

THE ECONOMIST

Vol. CXXXVIII

APRIL 6, 1940

No. 5041

CONTENTS

LEADING ARTICLES

Winning the War	603
The Budget Problem	605
The Near East.—II.—The Balance of Power	606
Free and Controlled Pounds	608

NOTES OF THE WEEK

Cabinet Changes	610
M. Reynaud and His Critics	610
The Allies and Russia	610
Russia and the War	610
Co-ordinating Information	611
Food Prices	611
An Employment Census	612
Home Defence	612
America and the War	614
Balkan Expectancy	614
The Neutrals in the North	614
Establishing Mr Wang	614
Shorter Notes	615

LETTERS TO THE EDITOR

Letters to the Editor	615
-----------------------	-----

THE WORLD OVERSEAS

Sweden and the Belligerents	616
Italy's "Imperial" Budget	616
Uncertainty in France	618
Whither American Business?	618
Germany at War	620

THE BUSINESS WORLD

LEADING ARTICLES

The Future of Private Banks—I	622
Building Material Shares	623

FINANCE AND BANKING

Free Sterling	626
Monthly or Weekly Making-up?	626
Silver Export Point	626
Peseta Rates	627
Italy's Gold Reserve	627
Holland Revalues Her Gold	628
Eastern Banking Results	628
Bank of Scotland	628
MONEY MARKET NOTES	627

INSURANCE NOTES

Refuge Assurance	628
Scottish Amicable	628

INVESTMENT NOTES

April Anticipations	629
British Overseas Airways	629
Brazilian Bond Payments	629
Canadian Pacific Report	630

COMPANY NOTES

I.C.I. Progress	630
United Molasses Dividend	630
Provision Store Trading	630
Alliance Trust Results	631
Higher Rubber Profits	631

MINING REPORTS

Geduld, East Geduld and Groot-vlei	632
Van Dyk Consolidated Mines	632
Durban Deep	632
Brakpan, and South African Land	632
Daggafontein and E. Daggafontein	632
City Deep	632
Rose Deep	634
De Beers Report	634
The Week's Company Profits	634
Company Meetings of the Week	634
THE STOCK EXCHANGES	635
CAPITAL ISSUES	638
SHORTER COMMENTS	638

INDUSTRY AND TRADE

Fall in Unemployment	639
Machine Tools	639
Concessions to Wool Exporters	640
Formation of Export Groups	640
Decline in Food Sales	640
U.K. Linseed Imports	640
Cheaper Platinum	640
COMMODITY AND INDUSTRY NEWS	642

COMPANY MEETINGS

Company Meetings	644
------------------	-----

CURRENT STATISTICS

Current Statistics	661
--------------------	-----

Winning the War

A DEMAND for more active warfare by the Allies has spread widely. In France, dissatisfaction with the slow tempo of hostilities has given an opportunity for party manœuvring to bring down one Prime Minister and threaten the brief tenure of another; and M. Reynaud has seized his moment to set up a War Cabinet system. In Britain, the old outcry for more energetic action in diplomacy and economic policy has gathered strength; in the course of what is for the most part a singularly unimpressive interchange of Cabinet offices, Mr Churchill is set to supervise defence strategy, the only move that promises fresh vigour, and Sir Samuel Hoare has been oddly chosen to revitalise the Air Ministry; and, in both countries, inexperience has given an unfortunate backing to ill-timed calls for military adventures supported by no sound consideration of strategy.

Once again, it was left to the First Lord of the Admiralty to echo public feeling and speak the Government's mind. "It seems to me (said Mr Churchill in his broadcast last week-end) that an intensification of the struggle is to be expected"; but he gave no salute to admirers. "We do not seek a truce with Russia," he declared briefly, with M. Molotov's somewhat petulant self-defence and neutrality speech no doubt fresh in mind; and he made it plain that the essential next steps must be against neutral trade with Germany. Mr Churchill commiserated with small neutral countries open constantly to the menace of Nazi attack, and laid eloquent stress upon the outrages suffered by neutral seamen at German hands. But he left no doubt about the consequences of neutral policy: "their weakness feeds the aggressor's strength." There is *prima facie* evidence now, in the import figures of the European countries adjacent to Germany and in movements of trade and shipping as far afield as the Pacific, that the Allies' main weapon of blockade

is being appreciably weakened by neutral complaisance. On Tuesday this week, in the Commons, Mr Chamberlain took up Mr Churchill's theme. "We must deprive Germany of the materials most essential for the prosecution of her aggressive policy," he said; "the Allies are determined to prosecute the economic war to the utmost of their power"; and

our respect for neutral rights and our sympathy for the practical difficulties of neutrals must not blind us to the fact that any aid they may give to Germany might, if carried far enough, render them in the end liable to the hideous fate that has overtaken the previous victims of German policy.

The rest of the Prime Minister's speech, outlining the agenda for putting this fresh determination into practice, was wholly about economic measures. It aptly dispelled hasty expectations of military offensives in this, that of the other part of the world. War trade agreements with Norway, Sweden, Denmark, Iceland, Belgium and Holland already regulate these countries' sales to Germany, both of their own produce and of essential materials such as fats. Other agreements are being discussed; and all countries concerned

must realise that we cannot agree to make available to them products drawn from Empire sources, unless they in return are prepared to give us guarantees about the limitation of their future trade with Germany.

Minerals, fats and oils are being bought up by the Allies in the markets where German traders can still come. The steps taken by the Navy to interfere with German ships carrying cargoes from Scandinavia "have not reached the limit of effective operations"; and suitable measures, already illustrated by the stopping of two Soviet ships in the Pacific, are to be taken to see that Germany does not increase her supplies from neutral countries by new routes.

5L
X M 56, N 40
N 40.138



Neutral opinion has been deeply disturbed by these statements. Scandinavia, the Netherlands and the Balkan countries are caught between Scylla and Charybdis; bludgeoned by Germany, they are afraid of new pressure from the Allies; in protest they claim from the Allies the freedom in trade that the Nazis will not admit is their due. Italy, a strong Power and Germany's own sleeping partner, can take a more independent line; but the Allies' intentions have aroused great indignation there as well. Russia's root and branch opposition to the Allied blockade was made known in the first few weeks of war; and it has not been abated, though the Soviets' apparent disinclination to fall in more closely with Germany for the moment prevents it from taking practical shape. The Germans themselves are loud in warnings to the neutrals of the violence that the Allies are to use against them.

Actually, both neutral alarm and enemy fury may be premature. In no event will Nazi methods of robbery with menaces or by assault be emulated by the Allies; it is significant that the Prime Minister referred specifically to naval interference with German cargo ships in Scandinavian waters. Moreover, it would be a mistake for opinion either here or in other countries over-hastily to assume that any momentous departure in Allied policy has been signalled. Mr Chamberlain's statement of the practical steps involved in the decision to make war more actively added up to very little more than an account of the policy ostensibly in operation ever since war broke out. It has still to be demonstrated that the war trade arrangements he described will effectively prevent the seeping of essential war material through the Allied cordon; the neutrals have claimed, only this week, that the war agreements in force allow them "normal" trade relations with the Reich; and it is notable that, in the case of Germany's most powerful neighbours, no war trade agreements exist. For seven months now, it has been the professed object of trade diplomacy to employ Allied buying power to snatch goods from Nazi purchasers; the purchase of Norwegian whale oil and Balkan minerals and oil is an old commitment of the Government's; and the re-statement of this policy of pre-emption will not dispel fears that the process is still impeded by undue Treasury caution. Nor does the decision to break in upon the iron ore traffic via Norwegian waters from Narvik, a decision taken just when the spring will very soon be freeing the Baltic ore ports of Sweden from ice, remove the suspicion that this step, planned and prepared before war began, might have been taken sooner.

In principle, Government policy, as stated in the past week, has made an appreciable advance. The realisation that undue tenderness for neutral interests, by giving hostages to enemy ruthlessness and weakening Allied strategy, benefits neither the Allies nor the neutrals themselves is the more welcome because it is belated. It is simple common sense that the only effective blockade is a whole-hearted one. But what, in practice, does the new attitude imply? Does it mean that neutral traffic with Germany in war materials is to be arrested by what the experience of the last war indicates as the only effective method, namely, rationing or the restriction of neutral imports through the Allied contraband control to the quantities normally purchased in peacetime? The stated theory of the war trade agreements, that in return for trade facilities the neutrals will themselves ration the Reich, is unexceptionable—though the ration to the Reich is, in the context of a life-and-death blockade, generous, to say the least; but, in operation, it may lack the assured effectiveness that strict rationing by the Allies, which would guarantee the neutrals adequate supplies for themselves, but show no tenderness to Germany, would have. Again, does it mean that the power to withhold vital Empire supplies will be applied as an effective sanction, not only against the "forlorn" States that live in daily dread of German invasion, but also against the neutrals that can still stand on their own feet? And, in the same context, will only products of Empire origin be withheld from recalcitrant neutrals, or will the power of contraband control be used to the utmost? Finally, does it mean that the full strength of the Allies' capacity to buy and sell, backed by generous aid from the Treasury and the Allied exchange control, is to be deployed against Nazi trade in neutral markets?

The answers to these questions have still to be given.

Next week's secret session of the Commons may hear them. But, whatever the practical worth of this week's decisions may prove to be—and with vision and bold execution it may be very great indeed—the Allies' strategy is at last being clarified. At the beginning of the war it was believed that the war could be won by waiting; that Germany must crack in the pincers of economic warfare; that time was unshakably on the Allies' side. Now British Ministers have learned a lesson from M. Reynaud. He it was who first said that "time is on our side only if we annex it"; and it was he whom Mr Churchill was quoting, almost verbally, last Saturday, when he warned his hearers that "time is a changeable ally." The possibility of Germany defeating the blockade by organising supplies in the East and coercing countries in the West to provision the Reich is admitted and ways and means to frustrate this escape are in hand. If Mr Chamberlain had not spoken at Central Hall on Thursday as if the war were already won, it might have been hoped that the Government was at last to set about winning it.

What the consequences will be depends upon the extent to which this intention is fulfilled in vigorous detail. There may in practice be little change in policy; but, if the axe is firmly put to the root of the tree, then certainly, in the short run, neutral countries and neutral traders will be losers. Their overseas trade will in fact become dependent upon the fiat of the Allies as in theory—and in the balance of sea power—it has done ever since September. The yardstick for their trade with Germany will be the need of the Allies to win the war. The choice is a hard one, between becoming the commercial clients of the Allied Empires and the obedient servants of the predatory Reich. In the long run, there is a third and infinitely worse alternative—extinction by the German armies; and only the victory of the Allies, a victory so far impeded by the services rendered to the aggressor by fearful neutrals, can save the free countries of Europe from that fate. At bottom there are no neutrals in Western Europe—only Germany, on the one hand, and independent nations, on the other.

Where the Germans threaten invasion, and back their threats by sinkings, bombings and shootings, the Allies threaten rationing—and the least they offer to the neutrals is enough of the supplies which they control in their Empires or by their sea power to meet all normal needs. It is a fair bargain in equity as well as a just one in law.

It may be that this moment has been chosen to talk of more active measures, not simply because of the outcry of public and expert opinion in both Britain and France for greater energy, but also because of the apparent weakening of the aggressor front. "Germany has not any real friend in the world to-day," was one significant phrase in the Prime Minister's astoundingly optimistic harangue on Thursday. The Easter meeting on the Brenner has brought forth the Three-Power Pact. Russia has re-avowed her neutrality in what seem to be clear terms. Italy has defined strict non-belligerency as still her chosen path. Even on the narrowest front envisaged for three-power collaboration—the "stabilisation" of the Balkans (perhaps "petrification" would be the better word)—Ribbentrop's plans seem to have gone wrong. If the blockade is intensified, there may be changes in the alignment of Europe. The Nazis' plan to wait behind the West Wall and scheme in collaboration with their "neutral" and "non-belligerent" friends may require revision. If the net is really to be drawn close, the German fighting forces may be used in an effort to break loose.

For the moment it is only the war at sea and in the air over the water that is gathering momentum. The battle for trade is being extended on both sides with the aid of submarines, aircraft and warships. It is the Navy that has been given fresh orders by the new Allied decisions in so far as they have been defined; and in the campaign of retaliation that will inevitably follow the Germans will almost certainly be shown that, in the one field of sea power at least, the superiority of the Allies is indisputable. It may even become apparent to the unhappy neutrals who lie in the field of combat that the only real security for the lives of their seamen, the safety of their ships and the continuance of their commerce is the might of the British and French Navies.

The Budget Problem

THE broadcast news bulletin on Saturday evening of last week and the bulk of the daily Press, following suit, have greeted the final figures of the financial year just ended as favourable news. This is because the actual deficit of £767.7 millions is £170.5 millions less than was expected by the Chancellor of the Exchequer at the time of the War Budget last September. In point of fact, however, it is only by an abuse of language that such a result can be called favourable, for only £54 millions of the £170½ millions "improvement" is due to an excess of revenue over the estimates, while the remaining £116 millions is due to the inadequate scale of spending. The Chancellor expected to spend £1,413 millions between September 3, 1939, and March 31, 1940, and he has actually spent £1,297 millions. If we can assume that purely civil expenditure has been running at approximately the same level as last year, we can say that the Chancellor expected to spend on the war (in the widest sense) about £1,030 millions in its first thirty weeks, and that he has succeeded in spending about £910 millions. In spite of the obvious need for all due economy, this 12 per cent. lag in war expenditure behind the expectations is in no sense good news, especially when it is compared with the very heavy expenditure of the enemy. A letter from Mr Horabin which appears on another page draws attention to the way in which the Parliamentary Secretary to the Ministry of Supply, in a recent debate, attempted to suggest that Germany's rate of expenditure was not so great after all. It is a pity that members of the Government should thus exhibit their ignorance in public. Figures of German expenditure are estimates in the sense that they cannot be precisely accurate and that there is an unavoidable difficulty in converting from marks to sterling. But the figures are not wild guesses; the German official returns provide the basis for a close estimate, and it can be stated without any inaccuracy that Germany's present rate of expenditure on purely war purposes is at least half as large again, and possibly twice as large, as our own. This is not good news; it is the measure of the inadequacy of our war effort.

The figures of revenue and expenditure for the full financial year are given in the two tables at the foot of the page. The excess of revenue over the estimates, it will be noticed, is very largely due to four items—motor vehicle duties, customs, excise, and miscellaneous receipts—which

have together provided £46.4 millions out of the total of £54 millions. Income tax and surtax together provided almost exactly the estimate, and the excess of just over £2 millions in death duties is to be explained by the uneven incidence of death among rich men. In the circumstances, it is difficult to ascribe the increase in the revenue to what is usually understood by "buoyancy." The largest item was due to an under-estimate of the extent to which the Englishman now regards his car as a conventional necessity, which he will relitense in spite of stiffly increased rates of duty and severe fuel restrictions. The increase in customs is presumably due to the rise in the price of imports since last September, while the increase in the yield of excise duties is a reflection of the failure of any efforts yet made to reduce the consumption of the people.

More than usually, however, the interest is concentrated on the new financial year rather than on the old. What is the total expenditure in 1940-41 likely to be? The answer is necessarily a guess, but some light can be thrown on it by showing how the rate of expenditure has been increasing since the outbreak of war. The following table has been calculated on the assumption that the cost of interest on the debt is spread evenly over the year:—

Rate of total expenditure (£ millions)		
Four weeks ended—	Per diem	Per annum
September 30, 1939 ...	4.66	1,701
October 28, 1939 ...	4.61	1,682
November 25, 1939 ...	5.75	2,100
December 23, 1939 ...	6.72	2,452
January 20, 1940 ...	6.15	2,244
February 17, 1940 ...	6.64	2,423
March 16, 1940 ...	7.10	2,592
Two weeks ended—		
March 31, 1940 ...	10.04	3,668
Thirty weeks ...	6.22	2,270

The figures for the final fortnight are of little use as a guide to the future, since there is always a scramble to make payments before the end of the year, but the earlier figures give some idea of the pace of the increase. It is difficult, however, to predict how far the present pace will be maintained or increased. The rate of expenditure on all purposes in the eight weeks ended March 16th (chosen to minimise the end-year rush) was £6.87 millions a day; if we assume that purely civil expenditure is running at

REVENUE, 1939-40. (£'000)				
	Actual Receipts, 1938-39	April Budget Estimate, 1939-40	War Budget Estimate, 1939-40	Actual Receipts, 1939-40
Income tax	335,901	327,000	390,000	390,083
Surtax	62,530	70,000	70,000	69,780
Estate etc., duties	77,430	80,000	75,500	77,720
Stamps	20,980	21,000	17,000	17,070
National Defence contribution	21,890	25,000	25,000	26,940
Excess profits tax	...	...	...	40
Other inland revenue	1,550	1,250	1,250	1,300
Total Inland Revenue	520,281	524,250	578,750	582,933
Customs	226,326	232,560	239,600	262,136
Excise	114,200	116,460	132,850	137,900
Total Customs and Excise	340,526	349,020	372,450	400,036
Motor vehicle duties	35,608	43,450	22,000	34,086
Total tax revenue	896,415	916,720	973,200	1,017,055
Post Office (net receipt)...	9,500	7,200	400	3,846
Post Office Fund	1,400	1,600	1,600	1,757
Crown Lands	1,330	1,330	1,330	1,250
Sundry loans	5,699	5,000	5,000	4,940
Miscellaneous receipts	12,941	10,750	13,650	20,341
Total Ordinary Revenue	927,285	942,600	995,180	1,049,189

EXPENDITURE, 1939-40 (£'000) (Including Issues from Loans)				
	Actual Issues, 1938-39	April Budget Estimate, 1939-40	War Budget Estimate, 1939-40	Actual Issues, 1939-40
Interest and management of National Debt	216,781	230,000	230,000	222,850
Payments to N. Ireland	9,459	10,000	10,000	9,556
Other Consolidated Fund Services	4,825	7,200	7,200	7,310
Total Consolidated Fund	231,065	247,200	247,200	239,716
Army, Navy and Air ...	382,456	523,047	670,133	...
Civil Defence	17,783	47,191	78,871	...
Margin for Supplementaries	...	50,000	500,000†	...
Civil and Revenue*	423,526	442,506	437,137	...
Margin for Supplementaries	...	5,000	...	...
Total Supply Services*	823,765	1,067,744	1,686,141	1,570,007
Total Ordinary Expenditure	1,054,830	1,314,944	1,933,341	1,809,723
Sinking Funds	13,219	...	...	7,150
Total Expenditure	1,068,049	1,314,944	1,933,341	1,816,873

SELF-BALANCING REVENUE AND EXPENDITURE (£'000)			
P.O. and Broadcasting	78,950	83,399	83,449
			83,054
* Excluding P.O. and Broadcasting. † Vote of Credit.			

last year's rate of about £660 millions a year, we can say that expenditure on the war alone in these eight weeks was £5.06 millions a day. A similar calculation for the eight-week period three months earlier gives a figure of £4.48 millions a day. War expenditure thus seems to be increasing at the rate of about one per cent. a week; if this rate of increase continues we shall be spending in twelve months' time 52 per cent. more than at present, and the average rate of expenditure on war purposes over the whole financial year will be 26 per cent. more than at present. This can surely be taken as a minimum; indeed, what a miserably low minimum it is to assume that expenditure on the war will be only a quarter larger than at present—when the present German rate is larger by at least half, and may increase! But this minimum would involve a total expenditure of almost exactly £3,000 millions in the year. If the average rate of war expenditure were 50 per cent. higher than at present, the total would be £3,420 millions. It is in this range that the correct figure lies, unless there is a very rapid speed-up in our preparations.

How is an expenditure of £3,000-£3,400 millions to be financed? The taxes already announced are estimated to bring in £120 millions more in 1940-41 than in 1939-40 plus whatever is produced by the Excess Profits Tax—say, £1,300 millions in all. The gap of at least £1,700 millions, and possibly £2,100 millions, is clearly far more than can be bridged by non-inflationary borrowing. If there is anything at all in the protestations of determination to avoid inflation, there must be heavy increases in taxation, with or without some form of compulsory lending—not in a year or two's time, but within the course of the present financial year. There is, perhaps, a case for postponing the actual collection of additional taxes for a very few months. There is no case for postponing the announcement of them.

Some stir has been caused this week by the appearance in almost all the newspapers on Tuesday morning of state-

ments to the effect that the Government's advisers had recommended the imposition of additional burdens on the class of persons with incomes between £5 and £12 a week. The Chancellor, questioned in the House of Commons, denied that any authority had been given for such statements to be made; he did not deny that any such measures were in contemplation. To single out any one class in this way is inevitably unfair either in fact or in appearance, and a Budget of heavy burdens must have "something for everybody" in it if it is to be accepted as equitable. But if the Government's advisers have reported that there is more room for increase of taxation in this particular range of incomes than either above or below them, they have been doing no more than their duty. The mainstays of our present system of taxation are income tax and indirect duties on articles of consumption; the one falls mainly on the man with more than £12 a week (unless he is a bachelor), the others inevitably impose a heavier burden on the poorest. Hitherto, in the process of increasing the burden of taxes, we have proceeded almost entirely by raising the rates of existing taxes. The £5-£12 a week incomes have been heavily hit neither by the increase in income tax (which they pay on only a fraction of their incomes) nor by the increases in the tea, sugar, beer and tobacco duties (which form only a very small part of their expenditure). The time has now come to strike out on fresh paths, to shape the curve of tax burdens as closely as possible to the ability to bear them, to evolve a whole new set of fiscal expedients.

Whatever he does, Sir John Simon's forthcoming Budget will begin a new era in British public finance. We must wait to know whether it will be the beginning of an era of timidity and collapse, or of an era of experiments as novel and effective as the invention of the income tax itself, which was William Pitt's answer to the financial problems of the French wars.

The Near East

II.—The Balance of Power

THE war of 1914-18 revolutionised the political geography of the Near East. The triumphant Allies occupied the dominion which had formerly been divided between the decadent Ottoman and Persian Empires, and for a few brief months in 1919 and 1920 Britain and France occupied a predominant position from the frontiers of Afghanistan to the shores of the Bosphorus. Their hegemony was extremely shortlived. With varying degrees of success, country after country threw off or slipped out of the foreign yoke until to-day, only twenty years later, the Mandates of Syria and Palestine and certain Arab Protectorates are all that remain.

The movement which freed the Near East of Western control was of the same character in all the Near Eastern States. It was part of a world-wide movement in which the introduction into non-European countries of European ideals of national liberty and self-determination led to a bitter revolt against the control of European capitalists and administrators. In three of the Near-Eastern countries—Turkey, Iran and Saudi Arabia—this dual movement of a revolt against Western power, coupled with the acceptance of many aspects of Western civilisation, was crystallised in the careers and personalities of three great national leaders, Kemal Atatürk in Turkey, Reza Khan Pahlavi in Iran and Ibn Saud in Saudi Arabia. But even though no great leader arose in Iraq, Egypt and the lesser States, the drive for independence was great enough to compel the British to relinquish their Mandatory power in Iraq in 1932 and in 1936 to bring to a close the long-drawn-out negotiations over full independence for Egypt, while both France and Britain had to accept the granting of independence as immediate points in their programmes for Syria and Palestine.

The common resistance to Western hegemony is, however, almost the only common factor discoverable in Near Eastern politics. Islam is divided between the Shiites of

Iran, the Sunnites of Iraq and Egypt, the Wahabites of Saudi Arabia and a host of lesser sects. Turkey has abandoned its official practice altogether. Pan-Arabia is only efficacious as an ideal of independence in face of European encroachment, and it covers a split between revisionist and *status quo* Powers fully as serious as the contemporary division of Europe. Turkey and Iran once ruled over Empires more extensive than their present territory. Syria has been obliged to cede Alexandretta. The Syrians—probably without reason—ask if it will be the turn of Aleppo next. Iraq secured the rich oilfields of Mosul only by British backing and after a long dispute with Turkey, and Turkey has no oil. Iran refused until 1929 to recognise the Iraqi Government and a number of frontier questions are still outstanding, sorest among them the Shatt-el-Arab. Finally, there is the problem of Saudi Arabia; Ibn Saud built up his kingdom by incorporating conquered principalities and sheikdoms. Are his ambitions satisfied? He has never recognised the loss of Akaba. Kuwait may well lead to difficulties with Britain. It is true that in recent years, relations have improved and treaties of friendship have been signed, a process which culminated in the Saadabad Pact between Turkey, Iraq, Iran and Afghanistan in 1937; yet little more than plaster has been smeared over the cracks. It might only need the upheaval of a war to split the fabric of the Near East along the old lines of weakness.

With their divergencies, jealousies and turbulent disputes, the Near Eastern States offer a happy hunting-ground to the roving ambition of predatory Great Powers. Once again, it is a question of revisionism *versus* the *status quo*. France and Britain, whose influence in the Near East is fairly secure, are anxious to keep out competitors. They are, on the whole, ready to accept the transference of sovereignty to the native peoples but certainly not to any other Great Power. Other States, there-

fore, in so far as they wish to achieve a position in the Near East, have first to expel the Allies, and the intrigues, seditions and propaganda set on foot by the totalitarian Powers in the last decade are all designed to weaken French and British sovereignty and to encourage the Arabs to "stand alone" (whereafter, it is argued, the setting up of new "Protectorates" should be a comparatively straightforward task). The days of the anti-British broadcasts from Bari are officially over, but Italy continues to conduct open propaganda against "Allied hegemony," particularly in Egypt. Russia has her scattered Arab Communist organisations which, according to Comintern instructions, are "to create an anti-imperialist popular front that extends over all the Arab countries," while Germany has coupled intensive commercial penetration with local propaganda, financial backing for Arab dissidents and discreet encouragement of any frontier or minority disputes which might embarrass the Metropolitan Power.

In this tug of war, the Allies have not so far suffered any very serious setback, even though they labour under a number of unfortunate disadvantages. The greatest is the fact that they are the paramount Powers in the Near East; when the Egyptian or the Iraqi dreams of complete freedom from foreign tutelage, British regiments at Ismailia or a squadron of the R.A.F. lying beside Lake Habbaniyah disturb the vision. Even where well established independence has been achieved—in Iran or Turkey or Saudi Arabia—memories do not have to be very long to recall the post-war years when France and Britain were busy dividing Turkey, Britain had established a Protectorate in Persia and was backing an unpopular monarch at Mecca. Finally, when a Syrian or Palestinian Arab fights for the independence which is still withheld, he fights France and Britain. The Mediterranean Mandates are the gravest entry on the Allies' debit account. Neither German nor Italian propaganda could have made much headway had they not had the latent revolt of Damascus and the open revolt of Jerusalem to work on. And the Allies have complicated their task by adding—perhaps inevitably—to the minority problem, Britain with the Palestinian Jews, France with the Lebanese Christians.

Yet on the whole the balance is in the Allies' favour. In Iraq and Egypt the difficult step of withdrawal from paramountcy has been achieved without great friction, and although the presence of British military power is a reminder of past dependence, it is at the same time the only guarantee of present independence. Even where post-war relations were most strained, time and diplomacy have worked a change. France has made her peace with Turkey and sealed the new alliance with the cession of Alexandretta. Britain's relations with Turkey began to improve after Sanctions, and in five years have changed to a cordial alliance from which Turkey has been able to draw considerable financial benefit. Ibn Saud, whose rival we supported and whose State is fringed with our client sheiks, has invariably behaved with the utmost correctness; he has not permitted the Palestinian question to be debated upon his territory, and there is reason to suppose that the exchange of royal visits in 1938 was the prelude of even happier relations. Dissident Arabs accuse Ibn Saud of being pro-British. He certainly has not shown us hostility. Only in Iran, where the oil concessions, frontier questions with Iraq and our preponderant influence in the Persian Gulf offer as many opportunities for friction, is our position somewhat uneasy. However, from the Hindu Kush to the Golden Horn, in Mandates, in Protectorates, in allied and fully independent states, the Allies enjoy one inestimable advantage. The Arabs have a proverb, "A satisfied tick is better than a hungry one." Our hungry days are over.

