need of a thorough reorganisation after the loss of its widespread Sudeten-German business. It was duly reconstructed and then, with the assistance of the Dresdner Bank, it acquired a majority holding in the capital of the Prague Laenderbank formerly controlled by the French Banque des Pays de l'Europe Centrale.

The negotiations between the Deutsche Bank and the Boehmische Unionbank for the acquisition of control of the latter by the German bank should be completed in the very near future. Meanwhile, the managing director of the Deutsche Agrar- und Industriebank in Prague—which after the loss of its Sudeten-German branches has merely a head office in Prague and a branch in Brno—has joined the executive staff of the Boehmische Unionbank, a step which may be looked upon as the forerunner of a fusion of these institutions. The representatives of the Deutsche Bank took over the administration of the Boehmische Unionbank soon after the establishment of the Protectorate.

In this manner the two Berlin banks have obtained control over four banks in Bohemia-Moravia. According to their own capital resources the Boehmische Unionbank with 225 million crowns (150 millions capital and 75 millions reserves) has so far occupied second place amongst all commercial banks, the Boehmische Eskomptebank with 200 millions (130 millions capital, 70 millions reserves) third place and the Laenderbank with 198 millions (120 millions capital and 78 millions reserves) fourth place. The Deutsche Agrar- und Industriebank with 55 millions (48 millions capital and 7 millions reserves) occupies merely

twelfth place amongst the commercial banks. The Boehmische Eskomptebank lost approximately 40 per cent. of its former volume of business with its 32 branches in the Sudeten area. Under the aegis of the Dresdner Bank it has carried out a radical cleaning up of its balance sheet. The capital was reduced from 130 millions to 32½ million crowns and in addition 66½ millions were utilised from the open reserves of 69½ million crowns to write down investments and for other purposes. The capital was then raised to 100 millions and the 10 per cent. premium at which the new issue was made, amounting to 6,750,000 crowns, was utilised to strengthen the open reserves to 10 millions or 10 per cent. of the new capital. The Dresdner Bank participated in this new issue.

The Laenderbank—its correct trading name is "Bank fuer Handel und Industrie Ehemals Laenderbank"—has not yet published its balance sheet for 1938, as the acquisition of the majority of shares by a syndicate headed by the Boehmische Eskomptebank has only recently been concluded. Neither has the Boehmische Unionbank, since the work of reorganisation by the Deutsche Bank, which took over the Sudeten branches of the Unionbank, is as yet incomplete. As in the case of the Boehmische Eskomptebank, a sharp reduction of capital and reserves is to be expected, and then a reconstitution of the capital, with the aid of the Deutsche Bank. The reconstruction will be completed by the amalgamation of the Boehmische Unionbank with the Deutsche Agrar- und Industriebank, whose 28 Sudeten-German branches have also been taken over by the Deutsche Bank.

Thus the Dresdner and the Deutsche Banks have obtained direct influence through the Boehmische Eskomptebank, the Laenderbank, the Boehmische Unionbank and the Deutsche Agrar- und Industriebank not only over the most important groups in the heavy and armaments industries, but also over leading firms in such other industries as sugar and industrial alcohol. The influence of the German institutions has been spreading rapidly as a result of the "Aryanisation" to which the whole of Czech banking and industry is being subjected. By virtue

of a decree published by the Protector von Neurath, there is, apart from minor exceptions, hardly an important firm in the Protectorate which is not regarded as Jewish. A firm is marked as Jewish if only one member of the board or one partner is a Jew or if more than one-quarter of the capital is in Jewish hands. When a firm is "Aryanised," German applicants to acquire it are given preference even though this might be against Czech interests, and especially is this so if the firm is of any importance.

By this means Czech influence in the economic life of Bohemia and Moravia is increasingly being forced into the background and German influence is rapidly increasing. The Boehmische Eskomptebank and the Boehmische Unionbank, which are now backed by the Dresdner Bank and the Deutsche Bank, with their political and financial power, are obtaining an ever growing power in the economic life of the country. These two institutions are attracting more and more business, and their expansion naturally causes a loss of business and a reduction in the sphere of influence of the Czech banks. The Czech banks have not suffered so much by the loss of the Sudeten-German business as by the separation of Slovakia, where industrialisation, encouraged by Czech capital, had made enormous strides, especially in recent years. The Czech banks are thus restricted to Bohemia and Moravia, where they are meeting growing competition from the Eskomptebank and the Unionbank. In the fight for survival the Czech banks are endeavouring to reduce their overheads, to simplify their organisation and when possible to amalgamate. A first step in this last direction was taken by the Zivnostenska Banka, which has absorbed the Ceska Banka. The Zivnostenska Banka, with its 240 millions capital and 350 million crowns reserves, is still the most important bank in Bohemia-Moravia. Its industrial interests have, however, suffered both from the ceding of territories to Germany and Poland and the declaration of independence of Slovakia, since important companies, especially chemical, coal and iron works, were lost or had to be converted into foreign companies. By taking over the Ceska Banka, which is also a purely Czech institution, the Zivno-

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stenska Banka will broaden the basis of its operation, since the Ceska Banka was connected chiefly with medium-sized firms in industry and commerce. Furthermore, the Zivnostenska Banka takes over from the Ceska Banka branches at certain places where it was not previously represented. Thus it has found compensation for the loss of branches in the ceded territories.

Whether other Czech banks will follow this example

and whether further amalgamations will take place is as yet uncertain. One thing, however, is quite certain—namely, that the Czech banks will have to make a tremendous effort in order to meet the competition of the German-controlled banks. In any case, it must be assumed that their sphere of influence in the economic life of the country will decrease as compared with that of the institutions now sponsored by German capital.

Bank Mechanisation and Personnel

THE British banks were relatively slow in adopting mechanical methods. Until the ledger-posting machine had been introduced to this country, the banks had delayed mechanising to an extent which had long been reached on the Continent and in America. Ledger-posting machines made their appearance in the clearing banks in 1928. First installed by large units, they are now used in branches with a staff as small as eight. For a lower number mechanisation is not yet an economic proposition. A further important technical stride was made in 1933 in the adoption of "centralisation." Under this system—which again had already been used extensively in Germany and Scandinavian countries—about half a dozen branches are grouped together for book-keeping purposes, and a central branch, fully equipped with machines, undertakes as much of the work for all the others as is possible, such as the posting of ledgers and statements and the dispatching of remittances and cheques.

A new advance came a year later with the introduction of photo-recording machines, which provide photographic records of batches of cheques or other documents in certain routine processes where formerly only a machined list was made; documents are fed as fast as they can be put in the machine and photographed. The principal advantage is time-saving when time is of vital importance, for cheques can be handled at three to four times the rate at which they can be listed on an ordinary adding machine. Another advantage is the preservation of a *facsimile* of each cheque with full details recorded in case of future inquiry or differences. These machines are also used for dividend payments, standing orders, etc. Their use is confined to head offices, where their scope is wide, for a large proportion of the total head office staffs is employed on work to which they are adapted.

Even so cursory a review of the recent development of bank mechanisation would be incomplete without mention of other machines, which, though not adapted to cheque work, save much labour in work of a recurring nature in connection with dividends, standing orders, etc. If ever inter-bank payments supplanted cheques, they would come into their own. There are also the "sortergraph," used mostly for sorting cheques, and other similar machines for sorting, stamping and opening envelopes, as well as various forms of calculating machines.

Mention of all these devices is sufficient to indicate that the number of employees released in the larger bank offices, especially head offices, must run into some hundreds. It would be difficult to estimate precisely the direct saving of staff due to mechanisation. The policy of the joint-stock banks is not to dismiss staff rendered superfluous by the introduction of the machine, but ten years' working is long enough to justify the statement that mechanisation has caused a drastic scaling down in the recruitment of male clerks, so that the total number of male staffs is continually being adjusted to needs by retirements and deaths. It is an important point, too, that the handling of machines entails work of an elementary nature, which thus falls to a more modest grade of labour. Ledger-posting machines are operated either by women machinists or, in the case of the newer types of machines, by young messengers specially engaged for that purpose. In the ordinary course of events this important section of the staff is not recruited with a view to future advancement, and it seems inevitable that as time goes on this

growing category of male employees will raise a difficult problem. They will be too numerous to be employed on routine messenger duties, while it may not be suitable to keep them on the same work throughout their careers. Many of them with ambitions will be conscious of what should be their usefulness to the banks after being trained if only there were scope for promotion. Meanwhile, unless the banks alter their policy, they will remain in permanent employment except in cases of dishonesty or blatant inefficiency. This particular problem is mitigated by the fact that it applies only to head offices and larger offices, and is also likely to be solved to some extent by dilution through branches. But it cannot be ignored.

So far as the male clerical staffs are concerned, the general effect of mechanisation is to remove much of the work which was formerly pedestrian. During the transitional stage the effect may be to delay opportunities of advancement in the case of junior members of bank staffs, some of whom may be called upon to operate the machines. With the senior men, for the time being, competition for higher posts must also be intensified, but when the intervening period has expired, so that the change-over to the new type of staff is complete, there should be an improvement in the positions and prospects of clerical staffs, if only because they will be relieved of long periods of routine work in their earlier years and less competition for higher posts later in their careers.

We may anticipate, then, that the bank officer of the future, as distinguished from the machinist, will have more opportunities of becoming a banker rather than a clerk. He will be relieved of long periods of routine work and have greater opportunities for all-round training, which will assist towards the supply of suitable men for managerial or other responsible posts. This raises the question of future recruitment. Hitherto the recruitment of banks for clerical posts has been of young men between the ages of 16 and 18. Each applicant is considered on the score of intelligence, school record, character, health, appearance, personality and probable adaptability, and banks have been able to rely upon a sufficient proportion of applicants ultimately proving eligible for higher posts. Mechanisation, however, raises the proportion of male recruits who should qualify for higher posts.

It has already been suggested that it might be better for the banks to employ a superior class of labour by raising both the entrance age and the standard of education possibly up to the university graduate standard. Although there have been tentative moves in this direction, it is unlikely that the "Big Five" will adopt this course, at least within the near future. It is of high psychological importance to have a contented staff, and the morale of the present-day staff may be impaired if opportunities are lacking for men in a lower grade to obtain higher appointments. There is also the important consideration that a few years of dull and elementary work for a new entrant to a bank, in whatever class he may be, ill fits many graduates for the initial period of probation. A further point is that experience both here and on the Continent has supported the view that a system which puts staffs "through the mill" in the early years throws up men of ability. Men with ten or twelve years' practical work behind them, and probably with academic qualifications gained during that time, are of the type by which the highest positions in the banking world are best filled.

Another problem concerns the position of the inferior classes of labour, comprising the machinists of both sexes. Their status must necessarily be raised from the mere fact that they are likely to be relatively fewer as time goes on and mechanical methods advance.

The growth of mechanisation thus suggests that the staffs of the banks will in practice come to consist of three different categories:—

- (1) Female machinists and messenger machinists.
- (2) The rank and file of male clerical staff.
- (3) A higher grade male class recruited after a University course, or alternatively selected for a graduate course after recruitment.

So far the banks have been emphasising the first category, and must face in due course the problems which have

been touched upon. For reasons already cited, little importance so far has been attached to the third category. In practice its personnel is to-day derived from the ordinary male staff with a school-leaving certificate standard of education, and followed after recruitment by the normal syllabus and examinations of the Institute of Bankers. This class is likely before long to be encouraged to pursue its studies to a further point than that provided for by the Institute of Bankers' examinations and also under more enlightened methods of training. In this way a solution of the problem may ultimately be found which does not involve too great a breach with the past, or create discontent among existing staffs. It would, however, be a compromise solution, carrying with it the disadvantages as well as the advantages of every compromise.

American Banking

(By Our New York Correspondent)

IT is easy to chronicle the statistical changes in American banking over the past six months and year; it is easy to give a conventional interpretation of these statistics. But it is not easy to lead this interpretation into a discussion of their economic significance or to pass from significance to implication.

The structure of bank credit in the United States, as in other countries, is an inverted pyramid resting upon its apex—bank cash or, in our terminology, member bank reserves. Legally, the minimum bank reserves required for the existing structure of bank credit would be about \$3,500 millions. By administrative decision, these reserve requirements were doubled in 1936-37; and at the end of September, 1939, stood at \$6,391 millions. But actual member bank reserve balances amounted to \$11,621 millions,

leaving excess reserves of about \$5,330 millions. That is, total reserves were almost double even the doubled requirements. (Requirements were reduced by one-eighth in April, 1938.) In the 1920's excess reserves of \$50 millions were exceptional; the present figure is one hundred times that sum. The great open-market operation of 1927, which was criticised severely at the time and more severely subsequently, involved \$80 millions, or less than one-sixtieth of this sum. Mathematically, it would be possible to double the total of bank credit in the United States before it would be necessary to discount one additional piece of paper with the Reserve banks. Or, more graphically, the amount of cash lying idle in the banks of New York City is approximately equal to their total loans. But obviously such data are mere mathematics. The simple fact is that the exist-

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ence of this amount of idle bank cash is the outstanding phenomenon of our credit system; that "excess reserves" have lost their former significance and that their present (or, more accurately, eventual) significance has not yet transpired. But that they will have significance to our banking structure and to our economic structure seems more than probable.

In the twelve months ended September 27, 1939, these reserves increased by approximately \$3,400 millions—the mere increase in twelve months exceeding the total reserves of 1929. Of this increase, the greatest part (\$3,200 millions) derived from the additions to our gold stock, mostly imports, which in the period seem to have exceeded twice the world's current production. The remainder are the consequence of an open-market operation which will be described later. But even these data are mere statistics. In recent years gold imports of \$1,000 millions to \$1,500 millions have been common and seem to have been a "normal" part of our balance of payments; but when the higher of these figures is doubled all idea of the "normal" is abandoned. The significance of this movement remains for the future to discover.

The following table shows the more significant of the Reserve Bank items over the past twelve months:—

	RESERVE BANK ITEMS (\$000,000)		
	Sept. 28, 1938	Mar. 29, 1939	Sept. 27, 1939
U.S. securities	2,564	2,564	2,804*
Gold stock	13,714	15,160	16,925
Gold certificates	10,863	12,424	14,657
Member bank reserves	8,197	9,125	11,621
of which, excess	2,890	3,520	5,330
Treasury deposits	864	1,201	552
Currency in circulation	6,574	6,765	7,238

* Includes fully guaranteed securities.

It will be noted that the sum of gold certificates issued to the Reserve Banks exceeds the increase in the gold stock. At the end of September a year ago the Treasury held a substantial amount of gold in its general fund as well as large balances in the Reserve Banks. Between September, 1938, and March, 1939, gold certificates issued exceeded increments to the gold stock by about \$100 millions; and in that time the Treasury balances at the Reserve Banks were built up by about \$350 millions. Between March, 1939, and the end of September, 1939, the gold certificates issued exceeded the gold increment by almost \$500 millions, as the Treasury realised on gold in its general fund; and in the same time it drew down its balances with the Reserve Banks by some \$650 millions. These operations of the Treasury expanded member bank reserves by an amount in excess of the current gold increment, but not by their full amount, as there was in the year an increase of currency in circulation. In the past six months the increase in reserves was double that of the previous semester. Excess reserves, however, rose by a much smaller amount—\$2,400 millions—as the same influences caused a great increase in member bank deposits subject to reserves.

The Reporting Member Banks

In the six months ended September the demand deposits of the reporting member banks increased by over \$2,000 millions—a large increase for so short a period. The greater part of this increase was directly attributable to gold imports—a statement which holds true of the past six years. Americans have always been devoted to the quantity theory of money; and ordinarily such a spectacular increase would have provoked a great amount of comment. But in recent years comment has been rather baffled by the persistent fact that as demand deposits rose their velocity fell. Even in the 1936-37 boomlet, when there was a good deal of speculation, the velocity of bank deposits was not conspicuously accelerated, and something of the same sort of lethargy has been characteristic of the recent period. A variety of reasons are advanced to explain this, of which the most plausible (or, at least, the most difficult of refutation) is that demand deposits deriving from gold imports remain in the hands of persons (presumably foreign) who keep them as a store of value, at least for extended periods. It is true that the "hot money" figures assembled by the Treasury do not fully confirm this explanation; but the

phenomenon of low velocity in the presence of rapidly rising quantities is difficult to explain unless one resorts to some such hypothesis. Either one has to assume that the entire mass of deposits turns over ever more slowly as a whole or that there is a basic and increasing residuum of demand deposits that scarcely turns over at all.

In the meantime, or, more precisely, in the current year to date, the demand for bank credit took a rather odd but not totally unexpected form. Loans, as the table shows, barely maintained a given level; the issue market was mostly refunding and the banks increased their holdings of "other securities" by only nominal amounts. The Treasury itself has asked little from the market so far in 1939, as it was financing itself by the issue of non-negotiable bonds, the trust funds, and, as was noted above, by heavy drafts on the cash in the general fund; the Federal agencies, however, were in the market for moderate sums and their "fully guaranteed securities" figure in the bank statements. Under these circumstances the banks were pressed to find outlet for their increasing cash; and the only outlet available was the market. This they entered, and bid up the price of Government securities to high levels in the second quarter. Conversely, the public, in lieu of borrowing at the banks to finance the slow increase in business activity, sold its low-yield Governments to the banks, thus increasing the volume of demand deposits. This procedure was the precise opposite of what happened in 1937, when the banks sold their portfolios to the public. The sequence in the share market was likewise antithetical, and one might, without stretching one's imagination to the bursting point, remark that the abrupt rise in shares in September, 1939, was the counterpart of the abrupt collapse of shares in September, 1937.

	REPORTING MEMBER BANK ITEMS (\$000,000)		
	Sept. 28, 1938	Mar. 29, 1939	Sept. 27, 1939
New York City			
Total loans and investments	7,839	7,895	8,477
Total loans	2,934	2,864	2,871
U.S. and guaranteed securities	3,798	3,845	4,348
Other securities	1,107	1,186	1,258
Reserves with Federal Res. Banks	3,556	4,390	5,640
Demand deposits, adjusted	6,562	7,135	8,170
Domestic bank deposits	2,429	2,651	3,354
Outside New York City			
Total loans and investments	13,401	13,684	13,942
Total loans	5,307	5,327	5,479
U.S. and guaranteed securities	5,988	6,277	6,321
Other securities	2,106	2,080	2,142
Reserves with Federal Res. Banks	3,138	3,125	4,154
Demand deposits, adjusted	8,946	8,856	10,163
Domestic bank deposits	3,370	3,815	4,313

Open Market Operations

In the past six months the Reserve Banks undertook two open-market operations. As they fall rather outside the main stream of credit developments they may be mentioned separately. About the end of June, with gold pouring in, the bond market extremely high and excess reserves rising rapidly, the Reserve Banks began to allow their Treasury bills to run off, the assigned reason being the impossibility of replacing them except at a premium; in this way, their holdings dropped about \$100 millions. This operation (whose limits were never officially stated) was interrupted by the European crisis in September. The public, which, as was stated above, had been for some months slowly realising on its Government securities, began dumping them. The commercial banks, already carrying large portfolios, refrained from selling, but likewise from buying, and for some days the market was demoralised. In this juncture the Federal Reserve Banks entered the market on a large scale, less for monetary purposes, it would seem, than for support. The flurry was brief, the market steadied and then rallied, and in October the Reserve Banks sold some Governments. The purchases, of course, increased member bank reserves substantially and rapidly; but as was remarked earlier in this article, the magnitudes of the excess reserves are now so great that operations which formerly would have been regarded as colossal now are related as episodes.

The Irish Banking Position

(By a Correspondent)

THE balance of payments has shown considerable improvement this year. In the twelve months ended in August, 1939, imports amounted to £42,735,241 and exports to £25,345,688 as compared with £42,105,501 and £22,628,203 respectively in the corresponding period last year. The passive balance was thus reduced from £19,477,298 to £17,389,553. The increase in exports was due to the rise in prices and the volume of exports was actually reduced. While this is satisfactory inasmuch as it indicates that the terms of trade have moved in favour of Eire, it is regrettable that exports have failed to expand. An official calculation issued by the Department of Industry and Commerce estimates that the active balance on invisible account is about equal to the passive visible balance in the last twelve months. The drain that has occurred in the sterling assets of the banks must consequently reflect a passive balance on capital account and was, in fact, mainly due to the transfer to Great Britain of the sums raised by the Financial Agreement Loan. During the war of 1914-18 agricultural prices soared, with the result that the Irish banks greatly increased their deposits and their holdings of British Government stocks. It was during these years that there were accumulated the large sterling reserves that have proved so useful ever since. As far as can be judged at present, this experience is not likely to be repeated in the present war, as it is improbable that the sterling price level will rise to the same extent. Doubtless agricultural prices will rise and exports will increase, especially after the interval necessary for the intensification of production. On the other hand, the price of imports will also rise and certain invisible exports, for example, receipts from the sweepstakes and from tourists, will fall off. It is too much to hope that sterling assets will be accumulated to anything like the same extent as during the last war.

The condition of the public finances was deteriorating before the outbreak of war. In the Budget which was introduced in May heavy increases both in direct and in indirect taxes were imposed. Income tax was raised to the British level of 5s. 6d., without the excuse of the British rearmament programme. In spite of the warnings of the Banking Commission, deadweight debt continued to increase for housing and land settlement. The Finance Accounts disclose the existence of a considerable amount of short borrowing, which will presumably be funded. Even before the war, interest rates were tending to rise, and the chilly reception accorded to the Dublin Corporation Loan was an unpleasant reminder that the supply of savings is not unlimited. The war has not made things any easier for the Minister for Finance. The yield of many taxes, for example, Customs and motor duties, is bound to decline, and additional expenditure on the Army, on A.R.P. and on unemployment is imperative. No doubt some borrowing will be justified by the non-recurrent nature of much of the expenditure, but increases in taxation cannot be avoided.

The banking statistics issued by the Currency Commission for the June quarter of this year reveal that deposits have fallen in twelve months from £162,626,642 to £157,863,239. As there were no outstanding capital issues during the year comparable with the Financial Agreement Loan in 1938, this decrease probably reflects the difficulties which many farmers still experienced. The banks increased their holdings of cash but allowed their money at call and short notice to decline. The increase in bills was caused by the short borrowing of the Irish Government, which has issued a large volume of Exchequer Bills. Loans and advances declined, but this movement reflected the repayment of outstanding advances rather than a diminution in new lending. Investments were also reduced, and the proportion of investments held in Eire increased. The net sterling assets of the banks were reduced from £67,200,000

to £61,750,000. The cause of this decline has already been explained.

The year was marked by falling profits in Irish banking, and most of the banks reduced their dividends. The price of bank shares has declined sharply, and any further reduction in profits is amply discounted in their present prices. The war will doubtless cause the rate earned on advances to rise, but, as against this, the rate paid on deposits will rise also, and it must be remembered that over 80 per cent. of the Irish banks' deposits are interest bearing. Costs of operation and taxation may be expected to rise further. It is probable that economies will be effected by the closing of redundant branches, a process already begun.

The report of the Currency Commission for the year ended March 31, 1939, states that the volume of the legal tender note issue in December, 1938, was £11,283,194, the highest figure ever attained by this issue. In addition, there were in circulation consolidated bank notes amounting to about £6,000,000 and an unknown quantity of British notes. The increase in the note circulation was the result of the larger holdings of cash by the banks, of the rise in agricultural prices, and of the increased expenditure on social services. The increase in circulation was more marked in urban than in rural areas. The Legal Tender Note Fund at March 31, 1939, held gold to the value of £2,053,310, and the Note Reserve Fund held an additional £498,853 worth of gold. The surplus income

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of the Commission for the year 1938-39 amounted to £151,601, as compared with £193,821 in the previous year. The decrease was due chiefly to increased provision for depreciation of the Commission's assets and to the substitution of gold for earning assets to the extent mentioned above.

The annual report of the Agricultural Credit Corporation for the year ended October 31, 1938, discloses that the Corporation continued to rely on advances from the Minister for Finance for funds to make up the full statutory dividends. The lending rate remained at 5 per cent. The aggregate of loans issued by the Corporation from the commencement of business in 1927 amounts to £1,729,789. The number of loans is 19,348, of which 19,055 were for sums under £500. The average amount per loan was £89. Shortly after the outbreak of war the Government announced that additional loans for the purchase of agricultural machinery and implements would be

made to farmers directly by the Department of Agriculture.

The annual report of the Industrial Credit Company Limited, for the year ended October 31, 1938, states that the net cash total of the underwriting business handled by the company during the year amounted to £200,000. The net cash total of the capital issues undertaken by the company since its incorporation in 1933 is £4,591,107, of which the underwriters were called upon to take up 13.7 per cent.

The total of debits on ordinary accounts in the first six months of the present year was £260,564,000, as compared with £265,248,000 last year. On Government accounts the figures were £106,831,000 and £111,063,000 for the respective periods. The weekly average of the Dublin Banks' Clearings of notes, bills and cheques in the first half of this year amounted to £6,258,258, as compared with £6,270,237 in the corresponding period last year.

Banking in Australasia

(From a Correspondent)

AMID the bustle and excitement of war it seems a dull exercise to review events of the previous year of peace, particularly in the field of banking. A survey of the past year's developments in Australia and New Zealand, however, throws light on the ability of these Dominions to assist in the common cause.

By June last Australian export prices had fallen by about 33 per cent. from the level two years before, and in the intervening two years various parts of the continent suffered from drought and others from bush fires. As a result, export income fell short of the 1936-37 post-depression peak of £A162.1 millions by £A4.8 millions in 1937-38 and by £A22.6 millions in 1938-39. At one time such an adverse trade position would have been felt in economic depression, but in these two years there has been comparatively little recession. One reason is that the industrial revolution of recent years has made Australian prosperity much less susceptible to overseas influences. In 1937-38, compared with the pre-depression levels, the number of manufacturing establishments had increased by 3,500, the number of hands employed by 109,000 and the value of manufacturing output by £A79 millions. But this better balance in the economy needed the assistance of the banking system to stave off depression. The trading banks acted as a buffer in 1937-38 and met the demands arising from the drought and an adverse balance of payments (occasioned mainly by higher imports lagging, as customary, behind a record export year) by expanding advances by £A25.7 millions at the expense of their cash position. In 1938-39, however, the Commonwealth Bank deliberately aimed at keeping the trading banks' liquidity at an adequate level; and though it is impossible to determine the amount of assistance given, the trading banks were enabled to increase their advances by a further £A6.7 millions without worsening their cash position: the ratio of cash to deposits, it is true, decreased from 10.5 per cent. to 9.5 per cent., but the ratio of cash plus Treasury bills increased from 16.6 to 17.3 per cent.

The Commonwealth Bank's assistance to the trading banks is worth noting, because it may indicate that the Bank has endorsed, and intends to follow as a long-term policy, an inverted sterling exchange standard, whereby the external position is maintained by credit restraint when the balance of payments is favourable, and *vice versa*, as in the present instance. The urgent demands of defence were a factor impelling it to take this decision. From this point of view critics feel that expansive action should have been taken sooner. There was a virtual deadlock between the Governments of the Commonwealth and some of the States at Loan Council meetings in 1938 and consequent delay in evolving an appropriate defence finance plan. The most active and able State Premier was branded an apostle of

inflation by the then Commonwealth Treasurer for advocating a measure of credit expansion similar to that later used.

Almost concurrently with the adoption of a more liberal policy by the Commonwealth Bank the operations of the Australian Loan Council have proceeded most smoothly. An important agreement was reached at the meeting last June whereby all loan raisings for defence (the responsibility of the Commonwealth Government, but not previously submitted to the Council), and all local government borrowings (previously not submitted) are taken into account in determining the total size and the division of the loan programme.

Australia's external position was strong when war broke out. Even after meeting two years' adverse balances of payments, "London funds" last June amounted to about £A65 millions, sufficient to meet two years' debt service and leave a balance of £A10 millions, which exceeds by £A2 millions the amount of new money borrowed in London since 1928. This is creditable to Australia, and was made possible by a policy of conserving accessions to London funds in good years—one aspect of an inverted sterling exchange policy. The introduction of emergency measures of exchange control before war commenced and the subsequent adoption of an export licensing system were thus purely precautionary measures designed to stop any possible "flight of capital" or leakages of goods or money to enemies. In addition, they increase the central banking powers of the Commonwealth Bank. There was every prospect of a favourable balance of payments in 1939-40 even before the war, and this is made even more likely by Great Britain ordering the whole of the wool clip and the exportable surpluses of other agricultural products, except wheat. There is every reason to believe that Australia's overseas funds will improve to the same extent as in the last war.

From every point of view Australia is immeasurably stronger economically than in the last war. She now possesses a Central Bank with accumulated experience and all the powers it needs, her Government finances are better co-ordinated than ever before. Her external position is strong and will increase in strength. Annual gold production of about £A15 millions is much higher than during the last war, primary production is greater, and it is not unlikely that her iron and steel and munitions industries will swell the total of exports. As a greater range of articles unobtainable or not wanted from overseas will be produced at home, Australia in this war, as in the last Great War and the Great Depression, is going to "grow up" more. Her main concern will be to avoid growing too fast and incurring serious post-war depression. It is fairly certain, however, that her financial policy will be

restrained; the Prime Minister has already pointed out that of a total war expenditure of £A40 millions this year £A14 millions would come from revenue, as against only £A640,000 from revenue in the expenditure of £A15 millions during the first year of the last war.

New Zealand's overseas trade experience in recent years has been similar to Australia's. Having reached a post-depression peak of £NZ64.6 millions in 1936-37, export income fell by £NZ2.7 millions in the following year and by a further £NZ4 millions in 1938-39. The decline over the two years, however, was proportionately less than that which occurred in Australia. As with Australia, the setback in overseas trade gave rise to comparatively little recession internally. There the similarities between the experience of the two countries end; in other respects New Zealand has been much more unfortunate than Australia.

During the latter half of 1938 the sterling exchange resources of the Reserve Bank and trading banks fell to a level inadequate to meet ordinary annual seasonal drains. On October 21st the trading banks revised their buying and selling rates for sterling exchange, to correct the anomaly that they could not buy foreign exchange from the Reserve Bank and resell it without making a loss of $\frac{1}{2}$ per cent. Then on November 19th the discount rate of the Reserve Bank was raised from 2 per cent. to 4 per cent. But this was merely a gesture of warning and could not possibly check the drift. On December 7th, when New Zealand's net overseas assets had fallen to between £NZ6 millions and £NZ7 millions, the New Zealand Government introduced a system of exchange control. New Zealand was then in the export season, and the decline in the Dominion's sterling resources ceased, but no serious effort was made to reduce imports, which for the year ended last June were only £NZ1 million below the record post-depression level of the previous year. This high level of imports was due to the direct and indirect demands arising from a big public works programme, the indirect demands arising from extensive social policies, and the high cost of domestic products which caused a preference for imported goods.

In April, however, the Minister of Finance announced that imports would be drastically curtailed throughout practically the whole range of the tariff schedule during the latter half of this year. Net overseas assets stood at only about £NZ9 millions, hardly adequate to meet the normal seasonal drain in the second half of the year due to interest payments and import balances. Furthermore, on January 1, 1940, a loan of £stg17 millions fell due for repayment in London. The arrangements made by Mr Nash in England for this repayment, and the credits

granted through the Export Credits Guarantee Department, were fully discussed in *The Economist* of July 22 and July 29, 1939.

The war has removed from New Zealand the invidious distinction of being the only Empire country to have abandoned the free exchange system in peace-time. It has also, through the British Government's purchase of New Zealand products, largely relieved her of the responsibility of looking for markets, although not of preserving the profitability of her export industries by regulating internal costs. To some extent she may derive benefits from a further expansion of secondary industry. Apart from natural disadvantages, the difficulties of obtaining machinery from overseas and of paying for it and the heavy handicap of high costs will limit the growth of secondary industry, and its value may be largely offset by its effects on the costs of the export industries, which are the mainstay of the country.

The worst handicap New Zealand suffers is her unfortunate external position. Her overseas commitments have been increased by £stg2 millions in 1940 and £stg3½ millions in the following four years by reason of the deferred repayment of her £stg17 millions loan; thereafter in the five years ending 1949 she has maturities totalling about £stg56 millions. An improvement in her balance of trade of at least £NZ10 millions on the 1938 figure is required next year, and more subsequently, to achieve which the import restrictions must be made effective. Her 1939-40 Budget provides for public works expenditure, including £NZ2.2 millions for defence work, of £NZ23.9 millions—an increase of £NZ3.2 millions on last year. This and the fact that £NZ19 millions is to be borrowed suggests that further recourse to the Reserve Bank, which in the year ended March 31, 1939, increased its accommodation by £NZ14 millions, is probable. Reports that, "as an emergency measure," a Bill has been passed in New Zealand requiring the Governor and the Bank board to give effect to Government decisions, as well as altering reserve provisions and providing for revaluation of gold, are thus significant. This Bill has been described as introducing State control over the Reserve Bank, but it has always been assumed that the 1936 Amendment virtually made the Bank a Government Department. The Governor and the Board seemed then to have been given the status of Government servants, although apparently they were left the freedom to answer back. This precious privilege presumably will now be denied them. However, despite some unfavourable omens, New Zealand, whose loyalty to the Empire is unquestioned, will in her own time make economic and financial sacrifices as gladly as she is offering them in another sphere.

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DOMINION JOINT STOCK BANKS WITH LONDON OFFICES

BANKS IN EIRE									
1		2	3	4		5	6	7	8
Name of Bank	Date	No. of Branches and Sub-branches	Capital Subscribed	Uncalled Capital		Capital Paid-up	Reserve Fund	Un-divided Profits	Notes in Circulation
				Callable	Reserved				
Bank of Ireland †	Dec. 31, '38	104	£ 2,769,231	£ ...	£ ...	£ 2,769,231	£ 3,180,000	£ 303,040	£ 2,096,760
Hibernian Bank	June 30, '39	62	2,000,000	500,000	1,000,000	500,000	740,000	56,129	504,318
Munster and Leinster Bank ...	June 30, '39	209	1,875,000	1,125,000	...	750,000	1,000,000	86,710	838,293
National Bank	June 30, '39	274	7,500,000	1,000,000	5,000,000	1,500,000	1,160,000	42,502	1,363,200
Provincial Bank of Ireland	June 30, '39	120	4,000,000	1,500,000	2,000,000	500,000	535,000	62,958	1,074,762
Do. New			80,000	Nil	40,000	40,000			
Royal Bank of Ireland	Dec. 31, '38	41	1,500,000	300,000	900,000	300,000	315,000	19,241	244,237
Total		810	19,724,231	4,425,000	8,940,000	6,359,231	6,930,000	570,580	6,121,570

† No London Office.

AFRICAN BANKS

AFRICAN BANKS									
Bank of Br. West Africa, Ltd.	Mar. 31, '39	38	3,000,000	300,000	1,500,000	1,200,000	400,000	74,592	...
Barclays Bank (Dominion, Colonial and Overseas)	Sept. 30, '38	505	6,975,500	2,000,000	3,024,500	4,975,500	2,100,000	...	1,230,955
Netherlands Bank of S. Africa	Sept. 30, '38	21	636,569	Nil	Nil	636,569	317,011	61,203	...
Standard Bk. of S. Africa, Ltd.	Mar. 31, '39	385	10,000,000	7,500,000	Nil	2,500,000	3,000,000	544,072	942,088
Total		949	20,612,069	9,800,000	4,524,500	9,312,069	5,817,011	679,867	2,173,043

AUSTRALASIAN BANKS

AUSTRALASIAN BANKS									
Commonwealth Bank of Australia.....	June 30, '39	276	20,000,000	...	...	4,000,000	2,762,477	...	...
Bank of Adelaide	Mar. 28, '39	116	1,250,000	Nil	1,250,000	1,250,000	1,000,000	...	6,574
Bank of Australasia	Oct. 11, '38	248	4,500,000	Nil	4,500,000	4,500,000	4,475,000	65,216	2,745
Bank of New South Wales ...	Sept. 30, '38	898	8,780,000	Nil	8,780,000	8,780,000	6,150,000	389,879	81,326
Bank of New Zealand	Mar. 31, '39	230	6,935,175	Nil	Nil	6,935,175	3,575,000	298,677	627
Commercial Bank of Australia, Ltd.	June 30, '39	558	4,117,350	Nil	Nil	4,117,350	2,250,000	666,462	...
English, Scottish & Australian Bank, Ltd.	June 30, '38	406	5,000,000	2,000,000	Nil	4,872,966	2,250,000	233,257	6,186
National Bank of Australasia, Ltd.	Mar. 31, '39	336	6,800,000	1,800,000	Nil	5,000,000	3,295,000	488,885	1,011
National Bank of New Zealand, Ltd.	Mar. 31, '39	61	6,000,000	4,000,000	6,000,000	2,000,000	3,300,000	306,186	47,550
Queensland National Bank, Ltd.	June 30, '39	102	1,750,000	Nil	Nil	4,440,133	1,500,000	155,173	...
Union Bank of Australia, Ltd.	Aug. 31, '38	236	12,000,000	Nil	8,000,000	4,000,000	860,000	63,119	...
Total (excluding Commonwealth Bank of Australia)		3,191	57,132,525	7,800,000	28,530,000	45,895,624	31,255,000	2,959,451	153,578

(a) Contingent liabilities.

CANADIAN BANKS

CANADIAN BANKS									
Bank of Montreal	Oct. 30, '38	517	7,200,000	Nil	5,760,000	7,200,000	7,800,000	383,267	4,508,584
Bank of Nova Scotia	Dec. 31, '38	300	2,400,000	Nil	1,920,000	2,400,000	4,800,000	276,441	1,734,908
Canadian Bank of Commerce...	Nov. 30, '38	573	6,000,000	Nil	4,800,000	6,000,000	4,000,000	272,151	3,618,768
Dominion Bank	Dec. 31, '38	133	1,400,000	Nil	1,120,000	1,400,000	1,400,000	196,265	1,052,098
Royal Bank of Canada	May 31, '39	693	7,000,000	Nil	5,600,000	7,000,000	4,000,000	684,282	4,951,979
Total.....		2,216	24,000,000	Nil	19,200,000	24,000,000	22,000,000	1,812,406	15,866,337

(Converted at rate of \$5 to £1.)

INDIAN BANKS

INDIAN BANKS									
Chartered Bank of India, Australia and China	Dec. 31, '38	46	3,000,000	Nil	3,000,000	3,000,000	3,000,000	364,094	1,579,699
Eastern Bank, Ltd.	Dec. 31, '38	12	2,000,000	Nil	1,000,000	1,000,000	500,000	162,792	...
Mercantile Bk. of India, Ltd. } Do. " B " Shares } Do. " C " Shares }	Dec. 31, '38	24	{ 750,000 750,000 1,500,000	{ 187,500 187,500 1,200,000	{ 187,500 187,500 Nil	{ 1,050,000	1,075,000	240,770	276,652
National Bank of India, Ltd.	Dec. 31, '38	29	4,000,000	2,000,000	Nil	2,000,000	2,200,000	533,880	...
Total		111	12,000,000	3,575,000	4,375,000	7,050,000	6,775,000	1,301,536	1,856,351

DOMINION JOINT STOCK BANKS WITH LONDON OFFICES

BANKS IN EIRE										
9	10	11	12	13		14	15	16	17	18
Acceptances and Bills for Collection	Miscellaneous Liabilities	Deposits	Total Liabilities and Assets	Cash in Hand and Money at Call and Short Notice		Investments	Bills Discounted or Purchased (when shown separately)	Bills, Loans, and Advances	Premises and Sundries (including Cover for Acceptances)	Name of Bank
				Cash in Hand, with Banks and in Transit	Money at Call and Short Notice					
£ 25,000	£ ...	£ 34,732,885	£ 43,106,916	£ 3,125,119	£ 3,454,650	£ 21,071,530	£ ...	£ 14,828,160	£ 627,457	Bank of Ireland†
...	100,007	10,391,606	12,292,060	1,085,135	...	4,910,902	...	6,129,594	166,429	Hibernian Bank
...	...	24,150,008	26,825,011	1,423,010	1,000,000	12,446,508	891,508	10,684,678	379,307	Munster&Leinster
270,819	...	36,108,622	40,445,143	4,399,850	2,447,230	14,210,123	1,461,435	17,076,586	849,919	National Bank
...	200	14,414,769	16,627,689	1,099,556	515,000	7,506,619	1,042,499	6,255,008	209,007	{ Pro. Bk. of Ire'l'd. Do. New
...	...	6,544,565	7,423,043	671,955	...	2,403,025	79,885	4,018,178	250,000	Royal B. of Ire'l'd.
295,819	100,207	126,342,455	146,719,862	11,804,625	7,416,880	62,548,707	3,475,327	58,992,204	2,482,119	Total

† No London Office.