Italy, Germany and Russia, however intense, astute and concentrated their propaganda may be, however lavish their bribes or alluring their promises, are all tarred with the same brush; they are expanding Powers. The Arabs, therefore, look on and calculate and profoundly mistrust. Italy may have a foothold in the Yemen. It only means that Saudi Arabia is closed to her as a field of influence. Nor is Libya a very satisfactory experiment from the Arab standpoint. Germany's penetration has been mainly economic and concentrated upon Turkey and Iran. In the latter country she has built up a certain prestige, but in Turkey,

in spite of intensive propaganda, a 50 per cent. share of Turkish and foreign trade and the granting of large credits, she has been out-manoeuvred by the Allies. Her greatest asset in the Near East is the spectacular success of her aggressions. Allah, too, is sometimes presumed to be on the side of the big battalions.

Russia enjoyed a brief reputation for satiety in her revolutionary period when her abandonment of Czarist expansion and her support for national independence gave Turkey and Persia the breathing space and support they needed to evict the Allies. In Iran, however, the lull was very short, and the Iranian Government has for the last fifteen years fought a diplomatic rearguard action against Russian encroachments. The situation became so strained after 1937 that all trading relations were broken off, and it is only towards the end of March this year that a new treaty was concluded. In Turkey, Russia pursued the policy of the good neighbour for much longer. Either as a solitary friend or, after 1932, as part of a system of collective security, Russia was Turkey's most persistent ally and did her signal service at the Montreux Conference in 1936, and nowhere did the Russo-German Pact come as a greater bombshell than in Turkey. Even so, M. Sarajoglu tried during October, 1939, to dovetail Turkey's Russian and Allied friendships. It was only when Russia demanded the closing of the Straits to all belligerent (therefore Allied) warships that Turkey withdrew in disgust and signed the Treaty of Ankara with the Allies, still stipulating, however, that an Allied war with Russia would not automatically bring Turkey in. Since then, Russo-Turkish relations have been "correct but not cordial."

This then was the balance of forces at the outbreak of war. In the first six months the Allies have on the whole maintained their position. The Arab press spoke unanimously in favour of the Allied cause. From the democracies the Arabs can still hope to achieve full freedom coupled with friendship and co-operation. The Poles and the Czechs remind them of what they can expect from a German victory. Even where the greatest hostility might have been expected, the tone of public opinion became more moderate. In Syria and Palestine, civil discord all but ceased, the Wafd in Egypt pledged their support, of all the Iraqi press only *Al Istiqlal* kept up the old peevish anti-Allied tone. Yet the support is obviously conditional. The Arabs expect a *quid pro quo*. The last war ended in some measure of Arab independence. The Allies must see to it that this war consummates the process. Otherwise, the support will be withheld. On this account, the regulation of land sales in Palestine was warmly welcomed as a step in the right direction.

Nevertheless, support does not imply any great willingness to be plunged into war. If Russia and Germany launched an attack, then undoubtedly all the reserves of manpower and armaments in the Near East would be at the Allies' disposal. During January and February, the press of Turkey, Iraq and the Mandated States did appear to be preparing public opinion for the possibility of a Russo-German outbreak in the Balkans or the Caucasus. Since the close of the Finnish campaign, however, the talk has died down and Turkey, at least, has made it clear that although attacks upon her would find her armies ready to a man, she does not propose to begin the fight. The Near Eastern States would probably like to regard the purpose of the Allies' great troop concentration as purely defensive. They would prefer the issue to be decided upon another front.

Of the future, all that can be said is that for us the paramount importance of defeating Germany is as pressing in the Near East as on the Western Front. We owe the advantages of our Near Eastern position to the fact that we are powerful and satisfied. If we cease to be powerful, the question whether or no we are satisfied will become entirely academic. The Near Eastern States will be reckoning how best they can come to terms with our conquerors. So long as we are militarily in command of the situation, we can count on reserves of goodwill and political support. If we prove we are in a position to inflict a crushing defeat, we may even secure military aid. One thing, however, is certain. We cannot fall back on a favourable Near Eastern situation. We can only create it.

Free and Controlled Pounds

THE recent sharp fall in the quotation for "free" sterling in New York has aroused some public attention and caused some private perturbation on both sides of the Atlantic. In Great Britain, fears have been expressed that the cost of imports will start rising again, that our exports will earn less than their due share of foreign currencies and that the confidence of the outside world in the value of sterling is being undermined; in America the fear is that British exports will be made artificially cheap and unfairly competitive. The fall in the "free" market rate—indeed, the existence of two quotations for sterling—is, of course, one of the results of the institution of exchange control at the outbreak of war. The ramifications of exchange control and its effects on exchange rates, foreign trade and prices are not a subject which even the hardest economist would choose for light reading. Nevertheless, it is a subject which it is particularly vital for those who are concerned with public policy in general to understand, since a mishandling of it might commit the double crime of squandering our foreign assets and of diminishing our foreign earning capacity. An attempt will, therefore, be made in this article to pick out the main principles of the matter, so that the lay reader may have, if not a detailed chart, at least a sketch-map of a country hitherto unknown to Englishmen.

The objects of exchange control and of foreign exchange policy in general in wartime are sufficiently obvious. The first canon of policy is to husband our reserves of gold, foreign exchange and marketable foreign securities and ensure that they are not drawn upon for any purpose that is not deemed necessary in the national interest. The second canon is to see that our exports earn as much foreign currency, while our imports cost as little foreign currency, as possible—in the technical phrase, to make the terms of trade as favourable to us as possible. For this reason it is in our interest in wartime to keep the value of our currency as high as possible, so that we can buy cheap and sell dear; there has been some criticism of the authorities for having devalued the pound to \$4.03 at the outbreak of war, and whether or not this criticism is justified, it is certainly true that any further devaluation would be harmful. The purpose of exchange control—that is, of the regulations that govern the purchase and sale of foreign currencies—is to discourage or prevent the export of capital from this country. The British exchange regulations prohibit the export of capital belonging to residents of the United Kingdom; they are prohibited by law from buying foreign currencies in exchange for pounds except from the Bank of England, and the Bank refuses to sell except for approved purposes.

The foreign owner of capital balances in the United Kingdom is not under this prohibition. The only disability laid upon him is that he is refused access to the official market, where \$4.02 can be obtained for every pound. But there is nothing in the regulations to prevent him from transferring his sterling balances to somebody else. He can transfer them to a British resident in payment for goods; or he can sell them in New York to another foreigner for dollars—for as many dollars as the second foreigner will pay him for them. This is the origin of the "free" or "black" market. It must be urged with all emphasis that the market is not "black" in the sense that it is in any way in contravention or evasion of the law. It is not a black market like that which existed before the war in Reichsmark notes, nor are foreign deposits in London blocked as they are in Berlin. Indeed, they are not blocked in any way; the foreigner can do what he likes with them.

The transactions in the "free" market are therefore between foreigners only. The rate of exchange that prevails in it is fixed by demand and supply, and, in spite of rumours to the contrary, the British authorities have not intervened in it in any way. The supply of pounds on offer in the "free" market comes from those foreigners who have sterling balances in London, but are refused permission to sell them at the official rate. The largest part of

these are capital balances dating from before the outbreak of war. The other source of sterling coming into the "free" market is pounds received by foreigners in payment for imports into Great Britain. If payment is made in foreign currencies, the British importer is allowed to buy them at the official rate—i.e. he gets them cheap, with advantage either to him or to the foreign exporter. It might, therefore, be thought that all imports would be invoiced in foreign currency in order to secure this advantage, and that would doubtless tend—possibly after some delay—to be the case, were it not that import permits seem to be easier to obtain where payment is to be made in sterling. It is difficult to see what advantage there is in this practice, as it merely feeds the "free" market, and there is no benefit to us in imposing a loss on the foreign exporter in getting his pounds out of the country, as he will recoup himself in a higher price.

The demand for pounds in the "free" market comes from all those non-residents in Great Britain who, for any reason, have payments to make in pounds; they will, of course, try to buy them in the "free" market since they can get them cheaper there. The recent fall was brought about by an arbitrary reduction in this demand. An amendment to the exchange regulations which came into force on March 25th made it compulsory for any British resident selling any of six commodities (whisky, furs, tin, rubber, jute and jute manufactures) to any of a number of countries (North and South America—other than Canada, Argentina and Uruguay—Belgium, Holland and Switzerland) to insist on being paid either in foreign currency or else in pounds which had been bought from the Bank of England at the official rate. This meant, of course, that it was no longer open to foreigners in these countries (which are, broadly speaking, the countries without exchange control of their own) to pay for their imports of the specified British commodities with sterling bought in the free market. The demand for free sterling declined, and the value of free sterling slumped.

Now it is apparent that the existence of a free market costs Great Britain a certain amount of foreign exchange that would otherwise accrue to the British authorities. When an American purchaser of Scotch whisky paid for it, a month ago, with pounds bought in the free market, the recipient of his dollars was the seller of pounds in that market—i.e. some foreigner anxious to remove his capital from London. When a sale of whisky to the United States is paid for to-day the dollars go to the British authorities, who can use them to pay for American aircraft or for any other national purpose. The existence of the free market is thus a direct or indirect drain on our exchange reserves. It is, however, stated by those in a position to know that its turnover is very small indeed—an attempt either to buy or to sell £100,000 on any one day will disorganise the market. The tacit argument is that it is worth suffering this small drain to avoid blocking—that is, interfering with the transferability of foreign-owned balances in London.

Does the Free Rate Matter?

If the existence of a free rate for sterling is a gap in our financial armour, does it follow that the lower the value of free sterling, the greater the disadvantage to us? At first sight that seems reasonable. When the free rate falls to \$3.50, foreigners can pay for their British purchases with less expenditure of their own money; it might seem to follow that we get less foreign exchange for our exports and are therefore disadvantaged. But this is not necessarily so; for we do not in any case get any foreign exchange as a result of exports financed through the free market. When the free rate falls from \$4.00 to \$3.50 it does not diminish the amount of foreign exchange we receive; it is the foreign seller of pounds—e.g. the foreign exporter of capital from Great Britain—who suffers the loss.

But though the fall in the free rate by itself does us no

harm, it has certain corollaries that are much less welcome. For one thing, the psychological effect of a fall in the free rate must not be ignored. In the greater part of the world the value of sterling is judged by the free rate in New York, even though only some 10 per cent. of our trade with the United States, and an even smaller proportion of our total trade, is financed at that rate. This has some propaganda value to the Nazis, but it is difficult to see what real harm it does to us. In any case, its impact effects are likely to be more severe than the lasting reaction. Secondly, the foreign owner of capital in England is not the only seller of sterling in the free market. Foreigners who come into possession of pounds by accepting payment in sterling for their sales to England also dispose of their pounds in the free market, and whereas the foreign owner of "capital" sterling cannot recoup himself for the loss, the foreign exporter can, by putting up the sterling price of his goods. This does not result in any direct loss of sterling, but it does mean, in effect, that more British goods have to be given in exchange for imports so financed; it offends against the second canon, if not against the first. It could be corrected by giving import permits as freely for goods invoiced in foreign currencies as for those invoiced in sterling—in which case all importers would choose the former course.

Effect on the "Soft" Currencies

Thirdly, a fall in the free rate for sterling has effects on trade with which it is not directly concerned. The phenomenon of a "free" rate diverging from the "official" rate occurs only in respect of those so-called "hard" currencies for which official rates are fixed by the Bank of England (notably American dollars) and the reason why a widening of the gap between the two rates does us no harm is that it does not affect the rate at which British residents do their buying and selling. But there are some currencies—the "soft" currencies, notably the lira and the yen—for which no official rates are fixed. There is only one rate of exchange between the pound and the lira or the pound and the yen, but this one rate fluctuates in rough accordance with the value of free sterling in New York. Clearly this is a different matter, for while a fall in free sterling in New York does not diminish the number of dollars received by the British authorities as a result of British exports to the United States, a fall of the pound in Milan or Kobe does lower the amount of lire or yen earned by British exports and increases the cost in lire or yen of our purchases from Italy and Japan. In short, it turns the terms of trade against us and thereby again offends against the second canon of a wartime exchange policy; and though the proportion of our trade affected in this way is not very large, it is by no means negligible. But it would be possible to get rid of this defect if the rates of exchange between Great Britain and these "soft currency" countries could be fixed by means of payments agreements or exchange clearings. This is the policy of the authorities, and when it has been fully carried out, and the payment for imports in sterling brought to an end, falls in the free rate of sterling will be powerless to turn the terms of trade against us, and we shall be able to disregard its fluctuations.

It is possible, then, to foresee a time in the near future—though we have not got there yet—when we shall be able to be indifferent to a fall in the value of sterling in the free market. But that does not get rid of the fact that the existence of the free market—even if the value of sterling quoted in it were exactly the same as the official rate—represents a loss of foreign exchange to us. Manifestly, it is to our advantage to reduce the volume of business done in the free market to a minimum, if we cannot abolish it altogether. Two courses of action seem to be open. The first is to cut off the demand for free sterling. That demand originates from foreigners who have payments to make in England, mainly for British exports. If payment for those exports were required in dollars or in pounds bought for dollars in the official market—if, that is, the regulations of March 25th were extended from the commodities specified to all British exports—there would be little or no demand for free pounds. The free

rate would fall very sharply, but very little business would be done. This course has some disadvantages. To encourage the invoicing of British exports in foreign currencies is not the best way to advertise the merits of sterling as an international currency—though this might be got over by requiring payment to be made in sterling through the official market. The great argument for this method is that it avoids incurring the odium of blocking foreign-owned sterling—though the foreign owner is likely to complain that the difference between blocking and a freedom which can only be enjoyed at the penalty of a ruinous discount is more formal than real. It might be possible to create some demand for free sterling by allowing British exporters to sell some part of their foreign exchange earnings in that market. But great care would have to be taken to see that this was only done for exports which would not be undertaken without the cheapening of their price that this would represent (as otherwise it would merely result in a loss of foreign exchange to our coffers) and the adoption of such a Schachtian device would hardly enhance our popularity in America.

Pros and Cons of Blocking

The other possible course of action is to block foreign balances in the United Kingdom—that is, either to prohibit entirely the transfer of funds out of a foreign-owned account or to permit it only for specified purposes. This would, of course, cut away the greater part of the supply of pounds in the free market; to the extent that it succeeds, it reduces the volume of transactions in the free market (and, therefore, the loss of foreign exchange) without driving down the rate. But there are serious objections to blocking. There is, first of all, the argument, based equally on commercial morality and self-interest, that it would ruin Britain's reputation as the world's banker. Who would ever again entrust funds to the keeping of London once they had been blocked? Secondly, the blocking of American assets in London might lead to the blocking of the infinitely greater British assets in New York—which would be a disaster of the first magnitude for the Allied cause. And, thirdly, for a country in Great Britain's position, blocking is a very difficult operation. Apart from the fact that a democratic country, even in wartime, cannot call on a Gestapo or enforce the death sentence in currency matters, we should be faced with the difficult choice between drawing the ring round the United Kingdom, thus cutting off the Empire, or else facing the impossible task of stopping leaks at every imperial frontier-post and at every port on the Empire's lines of communication.

These arguments are not unanswerable. As has already been suggested, there is little difference in morality, or in likely effect on a banker's reputation, between complete blocking and release at a very heavy discount, but one or the other must be faced, if the drain of the free market is to be substantially reduced. Complete blocking with equally complete release immediately after the war might well be accounted more honest than paying off our creditors now at ruinous rates. As for America, some special treatment would have to be accorded to American assets—either gradual release or permission to use them in payment for exports of luxury goods or other articles whose manufacture did not interfere with the war effort—but if such concessions as these are made, it should not be impossible to reach agreement. The technical difficulties are insuperable if every leak is to be stopped, but possibly not if attention is confined to the serious leaks. But clearly, blocking is not a policy to be entered on light-heartedly.

These two alternative policies—one which would reduce the demand for free sterling, the other which would remove the supply—differ less in their effect than in their form. The present policy of the authorities inclines to the first rather than to the second—official circles are very much impressed with the difficulties of blocking. It is not the purpose of this article to make a choice between the two policies. But this much can be said—that whatever policy is pursued, it is less likely to be successful if it is done hesitantly and half-heartedly. And whatever the policy, it is obvious that rules and regulations and the paraphernalia of control are bound to increase.

NOTES OF THE WEEK

Cabinet Changes.—Another reshuffle of Government offices was announced on Wednesday evening. Two of its features are very welcome. The first is the appointment of Mr Winston Churchill, First Lord of the Admiralty, as Chairman of the Defence Committee, and the suppression of that ineffective office, the Minister for the Co-ordination of Defence. There is no doubt that the public has confidence in Mr Churchill's conduct of the active war. The second is the appointment of Lord Woolton (better known until recently as Mr F. J. Marquis, managing director of Lewis's, Ltd.) as Minister of Food. Lord Woolton is, in the idiom of the last war, a "man of push and go," and to have a retailer at the Ministry of Food is perhaps the next best thing to having a consumer in that hotbed of producers. For the rest, the changes are, as *The Times* has aptly put it, "an elaborate game of puss-in-the-corner." Sir Kingsley Wood and Sir Samuel Hoare change places. That a more vigorous hand was needed at the Air Ministry has been apparent for some time, but the need seemed to be for someone with either industrial or technical qualifications; whatever Sir Samuel Hoare's reputation may be in the innermost circles, his name inspires no sort of confidence in the general public. The reasons for an exchange of offices between Lord De La Warr, hitherto President of the Board of Education, and Mr Ramsbotham, First Commissioner of Works, are even more mysterious. Mr Robert Hudson goes to the Ministry of Shipping, where his qualities will find full scope—though it is a pity that Sir Arthur Salter's claims have been overlooked, presumably on political grounds. Mr Geoffrey Shakespeare succeeds Mr Hudson at the Department of Overseas Trade, and Mr W. S. Morrison, hitherto Minister of Food, becomes Postmaster-General. There are also a few consequential changes in minor offices. But the details are unimportant; the essential fact is that it is only the scenery that has been shifted, the company and the performance remain as before. With the exception of Lord Woolton, no new blood is brought in. Several of the manifest weaknesses remain—notably the Ministry of Supply and the concentration of incompatible functions in the hands of the Chancellor of the Exchequer. The size of the War Cabinet is reduced by one only, and—except in so far as Mr Churchill's new task may possibly foreshadow the creation of a real Defence Minister—nothing is done to counter the criticism that it is too cluttered with departmental duties and cumbered with the representatives of purely departmental interests to leave any room for the formulation of policy.

M. Reynaud and his Critics.—M. Reynaud has lost no time in bringing into effect that tighter organisation at the centre which is to ensure a more vigorous prosecution of the war by the French people. The War Cabinet of nine has held several meetings; an Economic Council under the chairmanship of M. Chautemps, the Deputy Premier, has been set up; and a Cabinet Secretariat equivalent to that created in England by Mr Lloyd George in 1916 has been appointed. But M. Reynaud is not yet firmly in office. The sequence of events that led to M. Daladier's resignation and M. Reynaud's accession has left bitterness behind. It was the Right and the Socialists who, by abstaining from supporting M. Daladier, induced him to resign—though it is now abundantly apparent that there was no intention to remove him from the Presidency of the Council but merely to stimulate him to greater efforts. The Radicals—M. Daladier's own party—are indignant that this manoeuvre should have so completely succeeded, and they are tending to wreak their spite on M. Reynaud, in spite of the fact that M. Daladier remains as the second most important member of the Government with nine Radical colleagues. It is unpleasant to have to add that this understandable disappointment of the Radical Party is being played upon by two Ministers who were left out in the reconstruction of the Cabinet. Neither M. Bonnet nor

M. La Chambre has covered himself, or France, with glory during his term of office, and it would be an indictment of democracy if their personal hostility were to bring the Government down. So far as the Chamber is concerned, the situation turns on M. Daladier. He can bring the Radicals to heel if he will, and he is surely too big a man to encourage an intrigue against the Cabinet in which he serves, merely in order to return at once to the first place. In the Senate, rather different considerations apply, for though half the members belong to the *Gauche Démocratique*, which corresponds to the Radicals in the Chamber, their dominant sentiment is one of uncompromising anti-Socialism, and it is the inclusion of six Socialists in his Government that is M. Reynaud's worst sin in their eyes. There is to be a secret session of the Senate next week, and anything may happen. But there is a healthy growth in the public demand that a team of good men should be allowed to get on with their jobs. Changes of Governments mean less in France than in other countries; but they are hardly advertisements of national unity, and energy devoted to playing politics is inevitably diverted from winning the war.

The Allies and Russia.—Mr Churchill's "we do not seek war with Russia" was more than a statement of Government policy. It echoed the predominant opinion of British people. They hated the attack on Finland, and they distrust the disingenuous rôle that Russia is playing as Germany's "neutral" accomplice. But the main and only object is to defeat Germany and the harm that could be done to Germany by an attack on Russia is, at least for the present, less than the strain that such an extension of the Allies' task would impose on their resources. A minority, indeed, on the Labour side, looks upon this point as the acid test of the Allied Governments' sincerity in their fight against Hitlerism. Any move to "switch" the main objectives of the war farther East would greatly swell the number of those few who parrot-wise contend that this is an "imperialist war." The position in France is very different. There, a considerable section on the Right Wing of politics, the section that is most likely to seek the fall of M. Reynaud because of his six Socialist Ministers, wants open war with Russia. Their starting point is ideological. There can be no security, they say, until Communism has been crippled in Europe as it has been, quite ruthlessly, in France itself; to defeat Hitler is only to go half way. And, despite the fact that their views (expressed with startling frankness over the British radio this week in a short talk by an eminent French journalist) seem logically to seek war with half the world as well as Germany, they claim to be realists, too. Only through Russia can Germany's lifelines be cut, they claim; and Russia, they add, is hand in glove with Germany, in spite of all protestations of neutrality. These are not the views that France has accepted. Nor are they likely to be, unless Russia strikes aggressively again in Europe or gives an unneutral degree of assistance to Germany. But they are vocal enough to give an unfortunate backing to the contention of Russian statesmen and Western Communists that the Allies' ultimate aim is anti-Russian.

Russia and the War.—This Allied hostility to the Soviets was M. Molotov's main theme in his speech on foreign policy to the Supreme Council of the Soviets last week. Finland, he declared, had been sought by Britain and France as a base against Russia; in the Near East an Allied Army was tempting Turkey to "play with fire" in a drive against the Soviets; and in the manoeuvring for a springboard to launch the long-awaited capitalist war against Communism, both Italy and the United States, by their help to Finland, had played a part. It is at any rate a welcome proof of the force still inherent in the mere

phrases of morality and justice that so much ingenuity should be spent on repudiating the charge of aggression and claiming the mantle of self-defence. Here M. Molotov and Herr Hitler are at one. How far else are their policies linked together? "We must maintain our position of neutrality and refrain from participation in the war between the Great Powers"; M. Molotov's words seem clear enough, though they lose some conviction by the fact that he has never said anything else—not even when the Nazi-Soviet Pact was prepared and concluded. There is little doubt that Russia's inclination is to put as little positive energy as possible into the joint aggressor effort, or that her economy and war machine are ill-contrived for distant adventures.

But it is plausible to suppose that inaction, except in the economic sphere, is just what Germany wants from Russia—as from Italy. Non-belligerency is their contribution to the Nazi cause, with the rider always that they should be prepared, in self-defence, of course, to oppose force to the Allies, if we should seek to strike at Germany by side or back doors in Northern or South-Eastern Europe; M. Molotov's warning to Norway, Sweden and Finland to drop their proposed defensive pact was in the spirit of this part. The problem here for Hitler—and Ribbentrop—is to make sure that the non-belligerents do not clash between themselves in determining the places they are to protect. The debatable land is the Balkans, just as it was in the case of Germany's Austrian and Russian allies sixty years ago. At Easter a Three Power Pact resolving this question and locking the Balkans against Allied influence was promised. It has not yet come, and M. Molotov's speech may have thrown light on the reason. Russia had pacts of non-aggression with Turkey and Iran, but none with Roumania. This was because the question of Bessarabia was not settled. Although M. Molotov once more said Russia did not propose to go to war for Bessarabia, this was a scarcely veiled threat to Roumania not to act out of step with Soviet wishes. Even this may have been part of the rôle assigned by Hitler to Stalin, but at any rate, it gave a clear reason why Russia was not prepared to enter into a Three Power guarantee of the Balkan *status quo* and so allay Italian suspicions. If the aggressors are still in partnership, and there is no reason to suppose they are not, their mutual liability is still sharply limited.

Co-ordinating Information.—M. Frossard, the Minister of the newly constituted Ministry of Information and Propaganda in France, has been in London this week for discussions with Sir John Reith, and a new landmark in Allied co-operation has been reached. It has been announced that an officer is being appointed to co-ordinate the activities of the Ministry of Information in Paris and to act as a close and constant channel of communication between the two Ministers, while similar duties will be performed by a representative of the French Ministry in London. In a war of words and nerves co-operation in information and propaganda is obviously essential in presenting the Allied case; but it should also serve to increase the two countries' knowledge and understanding of what is happening in the other—a step in this direction has already been taken by the production of two films by our own Ministry of Information, which present the French Navy and munition manufacture in France. In this way the new co-operation will strengthen the basis of a permanent peacetime alliance which is the declared aim of both countries, and towards which the wisest move of all has been made with the plans for extending the alliance to education and promoting closer contact—by personal visits where possible, as well as by lessons in language, literature and culture—between French and British school-children. There is room here for co-operation not only between the two Ministries of Education, but also between the Ministry of Information and the Ministry of Education in each country. But before this is done the re-organisation of our own Ministry of Information must be

completed so that it can have a chance to settle down and do some useful work. The French Minister will, it is noted, have the censorship of the Press under his direct control; and it has long been felt that the hasty severance of the Press and Censorship Bureau from our own Ministry and the splitting up of its functions among the Service Departments was a mistake. Now there are reports that it will again be centralised, and the appointment of Sir Walter Monckton, Controller of Censorship, to the additional post of an Assistant Secretary of State at the Foreign Office implies that other propaganda activities, such as those of the British Council, are to be brought into proper relationship with the central organ.

Food Prices.—The belief abroad that large parts of Britain's population are going without sufficient food is fantastic. Last week's statement of Mr Lennox Boyd, Parliamentary Secretary to the Ministry of Food, to the effect that we could now be quite sure, not only of having sufficient food in all circumstances, throughout the war, to maintain life in all its vigour, but also of being able to convince everybody that justice was being done to the very poorest, tended to the other extreme. Few people would agree that an adequate plan for the development of home agriculture, for new arable acreage and the supply of feeding stuffs, has yet been definitively worked out; and no shrewd observer could deny that high food prices are causing not only widespread (and, admittedly, disproportionate) complaint, but also in some instances actual distress.

At the time of this week's Commons debate on the subject Mr W. S. Morrison was still Minister of Food, and his reply to Labour criticisms was very able. He pointed out that, whereas the cost of freight and insurance on 15 main imported foodstuffs had gone up 232 per cent., and the indexes of agricultural and wholesale prices both 40 per cent., food prices had only gone up 17 per cent.—compared with 22 per cent. in the first six months of the last war and 84 per cent. by 1918, when rationing was introduced. He pointed out, too, that, so far from exceptional war increases having taken place, the prices of butter, margarine, flour and bread were all below the level of December, 1929—a date somewhat arbitrarily chosen. The fact is, however, that, in spite of this impressive picture, and in spite of the work done by the Government to root out profiteering and cut down profit margins, rationing is not working equally between different sections of the population. The better-off people are rationed by the Government; the poorer people are rationed by price. This is merely a reflection of peacetime inequalities, but in wartime it becomes a special irritant. There is a widespread view that the introduction of rationing should presuppose that all citizens should be in a position to obtain the

Every facility for
BANKING
business on
SWEDEN
SKANDINAVISKA
BANKEN

Central Offices at Göteborg, Stockholm
and Malmö

CABLES (FOR ALL OFFICES AND BRANCHES)
SKANDINAVBANK

ration—so far as an iron ration of the basic foods needed for ordinary health is concerned. This may not be practicable as a universal principle. Certainly prices could not be brought down by anything like enough to make it possible. But the very fact of the rich and bountiful supplies Mr Lennox Boyd pictured should give an opportunity for experiments to supply specially poor people with essential foods at cheapened prices.

* * *

An Employment Census.—The decision has been taken to compile a census of the skilled, semi-skilled and unskilled labour in the three essential industries of engineering, motor vehicle and aircraft manufacture, and shipbuilding. The returns have to be in by April 10th, and this promptness is a small compensation for the unforgivable delay of seven months in deciding to collect this most important and essential set of facts. The census is only a beginning; it is only a fraction of what was done in the last war, and a still smaller fraction of what is needed if economic policy is to be founded on knowledge rather than guesswork. It is apparently proposed to take the census quarterly—it was monthly in the last war. The three industries now included employed, last July, only just over one-tenth of the insured population (1,529,130 out of 14,322,000); the census should be extended to cover them all. Moreover, the number of persons employed is not the only fact, though it is possibly the most important, that the Government should know about industry from month to month. Information is to be collected in this first instalment on the nature of the products manufactured and on the proportion of plant being used for defence work, for exports and for civil requirements. Clearly, there are other matters which should be included. The most vital of these is the actual amount of money being earned by employees—an essential factor in the making of financial policy on which there is virtually no information at all. It is not impossible that an earnings census is in contemplation, though it is hard to tell how long a delay there will be before it is taken. The Ministry of Labour seems to be unaccountably shy of doing its statistical duty, and it has apparently required pressure from the very highest source to induce it to go even as far as this week's embryonic census. The results will not, of course, be published during the war; but it is to be hoped that the machinery of collecting these all-important facts will not be demobilised when the war is over.

* * *

Home Defence.—Seven months of no bombing have inclined many people to regard A.R.P. as a luxury to be pruned and disregarded. For the A.R.P. services themselves the burden of inactive waiting has been heavy. Yet

here, more than elsewhere in preparedness, the respite has been valuable. The problem of A.R.P. has not been quantity but quality, not numbers of men and women but their efficiency and the effectiveness of the organisation binding them together and bringing them into operation in case of need. There has been time since September to work out the status and operational requirements of A.R.P. as a service not inferior to the armed forces. This week, from the Ministry of Home Security, comes the announcement that General Sir Hugh Elles is to be Chief of the Operational Staff of the Civil Defence Services; with him, in the process of training, will be associated Wing Commander J. E. Hodsoll, whose contribution to the efficiency of the A.R.P. personnel and organisation is already high. Together, in collaboration with the twelve Regional Defence Commissioners, these two men will be responsible for training and organisation—precisely the two departments of civil defence work where, for lack of regular discipline, traditional standing, public sympathy and individual understanding, A.R.P. work is weakest and least uniform. The present system of regional training will stand. So, too, will arrangements for the direction of operations in actual air raids. But the new authority will join the services at their weakest link by concentrating on the joint action of separate local bodies, on inter-district mobility and on uniform standards of training and efficiency between the localities and regions. Something like a wave of frustration and apathy has swept over too many A.R.P. bodies. The non-technical services have suffered most, and the warden and first-aid services particularly. If the new direction is to be valuable, not only on paper but in local operation, it will strive to end this by securing the setting before all enrolled personnel, voluntary or paid, of the same sort of standards of achievement and discipline as prevail in the fighting services. The goodwill, industry and self-sacrifice of A.R.P. workers are very much greater than their daily critics give credit for; but, for their own sake as well as the nation's, it is all-important that they should not waste the time Goering has allowed them.

* * *

America and the War.—There can be little doubt that the collection of "documents" found by the Nazis (according to their own story) in the Polish Foreign Office at Warsaw and purporting to show that the American Ambassadors in Poland, France and Great Britain were egging on the Allied "war-mongers" last August, have been fabricated and released in an attempt to harm Mr Roosevelt and assist in the election of an isolationist President. The attempt has misfired. For one thing, Dr Goebbels must have known that immediate denials would come from the State Department and the Ambassadors concerned, and he must be deluding himself as well as the German people if he imagines that his word will be preferred in America to theirs. And for another thing, it is an almost invariable rule of propaganda that open attempts by one country to interfere in the domestic politics of another have the opposite effect from that intended. It has certainly been so in this case. The effect has been to give a slight flavour of foreign policy to the primary election in Wisconsin on Tuesday. The Democratic voters of Wisconsin had a three-to-one preference for Mr Roosevelt over Vice-President Garner, and their Republican colleagues had a two-to-one preference for Mr Dewey over Senator Vandenberg. The British observer must beware of reading meanings relevant to the American public's attitude to the war into electoral votes in Middle Western states, but at least the results are not such as to show that the President has been harmed or that the appeal of isolationists like Mr Garner and Mr Vandenberg has been enhanced. The current mood of America is for keeping out—but how far removed that is from isolationism is shown by such recent events as the decision to permit sales to the Allies of the latest models of American aircraft and the renewal of Secretary Hull's Trade Agreements Act. In the circumstances, the President's remark, after hearing Mr Sumner Welles's report, that there was scant hope of peace in Europe at present can also be taken as a sign that the Allies' standpoint is both understood and approved.

BRITISH OVERSEAS AIRWAYS



BRITISH reliability
BRITISH efficiency
BRITISH courtesy
these are the watchwords
which have earned just praise
for the names of IMPERIAL AIRWAYS and BRITISH AIRWAYS

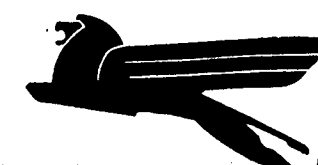
The activities of these two Companies
are henceforth to be united
under the British Overseas Airways Corporation

Their traditions remain
as the guiding principles
by which the new Corporation will strive
proudly and industriously

to give still greater strength to the bonds that link Britain to her Empire and
to friendly nations overseas
to maintain the position of British Civil Aviation throughout the World
and above all
to give the public at all times the service which it requires

TO-DAY THERE ARE REGULAR BRITISH AIR SERVICES BETWEEN
GREAT BRITAIN AND

FRANCE	EGYPT	FRENCH EQUATORIAL AFRICA	PALESTINE
ITALY	ANGLO-EGYPTIAN		IRAQ
GREECE	SUDAN	NIGERIA	INDIA
NORWAY	UGANDA	GOLD COAST	BURMA
SWEDEN	KENYA		INDO-CHINA
	TANGANYIKA		HONG KONG
	PORTUGUESE		THAILAND
	EAST AFRICA		MALAYA
MALTA	UNION OF SOUTH AFRICA		NETHERLANDS
TUNIS			EAST INDIES
			AUSTRALIA



British Overseas Airways Corporation, Airways House, London, S.W.1



CHRISTIANIA BANK
OG KREDITKASSE
OSLO

Established 1848

Every banking facility

Paid-up Capital and Reserves - Kr. 40.000.000

Balkan Expectancy.—Ribbentrop's plan to seal up the Balkans with a triple seal of Nazi-Soviet-Fascist design has apparently miscarried; and the initiative in South-Eastern Europe's diplomatic war has momentarily passed to the Allies and their Turkish associate. Britain's envoys in South-Eastern Europe have been summoned to London to report. On their return to duty France's envoys will follow suit in Paris; and, meanwhile, the Balkan countries are standing by to learn what is the rôle proposed for them in the strategic plans of the Western belligerents. From the aggressor side only one shot has been fired since Hitler met Signor Mussolini and Count Ciano persuaded the Hungarian Count Teleki to renounce revisionist claims on Roumania—on the assurance, it is said, that in spite of Nazi leanings towards an eastward move, Italy's guardianship over Hungary had not yet been surrendered. That shot was M. Molotov's, when he cynically dragged the unresolved Bessarabian dispute into the light of day in the course of his protestations of Russia's uniformly pacific intentions.

What the Allies will do with their moment is unknown. What they will not do is fairly clear. They will not plan assaults upon Baku, campaigns in the Vardar-Morava valleys or sorties up the Danube. These are figments of Nazi and Soviet imagination and wishful thoughts of impatient "activists" in Britain and France. The Allies' interest in the Balkans is precisely the same as Germany's and Italy's—Russia's is less certain—namely, to keep the peace there. But the gulf between peace and a Nazi peace is wide, and the Allies' aim is two-fold: first, to secure that neither the trade nor the policy of the Balkan countries, and of Roumania and Jugoslavia in particular, shall fall entirely into enemy hands; and, secondly, to convince the Balkan Governments after apparent Allied failures elsewhere, that Britain and France are strong enough, and resolute enough, to make good their promises. Turkey has the same aim: to see the Balkans free from German—or Italian—domination, and Turkey has a powerful army, now side by side with the Allied Eastern force. If the newly intensive blockade policy of the Allies is to succeed, the Balkans must not be lost either to influence or assault by the enemy, and for the moment Germany, near at hand and with the past successes of aggression to tell, has nearly the upper hand. But the winning cards are held by the Allies, if they are used rightly. In the military force that they could deploy, on land, at sea and in the air, they are at no disadvantage. In the economic strength that they could lend to aid the Balkans, their superiority is immeasurably greater. Only half-measures in their approach to the real interests of Balkan countries can lose them the diplomatic struggle outright.

The Neutrals in the North.—Caught between the Nazi devil and the deep blue sea controlled by the Allied navies, the nations of Scandinavia and the Netherlands are still dogged in their adherence to their own interpretation of neutral rights and duties. Britain, they claim, through the speeches of Mr Churchill and Mr Chamberlain, has put a false choice before them. They admit the excesses and outrages of Nazi sea warfare; Norway, Sweden and Holland have all protested in the last few days against the torpedoing and bombing of their vessels. They admit the illegality of Germany's attempts to press them into ceasing to trade across the North Sea; and they maintain that they have stoutly resisted this pressure, at great cost in loss and danger. But the unjustifiable demands made by Germany—and not conceded—do not, they contend, constitute a cause for the Allies to exert unjustifiable pressure on the other side. In Sweden and Norway, they were relieved to learn from Mr Chamberlain's statement that apparently, contrary to several forecasts, the Allied Supreme Council had not decided to "police" Norwegian territorial waters with their navies. But in all these countries the claim is made that, just as Germany

has no right to ask them not to trade with the Allies, so the Allies have no right to ask them to cut down their trade with Germany below normal levels; iron ore flows from Narvik to Britain as well as to Germany. In Holland especially, the point is made that for Germany's neighbours to join the blockade would be suicidal. Indeed, these are the two points on which the neutrals' definition of their position, not only with regard to the blockade but also with regard to Finland, are being based: first, that international law requires them to remain quite independent of either side in the war; secondly, that self-preservation suggests that, if they did not, they would be overrun and destroyed—by Germany. Self-preservation, in fact, is the real point of the controversy. The Allies claim, quite logically, that only by an Allied victory can the independent nations of Europe be saved from extinction. The neutrals reply that, though this may be true, their immediate problem is to ward off attack *now*; and, if the way to an Allied victory is by their own temporary extinction because of aid given to the Allies, then they prefer short-run safety to long-run salvation. Their stand is wholly intelligible. But the trouble is that Mr Churchill is right. The "crocodile" will eat them up in the end if he can; and, since the crocodile also has designs on Britain and France, the Allies must take every step to put a term to his marauding, even if such steps involve some restrictions on neutral freedom—as they must do, if only because Germany's main defence against the blockade is the existence of neutral corridors for her vital commerce.

Establishing Mr. Wang.—Official Japanese declarations on the occasion of the establishment of the Wang Ching-wei regime bespeak a more conciliatory attitude towards the Western Powers. Japan's priority in the development and utilisation of Chinese resources is claimed; but Mr Wang's undertakings in this respect will not, it is said, exclude foreign economic activities which "conform to the new situation." The "peaceful" nature of the Chinese War is emphasised, and though Japanese actions may have belied the present protestations, hints are given that after the incident is closed the Army will be put in its place by the civil Government. Such soft words can only mean that Japan, left high and dry by the German-Soviet Pact and fearing lest the end of the Finnish War will enable Russia to direct her attentions once again to the Far East, is anxious to make capital out of the bad odour in which Russia now stands with the democracies. She evidently has hopes that the Allies and the United States will in future eye askance a Government that counts on Russian support; and her haste in coming to terms with Mr Wang, after so many months of negotiation, suggests that she believes the present to be a propitious time for establishing his regime. From one quarter, however, she met with an immediate and uncompromising rebuff. The United States is in no two minds as to her attitude towards the war in the Far East; and Mr Cordell Hull lost no time in denouncing Mr Wang and in declaring that she would continue to recognise the Government of Chiang Kai-shek as the Government of China. It can be no coincidence that this flat assertion of policy followed hard upon an appeasement speech by the British Ambassador at Tokyo, who on the eve of Mr Wang's inauguration expressed confidence in the future of Anglo-Japanese relations, saying that though methods might differ, both countries were ultimately striving for the same objective—"a lasting peace and the preservation of our institutions from extraneous and subversive influences." The speech was interpreted in America as foreshadowing a Far Eastern Munich, and Mr Hull's prompt statement implied that America's attitude would not be shaken by any change in British policy. Lord Halifax has since given the assurance that no such change is contemplated and that there was no question of the Government recognising Mr Wang. Sir Robert Craigie's speech may, therefore, be taken as no more than a gesture to make a bid for Japanese sympathy in our own struggle. But we can hardly forget that, whatever her attitude towards the war in Europe, in the Far East Japan is an aggressor in her own right.

Shorter Notes

The March unemployment figures show the first real improvement since the war began. The reduction in the total number of unemployed is 382,887 on the month and 605,716 on the year; and there is even a reduction amounting to 111,000 on the August total, which ended the long series of declines beginning in January, 1939. The number of wholly unemployed, 966,000, is also below the August figure of 968,000.

There is still no sign that in Great Britain women are to any appreciable extent being employed in industry in the place of men, and the number of women unemployed is still 57,000 higher than in August. In France, on the other hand, in February alone 170,000 women were taken on in war industries; in establishments under the direct control of the Minister of Armaments 29 per cent. of the workers are women; and by a new decree the employment of a certain proportion of women—in some cases 100 per cent.—will be made compulsory in a number of industries.

It is understood that the Minister of Transport is considering a statement from the railway companies which puts in a plea for increases in rates and fares to meet the higher costs caused by the war. Coming so soon after their very generous treatment in the agreement with the Government, this request justifies the fears then expressed lest the companies' appetite should grow by what it feeds on.

The twelve regional committees to consider the cases of German and Austrian aliens, subject to restrictions or deemed worthy of review, have now been appointed and consist of a chairman with legal qualifications and two lay

representatives drawn from a panel of local residents. In addition, they will examine the cases of all aliens resident in the areas round naval ports which are declared protected, to decide whether they should be allowed to remain there.

The shipment of Swedish iron ore from Narvik to Great Britain and Germany in the first two months of this year, according to official Norwegian statistics, was as follows:—

	Germany		Great Britain	
	1939	1940	1939	1940
January ...	487,890	281,740	67,730	148,291
February ...	475,482	99,391	70,234	131,855

Finland's losses in men killed during the whole of the war are authoritatively estimated at between 15,000 and 20,000, which is considerably less than the 60,000 claimed by Molotov. The total damage to house property—excluding damage in the ceded territory—is estimated at one milliard Finnish marks (about £5,000,000), and the area of the territory ceded to Russia is roughly 41,900 square kilometres.

Mr J. A. Hobson, who died on Monday of this week, occupied a unique and remarkable place in British economics. Neither a business man nor the holder of an academic chair, he nevertheless had more influence over economic thought than all but a very few of his contemporaries. He saw the accepted doctrines of the academic schools approach quite close to his own views, though he never had the ultimate satisfaction of the heretic—of hearing the world say that he is right for the right reasons. A humanist, a rationalist and an idealist all in one, Mr Hobson has been aptly described as a latter-day John Stuart Mill.

Letters to the Editor

Winning the War

TO THE EDITOR OF THE ECONOMIST

SIR,—The problem raised in your article "Anvil, Fire and Hammer" (March 30th, page 555) is the war problem *par excellence*. I agree entirely with your insistence that it is necessary to have a plan to win this war. But I very much question whether victory presupposes, as you put it, "the defeat in the field of the German military machine." (Italics are mine.)

Military machines are only a part of the war-making equipment in total war, and it is at least possible that we have reached a stage in the evolution of war in which they will play a subsidiary part.

It is quite impossible for me in any space you could allow me to develop my argument on this point, but you may care to allow me to inform your readers that a memorandum entitled "On Winning the War" which I have prepared is now in print and will be sent to any of your readers who cares to ask for it on a postcard. In order to avoid misunderstandings I should perhaps explain that any member of the K.H. News-Letter service will automatically receive this document.

Yours truly,
STEPHEN KING-HALL.

Headley, Hants.

The War Effort

TO THE EDITOR OF THE ECONOMIST

SIR,—In your leading article, "Anvil, Fire and Hammer," on March 30th you make a comparison between Nazi expenditure on their war effort and what we are spending on ours. You then go on to say "That the House of Commons should debate the attitude of the Ministry of Supply towards commission agents would be admirable—if only it would also turn its attention to the inadequate scale of the Ministry's positive achievements."

May I point out that, in the early stages of the debate on the Ministry of Supply on March 15th, to which you refer, I spoke of the inadequacy of our effort as compared with

Germany's and stated facts which were fully confirmed by the article on "The Nazi War Economy" in your issue of the next day, March 16th. Replying to the debate, Col. Llewellyn, Parliamentary Secretary to the Ministry of Supply, said:—

I pass to the speech of the Hon. Member for North Cornwall (Mr Horabin). I must say the impression which his speech gave me . . . was that it was—*unfortunately*, I think—the greatest tribute paid in this House since this war started to the Nazi system. I was rather depressed to hear the Hon. Member make that speech, but I do not think the Nazis would be overjoyed, because I think the speech of the Hon. Member was not founded upon fact.

My reason for writing this letter is the reason why I despair of the capacity of the present Government to conduct our war effort effectively. Here we have a member of the Government, intimately concerned with supply, and completely ignorant of the facts about the German war effort. It is reasonable to assume that the rest of the Government is equally ignorant of the facts, otherwise the Parliamentary Secretary to the Ministry of Supply would have recognised the truth of my statement—after six months of war.

Yours faithfully,
T. L. HORABIN.

House of Commons.

BRITISH
MALAYA
INFORMATION

INFORMATION

The Malayan Information Agency exists to provide authentic information on all aspects of trade and travel in British Malaya. Agriculture, Mining, Motoring, Sport—illustrated handbooks, etc., on request.

THE MALAYAN INFORMATION AGENCY

Malaya House,
Trafalgar Square, London, W.C.2

THE WORLD OVERSEAS

Sweden and the Belligerents

(By a Correspondent)

IN the struggle between Germany and the Allies for the ear of the Scandinavian public, the former started with many advantages. Proximity counts for much, and the Germans have far older and stronger cultural and trade connections. The German colony in Sweden is much larger, and there have been many intermarriages between the aristocratic and business families in the two countries. Most important amongst the latter was Goering's first marriage. This gave him connections in certain important Swedish circles. He has been at great pains to cultivate these, and a large section of Swedish society was openly sympathetic with the Nazi regime until the Russo-German pact. The pact killed their interest in German political theory, but it did not make them pro-Ally. Business men could not see why, having accepted the absorption of Czecho-Slovakia, Britain should worry about Poland. They retained memories of 1914, when they were prosperously neutral and on the whole pro-German. The unpolitical Swedes saw no reason why history should not repeat itself.

The classes normally friendly to the Allies are politically to the Left. They have, however, disapproved of English policy since the Abyssinian affair. Sweden felt the Ethiopian tragedy very strongly. She had many connections with the country, not only through General Virgin and his staff but through the strong medical mission which had worked for years in the country. The subsequent developments of the appeasement policy were equally unpopular amongst the Swedish Liberals. Munich and the *Einmarsch* appeared as a deliberate rather than an unwilling betrayal of a small democracy.

Propaganda Failings

At the outbreak of war there was some reaction against Germany, but it was not balanced by any great confidence in the Allies. The Polish war created a quite lamentable impression. Whatever may have been the technical reasons against giving more assistance to the Poles, these reasons were most emphatically not explained to the Northern neutrals. The German agents took advantage of this, and their propaganda has been both realistic and effective. They have made no further attempts to popularise Nazism as a political creed. Instead they have concentrated upon advertising Germany's military strength, and the efficiency of her diplomatic methods. At the same time they have carried on a vigorous campaign, openly and also through their many personal connections, in order to show the Allies as cunning and decadent plutocracies, always buying others to fight for them, and anxious to lure neutrals into wars by giving them guarantees which they will never fulfil. All this fitted in with the view of England which has long been preached by Herr Sven Hedin and others.

The British reply to this campaign has been inept. The local representatives have done their best under very adverse

circumstances, but their case has been hindered in London. They could not appeal to the political Left, because it was considered necessary to justify British policy since 1935, a subject already discussed *ad nauseam* in Sweden, and one on which the Social Democrats have long made up their minds. The British cause also suffered much from certain propagandist books which depict Mr Chamberlain as a kind of Fabius Cunctator, saving the British Empire by making vicarious sacrifices abroad. These, of course, played directly into the hands of the German agents; it was exactly the case which they were putting forward.

Before the Finnish war, no party in Sweden had any doubt about their ability to remain neutral. Conservatives and Liberals felt that Swedish and Danish pacifism had been justified. Not until Russia invaded Finland did they see any possibility of being drawn into a war for which they were totally unprepared. Even then it was only the politically alert who understood what was happening. The active interventionists were men of the political Left, and mostly in the industrial areas. Herr Sandler and his friends found themselves against a solid block of sceptical indifference when they went into the country districts.

The Swedes would subscribe generously or send volunteers to the Finns, because they hate Russia and dislike aggression against small countries, but they were solidly opposed to being drawn into any kind of war. The predominant idea was that their country should not be made into another Poland, nor become a battlefield in a struggle on which Sweden has not really made up its mind.

The later stages of the Finnish war strengthened this feeling. The Swedish volunteers, to the number of about six thousand, were equipped and went to Tornio. They found not a sign of any British or French volunteers. They also saw no evidence of preparations for any large scale intervention by the Allies. These facts, reported back in Sweden, confirmed the growing suspicion that England was engaged in some complicated manoeuvre, which would end in the sacrifice of Scandinavia. There is no doubt that peace will bring an immense relief to everyone in Sweden and Norway, and that they will thank Germany for bringing that relief.

The recent tendency to blame Scandinavia for the Finnish peace terms will have the worst possible effect. The four Northern democracies do not want advice as to how they should conduct their affairs. They have no illusions about the weakness of their position, and are inclined to blame France and England for bringing Europe to its present unhappy condition. I happened to be in Sweden shortly after Mr Churchill's speech on the proper policy for the Western neutrals. The immediate hardening of sentiment against England was most remarkable. Nobody in Europe is prepared to accept the British Cabinet as arbiter and no one looks to England as the leader of the democracies. Even worse than scolding is the appeal for sympathy, and the British tendency to regard themselves as the weary Titan bearing the burdens of civilised Europe. It may be just possible to retrieve the position in Scandinavia, but it will require not only a new vigour, but also a totally different attitude.

Italy's "Imperial" Budget

[BY A CORRESPONDENT]

THE Italian Cabinet, under the presidency of Signor Mussolini, published in January, as in every past year, the Budget for the coming fiscal year 1940-41, which starts on July 1st. This time the announcement was restricted to figures, and no indication was given of the state of revenue

and expenditure in the current year. This renders it exceptionally difficult to pronounce any judgment on the state of Italy's finances. Some explanation is, however, likely to be given when Signor Thaon di Revel, the Minister of Finance, presents his preliminary estimate for acceptance to one of the two Houses of Parliament; and this year, as has just been announced, it will once more be placed before the Senate and not, as last year, before the less critical Chamber of Fasci and Corporations.

Record Expenditure

The new Budget is the largest ever presented by any Italian Government. The ordinary expenditure amounts to nearly 35,000 million lire. The announcement of this sum induced Professor de Stefani, a former Minister of Finance and now an economic journalist, admiringly to state that Italy was relinquishing her former and customary "metropolitan" Budget and entering on her first "imperial" Budget. The present Minister of Finance expressed himself less poetically, but more clearly, when he prophesied last May that in future Budget estimates ordinary expenditure would be nearly as high as the combined total of ordinary and extraordinary expenditure in recent years. He also stated that the increase of extraordinary expenses, due to the dangerous world situation, would make it impossible to normalise the Budget, as had originally been intended. In consequence, Mussolini's celebrated command "Live dangerously!" is again being obeyed in Italy's financial policy.

The ordinary expenditure for the three defence forces, as shown in Table II, now amounts to more than 10,000 million lire. The ordinary expenditure on the defence ministries and on the Ministry for Italian Africa, which still includes large military expenses, amounts to more than a third of the total. This is not remarkable, when compared with the Budgets of the belligerents. All the same, it is without precedent in Italy. Moreover, in recent years, ordinary military expenditure, on paper, has been little guide to actual expenditure. In 1937-38, the last year for which final results are available, ordinary expenditure on defence and Africa amounted to 7.2 thousand million lire; extraordinary expenses were 11.9 thousand million lire. It was additional military requirements which forced up the net deficit between 1937-38 and 1938-39, and forced the Minister of Finance last May to revise upwards his original estimates of ordinary expenditure for 1938-39 and 1939-40. This upward revision amounted to 7,500 thousand million lire in each of the two years and accounted for the low figure for 1938-39 of 6,500 million lire of extraordinary expenditure actually so-called. Thus part or all of the cost of the military occupation of Albania and other special expenses may have been booked to the ordinary Budget.

As already mentioned, no information has been given about the ordinary Budget for the current year since last May. The estimated "ordinary" deficit of 7,400 million lire will doubtless be reached, provided that the assumed receipts of 24,600 million lire are actually obtained. Doubts in this respect are justified, as the new taxes, which are expected to provide more receipts, either do not come into force until 1940-41 or have only been collected since the middle of February. Regardless of this difficulty, ordinary expenditure in the new Budget for 1940-41 is up by 2,900 million lire over the estimate for the current year, whilst revenue is up by 4,400 million lire as a result, no doubt, of the new taxes. As in Germany, the expected receipts have been spent in advance.

These hopes of bigger future receipts are based on two different factors. First, on the reform of taxation, commenced three years ago by Signor Thaon di Revel. The aim is to attain greater concentration and better organisation. This complicated task, which demands much time, is probably the reason why Signor Thaon di Revel is the only one of the economic ministers who was not touched by the "Change of Guards" in October, 1939. However, this reform, even if it does increase the efficiency of Italy's tax collecting system, is not likely to increase the revenue next year by as much as 4,400 million lire.

The other sources of additional revenue are the two new taxes decided on last autumn. The first is a 2 per cent. turnover tax levied on all sales. It came into force in the middle of February and is to replace the "tassa scambio" and the "bollo ordinario su note" previously levied. These latter were very complicated and their rates varied according to the object or transaction from 2 to 12 per cent. It is hoped that the new tax will simplify matters. Whether this will be the case remains to be seen. At present the introduction of this new tax has given rise to considerable disturbance. Its extension to every business transaction with the exception of wages and salaries and a few others already subject

to special taxes, is expected to be followed, despite the low rate, by a general rise in prices.

The second new tax, which comes into force at the beginning of the next fiscal year on July 1, 1940, is a novelty for Italy. It is a $\frac{1}{2}$ per cent. general property tax, levied on every kind of property of more than 10,000 lire. The novelty of this tax as well as the very complicated methods of valuation, are causing the authorities some difficulties. It will therefore be wise, at least at first, not to attach too much hope to the smooth functioning of this new source of revenue.

Italy is counting on an eventual annual net increment of 7,500 million lire from these two taxes. Together with an additional 1,000 to 2,000 million lire resulting from the general reform of taxation, the Italian revenue would suffice, at least on paper, for a future ordinary expenditure of 35,000 million lire annually.

New Loans

But apparently the authorities themselves do not share the optimism shown by a semi-official agency. For they announced the issue of new 5 per cent. "Buoni del Tesoro" of nine years' duration at the same time as the new Budget. These bonds are intended "to cover the extraordinary demands of the Budget." How far they will be used to meet extraordinary expenses is not stated nor is the total amount of the bonds known. Their issue ceased on February 29th. They are to replace the corresponding nine years' bonds which have to be repaid on May 15th next.

Other securities repayable in the first half of the current year, as for instance the bonds of the Prestito Nazionale (5 per cent. from December, 1915) as well as the coupons of the public loans, may be converted on similar terms into the new bonds. But even if all holders, as is expected, agree to the conversion, the result will not be an additional income, but will only spare the State disbursements in this and next years. But it is to be presumed that the Government will take advantage of the extraordinary liquidity of the banks and savings banks and induce them to take over large sums. But even if the ordinary deficit of 7,400 million lire is covered, there is still the extraordinary Budget. According to a private estimate extraordinary expenses in the current year may be 10,000 million lire, bringing the total deficit to over 17,000 million lire.