AFRICAN BANKS

AFRICAN BANKS											Bank of British W. Africa. Barclays Bk. (Dom. Col. & Overseas) Netherlands Bk. of S. Africa. Standard Bank of S.A., Ltd.
1906	1907	1908	1909	1910	1911	1912	1913	1914	1915	1916	
748,373	156,948	7,280,393	9,860,306	2,275,423	...	3,472,449	753,188	2,349,548	1,009,698		
5,023,609	...	99,543,348	112,873,412	28,577,524	1,020,000	32,651,955	9,860,321	33,175,393	7,588,219		
134,925	789,220	3,694,473	5,633,401	1,876,269	...	138,305	993,991	1,649,339	975,497		
13159586	...	65,974,635	86,120,381	13,169,381	2,117,138	16,337,033	3,782,276	37,349,247	13,365,306		
19066493	946,168	176,492,849	214,487,500	45,898,597	3,137,138	52,599,742	15,389,776	74,523,527	22,938,720	Total	

AUSTRALASIAN BANKS

RECEIPTS AND PAYMENTS									
				Cash & Notes in Hand and at Bankers	Money at Call and Remittances in Transit				
703,171	9,827,064	81,832,781	99,125,493	4,502,305	16,737,884	...	21,790,893	1,613,989	Comm. Bank of Australia.
...	276,025	7,000,719	9,598,534	592,086	1,947,664	...	5,950,855	395,416	Bank of Adelaide
5,869,859	...	39,563,740	54,801,223	5,378,809	...	...	39,720,225	1,040,550	Bk. of Australasia
8,154,482	43,341,674	100,257,842	127,064,001	15,615,275	715,000	...	96,877,362	6,874,289	Bk. of N.S. Wales.
41,343	6,160,656	33,328,479	50,707,742	7,819,095	1,978,715	*10,685,774	529,655	2,089,541	Bk. of N. Zealand
1,510,432	41,302,480	30,997,515	40,417,220	3,292,380	...	7,126,220	...	2,780,576	Commercial Bank of Australia.
...	2,796,612	35,188,611	46,643,085	8,400,900	...	3,799,603	...	748,511	English, Scottish & Australian Bk.
...	1,518,426	44,057,573	54,229,735	5,251,307	...	7,843,699	...	1,578,678	National Bank of Australasia.
...	1,321,571	13,298,386	18,275,130	2,156,585	449,098	2,023,793	365,461	648,716	National Bk. of New Zealand.
...	384,204	9,237,965	14,985,421	1,343,351	...	2,090,066	...	573,593	Queensland Nat. Bank.
...	1,521,063	36,986,969	47,658,188	5,095,145	340,000	5,314,297	...	457,200	Union Bank of Australia.
15576116	18,622,711	349,917,799	464,380,279	54,944,933	5,430,477	55,239,679	895,116	17,187,070	Total (excluding Commonwealth Bk. of Australia).

* Includes money at call.

CANADIAN BANKS

CANADIAN BANKS										
4,160,455 1,928,672	622,440 62,931	150,176,420 50,658,211	174,851,166 61,861,163	30,514,132 10,961,843	5,373,597 1,890,077	88,179,295 25,418,419	...	45,540,690 20,674,213	5,243,452 2,916,611	Bank of Montreal Bk. of Nova Scotia Canadian Bank of Commerce.
3,553,092 595,105	...	115,602,647 24,939,450	133,046,658 29,676,001	23,411,697 5,162,212	6,264,180 1,554,848	51,918,508 11,084,814	...	43,149,137 10,023,058	8,303,136 1,851,069	Dominion Bank
7,731	6,738,125	163,235,909	186,618,026	40,569,963	4,417,196	70,220,257	...	63,979,799	7,430,811	Royal Bk. Canada
10245055	7,516,579	504,612,637	586,053,014	110,619,847	19,499,898	246,821,293	...	183,366,897	25,745,079	Total

(Converted at rate of \$5 to £1.)

INDIAN BANKS

INDIAN BANKS										
2,122,532	4,263,817	46,191,968	60,522,110	7,610,197	...	25,758,123	7,945,845	16,538,710	2,669,235	Chartered Bk. of India, Australia and China.
1,007,231	1,351,697	7,499,725	11,521,445	1,232,536	...	5,937,960	810,111	2,598,611	942,227	Eastern Bk., Ltd.
727,753	178,316	14,852,169	18,400,660	2,706,484	...	8,130,717	1,379,084	5,416,045	768,330	Mercantile Bk. of India, Ltd.
804,413	...	27,856,726	33,395,019	4,861,444	...	13,518,824	3,637,770	10,118,561	1,258,420	Do. "B" Shares Do. "C" Shares Nat. Bk. of India
4,661,929	5,793,830	96,400,588	123,839,234	16,410,661	...	53,345,624	13,772,810	34,671,927	5,638,212	Total

DOMINION BANKS WITH OFFICES IN LONDON

(1) BANKS IN EIRE

JOINT-STOCK BANKS OF IRELAND

Year	Banks	No. of Branches	Capital and Reserves	% of Liabilities	Deposits	% of Liabilities	Notes	% of Liabilities	Total Liabilities	Cash in Hand, Money at Call and Short Notice	% of Liabilities	Investments	% of Liabilities	Discounts and Advances	% of Liabilities
1895	9	496	£ 10,200,000	16.5	£ 44,390,000	72.0	£ 6,143,000	9.9	£ 61,663,000	£ 11,253,000	18.3	£ 17,934,000	29.1	£ 31,182,000	50.4
1900	9	543	10,894,000	16.0	49,449,000	72.8	6,708,000	9.9	67,988,000	11,697,000	17.2	17,719,000	26.1	37,464,000	55.4
1910	9	663	11,475,000	13.9	62,508,000	76.0	7,211,000	8.8	82,150,000	13,762,000	16.7	23,215,000	28.2	44,127,000	53.7
1920	9	912	12,899,000	5.4	200,441,000	83.2	24,717,000	10.3	240,391,000	46,698,000	19.4	80,959,000	33.5	109,623,000	45.4
1922	9	986	13,779,000	5.7	209,777,000	86.0	17,321,000	7.1	242,199,000	31,834,000	13.1	103,019,000	42.5	104,554,000	43.1
1929	6*	798	13,549,231	9.0	128,212,719	85.0	8,384,891	5.5	151,006,928	19,097,681	12.6	63,327,301	41.9	66,109,058	43.7
1930	6*	808	13,744,231	9.3	126,913,785	85.8	6,513,849	4.4	148,029,152	16,100,407	10.9	65,094,325	44.0	64,377,598	43.4
1931	6*	807	13,934,231	9.4	127,984,313	86.1	5,850,791	3.9	148,613,574	14,921,624	10.0	67,622,666	45.6	63,560,931	42.8
1932	6*	813	12,984,231	8.8	128,933,593	86.8	5,519,572	3.7	148,258,478	17,581,926	11.9	64,057,942	43.1	64,097,121	43.2
1933	6*	815	12,959,231	8.0	142,409,702	88.1	5,628,327	3.5	161,825,966	21,525,641	13.3	76,802,234	47.5	60,941,640	37.7
1934	6*	817	13,024,231	8.6	131,897,421	87.0	5,653,210	3.7	151,518,670	18,621,526	12.3	69,142,874	45.6	61,119,164	40.4
1935	6*	814	13,084,231	8.6	130,355,911	86.2	5,691,191	3.8	151,091,322	19,785,775	13.1	68,007,196	45.1	59,755,743	39.6
1936	6*	814	13,144,231	8.7	130,313,900	86.7	5,820,339	3.9	150,159,441	20,516,702	13.6	68,603,747	45.7	58,405,645	38.9
1937	6*	824	13,189,231	8.7	131,781,726	86.7	5,912,025	3.9	151,905,409	19,247,815	12.7	69,483,290	45.7	60,519,989	39.6
1938	6*	816	13,244,231	9.0	127,745,011	86.5	5,954,889	4.0	147,930,621	18,788,022	12.7	64,316,702	43.5	62,322,957	42.2
1939	6*	810	13,289,231	9.1	126,342,455	86.1	6,121,570	4.2	146,719,862	19,221,505	13.1	62,548,707	42.6	62,467,527	42.6

* Banks in Eire.

BANK OF IRELAND†

ESTABLISHED 1783

CAPITAL				Market Value	PROFITS AND DIVIDENDS				Reserves, Etc.	Carried Forward
Subscribed	Paid-up	Callable	Reserved	£	Year Ended Dec. 31	Net Profits	Per Cent. of Resources	Dividends	£	£
£ 2,769,231	£ 2,769,231	£ ...	£ ...	£ 8,141,510	1928	564,667	1.31	411,923	150,000	86,094
					1929	542,088	1.28	411,923	130,000	86,259
					1930	537,145	1.28	411,923	130,000	81,481
					1931	512,172	1.28	402,837	100,000	90,816
					1932	438,762	0.85	308,683	130,000	88,896
					1933	404,254	0.90	301,154	100,000	91,996
					1934	406,598	0.92	289,731	100,000	89,911
					1935	386,594	0.87	289,731	100,000	85,775
					1936	378,927	0.84	289,731	75,000	100,971
					1937	390,749	0.88	289,731	75,000	128,988
					1938	379,821	0.88	289,731	75,000	142,078

Stock is fully paid. By Bank of Ireland Act, 1935, the liability of the Stock Holders is declared to be limited except as regards Note Issues.

Price September 29, 1939, £294.

Authorised Note Issue:
Eire, £1,760,000
Northern Ireland, £410,000

LIABILITIES				ASSETS			
Year ended Dec. 31	Number of Branches	Capital and Reserves	Per Cent.	Balance of Profit and Loss	Per Cent.	Notes	Per Cent.
1928	94	£ 5,989,231	13.8	£ 297,940	0.7	£ 4,264,358	9.9
1929	100	6,119,231	14.5	298,105	0.7	4,264,358	6.6
1930	100	6,249,231	14.8	293,327	0.7	4,264,358	5.5
1931	100	5,949,231	14.9	293,576	0.7	4,264,358	4.8
1932	100	5,949,231	11.6	259,203	0.5	4,264,358	3.7
1933	104	5,949,231	13.2	258,150	0.6	4,264,358	4.1
1934	104	5,949,231	13.4	260,219	0.6	4,264,358	4.2
1935	104	5,949,231	13.3	247,736	0.6	4,264,358	4.4
1936	104	5,949,231	13.2	261,932	0.6	4,264,358	4.3
1937	104	5,949,231	13.4	287,950	0.6	4,264,358	4.6
1938	104	5,949,231	13.8	303,040	0.7	4,264,358	4.9

* Includes acceptances.

† No London office.

THE HIBERNIAN BANK, LIMITED

ESTABLISHED 1825

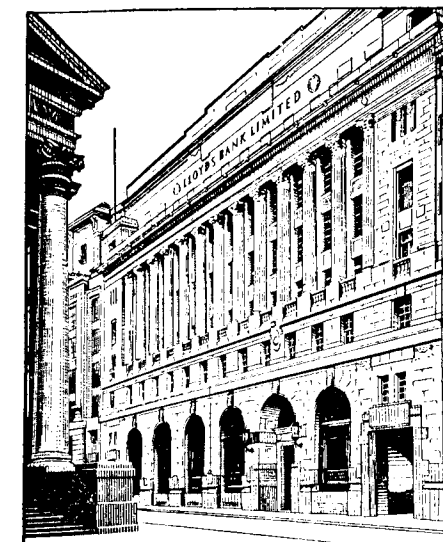
CAPITAL				PROFITS AND DIVIDENDS			
Subscribed	Paid-up	Callable	Reserved	Year Ended June 30	Net Profits	Per Cent. of Resources	Dividends
£ 2,000,000	£ 500,000	£ 500,000	£ 1,000,000	1929	97,944	0.73	67,500
				1930	99,809	0.74	67,500
				1931	109,114	0.82	67,500
				1932	82,977	0.62	63,750
				1933	88,187	0.68	57,500
				1934	86,650	0.66	57,500
				1935	82,878	0.66	57,500
				1936	82,728	0.65	57,500
				1937	81,465	0.67	57,500
				1938	80,072	0.60	57,500
				1939	73,675	0.60	57,500

* Free of income tax.

LLOYDS BANK LIMITED



For every
class of
Banking
Business



Chairman:
The Rt. Hon. Lord Wardington

Deputy Chairman:
Sir Austin E. Harris, K.B.E.

Vice-Chairman:
Sir Francis A. Beane

Chief General Managers:
R. A. Wilson
Sydney Parkes

Joint General Managers:
W. G. Johns, D.S.O., S. P. Cherrington
L. A. Stanley, G. D. Gold

EXECUTOR AND TRUSTEE DEPARTMENT. Those about to make a Will are invited to apply for a copy of a booklet explaining this section of the Bank's activities, which may be obtained, free of charge, through any Branch.

Head Office: 71 LOMBARD STREET, LONDON, E.C. 3

THE STANDARD BANK
OF SOUTH AFRICA
LIMITED

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

10 CLEMENTS LANE, LOMBARD STREET,
and 77 KING WILLIAM STREET, LONDON, E.C.

Telegraphic Address: Africorum, London

LETTERS OF CREDIT AND TRAVELLERS' CHEQUES ISSUED

THE CLOSEST TOUCH WITH TRADE AND INDUSTRIAL CONDITIONS IS MAINTAINED, WITH SPECIAL ATTENTION TO COMMERCIAL AND CREDIT INTELLIGENCE. THIS SERVICE IS AVAILABLE TO EXPORTERS, IMPORTERS AND OTHERS WISHING TO DEVELOP TRADE WITH SOUTH, EAST AND CENTRAL AFRICA

BRANCHES THROUGHOUT THE UNION OF SOUTH AFRICA, SOUTH WEST AFRICA, SOUTHERN AND NORTHERN RHODESIA, NYASALAND, KENYA, UGANDA, TANGANYIKA, ZANZIBAR AND PORTUGUESE EAST AFRICA

AGENTS AND CORRESPONDENTS IN ALL PARTS OF THE WORLD

THE HIBERNIAN BANK, LIMITED - Continued from page 16

Year ended June 30	Number of Branches	LIABILITIES							Total Liabilities or Assets	ASSETS							Per Cent.
		Capital and Reserves	Per Cent.	Un-divided Profits	Per Cent.	Notes in Circulation	Per Cent.	Rebate		Cash in Hand and at Bankers	Per Cent.	Investments	Per Cent.	Discounts, Loans and Advances	Per Cent.	Buildings and Sundries	
1929	62	1,160,000	8.7	68,773	0.5	324,617	2.4	8,713	11,767,056	642,509	4.8	5,504,805	41.3	6,044,542	52.1	237,303	1.8
1930	62	1,180,000	8.9	68,382	0.5	388,527	2.9	8,423	11,669,407	525,192	4.0	5,980,581	44.9	6,588,829	49.4	220,137	1.7
1931	62	1,200,000	9.0	79,997	0.6	391,057	2.9	8,188	11,672,040	467,682	3.5	6,231,332	46.6	6,431,923	48.2	220,345	1.6
1932	62	1,220,000	9.1	62,973	0.5	480,880	3.6	7,473	11,550,657	366,239	2.7	6,514,176	49.0	6,225,738	46.7	214,230	1.6
1933	62	1,140,000	8.5	63,690	0.5	506,471	3.8	6,621	11,829,564	1,197,157	9.0	5,335,868	43.3	6,087,708	47.5	198,086	1.5
1934	62	1,180,000	9.1	62,811	0.5	507,469	4.0	5,858	11,073,651	987,177	7.6	5,270,889	41.7	5,942,217	47.2	183,583	1.5
1935	62	1,180,000	9.4	58,189	0.5	509,412	4.0	5,212	10,873,322	1,219,456	9.6	5,302,136	42.4	6,038,715	48.3	182,778	1.4
1936	62	1,200,000	9.6	58,417	0.4	506,602	4.0	5,101	10,800,444	881,914	7.0	5,309,484	42.2	6,206,484	49.4	176,370	1.4
1937	62	1,210,000	9.6	59,882	0.5	498,925	4.0	4,792	10,147,430	1,054,510	8.8	4,574,383	38.3	6,140,694	51.5	171,958	1.4
1938	62	1,230,000	10.3	57,455	0.5	501,868	4.2	4,716	10,485,897	1,085,135	8.8	4,910,902	40.0	6,129,594	49.8	166,429	1.4
1939	62	1,240,000	10.1	56,129	0.5	504,318	4.1										

MUNSTER AND LEINSTER BANK, LIMITED
1885—Assets of Munster Bank, Limited, acquired

CAPITAL					Market Value	Year Ended June 30	Net Profits £	PROFITS AND DIVIDENDS			Reserves, Etc.	Carried Forward
Subscribed £	Paid-up £	Callable £	Reserve Fund £	Per Cent. of Resources £				Amount £	Dividends Rate %			
1,875,000	750,000	1,125,000	1,000,000	...	2,052,500	1929	179,979	0.65	105,000	*14	80,000	43,130
						1930	180,884	0.68	105,000	*14	75,000	44,015
						1931	186,888	0.62	105,000	*14	80,000	45,903
						1932	172,224	0.61	97,500	*13	75,000	45,627
						1933	155,525	0.54	90,000	*12	67,500	43,652
						1934	136,532	0.50	90,000	*12	47,500	42,703
						1935	138,291	0.52	90,000	*12	47,500	43,494
						1936	137,263	0.51	90,000	*12	47,500	43,257
						1937	137,898	0.51	90,000	*12	47,500	43,655
						1938	139,063	0.51	90,000	*12	47,500	45,218
						1939	133,991	0.50	90,000	*12	47,500	41,710

* Free of income tax.

LIABILITIES															ASSETS														
Year ended June 30	Number of Branches	Capital and Reserves	Per Cent.	Un-divided Profits	Per Cent.	Deposit and Current Accounts, Rebate, etc.	Per Cent.	Total Liabilities or Assets	Cash in Hand and with Bankers	Per Cent.	Cash at Call and Short Notice	Per Cent.	Investments	Per Cent.	Bills Receivable	Per Cent.	Advances	Per Cent.	Pre-mises	Per Cent.									
1929.....	198	1,750,000	6.4	95,630	0.3	125,558,817	93.3	27,404,447	1,799,860	6.5	2,050,000	7.5	9,870,614	35.9	1,413,244	5.2	11,918,246	43.6	352,483	1.3									
1930.....	199	1,750,000	6.4	96,515	0.4	125,312,519	93.2	27,159,034	1,776,810	5.8	1,200,000	4.4	11,298,651	41.6	1,310,863	4.9	11,418,815	42.0	353,895	1.3									
1931.....	199	1,750,000	6.4	98,403	0.4	125,492,540	93.2	27,340,913	1,799,601	5.2	1,000,000	3.7	12,113,142	40.8	1,268,647	4.6	11,182,102	40.8	354,451	1.3									
1932.....	199	1,750,000	6.2	91,627	0.3	126,485,563	93.5	28,326,190	1,080,540	3.8	1,600,000	5.6	12,139,194	42.8	1,851,042	6.5	11,285,472	39.8	369,942	1.3									
1933.....	205	1,750,000	6.1	88,652	0.3	126,841,578	93.6	28,689,230	1,110,596	3.9	2,000,000	7.0	13,237,042	46.2	1,188,134	4.1	10,774,862	37.5	369,596	1.3									
1934.....	205	1,750,000	6.5	89,703	0.3	125,367,075	93.2	27,204,378	1,137,418	4.2	1,300,000	4.8	12,387,818	45.5	1,127,782	4.1	10,867,451	40.0	384,609	1.4									
1935.....	206	1,750,000	6.5	88,494	0.3	124,967,059	93.2	26,815,553	1,411,454	5.2	1,500,000	5.6	11,775,297	44.0	1,039,949	3.9	10,674,189	39.9	384,666	1.4									
1936.....	207	1,750,000	6.5	88,257	0.3	124,867,712	93.2	26,705,969	1,163,675	4.4	1,500,000	5.6	12,492,488	45.8	1,003,639	3.6	10,398,859	38.6	387,260	1.4									
1937.....	215	1,750,000	6.5	90,218	0.3	123,947,143	92.9	25,787,361	1,255,761	4.9	800,000	3.1	12,097,991	46.6	936,829	3.6	10,402,859	40.3	383,911	1.4									
1938.....	214	1,750,000	6.8	90,218	0.3	123,947,143	92.9	25,787,361	1,255,761	4.9	800,000	3.1	12,097,991	46.6	936,829	3.6	10,402,859	40.3	383,911	1.4									
1939.....	209	1,750,000	6.5	86,710	0.3	124,988,301	93.2	26,825,111	1,423,010	5.3	1,000,000	3.7	12,446,508	46.4	891,508	3.3	10,684,678	39.9	379,307	1.4									

* Includes Treasury Bills.

† Includes note circulation.

THE NATIONAL BANK LIMITED
ESTABLISHED 1835

Subscribed	CAPITAL				Market Value	Year Ended June 30	Net Profits	PROFITS AND DIVIDENDS			Added to Reserves, Etc.	Carried Forward
	Paid-up	Callable of	Reserved	Per Cent.				—Dividends— Amount	Rate			
7,500,000	1,500,000	1,000,000	5,000,000	3,000,000	1929	312,465	0.73	210,000*	14	120,000	29,290	
					1930	261,803	0.64	210,000*	14	50,000	31,092	
					1931	270,034	0.65	210,000*	14	60,000	31,126	
					1932	235,018	0.58	195,000*	13	50,000	31,144	
					1933	220,194	0.51	180,000*	12	40,000	31,338	
					1934	224,016	0.53	180,000*	12	40,000	35,355	
					1935	220,402	0.53	180,000*	12	40,000	35,757	
					1936	221,327	0.53	180,000*	12	40,000	37,084	
					1937	222,044	0.52	180,000*	12	40,000	39,127	
					1938	221,482	0.53	180,000*	12	40,000	40,609	
					1939	201,892	0.50	172,500*	11½	27,500	42,502	

Authorized note issue:
Irish Free State, £1,318,000
Northern Ireland, £120,000

* Less Income Tax

* Less Income Tax.

Year ended June 30	Number of Offices	LIABILITIES							Total Liabilities or Assets	ASSETS							Per Cent.
		Capital and Reserves	Per Cent.	Notes	Per Cent.	Acceptances	Per Cent.	Un-divided Profits		Cash in Hand and at Bank	Per Cent.	Cash at Call and Short Notice	Per Cent.	Investments	Per Cent.	Discounts and Advances	
1929	268	2,940,000	6.9	1,700,386	4.0	49,437	0.1	174,290	4,377,535	88.6	42,617,648	3,787,043	8.9	4,447,585	10.4	15,130,762	35.5
1930	268	2,955,000	7.2	1,338,247	3.2	30,627	0.1	166,092	4,366,027	88.1	41,092,053	3,338,375	8.1	3,463,753	8.5	15,281,517	37.1
1931	275	2,975,000	7.2	1,285,363	3.1	31,343	0.1	166,126	4,370,477	88.9	41,505,400	3,047,440	7.3	3,396,731	8.0	15,109,368	38.9
1932	275	2,515,000	5.9	1,230,979	3.0	39,950	0.1	146,144	4,383,222	79.4	42,274,867	3,296,493	7.8	4,751,726	11.3	15,777,127	37.4
1933	275	2,540,000	5.9	1,280,151	3.0	52,819	0.1	141,338	4,393,038	79.6	43,052,384	4,194,262	9.7	3,153,683	7.3	16,439,543	42.9
1934	273	2,560,000	6.0	1,297,922	3.1	126,562	0.3	145,355	4,393,351	91.2	42,481,751	4,139,977	9.7	3,275,707	7.7	16,918,796	39.9
1935	272	2,580,000	6.2	1,314,030	3.1	72,808	0.3	145,757	4,378,820	256.9	41,932,851	4,658,014	11.1	3,444,381	8.2	16,114,501	38.4
1936	272	2,600,000	6.2	1,318,533	3.1	84,745	0.2	147,083	4,371,600	90.1	41,866,421	4,658,014	11.1	3,444,381	8.2	16,114,501	38.4
1937	274	2,620,000	6.2	1,342,039	3.2	323,844	0.8	149,127	4,388,054	91.5	42,489,025	4,218,030	9.9	4,062,314	9.6	15,287,522	36.5
1938	274	2,640,000	6.3	1,333,410	3.2	275,411	0.7	150,809	4,373,707	223.8	41,769,653	4,591,893	11.0	3,003,611	7.2	14,154,891	33.9
1939	274	2,660,000	6.6	1,363,200	3.4	270,819	0.7	42,502	4,399,850	10.9	40,445,143	4,399,850	10.9	2,447,230	6.1	14,210,123	35.5

† Includes Treasury Bills.

PROVINCIAL BANK OF IRELAND, LIMITED
ESTABLISHED 1st August, 1825. Registered under Limited Liability Acts, 10th July, 1882

CAPITAL				Year ended June 30	Net Profits of £	PROFITS AND DIVIDENDS			Reserves, Etc.	Carried Forward	
Subscribed	Paid-up	Callable	Reserved			Per Cent. of Resources	Amount	Dividends Rate			
	£		£		£		£	%		£	
Old	4,000,000	500,000	1,500,000	2,000,000	1929	112,989	0.74	62,640	14½	50,000	36,780
					1930	103,758	0.62	61,661	14½	40,000	33,777
					1931	110,513	0.62	60,682	14½	50,000	38,706
New	80,000	40,000	Nil	40,000	1932	88,421	0.52	54,676	13½	36,000	36,452
					1933	73,732	0.42	50,625	12½	26,000	33,559
	Per Share	Per Share	Per Share	Per Share	1934	69,457	0.42	51,468	12½	18,000	33,547
Old	£8	£1	£3	£4	1935	68,807	0.40	52,312	12½	16,500	33,542
					1936	71,595	0.42	51,880	12½	20,000	35,472
					1937	74,272	0.43	51,047	12½	22,000	40,171
New	£2	£1	Nil	£1	1938	75,480	0.45	49,781	12½	22,000	40,171
					1939	72,256	0.43	46,980	12½	25,000	40,447

PROVINCIAL BANK OF IRELAND, LIMITED—Continued from page 18

Year ended June 30	Number of Branches	LIABILITIES							Total Liabilities or Assets	ASSETS						
		Capital and Reserves	Per Cent.	Un-divided Profits	Per Cent.	Notes	Per Cent.	Deposit and Current Accounts		Cash in Hand and at Bank	Per Cent.	Cash at Call and Short Notice	Per Cent.	Investments	Per Cent.	Discounts and Advances including Treasury Bills
1929	136	1,170,000	6.9	68,101	0.4	970,530	5.7	14,739,230	87.0	812,152	4.8	605,000	1.8	7,062,220	41.7	8,262,179
1930	138	1,190,000	7.1	69,219	0.4	889,523	5.3	14,577,801	87.2	917,222	5.5	680,000	3.6	7,789,390	46.5	7,140,085
1931	135	1,210,000	7.2	69,048	0.4	871,989	5.2	14,639,113	87.2	793,104	4.7	700,000	4.1	8,360,431	49.7	6,776,680
1932	135	990,000	5.8	61,765	0.4	873,572	5.2	15,103,126	88.7	566,383	3.3	415,000	4.2	8,168,524	48.0	7,672,694
1933	135	1,010,000	5.7	58,872	0.3	913,855	5.2	15,631,156	88.8	792,197	4.5	1,140,000	6.5	8,279,275	47.0	7,191,102
1934	130	1,025,000	6.2	59,704	0.4	934,974	5.6	14,603,556	87.8	532,875	3.2	914,000	5.5	8,089,134	48.7	6,872,579
1935	127	1,035,000	6.0	59,698	0.3	942,410	5.5	15,118,726	88.2	604,448	3.5	1,290,000	7.5	8,658,897	50.4	6,441,501
1936	128	1,045,000	6.1	58,981	0.3	994,431	5.8	15,097,966	87.8	716,446	4.1	1,050,000	6.0	8,461,644	48.5	7,043,549
1937	128	1,055,000	6.3	61,839	0.4	1,016,299	6.0	14,700,603	87.3	931,129	5.5	1,000,000	5.9	7,463,753	44.3	7,256,766
1938	121	1,065,000	6.0	61,784	0.4	1,037,107	5.9	15,310,324	87.7	1,039,556	6.6	515,000	3.1	7,503,619	45.1	7,297,507
1939	120	1,075,000	6.5	62,938	0.4	1,074,762	6.5	14,414,769	83.6							

ROYAL BANK OF IRELAND LIMITED

ESTABLISHED 1836

Year ended Aug. 31	Number of Branches	CAPITAL				Total Liabilities or Assets	PROFITS AND DIVIDENDS					
		Subscribed	Paid-up	Callable	Reserved		Net Profit	Per Cent. of Resources	Dividends	Rate	Reserves, Etc.	Carried Forward
1929	42	530,000	7.2	26,845	0.4	6,758,579	68,657	0.94	25,500	10	42,000	11,545
1930	42	540,000	7.2	26,017	0.3	6,646,842	64,672	0.85	25,500	10	40,000	10,717
1931	42	550,000	7.4	25,963	0.4	6,573,242	65,446	0.88	25,500	10	40,000	10,663
1932	43	560,000	7.4	25,963	0.4	6,573,242	80,910	1.08	33,392	10	48,000	10,180
1933	43	580,000	8.0	22,692	0.3	6,458,309	54,756	0.74	20,700	9	33,000	11,236
1934	43	590,000	8.3	23,363	0.3	6,245,222	52,455	0.72	20,250	9	32,000	11,441
1935	41	600,000	8.3	23,021	0.3	6,419,064	48,071	0.68	20,775	9	27,000	11,738
1936	41	605,000	8.3	23,285	0.3	6,435,691	45,883	0.63	20,925	9	25,000	11,366
1937	41	610,000	8.3	22,639	0.3	6,467,925	43,118	0.55	20,925	9	22,000	11,660
1938	41	615,000	8.3	19,241	0.2	6,544,565	40,239	0.55	18,600	8	20,000	11,014
1939	41	615,000	8.3	19,241	0.2	6,544,565	37,527	0.49	18,600	8	20,000	9,941

* 16 months ended December 31.

† Year ended December 31.

Year ended August 31st	Number of Branches	LIABILITIES							Total Liabilities or Assets	ASSETS						
		Capital and Reserves	Per Cent.	Un-divided Profits	Per Cent.	Notes in circulation	Per Cent.	Deposit and Current Accounts		Cash in Hand, at Bank, and at Call	Per Cent.	Investments	Per Cent.	Bills Discounted	Per Cent.	Advances
1928	42	530,000	7.2	26,845	0.4	273,000	3.7	6,758,579	92.4	7,315,424	521,874	7.1	2,221,773	30.4	125,770	1.7
1929	42	540,000	7.2	26,017	0.3	273,000	3.7	6,646,842	88.8	501,527	6.7	2,443,155	32.6	116,576	1.6	4,199,801
1930	42	550,000	7.4	25,963	0.4	246,154	3.3	6,573,242	88.9	524,179	7.1	2,373,217	32.1	116,619	1.6	4,156,344
1931	42	560,000	7.4	25,963	0.4	233,900	3.1	6,573,242	88.9	446,353	6.0	2,330,345	31.2	510,194	6.8	3,922,261
1932	43	570,000	7.6	22,486	0.3	233,900	3.1	6,458,309	88.5	1,424,547	19.0	1,532,123	20.5	606,052	8.1	3,675,554
1933	43	580,000	8.0	22,692	0.3	231,142	3.2	6,458,309	88.5	1,158,523	15.9	1,158,523	15.9	1,006,267	13.7	3,721,463
1934	43	590,000	8.3	23,363	0.3	233,355	3.3	6,245,222	88.1	7,292,143	8.1	2,280,202	31.9	92,280	1.3	3,913,022
1935	41	600,000	8.3	23,021	0.3	229,623	3.2	6,419,064	88.2	671,234	9.2	2,509,612	34.5	89,431	1.2	3,747,323
1936	41	605,000	8.3	23,285	0.3	238,347	3.3	6,435,691	88.1	649,417	8.9	2,397,760	32.9	88,359	1.2	3,913,922
1937	41	610,000	8.3	22,639	0.3	239,313	3.3	6,467,925	88.1	587,338	8.0	2,115,907	32.9	88,176	1.2	3,996,347
1938	41	615,000	8.3	19,241	0.2	244,237	3.3	6,544,565	88.2	671,955	9.0	2,403,025	32.4	79,885	1.1	4,018,178

† December 31.

(2) AFRICAN BANKS

BANK OF BRITISH WEST AFRICA LIMITED

REGISTERED 1894

Year ended March 31	Number of Branches	CAPITAL				Market Value	Year ended March 31	Net Profit	Dividend	To Reserves, etc.	Carried Forward
		Subscribed	Paid-up	Callable	Reserved						
1929	54	1,600,000	15.4	95,611	0.9	1,439,133	13.8	128,331	6	55,000	53,611
1930	57	1,600,000	16.7	95,433	1.0	1,089,494	11.3	121,822	6	50,000	53,433
1931	56	1,600,000	18.0	48,001	0.5	1,131,347	12.7	121,822	6	50,000	53,433
1932	47	1,600,000	19.7	71,626	0.9	711,908	8.8	59,625	4	...	30,001
1933	47	1,600,000	18.2	82,237	0.9	816,485	9.3	58,611	4	...	41,626
1934	44	1,600,000	18.5	83,003	1.0	685,072	7.9	58,611	4	10,000	52,237
1935	44	1,600,000	17.2	84,674	0.9	781,410	8.6	64,671	4	15,000	54,674
1936	44	1,600,000	15.9	96,973	1.0	830,826	8.3	85,298	5	25,000	54,973
1937	41	1,600,000	14.1	91,609	0.8	799,749	8.2	90,636	5	30,000	55,608
1938	39	1,600,000	12.8	91,714	0.7	837,067	6.7	50,106	5	...	55,714
1939	38	1,600,000	16.2	74,592	0.8	748,373	7.6	42,878	4	...	50,592

BARCLAYS BANK (DOMINION, COLONIAL AND OVERSEAS)

1836.—Established by Royal Charter as the Colonial Bank

1925.—Reincorporated by Act of Parliament and acquired the National Bank of South Africa, Limited, and the Anglo-Egyptian Bank, Limited

Year ended September 30	Number of Branches	CAPITAL				Price September 29, 1939	Year ended September 30	Net Profit	Dividend	To Reserve, etc.	Carried Forward
		Subscribed	Paid-up	Callable	Reserved						
1929	54	1,600,000	15.4	95,611	0.9	1,439,133	13.8	465,071	4	210,000	164,730
1930	57	1,600,000	16.7	95,433	1.0	1,089,494	11.3	402,754	4	200,000	244,738
1931	56	1,600,000	18.0	48,001	0.5	1,131,347	12.7	372,103	4	180,000	215,885
1932	47	1,600,000	19.7	71,626	0.9	711,908	8.8	371,548	4	150,000	216,476
1933	47	1,600,000	18.2	82,237	0.9	816,485	9.3	409,827	5	175,000	216,816
1934	44	1,600,000	18.5	83,003	1.0	685,072	7.9	473,401	5	220,000	223,397
1935	44	1,600,000	17.2	84,674	0.9	781,410	8.6	401,192	5	252,846	128,903
1936	44	1,600,000	15.9	96,973	1.0	830,826	8.3	431,209	6	175,000	134,320
1937	41	1,600,000	14.1	91,609	0.8	799,749	8.2	439,245	6	175,000	144,595
1938	39	1,600,000	12.8	91,714	0.7	837,067	6.7				
1939	38	1,600,000	16.2	74,592	0.8	748,373	7.6				

Continued on page 22

BARCLAYS BANK (DOMINION, COLONIAL AND OVERSEAS)

OVER 500 BRANCHES IN

THE UNION OF SOUTH AFRICA

KENYA . TANGANYIKA . UGANDA . NYASALAND

NORTHERN & SOUTHERN RHODESIA . PORTUGUESE EAST AFRICA

SOUTH-WEST AFRICA . BRITISH WEST AFRICA

MALTA . GIBRALTAR . CYPRUS . EGYPT . SUDAN . PALESTINE

MAURITIUS . BRITISH WEST INDIES . BRITISH GUIANA

LONDON . LIVERPOOL . MANCHESTER . NEW YORK (Agency)

HEAD OFFICE:

54 LOMBARD STREET, LONDON, E.C.3

BARCLAYS BANK (CANADA)
Montreal and Toronto

Glyn, Mills & Co.

(ESTABLISHED 1753)

Registered with unlimited liability, 1885

CHILD & CO. and HOLT & CO.
(Established before 1600) (Established 1809)

BANKERS

Army and Air Force Agents, Navy and Prize Agents.

EVERY MODERN BANKING FACILITY

67, LOMBARD STREET, LONDON, E.C.3

Directors:

*General The Hon. Sir H. A. LAWRENCE, G.C.B. (Chairman)

*Colonel E. GORE BROWNE, D.S.O., O.B.E., T.D., A.D.C. (Deputy Chairman)

*B. F. G. CURRIE

*F. M. G. GLYN

*M. D. V. HOLT

A. MATTILAND, K.C.

*A. T. MAXWELL

*The Hon. I. L. MELVILLE

*M. J. BABINGTON SMITH

J. T. TULLOCH, M.C., C.A.

W. WHYTE

* Managing

Child's Branch - 1, FLEET STREET, E.C.4

MARYGOLD HOUSE, CARFAX, OXFORD

Holt's Branch - KIRKLAND HOUSE, WHITEHALL, S.W.1

The Bank is prepared to act as REGISTRAR and TRANSFER AGENT, being fully equipped with the necessary personnel and machinery for the expeditious and accurate handling of transfers, preparation of share and stock certificates and Dividend Warrants, maintenance of Stock and Share Registers, registration of probates and Powers of Attorney, and all other duties pertaining to the office of Registrar and Transfer Agent.

BARCLAYS BANK (DOMINION, COLONIAL AND OVERSEAS)—Continued from page 20

Year ended Sept. 30	Number of Branches	LIABILITIES						Total Liabilities or Assets	ASSETS					
		Capital and Reserves	Per Cent.	Notes	Per Cent.	Acceptances	Per Cent.		Cash in hand, at Bankers, &c., and Money at Call	Per Cent.	Investments	Per Cent.	Discounts and Advances	Per Cent.
1930	486	6,625,500	8.9	918,520	1.2	3,974,620	5.4	7,208,905	16,005,466	21.6	12,970,040	17.5	39,171,970	52.7
1931	493	6,625,500	8.3	781,343	1.0	3,558,843	4.5	79,428,109	16,760,317	21.1	14,509,263	18.3	42,364,369	53.3
1932	477	6,625,500	8.0	744,210	0.9	3,544,206	4.3	82,535,886	17,683,670	21.4	18,314,991	22.2	40,571,424	49.2
1933	479	6,625,500	7.7	733,992	0.8	3,342,453	4.2	85,225,869	19,493,066	23.0	27,170,192	31.8	32,737,951	38.4
1934	479	6,725,500	7.1	770,978	0.8	4,311,872	4.5	84,674,003	21,548,461	22.8	25,778,119	27.2	40,504,801	42.8
1935	488	6,825,500	6.8	850,648	0.8	3,982,657	4.0	89,439,949	27,807,217	28.0	28,445,438	25.5	41,672,967	42.0
1936	494	6,900,500	6.3	930,389	0.8	4,946,849	4.5	109,770,242	29,147,299	26.5	27,843,085	25.4	45,307,337	41.3
1937	498	7,000,500	6.4	1,083,980	0.9	5,712,899	5.2	110,006,923	26,404,144	24.0	28,334,085	25.7	47,026,013	42.8
1938	505	7,075,500	6.3	1,230,955	1.1	5,023,609	4.4	112,873,412	29,597,524	26.2	32,651,955	28.9	43,035,714	38.2

NETHERLANDS BANK OF SOUTH AFRICA

REGISTERED 1888

With which was amalgamated Transvaal Commercial Bank in May, 1925

CAPITAL				Year	Net Profit	Dividend	To Reserve, etc.	Carried Forward
Subscribed	Paid-up	Callable	Reserved					
Fl. 5,622,500	Fl. 5,622,500	Nil	Nil	1928	60,145	7	18,712	1,038
(S.A. £636,569 9 9)	(S.A. £636,569 9 9)			1929	60,078	7	23,559	246
				1930	51,517	6	20,259	1,135
				1931	51,468	6	21,218	686
				1932	76,350*	Nil	77,750†	2,342
				1933	67,415	5	34,788	351
				1934	61,311	4	26,641	3,872
Shares	Per Share	Per Share	Per Share	1935	88,887	6	37,943	1,847
1,575	Fl. 720 (S.A. £81 10 4)	Nil	Nil	1936	104,191	6	60,934	1,818
8,977	Fl. 500 (S.A. £56 12 1)	Nil	Nil	1937	118,054	6	57,960	1,611
				1938	100,514	6	56,215	2,225

* Loss. † From reserve, etc.

Year ended December 31	Number of Branches	LIABILITIES						Total Liabilities or Assets	ASSETS					
		Capital and Reserves	Per Cent.	Un-divided Profits	Per Cent.	Acceptances, Bills for Collection, etc.	Per Cent.		Cash in hand, with Bankers, and Money at Call	Per Cent.	Investments	Per Cent.	Discounts and Advances	Per Cent.
1928	18	635,209	19.6	50,429	1.5	686,604	21.2	3,248,762	391,272	12.0	100,388	3.1	2,033,495	62.6
1929	18	645,209	20.4	45,472	1.4	710,016	22.5	3,161,503	345,903	10.9	99,114	3.1	1,995,496	63.2
1930	18	645,209	22.3	37,337	1.3	713,374	22.8	2,894,729	407,402	14.1	224,334	7.8	1,889,540	65.2
1931	18	645,209	27.1	37,218	1.0	87,954	3.8	1,347,066	483,578	20.8	153,699	6.6	1,516,561	65.5
1932	18	827,714	29.1	2,342	0.1	272,345	9.6	1,737,246	787,575	27.8	271,330	9.6	1,474,394	51.8
1933	18	974,923	27.0	38,880	1.1	500,642	13.8	2,099,391	711,249	13.7	318,788	14.3	1,732,889	45.7
1934	19	1,105,756	31.4	37,839	1.1	475,384	13.5	1,895,763	766,594	21.8	365,741	10.4	1,741,999	48.2
1935	19	1,120,403	22.3	61,065	1.2	1,180,783	23.5	2,661,747	1,318,243	26.3	113,954	2.3	2,283,489	45.7
1936	20	929,629	19.7	50,329	1.1	967,496	20.5	2,769,291	1,343,434	28.5	310,292	6.6	2,100,591	44.5
1937	20	948,213	19.5	75,436	1.5	757,837	15.6	3,088,126	1,041,829	21.4	90,849	1.9	2,847,208	58.5
1938	21	953,580	16.9	61,203	1.1	924,145	16.4	3,694,473	1,876,269	33.3	138,305	2.5	2,643,330	46.9

All the amounts above are expressed in South African currency (viz. S.A. £).

a Nine months ended Sept. 30, 1934.

b Year ended Sept. 30.

STANDARD BANK OF SOUTH AFRICA LIMITED

ESTABLISHED 1862

1920—Absorbed African Banking Corporation

CAPITAL				Market Value Sept. 29, 1939	Year ended March 31	Net Profit	Dividend	To Reserve, etc.	Carried Forward
Subscribed	Paid-up	Callable	Reserved						
£	£	£	£	£	£	£	£	£	£
10,000,000	2,500,000	7,500,000	Nil	5,250,000	1929	621,466	17	225,000	122,524
					1930	652,478	17	225,000	125,002
					1931	567,620	15	175,000	150,064
					1932	457,442	11	175,000	154,400
					1933	429,336	10	175,000	152,580
					1934	453,179	10	200,000	165,169
					1935	502,590	12*	200,000	142,705
					1936	477,535	12*	200,000	149,292
					1937	556,587	14†	255,000	170,925
					1938	621,623	15‡	225,000	169,072
					1939	573,147	14*	225,000	

Year ended March 31	No. of Branches	LIABILITIES						Total Liabilities or Assets	ASSETS					
		Capital and Reserves	Per Cent.	Notes	Per Cent.	Drafts Outstanding and Acceptances	Per Cent.		Cash in hand, at Bank, and in Transit including Bullion	Per Cent.	Cash and Loans at Short Notice	Per Cent.	Investments	Per Cent.
1929	354	5,664,170	7.9	603,642	0.8	2,885,559	4.0	10,279,107	14.3	51,830,149	72.3	71,760,151	7.5	3,250,000
1930	378	5,664,170	8.3	584,861	0.8	2,027,797	3.0	10,108,468	14.8	49,563,891	72.4	68,451,102	7.2	3,225,000
1931	384	5,664,170	8.1	526,563	0.7	1,600,440	2.3	10,241,212	14.6	51,934,061	73.8	70,409,068	7.4	3,225,000
1932	376	5,664,170	8.2	437,148	0.6	990,668	1.4	9,512,475	13.8	52,151,393	75.4	69,130,918	7.4	3,225,000
1933	376	5,000,000	7.5	441,879	0.7	834,128	1.2	7,331,203	11.0	32,960,375	79.1	66,996,985	7.0	3,600,000
1934	377	5,000,000	7.2	473,493	0.7	1,092,371	1.6	7,282,335	10.5	55,162,977	79.3	69,398,755	7.3	2,600,000
1935	375	5,000,000	7.1	529,088	0.7	1,107,550	1.6	8,336,089	11.7	55,463,478	78.1	70,901,373	7.4	1,870,920
1936	375	5,000,000	6.8	608,156	0.8	1,413,493	1.9	8,364,403	11.4	57,800,798	78.5	73,709,555	7.5	1,200,000
1937	375	5,000,000	6.5	736,134	0.9	1,918,728	2.3	9,662,021	11.3	85,971,368	78.2	84,277,804	7.3	1,812,341
1938	380	5,000,000	6.5	874,721	1.1	1,788,829	2.1	11,177,738	13.0	65,114,365	78.5	85,001,778	7.3	2,175,000
1939	385	5,000,000	6.4	942,088	1.1	1,686,053	2.0	11,473,533	13.3	65,974,635	76.6	86,120,381	7.3	2,117,138

* Includes bonus of 2s. per share.

† Includes bonus of 4s. per share.

‡ Includes bonus of 3s. per share.

(3) AUSTRALASIAN BANKS

AUSTRALASIAN BANKS WITH LONDON OFFICES

Year	Banks	No. of Branches	Capital and Reserves	% of Liabilities	Notes	% of Liabilities	Deposits	% of Liabilities	Total Assets or Liabilities	Cash in Hand and Money at Call and Notice	% of Liabilities	Invest- ments	% of Liabilities	Discounts and Advances	% of Liabilities
			£		£		£		£	£		£		£	
1890	19	1,538	24,424,100	13.2	4,821,800	2.6	138,065,900	74.7	184,931,200	26,919,000	14.6	6,808,100	3.7	145,535,900	78.9
1900	16	1,338	30,307,100	19.1	4,348,700	2.8	107,408,600	68.4	157,299,500	33,165,500	21.1	12,831,900	8.2	102,820,200	65.7
1910	17	1,965	33,612,300	16.3	5,198,100	2.4	152,885,400	71.9	212,615,200	54,575,000	25.8	17,105,000	8.1	132,956,900	62.3
1920	16	2,393	51,248,171	13.4	8,511,692	2.2	281,477,007	73.4	383,470,259	88,133,890	23.2	68,431,168	17.8	214,736,390	56.0
1929	12	3,292	86,623,990	17.5	7,543,645	1.5	358,172,387	72.5	494,326,268	78,048,713	15.8	63,589,822	12.8	339,648,856	68.7
1930	12	3,372	88,074,940	18.2	6,792,206	1.4	350,095,968	72.2	484,659,471	71,442,573	14.8	44,948,658	9.3	351,619,883	73.0
1931	12	3,358	89,436,041	19.5	6,346,137	1.4	331,378,067	72.1	458,147,765	71,023,589	15.5	45,317,529	9.4	326,111,993	73.2
1932	11	3,226	86,221,161	19.2	6,549,485	1.5	329,815,863	73.4	448,372,051	76,407,310	17.0	46,143,476	10.3	311,114,477	69.3
1933	11	3,218	87,454,588	18.6	7,009,864	1.5	348,646,761	74.0	470,574,941	70,630,369	15.0	56,805,909	12.1	327,461,479	69.5
1934	11	3,161	87,308,970	17.8	7,125,090	1.5	365,005,434	74.8	489,423,221	71,561,185	14.6	66,647,578	13.6	335,111,951	68.6
1935	10	2,741	77,215,480	17.8	1,428,022	0.3	323,414,288	74.8	431,862,822	66,590,043	15.4	62,827,898	14.5	287,738,053	66.5
1936	11	3,378	86,205,345	17.6	727,654	0.1	371,467,131	75.8	490,041,323	64,868,722	13.2	76,661,024	15.6	334,800,739	68.4
1937	11	3,684	86,220,345	17.1	167,442	...	384,547,415	76.5	503,997,196	75,306,732	15.0	72,276,505	14.3	339,171,924	67.4
1938	11	3,829	86,212,688	16.4	167,332	...	401,634,845	76.2	526,777,542	84,465,954	16.0	67,210,124	12.8	356,604,787	67.7
1939	10	3,191	77,150,624	16.6	153,578	...	349,917,799	75.3	464,380,279	60,375,410	13.0	55,239,679	11.9	331,578,120	71.4

BANK OF AUSTRALASIA—Continued from page 23

Year ended Oct.	Number of Branches	LIABILITIES										ASSETS										
		Capital and Reserves	Per Cent.	Un-divided Profits	Per Cent.	Notes	Per Cent.	Bills Payable, etc.	Per Cent.	Deposits and Current Accounts	Per Cent.	Total Liabilities or Assets	Cash in Hand and at Bank	Per Cent.	Cash at Call and Short Notice	Per Cent.	Investments	Per Cent.	Discounts and Advances	Per Cent.	Premises and Acceptances	Per Cent.
1928...	237	8,950,000	18.8	454,760	1.0	428,622	1.0	3,908,217	8.2	33,876,329	71.0	47,618,928	7,385,811	15.5	120,000	0.3	5,082,083	10.7	34,871,858	73.2	159,176	0.3
1929...	238	8,975,000	18.2	476,943	0.9	434,328	0.9	5,022,528	10.2	34,414,798	69.8	49,323,597	7,182,967	14.5	50,000	0.1	3,681,894	7.5	38,130,363	77.3	278,375	0.6
1930...	238	8,975,000	18.7	462,027	1.0	401,137	0.8	3,965,638	8.2	34,232,584	71.3	48,036,386	6,111,127	12.7	495,000	0.1	4,896,383	12.3	35,963,357	74.9	570,721	1.2
1931...	235	8,975,000	17.7	320,188	0.6	333,079	0.7	3,414,078	6.7	37,678,574	74.3	50,720,919	8,180,221	16.1	50,000	0.1	6,741,594	13.3	35,171,332	69.9	577,772	1.1
1932...	229	8,975,000	17.3	304,783	0.6	334,031	0.7	4,098,119	7.9	38,120,630	73.5	51,832,563	7,931,815	15.3	60,000	0.1	10,053,510	19.3	33,136,504	63.5	650,343	1.2
1933...	227	8,975,000	17.2	310,166	0.6	353,520	0.7	4,772,167	9.1	37,678,574	74.3	52,244,204	8,127,891	15.6	50,000	0.1	10,306,126	19.1	33,471,976	62.5	667,300	1.3
1934...	227	8,975,000	16.6	318,190	0.6	318,190	0.6	4,874,943	9.1	38,601,907	73.5	53,893,799	9,354,504	17.4	25,000	...	10,566,078	20.2	34,867,758	68.1	768,113	1.6
1935...	235	8,975,000	17.6	330,485	0.6	26,138	...	4,847,643	9.1	38,601,907	73.5	53,893,799	9,354,504	17.4	...	...	9,478,927	18.6	35,899,409	70.2	848,259	1.5
1936...	236	8,975,000	17.6	363,134	0.7	2,795	...	4,847,643	9.1	38,601,907	73.5	53,893,799	9,354,504	17.4	...	...	8,402,412	15.1	36,377,944	65.5	1,010,778	1.9
1937...	243	8,975,000	16.1	372,893	0.7	2,773	...	5,720,809	10.2	40,775,464	73.2	55,846,839	10,055,805	17.9	...	...	8,661,639	15.8	39,720,253	70.7	610,404	1.1
1938...	248	8,975,000	16.4	389,879	0.7	2,745	...	5,869,859	10.7	43,563,740	72.2	54,801,223	10,378,809	18.8	...	...	...	...	...	...	...	...

* Includes centenary bonus 2 per cent. and bonus to staff.

BANK OF NEW SOUTH WALES

ESTABLISHED 1817, AND INCORPORATED IN 1850

1927.—Absorbed Western Australian Bank

1931.—Absorbed the Australian Bank of Commerce, Limited

CAPITAL				LIABILITIES				ASSETS			
Subscribed	Paid-up	Reserved Liability	Market Value	Sept. 29, 1939	Year ended Sept. 30	Net Profit	Dividend	To Reserve, Etc.	Carried Forward		
£8,780,000	£8,780,000	£8,780,000	£8,999,500		1928	1,184,943	12½	250,000	168,654		
					1929	994,825	10	250,000	163,479		
					1930	734,699	9½	...	166,928		
					1931	585,235	8	...	112,963		
					1932	462,967	5½	...	114,980		
					1933	439,739	5	...	115,596		
					1934	439,739	5	...	116,335		
					1935	442,660	5	...	119,996		
					1936	470,454	5½	...	129,500		
					1937	543,242	6	...	145,942		
					1938	547,835	6	...	166,977		

Year ended Sept. 30	Number of Branches	LIABILITIES							ASSETS													
		Capital and Reserves	Per Cent.	Un-divided Profits	Per Cent.	Notes	Per Cent.	Out-standing Credits, Bills Payable, etc.	Per Cent.	Deposit and Current Accounts	Per Cent.	Total Liabilities or Assets	Cash in Hand, Notes, etc.	Per Cent.	Money at Short Call and Bills Receivable and Remittances in Transit	Per Cent.	Investments	Per Cent.	Discounts and Advances	Per Cent.	Premises and Sundries, including Cover for Acceptances	Per Cent.
1928	559	13,150,000	14.8	793,654	0.9	633,262	0.7	9,891,114	11.1	1,164,514,553	72.5	88,982,585	15,943,061	17.9	5,368,502	6.0	12,401,670	13.9	51,353,368	57.8	3,915,984	4.4
1929	589	13,400,000	14.8	804,978	0.7	584,091	0.6	10,165,176	11.2	1,266,056,052	72.7	90,806,297	15,960,512	13.2	6,759,890	7.4	8,327,204	9.2	59,427,980	65.4	4,330,731	4.8
1930	594	13,650,000	15.9	835,678	0.4	527,026	0.6	8,477,453	9.5	1,366,238,220	74.2	90,111,427	13,220,274	14.7	4,670,223	5.2	7,509,244	8.4	46,400,401	51.6	7,003,974	7.8
1931	702	13,650,000	15.2	844,063	0.5	481,455	0.5	6,347,216	7.9	1,669,388,093	77.0	90,111,427	13,220,274	14.7	4,670,223	5.2	7,509,244	8.4	46,400,401	51.6	7,003,974	7.8
1932	705	14,930,000	13.9	824,730	0.2	564,720	0.5	7,862,018	7.3	1,833,943,595	78.1	107,525,115	12,114,058	11.3	4,144,907	3.8	8,217,281	9.0	53,109,240	57.2	2,882,458	3.1
1933	718	14,930,000	13.4	825,346	0.2	601,793	0.5	9,437,472	8.5	1,936,317,691	77.4	111,512,302	12,599,668	10.2	7,150,179	6.4	4,224,551	5.0	26,637,280	60.1	4,997,636	4.6
1934	740	14,930,000	12.7	826,085	0.3	9,701,376	8.3	9,701,376	8.3	1,849,970,78.5	78.5	116,995,922	14,924,924	12.7	5,342,486	6.2	6,233,381	4.95	20,663,922	57.3	6,414,119	5.6
1935	771	14,930,000	12.9	829,746	0.2	140,968	0.1	9,854,815	8.5	1,904,003,981	78.3	115,559,509	10,865,082	9.4	6,408,186	5.5	5,177,277	4.8	19,755,122	45.6	5,886,699	5.1
1936	780	14,930,000	13.0	831,200	0.2	81,449	0.1	10,732,623	9.3	1,899,145,169	77.4	115,150,441	12,003,737	10.4	8,831,895	7.7	7,187,607	6.7	27,766,524	66.6	5,534,954	5.1
1937	850	14,930,000	12.1	877,642	0.2	81,416	0.1	11,979,680	9.7	1,975,876,747	77.9	123,145,485	17,746,102	14.4	10,035,110	8.1	7,885,402	8.0	34,577,457	65.6	5,631,414	5.6
1938	898	14,930,000	11.8	898,772	0.2	81,326	0.1	11,496,156	9.0	1,900,578,782	78.9	127,064,001	15,615,275	12.3	8,852,352	7.0	6,982,075	5.8	34,000,010	69.8	8,647,289	5.7

† Branches and agencies.

BANK OF NEW ZEALAND

INCORPORATED WITH LIMITED LIABILITY IN NEW ZEALAND IN 1861

CAPITAL				LIABILITIES				ASSETS			
Subscribed	Paid-up	Callable	Reserve	Sept. 29, 1939	Year ended March 31	Net Profit	Dividend	To Reserve, Etc.	Carried Forward		
£3,750,000	£3,750,000	Nil	Nil		1929	1,124,959	13½	275,000	617,591		
£1,875,000	£1,875,000	Nil	Nil		1930	948,534	13½	125,000	623,571		
£703,125	£703,125	Nil	Nil		1931	845,814	13½	25,000	626,002		
					1932	587,023	14½	Int. Str. Final N.Z.	395,056		
					1933	594,270	11½	N.Z.	344,795		
					1934	573,032	10	...	343,609		
					1935	578,748	10	...	348,138		
					1936	565,181	10	...	339,100		
					1937	600,008	10	...	364,890		
					1938	583,209	10	...	373,880		
					1939	585,941	10	...	385,602		

* Bonus 1 per cent.

Year ended March 31	No. of Branches	LIABILITIES							Total Liabilities or Assets	ASSETS												
		Capital and Re- serves	Un- divi- ded Profits	Notes	Per Cent.	Bills Payable, etc.	Deposit and Current Accounts	Per Cent.		Cash in Hand and at Bank	Per Cent.	Bills Re- ceivable and in Transit	Per Cent.	Invest- ments	Per Cent.	Discount and Advances	Per Cent.	Buildings and Sundries	Per Cent.			
1929	240	10,008,114	18.3	1,344,284	2.5	4,290,793	7.8	4,979,067	9.1	33,939,651	62.2	54,561,909	7,470,062	13.7	3,362,051	6.2	*17,893,430	32.8	24,349,263	44.6	6,149,109	2.2
1930	244	10,008,114	19.0	1,199,849	2.2	3,754,948	6.8	5,536,497	10.1	33,897,999	61.9	54,774,567	6,977,281	12.7	3,227,685	4.6	*12,856,472	23.5	30,540,989	55.8	8,187,180	3.4
1931	236	11,011,644	20.8	1,102,694	2.1	3,679,957	6.9	4,836,762	9.1	32,324,685	61.1	52,909,929	7,302,709	13.8	1,749,333	3.3	*12,280,336	22.9	29,696,475	56.1	11,930,389	3.9
1932	234	11,040,614	21.3	846,749	1.6	4,062,763	7.8	4,292,951	8.3	31,565,843	61.0	51,808,469	7,861,401	15.2	1,514,717	2.9	*13,327,115	25.2	27,150,099	52.1	1,955,968	3.8
1933	226	11,040,614	21.0	641,279	1.2	4,338,747	8.2	4,169,475	7.9	32,573,239	61.7	52,782,904	8,508,559	16.1	1,531,838	3.1	*14,215,769	27.0	26,436,551	50.0	1,970,464	3.9
1934	223	11,040,614	20.3	624,468	1.2	4,259,149	7.8	4,105,002	7.5	34,328,004	63.2	54,366,787	7,765,367	14.3	1,483,957	3.0	*16,282,377	30.3	23,809,751	43.8	2,044,975	3.7
1935	223	10,510,751	21.2	628,997	1.3	3,033,778	1.0	4,598,606	9.3	33,198,614	67.2	49,440,170	7,177,791	14.1	1,475,538	3.0	*15,884,625	32.2	22,860,184	46.3	2,042,032	4.1
1936	228	10,510,751	20.3	619,960	1.2	3,244,452	0.6	4,616,264	8.9	35,740,430	69.0	51,811,281	7,076,654	13.7	1,274,872	2.4	*18,280,045	35.2	22,797,374	42.2	2,020,334	3.9
1937	226	10,510,751	20.3	615,749	1.2	628	...	5,017,561	9.7	35,636,112	68.8	51,830,227	8,105,657	15.6	3,338,925	6.5	*16,684,119	32.1	23,683,948	45.7	72,057,574	4.4
1938	234	10,510,751	20.5	654,740	1.3	627	...	5,520,050	10.7	34,731,532	67.5	51,417,124	6,270,177	12.2	1,223,430	2.4	*15,400,818	30.0	26,617,322	51.3	32,105,377	4.4
1939	230	10,510,751	20.7	666,462	1.3	627	...	6,201,992	12.2	33,328,479	65.8	50,707,742	7,819,035	15.4	931,877	1.8						

† Including £102,550 long term mortgage debentures.

† Including £607,050 long term mortgage debentures.

† Includes money at call, and since 1936 remittances in transit between Branches, which were in previous years included under Discounts and Advances.

* Includes money at call, and since 1936 remittances in

COMMERCIAL BANK OF AUSTRALIA, LIMITED

ESTABLISHED 1856

1918.—National Bank of Tasmania purchased, March 1, 1918

CAPITAL					Year Ended June 30	Net Profit	Ordinary Dividend	To Reserve, etc.	Carried Forward
	Subscribed	Paid-up	Callable	Reserved	£	£	%	£	£
Ordinary Shares	£2,000,000	£2,000,000	Nil	Nil	1929	391,624	15	79,788	94,190
					1930	389,841	15	42,851	95,549
					1931	308,449	11½	33,399	65,336
					1932	199,670	5	10,090	70,312
Per Share	10s.	10s.	Nil	Nil	1933	213,624	5	20,000	79,252
					1934	209,155	5	20,000	83,712
Registered Preferred Capital, £3,000,000					1935	228,458	5½	25,000	90,810
					1936	234,481	5½	25,000	98,930
Preference Shares	£2,117,350	£2,117,350	Nil	Nil	1937	247,435	6½	30,000	103,338
					1938	262,384	7	30,000	109,361
Per Share	£10	£10	Nil	Nil	1939	262,910	7¼	30,000	115,910

NATIONAL BANK OF AUSTRALASIA, LIMITED—Continued from page 25

Year ended March 31	Number of Branches	LIABILITIES										ASSETS										
		Capital and Reserves	Per Cent.	Un- divided Profits	Per Cent.	Notes	Per Cent.	Bills in Circulation, etc.	Per Cent.	Deposit and Current Accounts	Per Cent.	Total Liabilities or Assets	Cash in Hand and at Bank	Per Cent.	Investments	Per Cent.	Bills and Remittances in Transit	Per Cent.	Discounts and Advances	Per Cent.	Real Estate and Premises	Per Cent.
1929	334	8,100,000	17.1	407,773	0.9	47,900	0.1	1,534,686	3.2	37,341,465	78.7	47,431,824	5,327,009	11.2	5,823,371	12.3	2,807,583	5.9	32,127,196	67.8	1,346,665	2.8
1930	343	8,200,000	18.0	412,907	0.9	47,852	0.1	1,432,135	3.1	35,559,314	77.9	45,652,208	6,074,364	13.3	2,778,551	6.1	1,884,901	4.1	33,514,797	73.4	1,399,595	2.8
1931	354	8,300,000	19.3	349,113	0.8	47,827	0.1	1,024,820	2.4	33,306,077	77.4	43,027,837	6,641,892	15.4	1,773,859	4.1	1,480,720	3.4	31,671,405	73.7	1,459,961	3.1
1932	364	8,300,000	18.7	275,951	0.6	47,708	0.1	1,024,467	2.3	34,619,063	77.8	44,267,189	6,616,196	14.9	1,141,667	2.6	2,054,839	4.6	33,048,762	74.1	1,405,725	3.1
1933	376	8,300,000	19.2	272,895	0.6	47,613	0.1	1,063,949	2.5	33,662,199	77.6	43,346,626	6,431,470	9.9	1,478,855	3.1	5,897,546	13.4	34,310,678	79.2	1,355,107	3.0
1934	388	8,300,000	18.1	282,510	0.6	47,599	0.1	1,088,227	2.4	36,212,881	78.8	45,925,626	4,121,271	9.6	924,877	4.3	709,586	8.3	33,506,114	73.0	1,343,778	2.9
1935	399	8,300,000	17.7	275,951	0.6	47,599	0.1	1,134,773	2.7	37,049,415	78.7	47,025,288	5,620,802	12.0	3,093,561	6.2	4,264,564	5.7	35,407,973	73.3	1,396,281	2.9
1936	410	8,300,000	17.5	296,913	0.6	47,599	0.1	1,082,565	2.6	37,769,620	79.5	47,486,677	5,567,068	11.7	3,331,791	9.1	3,575,415	7.5	32,446,662	68.1	1,575,745	3.2
1937	421	8,300,000	16.1	307,540	0.6	47,579	0.1	1,623,881	2.4	32,220,260	82.0	51,909,354	5,979,307	11.5	6,638,774	12.4	4,848,788	9.3	33,580,318	64.5	1,580,318	3.1
1938	432	8,300,000	15.5	304,941	0.6	47,556	0.1	1,678,789	3.1	34,143,054	982.80	57,358,268	5,979,307	10.2	7,687,998	13.4	4,130,723	7.2	34,836,414	65.3	1,651,754	3.1
1939	443	8,300,000	15.3	306,185	0.6	47,550	0.1	1,518,426	2.8	44,057,573	81.2	54,229,735	5,251,307	9.7	7,274,833	13.9	5,313,522	9.8	40,303,779	67.1	1,678,678	2.9

NATIONAL BANK OF NEW ZEALAND, LIMITED

REGISTERED 1872.

Year ended March 31	Number of Branches	CAPITAL				Market Value	Per Share Sept. 29, 1939
		Subscribed	Paid-up	Callable	Reserved		
1929	58	4,000,000	21.3	326,154	1.7	1,297,385	6.9
1930	59	4,000,000	20.8	294,171	1.4	1,115,974	5.8
1931	59	4,000,000	22.3	248,457	1.4	940,476	5.2
1932	57	4,000,000	21.5	202,294	1.1	961,152	5.2
1933	56	4,000,000	19.8	154,742	0.8	1,019,477	5.0
1934	56	4,000,000	18.0	146,416	0.7	1,111,225	5.0
1935	56	4,000,000	18.7	155,366	0.8	1,151,763	5.1
1936	57	4,000,000	18.5	153,959	0.8	99,821	5.1
1937	58	4,000,000	18.5	152,797	0.8	...	5.1
1938	60	4,000,000	18.5	154,324	0.8	...	5.1
1939	61	4,000,000	19.2	173,081	0.8	...	5.1

* Free of tax. † Of which 2% paid free of tax. ‡ Less income tax at 3s. 7d. in the £.

Year ended Mar. 31	LIABILITIES										Total Liabilities or Assets	ASSETS										
	No. of Branches	Capital and Reserves	Per Cent.	Un- divi- ded Profits	Per Cent.	Notes	Per Cent.	Bills Payable, etc.	Per Cent.	Deposit and Current Accounts		Per Cent.	Cash in Hand, at Bankers, and at Call and Short Notice	Per Cent.	Invest- ments	Per Cent.	Bills Dis- counted	Per Cent.	Bills and Remit- tances in Transit and Ad- vances	Per Cent.	Landed Property, Premises and Furniture	Per Cent.
1929	58	4,000,000	21.3	326,154	1.7	1,297,385	6.9	2,618,830	13.9	10,567,019	56.2	18,809,388	1,178,935	6.3	2,229,749	11.9	1,260,622	6.7	13,534,173	71.9	605,909	3.2
1930	59	4,000,000	20.8	294,171	1.5	1,115,974	5.8	1,638,755	8.6	12,165,675	63.3	19,214,575	1,348,069	7.0	2,450,253	12.7	1,054,118	5.5	13,711,222	71.4	650,912	3.4
1931	59	4,000,000	22.3	248,457	1.4	940,476	5.2	1,062,541	5.9	11,857,303	65.0	17,908,777	1,873,102	10.5	2,532,641	14.1	568,056	3.2	12,281,763	68.5	653,215	3.7
1932	57	4,000,000	19.8	154,742	0.8	1,019,477	5.0	1,287,043	6.4	13,787,817	68.0	20,229,079	2,821,058	13.9	2,339,990	11.5	373,928	1.8	14,282,317	70.6	631,788	3.1
1933	56	4,000,000	18.0	146,416	0.7	1,111,225	5.0	1,313,405	5.9	15,585,886	70.4	22,166,932	1,428,034	6.4	2,505,648	11.3	323,302	1.5	17,281,820	72.0	630,128	2.8
1934	56	4,000,000	18.7	155,366	0.8	1,151,763	5.1	1,368,853	7.3	13,554,839	72.4	18,730,841	2,689,327	14.3	4,194,477	22.3	427,530	2.3	10,810,333	57.7	629,124	3.4
1935	57	4,000,000	18.5	153,959	0.8	99,821	0.5	1,559,812	8.2	13,653,182	72.0	18,968,774	3,307,418	17.4	2,697,211	14.2	340,220	1.8	11,999,035	63.3	624,890	3.3
1936	58	4,000,000	18.5	152,797	0.8	...	...	1,488,645	7.9	13,751,541	72.8	18,892,983	2,365,944	12.5	3,626,851	17.7	454,383	2.4	12,114,198	64.1	621,507	3.3
1937	60	4,000,000	19.2	173,081	0.8	...	...	1,334,170	7.1	13,908,667	73.6	18,897,361	2,137,719	11.3	2,229,728	11.8	414,437	2.2	13,479,964	71.3	635,513	3.4
1938	61	4,000,000	19.2	173,081	0.8	...	...	1,321,571	7.2	13,298,365	72.8	18,275,130	2,156,585	11.8	2,023,793	11.1	365,461	2.0	13,080,575	71.5	648,716	3.6

† Includes New Zealand Government Treasury Bills.

QUEENSLAND NATIONAL BANK, LIMITED

INCORPORATED 1872

Year ended June 30	Number of Branches	CAPITAL				Market Value Sept. 29, 1939	Per Share
		Subscribed	Paid-up	Callable	Reserved		
1929	102	5,656,669	36.5	49,809	0.3	407,581	2.6
1930	102	5,681,669	38.5	53,515	0.4	348,219	2.4
1931	102	5,701,669	39.3	43,307	0.3	437,459	3.0
1932	101	5,701,669	40.2	53,645	0.4	282,529	2.1
1933	99	5,725,096	40.6	56,694	0.4	302,531	2.2
1934	99	5,454,478	39.8	54,096	0.4	289,042	2.1
1935	99	5,424,899	38.1	53,788	0.4	305,362	2.1
1936	101	5,360,842	37.2	54,936	0.4	349,041	2.4
1937	101	5,360,842	38.0	59,756	0.4	356,844	2.4
1938	103	5,337,585	36.2	60,177	0.4	370,616	2.5
1939	102	5,300,133	35.4	63,119	0.4	384,204	2.6

Interim dividend inscribed deposit stock, £2,690,133.
 * Free of Queensland Income Tax and no deduction will be made in respect of Federal Income Tax payable by the Bank.
 † Free of Queensland Income Tax and Unemployment Relief Tax.
 ‡ Free of Queensland Income Tax and State Development Tax.

Year ended June 30	Number of Branches	LIABILITIES										Total Liabilities or Assets	ASSETS									
		Capital and Re- serves	Per Cent.	Un- divided Profits	Per Cent.	Miscel- laneous Credits, Rebate, etc.	Per Cent.	Deposit and Current Accounts	Per Cent.	Cash in Hand and at Bankers	Per Cent.		Cash at Call and Short Notice in London	Per Cent.	Invest- ments	Per Cent.	Discounts, Advances, and Bills in Transit	Per Cent.	Premises and Sundries	Per Cent.		
1929...	102	5,656,669	36.5	49,809	0.3	407,581	2.6	9,404,099	60.6	15,518,158	1,598,240	10.3	135,000	0.9	2,017,008	13.0	11,243,061	72.4	524,849	3.4		
1930...	102	5,681,669	38.5	53,515	0.4	348,219	2.4	8,657,228	58.7	14,740,631	1,738,632	11.8	120,000	0.8	1,310,942	8.9	11,043,884	74.9	527,173	3.6		
1931...	102	5,701,669	39.3	43,307	0.3	437,459	3.0	8,332,164	57.4	14,514,599	1,993,391	13.7	80,000	0.6	1,650,330	11.4	10,265,955	70.7	524,923	3.6		
1932...	101	5,701,669	40.2	53,645	0.4	292,529	2.1	8,135,285	57.3	14,183,128	1,789,827	12.6	60,000	0.4	2,600,319	18.3	9,181,611	64.8	551,371	3.9		
1933...	99	5,725,096	40.6	56,694	0.4	302,531	2.2	7,872,214	56.8	13,958,525	1,813,937	11.6	25,000	0.2	2,502,885	18.1	9,165,450	66.1	549,253	4.0		
1934...	99	5,454,478	39.8	54,096	0.4	289,042	2.1	7,941,295	57.7	13,748,911	1,782,006	12.8	25,000	0.2	2,146,388	15.6	9,268,534	67.4	548,983	4.0		
1935...	99	5,424,898	38.1	53,788	0.4	305,362	2.1	8,451,033	59.4	14,235,174	1,865,689	13.1	15,000	0.1	2,476,561	16.7	9,430,651	66.3	547,273	3.8		
1936...	101	5,360,842	37.2	54,936	0.4	349,041	2.4	8,646,021	60.0	14,410,840	1,404,236	9.7	15,000	0.1	2,295,409	15.9	10,148,532	70.5	547,542	3.8		
1937...	101	5,360,842	38.0	59,756	0.4	356,844	2.4	9,110,747	61.2	14,888,189	1,665,177	11.2	15,000	0.1	2,206,614	14.8	10,444,627	70.2	556,771	3.7		
1938...	103	5,337,585	36.2	60,177	0.4	370,616	2.5	8,992,762	60.8	14,761,140	1,772,027	12.0	...	...	2,229,893	15.1	10,200,671	69.1	558,549	3.8		
1939...	102	5,300,133	35.4	63,119	0.4	384,204	2.6	9,237,965	61.6	14,985,421	1,343,351	9.0	...	...	2,090,066	14.0	10,978,411	73.2	573,593	3.8		

BANK OF NOVA SCOTIA

ESTABLISHED 1832

1913.—Absorbed Bank of New Brunswick

1914.—Absorbed Metropolitan Bank

1919.—Absorbed Bank of Ottawa

CAPITAL				Year Ended Dec. 31	Net Profit	Dividend	To Reserve, Etc.	Carried Forward
Subscribed	Paid-up	Callable	Reserved					
\$ 12,000,000	\$ 12,000,000	Nil	\$ 9,800,000	1928	507,104	16	100,000	182,945
				1929	552,223	18	122,000	293,168
				1930	507,129	18	326,090	106,966
				1931	515,960	18	127,000	111,926
				1932	460,687	15	96,969	115,645
				1933	407,180	12½	95,400	127,425
				1934	370,066	12	73,000	136,491
				1935	366,835	12	73,000	169,643
				1936	385,337	12	79,000	183,091
				1937	396,428	12	86,000	204,245
				1938	396,154	12	87,000	

(Dollars converted to sterling at rate of \$5 to £1)

Year ended Dec. 31	Number of Branches	LIABILITIES										Total Liabilities or Assets	ASSETS									
		Capital and Res- erves	Per Cent.	Un- divided Profits	Per Cent.	Notes	Per Cent.	Due to Other Banks, etc.	Per Cent.	Deposit and Current Accounts	Per Cent.		Cash in Hand and Due by Agents	Per Cent.	Call and Short Loans	Per Cent.	Invest- ments	Per Cent.	Discounts and Advances	Per Cent.	Real Estate, Pre- mises, and Sund- ries	Per Cent.
1928...	320	6,000,000	10.7	263,222	0.5	3,215,611	5.8	2,920,354	5.2	43,497,426	77.8	55,900,613	11,314,201	20.2	9,387,847	16.6	9,978,272	19.5	22,169,103	39.7	3,051,190	5.6
1929...	327	6,000,000	10.9	373,671	0.7	3,240,453	5.9	2,886,672	5.3	42,347,479	77.2	54,848,275	10,896,159	19.9	9,027,998	16.4	7,441,926	17.9	24,596,467	44.8	2,885,725	5.3
1930...	335	7,200,000	13.7	203,015	0.4	2,793,469	5.3	2,318,197	4.6	40,008,451	76.0	52,623,132	9,226,861	17.5	7,622,235	14.5	8,750,524	13.6	23,174,023	44.0	2,849,489	5.4
1931...	324	7,200,000	13.7	208,367	0.4	2,540,566	4.8	1,860,965	3.5	40,689,392	77.6	52,499,290	8,488,170	16.1	3,596,873	6.9	12,636,485	18.6	24,420,028	46.5	3,357,734	6.4
1932...	322	7,200,000	13.6	200,592	0.4	2,215,802	4.2	2,740,514	5.2	40,625,915	76.8	52,382,823	8,468,352	17.8	3,049,010	5.8	15,037,796	24.1	22,032,556	41.6	3,395,109	6.6
1933...	317	7,200,000	13.3	200,221	0.4	2,394,209	4.2	2,764,449	5.1	41,598,472	77.0	54,063,351	10,437,588	19.3	2,202,042	4.1	15,838,055	29.3	22,050,000	40.8	3,535,666	6.8
1934...	310	7,200,000	13.0	208,641	0.4	2,464,440	4.3	3,892,370	6.9	42,349,707	75.3	56,115,158	11,055,420	19.7	2,884,659	5.1	18,905,429	33.7	19,911,143	35.5	3,558,507	6.8
1935...	303	7,200,000	12.4	214,738	0.4	1,942,879	3.4	2,164,943	3.7	46,242,018	80.1	57,764,578	10,278,087	17.8	1,672,330	2.9	22,649,009	39.3	19,967,147	34.5	3,198,005	5.9
1936...	303	7,200,000	12.1	233,067	0.4	1,883,182	3.2	2,373,292	4.0	47,702,312	80.3	59,391,853	9,982,015	16.8	3,369,902	5.7	23,564,218	39.7	19,132,290	32.2	3,343,428	5.6
1937...	302	7,200,000	12.0	255,417	0.4	1,732,050	2.9	2,225,037	3.7	48,483,437	81.0	59,895,941	10,390,452	17.3	2,142,477	3.6	24,337,808	40.6	20,036,115	33.5	2,989,089	5.0
1938...	300	7,200,000	11.7	276,441	0.4	1,734,908	2.8	1,991,693	3.2	50,658,211	81.9	61,861,163	10,961,843	17.7	1,930,077	3.1	25,418,419	41.1	20,674,213	33.4	2,916,611	4.7

THE CANADIAN BANK OF COMMERCE

INCORPORATED 1867 IN CANADA WITH LIMITED LIABILITY

Head office, Toronto, Canada.

CAPITAL				Market Price	Year Ended Nov. 30	Net Profit	Dividend	To Reserve, Etc.	Carried Forward
Subscribed	Paid-up	Callable	Reserved	Per Share,					
\$ 30,000,000	\$ 30,000,000	Nil	\$ 24,000,000	Sept. 29,	1928	920,953*	13	596,936	62,535
				1939	1929	1,041,006	13	1,302,572†	97,627
				1930	1930	1,105,155	13	331,621†	106,100
				1931	1931	981,149	12	237,450	110,072
				1932	1932	855,885	11	199,121	103,900
				1933	1933	729,766	8½	191,233	132,433
				1934	1934	682,731	8	199,360	135,797
				1935	1935	677,806	8	200,522	133,079
				1936	1936	581,825	8	91,801	143,103
				1937	1937	580,823	8	102,061	147,865
				1938	1938	529,795	8	87,444	150,216

(Converted at par of exchange.)

* Includes profit and loss balance of the Standard Bank of Canada.
† Includes £1,022,180 received as premiums on new shares issued.
‡ Includes £41,505 premium on new issue.

Year Ended November 30	No. of Branches	LIABILITIES										Total Liabilities or Assets	ASSETS									
		Capital and Reserves	Per Cent.	Un- divided Profits	Per Cent.	Notes	Per Cent.	Bills Payable etc.	Per Cent.	Deposit and Current Accounts	Per Cent.		Cash in Hand and Due by Agents	Per Cent.	Call and Short Loans	Per Cent.	Invest- ments	Per Cent.	Dis- counts and Advances	Per Cent.	Real Estate, Pre- mises and Sundries	Per Cent.
1928	588	10,201,998	6.6	248,984	0.2	7,453,374	4.9	15,937,026	10.3	119,176,194	78.0	153,016,976	26,305,338	17.2	27,971,950	18.3	19,155,792	12.5	70,591,600	46.1	8,992,296	5.8
1929	795	12,245,758	7.5	341,873	0.2	7,197,131	4.4	23,958,784	14.5	120,891,894	73.4	164,635,440	27,639,805	16.8	32,884,326	20.0	15,706,455	9.7	76,331,630	46.3	11,992,224	7.3
1930	782	12,328,768	8.7	353,543	0.2	5,994,748	4.2	13,408,881	9.5	109,102,609	77.4	141,188,549	25,915,886	18.3	26,364,806	18.7	18,278,427	12.9	60,532,443	42.9	10,069,887	7.1
1931	749	12,328,768	9.4	296,542	0.2	5,414,943	4.1	7,993,475	6.1	105,634,509	80.2	131,628,237	23,105,430	17.5	17,736,442	13.5	26,792,089	20.3	56,569,031	43.0	7,465,245	5.7
1932	735	12,000,000	10.0	255,687	0.2	4,501,472	3.7	6,314,740	5.2	96,991,126	80.9	120,063,025	20,906,336	17.4	14,211,681	11.9	27,691,520	23.1	49,936,974	41.5	7,316,514	6.1
1933	691	10,000,000	8.7	256,700	0.2	4,594,592	4.5	3,953,314	3.4	95,658,196	83.2	115,062,802	18,510,088	16.1	11,579,562	10.1	32,699,693	28.4	44,688,500	38.8	7,584,899	6.4
1934	636	10,000,000	8.0	254,040	0.2	5,345,815	4.2	3,429,759	2.7	106,877,688	84.9	125,907,302	21,537,925	17.1	7,174,486	5.7	43,729,133	34.8	44,930,804	35.8	8,334,954	6.4
1935	599	10,000,000	7.9	264,003	0.2	4,911,950	3.9	3,809,973	3.0	108,561,654	85.0	127,547,580	23,805,970	18.7	10,428,277	8.2	44,459,026	34.9	40,167,974	31.1	8,696,333	6.4
1936	593	10,000,000	7.7	269,697	0.2	4,335,773	3.3	3,439,258	2.6	112,135,180	86.2	130,179,908	22,105,048	17.0	6,479,358	5.0	52,571,428	40.4	40,767,359	31.3	8,256,717	6.4
1938	573	10,000,000	7.5	272,151	0.2	3,618,768	2.7	3,553,092	2.7	115,602,647	86.9	133,046,658	23,411,697	17.6	6,264,180	4.7	51,918,508	39.0	43,149,137	32.4	8,303,136	6.4

§ Figures for these years are converted at rate of \$5 to £1.

a Eleven months to October 31.