Whether any official information will become available remains to be seen. It is inconceivable that the deficit should be further met by bonds bearing a high rate of interest, as these will only raise the annual burden on the ordinary Budget. Such a policy would also end in a credit inflation which could not be disguised. It must therefore be assumed that the "non-recurrent" special taxes or taxes on capital started during the Abyssinian war will be continued. By this measure in any case the anti-inflationary effect of "skimmed" purchasing power would be achieved as in Germany. Yet in spite of all these endeavours rising prices present a very serious problem.

TABLE I
ITALY'S BUDGET FROM 1934-35 TO 1940-41

	Lire thousand millions						
	1934-35	1935-36	1936-37	1937-38	1938-39	1939-40	1940-41
Revenue.....	18.8	20.4	24.7	27.5	25.1	24.6	29.0
Ordinary expenditure	14.7	16.1	17.7	20.8	32.5*	32.0*	34.9
Surplus (+) or deficit (-).....	+4.1	+4.3	+7.0	+6.7	-7.4	-7.4	-5.9
Extraordinary expenditure	6.2	16.9	23.2	17.8	6.5		
Net deficit	2.1	12.6	16.2	11.1	13.9		

Actual revenue and expenditure (from Italian Statistical Abstract, 1939) in heavy type. * Revised estimates made by the Minister of Finance on May 23, 1939.

TABLE II
ESTIMATED ORDINARY EXPENDITURE ON WAR AND AFRICAN MINISTRIES

	Lire thousand millions			
	1937-38	1938-39	1939-40	1940-41
Army	2.5	2.6	3.4	4.2
Navy	1.8	1.9	2.7	3.4
Air Force	1.3	1.3	2.2	3.3
Africa	1.6	1.8	1.9	2.0
Total	7.2	7.6	10.2	12.9

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
RESERVE AND UNDIVIDED PROFITS \$40,266,700
TOTAL ASSETS IN EXCESS OF \$1,026,000,000

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

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

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

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

Uncertainty in France

[FROM A CORRESPONDENT IN PARIS]

THE political situation is still unsettled. M. Reynaud is in office but not yet in power, and the attitude of the parties who hold the balance in the Chamber and the Senate is not yet known. The position is that the fall of M. Daladier was, in a sense, accidental. Considerable manoeuvring went to bring about the state of affairs which led to his departure. But many Members were surprised when he resigned. It is a common view that the votes cast against him, and the large number of abstentions, were not intended to represent a vote of no confidence in him personally. They meant rather, it is said, a demand for a refashioning of the Cabinet and a revitalising of policy, under his control.

It is agreed that, in M. Reynaud, France has a man of exceptional qualities, a man of remarkable intelligence, notable independence and courage. But, in the Parliamentary sense, M. Reynaud is an "outsider." He has never submitted to the strait discipline of a party. Often he has stood up for his opinions even against his friends. There is not behind him the solid block of political supporters that both M. Blum and M. Daladier can command. He has great worth and authority, but no sworn followers. Parliamentarians are uneasy about a leader who has no party.

M. Reynaud has, indeed, formed a Ministry. But, to many, it gives no impression of cohesion. Most parties are represented, it is true, several by their heads, but in too many cases representatives of the second rank have been chosen, because the leaders themselves are unwilling to commit themselves. The Right has not put in M. Marin or M. Flandin. The Left has not sent M. Blum or M. Paul Faure. Only the Radicals have let their chief take office, in addition to several other prominent members. But MM. Bonnet and Delbos have retired to the back benches. The impression is not of the National Government that M. Reynaud himself undoubtedly wanted, but of a patchwork Ministry in which the different pieces have far from the same value.

The trouble is the Socialists. Six of them have taken office, and M. Reynaud has chosen here men who were leaders of the Popular Front—M. Monnet and so on. The great majority of the Senate, the parties of the Right in the Chamber and almost all the Radicals dislike and distrust this. Old feuds die hard in France. The bitterness between Radicals and Socialists is the greater because once they were allies.

Already, to show this fear and suspicion, the Radicals in the Chamber have abstained from a vote of confidence. In the Senate MM. Caillaux and Laval are hostile. The question is: can M. Reynaud overcome this opposition? He would have been markedly assisted if Mr Chamberlain could have brought the Labour leaders into the British Government. M. Reynaud will struggle hard. And, if he fails, it will be a loss to the Allied cause, as well as to France, because he is outstanding among Allied Ministers—but he has no party.

April 1st.

Whither American Business?

[FROM OUR NEW YORK CORRESPONDENT]

ONE could not write the economic history of Europe for the winter of 1939-40 without reference to the unusual severity of the weather. In the United States, it has not been extraordinary, except for an extremely heavy blizzard in February in the lower Mississippi Valley, and persistent sub-average temperatures in the extreme South-East, which caused local losses to the citrus and vegetable crops.

There has been another meteorological phenomenon not yet

The OCEAN

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

FOR ALL CLASSES OF INSURANCE

capable of appraisal. Last autumn was dry over much of the United States. Winter snows and rains have provided some moisture, so that talk about drought in the South-West has subsided. Nevertheless, the fact appears to be that a considerable part of the country is now entering the spring with some deficiency of water, both in the soil and in reservoirs.

The February business indices released by the Federal Reserve Board looked very much as expected.

BUSINESS INDICES

1923-25 = 100 (unadjusted for seasonal movements)

	Feb. 1939	Aug. 1939	Nov. 1939	Jan. 1940	Feb. 1940
Industrial production (total)	99	99	124	117	110
Manufactures (total)	98	99	123	116	109
Durable	84	85	125	117	104
Non-durable	111	111	122	116	113
Minerals	105	96	127	120	116
Construction contracts (total)	63	76	74	61	54
Residential	51	66	59	44	49
All other	72	84	87	75	58
Factory employment (total)	93.6	96	104	101.5	...
Durable goods	83.3	84	98	97.4	...
Non-durable goods	103.5	108	109	105.3	...
Factory payrolls (total)	86.0	90	102	98.3	...
Durable goods	77.7	82	101	98.2	...
Non-durable goods	95.3	99	102	98.5	...
Freight-car loadings (total)*	62	70	82	78	73
Miscellaneous*	75	74	89	86	83
Department store sales*	87	89	95	92	90
Department store stocks	65	65	82	61	...

* Adjusted for seasonal.

From these tables there is little evidence of change between February, 1939, and August, 1939, except in building, in which there was a vigorous rise, partly of a seasonal nature and partly attributable to the release of Government contracts. Between August and November, there was a very strong spurt in production, most marked in the durable goods industries—especially steel; less marked in non-durable goods; still less marked in department store sales.

From the record of March, it appears that the recession in the durable goods industries has continued, but at a slower pace. At the moment, the prospect of an early upturn rests entirely on hope. It now seems clear that the autumn spurt was a war-consequence, once removed. That is, war orders (direct or indirect) played a negligible rôle; but the hasty expectation of war orders caused a stampede to place domestic orders in the areas in which a hypothetical war demand might be expected.

The Outlook?

This situation has led to three opinions. First, there is the view that the cycle initiated in the middle of 1938 is definitely played out, and that we are now only in the initial phase of a major downturn which will pass presently from recession into depression. While this is often stated in the mechanistic terms familiar to students of business cycle statistics, it rests fundamentally on the theory that our entire structure has changed so radically that it cannot longer support a standard of living (or volume of production) anything like so high as in the past—in short, that cyclical fluctuations are to be expected to move about a lower norm. Secondly, there is the view that, after the terrible collapse of 1929-32, the process of reconstruction would be slow, fitful and arduous. On this theory, just as the depression of 1938 was less severe than that of 1932, so this one would not plunge so low as 1938.

The third view is almost (but not quite) entirely mechanistic. It belongs in the pulmotor school of economics; and expects that when or if the recession descends to a level which rouses popular pressure, some potent stimulant (in Wall Street parlance, "a shot in the arm"—an economic expedient derived from a study of the life of Mr Sherlock Holmes) will be injected into the jaded economy to galvanise the moribund creature into a semblance of vigour.

It will be noted that each of these three opinions is derived from purely domestic considerations. There are a number of others which, held by minorities, are related to the international. One of these is the belief that the war will eventually cause an enormous increase in our export trade, both to the belligerents and to the markets vacated or hypothetically to be vacated by the belligerents.

Still another group clings to what might formerly have been regarded as orthodox American economics—viz. a devout belief in the quantity theory of money. These would hold that, regardless of other factors, a projection of the trend of the circulating media (currency and deposits), whether as a consequence of gold imports or deficit financing, will eventually produce inflationary phenomena which will take the shape of a recovery or of a sustained boom.

March 21st.

A FRENCH SPA
WILL PUT YOU
RIGHT

In France there is a health-giving spring for almost every ailment, and your Doctor, if you consult him, will indicate the one best suited to your particular need.

THE SPAS OF

FRANCE

For further information apply to the Federation of the Health Resorts of France, Tavistock House North, Tavistock Square, W.C.

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 full report of the *Vereinigte Stahlwerke A.G.* (the leading German coal, iron and steel producer) for the business year 1938-39, which ended on September 30, 1939, lays special emphasis on the further increase of output during the year. The output figures available are as follows:

	(In '000 tons)			
	1937-38 Oct.-Sept., 12 months	1937-38 Oct.-June, 9 months	1938-39 Oct.-June, 9 months	Percentage increase for the 9 months' period
Coal	27,050	20,270	20,440	0.08
Coke	8,850	6,520	7,320	12.3
Pig iron	6,800	5,000	5,450	9.1
Steel	7,460	5,480	5,990	9.3

In the whole of Germany's coal-mining industry no further increase in coal output was possible, because of lack of skilled labour and the full working of capacity on the other hand. The extraordinary increase in coke output was necessary because of the greater demand for working domestic low-grade iron ore.

The total value of the plant and machinery of the *Vereinigte Stahlwerke A.G.* has increased from Rm. 988 millions in 1935 to Rm. 1,364 millions in 1938-39. The subsidiary *Gelsenberg-Benzin A.G.*, established for the production of synthetic petrol, began operation during the year. Total wages increased by roughly 12 per cent., indicating a considerable rise in the number of workers. Gross profits rose from Rm. 202.7 millions to Rm. 222.2 millions, and net profits and dividends remained unchanged at Rm. 27.6 millions, and 6 per cent., respectively. Total taxes paid increased from Rm. 44.7 millions in 1937-38 to Rm. 66.1 millions in 1938-39, or by 47.8 per cent.

The development of the *Vereinigte Stahlwerke*, controlling roughly one-seventh of Germany's total coal output and more than one-third of the total steel output (Czechoslovakia and Poland not included), indicates to a certain extent the trend of Germany's coal and iron and steel industry during 1939. It may thus be of interest to compare Germany's steel output in 1939 with the output of other countries. The American journal *Steel* published the following table, quoted on March 14th in the *Frankfurter Zeitung* with the Greater German figures left out, showing steel output in 1938 and 1939:—

	(In '000 tons)		
	1938	1939	(+) increase (-) decrease per cent.
World output	109,200	137,100	+ 25.6
U.S.A.	28,804	46,501	+ 61.5
Germany, Czechoslovakia and Poland	26,100	26,000	- 0.4
Great Britain	10,564	13,716	+ 29.9
France	6,186	8,534	+ 28.0
Soviet Union	18,068	18,796	+ 4.0

These figures are naturally based on estimates and are probably too optimistic for Germany. They show clearly that Germany will experience great difficulties in achieving a further expansion in her steel output. During January and February this year, output must in fact have considerably decreased. A recent survey, published by *National Zeitung-Essen*, admits the difficulties caused by the prolonged cold, which include the difficulty of shipping Swedish iron ore to Germany. Orders have piled up and delivery has often to be postponed. The whole industry is now working primarily for armament orders.

Electricity.—The business year of the two leading electrical companies, the *Allgemeine Elektrizitätsgesellschaft*, in short "AEG," and the *Siemens-Schuckert* and *Siemens und Halske Konzern*, also ends on September 30th. Both the companies reported a record turnover. Increased demand for heavy and light electrical machinery and apparatus compelled the companies to expand their plant considerably. Substitute industries, requiring enormous quantities of electric energy, have caused the expansion of

power stations, which had to be equipped by these companies.

Cellulose.—The leading company producing cellulose, the *Zellstoffabrik Waldhof*, reports an increase in turnover in the calendar year of 15 per cent. In recent years the manufacture of cellulose has constantly shifted to new raw materials. First, fir trees were the chief raw material; then, when fir trees became scarce in Germany and no exchange was made available to buy imports, the industry changed to beech and pine. The company now finds 50 per cent. of its total raw material from other than fir trees. In 1939 raw material supplies became more difficult because imports from Canada were no longer possible. The report expresses hopes of new imports from Russia and believes Poland will yield some quantity.

The company is now producing cellulose suitable for manufacture into artificial leather, and from a high-quality cellulose hopes to produce a substitute for cotton-linters. The *Zellstoffabrik Waldhof* owns the Finnish cellulose plants at Kexholm, which are situated in the territory annexed by Russia.

The second leading cellulose company, the *Feldmühle Papier und Zellstoffwerke A.G.*, reports record output in 1939. Plant was extended and domestic raw materials were substituted for imports from the British Empire. War conditions have increased the demand for cellulose manufactured from straw. The capacity of the *Vereinigte Strohstoffabriken* is being rapidly expanded, and new plant is under construction to use potato leaves and a reed specially grown for this purpose which is to be cultivated in Germany.

Articles in the German press praise the new artificial textile fibre, called *PeCe*, manufactured from coal and limestone. Plant for the manufacture of this fibre on a large scale is being built. The new fibre is reported to be acid proof. The American fibre called *Nylon*, produced in the same way, is different from the German product. The high water resistance quality of the German fibre makes it specially suitable for fishing nets. Being acid proof it will probably be used chiefly for workers' overalls in chemical and other industries. It is also reported to be of great strength and samples of machine belting made of *PeCe* fibre are already on the market. The fibre is produced by the *I.G. Farben Industrie*, the German Dyestuff Trust.

The output of cellwool has increased from 162,000 tons in 1938 to roughly 200,000 tons in 1939. The total output of artificial fibre, amounting to 229,000 tons in 1938, may have increased to 300,000 tons in 1939, or roughly 30 per cent. of the total supplies of 1938. Total home supplies, natural and artificial fibre, rags and waste, were estimated officially at 356,000 tons in 1938, or 32.4 per cent. of the total demand. Total home supplies in 1939 will probably reach 400,000 to 425,000 tons, or roughly 36 per cent. to 39 per cent. of the total supplies of 1938. In 1933 only 5.5 per cent. of the textile fibres used were home-produced, regenerated rags and waste not included.

New Standstill Agreement.—At the beginning of the war Great Britain and France held roughly Rm. 360 millions out of the total amount of Rm. 800 millions of Germany's Standstill debts; Rm. 120 millions out of the remaining Rm. 340 millions is held by the United States of America. The other parts are held by Holland, Belgium and Switzerland. A new agreement with the United States was concluded in September, 1939. Its most important point was the reduction in interest of one half per cent. Subsequent agreements concluded with Holland, Belgium and Switzerland also reduced the interest by one half per cent.

An advisory committee under the presidency of a Swiss banker has now been formed, and for the three neutral countries an arbitration committee has been set up at the Bank for International Settlements. Monthly payments of Register-Marks have been increased from Rm. 350 to Rm. 500. Register-Marks may also be used for allowances paid to persons living in Poland. The so-called Traveller's Mark has now been fixed in value and consists as to 75 per cent. of Register-Mark and 25 per cent. of Degomark, i.e. a mark issued by the "Golddiskontbank."

THE PRUDENTIAL ASSURANCE CO. LTD.

Points from the Directors' Report and the Speech of
SIR EDGAR HORNE, Bart.

Chairman of the Company, at the 91st ANNUAL GENERAL MEETING
held at Holborn Bars, London, E.C.1, 4th April, 1940

ASSETS AND INCOME. The assets of the Company are now **£354,455,855**, of which over 93 per cent. are invested in the United Kingdom and the Empire. The income during 1939 was **£56,254,060**.

ORDINARY BRANCH. The net new sums assured were **£27,130,000**. The reversionary bonuses declared on participating policies in force at 31st December, 1939, are **£1.14.0** per cent. for Whole Life Assurances, and **£1.10.0** per cent. for Endowment Assurances.

INDUSTRIAL BRANCH. The premiums received were **£23,810,034**, being an increase of **£694,548**. The reversionary bonus is **£1.4.0** per cent.

Since the initiation of the profit sharing scheme in the Industrial Branch, **£59,000,000** has been allotted for bonuses to policyholders.

A further reduction in the Industrial Branch expense ratio. For 1939 the ratio was **22.46** per cent. of the premiums received.

GENERAL BRANCH. The premiums received were **£2,620,959** arising from Fire, Sickness and Accident, Employers' Liability, Motor Insurance, etc.

APPROVED SOCIETIES. The total amount expended on benefits was over **£4,500,000** including **£546,000** on dental benefit.

SERVICE and SECURITY

THE BUSINESS WORLD

The Future of Private Banks—I

AS a form of banking organisation, the private partnership has been fighting a defensive battle for close on a century. In the realm of domestic banking that battle was joined in the '40's and irretrievably lost in the '70's and '80's of last century. But when one speaks of private banks in Great Britain to-day and considers what the future may hold in store for them, one refers to institutions whose other familiar synonyms are merchant banks and acceptance houses and whose sphere of activities has been the overseas rather than the domestic market. Most of them are partnerships or private limited liability companies, the distinction between the two forms of organisation being one of fiscal convenience rather than of organic structure. A number of public companies such as the Anglo-International Bank, the British Overseas Bank and the former London Merchant Bank, must however be included among them.

Many of these banking houses were founded by families of foreign origin or extraction though there are outstanding examples of domestic produce in the group, such as Barings and Guinness Mahon, to mention two only. The merchant banks rose to the height of their power, prestige and prosperity with that nineteenth century development of international trade and finance which elevated London to its unquestioned pre-eminence as the international merchanting and financial centre. Their own contribution to that development and that pre-eminence was considerable. Their overseas connections—often family ties with foreign banking houses—made them the channel through which London canalised most of the short-term and long-term credit which was being poured into every other country in the world during those constructive and magnificent decades—a period when the gold standard was in fact a sterling standard. The private banks developed the international acceptance credit into the fine and sensitive instrument which, with the help of the London discount market, did more than any other single factor to ensure exchange stability and the smooth and efficient functioning of international trade and finance. In addition, they undertook new issues for overseas borrowers, granted short-term accommodation which often preceded a long-term loan, commanded the underwriting lists which guaranteed the success of any issue they undertook to sponsor, and, after the operation, looked after the service of the

loans issued by them. As an ancillary part of their relations with an overseas clientèle, some of the merchant banks began to specialise in foreign exchange business. But for them, this highly important and profitable branch of financial activity would, until the war of 1914-1918, have remained the monopoly of the London agencies of foreign banks. The merchant banks were the British pioneers in foreign exchange business and their activities in that sphere facilitated international arbitrage in bullion and securities, highly profitable sources of income for London.

Then came the war of 1914-18. The world in which the merchant banks had lived and thrived had been shaken to its very foundations by the economic convulsions and aftermath of those years. The hegemony of the gold standard was gone. The unquestioned supremacy of London as an international financial centre was fading. International trade was increasingly trammelled by the growth of economic nationalism. Something had disappeared of that sense and tradition of international financial morality on which the whole business of foreign loans ultimately rested. But the symptoms of this changing and disintegrating world did not make themselves immediately apparent. Foreign defaults on Government and private debts occurred with greater frequency; but for some years the losses were outweighed by a tremendous increase of activity in spheres which the merchant banks had made their own. The huge borrowing programmes of the years of economic reconstruction in Europe brought much grist to their mill. There was an immense increase in foreign exchange business and though the clearing banks began to encroach on this profitable preserve the specialists probably received most of the additional business. There was, moreover, a recovery in international acceptance business which carried the aggregate amounts involved well beyond the heights reached before 1914. But much of this feverish activity was hollow and unhealthy. The money poured into reconstruction loans was preparing new defaults and underpinning an edifice which was not to last more than a decade. Most of the increase in foreign exchange business was of spurious, speculative character, a resultant of the gradual collapse of international currency stability. For these banks it was, therefore, a deadly malignant growth. But they did well out of it while it lasted. The same was true to a large extent of the new expansion in acceptance business. Much of it was not so much a reflection of the recovery of international trade as an indication of the abuse and perversion of the acceptance credit. The large line of open credit facilities granted to some foreign bank had taken the place of the genuine commercial documentary credit granted directly to the firm utilising its facilities. Thus, short-term credit which should have been repaid and recreated every three or six months was, in fact, going into permanent capital. That abuse was fully revealed with the sequence of defaults, moratoria and standstill agreements that ran through Europe and South America in the early 1930's.

The veil had fallen and, willy nilly, the defensive battle had to begin in earnest. Fortunately, the transition was not too abrupt. The great mass of short-term credit affected by the moratoria of 1931 was not defaulted upon but made subject to standstill agreements which provided for the payment of a reasonable rate of interest and for various devices by which the capital tied up could be gradually recovered. For the London acceptors and other creditors, the blow was not crippling. The foreign exchange market continued for some years to offer the profits of exceptional activity—much of it still the disquieting fruits of specula-

tion and of panic movements of funds from suspect currencies. But many of the merchant banks had read the signs of the times correctly. They cut their losses on frozen foreign credits and endeavoured to seek in the domestic field some compensation for the business they had lost in their traditional overseas markets. There began a campaign to popularise domestic acceptance credits, while a number of important merchant banks began to forge valuable financial links with industrial concerns and groups at home. But domestic trade had largely lost the bill of exchange habit and though valiant work was done to restore to favour this method of domestic finance, the results achieved could only provide compensation for a small fraction of the business lost in the foreign sphere. The rapprochement between the merchant banks and domestic industry was a development of possibly greater import for the future. It led to the sponsoring of new industrial issues of capital and to the establishment of relations between the banking houses and industrial groups concerned going well beyond those of banker and customer. If these relations were to endure they must obviously be based on some permanent participation of the bank in the equity of the industrial enterprises and this raised many questions as to whether a certain section at least of the merchant banking community might not be evolving towards a type of organisation akin to the Continental "banque d'affaires."

Then came September, 1939, and all these doubts had to yield to problems of far more pressing character. In the first place the default on the German standstill debts became complete and those acceptance houses whose German paper was still circulating in the discount market and with the banks had to stand the test of liquidity involved in the task of taking up the paper for their own account. It may be estimated that the commitments of the merchant banks in Germany totalled some £23,000,000 on the outbreak of the war. Much of this had taken the form of cash advances. Most of the acceptances involved had already been taken off the market as the result of earlier requests by the Bank of England. But the completion of default nevertheless must have been fairly painful in those quarters whose standstill policy had emulated too closely the "hope for the best" attitude of our political

leaders in their relations with Germany. The resultant test of liquidity was successfully passed, but not without cost to available resources and earning power. In some cases, but fortunately for only small amounts, there was a call on the special help from the Bank of England for which provision was made immediately following the outbreak of the war. That was the first shock. The second was the complete suspension of new issue business, both foreign and domestic. The departments concerned may not have been profitably employed for some time before the outbreak of the war, but they became wholly redundant with the sudden imposition of a rigid control on the new issue market. The third blow came in the shape of the control of the foreign exchange market. It was a particularly cruel blow because, quite unwittingly perhaps, it discriminated against the merchant banks. Unlike the clearing banks to whom they had taught the business of foreign exchange dealing, the merchant banks found themselves outside the list of "authorised dealers." Under the system of exchange control, clearings and Government operations in many commodity markets, the total amount of foreign exchange business to be transacted was in any case bound to become much smaller. But the merchant banks have suffered not only absolutely but also in their share of the reduced volume of business passing.

For the duration of the war there can be little hope of escape from the difficulties which suddenly descended upon the merchant banks on its outbreak. There is unfortunately little scope for their functions and activities in the inevitably controlled economy of the belligerent state engaged in totalitarian war. But, for the duration of the war, at least, they will endure in, broadly speaking, their present form. The few that may need help will be "looked after," though their power of ultimate resistance and survival must be somewhat weakened by the cost of the special accommodation which the Bank of England is ready to furnish—namely, the decidedly penal rate of 6 per cent. And after the war? What rôle will they play, under what guise will they function, in the world which we hope will emerge from our present turmoil? Even without attempting a definition of that brave new world, it should be possible to formulate tentative answers to these questions. The task will be attempted in a second article.

Building Material Shares

SHAREHOLDERS in companies producing building materials have no excuse for living, in wartime, in a fool's paradise. As the directing head of some of the largest cement and brick undertakings of this or any country, through the period of their greatest prosperity, Sir P. Malcolm Stewart speaks with the voice of authority. At the meeting, on March 18th, of British Portland Cement Manufacturers he declared that, so long as the war lasted, the demand for cement products must be almost entirely dependent on Government, A.R.P. and export orders. This week, Sir Malcolm has made this point with even greater emphasis to stockholders of Associated Portland Cement. "The volume of Government A.R.P. and export orders is uncertain, and I am bound to warn you that we cannot expect under war conditions a repetition of the results achieved last year." And recently, at the meeting of the shareholders of the London Brick Company (which succeeded in paying a total dividend for 1939 of 10 per cent., against double that rate for the preceding year, only by reducing the amount provided for depreciation), he was even more forthrightly pessimistic. "The general house-building industry, on which we mainly depend, is virtually dead for the time being. There is not in sight to-day any other source of demand of such magnitude as will take its place."

Any sermon on these texts must necessarily be an essay in survival—in measuring the forces of adversity and, with normal markets ruled out, in seeing how far alternative wartime demands are likely to fill a gap which is bound to be uncomfortably wide and deep.

Certainly the last war brought a painful contraction in

earning power, as is clearly brought out by the table of the results of the two largest, interrelated companies in the cement industry which appears at the head of page 624.

During the war years the net profits of British Portland Cement fell to one-half and those of Associated Portland to one-fifth of the 1913 figures. Recovery began about halfway through the war, and military demand evidently played some part in it. Its influence, however, was far

Three Reprints from *The Economist*

THE ECONOMIC FRONT

Six Articles from the issue of December 9, 1939.

THE ECONOMIC ALIGNMENT

A statistical survey of the economic strength of the nations of the world.

THE FINANCE OF WAR

Four articles from the issues of January, 1940.

PRICE 6d. each

THE ECONOMIST, 8 BOUVERIE ST., LONDON, E.C.4

THE BANK AS EXECUTOR

This is one of the many services which

BARCLAYS BANK

LIMITED

tenders to its customers.

Full particulars may be obtained from any Branch or from

THE TRUSTEE DEPARTMENT

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

CEMENT PROFITS: GREAT WAR AND AFTER

	Associated Portland Cement				British Portland Cement			
	Net Profits		Ord. Cap.		Net Profits		Ord. Cap.	
	Amount	1913=100	Earned	Paid	Amount	1913=100	Earned	Paid
1913.....	£'000		%	%	£'000		%	%
1914.....	299.0	100	1.5	5	250.5†	100	13.0	7
1915.....	275.2	92	7.8	Nil	146.4†	58	5.5	5
1916.....	177.1	59	2.7	Nil	128.5†	51	4.2	4
1917.....	61.1	20	Nil	Nil	125.9†	50	4.0	4
1918.....	69.6	23	Nil	Nil	168.5†	67	7.1	6
1919.....	232.2	78	5.5	Nil	185.2†	74	8.3	8
1920.....	161.6	54	1.9	4	303.8†	121	16.8	15
1921.....	418.4	140	13.7	10	323.4	129	18.2	15
1922.....	234.0	78	5.1	5	214.2	86	10.4	10
1923.....	239.7	80	5.1	5	210.6	84	10.1	10
1924.....	125.7	42	Nil	Nil	208.7	83	10.0	10
1924.....	127.0	42	0.1	Nil	214.0	85	10.1	10

† Twelve months to April 30th of following year.

‡ Eight months to December, written up at annual rate.

from decisive, and it was not until civilian demand somewhat violently reasserted itself, with the post-Armistice boom, that earning power regained and surpassed the standard of 1913—only to fall again sharply in the succeeding depression of the early 1920's. And that, it should

be noted, was the experience of representative companies in the cement industry, which, by general consent, has much more of a wartime equity than the brick-making trade.