THE DOMINION BANK

ESTABLISHED 1871

CAPITAL			Year	Net Profit	Dividend	To Reserve, Etc.	Carried Forward
Subscribed	Paid-up	Callable					
\$ 7,000,000	\$ 7,000,000	Nil	1928	1,408,088	13	476,326	272,287
			1929	1,522,809	13	1,531,315*	374,543
			1930	1,409,747	13	434,048†	444,219
			1931	1,322,287	12	461,297	465,209
			1932	1,179,931	11	314,367	310,773
			1933	1,139,202	10	314,631	435,344
			1934	1,151,561	10	345,762	541,149
			1935	1,130,053	10	378,497	594,699
			1936	1,153,527	10	377,249	698,977
			1937	1,214,150	10	412,311	770,816
			1938	1,219,648	10	484,526	805,937

* Includes \$996,030 premiums on new stock issue.

† Includes \$3,970 premiums on new stock issue.

(Dollars converted to sterling at rate of \$5 to £1.)

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THE DOMINION BANK—Continued from page 28

Year Ended Dec. 31	No. of Branches	LIABILITIES										Total Liabilities or Assets	ASSETS									
		Capital and Reserves	Per Cent.	Un- divided Profits	Per Cent.	Notes	Per Cent.	Miscel- laneous Credits, Rebate, etc.	Per Cent.	Deposit and Current Accounts	Per Cent.		Cash in Hand and at Bank	Per Cent.	Loans on Call	Per Cent.	Invest- ments	Per Cent.	Dis- counts and Advances	Per Cent.	Build- ings and Sundries, including Deposit for Note Issue	Per Cent.
1928	120	£ 2,800,000	9.2	103,134	0.3	1,641,447	5.4	£ 2,548,331	8.3	23,468,117	76.8	30,561,029	6.4	5,450,926	14.9	12,784,087	41.8	2,219,934	7.3			
1929	145	£ 3,198,412	10.4	131,532	0.4	1,538,062	5.0	1,997,938	6.5	23,970,317	77.7	30,836,261	6.3	5,370,557	17.4	12,716,081	41.7	2,259,809	7.3			
1930	145	£ 3,200,000	11.3	144,958	0.5	1,315,443	4.6	1,797,888	6.3	21,886,481	77.3	28,344,770	5.9	5,092,814	17.9	13,351,750	42.3	1,998,366	7.0			
1931	145	£ 3,200,000	12.0	135,231	0.5	1,252,461	4.7	1,897,505	6.3	21,089,819	79.4	26,575,016	4.2	5,335,158	15.8	12,222,968	47.5	1,836,762	6.2			
1932	135	£ 2,800,000	13.0	122,183	0.4	1,166,446	4.7	1,947,493	6.3	19,212,129	78.2	24,583,408	4.2	5,335,158	15.8	10,975,447	44.7	1,559,150	6.4			
1933	135	£ 2,800,000	11.5	143,344	0.6	1,336,724	5.3	1,947,511	6.3	19,191,132	78.1	24,583,408	4.2	5,335,158	15.8	10,975,447	44.7	1,559,150	6.4			
1934	135	£ 2,800,000	11.1	143,344	0.6	1,336,724	5.3	1,947,511	6.3	19,191,132	78.1	24,583,408	4.2	5,335,158	15.8	10,975,447	44.7	1,559,150	6.4			
1935	130	£ 2,800,000	10.4	153,637	0.6	1,180,446	4.4	1,874,844	6.3	21,815,834	78.1	28,924,761	4.3	5,335,158	15.8	10,975,447	44.7	1,559,150	6.4			
1936	132	£ 2,800,000	10.1	168,957	0.6	1,114,140	4.0	1,656,344	6.3	22,035,017	74.6	28,924,761	4.3	5,335,158	15.8	10,975,447	44.7	1,559,150	6.4			
1937	133	£ 2,800,000	9.7	189,226	0.7	1,105,748	3.8	1,491,664	6.3	21,724,220	79.3	28,924,761	4.3	5,335,158	15.8	10,975,447	44.7	1,559,150	6.4			
1938	133	£ 2,800,000	9.4	196,265	0.7	1,052,098	3.5	1,688,188	6.3	24,939,450	84.1	29,676,001	5.1	5,132,212	17.4	11,554,848	5.2	11,089,814	37.6	1,023,038	3.8	

ROYAL BANK OF CANADA

Incorporated in 1859 as Merchants' Bank of Halifax. Name changed in 1901
 Absorbed Union Bank of Halifax, 1910
 Absorbed Northern Crown Bank, 1918
 Absorbed Traders Bank of Canada, 1912
 Absorbed Quebec Bank, October, 1916

Year Ended Nov. 30	Net Profit	Dividend	To Reserve, etc.	Carried Forward
1928	1,176,251	14	226,000	472,217
1929	1,429,027	14	242,000	714,830
1930	1,314,525	14	108,000	821,356
1931	1,089,665	12	240,000	831,021
1932	972,370	11	800,000	233,391
1933	780,330	8 1/2	142,000	276,721
1934	879,644	8	295,003	301,361
1935	868,104	8	287,554	321,911
1936	900,644	8	279,795	382,759
1937	931,844	8	289,568	465,035
1938	979,600	8	340,353	544,282

(Dollars converted to sterling at rate of \$5 to £1)

Year ended May 31	No. of Branches	LIABILITIES										Total Liabilities or Assets	ASSETS								
		Capital Reserves	Per Cent.	Undi- vided Profits	Per Cent.	Notes	Per Cent.	Miscel- laneous Credits	Per Cent.	Deposit and Current Accounts	Per Cent.		Cash in Hand and Due from Other Banks & Agents	Per Cent.	Cash at Call and Short Notice	Per Cent.	Invest- ments	Per Cent.	Dis- counts and Adv- ances	Per Cent.	Pre- mises Liabi- lities of Custom- ers, &c.
1929	897	£ 13,627,992	7.2	£ 679,694	0.4	£ 7,662,117	4.1	£ 18,772,953	100	£ 147,156,236	78.3	£ 187,898,992	25.7	£ 26,075,555	13.9	£ 26,182,105	13.9	£ 96,703,477	51.5	£ 131,625,599	7.0
1930	913	14,000,000	7.9	924,830	0.5	7,506,699	4.2	15,846,369	9.0	138,329,551	78.4	176,607,449	23.4	21,405,001	12.1	18,294,335	10.4	100,291,468	56.7	132,195,157	7.5
1931	890	14,000,000	8.2	1,031,356	0.6	6,497,657	3.8	15,442,740	9.0	133,774,633	78.4	170,746,388	24.9	21,405,001	12.1	18,294,335	10.4	100,291,468	56.7	132,195,157	7.5
1932	877	14,000,000	9.2	1,041,021	0.7	5,959,754	3.9	15,590,204	9.2	131,318,868	79.9	151,950,204	23.8	21,405,001	12.1	18,294,335	10.4	100,291,468	56.7	132,195,157	7.5
1933	877	14,000,000	9.9	1,041,021	0.7	5,959,754	3.9	15,590,204	9.2	131,318,868	79.9	151,950,204	23.8	21,405,001	12.1	18,294,335	10.4	100,291,468	56.7	132,195,157	7.5
1934	874	11,000,000	7.7	416,721	0.3	5,815,276	4.1	5,130,022	4.1	126,091,284	84.4	141,983,515	25.0	993,185	5.3	11,995,890	6.0	36,744,586	24.6	68,492,568	6.0
1935	749	11,000,000	7.3	441,361	0.3	5,910,838	4.0	6,978,106	4.0	126,091,284	84.4	142,325,317	25.2	25,256,801	16.9	9,409,276	6.3	36,744,586	24.6	68,492,568	6.0
1936	724	11,000,000	6.8	461,912	0.3	5,920,845	2.9	5,458,488	2.9	126,091,284	84.4	142,325,317	25.2	25,256,801	16.9	9,409,276	6.3	36,744,586	24.6	68,492,568	6.0
1937	717	11,000,000	6.2	522,759	0.3	5,893,188	3.9	5,919,725	3.7	137,328,275	85.3	169,960,750	28.0	25,256,801	16.9	9,409,276	6.3	36,744,586	24.6	68,492,568	6.0
1938	698	11,000,000	6.2	605,035	0.3	5,831,939	3.1	6,790,103	3.9	150,261,626	86.4	173,988,703	31.7	25,256,801	16.9	9,409,276	6.3	36,744,586	24.6	68,492,568	6.0
1939	693	11,000,000	5.9	684,282	0.4	4,951,979	2.7	6,745,856	3.6	163,235,909	87.4	186,618,026	40.5	25,256,801	16.9	9,409,276	6.3	36,744,586	24.6	68,492,568	6.0

(5) INDIAN BANKS

INDIAN BANKS WITH OFFICES IN LONDON

Year	Banks	No. of Branches	Capital and Reserves		Notes	% of Liabilities	Deposits	% of Liabilities	Total Assets or Liabilities	Cash in Hand, Money at Call and Short Notice	% of Liabilities	Invest- ments	% of Liabilities	Discounts and Advances	% of Liabilities
			£	%			£								
1890...	5	50	4,347,200	12.1	1,241,000	3.4	17,964,400	50.0	36,003,400	4,321,200	12.0	2,930,500	8.1	27,541,300	76.5
1900...	5	54	3,186,800	10.6	699,800	2.3	18,084,800	58.5	30,207,600	4,704,900	15.5	2,794,600	9.3	22,147,300	72.5
1910...	5	63	3,735,100	10.5	639,100	1.8	23,473,900	66.5	35,268,500	6,507,100	18.4	3,119,500	8.8	23,634,900	69.6
1915...	5	87	6,100,000	12.9	515,600	1.1	34,547,000	72.9	47,339,600	8,312,300	17.6	4,139,400	8.7	32,101,200	67.8
1920...	4	94	14,171,476	8.9	2,995,124	1.9	118,352,583	74.1	159,492,420	28,521,284	17.9	10,424,084	6.5	108,740,228	68.0
1925...	4	113	15,875,000	11.9	1,977,396	1.5	97,756,492	74.0	133,222,009	14,267,964	10.7	35,275,577	26.5	75,669,243	56.8
1929...	4	113	15,980,000	12.4	2,351,788	1.8	95,286,461	73.4	128,696,924	13,485,072	10.5	33,001,599	25.6	74,758,105	58.1
1930...	4	113	16,030,000	13.3	2,184,761	1.8	91,250,356	75.6	120,695,667	14,444,621	12.0	36,683,818	30.4	62,450,479	51.8
1931...	4	109	13,780,000	12.2	2,139,984	1.9	83,246,489	73.8	112,789,023	12,225,970	10.8	35,545,820	31.5	59,248,666	52.5
1932...	4	108	13,825,000	11.5	2,056,662	1.7	92,788,140	70.1	120,564,299	16,499,083	13.7	42,023,461	34.9	55,816,505	46.4
1933...	4	106	13,825,000	11.5	1,460,811	1.2	94,123,318	78.4	120,691,066	19,982,509	16.6	45,400,997	37.6	49,200,923	40.8
1934...	4	106	13,825,000	11.2	2,006,743	1.6	96,085,622	78.5	122,536,137	13,096,416	10.7	49,184,472	40.1	54,863,374	44.8
1935...	4	106	13,825,000	11.3	1,844,564	1.4	96,085,622	78.5	122,536,137	13,096,416	10.7	49,184,472	40.1	54,863,374	44.8
1936...	4	108	13,825,000	10.6	1,863,797	1.4	100,658,797	77.1	130,610,032	14,984,604	11.5	53,128,363	40.7	56,000,860	49.5
1937...	4	108	13,825,000	10.5	2,015,716	1.5	103,950,708	78.5	132,066,422	15,802,572	12.0	51,553,950	39.0	59,210,708	44.8
1938...	4	111	13,825,000	11.2	1,856,351	1.5	96,400,588	77.9	123,839,234	16,410,661	13.3	53,345,624	43.1	48,444,737	39.1

IMPERIAL BANK OF INDIA

Year ended Dec. 31	LIABILITIES						ASSETS												
	Capital and Reserves	Per cent.	Deposits	Per cent.	Sundries	Per cent.	Total Liabilities or Assets	Cash	Per cent.	Invest- ments	Per cent.	Loans	Per cent.	Cash Credits	Bills Discounted and Purchased	Per cent.	Sundries	Per cent.	
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
1934	10,97,50,000	11.7	81,00,14,616	87.2	93,47,907	1.0	92,91,12,524	18,97,37,908	20.4	41,53,69,581	44.7	5,83,04,399	6.3	15,59,39,760	16.8	2,59,32,373	2.8	90,38,037	1.0
1935	11,00,00,000	12.2	79,09,16,810	87.0	66,69,478	0.7	90,85,86,288	19,42,28,012	21.4	46,87,72,819	51.6	3,69,82,412	4.1	14,87,64,501	16.4	3,47,37,313	3.3	66,99,074	0.7
1936	11,12,50,000	12.3	78,79,50,117	87.0	68,15,74	0.7	90,58,15,866	7,83,96,363	8.7	52,58,57,749	58.1	5,72,99,554	6.3	16,24,12,672	17.1	4,78,01,868	5.3	1,68,86,389	1.8
1937	11,12,50,000	12.0	81,08,08,708	87.2	72,58,880	0.8	92,93,15,589	10,84,27,353	11.7	47,61,70,810	51.3	6,50,58,416	7.0	16,86,98,971	18.2	5,39,32,240	6.4	1,68,86,389	1.8
1938	11,17,50,000	11.8	81,50,94,831	87.4	71,17,249	0.8	93,39,62,030	5,63,96,317	6.4	44,73,52,376	46.8	10,98,28,318	11.8	21,76,40,680	23.3	5,55,60,923	5.9	3,82,32,312	4.8
June 1939	11,20,00,000	11.7	83,92,76,215	87.5	75,39,398	0.8	95,83,15,613	9,83,60,323	10.3	42,80,59,096	44.6	8,76,84,313	9.1	22,29,39,978	23.2	5,11,39,628	5.3	5,17,17,769	5.4

THE MERCANTILE BANK OF INDIA, LIMITED.—Continued from page 31

Year Ended December 31	No. of Branches	LIABILITIES										Total Liabilities or Assets	ASSETS								
		Capital and Reserves	Per Cent.	Undivided Profits	Per Cent.	Notes in Circulation	Per Cent.	Acceptances	Per Cent.	Miscellaneous Credits, Rebate, etc.	Per Cent.		Deposit and Current Accounts	Per Cent.	Cash in Hand, at Bankers and at Call	Per Cent.	Investments	Per Cent.	Discounts and Advances	Per Cent.	Buildings and Sundries, including Cover for Acceptances
1928	25	£ 2,500,000	13.2	£ 246,047	1.3	£ 228,271	1.2	£ 300,160	1.6	£ 2,221,678	11.7	£ 13,493,253	71.0	£ 18,989,409	11.0	£ 4,937,400	28.0	£ 10,698,296	56.3	£ 1,266,259	6.7
1929	25	£ 2,530,000	14.2	£ 250,506	1.4	£ 246,566	1.3	£ 247,024	1.4	£ 1,905,194	10.7	£ 12,678,126	71.0	£ 17,857,416	12.0	£ 4,753,553	28.0	£ 9,740,386	54.6	£ 1,210,998	6.8
1930	25	£ 2,550,000	14.4	£ 250,846	1.4	£ 275,227	1.6	£ 149,109	0.8	£ 439,173	2.5	£ 13,979,269	79.3	£ 17,643,624	15.1	£ 5,719,963	32.4	£ 8,024,795	45.5	£ 1,232,054	7.0
1931	24	£ 2,100,000	14.3	£ 220,427	1.5	£ 174,825	1.2	£ 122,724	0.8	£ 829,768	5.7	£ 11,220,537	76.5	£ 14,668,281	9.9	£ 5,493,214	37.4	£ 6,678,393	45.6	£ 1,038,630	7.1
1932	22	£ 2,125,000	13.1	£ 234,736	1.4	£ 162,110	1.0	£ 187,688	1.2	£ 467,207	2.9	£ 13,034,948	80.4	£ 16,211,639	13.2	£ 5,889,815	36.4	£ 7,092,734	43.7	£ 1,087,493	6.5
1933	22	£ 2,125,000	13.9	£ 235,432	1.5	£ 103,990	0.7	£ 103,990	0.7	£ 1,025,383	6.1	£ 13,916,615	81.1	£ 17,169,163	12.8	£ 6,005,762	37.2	£ 6,360,098	41.5	£ 968,389	6.2
1934	22	£ 2,125,000	13.6	£ 235,831	1.4	£ 153,637	0.9	£ 214,212	1.3	£ 548,336	3.2	£ 13,916,615	81.1	£ 17,169,163	12.8	£ 6,005,762	37.2	£ 6,360,098	41.5	£ 968,389	6.2
1935	23	£ 2,125,000	12.4	£ 237,097	1.4	£ 160,412	0.9	£ 171,383	1.0	£ 548,336	3.2	£ 13,916,615	81.1	£ 17,169,163	12.8	£ 6,005,762	37.2	£ 6,360,098	41.5	£ 968,389	6.2
1936	24	£ 2,125,000	11.5	£ 235,829	1.3	£ 254,573	1.4	£ 268,957	1.5	£ 909,044	4.9	£ 14,675,061	79.4	£ 19,673,948	11.3	£ 7,237,985	36.8	£ 9,740,386	54.6	£ 1,210,998	6.8
1937	24	£ 2,125,000	10.8	£ 236,327	1.2	£ 326,856	1.7	£ 308,319	1.6	£ 652,058	3.3	£ 16,025,388	81.4	£ 19,673,948	11.3	£ 7,237,985	36.8	£ 9,186,779	46.7	£ 1,016,416	5.2
1938	24	£ 2,125,000	11.6	£ 240,770	1.3	£ 276,652	1.5	£ 187,793	1.0	£ 718,276	3.9	£ 14,852,169	80.7	£ 18,400,630	14.7	£ 8,130,717	44.2	£ 6,795,129	36.9	£ 768,330	4.2

NATIONAL BANK OF INDIA, LIMITED

ESTABLISHED 1863

Subscribed	Paid-up	Callable	Reserved	Market Value	Year	Net Profit	Dividend	To Reserve, etc.	Carried Forward
£ 4,000,000	£ 2,000,000	£ 2,000,000	Nil	£ 4,120,000	1928	£ 530,829	20%	£ 130,000	£ 277,329
					1929	£ 511,133	20%	£ 110,000	£ 278,462
					1930	£ 480,329	20%	£ 80,000	£ 278,791
					1931	£ 470,019	20%	£ 70,000	£ 278,810
					1932	£ 450,197	20%	£ 80,000	£ 249,007
					1933	£ 450,783	20%	£ 50,000	£ 249,790
					1934	£ 460,310	18%	£ 100,000	£ 250,100
					1935	£ 457,569	18%	£ 100,000	£ 247,669
					1936	£ 456,286	18%	£ 100,000	£ 243,955
					1937	£ 465,882	18%	£ 100,000	£ 249,617
					1938	£ 444,063	16%	£ 125,000	£ 249,880

* Free of tax

Year ended Dec. 31	Number of Branches	LIABILITIES										Total Liabilities or Assets	ASSETS									
		Capital and Reserves	Per Cent.	Un- divided Profits	Per Cent.	Acceptances	Per Cent.	Loans and Bills Payable	Per Cent.	Deposit and Current Accounts	Per Cent.		Cash in Hand, at Bankers, at Call, and in Transit	Per Cent.	Investments	Per Cent.	Bills of Exchange	Per Cent.	Dis- counts, Loans, etc.	Per Cent.	Buildings and Sundries, including Cover for Acceptances	Per Cent.
1928...	29	£ 4,950,000	11.9	£ 607,329	1.4	£ 953,448	2.3	£ 1,040,331	2.5	£ 34,088,230	81.9	£ 41,639,338	£ 5,333,828	12.8	£ 12,851,293	30.9	£ 7,768,527	18.6	£ 14,224,563	34.2	£ 1,461,127	3.5
1929...	29	£ 5,000,000	13.0	£ 588,462	1.5	£ 650,127	1.7	£ 813,116	2.0	£ 31,467,322	81.7	£ 38,519,027	£ 4,914,509	12.8	£ 11,874,797	30.8	£ 7,450,326	19.4	£ 13,083,753	33.9	£ 1,195,642	3.1
1930...	29	£ 5,000,000	13.3	£ 558,791	1.5	£ 491,788	1.3	£ 763,679	2.0	£ 30,880,472	81.9	£ 37,674,730	£ 4,555,756	12.1	£ 13,964,794	37.1	£ 5,783,508	15.3	£ 12,312,477	32.7	£ 1,058,195	2.8
1931...	29	£ 4,200,000	11.9	£ 548,810	1.5	£ 193,249	0.5	£ 2,517,489	7.1	£ 127,804,029	79.9	£ 35,263,577	£ 3,819,462	10.8	£ 12,956,364	36.7	£ 5,632,313	16.0	£ 12,012,719	34.1	£ 842,719	2.4
1932...	29	£ 4,200,000	11.7	£ 529,007	1.5	£ 297,748	0.8	£ 745,896	2.1	£ 129,636,308	83.8	£ 35,885,793	£ 4,590,666	12.8	£ 13,821,377	38.5	£ 5,896,887	16.4	£ 10,809,336	29.6	£ 967,527	2.7
1933...	29	£ 4,200,000	11.8	£ 499,790	1.4	£ 382,968	1.1	£ 760,818	2.1	£ 129,636,308	83.8	£ 35,885,793	£ 4,672,944	13.2	£ 15,574,148	43.4	£ 5,553,507	10.0	£ 10,805,737	30.4	£ 1,073,576	3.0
1934...	29	£ 4,200,000	12.2	£ 530,100	1.5	£ 351,156	1.0	£ 756,190	2.2	£ 129,636,308	83.8	£ 35,885,793	£ 4,608,490	11.8	£ 14,831,344	42.3	£ 4,427,068	12.4	£ 10,515,597	30.1	£ 1,042,729	3.0
1935...	29	£ 4,200,000	12.0	£ 527,668	1.5	£ 408,110	1.2	£ 660,239	1.9	£ 129,636,308	83.8	£ 35,885,793	£ 4,608,490	11.8	£ 14,831,344	42.3	£ 4,427,068	12.4	£ 10,515,597	30.1	£ 1,042,729	3.0
1936...	29	£ 4,200,000	11.8	£ 523,955	1.5	£ 330,830	0.9	£ 645,844	1.8	£ 129,636,308	83.8	£ 35,885,793	£ 4,608,490	11.8	£ 14,831,344	42.3	£ 4,427,068	12.4	£ 10,515,597	30.1	£ 1,042,729	3.0
1937...	29	£ 4,200,000	11.5	£ 529,417	1.5	£ 472,329	1.3	£ 662,956	1.8	£ 129,636,308	83.8	£ 35,885,793	£ 4,608,490	11.8	£ 14,831,344	42.3	£ 4,427,068	12.4	£ 10,515,597	30.1	£ 1,042,729	3.0
1938...	29	£ 4,200,000	12.6	£ 533,880	1.6	£ 326,722	1.0	£ 477,691	1.4	£ 129,636,308	83.8	£ 35,885,793	£ 4,608,490	11.8	£ 14,831,344	42.3	£ 4,427,068	12.4	£ 10,515,597	30.1	£ 1,042,729	3.0

JOINT-STOCK BANKS OF ENGLAND AND WALES

BANK OF ENGLAND

The profits for the half year ended August 31, 1939, after providing for a dividend of 6 per cent. less income tax, the making provision for all contingencies, were £633,923. After "Rest" was £3,655,134.

Return for week ended October 25, 1939

ISSUE DEPARTMENT				BANKING DEPARTMENT			
Notes Issued:—				Government Debt	£ 11,015,100	Proprietors' Capital	£ 14,553,000
In Circulation	£ 527,137,342	Other Government Securities	£ 565,692,750	Rest	£ 3,184,367	Other Securities	£ 101,041,164
In Banking Department	£ 53,047,671	Other Securities	£ 2,938,039	Deposits	£ 12,574,232	Discounts and Advances	£ 4,659,507
		Silver Coin	£ 359,097	Other Deposits	£ 116,761,200	Securities	£ 21,698,755
				Bankers	£ 39,242,137	Notes	£ 26,338,262
				Amount of Fiduciary Issue	£ 580,000,000	Gold and Silver Coin	£ 53,047,671
				Gold Coin and Bullion	£ 185,013		£ 887,839
				(@ 168s. 6d. per oz. fine)	£ 580,185,013		

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

BARCLAYS BANK LIMITED

Dec. 31	Number of Branches	LIABILITIES						Total Liabilities or Assets	ASSETS											
		Capital and Reserves	Per Cent.	Acceptances and Endorsements	Per Cent.	Deposit and Current Accounts (c)	Per Cent.		Cash in Hand and at Bank, etc. (a)	Per Cent.	Cash at Call and Short Notice	Per Cent.	Investments (b)	Per Cent.	Discounts	Per Cent.	Advances	Per Cent.	Buildings and Sundries, including Cover for Acceptances	Per Cent.
1929	2032	£ 26,108,217	6.8	£ 21,991,928	5.7	£ 337,439,214	87.5	£ 385,539,359	£ 62,698,721	16.3	£ 23,582,200	6.1	£ 60,010,605	15.6	£ 36,966,668	9.6	£ 174,454,652	45.2	£ 27,856,512	7.1
1930	2080	£ 26,108,217	6.7	£ 12,710,524	3.3	£ 349,273,283	90.0	£ 388,092,024	£ 63,109,418	16.3	£ 22,316,100	5.7	£ 63,081,611	16.3	£ 50,901,977	13.1	£ 169,672,248	43.7	£ 19,030,670	4.4
1931	2080	£ 26,108,217	7.0	£ 10,796,794	2.9	£ 353,565,144	90.1	£ 372,470,135	£ 59,910,345	15.3	£ 21,768,450	5.8	£ 63,257,960	17.0	£ 40,791,393	10.9	£ 172,197,611	46.3	£ 1,754,375	0.4
1932	2070	£ 26,108,217	6.9	£ 6,279,470	1.7	£ 381,846,610	92.2	£ 414,234,291	£ 62,243,186	15.3	£ 21,768,450	5.8	£ 63,257,960	17.0	£ 40,791,393	10.9	£ 172,197,611	46.3	£ 1,754,375	0.4
1933	2080	£ 26,108,217	6.3	£ 7,191,741	1.7	£ 378,759,772	92.0	£ 412,059,730	£ 62,243,186	15.3	£ 21,768,450	5.8	£ 63,257,960	17.0	£ 40,791,393	10.9	£ 172,197,611	46.3	£ 1,754,375	0.4
1934	2091	£ 26,108,217	6.3	£ 7,205,554	1.7	£ 380,093,759	92.0	£ 413,407,530	£ 62,243,186	15.3	£ 21,768,450	5.8	£ 63,257,960	17.0	£ 40,791,393	10.9	£ 172,197,611	46.3	£ 1,754,375	0.4
1935	2116	£ 26,108,217	5.9	£ 7,857,821	1.8	£ 406,782,270	92.3	£ 440,748,308	£ 65,304,917	14.8	£ 25,614,250	6.3	£ 113,448,933	25.0	£ 59,248,252	12.7	£ 179,655,011	46.3	£ 16,722,917	4.3
1936	2106	£ 26,108,217	5.6	£ 9,266,151	2.0	£ 429,534,416	92.4	£ 464,938,566	£ 68,114,569	14.4	£ 26,207,550	5.8	£ 103,873,330	21.9	£ 54,384,153	11.5	£ 193,432,930	42.0	£ 22,379,872	4.4
1937	2106	£ 26,608,217	5.6	£ 8,532,511	1.4	£ 436,813,323	92.0	£ 469,788,056	£ 68,114,569	14.4	£ 26,207,550	5.8	£ 103,873,330	21.9	£ 54,384,153	11.5	£ 193,432,930	42.0	£ 22,379,872	4.4
1938	2131	£ 26,608,217	5.6	£ 14,933,082	3.1	£ 433,091,185	91.3	£ 474,622,484	£ 68,114,569	14.4	£ 26,207,550	5.8	£ 103,873,330	21.9	£ 54,384,153	11.5	£ 193,432,930	42.0	£ 22,379,872	4.4
June 30 1939		£ 26,608,217	5.7	£ 15,387,125	3.3	£ 428,072,569	91.0	£ 470,037,911	£ 62,504,682	13.3	£ 25,175,440	5.4	£ 103,355,449	21.9	£ 47,571,929	10.1	£ 208,572,825	44.4	£ 22,886,336	4.4

(a) Includes balances with and charges in excess of collection on accounts receivable.

COUTTS AND COMPANY

Year Ended Dec. 31	LIABILITIES						Total Liabilities or Assets	ASSETS									
	Capital and Reserve	Per Cent.	Acceptances	Per Cent.	Deposit and Current Accounts	Per Cent.		Cash in Hand and at Bank, etc. (a)	Per Cent.	Cash at Call and Short Notice	Per Cent.	Investments	Per Cent.	Discounts and Advances	Per Cent.	Buildings and Sundries, including Cover for Acceptance	Per Cent.
	£		£		£			£		£		£		£		£	
1929...	2,000,000	9.0	400,020	1.8	19,801,165	89.2	22,201,185	3,098,242	14.0	2,103,050	9.5	3,787,454	17.0	12,440,419	56.0	772,020	3.5
1930...	2,000,000	9.1	534,018	2.4	19,437,171	88.5	22,021,189	2,931,895	13.4	3,525,920	16.0	3,758,115	17.2	10,871,741	49.3	913,518	4.1
1931...	2,000,000	10.2	497,316	2.5	17,030,426	87.3	19,527,742	2,445,055	12.5	2,213,000	11.3	3,901,796	20.0	10,091,075	51.7	876,818	4.5
1932...	2,000,000	8.8	590,262	2.6	20,084,621	88.6	22,674,883	2,911,156	12.8	1,840,900	8.1	6,082,901	26.8	10,837,664	47.9	1,002,282	4.4
1933...	2,000,000	8.6	769,189	3.3	20,512,016	88.1	23,281,205	2,288,189	14.2	1,880,400	8.1	7,334,488	31.4	9,596,939	41.2	1,181,189	5.1
1934...	2,000,000	8.5	709,493	3.0	20,741,995	88.5	23,451,488	2,760,659	11.8	2,410,300	10.3	7,870,748	33.6	9,288,289	39.6	1,121,492	4.7
1935...	2,000,000	7.8	798,456	3.1	22,751,748	89.1	25,550,204	2,991,532	11.7	2,839,700	11.1	8,519,163	33.4	9,989,353	39.1	1,210,458	4.7
1936...	2,000,000	7.6	500,745	1.9	23,864,920	91.5	26,365,665	3,180,455	12.1	1,676,500	6.4	8,925,122	33.8	11,870,844	44.2	912,745	3.5
1937...	2,000,000	7.6	744,173	2.8	23,441,396	89.6	26,185,569	3,187,199	12.2	2,244,650	8.6	8,900,917	34.0	10,696,630	40.8	1,156,173	4.4
1938	2,000,000	8.4	641,900	2.7	21,246,504	88.9	23,888,404	3,064,652	12.8	1,955,050	8.2	7,550,476	31.6	10,264,326	43.0	1,053,900	4.4
June 30 1939...	2,000,000	8.2	725,313	2.9	21,752,903	88.9	24,478,216	2,827,986	11.5	2,635,700	10.8	6,817,193	27.9	11,060,024	45.1	1,137,313	4.7

(a) Includes balances with, and cheques in course of collection on, other banks in the United Kingdom.

DISTRICT BANK LIMITED

Year ended December 31	Number of Branches	LIABILITIES							Total Liabilities or Assets	ASSETS												
		Capital and Re- serves	Per Cent.	Un- divided Profits	Per Cent.	Accept- ances	Per Cent.	Deposit and Current Accounts		Per Cent.	Cash in Hand and at Bank, etc. (a)	Per Cent.	Cash at Call and Short Notice	Per Cent.	Invest- ments	Per Cent.	Bills of Exchange	Per Cent.	Advances	Per Cent.	Buildings and Sundries, including Cover for Accept- ances	Per Cent.
		£		£		£		£			£		£		£		£		£		£	
1929	391	4,212,000	7.1	378,825	0.6	2,400,469	4.0	52,240,453	88.2	59,231,747	8,063,750	13.6	3,857,140	6.5	14,827,230	25.0	5,029,778	8.5	24,327,283	41.1	3,126,566	5.6
1930	391	4,212,000	7.2	390,864	0.7	1,071,945	1.8	52,443,952	90.3	58,118,761	7,849,197	13.5	4,409,670	7.6	16,651,547	28.7	6,798,985	11.7	20,577,119	35.3	1,832,243	3.2
1931	400	4,212,000	7.4	391,703	0.7	1,796,045	3.2	50,322,361	88.7	56,722,109	7,108,669	12.5	4,274,545	7.5	18,893,206	33.3	3,887,726	6.9	19,952,329	35.5	2,606,634	4.6
1932	400	4,212,000	6.6	400,516	0.6	1,999,827	3.5	56,829,351	89.6	63,441,694	7,708,349	12.4	4,438,950	6.9	23,565,795	36.9	4,886,484	7.7	17,690,457	27.9	2,839,400	4.5
1933	404	4,212,000	6.6	411,445	0.6	5,239,159	8.3	53,957,893	84.5	63,820,497	7,605,511	12.1	4,408,730	7.0	21,268,507	33.8	4,886,484	7.7	17,107,971	27.8	6,114,948	9.8
1934	405	4,212,000	6.7	424,074	0.7	5,376,865	8.5	52,884,706	84.1	62,901,645	7,605,511	12.1	4,408,730	7.0	21,268,507	33.8	4,886,484	7.7	17,107,971	27.8	6,114,948	9.8
1935	583	5,952,856	7.0	445,168	0.6	1,942,213	2.7	72,984,452	85.3	85,576,689	10,594,439	12.4	4,728,285	5.5	29,417,700	34.3	6,838,462	10.9	19,463,613	26.2	6,318,622	9.1
1936	583	5,952,856	7.0	445,168	0.6	1,942,213	2.7	72,984,452	85.3	85,576,689	10,594,439	12.4	4,728,285	5.5	29,417,700	34.3	6,838,462	10.9	19,463,613	26.2	6,318,622	9.1
1937	559	5,952,856	6.8	470,157	0.8	1,939,586	2.9	81,059,979	87.3	96,839,738	11,683,311	12.1	8,283,450	8.5	29,821,613	30.6	6,479,377	5.7	30,834,823	31.8	10,926,802	11.3
1938	569	5,952,856	6.6	470,157	0.8	1,939,586	2.9	81,059,979	87.3	96,839,738	11,683,311	12.1	8,283,450	8.5	29,821,613	30.6	6,479,377	5.7	30,834,823	31.8	10,926,802	11.3
June 30, 1939		5,952,856	6.1	\$	...	8,604,708	8.8	83,433,015	85.1	97,990,579	11,422,133	11.6	8,724,168	8.9	28,673,471	29.4	6,701,743	6.8	33,258,940	32.9	10,648,749	10.8

(a) Including balances with, and cheques in course of collection on, other banks in Great Britain and Ireland.

§ Included with deposits and other accounts.

MARTINS BANK LIMITED

Year ended December 31	Number of branches	LIABILITIES										Total Liabili- ties or Assets	ASSETS											
		Capital and Re- serves		Un- divided Profits		Accept- ances, Endor- sements, etc.		Deposit and Current Accounts		Per Cent.			Cash in Hand and at Bank, etc. (a)	Per Cent.	Cash at Call and Short Notice	Per Cent.	Invest- ments	Per Cent.	Bills of Ex- change	Per Cent.	Advances	Per Cent.	Buildings and Sundries including Cover for Accept- ances	Per Cent.
		Per Cent.		Per Cent.		Per Cent.		Per Cent.		Per Cent.														
1929	564	7,667,814	7.8	464,935	0.4	7,184,161	7.4	82,620,494	84.4	97,953,529	13,909,171	13.6	6,278,861	6.4	17,807,868	18.2	7,232,087	7.4	43,942,731	44.8	9,382,811	9.6		
1930	571	7,667,814	8.3	442,879	0.5	5,999,788	6.1	78,562,814	85.1	92,289,957	11,969,514	13.0	6,952,126	7.5	18,677,148	20.2	7,382,145	8.0	39,134,819	40.6	8,451,205	8.9		
1931	578	7,667,814	8.3	422,071	0.5	4,750,674	5.4	75,937,392	86.1	88,176,777	11,663,370	12.7	7,094,914	8.0	18,947,309	21.5	7,313,868	8.0	39,098,910	40.6	7,555,412	8.0		
1932	555	7,060,042	7.2	476,571	0.5	4,752,518	4.8	85,832,338	87.5	98,121,469	12,566,850	12.8	6,176,814	6.3	30,560,921	31.1	10,503,889	10.7	30,618,895	31.6	7,704,100	7.9		
1933	555	7,160,042	7.7	499,106	0.5	4,714,436	5.0	81,578,545	86.8	93,952,129	12,323,624	13.1	5,291,162	5.6	32,181,998	34.1	10,503,889	10.7	32,618,058	34.1	7,577,592	8.1		
1934	550	7,160,042	7.5	513,958	0.5	4,693,136	4.9	82,620,494	87.1	94,987,168	12,619,912	13.3	5,671,209	6.0	32,235,451	33.9	10,503,889	10.7	33,147,259	33.1	7,453,799	7.8		
1935	550	7,280,042	7.2	524,669	0.5	5,693,698	5.6	87,287,535	88.5	100,767,790	13,178,457	13.1	6,945,000	6.9	34,905,292	34.6	10,334,208	10.3	30,784,734	30.6	8,585,677	8.5		
1936	552	7,400,042	6.5	587,251	0.5	7,971,228	6.7	93,475,115	85.5	105,446,344	13,685,272	12.7	5,535,000	5.5	32,982,921	30.3	10,496,363	9.7	32,402,990	30.7	7,453,799	7.4		
1937	562	7,660,042	6.7	683,411	0.6	6,939,580	6.9	95,508,182	84.1	113,691,121	14,526,566	12.8	6,100,000	5.1	31,392,280	27.6	10,503,889	9.7	34,181,798	33.8	12,465,038	11.0		
1938	584	7,710,042	6.6	640,733	0.6	6,198,181	7.0	100,053,889	85.8	116,607,645	15,463,584	13.3	6,100,000	5.2	33,564,780	28.8	4,678,707	4.0	45,359,178	39.3	10,941,396	9.4		
June 30, 1939		7,710,042	6.8	\$	...	7,246,691	6.4	98,376,473	86.8	113,333,206	14,497,108	12.8	5,130,000	4.5	30,757,599	27.2	4,440,850	3.9	46,468,000	40.6	10,941,396	10.6		

(a) Includes balances with, and cheques in course of collection on, other banks.

§ Included with Deposit and Current Accounts.

GLYN, MILLS AND CO.

Year Ended Dec. 31	LIABILITIES										Total Liabilities or Assets	ASSETS									
	Capital and Reserve	Per Cent.	Reduction of Pre- mises Account	Per Cent.	Accept- ances	Per Cent.	Deposit and Current Accounts	Per Cent.	Cash in Hand and at Bank, etc. (a)	Per Cent.		Cash at Call and Short Notice	Per Cent.	Invest- ments	Per Cent.	Discounts, Loans and Other Securities	Per Cent.	Premises and Cover for Ac- ceptances	Per Cent.		
1929	£ 1,590,000	3.6	£ 210,000	0.5	£ 2,699,728	6.1	£ 39,458,633	89.8	£ 43,958,361	£ 8,639,319	19.7	7,051,500	16.0	8,430,410	19.2	16,442,404	37.4	3,384,728	7.7		
1930	1,590,000	3.6	220,000	0.5	2,552,658	5.8	39,535,509	90.1	43,898,167	8,725,397	19.9	8,153,400	18.6	6,838,253	15.1	17,133,459	39.0	2,247,658	7.4		
1931	1,590,000	4.4	230,000	0.6	2,339,290	6.5	32,104,080	88.5	36,263,370	7,129,281	20.3	6,102,450	16.9	7,095,766	19.6	12,674,572	34.9	3,034,290	8.4		
1932	1,590,000	4.0	240,000	0.6	1,767,023	4.5	35,731,879	90.9	39,328,902	7,356,292	19.8	8,251,950	19.8	11,581,788	29.0	11,079,689	27.7	2,291,925	6.8		
1933	1,590,000	4.0	250,000	0.6	1,551,925	3.9	36,535,215	91.5	39,927,140	7,733,738	19.4	7,241,000	18.7	11,545,881	29.0	11,636,717	29.6	2,462,023	6.3		
1934	1,590,000	3.8	260,000	0.6	1,750,479	4.2	38,137,375	91.4	41,737,854	7,954,039	17.6	8,251,950	19.8	11,581,788	29.0	11,079,689	27.7	2,291,925	6.8		
1935	1,590,000	3.8	270,000	0.6	1,533,582	3.7	38,200,591	91.9	41,594,173	8,151,309	19.6	8,733,300	21.1	11,879,160	28.5	10,535,222	25.3	2,270,582	5.0		
1936	1,590,000	3.4	280,000	0.6	3,203,905	7.0	41,039,207	89.0	46,113,112	9,842,980	19.9	8,733,300	21.1	11,879,160	28.5	10,535,222	25.3	2,270,582	5.0		
1937	1,590,000	3.7	290,000	0.7	3,222,131	7.6	37,375,503	88.0	42,477,634	8,845,095	20.8	9,349,950	22.0	10,158,921	24.8	10,577,940	25.9	3,962,153	8.6		
1938	1,590,000	3.9	300,000	0.7	3,203,545	7.9	35,809,496	87.5	40,903,041	7,635,035	20.8	8,587,618	21.0	10,158,921	24.8	10,577,940	25.9	3,962,153	9.3		
June, 1939	1,590,000	3.9	305,000	0.8	4,142,774	10.3	34,169,953	85.0	40,207,727	8,482,331	21.1	8,337,050	20.8	9,405,121	23.4	9,100,451	22.6	3,943,545	9.6		

(a) Includes balances with, and cheques in course of collection on, other banks in the United Kingdom.

LLOYDS BANK LIMITED

Year ended December 31	Number of Offices	LIABILITIES						Total Liabilities or Assets	ASSETS																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
		Paid-up Capital and Reserves		Per Cent.	Un- divided Profits	Per Cent.	Accept- ances and Endorse- ments		Per Cent.	Current, Deposit and Other Accounts	Per Cent.	Cash in Hand and at Bank, etc. (a)	Per Cent.	Cash at Call and Short Notice	Per Cent.	Invest- ments	Per Cent.	Bills of Ex- change	Per Cent.	Advances	Per Cent.	Buildings and Sundries, including Cover for Accept- ances	Per Cent.																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
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1929	1,853	25,810,252	6	0	1,495,178	0	3	52,226,285	12	1	351,665,884	81	6	431,182,519	57	00,082,448	13	2	31,150,461	7	2	43,868,232	10	2	39,625,277	9	2	200,351,694	46	5	59,184,008	13	6	108,236,116	24	0	185,329,180	42	7	58,120,636	11	1	127,866,101	28	0	177,861,605	45	1	44,022,130	10	1	11,776,440	3	0	1,166,614	0	0	31,978,804	8	0	332,148,416	87	0	439,053,086	54	4	75,674,424	12	5	58,583,689	5	0	90,091,685	20	0	76,798,343	17	0	15,210,420	0	0	46,214,918	0	0	372,146,372	83	4	432,190,961	54	2	270,905,362	68	0	1,044,080,248	26	5	837,120,829	20	0	1,028,296,292	26	0	1,214,847	0	0	1,198,437	0	0	31,224,629	0	0	32,971,501	0	0	406,676,240	0	0	473,623	0	0	64,583,213	0	0	37,781,806	0	0	1,195,073,888	25	4	75,070,460	0	0	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	8	1,310,829,559	33	

WILLIAMS DEACON'S BANK, LIMITED

Year ended Dec. 31	Number of Branches	LIABILITIES						Total Liabilities or Assets	ASSETS									
		Capital and Reserves	Per Cent.	Un-divided Profits	Per Cent.	Acceptances, etc.	Per Cent.		Cash in Hand and at Bank, etc.	Per Cent.	Cash at Call and Short Notice	Per Cent.	Investments	Per Cent.	Discounts and Advances	Per Cent.	Buildings and Sundries, including Cover for Acceptances	Per Cent.
1929	200	2,875,000	8.0	151,123	0.4	1,023,094	2.9	35,842,005	5,208,318	14.5	3,412,190	9.5	6,017,161	16.8	19,199,898	53.6	2,004,439	5.6
1930	202	2,875,000	8.0	144,565	0.4	736,522	2.1	35,765,174	5,156,125	14.4	2,488,863	7.0	8,306,444	23.2	18,082,989	50.6	1,730,753	4.8
1931	202	2,875,000	8.0	145,405	0.4	1,561,497	4.7	33,425,488	4,211,102	12.6	3,274,807	9.8	7,408,886	22.2	15,923,271	47.6	2,607,422	7.8
1932	202	2,875,000	7.1	154,035	0.4	1,164,066	3.1	33,812,463	5,981,067	15.8	4,816,463	12.7	7,753,892	25.8	15,086,118	39.8	2,188,024	5.9
1933	202	2,875,000	6.9	167,654	0.4	2,430,036	6.2	33,498,484	6,306,885	16.3	5,518,033	14.2	10,124,277	26.2	13,381,376	34.5	3,440,599	8.8
1934	203	2,875,000	6.9	177,459	0.5	2,068,097	5.3	33,742,876	6,003,721	15.5	6,116,738	15.8	9,575,350	24.8	13,887,772	35.9	3,079,851	8.0
1935	205	2,875,000	6.6	191,620	0.5	2,047,759	5.1	35,429,629	6,172,435	15.3	7,287,359	18.1	9,703,866	24.1	14,105,960	34.9	3,074,868	7.6
1936	205	2,875,000	6.4	220,882	0.5	1,380,678	3.3	37,577,981	6,458,137	15.4	5,600,269	13.4	12,878,342	30.8	14,454,651	34.6	2,413,141	5.8
1937	206	2,875,000	6.2	267,428	0.6	1,526,551	3.5	38,564,411	6,455,589	15.0	6,036,683	14.0	11,504,635	26.8	16,442,422	38.2	2,594,061	6.0
1938	209	2,775,000	6.4	204,471	0.5	1,996,530	4.6	38,335,188	7,086,888	16.4	5,887,088	13.6	11,561,672	26.7	15,739,138	36.3	3,036,422	7.0
June 30, 1939	209	2,775,000	6.6	...	...	1,866,484	4.5	37,238,113	6,394,372	15.2	5,732,202	13.7	11,183,092	26.7	15,649,071	37.4	2,914,860	7.0

(a) Includes balances with, and cheques in course of collection on, other banks in the United Kingdom.

YORKSHIRE PENNY BANK, LIMITED

December 31	LIABILITIES			ASSETS					
	Capital and Reserves	Deposits and other Accounts, etc.	Uncalled Capital	Cash in Hand, at Bank, and at Short Notice	British Govt. Securities	Colonial Govt. and English Corp. Stocks	Loans to Local Authorities	Loans on Security and Other Accounts	Premises
1934	2,000,000	31,365,019	500,000	9,167,873	21,659,087	293,103	1,629,231	2,063,725	550,000
1935	2,000,000	35,400,246	500,000	9,607,552	23,334,204	260,413	1,261,083	2,389,995	550,000
1936	2,500,000	37,036,692	500,000	9,267,022	25,562,627	105,663	...	4,051,380	550,000
1937	2,500,000	38,119,733	500,000	9,331,099	27,469,529	35,698	...	3,233,408	550,000
1938	2,500,000	39,251,804	500,000	8,083,658	29,998,293	...	...	3,113,855	550,000
June 30, 1939	2,500,000	39,127,615	500,000	7,828,528	29,814,518	...	...	3,434,470	550,000

PRIVATE BANKS

HOARE (CHAS.) AND COMPANY

Year ended July 5	LIABILITIES				Total Liabilities or Assets	ASSETS									
	Partners' Capital and Reserves	Per Cent.	Deposit and Current Accounts	Per Cent.		Cash in Hand, at Bank, and at Call and Short Notice	Per Cent.	British Government Securities	Per Cent.	Other Securities and Investments	Per Cent.	Discounts and Advances	Per Cent.	Premises, etc.	Per Cent.
1929	500,000	14.3	2,994,121	85.7	3,494,121	1,018,670	29.1	995,521	28.5	181,001	5.2	1,198,929	34.3	100,000	2.9
1930	500,000	15.5	2,718,857	84.5	3,218,857	720,808	22.4	850,004	26.4	186,457	5.8	1,361,538	42.3	100,000	3.1
1931	500,000	15.9	2,629,718	84.1	3,129,718	825,480	26.4	647,550	20.7	121,778	3.9	1,434,910	45.8	100,000	3.2
1932	500,000	16.9	2,463,636	83.1	2,963,636	858,682	28.9	588,850	19.9	162,688	5.5	1,253,416	42.3	100,000	3.4
1933	500,000	12.2	3,592,297	87.8	4,092,297	1,179,450	29.9	894,483	21.9	271,719	6.6	1,646,545	40.2	100,000	2.4
1934	500,000	13.2	3,288,995	86.8	3,788,995	1,022,367	27.1	1,159,200	30.6	205,741	5.4	1,301,687	34.3	100,000	2.6
1935	500,000	11.9	3,711,318	88.1	4,211,318	1,122,347	26.7	1,241,086	29.6	200,467	4.8	1,447,418	34.3	100,000	2.4
1936	500,000	11.4	3,853,504	88.6	4,353,504	1,176,486	27.0	1,291,210	29.6	451,169	8.8	1,824,913	43.6	100,000	2.4
1937	500,000	11.9	3,686,793	88.1	4,186,793	977,761	23.3	832,950	19.9	261,397	6.1	1,524,432	35.0	100,000	2.3
1938	500,000	12.6	3,476,892	87.4	3,976,892	919,445	23.1	812,499	20.4	348,047	8.8	1,798,901	45.2	100,000	2.5
1939	500,000	13.0	3,362,925	87.0	3,862,925	1,083,319	28.1	745,707	19.3	376,467	9.7	1,557,402	40.3	100,000	2.6

LONDON DISCOUNT COMPANIES

GILLET BROTHERS DISCOUNT COMPANY, LIMITED

January 31	LIABILITIES			ASSETS			
	Capital and Reserves	Deposits, Loans, Rediscounts, and Sundry Accounts		Cash at Bankers and in Hand	British, Indian, and Dominion Govt. Securities and Brit. Corp. Stock	Bills discounted including Rediscounts	Loans on Security and Sundry Acc.
1935	325,000	11,339,236		211,821	2,200,000	8,741,218	511,197
1936	345,000	12,666,512		228,985	1,425,000	11,004,598	352,962
1937	345,000	12,361,148		219,874	1,600,000	10,278,116	610,153
1938	345,000	12,230,412		220,269	1,580,000	10,302,147	472,996
1939	345,000	11,211,294		226,348	2,405,000	8,406,076	518,869

The UNION BANK OF AUSTRALIA

LIMITED
Established 1837

CAPITAL AUTHORISED AND ISSUED - £12,000,000

Paid up Capital - £4,000,000

Reserve Liability of Proprietors £8,000,000

(Not capable of being called up - £12,000,000 except in the event of and for the purpose of the Bank being wound up.)

Reserve Fund - £3,250,000

Special Currency Reserve - £1,600,000

DIRECTORS:

Maj.-Gen. Sir JOHN H. DAVIDSON, K.C.M.G., C.B., D.S.O., *Chairman*.
COLIN S. ANDERSON, Esq. ARTHUR TERENCE MAXWELL, Esq.
HUGH D. FLOWER, Esq. ROBERT C. NESBITT, Esq.
J. W. HELY-HUTCHINSON, Esq. The Hon. EDMUND W. PARKER
The Rt. Hon. LORD HILLINGDON The Rt. Hon. The VISCOUNT STONE-
HAVEN of URY, P.C., G.C.M.G., D.S.O.
Sir MALCOLM HOGG ALFRED W. TURNBULL, Esq.

HEAD OFFICE:

71 Cornhill, London, E.C.3

Manager:—F. H. McINTYRE Assistant Manager:—C. E. MURCH
Secretary:—C. R. PEARSE

West End Agency: 15 CARLOS PLACE, W.1

BRANCHES THROUGHOUT AUSTRALIA AND NEW ZEALAND

Drafts upon the Branches are issued by Head Office, and may be obtained from the Bank's Agents throughout England, Scotland and Ireland. Commercial and Circular Letters of Credit and Travellers' Cheques issued—available throughout the World. Telegraphic Remittances are also made. Bills on the Australian States and Dominion of New Zealand are purchased or sent for collection. Deposits are received at Head Office at rates of interest and for periods which may be ascertained on application.

Wills & War

It is almost too evident that in a time of emergency the need to have made a will is underlined; also the need to have chosen an Executor who is capable

Increasingly people are turning to the corporate body rather than to the relative or friend. The Westminster Bank is here able to offer you a service.

Should you appoint the Bank as your Executor your estate has the benefits of

- (a) A trained staff to deal with difficulties
- (b) An administration which cannot be biased
- (c) Officials who may be consulted at any reasonable time, and are pledged to secrecy
- (d) Immense resources behind your trust

Inquiries will be gladly answered at any branch of

WESTMINSTER BANK

LIMITED

whose TRUSTEE DEPARTMENT has a temporary headquarters at

8a Christchurch Rd., Bournemouth

Trustee Offices also in

BRISTOL, LIVERPOOL, MANCHESTER, & PICCADILLY

SWISS BANK CORPORATION

(A COMPANY LIMITED BY SHARES, INCORPORATED IN SWITZERLAND)

1872

BASLE, ZURICH, ST. GALL,
GENEVA, LAUSANNE,
LA CHAUX-DE-FONDS,
NEUCHÂTEL, SCHAFFHOUSE

Capital paid-up - S.Fcs. 160,000,000

Reserves - S.Fcs. 32,000,000

LONDON OFFICE - 99 GRESHAM STREET, E.C.2

WEST END BRANCH: 11 REGENT STREET (WATERLOO PLACE), S.W.1

All descriptions of Banking and
Exchange Business Transacted

New York Agency:
15 NASSAU STREET, NEW YORK



Trade & Investment

In the past quarter century Australia has paid the United Kingdom £1,500,000,000 sterling for goods and services, and interest and dividends on investments. Australia's oldest and largest Bank is actively engaged in financing and promoting this lucrative trade and investment.

BANK OF NEW SOUTH WALES

Incorporated in New South Wales with Limited Liability
Established 1817

London Offices: 28 Threadneedle Street, E.C.2 & 47 Berkeley Square, W.1

FOREIGN BANKS HAVING LONDON OFFICES AND BRITISH BANKS TRADING ABROAD

ANGLO-INTERNATIONAL BANK, LIMITED

The directors submit a report for the year ending December 31, 1938, which states that the net losses on the realisation of assets and sundry provisions amounted to £28,681: from this sum has been deducted the surplus of interest, dividends, commissions, etc., over general expenses and directors' fees, £6,949, leaving a debit balance for the year of £21,731, which, added to the balance brought forward from the previous year, £528,794, makes a total debit balance of £550,525.

LIABILITIES				ASSETS								
Dec. 31	Capital	Current, Deposit and other Accounts	Acceptances and Guarantees for Account of Customers	Cash with Bankers and in Hand	Money at Call	Balances with Bankers Abroad	Bills Receivable	Securities and Investments	Notes and Treasury Bills, etc.	Advances, etc.	Acceptances and Guarantees on behalf of Customers	Premises Abroad
1934.....	£1,960,008	£442,310	£1,176,116	£39,468	£225,000	£38,649	£64,079	£882,482	£128,655	£612,619	£1,160,085	£171,939
1935.....	1,960,008	505,242	1,084,465	39,734	425,000	42,510	61,372	759,624	128,939	414,341	1,084,465	171,923
1936.....	1,960,008	569,084	907,980	50,759	245,000	16,503	75,656	1,125,568	128,331	230,253	907,980	170,000
1937.....	1,960,008	627,760	436,560	47,423	230,000	34,403	52,317	795,129	124,003	564,944	477,315	170,000
1938.....	1,960,008	371,396	399,646	37,916	185,000	40,674	12,182	482,200	111,537	393,422	447,573	170,000

ANGLO-PALESTINE BANK, LIMITED

December 31	Capital and Reserves	Bills Payable	Current, Deposit and other Accounts	Guarantees, Endorsements and other Engagements	Cash in Hand and at Bankers	Balances with Banking Correspondents	Bills Discounted	Investments	Advances, etc.	Premises
1934.....	£390,854	£300,991	£6,329,448	£204,976	£600,108	£240,070	£636,559	£2,645,761	£2,157,950	£107,416
1935.....	690,854	297,580	7,152,965	378,294	573,725	231,149	703,556	3,070,658	2,785,670	95,004
1936.....	1,079,497	209,341	7,425,523	378,930	918,639	195,936	533,995	3,935,138	2,626,658	150,556
1937.....	1,079,497	176,520	6,844,919	496,604	918,264	144,818	681,799	2,690,201	3,010,144	169,446
1938.....	1,079,497	454,964	7,269,524	487,629	924,531	271,150	505,819	3,098,458	3,419,193	202,458

ANGLO-PORTUGUESE COLONIAL AND OVERSEAS BANK, LIMITED

The report of the directors for the year ended January 31, 1939, states that the net profits, after making provision for bad and doubtful debts, national defence contribution, income tax and depreciation of investments, amount to £227, which, with the balance of £65,581 brought forward from last year, make a total of £65,808; this it is proposed to carry forward.

LIABILITIES				ASSETS					
January 31	Capital and Reserves	Current, Deposit and Other Accounts	Acceptances and Confirmed Credits	Cash at Bankers in Hand and at Call	Balances with Banks abroad	Bills discounted	Investments	Advances, etc.	Banco Nacional Ultramarino, Lisbon and Branches, Accounts
1935	£1,000,000	£734,661	£632,684	£350,999	£175,007	£444,799	£365,175	£234,631	£134,275
1936	1,000,000	838,995	535,822	379,349	202,046	691,770	234,018	235,425	83,668
1937	1,000,000	985,217	787,666	378,528	82,854	712,590	277,932	399,069	158,749
1938	1,050,000	1,339,193	803,801	590,214	50,716	874,025	540,497	304,322	...
1939	1,050,000	1,897,471	786,374	814,438	104,595	1,028,467	469,796	500,983	...

BANCA COMMERCIALE ITALIANA

The net profit for the year ended December 31, 1938, was 35,800,435 lire.

LIABILITIES						ASSETS						
Dec. 31	Capital and Reserves	Bills Payable	Commercial Acceptances	Deposits and Current Accounts	Guarantees	Rebate on Bills	Securities Deposited	Cash in Hand	Bills Receivable, Govt. Securities and Money at Call	Contango and Loans	Participations in Affiliated Banks	Other Govt. Securities and Bonds and Shares
1934.....	£844,244,493	£159,587,424	£191,881,548	£7,840,409,929	£293,125,070	£4,213,065	£8,936,653,558	£480,641,261	£5,164,448,833	£132,843,392	£254,465,901	£180,379,252
1935.....	844,785,576	199,914,293	24,329,912	6,961,025,565	207,295,021	7,293,747	7,991,987,675	344,779,828	4,657,177,195	118,296,284	252,892,498	192,647,964
1936.....	845,769,054	206,239,123	25,464,872	6,909,421,209	199,189,203	5,395,336	6,832,915,038	640,014,933	4,688,231,753	93,402,047	251,794,095	128,733,052
1937.....	847,536,198	242,083,149	205,202,793	7,477,990,829	316,813,061	8,633,398	6,932,670,471	793,722,912	4,932,811,653	104,207,077	250,944,629	187,080,441
1938.....	851,087,697	251,217,527	175,040,372	7,029,573,943	304,804,335	9,947,056	9,388,711,724	793,317,731	4,662,763,355	107,284,060	224,678,933	135,068,304

BANKERS' TRUST COMPANY, NEW YORK

LIABILITIES						ASSETS						
December 31	Capital and Surplus Fund	Un-divided Profits	Contingency Fund	Deposits	Out-standing and Certified Cheques	Out-standing Acceptances	Cash in Hand and at Banks	Ex-changes for Clearing House	U.S. Govt. Securities	Demand Loans	Time Loans and Discounts	Securities and Investments
1934.....	\$75,000,000	\$12,018,798	\$16,922,710	\$861,365,212	\$1,622,819	\$6,803,883	\$189,202,302	\$5,875,115	\$437,811,600	\$49,922,006	\$183,182,634	\$50,367,524
1935.....	75,000,000	18,388,035	13,968,038	860,783,720	49,592,323	4,193,581	190,298,399	82,091,688	437,811,600	50,794,858	158,125,324	55,428,410
1936.....	75,000,000	29,937,771	8,200,090	910,920,321	42,700,840	9,273,253	225,816,444	59,575,789	448,876,818	76,987,807	175,958,646	52,383,310
1937.....	75,000,000	26,932,372	5,500,000	819,473,017	33,323,824	5,873,894	262,548,353	57,568,449	343,935,274	59,246,989	185,131,887	30,473,728
1938.....	75,000,000	29,464,116	5,000,000	890,465,428	21,833,118	3,708,408	331,521,905	...	381,891,763	...	216,934,100	62,367,499
June 30, '39.....	75,000,000	30,095,403	5,000,000	1,034,791,828	35,153,647	3,898,109	493,307,049	...	444,872,269	...	191,314,021	59,343,806

BANK OF AMERICA N.T. & S.A.

LIABILITIES				ASSETS					
December 31	Capital, Surplus and Profit and Reserves	Liabilities for Letters of Credit, Acceptances, etc.	Deposits	Circulation	Cash and due from Banks	Investments and Securities	Stock in Federal Reserve Bank	Loans, Discounts and Bankers' Acceptances	Premises, etc.
*1934.....	\$105,977,315	\$17,554,907	\$997,695,995	\$45,500,000	\$130,945,752	\$485,160,617	\$3,934,790†	\$472,362,853	\$37,306,115
1935.....	104,107,653	18,046,264	1,155,265,465	...	134,989,706	620,219,559	2,475,000	451,009,354	35,394,076
1936.....	108,139,177	23,221,264	1,298,978,759	...	204,171,712	623,304,962	2,505,000	532,076,966	34,758,816
1937.....	111,995,831	23,998,508	1,357,378,756	...	244,970,758	550,551,379	2,580,000	630,668,811	35,369,855
1938.....	116,830,362	20,863,817	1,437,027,491	...	280,169,299	554,932,428	2,700,000	673,828,309	35,531,684

* Includes figures of Bank of America State Bank.

† Includes investments in Federal Deposit Insurance Corporation.

THE ANGLO-PALESTINE BANK LTD.

Incorporated 1902

10/12 WALBROOK, LONDON, E.C.4

GENERAL MANAGEMENT : TEL-AVIV

BRANCHES IN PALESTINE :

TEL-AVIV JAFFA JERUSALEM HAIFA TIBERIAS
SAFAD PETAH TIKVAH HEDERA HADAR HACARMEL REHOVOTH

EVERY BANKING FACILITY FOR BUSINESS WITH PALESTINE

THE BANK OF AUSTRALASIA

(Incorporated by Royal Charter 1835)

Head Office: 4 THREADNEEDLE STREET, LONDON, E.C.2

West End Branch: 17 NORTHUMBERLAND AVENUE, W.C.2

Paid-up Capital	...	...	...	...	...	...	...	£4,500,000
Reserve Fund	...	...	...	...	...	...	...	2,475,000
Currency Reserve	...	...	...	...	...	...	...	2,000,000
Reserve Liability of Proprietors under the Charter	...	...	...	...	...	...	...	4,500,000
£13,475,000								

DIRECTORS:

D. F. ANDERSON, Esq. KENNETH GOSCHEN, Esq. RIGHT HON. THE EARL OF MIDDLETON, K.P., P.C.
HON. GEOFFREY C. GIBBS. CHARLES GIPPS HAMILTON, Esq. HORACE PEEL, Esq.
J. F. G. GILLIAT, Esq. FREDERICK V. C. LIVINGSTONE. SIR JOHN SANDERSON, K.B.E.
EDMUND GODWARD, Esq. LEARMONTH, Esq., D.S.O. ARTHUR WHITWORTH, Esq.
Numerous Branches throughout the States of VICTORIA, NEW SOUTH WALES, QUEENSLAND, SOUTH AUSTRALIA, WESTERN AUSTRALIA, TASMANIA and the Dominion of NEW ZEALAND.
Letters of Credit and Bills of Exchange granted. Bills Negotiated or sent for Collection. Telegraphic Transfers made. Banking Business of every description transacted with Australia and New Zealand.
Deposits received in London at interest for fixed periods on terms which may be ascertained at the Office. G. C. Cowan, Manager.

BANQUE DE LA SOCIÉTÉ GÉNÉRALE DE BELGIQUE

SOCIÉTÉ ANONYME

3 Montagne du Parc, BRUSSELS

FONDS SOCIAL:

Capital: frs. 500,000,000.— Reserves: frs. 110,000,000.—

EVERY DESCRIPTION OF BANKING BUSINESS TRANSACTED

Branches and agencies in the Country

The London correspondent of the "BANQUE DE LA SOCIÉTÉ GÉNÉRALE DE BELGIQUE" is the "BANQUE BELGE POUR L'ETRANGER (OVERSEAS), LTD." 4 Bishopsgate, London, E.C.2

BANQUE BELGE POUR L'ETRANGER (OVERSEAS), Ltd.

Affiliated to the Société Générale de Belgique

CAPITAL - - - - £2,000,000
entirely subscribed

LONDON:
4 Bishopsgate, E.C.2

NEW YORK:
67 Wall Street

BOARD OF DIRECTORS:
A. CALLENS (Chairman), Sir THOMAS J. STRANGMAN, K.C., P. RAMLOT, E. TERROIR, A. DONNAY (Managing Director)
Manager: M. SMITS

British and Foreign Banking Business of every description transacted

CORRESPONDENTS THROUGHOUT THE WORLD
AGENTS IN THE UNITED KINGDOM FOR THE BELGIAN POSTAL CHEQUE SERVICE

BANK OF ATHENS

The report of the directors for the year ended December 31, 1938, states that net profits, after making the necessary provisions for amortisation, general expenses, taxes, installations and repairs to premises, and the payment of Drs. 3,663,453 into the

staff pension fund, amount to Drs. 18,920,243. It was proposed to declare a dividend of Drs. 12 per share, and to carry forward the balance of Drs. 3,231,502.

LIABILITIES								ASSETS					
December 31	Capital and Reserves	Sight Deposits	Fixed Deposits	Deposits in Guarantee	Savings Bank	Current Accounts	Cheques Payable	Cash in Hand, at Banks and Treasury Bills	Due from Banks Abroad	Bills Receivable	Loans, Advances, Discounts, etc.	Current Accounts	Securities
	Drs.	Drs.	Drs.	Drs.	Drs.	Drs.	Drs.	Drs.	Drs.	Drs.	Drs.	Drs.	Drs.
1934	176,000,000	900,419,519	529,680,677	40,367,579	713,525,171	282,912,596	35,884,350	290,609,654	58,742,858	492,363,818	928,581,409	598,925,990	21,389,482
1935	176,000,000	878,179,945	545,868,388	38,321,310	682,618,617	289,309,334	32,394,305	263,800,560	68,709,982	476,246,778	905,862,225	538,848,341	22,152,733
1936	176,000,000	879,777,476	439,858,921	41,611,658	742,909,986	260,095,182	31,831,272	321,376,249	96,642,680	494,204,055	831,244,476	528,925,193	203,661,20
1937	176,000,000	909,207,911	473,863,521	41,625,249	832,322,114	302,690,622	34,374,679	258,036,402	94,991,250	608,264,044	886,682,955	597,128,977	229,641,77
1938	176,000,000	890,112,189	469,992,955	38,133,597	896,683,455	350,099,621	35,897,081	263,495,956	78,026,730	618,294,200	869,129,458	697,135,927	236,680,21

* Including participations.

BANCO DI ROMA

The net profits for the year 1938 were 11,760,397 lire.

LIABILITIES								ASSETS					
December 31	Capital and Reserves	Deposits on Current and Savings Accounts	Balances Due to Correspondents	Circular Cheques	Acceptances on behalf of Customers	Guarantees for Third Parties	Sundry Deposits	Cash in Hand and with Banks	Portfolio Treasury Bills, and Sight Funds	Balances Due by Correspondents	Secured Advances	Investments	Securities on Deposit
1934	241,280,840	688,274,377	1,786,815,436	95,254,530	69,185,774	102,095,859	2,722,524,207	421,615,788	110,355,015	774,292,691	277,425,699	106,135,451	154,839,500
1935	242,280,840	685,129,453	1,843,532,089	108,099,152	7,156,299	108,431,121	3,415,778,790	461,127,147	120,402,567	708,364,073	233,488,454	107,654,456	164,938,508
1936	243,280,840	982,348,883	2,245,674,372	141,801,118	6,775,693	172,003,824	2,987,658,127	535,213,934	147,105,278	101,240,050	260,547,068	147,143,020	127,254,500
1937	244,258,173	1,261,327,289	2,796,285,837	195,008,714	11,414,361	143,553,439	3,477,351,308	597,638,702	187,653,257	117,717,267	499,266,759	181,783,956	112,689,000
1938	245,347,352	1,482,460,003	2,944,527,597	191,253,321	81,653,338	127,807,193	4,546,834,945	663,481,215	210,733,292	119,854,624	534,095,793	178,010,468	77,390,600

BANK OF LONDON AND SOUTH AMERICA, LIMITED

LIABILITIES						ASSETS			
September 30	Capital and Reserves	Current and Deposit Accounts, and Contingency Reserve	Bills Payable	Acceptances on behalf of Customers	Bills for Collection on account of Customers	Cash in Hand, at Bankers, and at Call	Bills Receivable	Advances, Securities, etc.	Premises
	£	£	£	£	£	£	£	£	£
1934	5,040,000	31,362,686	625,476	1,611,076	7,624,610	9,632,729	6,661,702	19,399,185	1,936,000
1935	5,540,000	28,288,764	660,544	1,719,341	6,350,249	7,144,293	6,025,981	19,862,878	1,913,705
1936	6,040,000	55,403,372	1,167,703	2,604,644	8,952,716	13,520,531	10,118,302	35,075,487	2,852,808
1937	6,040,000	58,303,757	1,401,739	3,031,938	10,168,406	15,314,448	10,549,290	36,018,590	2,688,363
1938	6,040,000	56,286,068	1,123,305	2,686,608	9,559,592	14,865,394	9,418,322	37,163,381	2,667,721

THE BANK OF ROUMANIA, LIMITED

December 31	LIABILITIES				ASSETS						
	Capital	Current Accounts, etc.	Guarantees, etc., for Account of Customers	Subsidiary Companies' Current Accounts	Cash in Hand and at Banks	Balances with Banks Abroad	Money at Call and Short Notice in London	British Treasury Bills	Investments	Bills Receivable, Loans, Current and Other Accounts	Property Account
1934	300,000	1,412,071	87,122	8,051	791,739	10,259	125,000	250,000	31,823	482,802	17,258
1935	300,000	1,248,401	32,636	3,956	436,806	7,416	25,000	*	396,618	693,141	17,633
1936	300,000	936,972	97,539	13,222	200,903	9,329	245,000	*	224,817	546,272	12,791
1937	300,000	831,095	47,982	2,878	328,339	2,447	...	*	381,204	392,432	12,717
1938	300,000	1,033,919	72,224	242	497,130	4,414	...	*	361,550	469,500	7,836

* Not shown separately.

BANQUE NATIONALE POUR LE COMMERCE ET L'INDUSTRIE

(Incorporated in France with Limited Liability)

AUTHORISED CAPITAL — FRs. 240,000,000

PAID-UP CAPITAL — FRs. 175,000,000

HEAD OFFICE: 16 BOULEVARD DES ITALIENS, PARIS

LONDON OFFICE: 3 ABCHURCH YARD, E.C.4

CABLE ADDRESS: "BANCOMIND, LONDON"

TELEPHONE: MANsion House 2643 (5 lines)

General Banking Facilities

OVER 800 OFFICES IN FRANCE

THE
BANK OF INDIA

LIMITED

ESTABLISHED 7th SEPTEMBER, 1906

CAPITAL SUBSCRIBED ... Rs. 2,00,00,000
CAPITAL PAID UP ... " 1,00,00,000
RESERVE FUND ... " 1,10,50,000

HEAD OFFICE:—ORIENTAL BUILDINGS, BOMBAY

LOCAL BRANCHES:

Bullion Exchange, Shaikh Memon Street
Malabar Hill, Hughes Road
Kalbadevi, Princess Street
Colaba, Cusrow Baug
Andheri, 47 Ghodbunder Road

BRANCHES:

Ahmedabad, Ahmedabad (Station Branch), Bandra, Calcutta (Clive Street), Calcutta (Bara Bazar), Calcutta (Chowringhee Square), Jamshedpur, Nagpur (Civil Lines), Nagpur City, Poona, Poona City, Rajkot, Surat.

LONDON AGENTS:

The Westminster Bank Ltd.

DIRECTORS:

Sir Chunilal V. Mehta, K.C.S.I. (Chairman)
Mr Ambalal Sarabhai
Sir Joseph Kay, Knight
Mr A. Geddis
Sir Cowasjee Jehangir, Baronet, K.C.I.E., O.B.E.
Mr Dinsha K. Daji
Mr Ramnivas Ramnarain

Current Deposit Accounts.—Interest is allowed on daily balances from Rs. 300 to Rs. 1,00,000 at 4 per cent. per annum. Interest on balances in excess of Rs. 1,00,000 allowed only by special arrangement. No credit will be given in account for interest amounting to less than Rs. 5 per half year.

Fixed Deposits.—Deposits are received fixed for one year or for shorter periods at rates of interest which can be ascertained on application.

Savings Bank.—Accounts opened on favourable terms. Rules on application.

The Bank undertakes Executor and Trustee Business.—Rules may be obtained on application.

General Banking Business transacted, rules for which can be obtained upon application.

A. G. GRAY, Manager.

BANK OF LONDON

&

SOUTH AMERICA

LIMITED

Affords a complete international
banking service through
its branches
in

ARGENTINA, URUGUAY
PARAGUAY, CHILE, COLOMBIA
ECUADOR, GUATEMALA
NICARAGUA, PERU, SALVADOR
VENEZUELA, BRAZIL, SPAIN
PORTUGAL, FRANCE

Head Office:

6, 7 and 8, TOKENHOUSE YARD
LONDON, E.C.2

Agencies in:

New York, Bradford, Manchester

THE
YOKOHAMA
SPECIE BANK

LIMITED

Established 1880

Incorporated in Japan

Subscribed and paid-up Capital Yen 100,000,000

Reserve Fund - - - - - „ 139,650,000

Head Office - YOKOHAMA.

BRANCHES IN ALL
PRINCIPAL PARTS
OF THE WORLD.

London Office: 7 BISHOPSGATE, E.C.2

H. KANO, London Manager

The
English, Scottish & Australian
Bank, Limited

Head Office: 5 GRACECHURCH ST., E.C.3
and 406 Branches and Agencies throughout Australia.

Subscribed Capital - - - - £5,000,000
Paid-up Capital - - - - £3,000,000
Further Liability of Proprietors £2,000,000
Reserve Fund - - - - £1,710,000
Special Currency Reserve - £1,585,000

Board of Directors:

S. M. WARD, Esq., Chairman.

THE RT. HON. LORD

E. M. JANION, Esq.

ALDENHALL

SIR GEORGE SCHUSTER

SIR CLIVE BAILLIEU,

K.C.S.I., K.C.M.G., C.B.E.,

K.B.E., C.M.G.

M.C., M.P.

THE RT. HON. LORD

SIR FREDERICK W. YOUNG.

HUNTINGFIELD, K.C.M.G.

Manager & Secretary—F. C. HOUNSFIELD.

Asst. Mgr.—J. A. CLEZY.

Sub-Mgr.—R. J. ALLEN.

Accountant—C. N. HARRISON.

Bankers: Bank of England: Westminster Bank Limited.

Chief Office in Australia:

COLLINS STREET, MELBOURNE

Drafts issued on the Branches and Agencies of
the Bank throughout Australia. Circular
Letters of Credit and Travellers' Cheques issued.

Remittances made by Telegraphic Transfer.

Bills Negotiated or forwarded for Collection.

Wool and Produce Credits arranged.

Banking and Exchange Business of every descrip-
tion transacted with Australia.

THE BANK OF TAIWAN, LIMITED

LIABILITIES								ASSETS							
June 30	Capital and Reserves	Notes in Circulation	Deposits, etc.	Bills Payable	Bills Rediscounted	Acceptances and Guarantees, etc.	Due to Correspondents	Cash in Hand and at Banks	Bullion	Discounts, Loans, etc.	Interest Bills Bought and Export Advances	Government Bonds, etc.	Due from Correspondents	Premises and Estate	
	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	
1935	19,004,000	70,190,978	255,783,541	48,811,280	11,766,647	6,918,551	1,957,809	12,162,956	15,469,212	212,765,357	59,572,815	100,094,852	1,665,043	4,838,691	
1936	19,504,000	63,673,700	257,690,062	57,938,643	3,600,616	3,076,806	1,713,804	12,893,140	15,557,040	203,674,503	61,833,236	103,812,626	659,541	4,887,700	
1937	20,700,000	75,489,725	266,414,839	70,592,610	7,756,065	4,099,807	1,808,684	19,240,288	12,369,131	205,306,560	83,378,043	114,827,664	999,087	6,025,434	
1938	21,900,000	105,440,193	284,353,313	81,314,993	1,843,166	9,076,067	2,000,663	75,586,499	945,211	236,409,550	58,234,807	117,115,694	1,493,629	6,693,558	
Dec. 1938	22,500,000	140,018,699	327,610,590	51,704,315	2,536,895	8,072,806	2,633,209	102,064,954	2,375,238	230,088,007	65,889,275	137,765,273	2,124,210	6,693,924	

BANQUE COMMERCIALE DU CONGO

LIABILITIES							ASSETS						
June 30	Capital and Reserves	Dividend Due	Sundry Creditors	Advances against Securities	Bills Payable	Sundry Accounts	Cash in Hand and at Bank	Government Securities	Sundry Debtors	Bills Receivable	Investments	Sundry Accounts	Debtors for Acceptances
1934	Frs. 41,500,000	Frs. 2,108,434	Frs. 207,757,124	Frs. 265,446	Frs. 1,249,908	Frs. 3,176,794	Frs. 11,830,639	Frs. 195,887,411	Frs. 29,155,447	Frs. 5,733,277	Frs. 9,996,768	Frs. 54,982	Frs. 11,912
1935	35,000,000	2,100,347	107,369,940	361,500	1,905,369	1,689,381	26,727,663	84,806,315	25,592,006	6,326,877	...	45,937	1,233,250
1936	35,000,000	2,391,297	201,788,409	...	71,134	2,765,341	5,408,842	124,201,737	18,218,460	90,212,674	461,292	13,176	...
1937	35,250,000	2,400,233	163,160,089	...	39,353	2,258,691	6,784,819	177,956,289	14,792,177	99,891	461,292	13,887	...
1938	38,589,686	...	192,159,943	361,500	120,362	1,386,311	9,413,412	205,288,679	13,816,363	7,187	461,292	267,792	...