In one respect the background for earning power in these industries may be less favourable in this war than the last; for it is the Government's policy this time to avoid, if it can, the big rise of prices of commodities (especially of constructional materials) which markedly affected the earning power of all companies in the years between 1917 and 1920. In all other respects, however, the building material producing companies can at least face the difficulties of the present war with more merited confidence in their ability to withstand them than they could a quarter of a century ago. In 1914 the large horizontal combine of British Portland Cement had been formed for only three years, and although Associated Portland had experienced fourteen years' working as a still larger trust, it was far from having attained stability, either financially or in its relationship with competitors. In 1940, by contrast, both cement- and brick-making concerns have the strength, internal and external, which comes only from a prolonged period of prosperous working, backed by conservative finance, rationalised production,

TABLE I.—BRICKS, CEMENT AND BUILDING, 1924—1939.

	Employment			Production		Houses Built	Building Plans		Profits	
	Bricks, etc.	Cement, etc.	Building	Bricks	Cement		Dwelling Houses	Other Buildings	London Brick Co.	British Portland Cement
1924	(Nos.)	(Nos.)	(Nos.)	(Millions)	(Thous. tons)	(Nos.)	(£'000)	(£'000)	(£'000)	(£'000)
1930	56,240*	14,946*	626,440*	4,066	3,281	143,765	37,669	20,517	181.8	214.0
1933	76,187	12,449	708,279	4,744	5,056	196,500	46,764	27,841	313.1	348.1
1934	85,391	13,165	789,940	5,878	4,686	293,885	62,308	21,373	312.6	357.1
1935	90,354	13,680	843,576	6,724	5,584	350,935	69,580	25,973	408.2	396.1
1936	93,988	14,387	910,727	7,220	5,958	350,315	78,431	35,882	415.5	484.0
1937	98,873	15,980	927,289	8,250	6,500	369,903	75,062	41,964	438.0	552.4
1938	98,490	16,985	919,358	8,250	7,300	359,638	67,599	42,945	436.5	554.6
1939	91,265	17,165	923,093	...	...	...	59,653	38,388	434.0	552.1
Same: 1924 = 100										
1924	100*	100*	100*	100	100	100	100	100	100	100
1930	...	...	...	117	154	137	124	100	172	162
1933	135	83	113	145	143	204	168	104	172	167
1934	152	88	126	165	170	244	185	127	224	185
1935	161	92	135	178	181	244	208	175	229	226
1936	167	96	145	...	198	257	199	205	241	258
1937	176	107	148	203	223	250	179	210	240	259
1938	175	114	147	...	...	...	158	187	239	258
1939	162	115	147	...	...	...	...	...	128	234

* June, 1923.

NOTE.—The above figures are based on the following data—Employment: Numbers of insured persons in employment in June of each year, in (a) Brick, pipe, tile, etc., making; (b) Cement, limekilns and whitening; (c) Building trades. Production: Census of Production returns (millions of bricks and thousand tons of cement), for 1924, 1930 and 1935; supplemented by Import Duties Act Inquiry figures and estimates for other years. Houses Built: Official returns for England, Wales and Scotland, for twelve months ended in following year, throughout. Building Plans Passed: Figures for certain towns and cities (excluding London, and all Government work), for calendar years, as given in Ministry of Labour Gazette. Profits: Net, before preference dividend.

TABLE II.—COMPANY EARNINGS AND FINANCE, 1930-1939

Company (and Balance Sheet date)	Associated Portland Cement (Dec. 31)			British Portland Cement (Dec. 31)			Alpha Cement (Dec. 31)			London Brick (Dec. 31)			Eastwoods (March 31)		
	Profits	Earned for Ord.	Paid on Ord.	Profits	Earned for Ord.	Paid on Ord.	Profits	Earned for Ord.	Paid on Ord.	Profits	Earned for Ord.	Paid on Ord.	Profits	Earned for Ord.	Paid on Ord.
1930	(£'000)	(%)	(%)	(£'000)	(%)	(%)	(£'000)	(%)	(%)	(£'000)	(%)	(%)	(£'000)	(%)	(%)
1933	387.6	8.9	8	348.1	15.8	15	6.7	1.9	Nil	313.1	20.1	20	67.2	20.8	12.2
1934	386.4	7.1	7	357.1	15.3	15	34.0	10.1	4	408.2	24.7	20	41.1	11.1	7.0
1935	488.7	10.0	10	396.1	16.2	17½	31.9	6.3	5	312.6	20.1	20	41.1	11.1	7.0
1936	857.7	23.0	20	484.0	22.3	20	79.4	13.8	10	415.5	24.4	22½	72.4	23.0	12½
1937	929.6	26.0	22½	552.4	27.9	22½	125.6	15.1	12	438.0	22.6	22½	84.0	27.3	15
1938	934.2	22.9	22½	554.6	28.1	22½	127.1	10.0	12	436.5	20.3	20	77.1	24.4	15
1939	940.3	22.2	20	552.1	30.2	22½	157.5	10.4	10	434.0	20.2	20	65.9	19.6	15
1939	742.0	15.2	15	501.4	23.1	20	...	...	...	233.1	10.1	10	37.2	9.2	8
Ordinary Capital (£'000)															
1930	3,000			1,680			450			1,400			300		
1939	4,000			2,000			1,100			2,000			300		
Ordinary Shares (or Stock)	Price	Earnings Yield	Div. Yield	Price	Earnings Yield	Div. Yield	Price	Earnings Yield	Div. Yield	Price	Earnings Yield	Div. Yield	Price	Earnings Yield	Div. Yield
	s. d.			s. d.			s. d.			s. d.			s. d.		
	46 3	6.57	6.48	55 0	8.40	7.27	22 6(a)	...	4.87	28 10½	7.00	6.92	16 3	11.30	9.84

Note.—Profits are shown, throughout, after fixed charges.

(a) 5½ per cent. £1 preference.

and a measure of price agreement. The outstanding feature of the last ten or fifteen years has been an unprecedented increase in building construction, residential and otherwise, but particularly residential. For the cement manufacturers there has been superimposed on it the development of new and important uses for their material (road-building being among them). Relevant figures bearing on the growth of demand for building materials between 1924 and 1939, so far as they are available, are grouped in Table I at the foot of page 624, and their movement between 1924 and 1939 is contrasted with that of the profits of the largest brick-making company and of British Portland Cement, respectively, in a supplementary table of index numbers based on the statistics for 1924.

The returns relating to building activity are seriously deficient. For buildings other than houses, the regular returns include only the value of plans passed, and even these exclude building in the County of London and Government building generally. Taking the figures as they stand, however, the lessons of the last fifteen years, from the investor's viewpoint, are readily perceptible. At the peak of the building boom of the later 'thirties the profits of representative companies in the brick and cement trades were approximately two and a half times as great as in 1924. This rate of increase was appreciably greater than that of production either of bricks or cement. And it was much greater than the rise in the effective labour force of the two industries. The tendency—gratifying for shareholders—for profits to outstrip production factors was, of course, partly attributable to decreased overheads. But most people who are familiar with the recent history of these industries would award the lion's share of the credit to the successful quest of those at the head of the largest companies for the economies of increased efficiency—coupled in the cement industry (more prominently than in the brick trade) with an increasing awareness of the potential benefits of a co-ordinated rather than a competitive price policy.

The peak of prosperity came approximately in 1936/37. Between then and the outbreak of war, building activity was declining and, as the more detailed Table II of company results given on page 624 suggests, the trend of profits also turned downwards. Three of the five companies in the table—Associated Portland, Alpha Cement, and Eastwoods—reduced their dividends in 1938, and all those whose reports for 1939 have been issued have made further reductions. The drop in earnings was steepest in the case of London Brick, where the effect of the falling demand for residential building was less cushioned by that of re-armament building than in the case of the cement manufacturers. Under war conditions the difference in the strategic position of the two industries is bound to be greatly accentuated. The closing down of speculative building operations, officially sponsored slum clearance, and office and flat building in Greater London and the larger provincial urban areas, will unfavourably affect both trades. But cement has a closer interest in wartime construction—military and industrial—and in civilian protection. Cement, much more than brick, is a possible wartime substitute for timber. And cement will travel, while bricks, like some of the finer wines, can hardly stand a long journey. Finally, cement, whose materials are entirely indigenous, is an admirable product for inclusion in any wartime export drive. That point has not been lost on the Associated Portland Cement management, for stockholders were informed this week of the great effort which the company is making to penetrate into new markets, in collaboration with the Export Council.

For these reasons, it is anomalous that London Brick ordinary should, at current Stock Exchange prices, yield appreciably less than British Portland Cement. The chairman of London Brick has himself declared that although the company hopes to obtain a share of "important orders required to execute work for the Government," the volume of visible demand is not reassuring in relation to the magnitude of the company's productive capacity. Already it has been decided to discontinue the quarterly dividends which have been paid regularly for eleven years, and the form of words used by the chairman in announcing this fact is capable of bearing the construction that the directors

must have the full results of the current year's trading before them before they can decide whether any ordinary dividend at all is justifiable.

Belt-tightening for brick company shareholders in wartime may be inevitable, but for holders of cement shares the omens may be rather more promising. Of the two factors which determine their profits and dividends, one—the level of prices achieved after infinite diplomacy before the war—seems at present unlikely to be threatened by war contingencies as such. The other—the volume of output—may quite conceivably be determined by considerations of high Government policy. Cement, up to a point, is a munition of war. It is bound to be in urgent demand in the period of reconstruction after hostilities. In other ways it affords an excellent example of the species of industry which would make a bigger contribution to the national war effort by maintaining its existing organisation and sharing in a Government-assisted export campaign than by materially reducing its output and allowing a significant part of its labour force to be drawn off and retrained for direct war industries. Stockholders, in any case, could not expect dividends at the pre-war rate, since entry into export markets on the scale desired would probably involve Government assistance in one form or another, but their prospects would be materially strengthened. The whole question, however, now lies in the lap of Whitehall, and in the light of known present factors it may be asked whether yields of 6½ to 7½ per cent., based on the distribution up to or near the hilt of the earnings of a mainly pre-war year, are not unduly low, even for the best cement equities. Admittedly, the companies will have a favourable E.P.T. standard, but earnings are unlikely to reach any level at which E.P.T. considerations will be more than academic. In other ways current prices seem slightly out of alignment; for it is anomalous that the ordinary stock of British Portland Cement, with its record of greater stability than Associated Portland over nearly three decades, should give the higher yield when a declining trend of profits is in prospect.

THE LEGAL & GENERAL ASSURANCE SOCIETY

announces that the

WAR RISKS EXCLUSION CLAUSE

now common to all new Whole Life and Endowment Assurances

CAN BE WAIVED

by the payment of a moderate extra annual premium in respect of the following categories:

MEMBERS OF H.M. FORCES AND ALL CIVILIANS BOTH MALE AND FEMALE IRRESPECTIVE OF AGE: An extra of £1 per annum per £100 sum assured for a maximum period of five years to cover War Risks in the United Kingdom but excluding aviation other than as a fare-paying passenger on a recognised air route within the United Kingdom. MALE CIVILIAN LIVES OVER 40 YEARS OF AGE AND ALL FEMALES: An extra of £1 10s per annum per £100 sum assured for a maximum period of five years to cover War Risks both at home and abroad provided that at the time the proposal is made there is no prospect of leaving the United Kingdom.

The Society is also prepared to consider covering War Risks both at home and abroad in respect of male civilian lives under 40 years of age, each proposal being considered on its merits. Life Assurance is more necessary to-day than ever before. Do not delay in providing your dependants with the fullest protection.

Write or call

LEGAL & GENERAL ASSURANCE SOCIETY LTD.

ALDWYCH HOUSE, ALDWYCH, LONDON, W.C.2

Established 1836 Assets exceed £47,000,000

General Manager: Vernon E. Boys
Branch Offices in all the principal Towns

Finance and Banking

Free Sterling.—From the low point of 3.45½ touched last week, the sterling rate in the New York free market this week recovered to 3.59 and then sagged again to the neighbourhood of 3.55. The free currencies quoted in London have tended to follow these gyrations. One feature of the free market during its recent period of agitation has been a noticeable widening of its turnover. This may seem paradoxical in view of the fact that the demand for sterling in this market has been considerably reduced by the latest exchange regulations. It also runs counter to the expectations held in high quarters here, that a greater measure of fluctuations in the free sterling rates would be a desirable thing, since it would indicate a narrowing of that market. The fact is that, with the severity of the recent decline in the free sterling rate, many foreigners who had until then been content to leave their funds here suddenly changed their minds, and by their sales seriously upset the equilibrium of the market, which had just been deprived of a considerable part of its support. The turnover in the free market was also swollen by the sudden development of bear operations. It is a somewhat disquieting fact that prominent neutral banks appear to be able to obtain overdraft facilities in London which, it is strongly suspected, are in certain cases being used for speculative operations. The education of some of our "authorised banks" in the mysteries of the international exchange market and in the shadier activities of certain of its Continental members is still far from complete.

Amsterdam remains the principal dealing centre for free sterling, and it is there that speculative activity in our currency is mainly concentrated. It has been evident, however, that during the past three weeks heavy outright selling of sterling has come from the Far East, a fact which confirms earlier suspicions in the market that centres such as Shanghai have provided fairly substantial loopholes for the escape of funds from the sterling area. The free market in sterling and French francs (the two may be regarded as synonymous) has also been fed by the "black" market (the adjective is used advisedly) in smuggled notes. The extent of France's land frontiers makes it extremely difficult to enforce the restrictions against the export of capital in this form. Though the traffic may not have become disquietingly large, it cannot be denied that appreciable markets in French notes have sprung up in countries such as Belgium. The authorities in France and Britain are aware of this problem and are putting such obstacles as the present regulations allow in the way of the free and unconstitutional repatriation of such notes. There is another loophole for capital from the sterling area through foreign domiciled trust companies, which in fact hold

assets for British beneficiaries. It is to be hoped that the coming Budget will deal very firmly with this particular form of evasion.

Monthly or Weekly Making-up?—The disturbances in the money market occasioned last week by the clearing banks' monthly making-up should draw attention to the faults of this war innovation. It will be remembered that on the outbreak of the war it was decided to discontinue the publication of monthly clearing bank aggregate figures for the duration. There was an immediate and justifiable outcry against the inclusion of these vital figures in the statistical "black out" which then descended upon the country. The Committee of Clearing Bankers relented and decided to continue the monthly figures but to change their basis by relating them to the final making-up of the month for each of the clearing banks concerned instead of to the average of the weekly making-up days in the month. The justification advanced for the change was that it would simplify the whole procedure of compiling the figures and that in the special circumstances created by the war the saving of clerical work was imperative. It is doubtful, however, whether the saving resulting from this change in the compilation of the monthly figures is more than negligible. Each bank continues to take out weekly figures for its own purposes. As a matter of domestic accounting and checking routine, the weekly making-up continues, though it may not be achieved with the detail and preparation that go to the compiling of the figures which are actually published. The case for the monthly making-up is not therefore particularly impressive.

The case against it, on the other hand, is strong. It has compelled a return to "window-dressing" and to its attendant disturbance of the money market on a scale which had not been seen since the days of the gold standard. It stands to reason that when the clearing banks had four or five lots of figures to average in compiling their monthly statements they did not find themselves compelled by the emergence of an exceptional depletion of cash on one of the days in question to correct the position by severe calling from the market. They could in part rely on the position being evened up over the other making-up days in the month. That cushioning effect of the weekly averages no longer obtains to-day. If on the effective monthly making-up day the position promises to reveal a shortage of cash, it must immediately be corrected by the appropriate recall of money lent on the market. The impact of this monthly making-up is all the more felt as the selected days are the last making-up day of the month for each clearing bank. Their incidence therefore falls during a period when abnormal disturbances of the credit position from changes in the note circulation, preparations for dividend payments, etc., are usually at their maximum. This leads to yet another item in the case against the monthly making-up, namely that it photographs the banking situation in a decidedly unnatural pose, when the figures tend to be distorted by purely temporary movements of funds. This appreciably affects the continuity of the new series with the pre-war figures and even invalidates the comparability of the new figures. This is therefore a case where the claims of statistical accuracy tally with those affecting the convenience and smooth functioning of the market. They do not appear to be effectively offset by the arguments hitherto propounded for the monthly making-up and a return to the weekly averages would on balance seem desirable.

Silver Export Point.—The recent fluctuations in the free sterling-dollar rate have emphasised an important

aspect in the position of the London silver market which has received curiously little attention. It concerns the calculation of the effective sterling parities for silver in terms of the official United States price for imported metal. Hitherto these calculations have been made on the basis of the official dollar rate, and have yielded results showing that London prices of silver remained well above the American parities. The inward parity—the silver import point—need not concern us. The embargo on the import of silver into this country has given that figure no more than academic and nominal significance. But since silver is free to leave this country, the export point is one of practical importance. That it has not yet entered into the day-to-day preoccupations of the market is partly due to the utilisation of the official sterling-dollar rate in its calculation. But there is nothing in the exchange regulations to debar an American purchaser of silver in the London market from paying for his metal in sterling obtained in the free market. The effective export point is therefore one which moves not merely with changes in the official American Treasury price and with alterations in the costs of shipping silver across the Atlantic, but with the fluctuations in the free sterling-dollar rate. When that rate recently slumped against us to the low level of 3.45½ the point was, in fact, reached at which it would have been theoretically feasible to buy silver in London and export it at a profit to the United States—provided the free market was used for the relevant exchange operation. It was a fleeting opportunity which does not appear to have been seized by any operators. But it is one which may recur, aided not necessarily by the movements in the exchange, but by those in the sterling price of silver. If, when it does, the Silver Purchase Act still stands, a basic line of defence for the sterling price of silver will be available at a level decidedly more reassuring—from the point of view of silver—than that indicated by the export point calculated on the official exchange rate.

Peseta Rates.—With the coming into force of the Anglo-Spanish Trade and Payments Agreement on April 1st the Bank of England began quoting two rates for pesetas. Both apply to the conversions under the clearing machinery set up by the agreement. The official rate has

remained at 38.60 pesetas to the £, and in addition there has been a so-called "voluntary" rate quoted at 45 pesetas to the £. The official rate is to apply to the payments of amounts due from this country to Spain for goods or freights where such debts are expressed in pesetas. The voluntary rate will apply to other items which have not yet been specified in detail between the British Clearing Office and its Spanish *vis-à-vis*, the Instituto Español de Moneda Extranjera. It may, however, be assumed that it will cover such items as personal remittances and payments made by British insurance companies in respect of claims arising from policies on Spanish property. The destruction caused by the civil war has left a relic of outstanding and, in many cases, as yet undecided claims of this kind. Their settlement will be effected through the clearing. The provisions for including the settlement of "invisible" items in the balance of payments of the two countries in the clearing is an interesting and significant advance in the scope which such agreements have hitherto covered. Moreover, the establishment of a "two-decker" tariff of exchange rates within the clearing is an interesting innovation in clearing technique.

Italy's Gold Reserve.—Ever since October, 1935, the Bank of Italy has not published weekly returns of its position. They disappeared at that time with a host of other statistics on the economic and financial position in Italy. This fact gives additional interest to the occasional glimpses into the reserve position revealed by the annual reports of the central bank. The cabled summaries of the latest balance sheet reveal the following changes:—

(In million Lire)			
	End of 1937	End of 1938	End of 1939
Gold	3,996	3,674	2,700
Foreign exchange	32	152	300
Total cover	4,028	3,826	3,000
Circulation	17,467	18,955	24,400
Total sight liabilities	18,933	20,676	26,900
Ratio of cover to sight liabilities	21.3%	18.3%	11.2%

The cover behind the circulation continues to shrink at a rate which may not be disquieting measured in absolute terms, but which gains in significance when related to the

MONEY MARKET NOTES

THE officially quoted exchange rates have remained unchanged throughout the week. The unofficial rates have fluctuated in accordance with the fluctuations in sterling in New York. Lire, for instance, have moved up from 68.70 at the end of last week to 69.70½, but Finnish marks and escudos have moved against the pound.

The money market has experienced extremely easy conditions after the temporary stringency of last week. The clearing banks have been exceptionally good buyers of bills, and the market, which obtained a rather better allotment quota at last week's Treasury

tender—amounting to 49 per cent. against 38 per cent.—has sold as many as they could. Some idea of the present plethora of money may be obtained from the results of the tender for the £1,000,000 Port of London Authority Bills. These, which run for six months, were placed at an average rate of 1½ per cent. This is the same as the effective rate for the three months' bank draft. Bond money has been easily obtainable at ¾ per cent.

The Bank Return shows why the banks have been such eager buyers of bills. Owing partly to first of the month dividend disbursements, and partly to payments for Government contracts,

there has been a big switch-over from public to bankers' deposits. The former are down by £20.7 millions, while bankers' deposits are up by as much as £22.8 millions. They have also benefited slightly by the return of notes from circulation, although, since the Easter holiday was rapidly followed by the end of the month, this is being a much slower process than in normal years. The decline in the note circulation, in fact, only amounts to £0.7 million. Government securities, on the other hand, are up by £3.4 millions, which probably represents Government borrowing on Ways and Means from the Bank to meet its first of the month requirements.

THE MONEY MARKET

	Apr. 5, 1939	Mar. 28, 1940	Apr. 4, 1940
Bank Rate.....	2	2	2
London Deposit Rate ...	12	12	12
Short Loan Rates:			
Clearing Banks	12-1*	1-11½†	1-11½†
Others	12-1	1	1
Discount Rates:			
Treasury Bills (3 mth.)	11½	11½	11½
Three months' bank bills	11½-5½	11½	11½

* *Vis.*, 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.

† *Vis.*, 1 per cent. for loans against Treasury bills and British Government securities; 1¼ per cent. for loans against other collateral.

THE BANK RETURN

	Apr. 5, 1939	Mar. 20, 1940	Mar. 27, 1940	Apr. 3, 1940
Issue Dept. £ mill.	226.2	0.2	0.2	0.2
Gold ...	148s. 6d.	168s. 0d.	168s. 0d.	168s. 0d.
Value per oz. fine ...				
Notes in circulation	491.4	540.6	543.1	542.4
Banking Dep.	35.8	40.7	38.2	38.8
Reserve ...	16.0	49.5	43.1	22.4
Public Deps.	91.9	98.1	98.0	120.8
Bank Deps.	40.5	41.8	42.2	41.4
Govt. Secs.	100.3	133.6	134.2	137.6
Dis. & Ads.	8.5	7.2	6.1	3.2
Other Secs.	21.5	26.0	23.0	23.2
Proportion	24.1%	21.4%	20.8%	21.0%

THE BULLION MARKET

Date	Gold		Silver	
	Price per ounce fine*		Price per oz. standard	
		Cash	Two Mths.	
1940	s. d.	d.	d.	
Mar. 29 ...	168 0	20½	20½	
Apr. 1 ...	168 0	20½	20½	
" 2 ...	168 0	20½	20½	
" 3 ...	168 0	20½	20½	
" 4 ...	168 0	20½	20½	

* Bank of England's official price.



EQUITY & LAW

LIFE ASSURANCE SOCIETY

Established 1844 Funds exceed £30,000,000

All Classes of Life Assurance transacted

ANNUITIES

This Society has specialised in the granting of Annuities and at present pays out over £1,000,000 each year. Quotations will be sent on application to the Manager.

20 Lincoln's Inn Fields, London, W.C.2

Telephone: Holborn 7612

growth in the circulation and other sight liabilities. In some ways, the meagreness of the reserve margin has been emphasised since the outbreak of the war by the exchange movements which followed it. The lira has not followed the belligerent currencies in their depreciation against gold, and consequently the evidence on the unimpressive reserve position has been reinforced by the increased over-valuation of the currency in the exchange markets.

* * *

Holland Revalues her Gold.—The recently enacted Gold Revaluation Act providing for the revaluation of the Netherlands Bank's gold reserve is given effect to for the first time in the weekly return published this week and showing the position on April 1st last. The gold reserve has risen from Fl.1,023,055,000 to Fl.1,244,672,000, the increase being "almost exactly accounted for by the recalculation of the reserve at 122 per cent. of the previous fixed gold price. The principal offsetting changes are an increase of Fl.121,187,000 in deposits and a reduction of Fl.55,451,000 in advances. The Act provided that part of the revaluation profit should be available for the general purposes of the Dutch Treasury, and in particular for covering special defence requirements. This allocation probably accounts for the increase in deposits. The balance was to be earmarked to the repayment of advances made by the Netherlands Bank to the Dutch Equalisation Fund.

* * *

Eastern Banking Results.—The four banks operating in India and other eastern countries whose accounts have appeared recently have certain balance-sheet changes in common, which may be directly attributed to the war. The figures of the Chartered Bank of India, Australia and China are not comparable with last year's as in the meantime the P. and O. Banking Corporation has been taken over, but even allowing for this factor the trend is the same as for the other three. For instance, all show rises in bills payable, amounting in three cases to about 100 per cent. At the annual meeting of the Chartered Bank, Mr d'Anyers Willis explained that whereas before the war remittances from the East were

chiefly sent home by air, they now come mainly by the much slower surface mail, with the result that outstandings are much heavier at any particular date. The general increase in deposits is also due both to more active business resulting from the war and the desire of the public in the countries concerned to keep their resources liquid. So far as assets are concerned, the banks have increased their liquidity correspondingly with the rise in deposits. Cash shows a general rise—in the case of the National Bank of India by as much as £2 millions—and securities are down. Advances are up in every case, so that the banks, while preserving a liquid position, have been able to meet the increased demands for credit. Taxation and war expenditure, however, have prevented this improved business from being reflected in profits. Those of the Chartered Bank and the Mercantile Bank of India show small rises, and those of the Eastern Bank and the National Bank of India equally small falls. With the exception of the Eastern Bank, whose dividend is reduced from 7s. to 6s. a share, the dividends are maintained.

* * *

Bank of Scotland.—The fall in profits of £31,086 to £274,548 shown by the Bank of Scotland for the year ending February 29th is easily explained by additional war expenditure and heavier taxation, for the balance sheet shows increases in all the profit-making items. Advances are up by £781,029 to £10,508,426, acceptances by £813,154 to £5,261,273 and bills discounted by £1,812,506 to £2,395,436 (of which £2,000,000 consists of Treasury bills). Investments, which, with the exception of £944,461, are all British Government securities or securities guaranteed by the British Government, show an increase of £1,164,727; and their total of £26,841,526, together with cash and other quick assets, which amount to £13,254,262, make a sum which is equivalent to 77 per cent. of the bank's liabilities to the public. The bank is, therefore, well able to meet the prospective increase in demands for credit. At the annual general meeting, Lord Elphinstone said that it was already giving assistance to the farmers in their efforts to increase their production of crops and was co-operating with the Scottish Office in plans for extending this assistance.

INSURANCE NOTES

Refuge Assurance.—A characteristic of the industrial-cum-ordinary offices last year was the relatively smaller decline in new business in the industrial branch compared with the ordinary branch. Thus the industrial new business of the Refuge, the third largest of these offices, amounted to £14,325,800, or only £1,535,200 less than in 1938. In the ordinary branch, the decline was comparable with that of the ordinary offices—the total for 1939 being £6,422,700, or £1,472,200 less than the previous year.

A slightly increased premium income was obtained in the industrial branch, despite the transfer of a relatively large volume of business to the State-owned company in Eire. Expenses in this branch fell from 32.83 per cent. of premiums in 1938 to 32.07 per cent. in 1939, although the war added to costs in several directions. The industrial surplus amounted to £1,028,600, an increase of £134,000 over the surplus in the previous year, and the allocations both to policyholders and shareholders were increased from £454,400 to £514,000 and from £51,400 to £112,500, respectively. As in the previous year £250,000 from the surplus was transferred to investments reserve fund. The carry-forward at £152,000 was rather more than in the previous year (£138,800). The company shared in the general experience regard-

ing interest rates, the net yield on the industrial funds showing a decline of 4s. 1d. per cent. to £4 5s. 4d. per cent.