BANQUE DU CONGO BELGE

BANQUE DU CONGO BELGE														
LIABILITIES								ASSETS						
June 30	Capital and Reserves	Notes	Due to Colonial Treasury	Dividend Due	Creditors	Bills Payable	Sundry Accounts	Cash in Hand and at Bank	Gold and Gold Exchange	Government Securities	Bills Receivable	Sundry Debtors	Sundry Accounts	Property, Premises, Furniture, etc.
	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.
1934	59,000,000	110,984,588	2,233,192	2,409,639	500,033,312	8,047,355	2,825,247	345,885,557	61,794,212	130,604,834	82,613,822	52,002,802	3,647,593	9,000,000
1935	59,500,000	116,920,015	2,352,464	2,409,639	543,801,619	14,425,155	27,650,821	413,967,298	85,825,248	52,792,871	145,238,481	58,764,595	1,487,444	9,000,000
1936	60,000,000	257,214,806	2,661,762	2,650,602	515,213,235	16,571,169	4,356,910	294,899,245	130,860,248	118,713,691	147,477,374	151,627,251	6,608,181	8,500,000
1937	60,500,000	343,540,173	2,968,138	2,891,566	654,653,881	15,913,483	2,899,735	336,602,537	172,825,248	236,290,231	159,202,812	163,299,460	7,163,942	8,000,000
1938	61,000,000	378,205,489	2,109,908	2,200,000	599,087,485	22,615,393	3,305,945	285,726,346	165,906,290	255,934,477	179,060,170	167,715,755	5,758,593	8,500,000

BRITISH OVERSEAS BANK, LIMITED

LIABILITIES				BRITISH OVERSEAS BANK, LIMITED								
				ASSETS								
October 31	Capital and Reserves	Current Deposit and other Accounts	Acceptances, etc.	Cash in Hand and at Bankers	Money at Call and Short Notice	Balances with Bankers Abroad	Bills Discounted	Government Securities	Investments	Advances, etc.	Owed by Subsidiary Companies	Premises
	£	£	£	£	£	£	£	£	£			£
1934	2,250,000	2,964,622	3,121,136	229,388	945,996	145,423	498,095	379,936	595,849	2,024,740	142,023	336,781
1935	2,250,000	2,638,403	2,988,526	247,417	869,329	208,471	553,525	370,629	587,013	1,782,860	14,715	336,961
1936	2,250,000	3,982,509	4,078,265	255,894	1,259,943	456,753	973,462	446,345	594,389	1,956,870	33,485	337,078
1937	2,250,000	3,840,339	3,089,195	278,043	1,149,195	196,622	138,099	446,345	703,779	3,031,211	53,593	337,338
1938	2,250,000	2,464,730	1,782,352	84,770	245,687	161,963	144,644	420,391	693,714	2,608,433	125,141	337,346

CENTRAL HANOVER BANK AND TRUST COMPANY

LIABILITIES					ASSETS						
December 31	Capital and Reserves, etc.	Undivided Profits and Dividend payable	Deposits	Acceptances	Cash and Due from Banks	U.S. Government Securities	Other Securities	Real Estate Mortgage	Stock in Federal Reserve Bank	Loans and Bills	Premises and other Assets
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
1935.....	83,434,160	3,647,416	821,020,293	6,669,859	246,294,609	326,661,341	53,737,242	3,312,336	2,430,000	255,219,621	27,116,579
1936.....	86,659,515	7,848,132	879,465,253	5,336,539	296,704,424	352,271,167	39,698,791	3,741,490	2,430,000	258,803,677	25,659,890
1937.....	85,878,573	11,526,231	831,259,130	6,109,852	342,480,367	313,446,253	31,134,372	6,989,089	2,430,000	212,614,650	25,679,055
1938.....	86,037,329	12,587,029	839,290,374	4,818,285	639,591,439	153,446,069	45,259,609	7,376,603	2,430,000	171,263,070	23,336,227
June 30, '39	86,527,241	12,852,346	1,009,017,918	5,571,354	560,320,600	303,728,315	40,735,629	7,183,452	2,430,000	175,341,117	24,229,746

CITY BANK FARMERS TRUST COMPANY

CITY BANK FARMERS TRUST COMPANY												
LIABILITIES					ASSETS							
Dec. 31	Capital and Surplus	Undivided Profits	Reserves	Deposits	Cash and Due from Banks and Bankers	Loans and other Secured Advances	U.S. Government Obligations (Direct or Fully Guaranteed)	Other Bonds Mortgages and Securities	Stock in Federal Reserve Bank	Bank Premises	Other Assets	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
1934	20,000,000	2,223,691	279,955	45,656,182	14,957,414	12,913,684	17,894,870	14,643,070	600,000	4,726,509	2,424,281	
1935	20,000,000	2,805,961	1,057,513	87,528,709	36,275,953	9,409,432	39,771,868	18,573,843	600,000	4,577,240	2,182,045	
1936	20,000,000	3,435,194	2,237,917	106,445,371	48,200,130	7,708,245	32,304,003	18,681,002	600,000	4,427,972	2,765,780	
1937	20,000,000	4,120,759	3,115,261	73,396,510	34,183,863	10,296,214	31,740,359	16,824,779	600,000	4,278,704	2,704,611	
1938	20,000,000	4,438,098	3,303,305	80,108,923	39,482,154	12,471,945	33,082,456	15,637,290	600,000	4,669,675	1,906,806	

THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK

LIABILITIES						ASSETS							
Dec. 31	Capital and Reserves, etc.	Deposits	Certified and Cashier's Cheques	Acceptances	Liability for Acceptances and Foreign Bills	Other Liabilities	Cash and Due from Banks	Securities and Investments	Loans, Discounts and Bankers' Acceptances	Real Estate	Mortgages	Customers' Acceptance Liability	Other Assets
1934	\$ 238,896,119	\$ 1,639,086,387	\$ 70,705,988	\$ 43,836,820	\$ 408,055	\$ 8,117,478	\$ 514,731,534	\$ 734,634,393	\$ 651,089,766	\$ 41,570,414	\$ 4,055,282	\$ 41,436,542	\$ 11,552,818
1935	241,858,177	2,075,121,091	...	20,518,920	7,771,009	5,279,987	855,637,783	775,522,673	638,002,317	43,047,738	2,550,793	18,674,106	17,113,783
1936	243,248,456	2,296,209,092	...	17,360,230	8,174,216	7,190,078	669,417,960	10,367,101,25	772,031,008	41,475,886	10,681,010	15,193,897	16,672,188
1937	250,182,189	2,069,989,515	...	25,707,614	23,637,678	5,862,414	708,039,851	846,510,578	728,522,484	42,662,489	11,720,121	23,646,601	14,271,287
1938	253,953,343	2,234,332,982	...	25,062,029	5,630,250	4,188,572	882,617,333	917,830,432	638,733,623	41,282,157	11,297,921	23,542,486	7,863,224
June, 1939	249,428,180	2,696,486,354	...	18,446,987	6,838,785	7,055,015	1,214,978,844	1,108,289,354	575,427,173	42,249,289	10,643,689	16,956,092	8,874,681

* Including bullion abroad and in transit.

THE NATIONAL BANK

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ESTABLISHED 1835CAPITAL SUBSCRIBED £7,500,000
CAPITAL PAID-UP £1,500,000
RESERVE FUND - £1,160,000
DEPOSITS (30.6.39) £36,109,000BRITISH AND FOREIGN BANKING BUSINESS OF EVERY DESCRIPTION TRANSACTED
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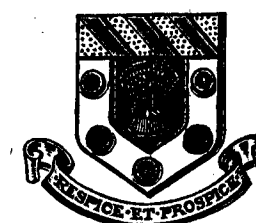
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AKTIEBOLAG
STOCKHOLM

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TELEGRAPHIC ADDRESS:
NITTON-STOCKHOLMHEAD OFFICE:
STOCKHOLM 16

COMMERCIAL BANK OF THE NEAR EAST, LIMITED

LIABILITIES					ASSETS							
December 31	Capital and Reserves	Current, Deposits and other Accounts	Bills for Collection	Acceptances, Endorsements, etc.	Cash in Hand and at London Bankers	Money at Call	Remittances in Transit	Balances with Foreign Banks	Bills Discounted	Investments	Advances to Customers, etc.	Furniture and Fittings
	£	£	£	£	£	£	£	£	£	£	£	£
934	207,000	270,288	84,611	20,824	14,109	95,000	486	14,142	46,115	140,353	167,297	1,414
935	207,000	323,711	135,304	34,993	44,578	2,555	48,080	74,512	177,176	185,528	1,280	1,280
936	207,000	374,077	106,701	79,579	34,587	76,000	906	6,859	84,309	161,254	231,141	1,158
937	210,000	408,162	122,065	76,688	21,640	80,000	12,654	42,320	88,701	135,908	242,497	1,201
938	212,000	395,596	147,360	60,714	30,840	43,000	2,418	41,217	78,412	129,981	280,786	1,268

CREDITO ITALIANO

LIABILITIES							ASSETS						
Dec. 31	Capital and Reserves	Deposits and Savings Accounts	Current Accounts	Acceptances on behalf of Customers	Cheques Out- standing	Sundry Creditors	Guaran- tees on Account of Customers	Cash in Hand and at Call	Bills Receivable	Loans Against Collateral	Current Accounts	Invest- ments	Sundry Debtors
	Lire	Lire	Lire	Lire	Lire	Lire	Lire	Lire	Lire	Lire	Lire	Lire	Lire
1934	602,980,372	1,538,496,598	4,211,070,341	117,086,788	156,658,020	74,567,442	228,446,542	339,865,887	3,877,522,132	105,740,834	1,371,342,956	752,186,576	160,739,120
1935	605,890,040	1,498,886,181	4,260,164,875	8,395,220	202,811,189	106,490,493	200,846,796	359,269,560	3,880,283,243	67,754,803	1,525,338,167	714,103,677	86,544,535
1936	608,792,299	1,827,407,558	4,045,954,520	4,477,332	228,655,244	121,820,076	189,320,638	596,511,847	3,684,954,255	118,943,912	1,506,320,354	729,089,735	151,612,763
1937	611,659,733	1,973,486,078	4,223,943,090	127,229,749	259,728,424	133,825,024	191,700,980	463,661,092	3,823,505,410	133,873,725	1,841,898,463	808,625,946	85,502,319
1938	614,537,796	2,189,298,393	3,876,712,973	114,305,140	257,016,808	136,972,827	194,071,821	501,821,540	3,934,014,738	98,314,467	1,800,086,939	800,132,420	87,310,018

CRÉDIT LYONNAIS

LIABILITIES						ASSETS						
Dec. 31	Capital and Reserves	Deposits at Call	Current Accounts	Accounts Payable after Collection	Acceptances	Fixed Deposits, etc.	Cash in Hand and at Banks	Discounts and French Treasury Bills	Loans and Advances	Current Accounts	Investments	Sundries
	Fr.	Fr.	Fr.	Fr.	Fr.	Fr.	Fr.	Fr.	Fr.	Fr.	Fr.	Fr.
1934 ...	1,206,000,000	4,938,591,556	6,586,828,417	180,980,899	41,654,016	30,706,771	2,507,845,516	7,660,521,610	363,225,620	2,808,040,081	3,953,567	42,346,369
1935 ...	1,200,000,000	4,519,322,913	5,858,389,320	171,484,089	82,194,875	34,463,492	1,779,488,093	6,944,576,417	315,799,036	3,052,156,099	3,749,051	41,140,443
1936 ...	1,200,000,000	4,332,734,440	5,804,774,582	217,258,119	184,920,433	28,505,950	1,586,949,641	7,395,525,385	418,476,682	2,525,665,820	3,509,078	40,934,542
1937 ...	1,200,000,000	4,613,074,244	6,423,122,245	240,082,691	247,685,027	745,094,015	1,916,834,118	7,730,074,107	339,746,230	2,895,448,013	3,464,784	680,594,291
1938 ...	1,200,000,000	5,471,788,218	7,034,680,874	273,980,122	313,184,511	754,330,775	2,259,988,429	9,083,829,240	306,126,640	2,755,378,151	3,461,169	685,915,351

GUARANTY TRUST COMPANY OF NEW YORK

LIABILITIES							ASSETS							
Dec. 31	Capital and Surplus Fund	Un-divided Profits	Accrued Interest, Misc. Accounts, etc.	Acceptances	Deposits	Out-standing Cheques	Cash in Hand and with Banks	U.S. Govt. Securities	Notes of R.F.C.	Other Securities	Loans and Bills Purchased	Real Estate Bonds and Mortgages	Premises	Accrued Interest and Accounts Receivable
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
34.....	260,000,000	7,294,720	10,267,571	94,908,218	1,237,086,329	22,975,116	833,576,289	464,507,036	20,000,000	96,053,087	579,712,918	2,579,303	13,821,691	14,779,524
35.....	260,000,000	7,398,412	15,076,421	71,334,590	1,485,303,641	28,627,522	820,600,526	474,468,017	...	80,907,459	592,238,794	2,990,699	13,547,352	7,920,514
36.....	260,000,000	9,356,562	27,583,280	47,501,324	1,709,843,127	35,188,883	660,220,263	590,105,249	...	86,092,407	609,293,384	3,322,210	13,277,131	10,214,179
37.....	260,000,000	11,890,064	20,442,691	45,065,771	1,424,208,361	25,599,152	478,270,301	540,506,068	...	77,918,395	623,244,877	2,048,627	12,424,192	19,594,269
38.....	260,000,000	12,898,420	21,374,545	20,989,416	1,597,492,947	22,485,473	788,474,638	486,310,848	...	77,228,137	528,846,450	2,115,837	12,143,011	18,428,401
39.....	260,000,000	12,957,601	20,224,107	19,217,894	1,863,615,074	34,420,228	1,013,232,650	636,527,767	...	78,454,708	437,486,746	2,861,644	11,927,392	14,121,359

HAMBROS BANK, LIMITED

The directors report for the year ending March 31, 1939, shows that after payment of all expenses, making provision for rebate on bills discounted, bad and doubtful debts, and income tax, the accounts show a profit of £270,363. Deducting the directors' remuneration of £15,497, and adding the balance brought forward from last year of £87,478, there remains an available total of £42,345. After transferring £100,000 to contingency reserve fund and allowing the sum of £66,700 for interim dividends 8 per cent., less income tax, on the £10 shares and 3 per cent., less income tax, on the £1 "A" shares paid on October 29, 1938, the directors now recommend the payment of a further dividend of 10 per cent., less income tax, on the £10 shares, making a total of 18 per cent. for the year, less income tax, and a further dividend of 3 per cent. less income tax, on the £1 "A" shares, making a total of 6 per cent. for the year, less income tax, and that the balance of £94,445 be carried forward.

LIABILITIES						ASSETS					
March 31	Capital and Reserves	Profit and Loss Account	Current, Deposit and Other Accounts	Acceptances	Cash in Hand, at Bankers and at Call	Bills of Exchange	Investments	Loans, Advances and Other Accounts	Premises		
15	£ 2,400,000	192,617	15,564,998	10,940,561	4,083,332	2,272,481	4,618,411	4,732,866	453,487		
16	2,800,000	189,339	14,523,037	10,031,923	4,859,083	2,976,798	4,903,012	4,776,978	...		
17	2,800,000	183,001	16,114,477	13,787,385	5,937,388	2,823,995	5,143,219	5,201,780	...		
18	2,800,000	168,178	17,224,190	10,804,171	4,983,144	4,625,806	5,310,554	5,281,584	...		
19	2,800,000	175,645	15,249,762	11,410,437	5,533,998	4,588,001	3,016,061	5,111,387	...		

THE HONGKONG AND SHANGHAI BANKING CORPORATION

LIABILITIES								ASSETS					
31	Capital and Reserves	Notes in Circulation	Current Accounts	Fixed Deposits	Bills Payable	Acceptances	Profit and Loss Account	Cash	Bullion in Hand and in Transit	British Government, Indian, Colonial and other Securities	Discounts, Loans and Credits	Bills Receivable, etc.	Premises
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
4...	106,097,561	133,946,215	504,204,989	179,192,461	9,690,000	4,916,689	9,914,213	137,918,708	177,390,735	194,414,110	318,955,251	92,248,247	22,118,388
5...	129,840,000	119,010,770	568,131,918	208,027,823	12,424,354	2,366,587	11,699,860	154,181,307	41,909,294	282,233,304	439,863,291	132,776,563	22,170,965
6...	134,873,950	127,636,280	649,329,397	188,614,455	14,821,639	3,306,510	12,085,328	197,465,213	...	301,419,785	493,812,564	112,890,658	21,772,530
7...	134,873,950	200,254,180	700,263,011	159,896,537	21,500,965	3,408,612	12,127,542	257,931,297	...	324,334,289	467,314,472	158,534,969	20,801,167
8...	134,873,950	210,579,120	724,134,216	148,137,618	21,410,649	2,560,598	12,145,172	310,514,048	...	354,117,642	454,001,338	112,845,053	19,802,645

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(INCORPORATED IN JAPAN)
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 Capital Paid-up - Yen 50,000,000.00
 Reserve Fund - Yen 50,200,000.00

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 OFFICES IN PACIFIC LINERS:—M.S. "Asama Maru," M.S. "Kamakura Maru" and M.S. "Tatuta Maru."
 FOREIGN OFFICES:—Shanghai, Dairen, London, New York, San Francisco, and Los Angeles.
 AFFILIATED BANKS:—The Sumitomo Bank of California, Sacramento, California, U.S.A. The Sumitomo Bank of Hawaii, Honolulu, Hawaii, U.S.A. The Sumitomo Bank of Seattle, Seattle, Washington, U.S.A.
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GENERAL BANKING AND EXCHANGE BUSINESS

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M. MAYE, Manager.

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 32 " " " " EGYPT
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THE IMPERIAL BANK OF IRAN

The profits for the year ended March 20, 1939, after making provision for expenses of management, general charges in London and at chief office and branches, income tax, N.D.C., Exchange, and bad and doubtful debts, etc., amount to £92,922, to which has to be added £54,008 brought forward from last account, making a total of £146,930. The assets and liabilities of the branches in Iran have been converted at the rate of

exchange of Rials 80½ per £ sterling, being the rate on March 20, 1939. This is the same rate as last year. The directors now recommend payment of a final dividend of 6 per cent., subject to income tax, making with the interim dividend of 3 per cent. a total for the year of 9 per cent., subject to tax. This leaves a sum of £56,930 to be carried forward.

March 20	LIABILITIES					ASSETS				
	Capital and Reserves	Current and Fixed Deposits, etc.	Bills Payable, Provision for Contingencies, Endorsements, etc.	Acceptances, etc.	Profit and Loss Account	Cash in Hand, at Bankers, at Call, and Short Notice, and Bullion	British Government and Other Securities	Discounts, Loans, Advances, etc.	Bills Receivable	Premises
1935	£1,580,000	£3,065,478	£2,009,720	£620,325	£94,818	£1,278,923	£3,552,066	£1,220,163	£694,194	£2,870
1936	1,590,000	3,587,911	1,827,576	970,266	95,604	1,102,424	3,259,738	2,082,737	654,581	1,592
1937	1,750,000	3,539,235	1,643,817	891,497	98,034	899,602	2,844,780	2,447,445	838,219	1,041
1938	1,750,000	3,740,552	1,605,191	827,361	99,008	866,211	3,056,518	2,720,367	550,655	1,000
1939	1,750,000	3,355,439	1,639,693	853,552	116,930	1,070,647	3,167,940	2,129,528	512,847	1,000

INTERNATIONAL BANKING CORPORATION

December 31	LIABILITIES					ASSETS				
	Capital and Surplus	Undivided Profits	Deposits	Notes in Circulation in China	Items in Transit with Branches	Acceptances	Reserves	Other Liabilities	Cash and Due from Banks and Bankers	Loans, Discounts and Advances
1934	\$5,000,000	\$3,223,533	\$11,325,714	\$679,979	\$396,893	\$1,558,770	\$4,403,135	\$2,192	\$10,057,749	\$3,510,676
1935	6,000,000	2,173,144	12,044,103	453,671	213,944	3,076,318	4,061,064	2,466	9,285,434	4,792,330
1936	6,000,000	2,170,008	12,726,608	315,907	155,899	794,400	355,628	...	7,173,602	3,330,125
1937	6,000,000	2,228,750	5,084,560	384,698	601	1,330,780	386,001	...	5,040,896	3,406,923
1938	6,500,000	1,736,972	5,492,890	192,674	...	439,760	385,587	...	6,353,761	2,349,874

* Including items in transit with branches.

IONIAN BANK, LIMITED

August 31	LIABILITIES					ASSETS				
	Capital and Reserves	Current and Deposit Accounts, Outstanding Advances, Letters of Credit, etc.	Bills Payable	Profit and Loss	Cash in Hand, at Bankers, in Transit	Balances with Banking Correspondents	Investments	Bills receivable	Loans and Advances, Outstanding Advances, Exchange Contracts, etc.	Mortgaged Property in Possession
1934	£800,000	£3,329,365	£103,078	£26,567	£533,556	£39,132	£871,048	£433,998	£2,125,437	£204,449
1935	870,000	3,269,850	40,706	26,646	414,365	33,285	851,946	801,318	2,551,468	286,132,415
1936	800,000	3,151,042	41,615	16,823	873,020	65,006	707,223	483,746	1,990,124	182,131
1937	800,000	3,511,320	69,203	24,462	699,242	30,446	699,242	633,068	2,130,562	310,774
1938	800,000	3,958,583	51,065	26,935	271,383	40,787	749,709	685,837	2,377,994	191,396

* 16 months to December 31st. † December 31st.

ITALO-BELGIAN BANK

June 30	LIABILITIES					ASSETS				
	Capital and Reserves	Current and Deposit Accounts	Bankers and Correspondents	Bills Payable	Re-discount on Bills	Depositors and Sundry Accounts	Cash in Hand and with Bankers	Bills Receivable	Investments	Bankers and Correspondents
1934	Frs. 200,000,000	Frs. 682,184,881	Frs. 192,243,586	Frs. 46,148,864	Frs. 1,183,394	Frs. 2,290,128,504	Frs. 211,692,091	Frs. 391,912,133	Frs. 25,257,985	Frs. 204,691,735
1935	200,000,000	712,870,234	88,814,177	95,664,121	568,320	2,634,664,453	196,303,690	281,631,241	25,514,658	242,403,450
1936	200,000,000	895,404,794	119,809,328	110,505,941	853,348	2,067,851,948	199,989,317	254,540,278	22,769,083	350,547,358
1937	200,000,000	435,490,793	168,566,982	141,820,244	425,131	2,222,835,164	212,860,976	286,598,615	29,086,305	281,151,867
1938	200,000,000	533,784,731	223,745,141	143,308,190	400,625	2,234,610,712	199,010,411	274,205,351	23,358,923	463,559,667

THE MITSUI BANK, LIMITED

December 31	LIABILITIES					ASSETS				
	Capital and Reserves	Deposits	Due to Foreign Banks	Liabilities under L/C, etc.	Interest Accrued on Deposits	Rebate on Bills not Due	Cash in Hand and at Banks	Money at Call and Short Notice	Govt., Municipal and other Bonds	Loans and Discounts
1934	Yen 156,800,000	Yen 748,556,286	Yen 8,440,426	Yen 4,721,761	Yen 7,490,426	Yen 1,948,548	Yen 56,608,695	Yen 31,510,000	Yen 329,228,209	Yen 383,634,027
1935	158,800,000	796,293,049	19,098,263	9,234,652	7,596,671	2,092,741	55,985,859	29,630,000	316,997,228	451,766,280
1936	160,800,000	856,924,636	31,010,071	26,920,135	8,209,881	2,342,053	58,449,867	39,720,000	296,830,643	518,688,998
1937	162,800,000	945,796,208	13,464,616	5,624,638	8,475,160	2,530,918	97,166,629	44,480,000	261,460,825	616,500,744
1938	165,300,000	1,126,801,34	16,192,053	7,972,300	9,985,102	3,223,576	93,037,800	48,300,000	328,612,880	718,492,473

THE MITSUBISHI BANK, LIMITED

December 31	LIABILITIES					ASSETS				
	Capital and Reserves	Deposits	Acceptances and Guarantees	Interest accrued on Deposits	Cash on Hand and in Banks	Money at Call and Short Notice	Government, Municipal and other Bonds	Stocks and Shares	Discounts and Loans	Foreign Bills Purchased
1934	Yen 145,786,210	Yen 722,648,160	Yen 4,902,162	Yen 5,388,816	Yen 54,938,773	Yen 44,369,302	Yen 389,075,672	Yen 34,449,142	Yen 285,344,161	Yen 38,293,286
1935	150,236,983	730,607,090	4,586,579	7,770,849	50,970,903	41,415,000	379,698,850	26,253,142	294,387,372	43,869,947
1936	154,618,825	810,400,884	6,450,976	12,554,478	63,334,394	48,185,000	367,037,372	27,997,530	370,682,459	46,777,515
1937	159,011,803	832,552,395	17,202,879	7,257,673	71,438,055	44,400,000	323,903,893	27,495,030	530,792,746	47,906,556
1938	163,472,064	1,149,167,05	4,383,171	8,368,423	105,743,930	65,585,714	403,816,390	26,599,030	628,050,415	32,232,111

Royal Bank of Scotland

Incorporated by Royal Charter, 1727.

Head Office: St. Andrew Square, EDINBURGH

253 Branches throughout Scotland.

ASSOCIATED BANKS—WILLIAMS DEACON'S BANK, LD. (Member of the London Bankers' Clearing House)
GLYN MILLS & CO. (Member of the London Bankers' Clearing House)

BANK OF SCOTLAND

CONSTITUTED BY ACT OF PARLIAMENT 1695

AUTHORISED CAPITAL - - - - - £4,500,000
CAPITAL FULLY PAID - - - - - £2,400,000
RESERVE FUND and BALANCE CARRIED FORWARD - - - £2,251,918
DEPOSITS and CREDIT BALANCES as at 28th February, 1939 - £37,851,691

Governor: The Rt. Hon. LORD ELPHINSTONE, K.T. Deputy Governor: THE LORD HENRY SCOTT
J. W. MACFARLANE, Treasurer.

Head Office: THE MOUND, EDINBURGH

GLASGOW, Chief Office: 2 ST. VINCENT PLACE. JAMES CRAIG, Manager.
LONDON OFFICES: City Office—30 BISHOPSGATE, E.C.2. A. BALLINGALL, Manager.
Piccadilly Circus Branch—16/18 PICCADILLY, W. C. D. ALLISON, Manager.

262 Branches and Sub-Branches in Edinburgh, Glasgow, and throughout Scotland
Every description of British and Foreign Banking Business transacted

THE Commercial Bank of Scotland LIMITED

Established 1810

Incorporated by Royal Charter and Act of Parliament

OVER 380 BRANCHES AND SUB-OFFICES IN SCOTLAND AS WELL AS
THE FOLLOWING LONDON OFFICES:—

CITY: 62 LOMBARD STREET, E.C.3
KINGSWAY: IMPERIAL HOUSE, 15 KINGSWAY, W.C.2
PICCADILLY: 4 OLD BOND STREET, W.1

Head Office: 14 George Street, EDINBURGH

THE NATIONAL BANK OF SCOTLAND LIMITED



Head Office: EDINBURGH

Branches throughout SCOTLAND

ESTABLISHED 1825

LONDON OFFICES: 37 Nicholas Lane, E.C.4, and 18/20 Regent Street, Piccadilly Circus, S.W.1

Every description of banking service undertaken, including Foreign Exchange, Trustee and Executry business.

THE MOSCOW NARODNY BANK, LIMITED

LIABILITIES							ASSETS							
Dec. 31	Capital and Reserves	Current and Deposit Accounts	Correspondents of the Bank	Bills Rediscounted	Miscellaneous Creditors	Liabilities in respect of Guarantees	Cash at Banks on Current Accounts and in hand	Investments	Correspondents of the Bank	Bills Discounted	Advances	Miscellaneous Debtors	Bills for Collection	Premises
1934	£ 1,835,000	£ 904,873	£ 264,302	£ 556,877	£ 94,891	£ 2,040,384	822,774	£ 247,078	£ 249,544	£ 556,877	£ 2,311,513	£ 34,311	£ 10,511	£ 5,879
1935	1,835,000	689,319	191,318	11,119	37,227	1,550,388	820,536	...	192,624	11,708	1,600,000	116,785	11,531	5,446
1936	1,835,000	149,684	1,445,908	76,764	41,470	113,270	2,272,155	...	1,210,955	77,479	361,484	1,650	12,307	4,503
1937	725,000	315,906	1,609,615	18,584	85,095	120,182	2,213,460	...	233,227	18,584	471,776	1,718	13,728	3,726
1938	725,000	260,966	859,715	22,004	32,731	59,643	1,338,159	...	298,309	22,004	373,737	1,921	...	3,185

THE NATIONAL BANK OF EGYPT

LIABILITIES									ASSETS					
Dec. 31	Capital and Reserves	Current, Deposit and other Accounts	Egyptian Govt.	Sudan Govt.	Mixed Tribunals	Cheques and Bills Payable	Acceptances, etc.	Bankers' Accounts	Cash in Hand	Money at Call and Short Notice	Securities	Advances	Bills of Exchange	Bankers' Accounts
	£st.	£st.	£st.	£st.	£st.	£st.	£st.	£st.	£st.	£st.	£st.	£st.	£st.	£st.
1934	6,000,000	16,423,830	4,978,103	563,542	1,681,486	155,109	1,583,027	509,699	2,392,631	1,600,000	18,359,189	5,511,446	2,361,821	275,473
1935	6,000,000	21,855,049	6,220,582	958,364	1,810,345	229,140	1,107,923	1,103,622	2,551,852	1,955,000	23,826,189	7,150,069	2,400,018	467,069
1936	6,000,000	20,891,810	4,868,683	1,062,380	1,978,266	235,081	1,288,091	1,106,816	2,512,833	2,205,000	22,071,850	6,920,928	1,936,480	677,075
1937	6,000,000	18,996,926	6,413,153	952,393	1,817,904	222,088	1,663,621	849,311	2,441,081	1,635,000	23,059,647	6,592,907	1,043,933	699,182
1938	6,000,000	17,645,959	2,292,279	1,061,583	1,606,069	187,220	1,513,208	624,026	2,512,330	1,505,000	14,849,536	8,470,596	1,786,564	537,783

THE NATIONAL CITY BANK OF NEW YORK

LIABILITIES							ASSETS						
Dec. 31	Capital and Surplus	Undivided Profits	Reserves	Liability as Acceptor, Endorser or Maker on Acceptances and Bills	Deposits	Cash and Due from Banks and Bankers	U.S. Govt. Obligations	State, Municipal and other Bonds and Securities	Loans, Discounts and Bankers' Acceptances	Customers' Liability Account of Acceptances	Stock in Federal Reserve Bank and Ownership of International Banking Corp.	Items in Transit	Premises
1934	\$ 157,500,000	\$ 8,273,298	\$ 10,576,359	\$ 65,779,526	\$ 1,394,604,308	\$ 450,285,755	\$ 431,938,339	\$ 135,518,004	\$ 482,834,614	\$ 56,678,257	\$ 14,600,000	\$ 3,377,340	\$ 58,162,279
1935	157,500,000	10,644,279	16,111,807	57,444,517	1,652,366,244	527,491,424	510,764,688	179,786,459	547,223,821	30,634,183	12,725,000	10,670,332	54,215,505
1936	120,000,000	13,462,953	13,921,556	49,676,812	1,713,840,229	463,258,611	526,917,831	228,001,549	588,348,846	23,662,029	11,600,000	4,729,858	52,636,932
1937	121,750,000	14,314,079	14,124,774	48,350,792	1,711,552,124	516,778,467	482,958,934	207,301,765	609,441,410	13,315,994	11,652,500	4,903,780	50,543,249
1938	124,000,000	13,554,940	11,882,323	34,485,834	1,835,286,500	531,718,844	668,795,810	195,444,421	521,981,489	12,288,747	11,705,000	2,956,756	46,556,997
1939	124,500,000	13,670,186	12,897,812	32,822,479	2,062,823,359	824,543,860	626,450,839	212,715,705	468,144,878	12,472,689	11,735,000	1,856,786	44,705,142

* Appears on Liability side.

OTTOMAN BANK

LIABILITIES								ASSETS						
Dec. 31	Capital and Reserves	Notes in Circulation	Bills Payable and Sight Drafts	Current Accounts of Sundries	Deposits for Fixed Terms	Acceptances	Profit and Loss Account	Cash in Hand and at Bankers	Money at Call and Notice	Bills re- ceivable	Invest- ments	Current Accounts of Sundries	Advances on Securi- ties	Prem- ises
1934	£ 6,250,000	374,391	265,263	12,395,128	1,512,748	637,755	104,542	3,801,705	1,203,307	5,674,154	1,973,087	5,304,790	2,316,722	628,308
1935	6,250,000	351,418	252,955	12,849,731	1,639,177	587,656	104,784	3,806,536	872,678	4,740,038	2,487,728	6,286,797	2,256,222	618,077
1936	6,250,000	320,062	250,182	14,089,812	1,387,342	412,572	108,149	4,733,830	1,023,582	5,403,823	2,419,895	5,830,009	2,398,529	598,079
1937	6,250,000	299,685	287,792	16,325,412	1,569,422	914,433	112,498	4,389,759	1,206,303	5,018,641	3,205,066	7,717,350	2,700,156	587,535
1938	6,250,000	307,813	222,597	16,403,004	1,308,533	1,159,241	114,240	5,587,877	1,330,089	4,604,280	2,339,177	7,293,935	2,863,669	587,261

THE PIONEER LIFE ASSURANCE COMPANY LTD.

Chief Offices:
31 Dale Street, LIVERPOOL

Established
1891

Assets Exceed:
£1,000,000
Claims Paid Exceed:
£2,000,000

Our Information Service

The Intelligence Branch of *The Economist* has been enlarged to meet the growing demand for economic and statistical information. The Department has been able to secure the services of a number of experts, and is prepared to supply information and reports on any branch of industry and finance as well as on international relations at a fee proportionate to the work involved.

Enquiries should be addressed to the

Intelligence Branch, THE ECONOMIST

8 Bouverie Street, London, E.C.4

THE UNION BANK OF SCOTLAND, Ltd.

ESTABLISHED 1830

SUBSCRIBED CAPITAL - £5,200,000
PAID-UP - £1,200,000
RESERVE FUND - £1,800,000
DEPOSITS - £32,111,675

HEAD OFFICES:

GLASGOW—St. Vincent Street EDINBURGH—George Street
216 Branches throughout Scotland

LONDON OFFICES: 62 CORNHILL, E.C.3

Manager: JOHN THOMSON Asst. Manager: JOHN A. MORRISON

HAS FOREIGN EXCHANGE DEPARTMENT

332 Oxford Street, W.1 - Robert L. Smith, Manager
1 Regent Street, S.W.1 - John Macdonald, Manager
140 Kensington High - George L. Simpson, Manager
Street, W.8

Adapted in every way to carry through all forms of Banking Business in London and Scotland.

Every description of Home and Foreign Banking transacted.

The Bank also undertakes the duties of TRUSTEE and EXECUTOR.

At London Offices Current Accounts and other business conducted on the usual terms of London Banks.

Deposits received at Interest.

NORMAN L. HIRD, General Manager

NATIONAL DISCOUNT COMPANY, LIMITED

ESTD. 1856

(Incorporating the Business of Messrs. REEVES WHITBURN)

35 CORNHILL, LONDON, E.C.3

Telegraphic Address: "NATDIS, STOCK, LONDON."

Telephones: MANSION HOUSE 5241 (3 lines)

SUBSCRIBED CAPITAL - £2,153,335
PAID-UP CAPITAL - £1,000,000
RESERVE FUND - £1,100,000

DIRECTORS:

Sir SIGISMUND F. MENDL, K.B.E. (Chairman)
Lt.-Col. The Hon. GEORGE FRANCIS GOLDSMITH,
AKERS-DOUGLAS H. S. H. GUINNESS
RONALD L. BASSETT Sir CHARLES D. SELIGMAN
The Hon. LOVEL W. COKE

Manager:
R. E. de B. BATZ

Sub-Managers:
H. R. W. BROWN
W. SHEPHERD

Secretary:
W. SHEPHERD

Registrar:
G. H. ELLABY

Auditors:
PRICE, WATERHOUSE & CO.

Bankers:
BANK OF ENGLAND
NATIONAL PROVINCIAL BANK LTD.

Treasury Bills, Bank and Mercantile Bills negotiated.
Money received on Deposit at Call and Short Notice at the Current Market Rates of Interest, and for longer periods upon specially agreed terms.

Loans granted upon approved securities.

All communications to be addressed to the Manager.

THE BRITISH LINEN BANK

Incorporated by Royal Charter 1746

LONDON OFFICES:

City Office - 38 Threadneedle Street, E.C.2

West End Branch - 198 Piccadilly, W.1

where accounts may be opened on usual London terms

Head Office: 38 St. Andrew Square, Edinburgh

Over 210 Branches throughout Scotland

BANK OF ATHENS

Head Office: ATHENS

(Incorporated in Greece with Limited Liability)

Paid-up Capital and Reserves, Drs. 176,000,000

With 121 offices, in all the principal towns in Greece, Egypt and Cyprus, the Bank extends Facilities for Export and Import Trade between Great Britain and the Near East generally.

ENQUIRIES INVITED

NEW YORK: Bank of Athens Trust Company, 205 West 33rd Street

LONDON: 22 FENCHURCH STREET, E.C.3

LIABILITIES								ASSETS							
Dec. 31	Capital and Reserve	Reserve for Doubtful Debts	Notes in Circulation	Deposits	Bills Payable, Discounts, Acceptances, etc.	Balance of Profit and Loss Brought Forward	Net Profit for past Half-year	Cash in Hand	Cash at Bankers	Investments	Discounts, Loans, Advances, etc.	Bills Receivable, etc.	Bullion and Foreign Money	Premises and Properties	
	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	Yen	
1934.....	224,250,000	3,639,943	4,244,969	593,463,255	703,273,282	8,258,945	7,234,380	25,850,939	45,337,978	369,163,827	494,168,773	577,962,746	11,832,988	19,043,116	
1935.....	227,450,000	3,724,454	3,840,085	651,780,676	755,522,697	9,503,102	7,505,137	25,884,897	124,630,947	494,515,174	352,354,374	646,742,288	757,270	19,577,618	
1936.....	230,900,000	3,653,917	1,242,238	599,001,305	685,774,360	10,446,652	7,012,288	18,010,069	50,164,472	411,261,421	385,911,980	850,727,886	3,864,015	19,341,681	
1937.....	234,400,000	3,592,634	881,502	623,131,077	719,576,494	10,745,727	6,238,699	33,572,334	74,218,440	436,472,176	366,632,402	862,144,216	5,578,353	19,284,776	
1938.....	237,150,000	3,455,323	312,694	1,328,685,502	561,101,653	10,422,028	6,281,765	41,684,699	75,836,989	499,879,569	851,498,428	1,701,766,021	15,657,618	19,579,918	
June 30, '39	230,400,000	3,445,311	273,357	1,565,469,844	526,286,874	10,443,793	6,279,944	71,693,605	146,533,423	580,836,984					

All important places at home and abroad

Under Lahore	POST OFFICES	PHULERAN
ABOHA	MONTGOMERY	SAGOL HILL
ARIFWALA	SHEIKHUPURA	TANDLIANWALA
CHICHAWATNI	SILOKOT	TOBATEKSHING
CHUHARKHANA	SIRSA	Under Rawalpindi
DABWALI	Under Muzaffarpur	MARDAN
HAFFIZABAD	JAYNAGAR	Under Agra
JAGRAON	SITAMARHI	FARRUKHABAD
JAHANA	BETTIAH	MAINPURI
YULUNDUR CITY	Under Golimbaroto	MORENA
KAMOKRE	TIRUPPUR	Under Gawnore
KASUR	UDUMALPET	BHARTHANA
KHANEWAL	Under Lyaipur	BANDA
MANDI BAHAUDDINGORA	WARA	Under Sholapur
MANDI BUREWALA	JARANWALA	BARSI
MUNCHANNU	KAMALIA	Under Sukkur
MOGA	NANKANA SAHIB	JACOBABAD

London Agents :

Messrs. Barclays Bank, Ltd., and Midland Bank, Ltd.

DIRECTORS : SIR H. P. MODY, K.B.E., Chairman. THE RT. HON. NAWAB SIR AKBAR HYDARI, Kt., I.C. A. B. D. DROMI, Esq., HARIDAS MADHAYDAS, Esq. DINSHAW K. JOSHI, Esq. VITHALDAAS KANTJI, Esq. D. SASSBOHYO HORMUSJI, Esq. HENDIWALLA, Kt. NOORMAHOMED M. CHENYO, Esq. RAPIIUD. LAM, Esq. DHARAMSEY MULRAJ KHATAU, Esq.

MANAGERS IN LONDON.
O. J. Barnes
Sub-Manager: G. M. Dalgety
E. J. Davies
Accountant: A. M. Knight
9 GRACECHURCH ST., LONDON, E.C.

NATIONAL BANK OF INDIA, LIMITED

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

Established in Calcutta 29th September, 1863

Bankers to the Government in KENYA (B. E. Africa) and UGANDA

Subscribed Capital -	-	-	-	-	£4,000,000
Paid-up Capital -	-	-	-	-	£2,000,000
Reserve Fund -	-	-	-	-	£2,200,000

Head Office: 26 BISHOPSGATE, LONDON, E.C.2

BRANCHES

CALCUTTA
BOMBAY
MADRAS
KARACHI
CHITTAGONG
AMRITSAR
CAWNPORE
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MANDALAY
COLOMBO
KANDY
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ADEN
STEAMER POINT, ADEN
ZANZIBAR

MOMBASA
NAIROBI
NAKURU
KISUMU
ENTEBBE
KAMPALA
JINJA
TANGA
DAR-ES-SALAAM
MWANZA

Kenya

Uganda

Tanganyika
Territory

The Bank grants Drafts and Telegraphic Transfers on all places where it is represented; negotiates and collects Bills of Exchange; collects Pay, Pensions, and generally transacts every description of Eastern Banking business.

Current Accounts are opened and Deposits are received for fixed periods, not exceeding one year, at rates to be obtained on application.

Circular Letters of Credit and Travellers' Cheques available throughout the World are issued to Constituents by the Head Office and Branches.

Trusteeships and Executorships undertaken.

ALEXANDERS DISCOUNT CO. LIMITED

24 Lombard Street, E.C.3

Capital Authorised -	-	£1,800,000
Subscribed -	-	1,800,000
Paid-up Preference Shares	200,000	
Paid-up Ordinary Shares -	800,000	
Reserve Fund -	-	1,000,000

DIRECTORS

COLIN FREDERICK CAMPBELL, *Chairman*
GEORGE CLEVERLY ALEXANDER
ROBERT ALEXANDER
SIR AUSTIN EDWARD HARRIS, K.B.E.
ERIC GORE BROWNE, D.S.O.
FRANK NEWCOMB
MARK DINELEY

Manager—F. NEWCOMB

Sub-Manager—B. F. CREWDSON, C.B.E.

Secretary—P. C. TONG

Approved Mercantile Bills discounted. Loans granted on negotiable securities. Money received on deposit at call and short notices at current market rates, as advertised from time to time in the daily papers. For longer periods on specially agreed terms.

The Company deals in British Treasury Bills of any maturity

NETHERLANDS BANK OF SOUTH AFRICA

(Incorporated with limited liability under the laws of the Netherlands)

AUTHORISED CAPITAL	£ 9,000,000 at 8.83½ =	£1,018,964.1.1
SUBSCRIBED CAPITAL	£ 5,622,500 at 8.83½ =	£632,569.9.9
PAID-UP CAPITAL	£ 5,622,500 at 8.83½ =	£636,569.9.9
RESERVE FUND	£ 2,800,000 at 8.83½ =	£317,011.0.10

South
African
Currency

Head Office:

AMSTERDAM, HEERENGRACHT, 546

London Office:

201 SALISBURY HOUSE, FINSBURY CIRCUS, E.C.2

Head Office in South Africa: PRETORIA

London Bankers: NATIONAL PROVINCIAL BANK, LTD., and MIDLAND BANK LIMITED

BRANCHES IN SOUTH AFRICA:

BENONI
BETHLEHEM
BLOEMFONTEIN
CAPE TOWN
DULLSTROOM
DURBAN
EAST LONDON
ERMELO
GERMISTON
HARTEBEESTFONTEIN
JOHANNESBURG
JOHANNESBURG
Kruis Street
PIETERSBURG
PORT ELIZABETH
POTCHEFSTROOM
PREMIER MINE
PRETORIA
SPRINGS
WORCESTER

THE ECONOMIST

TRADE SUPPLEMENT

OCTOBER 28, 1939

One of the first casualties of the war was THE ECONOMIST's index of business activity, since the figures on which many of the component series were based are no longer available. The publication of many other statistics has also been suspended and to secure economy of paper it has been found necessary to halve the size of the monthly Trade Supplement. The following four pages, which will continue the tradition of the Supplement in being published with the last issue of each month, will include on pages one and two the usual reports from British industries, together with such news as can be obtained of industrial developments in the Empire and in foreign countries. Current statistics on the economic position of the United Kingdom and the United States will be found on the third page, while the fourth page will contain, in alternate months, a selection of the statistics on raw materials and foods formerly printed on the last page of the Supplement, and of those on the development of Empire and foreign countries which used to occupy page 7.

British Industrial Developments

INTRODUCTION

MANY industries which were dislocated by the outbreak of war are still finding conditions abnormal although they are settling down to work under them. Supplies of the most important raw materials are under official control; Government orders have priority, and materials for civilian work can only be obtained through a system of permits. But the industrial controls are improving their technique; output in industries working on Government contracts is being pressed and there has been a considerable revival in the civilian demand for such things as clothing and footwear, which has, however, intensified the pressure in these trades on the limited supplies of materials and labour. The difficulties and delays in securing the necessary licenses have hampered export trade, but a memorandum was issued by the President of the Board of Trade last week indicating some steps to be taken by the Government to assist exporters and pointing out the importance of exports to the national interest. The trend of prices during the past month has been upward. Wholesale prices, as measured by the Board of Trade, were about 7 per cent. higher in September than in August and prices of industrial materials and manufactures were 5 per cent. higher. The increased cost of living has already resulted in wage increases or applications for increases which are still under discussion in many industries. Costs of production will therefore tend to increase; the fall in sterling has increased the cost of imported materials and freight, and insurance charges are much higher than before the war. It seems likely, therefore, that the upward movement of prices will continue for some time.

COAL

The unemployment returns revealed a fall of 18,554 in the numbers unemployed in the coal trade between August and September, for which the high rate of operations in the steel and munitions industries is probably responsible. Statistics are no longer available, but the output is being increased in most districts. The export demand also appears to be well maintained, in spite of occasional difficulties over shipping space. South Wales is exporting largely to France, and supplies are also being sent from other districts. Export prices have been raised in some areas to meet the increased costs of transport.

IRON AND STEEL

At the time of going to press, no announcement has been made of the new price schedule. The delay in its publication led to a small decline in the volume of civilian orders in the latter part of the month, but a rise in most prices is generally expected. Stormy weather and the operation of the convoy system has led to some irregularity in deliveries of raw material, but output has been maintained. Unemployment declined between August and September in all branches of the iron and steel trades; the percentage unemployed among insured persons fell from 9.1 to 6.8 in the iron industry and from 9.0 to 5.7 in iron and steel manufacture. The removal of the import duty on pig iron has had no effect on prices, since Continental prices are higher than those laid down by the British control. In spite of the large and increasing volume of work on hand for Government contracts, civilian and export orders are also being supplied, but delivery is now subject to the allocations of the Controller.

BUILDING

The different branches of the building trades have been affected in very varying degrees by the outbreak of war. The fall in house-building which has been noticeable for many months has been sharply accelerated, and with the suspension of many of the municipal slum clearance schemes, domestic construction is likely to fall still further as existing contracts are completed. On the other hand, firms specialising in civil defence work have been overwhelmed with orders, though this spate is already beginning to lessen. There remains a considerable volume of factory and Government construction; the pressure of work in the munitions and other armament trades will bring a number of extensions and new buildings. Road work already in hand is generally being completed, but the Ministry of Health has advised local authorities to postpone new works for the time being. In the building trades the percentage of insured workers unemployed on September 11th was 9.5, while in public works contracting it was 23.3, compared with 10.4 and 30.0 respectively in August.

AUTOMOBILES

At the outbreak of war the production of private cars for the home market was stopped, but work already in hand has been completed and efforts are being made to continue the export trade. The introduction of general export licences for private cars has been of great benefit in this connection. Manufacturers of commercial vehicles are now working mainly on Government contracts, but the requisition of civilian vehicles has led to an improvement in the home demand, and orders for export are also increasing; the capacity of the industry is being increased by the conversion of plants from private car production to the production of commercial vehicles, but the turnover necessarily takes time. The coachwork manufacturers are now idle, since whatever coachwork is required is of standard types, and some other accessory industries will also find it difficult to turn their plant over to military production. The retail section has been the worst affected, and the trade in second-hand cars has fallen to a very low level.

CHEMICALS

During the past month an active business has been transacted in most sections of the home chemical market, and prices have tended to rise. Supplies of a number of industrial chemicals are short, and stocks of wood distillation products are also low. Business in coal-tar products has increased, but this market is still rather unsettled. Some products, such as naphthalene and toluole, are in active demand. A brisk trade has been transacted in pharmaceutical and other fine chemicals, and prices generally are on a higher basis. Export business has been very difficult, owing to shortages of certain products and to the licence regulations.

FOOTWEAR

Unemployment fell considerably between August and September, when the proportion of insured persons unemployed was 7.5 per cent. Since then there has been a further increase in activity and many manufacturers report a shortage of skilled workers. Government contracts are keeping the heavy trade fully occupied, and the demand for civilian footwear is also increasing, in view of the rising price level and the brisk sales of retailers. The main difficulty in the trade is the shortage of suitable leather and the uncertain outlook for prices; tanners have worked off all their stocks and imports have been limited by the relatively low level of the British controlled prices for hides and skins.

UNITED KINGDOM AND UNITED STATES

		Monthly Average									1939								
		1929	1932	1935	1936	1937	1938	July	Aug.	Sept.	Feb.	Mar.	April	May	June	July	Aug.	Sept.	
UNITED KINGDOM (Population, mid 1938, 47,485,000; Area: 95,030 sq. miles; 244,000 sq. kms.)																			
1. Shipbuilding: commenced (c) ...	Thous. gross tons	137	16	57	91	88	42	29	29	29	24	24	134	134	134	134	...	...	...
2. " launched (c) ...	"	127	16	42	71	76	86	103	103	103	53	53	46	46	46	46	...	...	...
3. " on hand, end year ...	"	1,560	225	743	966	1,125	780	3-57	3-70	3-50	4-4	5-97	5-64	5-50	5-03	4-65	4-31	5-67	...
4. Cotton delivered to mills, G.B. ...	Mill. lb. daily av.	5-27	4-22	5-17	5-43	4-18	1,522	1,701	1,721	1,550	1,195	1,161	684	664	664	664	...	...	...
5. Beer production ...	Thou. st. barrels	1,620	1,102	1,355	1,385	1,488	1,522	1,701	1,721	1,550	1,195	1,161	684	664	664	664	...	...	...
6. Distilling: Drink (c) ...	Thou. proof galls.	914	721	720	760	785	757	741	741	741	431	431	430	430	430	430	...	...	...
7. " Industrial alcohol (c) ...	"	1,205	1,834	3,172	3,595	4,369	4,363	4,351	4,351	4,351	152-2	151-7	155-9	158-7	159-0	160-3	160-7	160-2	...
8. Stocks, end year ...	Mill. proof galls.	151-6	1-41	136-1	137-4	144-5	154-5	146-0	141-4	154-7	148-9	151-8	159-0	160-3	160-7	160-7	160-7	160-2	...
9. Postal traffic receipts, daily ...	Thous. £'s	133	133	140	147	140	104	102	99	102	103	103	103	103	103	103	103	103	...
10. Retail trade, Gt. Brit.: Food ...	Thous. daily sales	...	...	78	85	92	100	102	99	102	79	86	86	86	86	86	86	86	...
11. " Other merchandise ...	in 1937 = 100	...	...	83	90	92	100	102	100	102	79	86	86	86	86	86	86	86	...
12. " Total ...	"	...	...	81	87	93	100	102	100	102	79	86	86	86	86	86	86	86	...
13. Retained imports, value: Food ...	Thous. £'s	42,444	29,810	28,616	30,921	34,099	34,923	35,440	34,150	36,755	29,268	34,629	29,234	32,460	35,187	31,917	33,779	33,779	...
14. " Raw materials ...	"	23,774	11,740	15,237	17,934	23,203	18,112	17,284	17,234	16,006	14,166	16,832	17,119	20,012	19,911	19,499	19,499	19,499	...
15. " Manufactures ...	"	25,467	12,168	14,302	16,452	20,787	17,958	16,108	17,754	17,543	16,756	20,882	18,633	20,473	22,266	22,636	22,636	22,636	...
16. " Total ...	"	92,589	54,221	58,473	65,710	79,492	71,569	69,384	69,087	70,963	60,744	73,053	65,505	73,529	77,867	73,867	73,867	73,867	...
17. Volume: Food (a) (b) ...	Avg. of 1935 = 100	98-9	102-5	100-0	102-0	103-1	106-3	108-3	108-3	108-3	105-1	105-1	105-1	105-1	105-1	105-1	105-1	105-1	...
18. " Raw materials (a) (b) ...	"	101-5	84-6	100-0	111-1	120-9	108-7	108-7	108-7	108-7	103-9	103-9	103-9	103-9	103-9	103-9	103-9	103-9	...
19. " Manufactures (a) (b) ...	"	108-9	79-5	100-0	111-1	120-9	108-7	108-7	108-7	108-7	103-9	103-9	103-9	103-9	103-9	103-9	103-9	103-9	...
20. " Total (a) (b) ...	"	105-5	92-2	100-0	107-2	113-8	108-7	108-7	108-7	108-7	103-9	103-9	103-9	103-9	103-9	103-9	103-9	103-9	...
21. Domestic exports, value: Food ...	Thous. £'s	6,575	3,634	4,400	4,278	5,388	4,744	4,699	4,532	4,638	2,490	3,135	2,433	3,191	3,381	2,998	3,269	3,269	...
22. " Raw materials ...	"	47,899	23,031	27,411	28,410	33,737	30,730	37,470	36,331	39,059	38,052	41,633	35,149	42,273	39,995	40,353	37,077	37,077	...
23. " Manufactures ...	"	60,779	30,419	35,493	37,727	43,466	39,240	47,087	45,907	49,089	46,832	51,150	45,453	51,150	48,273	48,273	45,453	45,453	...
24. " Total ...	"	126-7	90-9	100-0	102-0	101-2	89-9	88-2	88-2	88-2	88-2	88-2	88-2	88-2	88-2	88-2	88-2	88-2	...
25. Volume: Food (a) (b) ...	Avg. of 1935 = 100	130-4	82-6	100-0	102-1	112-3	98-7	98-7	98-7	98-7	98-7	98-7	98-7	98-7	98-7	98-7	98-7	98-7	...
26. " Raw materials (a) (b) ...	"	142-1	83-0	100-0	101-1	111-1	98-6	98-6	98-6	98-6	98-6	98-6	98-6	98-6	98-6	98-6	98-6	98-6	...
27. " Manufactures (a) (b) ...	"	142-1	83-0	100-0	101-1	111-1	98-6	98-6	98-6	98-6	98-6	98-6	98-6	98-6	98-6	98-6	98-6	98-6	...
28. " Total (a) (b) ...	"	142-1	83-0	100-0	101-1	111-1	98-6	98-6	98-6	98-6	98-6	98-6	98-6	98-6	98-6	98-6	98-6	98-6	...
29. Shipping: Tonnage entered ...	Thous. net tons	5,225	4,947	5,302	5,116	5,868	5,688	6,059	6,417	5,911	4,543	5,291	5,225	6,147	6,387	6,568	6,617	6,617	...
30. " Tonnage cleared ...	"	5,723	4,620	4,777	4,735	5,116	4,952	5,238	5,379	5,475	4,137	4,686	4,774	5,408	5,711	5,594	5,525	5,525	...
31. " Tonnage laid-up (f) ...	"	365	1,971	436	712	95	100-8	98-4	98-8	100-4	96-1	94-0	94-8	98-9	95-10	93-6	94-6	94-6	...
32. Freight rates, Economist Index ...	1929 = 100	100	77-9	76-8	87-3	132-5	100-8	129-1	177-3	175-9	189-7	1,727	1,444	1,492	1,355	1,236	1,232	1,331	...
33. Registered unemployed ...	Thousands	1,212	2,756	1,858	1,684	1,413	1,791	12-9	12-6	12-8	13-1	12-0	11-3	10-3	9-5	8-8	8-6	9-0	...
34. Per cent. unemployed ...	"	10-3	21-9	15-3	13-0	11-6	12-8	80	86	90	116	107	107	107	107	107	107	107	...
35. Industrial disputes, No. days lost ...	1929 = 100	100	541	160	154	285	110	107	107	107	107	107	107	107	107	107	107	107	...
36. Wage rates, Min. of Labour (b) ...	"	100	96	96	99	103	107	107	107	107	107	107	107	107	107	107	107	107	...
37. Agricultural Produce (Min. of Agriculture) (h) ...	1927-29 = 100	99-0	80-5	81-0	82-5	90-5	90-0	96-0	89-0	86-0	88-0	90-0	94-0	91-0	88-0	93-0	89-0	89-6	...
38. Cost of Living: Min. of Labour ...	1929 = 100	100	81-8	81-2	83-6	90-7	90-1	91-6	90-9	90-3	87-7	87-7	87-7	87-7	87-7	87-7	87-7	87-7	...
39. " Food ...	"	100	87-8	87-2	89-7	94-5	95-2	95-1	95-1	94-8	93-3	93-3	93-3	93-3	93-3	93-3	93-3	93-3	...
40. " Total ...	"	100	87-8	87-2	89-7	94-5	95-2	95-1	95-1	94-8	93-3	93-3	93-3	93-3	93-3	93-3	93-3	93-3	...
41. Industrial securities, Fin. News ...	July 1, 1935 = 100	100	64-0	60-0	117-0	117-0	117-0	117-0	117-0	117-0	117-0	117-0	117-0	117-0	117-0	117-0	117-0	117-0	...
42. Fixed interest ...	"	100	64-0	60-0	117-0	117-0	117-0	117-0	117-0	117-0	117-0	117-0	117-0	117-0	117-0	117-0	117-0	117-0	...
43. Gov. Revenue, cumulative (c) ...	Mill. £'s	815-0	827-0	844-8	896-6	949-0	1,006-2	1,019-9	1,019-9	1,019-9	1,019-9	1,019-9	1,019-9	1,019-9	1,019-9	1,019-9	1,019-9	1,019-9	...
44. Bank of Eng. Notes in circ. (d) ...	"	829-5	859-3	941-8	902-2	918-0	918-0	943-4	943-4	943-4	943-4	943-4	943-4	943-4	943-4	943-4	943-4	943-4	...
45. " Bankers' deposits (d) ...	"	362-3	258-5	394-7	431-4	471-2	471-2	488-4	488-4	488-4	488-4	488-4	488-4	488-4	488-4	488-4	488-4	488-4	...
46. " Gov. sec. B'king Dept. (d) ...	"	62-9	81-3	96-7	98-8	98-4	103-2	113-3	106-6	107-9	79-2	97-5	104-5	114-5	114-2	107-7	110-4	122-4	...
47. Clearing Banks: Deposits (d) ...	"	1,738	1,791	1,999	2,142	2,210	2,205	2,230	2,219	2,190	2,086	2,074	2,077	2,088	2,137	2,158	2,162	2,275	...
48. " Cash & bal. with B.E. (d) ...	"	194	187	215	221	227	230	236	233	228	235	224	221	227	228	227	228	228	...
49. " Discounts (d) ...	"	229	308	266	313	278	279	279	279	279	279	279	279	279	279	279	279	279	...
50. " Advances (d) ...	"	991	844	769	839	824	840	840	840	840	840	840	840	840	840	840	840	840	...
51. " Investments (d) ...	"	257	348	615	613	622	611	603	612	616	587	582	581	576	576	576	576	576	...
52. Interest Rates: Bank rate ...	Per cent.	5-498	3-008	2	2	2	2	2	2	2	0-53	0-57	1-68	0-72	0-72	0-77	1-01	3-47	...
53. " Three month bank bills ...	"	5-26	1-87	0-58	0-50	0-50	0-50	0-50	0-50	0-50	0-50	0-50	0-50	0-50	0-50	0-50	0-50	0-50	...
54. " Day to day loans ...	"	4-61	3-75	2-89	2-94	3-29	3-39	3-29	3-39	3-39	3-39	3-39	3-39	3-39	3-39	3-39	3-39	3-39	...
55. " Field on 24 Consols ...	"	4-61	3-75	2-89	2-94	3-29	3-39	3-29	3-39	3-39	3-39	3-39	3-39	3-39	3-39	3-39	3-39	3-39	...
p. Issues: Total (excl. Brit. Govt.) ...	Th's	18,319	7,184	12,346	16,299	12,752	8,654	27,631	25,542	25,542	25,542	25,542	25,542	25,542	25,542	25,542	25,542	25,542	...
Of which abroad ...	"	7,267	2,153	1,291	2,125	2,431	2,279	4,280	3,978	4,12	3,850	3,850	3,850	3,850	3,850	3,850	3,850	3,850	...
Index of industrial output (g) ...	July '35 June '36 = 100	116-5	3-504	4-903	4-971	4-95	4-95	4-93	4-88	4-89	4-69	4-69	4-68	4-68	4-68	4-61	4-05	121-8	...
Exchange Rates: New York ...	\$ per £	122-02	80-29	74-26	82-87	124-45	170-68	178-18	178-18	178-18	176-99	176-85	176-74	176-73	176-72	176-35	176-20	176-20	...
" Paris ...	Frs. per £	12-09	8-66	7-24	7-78	8-99	8-89	8-89	8-89	8-89	8-89	8-89	8-89	8-89	8-89	8-89	8-89	8-89	...
" Amsterdam ...	Fl. per £	22-81	19-33	14-08	14-02	13-99	13-99	14-00	14-00	14-00	14-00	14-00	14-00	14-00	14-00	14-00	14-00	14-00	...
" Knbe ...	Pence per £	28-35	20-83	18-00	14-47	14-43	10-65	8-94	8-25	8-64	18-18	18-24	18-25	18-25					

RAW MATERIALS AND CRUDE FOODSTUFFS
GROUP I.—MINERALS

Commodity	Unit of Measurement	Monthly Average					1938			1939								
		1928	1932	1935	1936	1937	1938 to	July	Aug.	Sept.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.
COAL																		
1. Production : Belgium	Th. metric tons	2,248	1,788	2,207	2,322	2,472	2,465	2,233	2,234	2,387	2,357	2,724	2,452	2,569	2,662	2,321	2,292	...
2. " U.S.A.	Th. metric tons	16,026	27,181	31,576	36,761	37,176	29,282	23,531	28,480	32,317	34,492	35,261	14,491	20,821	29,063	29,396	34,750	38,529
3. Price : Av. Br. expt. price	sh. per ton	16-08	16-25	16-29	16-28	18-5	20-89	21-22	20-72	20-76	20-44	20-18	20-09	19-89	20-07	20-09	19-77	...
OIL																		
4. Production : Dutch East Indies...	Th. metric tons	437	424	507	536	608	617	606	597	607	608	660	654	691	671	685	...	...
5. " Mexico	Th. metric tons	556	408	501	511	578	477	421	477	502	408	456	461	432	455	...	...	...
6. " Iran (Ang.-Ir. Oil)	Th. metric tons	462	545	577	628	871	904	767	890	891	681	928	980	920	918	...	...	...
7. " Roumania	Th. metric tons	403	611	698	723	598	550	564	557	534	497	538	510	521	500	529	...	...
8. " U.S.A.	Th. metric tons	11,508	8,971	11,384	12,554	14,591	13,881	13,922	14,364	13,349	12,647	14,446	14,275	14,956	14,153	15,010	10,941	...
9. " All Principal Countries	Th. metric tons	1,206	1,791	1,988	2,193	2,407	2,357	2,497	2,414	2,401	2,400	2,469	2,480	2,536	2,590	...	...	...
10. " U.S.A.	Th. metric tons	17,148	15,048	18,838	20,575	23,486	22,817	22,974	23,569	22,490	20,975	23,615	23,575	24,268	23,616	...	...	...
11. Stocks : U.S.A. end year	million barrels	422	341	315	288	306	273	289	286	289	272	273	277	278	275	269	262	...
12. 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																		
13. Production : Belgium	Th. metric tons	342	232	252	265	322	190	185	182	187	199	225	219	281	305	296	282	...
14. " U.S.A., ex. castings	Th. metric tons	4,594	1,128	2,830	3,963	4,192	2,357	2,006	2,578	2,690	3,002	3,419	3,035	2,965	3,181	3,342	3,824	4,299
15. 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	4-95
GOLD																		
16. Production : Union of S. Africa...	Thous. fine ozs.	868	968	898	945	978	1,013	1,035	1,047	1,035	986	1,073	1,018	1,035	1,035	...	...	...
17. " U.S.S.R.	Thous. fine ozs.	91	185	375	450	417	417	...	...	...	...	...	...	...	...	...	...	...
18. " Canada	Thous. fine ozs.	161	254	274	311	341	390	421	412	410	391	414	407	432	...	...	...	...
19. " U.S.A.	Thous. fine ozs.	171	188	264	313	354	354	...	...	...	...	...	...	...	...	...	...	...
20. " World	Thous. fine ozs.	1,632	2,028	2,465	2,762	2,889	3,162	...	...	...	...	...	...	...	...	...	...	...
21. Price : London per fine ounce	sh.	84-4	118-0	142-1	140-3	140-7	142-54	141-18	142-51	144-95	148-49	148-33	148-51	148-45	148-51	150-55	168-00	...
COPPER																		
22. Production : (Smelter) U.S.A.	Th. metric tons	83-2	23-2	38-3	55-4	74-2	48-6	28-4	40-4	45-1	54-9	56-1	56-9	53-1	53-8	49-4	...	...
23. Stocks : U.S.A. (b)	Th. metric tons	75-48	31-71	31-71	190	134	289	308	286	266	280	291	302	306	301	287	...	...
24. Price : "Sof. Foreign," London	£ per ton	18-11	5-56	8-65	9-47	13-17	9-17	9-59	9-90	10-03	11-03	11-03	10-27	9-83	9-78	9-98	...	...
25. " Electrolytic, N. York	cents per lb.	18-11	5-56	8-65	9-47	13-17	9-17	9-59	9-90	10-03	11-03	11-03	10-27	9-83	9-78	9-98	...	...
LEAD																		
26. Production : (Smelter) U.S.A.	Th. metric tons	54-1	21-1	24-8	30-8	36-0	31-4	25-4	21-5	22-7	33-0	34-3	33-3	39-0	33-7	31-6	...	...
27. Stocks : U.S.A. (b)	Th. metric tons	49-7	159-4	201-6	155-9	117-0	121-1	139-9	127-7	133-5	110-8	110-6	112-0	117-2	117-4	112-5	...	...
28. Price : "Soft Foreign," London	£ per ton	23-25	11-00	14-25	17-60	23-34	15-26	14-91	14-37	15-25	14-27	16-75	16-31	14-57	14-57	16-08	16-83	...
29. " Pig, New York	cents per lb.	6-83	3-18	4-07	4-71	6-01	5-15	4-88	4-90	5-00	4-81	4-82	4-78	4-75	4-80	4-85	...	...
SPELTER																		
30. Production : (Smelter) U.S.A.	Th. metric tons	47-3	15-7	31-8	37-4	42-1	34-5	27-5	29-3	29-3	35-8	40-9	39-0	38-4	35-8	36-0	37-1	...
31. Stocks : U.S.A. (b)	Th. metric tons	70-1	113-2	76-1	40-8	58-8	118-3	132-6	128-9	132-9	118-3	116-1	118-3	120-6	122-6	119-6	111-4	...
32. Price : G.O.B., London	£ per ton	24-88	13-58	14-08	14-08	22-25	14-13	14-14	13-47	14-04	13-52	13-73	13-13	13-72	14-03	14-27	14-65	15-00
33. " prime western, St. Louis	cents per lb.	6-51	2-88	4-33	4-90	6-52	5-03	4-75	4-75	4-85	4-50	4-50	4-50	4-50	4-50	4-52	...	...
TIN																		
34. Production : Bolivia	Long tons	3,882	1,715	2,264	2,006	2,085	2,114	1,663	1,647	1,468	2,407	1,296	1,227	1,304	1,604	1,584	...	...
35. (exports) Dutch E. Indies	Long tons	2,986	1,305	2,069	2,040	3,315	1,750	1,418	1,406	1,542	1,417	759	1,258	2,651	1,133	1,698	1,357	...
36. " British Malaya	Long tons	5,781	2,479	3,836	5,112	6,482	3,604	3,549	2,852	2,375	1,920	1,803	4,691	1,499	1,481	5,275	1,918	...
37. " Thailand (Siam)	Long tons	828	772	815	1,056	1,345	1,121	1,179	1,403	1,339	862	549	1,013	692	463	2,320	1,253	...
38. " World	Long tons	15,582	8,267	12,258	15,000	17,242	12,370	11,500	11,000	9,800	10,100	8,600	11,100	9,500	7,400	14,400	...	...
39. " Quota or Restrict. Countries	% of std. quantity	7-298	2-988	5-812	92-5	107-5	53-8	45-0	45-0	45-0	45-0	45-0	40-0	40-0	40-0	45-0	45-0	...
40. Consumption : U.S.A.	tons	2,820	4,496	2,312	5,095	6,385	5,157	4,071	5,232	4,573	4,203	4,875	6,225	5,115	5,012	5,187	...	...
41. Stocks : U.S.A. (b)	£ per ton	203-9	136-0	225-7	204-6	242-3	189-6	192-7	193-1	198-9	214-0	215-5	218-5	225-7	227-6	229-9	...	...
42. Price : "Sof. Foreign," London	£ per ton	45-19	22-01	50-39	46-42	54-24	42-26	43-37	43-26	43-38	45-62	46-21	47-20	49-02	48-85	48-52	48-76	...
43. " Straits, New York	cents per lb.	45-19	22-01	50-39	46-42	54-24	42-26	43-37	43-26	43-38	45-62	46-21	47-20	49-02	48-85	48-52	48-76	...

GROUP II.—TEXTILES AND CROPS

COTTON		MONTHLY AVERAGE																
1. Mill consumption : U.K. (c)		Thousands of actual bales	233	182	209	228	240	189	179	190	190	...	...	...	...	...	...	...
2. " Japan (c)		Thousands of actual bales	231	231	311	304	347	247	261	212	212	...	...	...	...	...	...	...
3. " U.S.A. (c)		Thousands of actual bales	586	404	443	527	598	514	445	564	564	...	...	...	...	...	...	...
4. " World (c)		Thousands of actual bales	2,157	1,690	2,374	2,116	2,383	2,213	2,066	2,284	2,284	...	...	...	...	...	...	...
5. Stks. : World Visible Supplies (d)		Thousands of actual bales	2,736	7,882	3,983	4,297	3,875	7,069	7,069	6,958	8,501	8,218	7,552	6,977	7,510	6,157	6,046	...
6. Price : Mid. American		d. per lb.	10-33	5-25	6-70	6-69	6-37	4-97	5-01	4-80	4-79	5-13	5-21	4-96	5-41	5-66	5-44	...
7. Stocks : Australia, S. Africa, N. Zealand, June 30		Million lb.	35	147	94	47	29	105	...	...	...	...	...	...	...	...	...	...
8. Price : Weekly Wool Chart		1929 = 100	100	48-6	62-1	78-4	104-4	69-0	67-2	68-0	67-2	64-6	64-6	65-5	68-1	70-2	70-2	...
RAYON																		
(i) Continuous Filament																		
9. Production : Italy		Mill. lb.	5-9	5-9	7-1	7-1	8-7	8-5	8-0	6-4	6-7	8-7	9-8	9-2	10-1	...	...	...
10. " Japan		Mill. lb.	2-1	6-3	18-3	22-9	27-9	17-4	14-3	12-4	12-7	16-7	19-2	19-1	21-0	22-4	20-8	...
11. " U.K.		Mill. lb.	4-4	5-7	9-3	9-7	10-0	8-9	8-7	7-1	8-6	8-9	10-4	8-7	10-0	9-6	10-5	...
12. " U.S.A. (e)		Mill. lb.	10-1	11-2	21-5	23-2	26-0	21-1	23-1	23-1	23-1	27-2	27-2	24-5	24-5	24-5	28-0	...
13. Price : Viscose, std. grade, per lb.		pence	...	77-0	55-5	55-5	55-5	54-5	53-0	55-0	55-0	52-0	53-5	53-5	53-5	53-5	53-5	...
(ii) Staple Fibre																		
14. Production : Italy		Mill. lb.	0-1	0-8	5-5	9-2	12-8	14-8	13-8	12-5	10-4	12-9	15-2	15-3	17-3	...	...	...
15. " Japan		Mill. lb.	...	0-1	1-1	3-8	11-3	31-2	31-2	24-8	23-7	26-3	23-0	20-5	23-4	22-3	...	...
16. " U.K.		Mill. lb.	...	0-2	0-2	0-8	2-4	2-9	2-8	2-2	2-2	3-2	4-2	5-1	4-8	5-7	...	...
17. " U.S.A. (e)		Mill. lb.	...	0-0	0-1	0-5	1-0	1-7	2-5	2-6	2-6	3-7	3-7	3-8	3-8	3-8	5-9	...
18. 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	5-0
WHEAT																		
19. World shipments, yr. ended July		Mins. of bushels	77	67	43	42	50	45	46	54	47	48	50	48	61	63	46	...
20. Average British import price		sh. per cwt.	10-33	6-15	6-02	7-53	9-28	7-73	7-76	7-14	6-50	5-11	5-07	5-05	5-11	5-23	5-71	4-76
SUGAR																		
21. Av. Brit. import price, unrefined		sh. per cwt.	9-68	7-70	6-38	6-71	8-62	7-92	6-20	6-19	7-48	8-37	8-22	8-30	9-22	9-15	9-30	9-57
TEA																		
22. Exports : Ceylon		Million lb.	21-0	21-1	17-7	18-2	17-9	19-6	19-7	17-1	18-1	16-4	19-1	18-7	25-1	26-9	19-3	...
23. " Dutch East Indies		Million lb.	13-3	14-5	12-1	12-8	12-2	13-2	12-5	12-5	12-0	13-4	13-9	15-2	14-2	13-5	13-3	...
24. " British India		Million lb.	32-0	30-8	27-4	26-2	27-6	28-3	37-6	45-5	57-9	13-0	7-4	5-6	12-7	25-1	34-2	47-9
25. " World		Million lb.	80-6	77-7	70-1	70-3	73-5	77-0	88-7	100-4	107-5	52-5	51-8	46-2	61-7	75-5	...	...
26. " Quota of Restricting Countries (f)		% of std. quant'y	...	...	82-5	82-5	87-5	92-5	92-5	92-5	92-5	92-5	92-5	90-0	90-0	90-0	90-0	...
RUBBER																		
27. Exports : D. E. Indies		Thous. tons	21-22	17-58	23-54	25-81	35-97	24-84	35-14	23-06	20-21	25-00	27-93	28-31	24-43	27-96	35-67	27-36
28. " British Malaya		Thous. tons	38-05	33-80	34-71	29-48	39-16	31-00	25-06	23-62	30-49	29-28	29-30	29-29	29-60	25-05	26-01	40-97
29. " World		Thous. tons	72-20	59-05	72-68	71-36	94-59	74-11	80-21	75-21	71-21	77-59	76-31	73-76	70-49	65-15	84-44	92-22
30. " Quota of Restricting Countries (f)		% of est. cap'city	...	...	67-50	62-50	83-55	55-00	45-00	45-00	45-00	50-00	50-00	50-00	50-00	50-00	60-00	60-00
31. Consumption : U.S.A.		Thous. tons	38-95	28-08	41-04	47-79	45-3	34-74	40-50	45-55	40-18	42-37	50-17	44-17	44-38	47-26	43-88	50-48
32. " All imp. count.		Thous. tons	67-12	57-70	78-58	85-07	90-06	75-93	73-35	75-23	79-35	83-05	94-19	85-63	88-40	90-08	86-35	94-87
33. " Reclind. in U.S.A.		Thous. tons	18-08	6-46	9-42	10-18	13-25	9-40	8-75	11-34	11-92	21-65	15-32	13-39	13-52	14-87	13-54	16-85
34. Stocks : U.S.A. end year and mth.		Thous. tons	118-6	379-0	303-0	218-8	189-7	245-4	282-8	273-8	268-1	217-0	205-9	190-9	193-6	181-8	174-2	161-4
35. Price : London, st. sm. sheet		pence per lb.	10-25	2-34	6-00	7-75	9-50	7-22	7-50	7-84	9-07	7-97	8-16	7-97	8-01	8-02	8-28	8-63
36. " N. York, st. sm. sheet		cents per lb.	20-5	4-23	12-3	16-4	19-3	14-6	15-3	16-0	16-0	15-9	16-2	15-8	...	...	...	16-6

estimated at the end of October at 85 per cent. of capacity, against 75 per cent. at the end of September and 58 per cent. a year ago. Operatives in both the spinning and weaving sections of the industry have obtained an increase of 12½ per cent. on current wage rates. Further contracts have been placed for the Services, while buying of standard lines for home requirements is steady. Export business is irregular; a few more sales have been made to India, but most of the demand comes from South America, Scandinavia, Switzerland and the Dominions.

JUTE

Prices of raw jute and jute yarns continue to rise in free markets. In the United States, the interruption in shipping led to a very sharp rise in prices in September and October; Hessian light-weight, which was quoted at \$4.60 at the end of August, rose to \$7.90 in the middle of November. Calcutta mills are working at a high rate; the British Government has ordered a further 500 million sandbags. Indian stocks of Hessian fell from 366.3 million yards at the end of August to 294.9 million yards at the end of September, and stocks of sacking fell from 183.0 million yards to 151.0 million yards. Unemployment in Dundee continues to fall, and the Wages Board has granted an immediate increase in wages of 7½ per cent., to be followed by a further increase of 5 per cent. on January 1, 1940.

LINEN

All branches of the trade are now functioning under the control of the Flax Board, priority being given to Government and export business. In the last month a large volume of goods held up since the war has now been shipped to overseas markets. Restrictions still remain on the export of linen yarns. Supplies of raw material have been short, but the position is improving. Particular attention is being paid to the American trade, which has developed considerably since the reduction of duties at the beginning of this

year. Business for the home trade is likely to be small in view of the greater urgency of the Government and export demands.

RAYON

The long-delayed increase in filament rayon prices was announced this month. The increase is small, and it is expected that another will follow later. Business on the viscose side is fairly steady, and there is a keen demand for acetate and staple fibre. Prices in all sections are strongly competitive with cotton. Hosiery firms are very well placed for orders and cannot meet demand. Overseas business is hanging fire.

WOOL

The introduction of rationing for the civilian trade has led to considerable difficulties. Manufacturers do not know the amount of raw material they may be allotted in the spring, and are consequently unable to take large orders for next season's delivery. Trade in heavy cloths is particularly affected, since in order to keep machinery employed manufacturers are concentrating on the lighter cloths, which take less wool per yard. Special wool rations have been allowed for the export trade in wool fabrics. Overseas markets for wool are firm. Employment in the woollen and worsted trades continued to improve in October, with the speeding-up of work on Government contracts.

AGRICULTURE

The very wet weather in the early part of November has put a stop to the ploughing-up campaign and has also interfered with the lifting of sugar beet and other roots. The increase in pig, sheep and cereal prices has been welcomed, but the uncertainty over supplies of feeding stuffs is making it difficult to plan for the future production of pigs and eggs. The response to the ploughing-up campaign is generally satisfactory, a tribute to the work of the county war executive committees.

Business Developments Overseas

UNITED STATES.—Business activity continued its steep upward trend last month; the index of production calculated by the Federal Reserve Board rose from 111 (1923-25 = 100) in September to 120 in October, compared with an average of 119 in 1929 and 125 (the highest figure recorded) in June of that year. The recovery, while fairly widespread, has been most marked in the durable goods section. The output of crude steel, for example, is now higher than ever before; in the past week the industry was producing crude steel at the rate of 94 per cent. of the estimated capacity. A number of observers take the view, however, that the recovery movement has lost momentum and may be followed by a reaction at the end of the year. In support of this view they point to the decline in the volume of new orders during the past few weeks.

EUROPE

FRANCE.—The economic life of France has been much more dislocated than that of Britain as a result of the outbreak of war. Some five million men have been withdrawn from civil life and thousands of people have been evacuated from Eastern France. Despite all these difficulties, however, essential industries have been kept going and, in recent weeks, there have even been signs of revival here and there. The British and French iron and steel industries now work in close collaboration. However, there are indications that the Government is alive to the need for increasing exports in order to pay for the imports required for carrying on the war. As in England, the publication of production statistics has been suspended.

NORWAY.—The index of wholesale prices compiled by the Statistical Central Bureau has increased sharply since the war; between August and October the rise was 12 per cent., and there was also a rise, on a smaller scale, in the cost of living. Sugar, coffee and petrol are now rationed. Maximum freight rates have been fixed for the transport to Norway in Norwegian ships of important commodities, such as coal and cereals. Employment has been well maintained, though industries working for export markets and those employing imported raw materials are finding it difficult to keep an even flow of production. Shipping freights are high, but costs have also risen sharply, owing to war risks insurance, war bonus to crews and the difficulty of getting bunkers.

BRITISH EMPIRE

AUSTRALIA.—The new harvest, now estimated at 180 million bushels, is giving a good deal of trouble in political circles. In view of the considerable surplus available in Canada, Argentina and South-East Europe, it is unlikely that the British Government will spare the shipping to carry a large volume of Australian wheat. Consequently, the Australian Government is adopting a cautious policy, but its guaranteed price, of 2s. 10d. per bushel f.o.b. at ports, is being severely criticised. Agricultural conditions have generally been improved by widespread rains. According to the National

Bank of Australasia, retail trade has been stimulated by public buying in anticipation of rising prices. Employment in industry is increasing, while the textile, engineering and armament industries are fully engaged.