In the ordinary branch, there was a decline in earned interest of 6s. 10d. per cent. net, the 1939 net yield being £3 12s. 7d. per cent. The surplus at the annual valuation was reduced from £1,775,800 in 1938 to £1,344,400 in 1939, largely owing to the smaller amount brought forward. The directors have adopted a different policy in the distribution of the ordinary surplus, compared with the industrial surplus. In 1938, £1,061,500 was allocated to policyholders and shareholders, but a bonus is not now declared—except for policies becoming claims during the year—and the allocation to policyholders is in consequence only £67,100, while shareholders are allotted £7,500. In consequence, the very large amount of £1,269,900 is carried forward against £464,300 a year ago. This will stand the company in good stead in the event of adverse repercussions caused by the war. The expense ratio in the ordinary branch, as in the industrial branch, was lower than in 1938—13.52 per cent. against 14.03 per cent.

At present, market values of the assets in both the industrial and ordinary branches exceed book values, without taking account of the investment reserves.

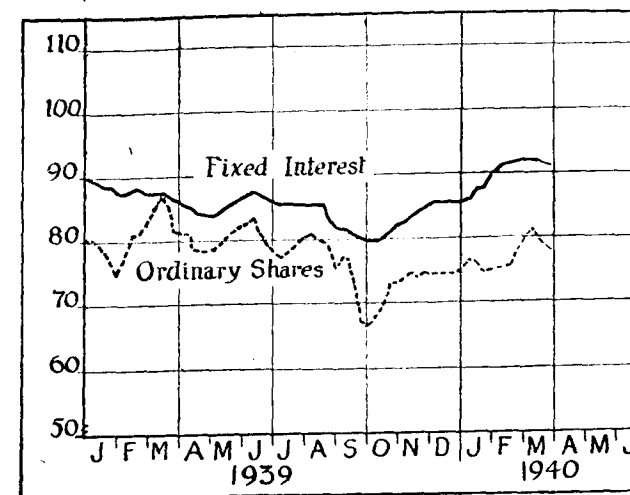
Scottish Amicable.—The general view among life offices regarding prospects is indicated by the many cases in which interest bonuses have been reduced, and in some cases omitted, on policies becoming claims in the near future. The Scottish Amicable has taken the very conservative course—against which no criticism can be advanced—of passing the interim bonuses for the present, though policies becoming claims during the remainder of the current quinquennial period will be entitled to participate in any bonuses that may be declared at the new valuation. This office suffered a fairly appreciable decline in the gross rate of interest (£4 17s. 11d. per cent. to £4 15s. 11d. per cent.) as well as in the net rate (£3 17s. 11d. per cent. to £3 13s. 1d. per cent.). Thus higher taxation was reinforced by the general difficulties of obtaining a remunerative return on the funds. Such difficulties were aggravated by the new investment of money, for the Scottish Amicable life fund grew from £12,830,900 to £13,124,400 during the year. The society transacted its business at an expense ratio of 15.25 per cent. of premiums. New sums assured totalled £1,685,800 for the year, against £2,131,100 for 1938, but consideration money for annuities granted was £22,300 against £14,700.

Investment

April Anticipations.—During the past week or two the market has made up in tone what it lacked in turnover. But it is finding little support in advance of the 90 per cent. call on the 3 per cent. War Loan, due on April 15th. And it is thinking hard about the stern facts which the Budget will disclose on April 23rd. In such circumstances, to have maintained a show of firmness is something of an achievement, particularly since the last week or two have witnessed the meeting of the Axis partners on the Brenner and an intensification of economic and aerial warfare. The promise that the Allies are stiffening their resolution, however, has provided something of a tonic to counter all the blusterings from Berlin and any sense of discouragement at home. As the accompanying chart suggests, however, the appearance of the War Loan—and possibly some of the attendant circumstances of the issue, which were handled in a negative rather than a heartening manner—marked the temporary peak of the market's progress since the end of September

FIXED-INTEREST AND EQUITY SECURITY MOVEMENTS (July 1, 1935 = 100)

Financial News indices of 20 fixed-interest securities (converted to new base) and 30 ordinary shares.



last year. Until the Budget hurdle is cleared, the market can at best expect to maintain its present firmness, adding, perhaps, small fractional gains from time to time. But whether the Budget, once out of the way, will afford much consolation to the market is another matter. Equity investors are hoping for some modification of E.P.T. which would limit some of the grosser anomalies which the tax now displays. But that relief, if it is granted, may well represent the utmost that the Chancellor can do by way of concession. Heavier taxation is expected, and will be received calmly. It may be significant that those annual pre-Budget victims of rumour—tobacco, brewing and distilling shares—have so far exhibited little sign of nervousness. But the significance lies, not in any reduction of odds against increases in sumptuary taxation, compared with previous years, but in the market's tacit admission that all branches of investment, from fixed-interest securities to the most vulnerable of equities, are now involved in the same task—of assisting to pay for the war.

* * *

British Overseas Airways.—Contrary to expectation, British Overseas Airways, which took over the undertakings of Imperial Airways and British Airways on Monday last, has not made a public issue of stock, to which shareholders of the two companies were promised preferential allotment. In a circular to shareholders of Imperial Airways it is explained that the Treasury have decided that

no public issue of stock can be made in present circumstances, and the cash required for the purchase price has been raised by a private placing of stock. The terms of this placing have not been disclosed, but the amount involved is of the order of £3½ millions, and the issue, of course, will carry Treasury guarantee. The loss of any preferential advantages will naturally not weigh heavily upon shareholders of the merged companies, since the Airways stock would in any case have been issued at gilt-edged rates and it carries no equity advantages. Yet it is difficult to see why shareholders of Imperial and British Airways, who are in any case to be paid out in cash, should not have been given an opportunity to subscribe for the new stock, for the method of private placing, coupled with cash payment to shareholders, appears to offer no advantages, so far as the protection of the capital market is concerned, over a public issue of stock to which shareholders in the two companies would have been accorded preferential treatment. Imperial Airways shareholders will receive a sum of 34s. 6.615d. per share, made up of the purchase price of 32s. 9d., together with interest at 4 per cent. for two years, less tax at the average rate of 6s. 3d. in the £. So the finance of overseas civil aviation is taken finally from the hands of the equity investor, who has perhaps learned the lesson in the 16 years' history of Imperial Airways that it is hazardous to put reliance upon relatively high dividends which are derived from subsidies from public funds. The Corporation's future policy will have the advantage of adequate supplies of necessary capital at the cheapest rates. Its operating policy will not be a matter of direct investment concern—though it may perhaps be urged that the development of civil aviation is no less essential in wartime than in peacetime. The supply of civil aircraft from the De Havilland works must necessarily be limited in present circumstances, but it is desirable for that company—and essential for the Corporation—that a certain number of such machines should be put into service even in wartime.

* * *

Brazilian Bond Payments.—This week, the Stock Exchange has witnessed the rare and pleasing spectacle of Brazilian bonds being marked ex interest. The schedule of payments is so devised that resumption of interest has been made on April 1st in respect of coupons due on that date two years ago, and a similar arrangement will apply for May 1st coupons. On June 1st, coupons due on December 1, 1937, are expected to be met, and on July 1st coupons due on January 1, 1938. The guiding principle is that payments begin on April 1st in respect of the last coupon due and unpaid after November 10, 1937, with suitable modifications for exceptional cases such as San Paulo Coffee 7's. Some importance has been attached to the publication of a translation of Decree-Law No. 2085, which embodies the offer recently made by the Brazilian Government and recommended for acceptance by the Council of Foreign Bondholders. In particular, the confirmation of the provision, embodied in the 1934 decree, that further foreign exchange supplies accruing to the Brazilian Government may be applied to the purchase of bonds below par, has been stressed. This point was, of course, made in the Council's recent communiqué regarding the offer and was described in *The Economist* of March 16th as "one of the most dubious principles which defaulting debtors have attempted to erect in recent years." The possibility that the Brazilian Government may have available, in each of the four years of the scheme, substantial sums amounting to "several hundred thousands of pounds," clearly has a bearing on the prospective prices of Brazilian bonds, though it does not indicate whether the Brazilian authorities will redeem the maximum amount of nominal debt—by buying low-grade

bonds—or whether they will concentrate on saving the largest amount in interest—by buying the senior issues. Whichever policy they adopt, they will be able to cancel debt at cut prices, by using funds which could otherwise have been applied to more generous interest payments than the agreement, in fact, affords.

* * *

Canadian Pacific Report.—Although the full report of Canadian Pacific Railway repeats the directors' reasons for deciding against the declaration of a preference dividend for 1939, it throws no further light on the "uncertainties of the present situation," and merely emphasises "the impossibility, owing to war conditions, of predicting the effect of developments in the near future." Preference stockholders must therefore continue to nurse their disappointment, and take consolation from the further rise in their stock to 45½ this week. Freight traffic last year reached the highest level since 1930, and earnings from grain and grain products increased by \$6,214,457, or 24.2 per cent. Such was the benefit of the second largest Prairie wheat crop in history. In fact, it presented some embarrassment to the railway, which last October had to impose a temporary stop on movements of grain from various points to the Lakehead elevators. By the end of the year, accordingly only 60 per cent. of the crop had been moved, compared with 70 per cent. in the previous year. The deferred benefit has presumably been seen in the substantial increase in gross receipts recorded in the first quarter of the current year. The report tells a story of improved operating efficiency and train loadings, a substantial reduction in shipping income, and the minimum of progress in the achievement of co-operative economies with the Canadian National Railways. Holdings in United States lines now undergoing reorganisation have been written off from reserves, at a cost of \$15,650,021, and several actions have been instituted by holders of "Soo" bonds who claim that Canadian Pacific's interest guarantee should continue to run until the principal is repaid. Payment was due—though it was not made—on July 1, 1938, on which date Canadian Pacific ceased to make interest payments under the guarantee. The company's legal advisers, however, insist that a good defence can be entered to these claims, and in one case this has succeeded. Meanwhile, there is a significant clue to the prospect of increased operations in the near future. A substantial increase was made in retirement of rolling stock last year, and during 1940 the company proposes to spend \$10,053,690 on new rolling stock—mainly freight cars—to provide for replacements and to enable the company to handle with greater economy "the increased business resulting from wartime activity." Preference shareholders may reasonably retain their holdings on the expectation that, unlike last year, they will presently be allowed to share in these benefits.

Company Notes

I.C.I. Progress.—The profits announced in the preliminary statement of Imperial Chemical Industries for 1939 set up a new record for the company. They are the more impressive since they are struck after income tax, N.D.C. and E.P.T., and it is evident that last year provided highly successful trading conditions for the group. Profits after taxation have increased from £8,561,291 to £9,313,485, from which £2,000,000—the highest allocation yet recorded—is provided for central

obsolescence and depreciation fund, against £1,500,000 in 1938. After providing for preference dividends, equity earnings amount to £5,647,381, against £5,395,210. Although the latest figure is apparently below that of 1937, earnings adjusted for taxation are higher at 12.9 per cent. against 11.6 per cent. in 1938 and 12.5 per cent. in 1937. These results are shown in the following table:—

	Years to December 31,		
	1937	1938	1939
	£	£	£
Profits after taxation ...	9,010,707	8,561,291	9,313,485
Central obsolescence and depreciation fund ...	1,500,000	1,500,000	2,000,000
Preference dividends ...	1,663,512	1,666,081	1,666,104
Ordinary stock:—			
Earned	5,847,195	5,395,210	5,647,381
Paid	4,284,158	4,032,149	4,032,149
Earned (%)	12.5	11.6	12.9
Paid (%)	8½	8	8
General reserve	1,500,000	1,125,000	1,375,000*
Workers' Pensions	172,000	172,995	180,049
Carried forward	556,179	621,245	681,428

* Of which £1,000,000 to War Contingency Reserve.

The directors have thus pursued a distinctly conservative dividend policy in maintaining the 8 per cent. payment. They have opened a new war contingency reserve with a transfer of £1,000,000, while £375,000 is transferred to general reserve. Stockholders will await the full report with whetted appetite, for, on the preliminary figures, it seems a fair inference that Imperial Chemical Industries should be well secured from the earnings aspect, even if dividends may be regarded as semi-fixed in wartime. The £1 ordinary stock units at 32s. 3d. yield £5 2s. 6d. per cent.

* * *

United Molasses Dividend.—On an annual basis the 28½ per cent. dividend declared this week by United Molasses Company for the fifteen-month period to December 31st last is equivalent to 22½ per cent. per annum, as paid for the year to September, 1938. In addition to this distribution, however, a 10 per cent. tax-free payment is to be made from capital reserves, whose nature is not specified. The preliminary statement discloses that capital profits amounting to £145,225 were obtained during the fifteen months. The special distribution, however, will require £195,450. Consolidated trading profits for the fifteen months amounted to £1,622,911, against £1,157,321 for the previous year. Taxation absorbs £495,818, against £279,607, and depreciation calls for a provision of £244,055, against £205,701. The net profit for the fifteen-month period is accordingly £883,038, compared with £672,013 for the previous twelve months. The molasses business came under Government control on January 1st, and the company now acts as agent for the Ministry of Supply. A subsidiary company has meanwhile been formed to take over the tanker fleet, which has been fully employed since the beginning of the war. Shareholders will look forward to receiving some indication in the forthcoming report regarding the financial terms on which control of the molasses business has been arranged.

* * *

Provision Store Trading.—Interesting light has been thrown on the course of trading in 1939 by Sir George Schuster at the Home and Colonial and Maypole Dairy meetings. In the 32 weeks to August 19th last year trading was normal, and the favourable and unfavourable factors in the last ten weeks of the year had cancelled out. It was the intervening period of ten weeks between mid-August and the end of October which provided last year's rise in profits. Abnormal public buying

was coupled with a small addition to profit resulting from the sale of stocks (though not at full replacement costs) bought at a lower price level. This ten-week period, in fact, produced profits sufficient to meet part of the heavy cost of E.P.T. While Sir George disclaimed any wish to complain of war burdens in general, he emphasised—what is readily apparent from the companies' profits records—that their E.P.T. position is unfortunate. And he pointed to the irony that the Home and Colonial would be unable to gain from the war owing to Government restrictions and yet was confronted with a heavy liability for a tax intended to absorb the bulk of such increased profits. The future outlook of the group is bound up with the effect of Government regulations, the volume of turnover, the interpretation of (and possibly changes in) E.P.T., and rates of wages. But in the long run the decisive factor is turnover, and the problem may increasingly be to maintain it as the war proceeds.

* * *

Alliance Trust Results.—This company's satisfactory record has been well maintained. Revenue for the year to January 31, 1940, at £668,301, is only 1 per cent. lower than £676,493 obtained in 1938-39. After charging taxation (£151,161, against £137,090), together with a reduced sum for loan and debenture interest and the usual preference dividends, earnings for the ordinary stock are £286,327, against £282,168, equivalent to 42.3 per cent., against 36.6 per cent. The maintained 25 per cent. dividend is thus covered with an enhanced margin, and after again placing £100,000 to general contingent fund, the carry-forward is increased by £17,186. The report explains that revenue collections continued at a satisfactory level up to the outbreak of war, and that although some dividends were subsequently reduced, they had been largely offset by higher sterling proceeds from the company's dollar income. It is stressed, however, that the outlook for

1940-41 is less promising, and some reduction in earning power may result from restrictions on the scope of operations imposed by wartime measures. There is some evidence in the balance sheet, in fact, of a small reduction in earning assets. The decline in investments from £11,657,904 to £11,455,860 is larger than the contingent fund allocation of 1939-40, and cash has risen from £17,625 to £128,978. On the other side of the balance sheet, debentures and short loans outstanding have fallen from £2,558,475 to £2,454,745. If funds cannot be speedily reinvested at satisfactory rates at home, ordinary stockholders clearly have nothing to lose if they are applied to the reduction of loan debt. The depreciation on the portfolio of only 2.81 per cent. below book values is sufficient evidence of the Trust's impressive financial strength, and there is considerable cover for the dividend. At 48s the ordinary stock yields £5 3s. per cent.

* * *

Higher Rubber Profits.—The transformation in the commodity markets since war began is well brought out by a number of recent rubber company results. Rubber Plantations Investment Trust results, of course, are subject to a time-lag, and for 1939 total profits of £194,260 compare with £274,725 in 1938. The only hint in these accounts of the much improved outlook for rubber profits lies in the decision to maintain the 10 per cent. dividend by adding £40,000 from dividend equalisation reserve to the 7.7 per cent. earned for the equity out of current revenue. But plantation companies whose accounts run to December 31st last provide a real indication of recovery. When comparison is made with the disappointing results of September 30th companies, it is clear that the inclusion of four months, against only one month of war, has definitely turned the scale. Prices rather than output have made the difference. Among this week's reports, *Gulakalumpang Rubber* show total profits of £55,969 against

WEST RAND CONSOLIDATED MINES, LIMITED

(Incorporated in the Union of South Africa.)

CAPITAL:

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

£2,150,000

DIRECTORS:

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

EXTRACT OF ANNUAL REPORT TO 31st DECEMBER, 1939.

Tons crushed ...	2,520,000
Yield (3·718 dwts. per ton) ...	468,443 fine ozs.
Working revenue (27·72s. per ton) ...	£3,492,837
Working Costs (16·91s. per ton) ...	2,131,331
Working profit (10·81s. per ton) ...	£1,361,506
Sundry Revenue ...	81,524
Total Profit ...	£1,443,030
Credit Balance brought forward from 1938 ...	82,591
Total available Profit ...	£1,525,621
Appropriated as follows:—	
Capital Expenditure—Amount expended in excess of Fixed Loan from General Mining and Finance Corporation, Ltd. ...	£96,421
Miners' Phthisis—Provision on account of outstanding Liability as at 31st July, 1939 ...	4,138
Income Tax (Government of the Union) ...	581,683
Sundry Taxes, etc. ...	666
Interest—On Fixed Loan from General Mining and Finance Corporation, Ltd. ...	20,000
Ordinary Dividends Nos. 16 and 17, totalling 25 per cent. ...	£531,250
Deferred Dividends Nos. 7 and 8, totalling £7 1s. 8d. per share ...	177,083
Unappropriated Balance carried forward ...	708,333
	114,380
	£1,525,621

Ore Reserve.—The fully developed reserve, as recalculated at the 31st December, 1939, amounted to 10,447,000 tons of an average value of 4·4 dwts. over 44 inches. (1938: 10,750,000 tons at 4·4 dwts. over 44 inches.)

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

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

surface dumps, which have now been depleted, but the mine is now in a position fully to supply the mill, provided the labour supply is adequate. The company should have a prosperous career for many years to come.

Rose Deep.—This is an old mine, but there is still a large area in depth to be opened up. The annual report reveals that in spite of the shortage of labour, resulting in restriction of underground development, the available ore reserves were more than maintained at 2,400,000 tons averaging 4 dwt., which was a decline of 0.1 dwt. in grade. The reserves represent somewhat under three years' supply to the mill. Development was again mainly confined to the southern section of the property, but very erratic values were disclosed. Capital expenditure will continue to be heavy during this year, after which the long programme of reorganisation of underground conditions and modifications of the reduction plant, which has been carried on for some years past, will be complete. The company should then be in a position to enter a steady dividend-paying career for some years to come. This is a mine which could clearly be included among those which should benefit from the new mining regulations regarding the price of gold.

De Beers Report.—Recovery in the diamond market during 1939, in spite of four months of war, has increased De Beers' profits on diamond account by 62 per cent., from £656,473 to £1,065,362, and after including other income total profits show an increase of £201,849 to £1,824,756. This improvement, however, appears large only in relation to 1938, and comparison with the three good preceding years is less favourable. The surplus, in fact, barely covers payment of a year's preference dividend. This is shown in the following table:—

	Years ended December 31		
	1937	1938	1939
From diamond account	2,536,603	656,473	1,065,362
Total profits.....	3,478,991	1,622,907	1,824,756
Mining expenses.....	821,264	805,097	755,218
Income tax	220,000	8,000	55,000
All other expenses	173,467	180,241	215,992
Earned for dividends	2,264,260	629,588	798,546
Preference dividends.....	2,000,000	400,000	800,000
Deferred dividend.....	860,842 (30%)	...	...
Plant, etc., expend. reserve	...	200,000	...
Carry forward	732,764	762,352	773,597†

† After special credit of £12,699.

The past year has seen certain changes in the company's investments, but these are of an internal character which do not affect the interests of the group as a whole. Operations at the New Jagersfontein mine are ceasing owing to the exhaustion of tailings, and the property is being leased to De Beers, who have acquired 250,000 Diamond Corporation shares in return for £250,000 4½ per cent. debentures of that Corporation. The latter will in future provide the principal source of revenue for New Jagersfontein. A larger transaction arises out of De Beers' acquisition of the Anglo-American and Barnato interests in Diamond Corporation. It was agreed in connection with this transaction that Consolidated Diamond Mines of South-West Africa should be allowed to participate in the purchase, and Consolidated Diamond are in fact taking over 687,500 Diamond Corporation shares from De Beers in return for £687,500 Consolidated Diamond 5 per cent. debentures to be issued. Thus there is a net reduction in De Beers' holding of Diamond Corporation shares of £437,500. Other transactions include acquisitions of £60,950 in diamond mining companies, and a reduction from £732,000 to £467,000 in Diamond Corporation 4½ per cent. debentures. Satisfactory sales have so far been reported in 1940, and a publicity campaign has been opened in the U.S.A. Speculative operators have taken due note

of these current prospects and De Beers' preference shares have now advanced to 10½.

The Week's Company Profits.—This week, our usual table of profit and loss accounts, on page 667, shows a rise in both gross and net profits of 58 companies by 15½ and 14½ per cent. to £6,324,000 and £3,471,000 respectively. Although the list includes some very satisfactory results, the rate of improvement in net profits is weighted somewhat by the more normal 1939 profits of companies who experienced heavy losses in 1938. Aggregate total profits of 610 companies reporting in 1940 to date are £131,725,000, against £125,496,000, a rise of 5 per cent., while net profits are 3½ per cent. lower at £72,660,000. The week's results are discussed in preceding Notes and on page 638 under the heading "Shorter Comments."

Company Meetings of the Week.—Reports of important company meetings held this week commence on page 644 of this issue. The position of *Mercantile Bank of India, National Bank of India and the Chartered Bank of India, Australia and China* is described in the Note on page 628. Lord Elphinstone's address at the *Bank of Scotland* meeting is referred to on page 625, while Sir George Schuster's review of current business conditions at the *Maypole Dairy* meeting is outlined on page 630. Sir P. Malcolm Stewart's discussion of *Associated Portland Cement* prospects is referred to on page 623. At the *Refuge Assurance* meeting, Mr J. Wilcock Holgate outlined the reasons of wartime caution which had prompted the directors to carry forward the whole of the surplus in the ordinary branch. Mr Arthur L. Hunt, at the *Wesleyan and General Assurance* meeting, described the new type of guaranteed bonus policy which the Society has recently introduced. Sir Alexander Roger reported to *British Insulated Cables* shareholders that a record balance of orders was on the books, and that in certain departments at least capacity output would be required for many months to come. Record production and sales were reported to *British Aluminium* stockholders by Mr R. W. Cooper, and increased production is being energetically sought. Sir Felix J. C. Pole emphasised the importance for *Associated Electrical Industries* of securing as much export business as possible, and reported a record number of employees and unfilled orders for the group exceeding £19 millions. At the *British Ropes* meeting, Mr Herbert Smith reported that although the company was receiving its share of Government wire contracts, the improved results of last year were by no means wholly derived from war work. *Ericsson Telephones* shareholders were informed that the company's plant was being used to an ever-increasing extent on contracts for the Defence Ministries. At the *Telephone and General Trust* meeting, Sir Alexander Roger reported that the year had started well and that it was hoped at least to maintain the strong position of the company. Addressing shareholders of *Automatic Telephone and Electric*, Sir Alexander stressed the importance of telephone development even in wartime, and welcomed the formation of the Export Council. Mr Arthur I. Phillips informed shareholders of *Godfrey Phillips* that in his judgment the two increases of 2s. per pound in tobacco duty last year had not tended towards any change of tobacco consumption nor in the choice of brands. The chairman of *Maple and Company* discussed the effect of the war upon the high-class furnishing business. Satisfactory figures were reported to *Provincial Cinematograph Theatres* shareholders despite the increased expenses incurred in the early stages of the war. The president of the *Halifax Building Society* declared that the outbreak of war at no time led to panic withdrawals, and that after the initial shock withdrawals speedily returned to normal dimensions. A large increase in production was reported at the recent meeting of *Coal Mines of Salótarján*. Mr A. A. Jamieson's review to *Vickers* shareholders included a reminder of the problems which will arise for the group after the war. At the *Clerical, Medical and General Life Assurance* meeting, Sir Francis Smith gave a candid warning regarding next year's bonus possibilities.

THE STOCK EXCHANGES

London

Note: all dealings are for cash

THE year's revenue return and the stimulating effect of Mr Churchill's week-end speech, with its promise of an intensified war effort, cheered the market on Monday, though it did not bring any noticeable increase in business. Turnover has indeed remained at an extremely low level, but during the earlier part of the week prices in general remained firm and were only slightly checked by the political reports from Paris.

Gilt-edged showed an advance of up to half a point on Monday, Old War Loan rising by ½. A further gain was recorded on Tuesday when the stock closed at 99½, but the mid-week check resulted in a slight fractional decline.

In the *foreign bond* market Brazilian issues provided a feature, for a number were marked ex interest on Tuesday for the first time in several years. Japanese issues reacted, but there was some transient demand for Chinese issues.

Expectations of increased charges still sustained the *home rail market*, and some fairly substantial rises were seen on Tuesday in the equity stocks. Emphasis later tended to be placed on the preference issues.

The *industrial* market has been thoroughly dull, with a fairly steady undertone to prices, but a shrinking turnover. Conditions have tended to become more subdued as the week progressed. Movement has not been uniform, however, through all sections, and demand remains selective. Iron and steel and engineering shares were very quiet. Prices were mostly firmer where changed at all in the earlier part of the week, and then reacted slightly. Electrical equipment issues were dull, while in the supply section many shares lost a few pence. The rather brighter tendency in the motor and motoring equipment group continued, and aircraft shares made a mixed showing. The upward trend in textiles was resumed, Lancashire Cotton being particularly firm. Rayon shares also advanced. Brewery shares wavered as taxation fears advanced and receded, while tobacco issues tended to harden. In the miscellaneous section, moderate strength was shown by some of the leaders. Imperial Chemical rose in advance of the dividend announcement, and United Molasses responded to news of the 10 per cent. cash bonus.

Oil shares began quite well, and then changed only fractionally, but on Thursday Continental selling of some of the leaders affected sentiment, and prices were marked down. Burmah Oil continued to be supported. Rubber shares were irregular and quiet, and then lost fractionally under the influence of the Continental bourses. Tea shares were irregular, though the market has become rather less stagnant. In the *mining* market, the early cheerfulness in Kaffirs was not sustained, but prices were firm except for small declines in mid-week following a number of fractional gains on Wed-

nesday. Cape support assisted market sentiment. Diamond shares did not hold the small gains made early in the week, while little interest was shown in Rhodesian copper shares. Tin shares did not respond to the better tendency in the metal price.

"FINANCIAL NEWS" INDICATORS

	Total Bargains	Corres. Day 1939	Security Indices	30 ord. shares*	20 fixed int.†
1940					
Mar. 29...	4,025	5,295	77.6	124.9	
April 1...	5,113	6,340	77.7	125.0	
" 2...	4,635	5,645	77.7	125.0	
" 3...	4,651	5,583	77.9	125.0	
" 4...	4,554	4,600	77.4	124.9	
1940					
High.....	...	...	80.6	126.1	
Low.....	...	...	74.1	117.6	
			Jan. 17	Jan. 2	

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

ACTUARIES' INVESTMENT INDEX

The tables of fixed interest and ordinary share indices and yields below suggest that price movements during March were mainly in the nature of readjustments after the upward movement during February. *Gilt-edged* stocks were adversely affected by the indifferent circumstances which prevailed when dealings began in the new War Loan, but debenture and preference issues experienced small gains, and are still in restricted supply. Equities were in the majority of cases marked slightly lower, the downward trend in the aircraft manufacturing and building material groups being continued to lower levels. By contrast, the index for coal shares reached 100.2 against 76.9 a year ago. The home rail index registered a further increase to 59.9 compared with 57.2 last month.