CANADA.—The small exports of wheat since the war has led to congestion at the ports and terminal elevators, but it is believed that the British authorities have recently bought larger supplies of Canadian grain. As in Britain, the institution of State control has led to some dislocation in the normal industrial life, but the business outlook is generally good. Farmers are pressing for higher prices, but in any case it is unlikely that wheat prices will fall during the war below their present level, which will provide a fair income in rural areas. Retail trade showed a marked improvement in September, due partly, as in Britain, to advance buying of normal winter requirements.

LATIN AMERICA

ARGENTINE.—Shipments of grain have improved in the past few weeks, but stocks are still very heavy. The new grain crops are in good condition. The Government has introduced maximum prices for a number of the most important commodities, where supply from abroad has been interrupted since the war. Oil prices have risen with the increase in freight rates and the upward trend in the American export markets. Argentine exports to Germany were valued at only 3.7 million pesos in September against an average of 10.4 million pesos in the earlier months of the year; it is hoped that the Allies will be able to take some of the surplus which can no longer be shipped to Germany.

BRAZIL.—Coffee prices have risen recently and demand from Mediterranean and Scandinavian markets has improved; shipping, however, is difficult to arrange. Export of oranges has also been hindered and there is a glut of this fruit on the home and other South American markets. Generally, business is quiet, and the outlook for trade in imported goods is uncertain.

THE FAR EAST

JAPAN.—There has been a further increase in the note issue of the Bank of Japan in the last few weeks; the circulation rose from 2,243 million yen in the middle of August to 2,633 million yen at the end of September. The war has also brought an increase in shipping freights as well as shortages of certain commodities, both of which influence prices. Prices of scrap iron, for instance, have risen from about 90 yen per ton to 140 yen per ton since the war, with consequent increases in the prices of steel and steel products. Raw silk is also dearer. The index of urban wage rates compiled by the Department of Commerce and Industry is slowly rising; compared with August, 1938, the index has risen by 13.5 per cent. The wholesale price index of the Bank of Japan again rose in October, by 1.8 per cent. compared with September.

UNITED KINGDOM AND UNITED STATES

		Monthly Average						1938			1939							
		1929	1932	1935	1936	1937	1938	Aug.	Sept.	Oct.	Mar.	April	May	June	July	Aug.	Sept.	Oct.
UNITED KINGDOM (Population, mid 1938, 47,485,000; Area: 95,030 sq. miles; 244,000 sq. kms.)																		
Cotton delivered to mills, G.B.	Mill. lb. daily av.	5-27	4-47	4-72	5-17	5-43	4-18	3-70	3-50	3-92	4-76	5-64	5-50	5-03	4-65	4-21	5-67	5-11
Postal traffic receipts, daily	Thous. £s	133	133	140	147	154	155	141-5	154-7	157-2	151-8	150-0	146-8	149-7	149-1	143-9	139-4	141-6
Retail trade, Gt. Brit. : Food	Avg. daily sales	83	85	92	100	104	104	99	102	103	105	113	112	105	106	103	114	...
Other merchandise	in 1937 = 100	83	90	95	100	100	100	77	89	103	86	103	109	100	107	83	103	...
" Total		81	87	93	100	102	102	88	96	103	96	103	111	103	107	94	109	...
Retained imports, value : Food	Thous. £s	42,444	29,810	28,616	30,921	34,099	34,923	34,150	36,735	38,044	34,629	29,234	32,460	35,187	31,917	33,778	22,311	29,144
" Raw materials		23,774	11,740	15,237	17,934	23,203	18,112	17,234	16,096	16,650	16,832	17,119	20,012	19,911	19,499	19,463	12,408	15,026
" Manufactures		25,467	12,168	14,302	16,452	20,878	17,958	17,054	17,543	18,415	20,882	18,633	20,473	22,266	22,636	22,756	12,498	15,261
" Total		92,589	54,221	58,473	65,710	79,492	71,569	69,087	70,963	73,589	73,053	65,505	73,529	77,867	74,555	76,609	47,553	59,843
Domestic exports, value : Food	Thous. £s	4,555	2,625	2,636	2,966	3,232	2,993	2,952	3,075	3,734	3,135	2,433	3,191	3,381	2,988	3,469	2,106	2,219
" Raw materials		6,575	3,634	4,400	4,278	5,388	4,744	4,532	4,638	5,311	4,839	4,152	5,303	5,182	5,261	4,442	2,894	3,834
" Manufactures		47,899	23,031	27,411	28,410	33,737	30,448	28,005	31,135	32,347	32,664	27,430	32,743	30,466	30,997	28,544	17,368	18,635
" Total		60,779	30,419	35,493	36,727	43,466	39,240	36,331	38,809	42,560	41,635	35,149	42,273	39,895	40,355	37,077	23,087	24,623
Freight rates, Economist Index ...	1929 = 100	100	77-9	76-8	87-3	132-5	100-8	98-8	100-4	98-8	94-0	94-8	98-8	95-0	93-4	94-6	...	...
Registered unemployed G.B.	Thousands	1,212	2,756	1,958	1,684	1,413	1,791	1,759	1,799	1,781	1,727	1,644	1,492	1,350	1,256	1,232	1,331	1,431
Per cent. unemployed		10-3	21-9	15-3	13-0	10-6	12-8	12-6	12-8	12-7	12-0	11-3	10-3	9-5	8-8	8-6	9-0	...
Registered at Exchanges, all ages (U)	Thousands	1,276	2,813	2,107	1,822	1,586	1,881	1,843	1,881	1,863	1,814	1,726	1,565	1,417	1,326	1,295	1,396	...
" London		118	306	203	179	171	226	203	211	238	236	226	207	186	175	162	243	...
" E. and S.E. England		50	142	91	79	70	96	77	84	99	109	99	87	67	63	60	80	...
" S. and S.W. England		69	157	114	94	83	84	70	76	89	84	78	68	54	48	48	67	...
" Midlands & N. Midlands (m)		165	371	217	178	144	210	238	224	208	178	176	155	146	142	160	151	...
" N.E. England (m)		280	602	452	304	165	208	215	217	193	183	181	169	150	132	128	111	...
" N.W. England		285	562	439	374	304	398	395	416	381	359	342	317	301	277	267	276	...
" Northern (a)		156	378	314	277	246	253	239	248	245	255	242	222	199	191	187	188	...
" Scotland		116	228	206	198	151	164	158	163	159	156	142	124	115	106	103	101	...
" Wales		36	68	70	67	71	91	84	82	81	87	82	73	68	70	63	65	...
" Northern Ireland		676	541	160	154	285	110	86	90	90	90	143	128	130	134	118	73	...
Indust. disputes, No. days lost ...	1929 = 100	100	96	96½	99½	103	107½	107½	107½	107½	107½	107½	107½	107½	107½	107½	107½	...
Wage rates, Min. of Labour (b) ..		100	96	96½	99½	103	107½	107½	107½	107½	107½	107½	107½	107½	107½	107½	107½	...
Agriculture Produce (Min. of Agriculture) (h)	1927-29 = 100	99-0	80-5	81-0	82-5	90-5	90-0	89-0	86-0	86-0	87-7	87-0	87-0	87-0	89-0	89-6	97-4	100-0
Cost of Living : Min. of Labour ..	1929 = 100	100	81-8	81-2	83-6	90-7	90-1	90-9	90-3	90-9	87-7	87-0	87-0	87-0	89-0	89-6	97-4	100-0
Food		100	81-8	81-2	83-6	90-7	90-1	90-9	90-3	90-9	87-7	87-0	87-0	87-0	89-0	89-6	97-4	100-0
Total		100	81-8	81-2	83-6	90-7	90-1	90-9	90-3	90-9	87-7	87-0	87-0	87-0	89-0	89-6	97-4	100-0
Industrial securities, Fin. News ...	July 1, 1935 = 100	100	81-8	81-2	83-6	90-7	90-1	90-9	90-3	90-9	87-7	87-0	87-0	87-0	89-0	89-6	97-4	100-0
Fixed interest	1928 = 100	100	81-8	81-2	83-6	90-7	90-1	90-9	90-3	90-9	87-7	87-0	87-0	87-0	89-0	89-6	97-4	100-0
Govt. Revenue, cumulative (c) ...	Mill. £s	829-5	859-3	841-8	896-6	948-7	1006-2	283-3	340-3	420-3	1006-2	59-9	108-5	163-8	236-0	303-9	378-0	447-7
" expenditure		815-0	827-0	844-8	884-8	919-9	1018-9	410-9	511-0	622-3	1018-9	94-6	181-4	300-9	375-7	576-6	601-6	681-8
Bank of Eng. : Notes in circ. (d) ..		62-9	81-3	96-7	96-2	97-2	103-8	104-4	97-9	99-0	100-9	94-4	98-9	99-0	92-6	89-6	109-0	110-4
" Bankers' deposits (d)		55-9	64-0	87-0	88-8	98-4	103-2	106-6	102-6	112-2	97-5	104-5	114-5	114-2	107-7	110-4	122-4	110-4
" Gov. sec. B'king Dept. (d) ..																		
Clearing Banks :		1,738	1,791	1,999	2,142	2,210	2,205	2,219	2,190	2,178	2,074	2,077	2,088	2,137	2,158	2,162	2,275	2,241
" Deposits (d)		187	187	215	221	227	230	233	226	228	224	221	228	227	226	224	255	246
" Cash & bal. with B.E. (d)		229	308	266	313	278	279	280	284	282	187	180	185	242	271	272	227	279
" Discounts (d)		991	844	769	839	824	840	940	939	939	958	962	958	958	951	954	978	976
" Advances (d)		257	348	615	613	622	611	612	616	616	582	581	576	571	568	570	574	576
" Investments (d)		5-498	3-008	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
Interest Rates : Bank rate	Per cent.	5-498	3-008	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
Three months' bank bills		5-26	1-87	0-58	0-50	0-58	0-62	0-53	0-50	0-50	0-57	1-68	0-72	0-72	0-77	1-01	3-47	1-86
Three months' bank bills		4-47	1-61	0-50	0-50	0-50	0-50	0-50	0-50	0-50	0-50	0-50	0-50	0-50	0-50	1-46	2-59	1-33
Day to day loans		4-61	3-75	2-89	2-94	3-29	3-39	3-30	3-55	3-45	3-61	3-80	3-67	3-91	3-96	3-86	4-03	3-87
" Yield on 2½ Consols.		20-50	36-073	26-653	16-335	16-335	5,092	2,248	7,740	6,964	5,005	8,813	29,556	5,187	7,407	3,400	15,818	...
Cap. Issues : Total (excl. Brit. Govt.) ..	Th's	18,319	7,184	12,346	16,299	12,752	6,834	2,554	1,652	2,018	1,725	288	6,424	23,131	1,012	3,630	63	64
(Economist) Of which abroad ...	£	7,267	2,153	1,291	2,125	2,431	2,279	1,078	412	1,318	226	3	6,128	7,341	222	0	217	92
Economist index of industrial profits (g)	July '35 = 100	116-5	67-6	100-0	118-3	131-7	122-9	131-6	131-6	131-6	127-1	127-1	127-1	122-9	122-9	121-8	121-8	...
Exchange Rates : New York	\$ per £	4-857	3-504	4-903	4-713	4-95	4-89	4-88	4-80	4-77	4-69	4-68	4-68	4-68	4-68	4-61	4-05	4-03
" Paris	Frs. per £	124-02	89-20	74-26	82-97	124-67	176-81	178-58	178-41	178-82	176-85	176-74	176-73	176-73	176-37	176-35	176-20	176-50
" Amsterdam	Fl. per £	12-02	12-09	7-24	8-27	12-09	13-89	8-94	8-91	8-67	8-83	8-81	8-73	8-81	8-79	8-61	7-56	7-55
" Kobe	Pence per Yen	22-81	16-39	14-08	14-02	13-99	9-89	14-00	14-00	14-00	14-00	14-00	14-00	14-00	14-00	14-00	13-94	14-00
" Shanghai	Pence per \$	28-85	20-83	18-00	14-47	14-43	10-85	8-25	8-64	8-15	8-24	8-25	8-25	6-93	5-65	3-79	4-09	4-69

COUNTRIES OVERSEAS

	Unit of Measurement	Monthly Average						1938				1939							
		1929	1932	1935	1936	1937	1938	Aug.	Sept.	Oct.	Mar.	Apr.	May	June	July	Aug.	Sept.		
I. BRITISH COUNTRIES																			
AUSTRALIA (Population 1936: 6,775,000; Area: 7,704,000 sq. kms.)																			
1. Retained imports	Million £ str. (a)	10-687	4-257	6-359	7-171	8-357	8-782	9-629	7-868	8-202	8-671	6-792	8-404	8-349	8-857	9-21	6-83		
2. Domestic exports	Million £ A.	7-906	7-841	9-433	10-626	12-309	11-095	7-776	9-054	11-455	11-185	8-507	9-906	7-746	8-272	8-14	7-99		
3. Unemployed Trade Unionists (c)	Thousands	47-36	120-45	71-82	53-69	41-82	40-53	43-09	93-2	95-1	97-8	93-8	89-6	89-1	89-3	91-0	...		
4. Wholesale prices (Melbourne)	1929 = 100	100-0	78-3	81-5	85-6	91-9	92-2	95-0	93-2	95-1	97-8	93-8	89-6	89-1	89-3	91-0	...		
5. Cost of living	"	100-0	80-7	90-9	82-7	84-9	87-2	95-0	93-2	95-1	97-8	93-8	89-6	89-1	89-3	91-0	...		
CANADA (Population 1936: 11,028,000; Area: 9,542,000 sq. kms.)																			
6. Business activity (j)	1929 = 100	100-0	58-1	81-3	89-8	99-5	90-0	87-0	94-7	95-1	90-4	93-5	96-8	97-6	97-6	96-6	...		
7. Retained imports (g)	Million Can. \$	108-25	37-72	45-86	52-93	67-41	56-45	57-03	56-41	63-91	58-38	41-91	72-96	63-71	58-0	62-7	...		
8. Domestic exports (g)	"	102-05	46-69	69-86	85-66	93-75	79-73	86-54	108-54	102-72	77-20	56-51	94-88	94-50	91-7	109-9	...		
9. Applicants for work (e)	Thousands	14-97	75-14	84-05	90-13	88-52	105-24	102-58	101-19	107-75	115-67	116-08	107-74	103-76	99-84	92-61	...		
10. Wholesale prices	1929 = 100	100-0	69-8	73-4	78-0	88-4	82-2	79-5	77-9	77-5	76-6	76-8	77-1	76-7	75-9	75-6	...		
11. Cost of living	"	100-0	81-5	79-2	89-9	83-2	84-1	84-1	83-9	83-8	83-2	83-2	83-0	83-2	83-0	83-2	...		
12. Price of industrial securities	"	100-0	23-7	51-4	74-3	77-4	64-4	64-7	60-7	68-4	64-2	59-1	61-0	59-0	59-6	58-0	...		
13. Commercial bank deposits	Million Can. \$	2,163	1,844	2,127	2,230	2,282	2,394	2,322	2,358	2,405	2,406	2,413	2,362	2,382	2,391	...	...		
INDIA (Population 1935: 370,500,000; Area: 4,684,000 sq. kms.)																			
14. Retained imports	Sea-borne	208-6	110-7	111-9	101-9	132-9	125-2	108-0	104-5	127-1	151-1	129-0	138-9	145-6	128-7	138-8	112-9		
15. Domestic exports	Trade (b)	268-8	112-6	130-9	130-3	168-8	135-2	138-0	151-8	141-7	145-0	126-1	145-1	148-6	159-0	163-8	156-4		
16. Wholesale prices, Calcutta	1929 = 100	100-0	64-5	64-5	64-5	64-5	64-5	66-7	67-4	67-4	68-1	70-2	70-9	70-9	69-5	70-2	80-9		
17. Cost of living, Bombay	1933-34 = 100	100-0	...	...	101	106	106	105	105	105	103	103	103	104	105	105	106		
NEW ZEALAND (Population 1936: 1,573,000; Area: 268,000 sq. kms.)																			
18. Retained imports	Million N.Z.	3-998	2-001	2-986	3-637	4-638	4-570	5-012	4-771	4-237	4-313	3-752	5-296	5-149	4-420	...	...		
19. Domestic exports	"	4-515	2-915	3-838	4-689	5-517	4-817	3-772	3-134	2-132	2-640	4-907	6-597	5-097	3-514	...	...		
20. Wholesale prices	1929 = 100	100-0	87-2	93-1	94-0	101-4	102-1	101-2	101-5	102-0	104-0	104-0	103-9	104-8	...	...	...		
21. Cost of living	"	100-0	83-5	83-2	86-1	91-9	94-6	94-7	94-6	94-9	96-3	96-8	97-6	98-0	...	...	...		
SOUTH AFRICA (Population 1935: 9,500,000; Area: 1,222,000 sq. kms.)																			
22. Retained imports	Million S.A.	6-587	2-606	6-100	7-010	8-385	7-745	7-291	7-365	7-796	8-277	7-537	7-605	7-994	7-618	7-782	5-14		
23. Domestic exports (A)	"	7-769	5-622	8-325	9-295	10-208	8-195	5-213	2-691	10-788	10-483	13-401	11-385	11-575	9-895	3-081	2-46		
24. Of which gold (c)	"	3-864	4-042	5-938	6-895	7-156	5-728	3-132	...	8-163	7-958	11-394	9-292	9-175	7-641	...	...		
25. Wholesale prices	1929 = 100	100-0	79-0	81-8	85-0	87-0	90-0	...	...	88-7	...	...	86-3	...	86-1	...	...		
II. OTHER COUNTRIES																			
ARGENTINA (Population 1936: 12,450,000; Area: 2,793,000 sq. kms.)																			
26. Retained imports	Mill. paper pesos	163-3	69-7	97-9	93-1	129-8	121-7	120-1	118-4	109-2	121-1	97-3	98-0	97-0	118-6	124-4	114-9		
27. Domestic exports	"	180-6	107-3	130-8	138-0	192-6	116-7	109-0	109-3	118-8	142-5	125-4	134-1	157-8	128-1	110-5	119-0		
28. Wholesale prices	1929 = 100	100-0	92-8	100-6	102-9	116-8	109-4	106-1	105-2	105-6	107-0	106-5	106-5	107-3	106-8	106-6	118-0		
29. Cost of living	"	100-0	77-7	82-9	90-5	92-8	92-8	91-4	90-5	91-3	92-9	93-0	92-7	93-6	94-1	...	...		
BELGIUM (Population 1936: 8,331,000; Area: 30,000 sq. kms.)																			
30. Industrial production	1929 = 100	100-0	69-1	82-2	86-7	96-3	79-9	64-0	68-9	74-7	75-5	76-2	79-1	80-7	76-7	...	...		
31. Retained imports	Mill. francs	2,961	1,347	1,426	1,775	2,291	1,891	1,914	1,812	1,837	2,007	1,671	1,806	1,769	1,546	1,720	940		
32. Domestic exports	"	2,649	1,234	1,316	1,627	2,101	1,791	1,714	1,756	1,940	1,867	1,637	2,003	2,035	1,870	2,006	1,469		
33. Unemployment (e)	Thousands	...	211-0	210-9	154-0	125-9	173-9	149-8	154-3	163-8	188-5	181-0	187-0	175-3	173-7	176-0	222-8		
34. Wholesale prices	1929 = 100	100-0	62-5	63-1	69-4	74-0	74-0	72-9	73-1	72-5	70-5	70-7	70-4	70-2	69-8	70-0	83-0		
35. Cost of living (59 towns)	"	100-0	83-6	79-9	84-7	91-8	93-8	92-5	93-5	94-4	92-7	91-4	90-6	90-9	91-3	91-1	...		
CHINA (Population 1935: 450,000,000; Area: 11,103,000 sq. kms.)																			
36. Retained imports	Mill. std. dollars	160-59	146-68	76-60	78-46	79-45	109-46	142-93	134-42	140-81	215-11	234-65	334-30	342-02	334-87	546-08	413-57		
37. Domestic exps. (excl. Manch.) (d)	"	131-87	83-41	47-98	58-81	69-85	63-55	80-20	92-42	76-18	68-15	65-68	83-34	68-43	79-89	100-87	85-43		
38. Imports: Manch. and Jehol	Mill. Yuan M.	...	...	47-67	53-68	60-73	100-34	106-02	117-33	111-25	96-47	...	...	...	...	...	...		
39. Exports: Manch. and Jehol	"	...	...	29-64	30-92	30-92	44-30	50-31	33-04	37-33	37-89	60-90	...	...	...	...	...		
40. Wholesale prices, Shanghai	1929 = 100	100-0	107-6	92-0	103-8	112-3	146-0	157-7	157-8	160-3	172-1	173-2	176-1	190-7	195-5	232-6	304-3		
41. Cost of living, Shanghai	"	100-0	110-4	98-9	105-0	122-2	139-4	146-2	143-1	141-7	140-3	142-5	150-0	154-5	170-0	186-7	223-9		
DENMARK (Population 1937: 3,749,000; Area: 43,000 sq. kms.)																			
42. Industrial production (k)	1929 = 100	100	91	125	130	136	136	134	135	136	141	144	145	146	145	148	...		
43. Retained imports	Mill. kr.	142-9	92-0	107-2	128-2	139-5	135-3	127-6	127-6	134-0	131-4	134-0	132-4	129-5	130-3	138-2	147-8		
44. Domestic exports	"	134-6	90-5	101-1	110-5	130-6	127-8	125-6	148-5	152-0	146-1	144-5	147-7	146-6	143-5	171-7	124-3		
45. Wholesale prices	1929 = 100	100-0	77-8	92-6	97-2	110-0	104-1	101-9	101-9	102-8	100-9	100-9	102-8	101-9	102-8	102-8	117-6		
46. Cost of living	"	100-0	89-5	99-4	100-9	104-5	106-0	...	...	105-6	...	...	106-2	...	...	...	110-0		
FRANCE (Population 1936: 41,906,000; Area: 550,986 sq. kms.)																			
47. Retained imports	Mill. frs.	4,852	2,484	1,745	2,118	3,533	3,832	3,712	3,534	3,878	3,992	4,125	4,080	4,072	3,927	3,846	...		
48. Domestic exports	"	4,178	1,642	2,289	1,288	1,555	2,549	2,457	2,653	2,830	2,807	3,034	3,063	3,207	2,884	2,908	...		
49. Unemployed in receipt of benefit	Thousands	0-9	273-4	426-49	431-9	350-3	375-7	338-4	358-4	361-7	395-3	386-2	375-5	349-0	320-4	302-5	...		
50. Wholesale index of S.C.F.	1929 = 100	100	68-2	54-0	65-5	92-7	104-1	103-5	104-0	105-9	108-4	107-7	109-1	138-9	108-1	107-5	...		
51. Cost of living (45 depts.)	1930 = 100	...	90-6	78-3	85-7	102-4	116-5	117-2	...	...	...	...	...	122-6	...	...	...		
52. Industrial securities	1929 = 100	100	47-0	36-3	33-4	43-8	41-1	40-2	38-6	40-5	43-8	44-0	46-7	44-5	45-8	42-5	...		
53. Commercial bank deposits (f)	Million frs.	...	37,759	27,553	28,484	30,348	33,578	32,294	27,868	30,952	34,793	36,367	38,120	44-5	...	...	...		
54. Bank rate (average)	%	3-50	2-50	3-48	3-67	3-81	2-76	2-50	3-00	3-00	2-00	2-00	2-00	2-00	2-00	2-00	2-00		
HOLLAND (Population 1938: 8,651,000; Area: 34,000 sq. kms.)																			
55. Retained imports	Mill. gulden	229-36	108-29	77-99	84-71	129-18	117-90	115-47	116-89	127-03	123-13	121-74	123-48	138-61	132-15	126-86	106-07		
56. Domestic exports	"	165-79	70-51	56-26	62-18	95-68	86-60	89-51	101-32	97-89	97-18	82-31	123-48	98-46	92-96	90-64	...		
57. Unemployed registered (e)	Thousands	...	271-1	384-7	414-5	368-9	353-6	301-8	301-7	318-7	340-0	340-0	212-7	196-2	192-3	191-3	...		
58. Wholesale prices	1929 = 100	100-0	64-8	61-7	64-6	76-4	72-1	71-0	70-7	71-1	70-0	70-0	70-2	70-1	70-3	70-7	75-6		
59. Cost of living	"	100-0	83-9	81-1	78-9	81-8	82-5	82-4	82-6	82-4	82-3	...	...	81-0	...	81-3	82-8		
60. Price of industrial securities	"	100-0	34-5	38-7	45-1	67-0	65-3	65-4	63-3	66-3	68-0	63-8	65-3	67-1	66-0	65-8	66-9		
ITALY (Population 1938: 43,142,000; Area: 310,000 sq. kms.)																			
61. Industrial production	1929 = 100	100-0	66-9	93-8	87-5	99-6	98-5	81-4	99-3	106-1	110-4	108-6	111-8	113-0	...	...	...		
62. Retained imports (f)	Million lire	180-6	689-0	649-2	503-3	1161-8	927-0	788-5	754-7	747-1	879-8	834-9	896-7	1141-2	810-1	...	...		
63. Domestic exports (f)	"	128-7	567-7	436-5	462-3	889-5	864-9	819-7	807-0	938-8	823-3	945-6	877-4	1067-4	738-5	...	...		
64. Wholesale prices (National)	1929 = 100	100-0	73-0	71-5	80-1	93-4	100-3	100-3	106-0	101-5	101-6	102-6	101-4	102-8	100-8	...	...		
65. Cost of living (50 towns)	"	100-0	83-1	76-6	82-6	90-7	98-0	97-5	97-4	97-9	98-7	100-8	101-6	102-4	102-7	...	...		
JAPAN (Population 1935: 69,500,000; Area: 382,314 sq. kms.)																			
66. Industrial production	1929 = 100	100	97-8	141-8	151-1	170-8	173-0	167-5	168-3	174-0	190-4	185-9	...	...	...	...	...		
67. Retained imports	Million yen	180-7	115-3	202-2	225-2	311-0	220-1												

^(a) Figure for 1936 is average of August-December. ^(b) Indices shown in last month of quarter to which they relate. ^(c) Monthly figures are averages of quarterly returns. ^(d) Average of weekly figures. ^(e) (i) Caring for Self-balancing revenue and expenditure. Annual figures are totals for financial year, beginning in year shown. Monthly figures are cumulative totals of monthly figures up to end of year. ⁽ⁱⁱ⁾ Annual indices, year beginning in July; quarterly indices year ended in quarter shown. ^(h) Including subsidies for heat, cattle and milk. ⁽ⁱ⁾ Adjusted for seasonal variations. ^(k) Annual figures are monthly averages of fiscal year; monthly figures are cumulative over fiscal year. Annual figures for 1929 and 1932 are not completely comparable. ^(l) 1937, average January to August: figures for September-December not comparable owing to revised method of computing adopted in September, 1937. ^(m) From September, 1939, Grimsby and Lincoln included in North Midlands instead of N.E. England.

RAW MATERIALS AND CRUDE FOODSTUFFS GROUP I.—MINERALS

Commodity	Unit of Measurement	Monthly Average						1938			1939							
		1929	1932	1935	1936	1937	1938 (a)	Sept.	Oct.	Nov.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.
COAL																		
1. Production: Belgium	Th. metric tons	2,245	1,785	2,207	2,323	2,478	2,465	2,387	2,526	2,531	2,452	2,569	2,662	2,321	2,292	2,409	2,513	...
2. " U.S.A.	"	43,026	27,183	31,576	36,761	37,176	29,282	32,317	35,520	35,973	14,491	20,821	29,063	29,396	34,750	38,529	45,550	...
3. " Holland	"	965	1,063	990	1,067	1,193	1,124	1,086	1,170	1,143	1,008	1,072	1,134	1,179	1,119	974	1,027	...
OIL																		
4. Production: Dutch East Indies	Th. metric tons	437	424	507	536	605	617	607	637	627	654	691	671	685	677	634	...	...
5. " Mexico	"	556	408	501	511	578	477	502	487	455	451	498	517	595	477	...	...	...
6. " Iran (Ang.-Ir. Oil)...	"	462	543	577	628	871	904	891	945	955	960	902	918	920	...	...	...	...
7. " Roumania	"	512	403	612	698	726	596	534	550	525	510	521	500	529	539	516	523	...
8. " U.S.A.	"	11,509	8,970	11,386	12,550	14,597	13,861	13,349	13,778	13,326	14,275	14,956	14,153	15,010	10,941	14,635	...	...
9. " U.S.S.R.	"	1,206	1,791	1,989	2,193	2,307	2,357	2,401	2,387	2,366	2,480	2,536	2,590	2,500	...	...	...	...
10. " All Principal Countries	"	17,145	15,048	18,838	20,575	23,486	22,817	22,490	23,131	22,394	23,611	24,563	23,230	24,580	...	...	...	...
11. Stocks: U.S.A. end year	million barrels	422	340	315	288	306	273	289	280	273	277	278	275	269	262	234	230	...
12. Price: U.S.A. Mid-Cont. crude...	cents per barrel	123.3	81.3	94.0	104.0	115.2	110.2	116.0	96.0	96.0	96.0	96.0	96.0	96.0	96.0	96.0	96.0	...
CRUDE STEEL																		
13. Production: Belgium	Th. metric tons	342	232	252	265	322	190	187	216	222	219	281	305	296	282	212	261	...
14. " U.S.A., ex. castings.	"	4,599	1,128	2,830	3,963	4,192	2,357	2,690	2,085	2,306	3,035	2,965	3,181	3,342	3,824	4,299	5,480	5,551
15. Price: Pig iron Clevel. No. 3...	¢ per ton	3.53	2.91	3.39	3.70	4.67	5.45	5.45	5.45	5.45	4.95	4.95	4.95	4.95	4.95	4.95	4.95	4.95
GOLD																		
16. Production: Union of S. Africa	Thous. fine ozs.	868	963	898	945	978	1,013	1,035	1,036	1,024	1,018	1,085	1,035	1,081	1,102	1,072	1,102	...
17. " U.S.S.R.	"	90	163	375	450	417	417	...	...	...	...	...	...	...	...	...	...	...
18. " Canada	"	161	254	274	310	341	390	410	411	410	407	432	437	440	449	422	...	...
19. " U.S.A.	"	171	185	264	313	341	354	...	...	...	...	...	...	...	...	...	...	...
20. " World	"	1,632	2,025	2,465	2,762	2,898	3,062	...	...	...	...	...	...	...	...	...	...	...
21. Price: London, per fine ounce ...	sh.	84.9	118.0	142.1	140.3	140.7	142.54	144.95	145.66	147.73	148.51	148.45	148.44	148.51	150.55	168.00	168.00	168.00
COPPER																		
22. Production (Smelter) U.S.A.	Th. metric tons	83.2	23.2	38.3	55.4	74.2	48.6	45.1	63.1	66.2	56.9	53.1	53.8	49.4	...	...	...	...
23. Stocks: U.S.A. (b)	"	244	244	190	134	289	266	242	244	302	306	304	287	...	...	...	...	...
24. Price: Std. cash, London	£ per ton	75.48	31.71	31.91	38.48	54.53	44.8	41.90	45.69	45.28	42.07	41.70	42.02	42.94	44.73	46.00	46.00	46.00
25. " Electrolytic, N. York.	cents per lb.	18.11	5.56	8.65	9.47	13.17	9.17	10.03	10.8	11.0	10.27	9.83	9.78	9.98	10.26	11.64	...	...
LEAD																		
26. Production: (Smelter) U.S.A. ...	Th. metric tons	54.1	21.1	24.8	30.8	36.0	31.4	22.7	25.4	32.6	33.3	39.0	33.7	31.6	33.2	31.8	35.3	...
27. Stocks: U.S.A. (b)	"	49.7	159.4	201.6	155.9	117.0	121.1	133.5	106.7	104.0	112.0	117.2	112.5	107.2	88.7	...	...	...
28. Price: "Soft Foreign," London	£ per ton	23.25	11.00	14.25	17.60	23.33	15.26	15.25	16.18	16.15	16.31	14.48	14.57	14.75	16.08	16.63	16.63	16.63
29. " Pig, New York	cents per lb.	6.83	3.18	4.07	4.71	6.01	5.15	5.00	0.51	0.51	4.78	4.75	4.80	4.85	5.04	5.45	...	...
SPELTER																		
30. Production: (Smelter) U.S.A. ...	Th. metric tons	47.3	15.7	31.8	37.4	42.1	34.5	29.3	33.3	36.6	39.0	38.4	35.8	36.0	37.1	38.3	45.5	...
31. Stocks: U.S.A. (b)	"	70.1	113.2	76.1	40.8	58.8	116.3	132.9	112.6	109.6	118.3	120.6	122.6	119.6	111.4	86.7	65.7	...
32. Price: G.O.B., London	£ per ton	24.88	13.58	14.08	14.90	22.25	13.98	14.04	15.07	14.34	13.13	13.72	14.03	14.27	14.65	15.00	15.00	15.00
33. " prime western, St. Louis	cents per lb.	6.51	2.88	4.33	4.90	6.52	5.03	4.85	0.50	0.49	4.50	4.50	4.50	4.52	4.72	6.10	...	...
TIN																		
34. Production: Bolivia	Long tons	3,862	1,715	2,264	2,006	2,085	2,114	1,468	2,663	1,839	1,227	1,304	1,604	1,584	1,456	2,933	...	...
35. (exports) Dutch E. Indies ...	"	2,993	1,307	2,060	2,640	3,315	1,750	1,542	1,930	1,459	1,258	2,651	1,133	1,698	1,357	4,438	6,182	...
36. " British Malaya	"	5,781	2,479	3,830	5,567	6,462	3,604	2,375	4,252	2,450	4,691	1,499	1,481	5,275	1,918	10,938	6,426	...
37. " Thailand (Siam)	"	828	772	815	1,056	1,365	1,125	1,339	1,115	694	1,013	692	463	2,320	1,253	1,116	...	...
38. " World	"	15,582	8,267	12,258	15,000	17,242	12,370	9,800	13,600	10,700	11,100	9,500	7,400	14,200	9,600	23,400	...	...
39. " Quota of Restr.	"	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
40. Consumption: U.S.A.	% of std. quanty.	...	42.8	58.8	92.5	107.5	53.8	45.0	45.0	45.0	40.0	40.0	40.0	120.0	120.0	100.0	100.0	100.0
41. Stocks: U.S.A. (b)	tons	7,298	2,938	5,191	6,804	7,222	4,224	4,726	4,697	3,872	6,225	5,115	5,012	5,187	6,478	4,584	...	...
42. Price: Std. cash, London	¢ per ton	203.9	136.0	225.7	204.6	242.3	189.6	198.9	207.1	214.0	218.5	225.7	227.6	229.9	229.4	230.0	230.0	230.0
43. " Straits, New York	cents per lb.	45.19	22.01	50.39	46.42	54.24	42.26	43.38	45.22	46.23	47.20	49.02	48.85	48.52	48.76	55.88	55.28	...

GROUP II.—TEXTILES AND CROPS

COTTON																
1. Mill consumption: U.K. (c)	Thousands of actual bales	233	182	209	228	240	189	190	190	190	...	...	...	...	...	...
2. " Japan (c)	"	231	231	311	304	347	247	212	212	212	...	...	...	...	...	...
3. " U.S.A. (c)	"	586	404	443	527	598	514	564	564	564	...	...	...	...	...	...
4. " World (c)	"	2,157	1,860	2,035	2,116	2,383	2,213	2,284	2,284	2,284	...	...	...	...	...	...
5. Price: Mid. American	d. per lb.	10.33	5.25	6.70	6.69	6.37	4.97	4.79	5.16	5.13	4.96	5.41	5.66	5.44	5.27	6.33
WOOL																
6. Stocks: Australia, S. Africa, N. Zealand, June 30	Million lb.	35	147	94	47	29	105	...	...	...	...	...	55	...	...	...
7. Price: Weekly Wool Chart	1929 = 100	100	48.6	62.1	78.4	104.4	69.0	67.2	69.0	69.0	64.6	65.5	68.1	70.2	70.2	83.5
RAYON																
(i) Continuous Filament																
8. Production: Italy	Mill. lb.	5.9	5.9	7.1	7.1	8.7	8.5	6.7	7.4	7.8	9.2	10.1	...	...	...	...
9. " Japan	"	2.1	6.3	18.3	22.9	27.9	17.4	12.7	13.2	13.3	19.1	21.0	22.4	20.8	...	...
10. " U.K.	"	4.4	5.7	9.3	9.7	10.0	8.9	8.6	7.8	8.4	8.7	10.0	9.6	10.5	...	...
11. " U.S.A. (e)	"	10.1	11.2	21.5	23.2	26.0	21.5	23.1	24.8	24.8	24.5	24.5	24.5	28.0	28.0	28.0
12. Price: Viscose, std. grade, per lb.	pence	...	77.0	55.5	55.5	55.1	54.5	55.0	55.0	52.0	53.5	53.5	53.5	53.5	...	...
(ii) Staple Fibre																
13. Production: Italy	Mill. lb.	0.1	0.8	5.5	9.2	12.8	14.8	10.4	14.1	12.5	15.3	17.3	...	...	...	...
14. " Japan	"	0.1	1.1	3.8	14.3	31.2	26.3	26.3	26.3	26.3	22.4	22.4	...	...	...	...
15. " U.K.	"	0.2	0.2	0.8	2.4	2.9	2.8	3.2	3.9	4.0	4.8	5.7	5.4	5.9	...	...
16. " U.S.A. (e)	"	0.0	0.1	0.5	1.0	1.7	2.5	2.6	2.9	2.9	3.8	3.8	3.8	5.0	5.0	5.0
17. 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	...
WHEAT																
18. World shipments, yr. ended July	Mins. of bushels	77	67	43	42	50	45	47	56	48	48	61	63	46	...	...
19. Price: No. 2 H.W. Kansas C. (h)	cents per lb.	113	51	107	128	94	68	66	65	63	70	76	71	67	65	86
20. " No. 1 N. Man. Winnipeg (h)	"	125	54	85	123	131	62	62	59	59	63	66	61	53	58	71
TEA																
21. Exports: Ceylon	Million lb.	21.0	21.1	17.7	18.2	17.9	19.6	18.1	18.5	13.7	18.7	25.1	26.9	19.3	15.7	...
22. " Dutch East Indies	"	13.3	14.5	12.1	12.8	12.2	13.2	12.0	13.7	12.7	15.2	14.2	13.7	13.0	13.1	...
23. " British India	"	32.0	30.8	27.4	26.2	27.6	28.3	57.9	44.4	43.2	5.6	12.7	25.1	34.2	47.9	53.1
24. " World	"	80.6	77.7	70.1	70.3	73.5	77.0	107.5	94.8	92.4	46.2	61.7	75.5	79.8	91.7	...
25. " Quota of Restricting Countries (f)	% of std. quant'y	...	...	82.5	82.5	87.5	92.5	92.5	92.5	92.5	90.0	90.0	90.0	90.0	90.0	90.0
RUBBER																
26. Exports: Dutch India	Thous. tons	21.22	17.58	23.54	25.81	35.97	24.84	20.21	29.87	19.20	28.31	24.43	27.96	35.67	27.36	44.79
27. " British Malaya	"	38.05	33.80	34.71	29.48	39.16	31.00	30.19	25.78	29.21	29.79	29.60	22.05	26.01	40.97	26.91
28. " World	"	72.20	58.05	72.68	71.36	94.59	74.11	71.21	75.87	67.37	73.76	70.49	65.15	84.44	92.22	87.75
29. " Quota of Restricting Countries	% of est. cap'c'ty	...	...	67.50	62.50	83.75	55.00	45.00	45.00	45.00	50.00	50.00	50.00	60.00	60.00	75.00
30. Consumption: U.S.A.	Thous. tons	6.02	6.50	8.29	6.59	9.55	8.91	8.51	9.17	9.80	8.69	10.19	10.91	11.42	9.91	10.86
31. " U.K.	"	38.95	28.08	41.04	47.79	45.3	34.25	40.18	42.85	49.05	44.17	44.38	47.26	43.88	50.48	55.76
32. " All other countries	"	67.72	57.70	78.58	85.07	90.06	75.74	79.35	88.08	93.35	85.63	88.40	90.08	86.35	94.87	82.85
33. " Res. in stock, Jan. 1	"	18.08	6.46	9.42	10.84	13.25	9.70	11.92	12.48	13.39	13.39	13.32	14.07	13.54	16.85	16.95
34. Stocks: U.S.A. Res. year end, Jan. 1	"	118.6	379.0	703.3	218.8	189.7	245.4	268.1	259.1	242.6	190.9	193.6	181.8	174.2	161.4	150.2
35. Price: London, p. f. sm. sheet	pence per lb.	2.25	2.34	6.00	7.7	9.50	7.22	7.91	8.38	8.16	7.97	8.1	8.02	8.28	8.63	9.78
36. " N. York, c. f. sm. sheet	cents per lb.	20.5	3.4	12.3	16.4	19.3	14.6	16.0	16.8	16.3	15.8	16.0	16.3	16.4	16.6	21.1
LINSEED																
37. Exports: Argentine	Thous. tons	1.83	166	146	122	151	103	171	111	111	71	74	98	200	56	...
38. Price, c. f																