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)		
	Mar. 28, 1939	Feb. 27, 1940	Mar. 26, 1940
Fixed Interest			
2½% Consols.....	120.5	132.0	128.9
Prod. ind. debts. (21)	109.3	107.3	109.2
Prod. ind. pref. (53)	100.8	103.2	103.5
Ordinary Shares			
Insurance (10).....	109.7	101.3	98.7
Aircraft Manfg. (5)...	83.4	59.1	57.4
Building Materials (6)	70.2	54.3	49.0
Coal (8).....	76.9	98.3	100.2
Iron and Steel (18)...	53.7	59.2	55.8
Home Rails (4).....	35.8	57.2	59.9
Stores (18).....	55.5	45.9	44.7

Group	Yields (%)		
	Mar. 28, 1939	Feb. 27, 1940	Mar. 26, 1940
Fixed Interest			
2½% Consols.....	3.70	3.38	3.46
Prod. ind. debts.	4.43	4.50	4.42
Prod. ind. pref.	4.69	4.63	4.60
Ordinary Shares			
Insurance.....	3.92	4.17	4.23
Aircraft Manfg.	9.41	10.15	10.48
Building Materials...	7.35	6.86	7.35
Coal.....	7.62	5.82	5.74
Iron and Steel.....	6.95	6.18	6.65
Home Rails.....	0.48	3.67	5.00
Stores.....	5.89	6.70	6.86

New York

WALL STREET'S principal fear this week was that the intensification of economic warfare might harm American trade. As a result, trading continued cautious until a burst of activity occurred on Wednesday. On that day, turnover reached 1,730,000 shares and all-round gains were recorded, the Dow Jones industrial average jumping from 147.92 to 149.65. *Iron Age* reports a slight improvement in steel activity to 61½ per cent. of capacity, against 61 per cent. last week, and refers to substantial export orders and to a mild improvement in domestic sales.

New York Prices

	Close Latest	Close Latest		Close Latest	Close Latest
	Mar. 28, 1940	Apr. 4, 1940		Mar. 28, 1940	Apr. 4, 1940
1. Railroads			Am. Roll. Mill	145½	151½
Balt. & Ohio.....	5	51½	Am. Smelting	49½	51¾
Ches. & Ohio.....	39	40¾	Anaconda	28½	30¼
G.N. Rly. Pf.	24½	25¾	Beth. Steel	75¼	81¼
Illinois Cent.	11	11½	Briggs	21½	22½
N.Y. Central.....	15¾	17¾	J.I. Case & Co	68¼	68½
Norfolk Pac.	7½	8½	Celanese of A.	30¾	32¾
Pennsylv. R.	22½	23½	Chrysler	85¾	89¼
Southern Rly.	15½	16½	Eastman KdK	150¾	151½
2. Utilities, etc.			Gen. Electric	38¼	39¾
Amer. Tel.	172	173	Glidden	17¼	17½
Amer. W'ks.	9½	11¼	Int. Harvester	57¼	58½
Col. Gas & El.	5¾	6¾	Nat. Dairy	18½	17½
Int. Tel. For.	4	4½	Nat. Distillers	26¼	26½
Pac. Gas & El.	33½	33¾	Sears Roebck	86¼	86¾
Pub. Serv. N.J.	41¼	42¼	Shell Union	11½	12½
United Corp.	2½	2¾	Socony Vac.	11½	12
Unt. Gas Imp.	13	12½	Stan. Oil N.J.	43½	43¾
Westn. Union.....	22¼	25	20th Cen. Fox	11¼	11½
3. Commercial and Industrial			U.S. Steel	57	62¾
Amer. Metal.	24½	24¼	West'he Elec	112	115¼
			Woolworth	40¾	40¾

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

	1940		Mar. 21, 1940	Mar. 28, 1940	Apr. 4, 1940
	Low Jan. 31	High Jan. 3			
347 Ind'ls ...	105.8	111.4	107.2	107.8	110.0
32 Rails	28.3	30.7	28.5	29.0	29.6
40 Utilities ...	86.5	89.4	86.5	87.0	88.6
419 Stocks ...	90.4	94.8	91.1	91.7	93.5
Av. yield* ...	4.58%	4.30%	4.60%	4.60%	4.50%
	High	Low			

(*) March 21, 1940. * 50 Common Stocks.

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

	Mar. 28	Mar. 29	Mar. 30	Apr. 1	Apr. 2	Apr. 3
117.9	118.0	118.7	118.4	118.8	127.0	

1940 High: 123.7 January 3rd. Low: 116.3 January 31st.

TOTAL DEALINGS IN NEW YORK

		Stock Exchange	
		Shares 000's	Bonds \$000's
1940			
March	28	1,020	6,410
"	29	840	5,950
"	30	570	4,590
April	1	750	7,140
"	2	830	6,990
"	3	1,730	10,310

(Continued on page 638)

CANADIAN PACIFIC RAILWAY COMPANY

FIFTY-NINTH ANNUAL REPORT
OF THE DIRECTORS OF CANADIAN PACIFIC RAILWAY COMPANY

YEAR ENDED DECEMBER 31, 1939

To the Shareholders:—

The accounts of the company for the year ended December 31, 1939, show the following results:—

INCOME ACCOUNT

Gross Earnings	\$ 151,280,699.78
Working Expenses (including taxes)	122,756,880.31
Net Earnings	28,523,819.47
Other Income (after providing for depreciation of steamships and hotels)	6,764,851.22
	35,288,670.69
Fixed Charges	\$ 24,700,692.40
Interest on bonds of Minneapolis, St. Paul & Sault Ste. Marie Railway Company, guaranteed as to interest by your Company	805,830.00
	25,506,522.40
Balance transferred to Profit and Loss Account	9,782,148.29

PROFIT AND LOSS ACCOUNT

Profit and Loss Balance, December 31, 1938	\$ 136,969,650.26
Balance of Income Account for the year ended December 31, 1939	9,782,148.29
	146,751,798.55
Depreciation:	
Loss on lines abandoned and on property retired and not replaced	\$ 4,838,055.47
Miscellaneous—Net Debit	560,240.22
	5,398,295.69
Profit and Loss Balance, December 31, 1939, as per Balance Sheet	141,353,502.86

The balance of income account available for transfer to profit and loss account was \$8,519,766 greater in 1939 than in 1938.

RAILWAY EARNINGS AND EXPENSES

The comparative results of railway operations were as follows:—

	1939	1938	Increase or Decrease
Gross Earnings	\$ 151,280,699	\$ 142,258,981	\$ 9,021,718
Working Expenses (including taxes)	122,756,880	121,506,515	1,250,365
Net Earnings	28,523,819	20,752,466	7,771,353
Expense ratios:			
Including taxes	81.15%	85.41%	4.26
Excluding taxes	78.26%	82.29%	4.03

The increase in gross earnings of \$9,021,718 is equal to 6.3 per cent. Decreases were experienced in the first four months of the year, reflecting the lower level of business and industrial activity throughout Canada. Commencing in May, improvement became evident and increases were recorded each month with the exception of October in which the decline in earnings from grain more than offset the increases from other classes of traffic.

Passenger earnings decreased \$504,341, or 3.1 per cent., despite the stimulating effect of the Royal Tour in May and June and an increase in midsummer tourist traffic from the United States. In the early part of the year unfavourable business conditions resulted in a lower volume of travel in Eastern Canada. The inauguration last spring of long-distance travel in Canada. Although there was a substantial increase in all-expense tour traffic from overseas, it was offset by a heavy decrease in regular traffic to and from Europe and the Orient as a result of unsettled international conditions.

Freight earnings increased \$10,010,559, or 9.1 per cent., reaching the highest level since 1930. In the early part of the year, the general industrial recession was responsible for decreases in most classes of commodities. Improvement commenced in the second quarter and became more pronounced in the remaining months, owing to the grain movement and the impetus imparted by the war to certain classes of business.

Earnings from grain and grain products for the year increased by \$6,214,457, or 24.2 per cent., almost three-fifths of the increase having occurred in the period prior to the movement of the new crop. Handlings of all grains totalled 203 million bushels, an increase of 38 millions. This compares with the 1930-38 average of 150 million bushels and the 1925-29 average of 254 millions. The 1939 wheat crop in the Prairie Provinces amounted to 463 million bushels, the second largest in history.

The increase in working expenses of \$1,250,365 is equal to 1.0 per cent., which was more than accounted for by the fact that in the first three months of 1938 deductions from basic rates of pay were still in effect, and, towards the end of that year, there was a temporary lay-off of shop and clerical staffs which did not recur in 1939.

Maintenance expenses increased \$242,993, or 0.5 per cent., and represented 31.93 per cent. of gross earnings, as compared with 33.78 per cent. for 1938. Maintenance of way and structures expenses decreased \$430,214. During the year 181.2 single track miles were relaid with new rail, and 1,489,082 treated and 1,857,436 untreated ties were placed in track. Maintenance of equipment expenses increased \$673,207. While there was an increase of \$1,395,250 in charges for retirements of rolling stock, the total of which was \$7,411,151, there was a substantial reduction in the cost of other maintenance of equipment expenses, owing principally to the fact that only one passenger car was air-conditioned as com-

pared with 90 cars in 1938. At the end of the year, 85.6 per cent. of locomotives and 96.5 per cent. of freight cars were in serviceable condition, as compared with 85.8 per cent. and 94.9 per cent. respectively at the end of 1938.

Transportation expenses increased \$926,661. The ratio to gross earnings was 36.18 per cent., as compared with 37.82 per cent. in 1938. With the exception of the year 1936, when wage reductions were in effect, this was the best transportation ratio since 1929. The improvement resulted in part from the greater concentration of traffic in the period of the year when conditions of operation were most favourable, making possible heavier train loading and more economical use of motive power. The operating efficiency of your company continued to improve, as indicated by the following comparison with 1938; the average freight train load was 1,717 tons as against 1,604 tons, an increase of 113 tons; the average consumption of fuel was 99 lb. per 1,000 gross ton miles, as compared with 102 lb., reaching the lowest level yet recorded; the average speed of freight trains increased from 17.1 to 17.2 miles per hour, and the gross ton miles per freight train hour from 27,363 to 29,573.

OTHER INCOME

Other income amounted to \$6,764,851, a decrease of \$598,821. Dividend income was reduced by \$665,141. Dividend disbursements of the Consolidated Mining and Smelting Company of Canada, Limited, were at the rate of \$2.00 per share as compared with \$2.50 in 1938. The amount received by your company from that source was \$3,365,000, or \$841,250 less than in the previous year.

Net income from interest, exchange, separately operated properties, and miscellaneous sources amounted to \$2,621,100, an increase of \$1,128,570, due principally to the more favourable rates of exchange.

The operation of ocean and coastal steamships resulted in a net loss of \$71,274, after deducting \$3,782,277 for depreciation. This compares with net earnings of \$591,071 in 1938. Prior to the actual outbreak of war, unsettled international conditions brought about a decrease in gross earnings from ocean steamships in Atlantic and cruise services. The commencement of hostilities resulted in further disturbance to both freight and passenger business in all services. All ocean cruises were cancelled and many of your company's ships were engaged in war services. All told, gross earnings of ocean steamship services suffered a decline of \$2,307,389. Insurance charges increased \$846,318, largely for war risks. Net earnings of coastal steamships decreased by \$62,805, due mainly to increased insurance charges. In the circumstances, the result of the year's operations was as satisfactory as could be expected.

Net earnings from hotel, communication and miscellaneous properties amounted to \$12,960, a decrease of \$399,905. There was a decrease of \$352,386 in hotel earnings, after providing \$1,448,008 for depreciation. The provision for depreciation, which was \$201,321 more than in 1938, was computed at 2½ per cent. of the depreciable investment, the full rate set as the objective for hotel depreciation charges.

DIVIDENDS

While operations for the year resulted in a substantial improvement in earnings, your directors, after very careful consideration, reluctantly came to the conclusion that in view of the uncertainties of the present situation they would not be warranted in declaring any dividend on the preference stock in respect of the year 1939. Your directors feel that, in the interests of all of your company's security and stock holders, such course was the proper one to take, particularly in view of the impossibility, owing to war conditions, of predicting the effect on your company of developments in the near future.

LAND ACCOUNTS

During the year, 106,148 acres of agricultural lands were sold for \$762,315, an average price of \$7.19 per acre. This included 1,203 acres of irrigated land sold at an average of \$47.60 per acre and the remainder at an average of \$6.71 per acre.

Since the setback caused by the depression, the activities of the Department of Immigration and Colonisation, which involved an expenditure of \$264,411 for the year, have been showing steadily increasing results, particularly in connection with the bringing over from Europe of experienced agricultural families with sufficient capital to enable them to acquire and operate farms. The number of these brought over and settled on farms in Canada under the auspices of the Department from the first of the year until the outbreak of the war was 51 per cent. greater than in the corresponding period for 1938.

FINANCE

Payment of the final instalment of the amount payable for the railways purchased jointly by the Canadian National Railway Company and your company from the Government of Alberta was made on June 1st, your company's proportion being \$2,790,000. As this obligation had been assumed by the Northern Alberta Railways Company, 5 per cent. bonds of that company in the amount of \$2,790,000 were issued and delivered to your company in consideration of the payment referred to.

During the year, loans totalling \$15,000,000 were obtained from Canadian banks on short-term promissory notes. On December 28th these loans were reduced by a cash payment of \$3,000,000, and the balance of \$12,000,000 was converted into serial notes payable in

[Advertisement]

instalments of \$2,000,000 each on December 1st, in each of the years 1940 to 1945. The notes maturing in the years 1940 to 1943 bear interest at 3 per cent. per annum, and the notes maturing in the years 1944 and 1945 bear interest at the rate of 3½ per cent. per annum. The notes provide that they shall be collaterally secured by the deposit of shares of the capital stock of the Consolidated Mining and Smelting Company of Canada, Limited, having a market value at least equal to the principal amount of the indebtedness outstanding, and consolidated debenture stock of your company having a market value at least equal to 35 per cent. of the principal amount of the indebtedness. Your company has the right, on giving 30 days' notice, to pay off in whole or in part the notes maturing within two years from the date of such notice. At the end of the year, there were on deposit as security for these notes 280,000 shares of the capital stock of the Consolidated Mining and Smelting Company of Canada, Limited, and \$8,000,000 principal amount of consolidated debenture stock.

As a result of these and other financial transactions, there was a net reduction of \$3,988,938 in bonds, notes and other obligations and of \$2,790,000 in the contingent liability in respect of the Northern Alberta Railways Company.

PENSIONS

Pension disbursements for the year amounted to \$2,722,051 and were included in working expenses.

Since the inception of the contributory pension plan on January 1, 1937, the employee contributions, less refunds, have amounted to \$5,938,670.

During the year, 602 employees were pensioned, but owing to deaths and other causes, there was a net increase of only 358 on the pension payroll.

THE ROYAL TOUR

The visit to Canada during the year of His Majesty, King George VI, and His Gracious Consort, Queen Elizabeth, was an event of outstanding historical significance and proved to be without question the greatest single contribution to the unity of the Dominion since Confederation. Your company was privileged to play an important rôle in the transportation arrangements of the Royal Tour. Their Majesties were carried across the Atlantic to Canada in the "Empress of Australia," and back in the "Empress of Britain." While in this country, the royal train, which was provided jointly by the Canadian National Railways and your company, travelled 3,388 miles over your lines. The efficiency of your company's organisation was strikingly demonstrated in the successful accomplishment of this extensive journey.

OUTBREAK OF WAR

The outbreak of war found your company fully prepared to meet the increased demands upon its facilities and services. It has since been the constant endeavour of your directors and officers to co-operate with the Government authorities in every way possible, in order that in the various fields within which your company's activities are carried on nothing should be left undone that would assist in making most effective the contribution of Canada towards the fulfilment of the great task that has been undertaken by the Empire and its loyal Allies.

THE MINISTRY OF SHIPPING

The chairman and president of your company has been appointed as the representative in Canada of the British Ministry of Shipping.

GENERAL BALANCE SHEET, DECEMBER 31, 1939

ASSETS		LIABILITIES	
PROPERTY INVESTMENT:	\$	CAPITAL STOCK:	\$
Railway, Rolling Stock, Inland Steamships, Hotel, Communication and Miscellaneous		Ordinary Stock	335,000,000.00
Properties	792,330,598.36	Preference Stock—4 per cent. Non-cumulative	137,256,921.12
Improvements on Leased Railway Property	95,800,809.78		472,256,921.12
Ocean and Coastal Steamships	104,840,546.17	PERPETUAL 4 PER CENT. CONSOLIDATED DEBENTURE STOCK	501,318,628.74
Stocks, Bonds and Other Securities of Leased, Controlled and Jointly Controlled Railway Companies and Wholly Owned Companies	199,317,035.74	LESS: Pledged as collateral to bonds, notes and equipment obligations	205,880,400.00
	1,192,288,990.05		295,438,228.74
OTHER INVESTMENTS:		BONDS, NOTES AND EQUIPMENT OBLIGATIONS	218,649,176.54
Miscellaneous Investments—Cost	25,850,609.97	LESS: Securities and cash deposited with Trustee of 5 per cent. Equipment Trust	9,496,050.45
Advances to Controlled and Other Companies	26,098,524.95		209,153,126.09
Mortgages Collectible and Loans and Advances to Settlers	3,670,311.49	TWENTY YEAR 4½ PER CENT. SINKING FUND SECURED NOTE CERTIFICATES (1944)	30,000,000.00
Insurance Fund Investments	8,262,431.33	LESS: Purchased by Trustee and cancelled	10,742,400.00
Deferred Payments on Lands and Townsites	33,764,803.96		19,257,600.00
Unsold Lands and Other Properties	26,526,045.00	CURRENT LIABILITIES:	
	124,172,726.70	Audited Vouchers	5,496,275.86
CURRENT ASSETS:		Pay Rolls	2,889,275.87
Material and Supplies	19,389,496.53	Net Traffic Balances	226,986.21
Agents' and Conductors' Balances	6,695,339.46	Miscellaneous Accounts Payable	2,949,928.24
Miscellaneous Accounts Receivable	5,120,664.07	Accrued Fixed Charges and Guaranteed Interest	2,710,139.25
Cash	31,809,398.21		14,272,605.43
	63,014,898.27	DEFERRED LIABILITIES:	
UNADJUSTED DEBITS:		Dominion Government Unemployment Relief	3,639,102.71
Insurance Prepaid	108,833.07	Miscellaneous	1,592,194.87
Insurance Payable	2,789,289.82		5,231,297.58
Unamortized Discount on Bonds	2,478,115.76	RESERVES AND UNADJUSTED CREDITS:	
Other Unadjusted Debits		Rolling Stock Reserve	8,232,241.09
	5,376,238.65	Hotel Depreciation Reserve	5,715,045.42
		Steamship Depreciation Reserve	51,731,389.56
		Investment Reserves	10,463,527.24
		Insurance Reserve	8,262,431.33
		Contingent Reserves	5,165,039.17
		Unadjusted Credits	2,313,423.55
			91,883,097.36
		PREMIUM ON CAPITAL AND DEBENTURE STOCK	68,551,646.45
		LAND SURPLUS	67,454,828.04
		PROFIT AND LOSS BALANCE	141,353,502.86
			1,384,852,853.67

E. A. LESLIE,
Comptroller.

AUDITORS' CERTIFICATE: We have examined the Books and Records of the Canadian Pacific Railway Company for the year ending December 31, 1939, and having compared the above Balance Sheet and related schedules therewith, we certify that in our opinion it is properly drawn up so as to show the true financial position of the Company at that date, and that the Income and Profit and Loss Accounts correctly set forth the result of the year's operations.

Montreal, March 8, 1940.

PRICE, WATERHOUSE & CO.,
Chartered Accountants.

[Advertisement]

His functions are to supervise in Canada all ships registered in the United Kingdom, neutral ships chartered by the Ministry and prizes of war engaged in its services, and to deal with such other matters as may be delegated to him by the Minister. Your directors have consented to his services being given to the Ministry of Shipping without cost to the latter.

TRANSPORT CONTROLLER AND CANADIAN SHIPPING BOARD

Owing to the necessity for the closest co-operation between all transportation interests to prevent port congestion as a result of war conditions, the Dominion Government, by Orders-in-Council under the War Measures Act, has provided for the appointment by the Minister of Transport of a Transport Controller, and for the establishment of the Canadian Shipping Board.

The duty of the Transport Controller is to determine questions of priority in regard to the movement within Canada of troops, naval forces, materials and supplies, and to co-operate with the Canadian representative of the British Ministry of Shipping.

The functions of the Canadian Shipping Board are to control the transportation by sea from Canada in ships of Canadian registry of materials and supplies other than those consigned to the British and other Governments, and to co-operate with the Transport Controller.

Subject to the limitations referred to, the railway companies continue to exercise their full powers as carriers.

CO-OPERATION WITH THE CANADIAN NATIONAL RAILWAYS

Further studies of co-operative projects under the provisions of the Canadian National-Canadian Pacific Act have continued to demonstrate the many obstacles to the attainment of worth-while economies under separate management. The only additional projects made effective during the year were (1) the abandonment of the Canadian Pacific Line between Linwood and Listowel, Ontario, 16.5 miles, and (2) the opening on May 25, 1939, under joint management, of the new Hotel Vancouver. The vice-presidents' joint committee established in 1938 for the purpose of widening and expediting co-operative measures between the railways has continued its work during the year, but no agreements were concluded in that period.

STOCK HOLDINGS

The holdings of the capital stock of your company in December, 1939, were as follows:—

	ORDINARY		PREFERENCE		TOTAL
	No. of Holders	Percentage of Stock	No. of Holders	Percentage of Stock	Percentage of Stock
Canada	26,420	18.87	155	7.3	13.50
United Kingdom and other British	19,453	51.76	25,393	95.05	64.58
United States	15,621	22.86	57	3.37	16.20
Other Countries	3,674	6.51	565	3.85	5.72
	<u>65,168</u>		<u>26,170</u>		

Your directors again desire to express their appreciation of the loyalty and efficiency of the officers and employees of your company.

For the Directors,

E. W. BEATTY,
President.

MONTREAL, March 11, 1940.

(Continued from page 635)

Canada

	Feb. 28, 1940	Apr. 3, 1940		Feb. 28, 1940	Apr. 3, 1940
Bell Tel.	165	165	Int. Petrol.	22½	22½
Can. Car.	13½	14	Brazil Trac.	8½	9½
Do. pref.	23	25	Brit. Col.	21½	21½
Power Corp.	10½	10½	Power "A"	28½	28½
Dome Mines	25½	25½	Do. "B"	21½	21½
Hollinger	14½	14½	Can. Cement	7½	6½
McIntyre	50½	50	Int. Nickel	43½	42
B. of Mont.	1200	206	Massey Harris	5	5½
Bk. of Nova	310	307½	Montreal Lt.	30½	30½
Scotts	185	182	Shawinigan	13	21½
R. Bk. of Can.	173	172	Water	76½	78
C. Bk. Com.	6¼	7½	Steel Co. of		
Can. Pac.	7	7½	Canada		
Cock. Flow					

Foreign Bourses

Paris. — There was no marked trend in evidence during the greater part of March, the only slightly upward movement being found amongst the industrial group. Price movements elsewhere were irregular and uncertain. There was, however, a slight general advance in the opening days of the month resulting from the increased powers of the Treasury to borrow from the Bank of France, and a certain demand for Scandinavian issues followed the cessation of the Russo-Finnish war. In the closing days of the month, however, there was a general increase in demand, as a result of the changes in the French Cabinet, and dealings became animated, at rising prices in most sections.

	Feb. 28, 1940	Apr. 3, 1940		Feb. 28, 1940	Apr. 3, 1940
3% Renten.	73.90	75.50	Chargéurs	790	1,040
4% Rta. '17	77.80	80.25	Reunis.	2,878	3,098
Banque de	7,940	8,575	R. Dunch	62,990	64,100
France de	64	65	Mex. Eagle	64	70.00
Credit	1,670	1,730	Chartered	197.50	213.50
Lyonnais	16,700	16,810	Ford	67.00	76.00
Suez Canal	41.00	45.50	Johnnies	372.00	386.00
Wag. Lits.					

Berlin. — The supply of investment funds continued to be heavy last month, and the demand for equities became increasingly pronounced. Prices were very firm, though the extraordinary interest in machinery and electrical issues has died down. Chemical, cellulose, and textile shares commanded the interest of the buyers. Equities with interests in Spain and in former German colonies experienced a sudden revival. A decree facilitating a limited amount of private building assisted the building group. In addition to the shortage of fixed-interest securities, a similar shortage in equities now appears to be developing. Demand extended to Reich loans, which generally advanced above par. A number of industrial loans were easily absorbed, bringing the total of industrial loans issued since the beginning of the war to roughly Rm. 600 millions.

	Feb. 19, 1940	Mar. 30, 1940		Feb. 19, 1940	Mar. 30, 1940
Dyn. adner	108.37	113.00	Metal.	133.00	134.25
Frank. ser	173.50	176.00	A.B.G.	134.75	142.25
Beigouu	113.00	113.12	Farben	176.00	185.00
Stahlw.	132.50	136.75	Hapag.	53.00	70.00
Rhein-					

Amsterdam. — The Bourse remained quiet and dull throughout the month of March, with minor price movements and a small turnover. Among foreign bonds, however, the Russo-Finnish peace treaty brought about a strong demand for Scandinavian issues, and the Brazilian debt

agreement also reacted favourably on the bonds. Some interest was also evident for Chilean issues. The weak trend of Dutch bonds at the end of February continued throughout March, prices remaining irregular. Satisfactory earnings for home industrial concerns brought about some interest, particularly for companies which have received Government orders.

Foreign Bond Index

The "Municipal and General" index of foreign bond prices (average January-June, 1934 = 100) showed a slight improvement from 60.2 to 60.6 during March. It was largely accounted for by the rise in low-grade Brazilian bonds following the debt settlement announced last month. The index of European bond prices is nearly two points lower and Near- and Far-Eastern issues show a fall of a point. The improvement in defaulted bonds is explained by the substantial rise in junior Brazilian issues.

AVERAGE JANUARY-JUNE, 1934 = 100.					
End of Month	Near and Far East	South and Central America	States	Provinces	Total
1939	(31)	(35)	(11)	(46)	(4)
February	59.1	55.8	42.9	52.4	82.0
March	60.3	57.5	45.7	54.4	78.8
September	40.6	49.0	36.3	45.6	68.6
October	43.7	56.1	41.6	52.3	75.3
November	52.1	66.4	46.3	60.9	79.1
December	52.1	73.0	49.4	66.5	79.6
1940					
January	58.4	74.5	49.3	67.5	80.0
February	54.5	77.5	49.7	69.7	81.7
March	53.5	79.0	57.6	73.2	80.9

End of Month	Europe	Complete Index	Under- faulted Bonds	De- faulted Bonds
1939				
February	75.1 (25)	60.1 (106)	67.5 (46)	54.9 (60)
March	68.9	60.4	62.5 (41)	58.0 (65)
September	46.3	45.2	48.5 (31)	41.4 (75)
October	48.1	49.6	53.0 (30)	45.6 (76)
November	51.4	56.8	56.9 (28)	53.4 (78)
December	48.3	58.1	56.9	55.2
1940				
January	48.5	60.6	57.2	58.3
February	48.4	60.2	57.8	57.5
March	46.5	60.6	57.1	58.3

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

Capital Issues

CAPITAL ISSUE TOTALS			
Week ending April 6, 1940	Nominal Capital	Con- versions	New Money
To the Public	Nil	Nil	Nil
To Shareholders	50,000	360,930	49,500
By S.E. Introduction	1,083,306	4,531,602	360,930
By Permission to Deal	2,050,000	2,050,000	2,050,000
Savings Certs., week to March 30, 1940	1,325,000	1,325,000	1,325,000
3% Defence Bonds			
Exch. receipts, week to March 30, 1940	1,325,000	1,325,000	1,325,000
Year to date	Including Conversions	Excluding Conversions	
1940 (New Basis)	734,026,048	381,070,915	
1939 (New Basis)	34,528,649	33,297,584	
1940 (Old Basis)	724,952,933	372,197,800	
1939 (Old Basis)	18,401,010	18,184,945	

Destination (Excluding Conversions)			
Year to date	U.K.	Brit. Emp. ex U.K. Countries	Foreign
1940 (New Basis)	380,591,481	479,432	Nil
1939 (New Basis)	24,842,103	8,255,481	200,000
1940 (Old Basis)	372,055,344	142,456	Nil
1939 (Old Basis)	15,497,589	3,487,356	200,000

Nature of New Borrowing (Excluding Conversions)

	Deb.	Pref.	Ord.
1940 (New Basis)	372,109,506	586,677	8,374,732
1939 (New Basis)	16,280,169	2,161,296	14,858,119
1940 (Old Basis)	371,429,500	77,500	640,800
1939 (Old Basis)	13,007,435	867,697	5,309,813

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.

BONUS SHARES

British Ropes, Ltd.—Existing ordinary capital amounts to £438,119 in 2s. 6d. ordinary shares, and a similar amount is to be issued from undivided profits as 3,504,953 ordinary shares, to holders as at March 6th.

Manganese Bronze and Brass.—A sum of £102,325, part of the share premium account, is to be capitalised and applied in distributing to shareholders registered at the close of business on April 12th 409,300 5s. ordinary in the proportion of one for every ten preference held and two for every five ordinary.

CONVERSIONS AND REPAYMENTS

Brighton Corporation.—The £450,000 4½ per cent. redeemable stock, 1940-60, will be redeemed at par on July 1, 1940. The final six months' interest payment is to be made on July 1, 1940.

ISSUE TO SHAREHOLDERS ONLY

Philco Radio and Television Corporation of Great Britain.—Issue of £50,000 6 per cent. notes at 99. Redemption at 105 at end of five years or earlier at company's option.

Shorter Comments

Company Results of the Week.—NORTH BRITISH LOCOMOTIVE record substantially higher profits, but are not making any distribution either on the preference or ordinary capital. Though there is a larger volume of work on hand, the current outlook is affected by the scarcity of skilled labour and raw material restrictions. A. REYROLLE AND COMPANY are repeating the 12½ per cent. dividend, and report maintained sales in 1939. Orders on hand at the end of the year, however, had risen considerably. CRAVEN BROTHERS (MANCHESTER) total profits after E.P.T. and other taxation are £131,246, against £110,824. The company's products are now on the prohibited export list, machines in process for delivery to foreign countries having been diverted to Government use. SKEFKO BALL BEARING have fully maintained total profits after taxation, and again pay 20 per cent. tax free. Total profits of JOHN BOWES AND PARTNERS are 13 per cent. higher at £249,867, prices having advanced during the year, although costs of production also have risen to a high level. The accounts of NORTHERN GENERAL TRANSPORT show 1939 traffic receipts of £738,615, against £742,451, while operating and maintenance expenses have fallen in a greater proportion. In view of the year's difficulties, the profits of JOHN LEWIS

(Continued on page 660)

Industry and Trade

As the coal and iron and steel industries are now regulated by the Government, the weekly market reports hitherto printed in this section of The Economist in smaller type and narrower columns have been suspended. Any news of importance, however, will in future be discussed in Notes in the main body of the section. A summary of current developments in the principal industries will continue to be given in the monthly Trade Supplement which is included in the last issue of The Economist in each month. The weekly survey of the commodity markets will be continued, and this, together with the regular monthly tables on unemployment, retail trade, wholesale trade in textiles, overseas trade, motor registrations, retail prices, as well as the fortnightly table of wholesale price indices, will in future be published at the end of Industry and Trade Notes in a section entitled Commodity and Industry News. If these tables disclose any significant changes, these will be discussed in the main body of the section.

Fall in Unemployment.—With the fall of 383,000 to 1,121,000 on March 11th the number of registered unemployed in Great Britain has at last fallen below the pre-war level of 1,232,000 (August 14, 1939). The reduction has been much more marked than usual, for the index of unemployment, which is adjusted for seasonal variations and given in our monthly table on page 642, fell from 69.4 (1935 = 100) on February 12th to 54.7 on March 11th. There has been a substantial fall in unemployment in every administrative division and in most branches of activity. The chief changes are shown below:—

REDUCTION IN NUMBER OF UNEMPLOYED BETWEEN FEBRUARY 12TH AND MARCH 11TH

Building	135,718	Stone quarrying	6,424
Public works contracting	30,068	Metal goods manufacture	5,643
Agriculture, etc.	27,338	Engineering	4,932
Distributive trades	23,888	Tailoring	4,785
Coal-mining	17,733	Road transport	4,600
Local Government	10,121	Iron and steel	4,440
Hotels, boarding houses, etc.	9,047	Printing, etc.	4,105
Brick and tile-making	7,840	Shipbuilding & repair	4,090
		Entertainments, sports	4,052

The improvement has been most marked in the industries, such as building and public works contracting, which had been chiefly affected by the severe weather conditions in January and early February; but unemployment also showed a decline in the iron, steel, engineering, shipbuilding, and other metal industries.

Machine Tools.—The rate at which the capacity to produce munition-making machinery and munitions can be increased is largely conditioned by the supply of machine tools, such as boring mills, drilling, grinding, milling, planing and shaping machines, presses and lathes. As the new supplies of machine tools cannot be multiplied at short notice, there was bound to be a shortage of them in relation to the enormous increase in munition-producing capacity which has been necessitated by the war. The question is not so much whether there is a shortage, but whether everything possible is being done to alleviate it as soon as possible. The supplies required for the armament industries can be increased by an expansion in production, coupled with a reduction in exports and bigger purchases abroad, and by a redistribution and better utilisation of existing machines. The Census of Production for 1935 revealed that there were then 123 establishments employing more than ten persons, on the average, engaged in the manufacture of machine tools. The total number of persons employed by them was 21,082 and the value of their output was £8.3 millions gross and £5.6 millions net (after deducting the cost of materials and of work given out). Although later figures are not available, the industry's capacity has probably been substantially extended in 1936 and 1937, when Britain's total industrial equipment was considerably enlarged and when a good deal of the existing plant was replaced. To some extent, however, the increasing demand in those years was met by

bigger imports. The United Kingdom actually imported more machine tools than it exported in 1936 and 1937:—

IMPORTS AND EXPORTS OF MACHINE TOOLS

	Imports (c.i.f.)		Exports (f.o.b.)	
	Tons	£'000	Tons	£'000
1936	20,058	3,601	13,886	2,014
1937	31,591	6,212	11,897	2,152
1938	23,841	4,963	24,167	4,476
1938*	15,764	3,257	13,560	2,549
1939*	19,906	4,593	22,148	3,715

* First eight months.

In 1938 imports fell and exports rose as a result of the decline in home demand. During the first eight months of 1939, when foresight should have dictated the accumulation of stocks, exports rose very rapidly, though imports also showed an expansion.

Efforts have been made since the outbreak of the war to expand output, and some increase has no doubt taken place; but has the Government taken steps to expand the basis of the industry sufficiently? Many machine tools take months to manufacture, and an immediate and substantial expansion in output after the outbreak of the war could hardly have been expected. But if the authorities realised the size of the problem seven months ago and shaped their plans accordingly, output should increase very rapidly in the future. Judged by the degree of official foresight in other directions, it is hardly surprising that many anxious questions are being raised concerning the production of machine tools. To some extent new supplies have probably been increased by a reduction in exports; despite the rise in prices, the value of all machinery exported fell by £1.9 millions to £7.2 millions between the first two months of 1939 and 1940. An immediate increase in imports, on the other hand, was rendered difficult by the fact that some 30 per cent. (by weight) of the intake during the first eight months of 1939 came from Germany. Substantial orders, however, are understood to have been placed in the United States—the principal source of overseas supplies—and reports from machine tool makers in that country suggest that they are working virtually at capacity in spite of the recession in domestic business activity; increased deliveries may therefore be expected from that country. But the present output and import of machine tools is only a fraction of the total supply in existence. Much can therefore be done—and a good deal has no doubt been done—to alleviate the shortage of machine tools for armament production by a redistribution and better utilisation of the existing tools. But are the authorities satisfied that every available lathe, every press, every boring mill and every grinding, milling, planing and shaping machine is now being used as efficiently as possible? The machine tool problem is, of course, only part of the wider problem of expanding the engineering industry as a whole. And the leisurely manner in which the question of dilution is being handled, and not least by the trade unions—it does not yet appear to have come out of the discussion stage—can hardly inspire confidence.

COMMODITY AND INDUSTRY NEWS

RAW cotton prices have been firm in the past few days with an upward tendency in the United States. American metal prices have again been reduced, but apart from these commodities, the general level of prices both in the United States and in the United Kingdom has been very stable for some weeks.

Cotton (Manchester).—Trading continues to be difficult, as numerous producers are not prepared to accept further contracts and manufacturers are harassed by the shortage of yarn supplies. Demand remains active and far exceeds current production. Many ups and downs have been experienced in raw cotton prices, but there has not been any distinct change in the general level. Imports from the United States continue to fall off and the allocation of shipping for the month of May will probably be reduced. No statement has yet been issued by the Controller about a revision of yarn margins, but some change is expected before the end of the week. Very little business has been done in American qualities, but some fair sales have been put through in coarse Egyptian counts. In the cloth market, more business has been offered than manufacturers have been prepared to accept. Export business has been limited, but a few more contracts have been put through, chiefly for South America, Scandinavia and the Dominions. Steady buying has taken place for the home trade and the Government.

Metals.—In the United States the price of copper was reduced from 11.50 to 11.125 cents per lb. this week. This decline was not unexpected as buying had been on a moderate scale in recent weeks. During March American copper sales did not exceed 20,000 short tons, against about 145,000 tons in the short month of February. The American lead price was reduced from 5.10 cents to 5 cents and later to 4.85 cents per lb. in the week before Easter and is now down to the pre-war basis; a corresponding fall in the price of spelter, which stands at 5.75 cents per lb., is expected shortly.

Tin.—Tin prices fluctuated widely this week but closed £4 up at £249 10s. per ton. The backwardation has expanded further and is now £2 10s. Buying remained on a moderate scale this week, and the rise in price must be attributed to the fact that the Malayan tin export duty was raised by 2½ per cent., an increase which would have caused a rise in price by at least £5 if market conditions had been firmer. The March statistics, published on Tuesday, showed a further decline of 1,064 tons to 31,686 tons in the visible supply. New arrivals, at 15,958 tons, were 3,995 tons up on the month, while world deliveries, at 16,838 tons, showed an advance of 3,902 tons on February. Two-thirds of the latter increase occurred in the United States and was the result of old orders.

Grains.—Sales of Canadian and American hard wheats have continued steadily and prices have been firm at about 32s. to 32s. 6d. per quarter f.o.b.

Vancouver for No. 1 Northern Manitoba. There has been some rain in the United States, but not in the areas most affected by the drought and sub-soil moisture deficiency is widespread. Maize prices have weakened recently, under the pressure of the large Argentine surplus. Roumania has also an unusually large amount of last year's harvest in hand, owing to the transport difficulties over the winter, but exports to Germany are likely to be speeded up. Demand for seed oats has slackened in Britain, but feeding oats are still very scarce.

Oils and Oilseeds.—The official schedule of maximum prices operating in March has not been altered. Raw materials are arriving steadily and overseas prices are stable. There has been a fall in the level of linseed shipments from the Plate, where the exportable surplus has now been reduced to less than half a million tons. Substantial quantities of Indian linseed have been bought by the British Control for early shipment. The home demand for oil-cakes is lessening, but there is still considerable pressure on supplies.

Rubber.—Both in London and New York rubber prices have been very stable in the past fortnight. Consumption in the United States was in February up to the high January level, but the steady flow of supplies, partly under the barter agreement, has prevented any rise in New York.

Furs.—An auction of silver foxes was held in London this week at which approximately 100,000 skins, mainly of Scandinavian and Canadian origin, were offered. The quality of the skins was medium to poor. Buying was very keen; London dealers took the greater part, but there was also some buying for foreign countries, mainly South America. Prices were very firm and were higher by 30 and 35 per cent. than those paid at the last sale in January, thus recovering most of the fall experienced during last year.

UNEMPLOYMENT IN GREAT BRITAIN

Date of Return	Registered unemployed aged 14 and over (incl. agriculture)		Percentage of insured persons (aged 16-64) unemployed (incl. agriculture)
	Number	Index, adjusted for seasonal variations	
1939	'000	1935 = 100	'000
Mar. 13	1,727	84.6	1,429
Apr. 17	1,644	81.5	1,343
May 15	1,492	74.7	1,234
June 12	1,350	67.6	1,099
July 10	1,256	62.2	1,014
Aug. 14	1,232	60.7	968
Sept. 11	1,330	65.9	1,052
Oct. 16	1,431	70.8	1,222
Nov. 13	1,403	69.1	1,213
Dec. 11	1,362	68.4	1,171
1940			
Jan. 15	1,519	68.8	1,220
Feb. 12	1,504	69.4	1,141
Mar. 11	1,121	54.7	966

Publication of estimates of number of insured persons aged 16-64 in employment in Great Britain suspended in September, 1939; number employed on August 14, 1939, was 12,100,000.

Source: Ministry of Labour.

Retail Trade in February.—The average daily value of retail trade in Great Britain showed a further slight improvement in February. The heavy fall in sales in Central and West End London in the early months of the war

AVERAGE DAILY VALUE OF RETAIL SALES AND OF STOCKS IN GREAT BRITAIN COMPARED WITH A YEAR AGO

	Average Daily Sales		Stocks (at cost) end Feb.
	1939	1940	
Dec.		Jan.	Feb.

(a) By Commodities				
Non-Food Merchandise	%	%	%	%
Piece-goods	-1.9	15.3	20.9	21.0
Women's wear	-4.0	5.9	7.9	23.3
Men's and boys' wear	-9.0	0.9	5.7	28.2
Boots and shoes	-4.8	2.6	5.4	13.8
Furnishing department	-10.6	-9.6	-7.4	16.1
Hardware	-11.6	-4.1	3.1	16.4
Fancy departments	-1.9	5.0	13.0	15.2
Sports and travel	-10.6	-12.3	-3.5	7.8
Miscellaneous	-1.3	0.5	4.9	12.6

Total — Non-Food Merchandise	-5.2	2.1	4.7	18.7
Food & Perishables	-2.4	5.4	3.9	33.7

Total — All Departments	-1.5	3.8	4.2	19.9
-------------------------	------	-----	-----	------

(b) By Districts				
Scotland	+3.4	+8.6	+10.9	+21.1
North-East	-2.9	+6.8	+4.8	+23.2
North-West	-3.1	+5.8	+6.6	+31.2
Midland & S. Wales	-3.6	+8.9	+3.5	+22.5
South England	+5.8	+11.5	+12.6	+28.8
Central & West End London	-26.9	-10.9	-10.4	-7.1
Suburban London	-5.8	+1.4	+0.1	+11.2

Source: Board of Trade Journal.

has been followed by a recovery in January and February, an indication of the return of part of the evacuated population. The trend of food sales is discussed on page 640.

Fall in Motor Sales.—New registrations showed a (mainly seasonal) decline in February. All but

REGISTRATIONS OF NEW MOTOR VEHICLES IN GREAT BRITAIN

	Private Cars		Commercial Vehicles	
	No.	% change from previous year	No.	% change from previous year
1939—January	27,326	+9.9	6,538	-9.9
Feb.	23,509	+23.5	4,617	-11.9
March	39,267	+10.7	7,304	-7.2
April	25,645	-0.0	4,517	-14.3
May	28,268	+15.0	5,430	-0.5
June	26,502	+17.0	5,375	-0.8
July	23,967	+15.2	5,726	+1.8
August	(a)	(a)	(a)	(a)
Sept.	(a)	(a)	(a)	(a)
October	(a)	(a)	(a)	(a)
Nov.	3,549	-85.0	3,334	-33.7
Dec.	4,068	-82.1	2,844	-48.3
1940—January	5,657	-79.3	2,990	-54.3
Feb.	3,849	-83.6	2,259	-51.1

Source: Ministry of Transport.
(a) Not available.

899 of the private cars registered for the first time in February were of 10 h.p. or less.

TINPLATE PRODUCTION: PERCENTAGE OF SOUTH WALES' CAPACITY IN OPERATION

Week ending	1939	1940
March 2	56.13	72.52
" 9	59.22	68.89
" 16	58.80	71.91
" 23	56.29	72.71

Wholesale Prices Steady.—The general trend of wholesale prices has

FORTNIGHTLY INDEX OF WHOLESALE PRICES IN U.K. AND U.S.A. (1927 = 100)

	Mar. 31, 1937	Mar. 29, 1939	Mar. 30, 1939	Mar. 12, 1940	Apr. 2, 1940
The Economist Index (U.K.)—					
Cereals and meat	93.0	70.0	66.9	86.5	86.3
Other foods	70.4	60.0	61.1	81.0	80.9
Textiles	74.2	53.0	54.3	82.1	87.0
Minerals	113.2	91.1	95.4	115.1	114.7
Miscellaneous	87.0	74.0	77.6	99.7	99.4
Complete Index	87.2	69.1	70.3	92.6	93.4
1913 = 100	119.9	95.2	96.8	127.5	128.5
Irving-Fisher Index (U.S.A.)	100.4	85.1	83.4	89.9	...

* This figure relates to March 2nd. † Highest level reached during 1932-7 recovery.

shown little change during the past fortnight. The slight rise in *The Economist's* index is due almost entirely to an advance in the prices of certain textile materials.

WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week ended		From Aug. 1 to	
	Mar. 23, 1940	Mar. 30, 1940	Mar. 1, 1939	Mar. 30, 1940
N. America	591	675	20,821	17,582
Argentina and Uruguay	373	233	6,461	13,980
Australia	...	...	8,147	13,605
Russia	...	...	4,456	114
Danube and district	122	103	6,887	5,020
Other countries	...	...	1,451	345
Total	1,086	1,011	48,223	40,646

* Unobtainable. † Shipments up to Jan. 31, 1940.

RAW COTTON delivered to Spinners

Variety ('000 bales)	Week ended		From Aug. 1 to	
	Mar. 21, 1940	Mar. 29, 1940	Mar. 31, 1939	Mar. 29, 1940
American	21.0	26.8	697	954
Brazilian	1.7	3.3	193	192
Peruvian, etc.	3.3	3.7	79	149
Egyptian	7.4	4.3	216	252
Sudan Sakel	2.1	1.2	93	108
East Indian	9.4	13.7	266	252
Other countries	1.9	1.7	111	96
Total	46.8	54.7	1,655	2,003

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From ('000 quarters)	Week ended		From Apr. 1 to	
	Mar. 23, 1940	Mar. 30, 1940	Mar. 31, 1939	Mar. 30, 1940
Argentina	126	167	13,438	15,312
Atlantic America	62	27	13,274	3,350
Danube Region	28	13	4,151	1,528
S. & E. Africa	89	89	1,615	3,656
Indo-China, etc.	22	15	2,239	1,675
Total	238	311	34,717	25,521

THE NATIONAL BANK OF INDIA, LIMITED

Registered in London under the Companies Act of 1862 on the 23rd March, 1866

ESTABLISHED IN CALCUTTA, 29th SEPTEMBER, 1863

Subscribed Capital	£4,000,000	Reserve Fund	£2,200,000
Paid-up Capital	£2,000,000	Number of Shareholders	3,050

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

BRANCHES:

CALCUTTA	LAHORE	ADEN	ENTEBBE
BOMBAY	TUTICORIN	STEAMER POINT, ADEN	KAMPALA
MADRAS	COCHIN	ZANZIBAR	JINJA
KARACHI	RANGOON	MOMBASA	
CHITTAGONG	MANDALAY	NAIROBI	TANGA
AMRITSAR	COLOMBO	NAKURU	DAR-ES-SALAAM
CANNING	KANDY	KISUMU	MWANZA
DELHI	NUWARA ELIYA		
	GALLE, CEYLON		

AGENCY:

Messrs. CLARK SPENCE & CO.

BOARD OF DIRECTORS:

R. LANGFORD JAMES, Esq., Chairman.	J. A. SWAN, Esq., Deputy Chairman.
L. T. CARMICHAEL, Esq.	J. R. H. PINCKNEY, Esq., C.B.E.
Sir JOHN P. HEWETT, G.C.S.I., K.B.E., C.I.E.	W. SHAKESPEARE, Esq.
A. N. STUART, Esq.	
General Manager—E. H. LAWRENCE, Esq.	
London Manager—R. L. HIRD, Esq.	

LONDON BANKERS: BANK OF ENGLAND, NATIONAL PROVINCIAL BANK, LIMITED, NATIONAL BANK OF SCOTLAND, LIMITED.
Solicitors—Messrs. SANDERSON, LEE & CO.

GENERAL BALANCE SHEET, 31st December, 1939

LIABILITIES		ASSETS	
£	s. d.	£	s. d.
Capital: Authorised and Subscribed, 100,000 Shares of £25 each, £4,000,000.	2,000,000 0 0	Cash on hand, at call and at Bankers...	6,340,309 8 3
Paid up £12 10s. per share ...	2,200,000 0 0	Bullion on hand and in Transit ...	520,654 18 8
Reserve Fund	29,166,003 18 6	Indian Government Rupee Securities	6,860,964 6 11
Current, Fixed Deposit and other Accounts, including provision for Bad and Doubtful Debts and Contingencies	824,426 4 1	British Government Securities, Indian Government Guaranteed Debentures and other Securities (of which £500,000 War Loan lodged with Bank of England as security for Government Accounts)	5,179,413 16 9
Bills payable	325,099 8 8	House Property and Furniture at cost, less amounts written off	8,202,776 10 6
Acceptances for Customers	1,500,000 0 0	Bills of Exchange, including Treasury Bills...	874,671 16 4
Loans Payable against Security per contra	531,572 6 10	Discounts, Loans Receivable, and other sums due to the Bank	3,138,480 0 10
Profit and Loss Account, as under...	£36,607,101 18 1	Customers for Acceptances per Contra	11,965,695 18 1
			385,099 8 8
			£36,607,101 18 1

To Bills receivable, re-discounted, £2,688,463 9s. 1d., of which up to 18th March, 1940, £2,138,117 5s. 10d. have run off. Forward Contract outstanding for the Purchase and Sale of Sterling Bills and Telegraphic Transfers £6,047,381.

PROFIT AND LOSS ACCOUNT for the Year ended 31st December, 1939		CR.	
£	s. d.	£	s. d.
To ad interim dividend at the rate of 16 per cent. per annum for the Half-year ended 30th June, 1939	160,000 0 0	By Balance at 31st December, 1938	533,879 19 2
To Balance	531,572 6 10	DEDUCT—	
		Dividend at the rate of 16 per cent. per annum for the half-year ended 31st December, 1938	£160,000 0 0
		Amount written off House Property Account	75,000 0 0
		Officers' Pension Fund	50,000 0 0
			285,000 0 0
		Balance brought forward	248,879 19 2
		By Net Profits for the year ended 31st December, 1939, after charging Directors' Fees amounting to £6,794 7s. 6d. and providing for all Bad and Doubtful Debts	442,692 7 8
			£691,572 6 10

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

REPORT OF THE AUDITORS TO THE MEMBERS.

We have audited the above Balance Sheet with the Books in London and the certified Returns from the Branches. We have obtained all the information and explanations we have required. In our opinion such Balance Sheet is full and fair, containing the particulars required by the Regulations of the Company, and is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs according to the best of our information and the explanations given to us and as shown by the books of the Company.
London, 19th March, 1940.

R. LANGFORD JAMES, J. P. HEWETT, J. R. H. PINCKNEY, Directors.

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

COMPANY MEETINGS

REFUGE ASSURANCE COMPANY, LIMITED

LIFE ASSURANCE IN A DIFFICULT YEAR

INCREASE IN RESERVES

EXPENSE RATIOS AGAIN REDUCED

ASSETS £72,460,000

INCOME EXCEEDS £13,300,000

The seventy-sixth annual ordinary general meeting of the Refuge Assurance Company, Limited, was held, on the 2nd instant, at the Chief Office of the Company, Oxford Street, Manchester, Mr J. Wilcock Holgate (chairman of the company) presiding.

The secretary (Mr J. W. Moss) having read the notice convening the meeting and the auditors' report,

The Chairman, in moving the adoption of the report and accounts, after referring to the loss which the company had sustained by the death of Mr William Eber Thornton, a member of the board since 1919, said:—

The accounts before you relate to a year which may be divided into two periods, the one very different from the other. Up to September last our operations were carried out in what might be termed relatively normal conditions; and although our new business had naturally been affected by the prevailing atmosphere of uncertainty, our mortality experience had been normal, and our expense ratios in both branches had been reduced. With the most productive period of the year about to commence, we were justified, I think, in anticipating a satisfactory outcome to the year's working; but, unfortunately, our steady progress was interrupted by the outbreak of war, with all that implies in the dislocation of the normal life of the nation, and the consequent effect upon our business. I am happy, however, to put before you figures which to me are most encouraging, indicating as they do the inherent strength of the company and its ability to maintain its progress despite the strain of a very difficult time.

EFFECTS OF THE WAR

Taking the year as a whole, our new business was well maintained, the new sums assured in the ordinary branch being 81 per cent. of the corresponding figure in 1938, as against 89 per cent. up to the beginning of September. The death claims attributable to the war, in both branches combined, amounted to £13,339, and did not materially affect our mortality experience; whilst the expense ratios in both branches were lower than in the preceding year. The gross yields on our funds were almost maintained, but the increase in the rate of income tax was directly reflected in a reduction in the net yields. As regards the staff, by the end of the year the number of members serving in the Forces was 244, a figure which is now considerably higher, and I know I am echoing your hopes when I wish them good fortune and a safe return. In the meantime their pension rights are maintained, and allowances are being paid to supplement their Army pay and Government allowances.

FUTURE POLICY OF THE COMPANY

So far I have dealt with the effects of the war during 1939; but what of the future? To what extent is life assurance generally to be affected by war mortality, higher taxation, increased costs, reduced new business? These questions are at present unanswerable, and your directors take the view that in dealing with risks which are known to exist, but the magnitude of which it is impossible to assess, the policy to be adopted must necessarily be one of caution and conservation of resources; and accordingly, whilst protecting the interests of holders of with-profit policies which mature for payment by death or survival in the ensuing year, and providing for the appropriate shareholders' proportion, they have decided to carry forward unappropriated in the ordinary branch the whole of the remainder of the surplus, whilst a substantial addition has been made to the reserves in the Industrial Branch.

In the past the company has not overlooked the risk of war, and

our pre-war ordinary and industrial branch policies contain restrictive conditions as regards death while on active service. For the present, however, we have decided to suspend the operation of these conditions as regards policies issued prior to the outbreak of war, but naturally in policies issued after that date restrictive conditions have been inserted as regards deaths arising from the war.

COMBINED RESULTS

Turning now to the details of our results, our total premium income for the year amounted to £10,709,525, showing as compared with the previous year an increase of £23,444. The net interest income was £2,561,865, showing a decrease of £115,890, and the amount paid in claims by death or maturity during the year was £8,259,596, including £5,130,755 by way of maturities alone, the total figure representing the payment of over £27,000 each working day. The total sum paid under this head since the inception of the company is now £125,174,648. The aggregate surplus arising out of the year's working of the two branches of the company was £2,372,987, and the total assets now stand at £72,460,262, having increased by £1,295,080 during the year.

TRANSFER OF EIRE BUSINESS

You will remember that in October last, in accordance with a special resolution of the shareholders, the company's industrial assurance business in Eire was taken over by The Industrial and Life Assurance Amalgamation Company, Limited, of Dublin. This step was taken by your company, in common with other British industrial-ordinary offices, after prolonged negotiations; and your directors are satisfied that in the circumstances the transfer was desirable, and that the interests of all parties concerned have been fully protected.

The number of policies taken over was 144,626, with a premium income of £208,540 per annum, occasioning the transfer to the Irish Company of funds amounting to £292,074 on account of the liability under the transferred policies, which is now undertaken by the Irish company.

I should add that our ordinary branch business in Eire has not been transferred. We have, however, ceased to transact new business in that country, and our existing policies there are being serviced on our account by the Irish Assurance Company, Limited.

INDUSTRIAL BRANCH

In the industrial branch our premium income amounted to £6,075,118, showing an increase of £80,410 over that of the previous year. The net interest income was £1,183,041 and the net yield on the life assurance fund was £4 5s. 4d. per cent., having decreased by 4s. 1d. as compared with the corresponding figure for 1938. The life assurance fund increased during the year by £995,206, after the transfer of £250,000 to the investments reserve fund, which now amounts to £2,250,000. The expense ratio was again reduced, being 32.07 as against 32.83 in respect of 1938.

The average duration of the premium paying policies on our books shows a further increase, and is now twelve years and seven months.

A striking feature of our operations in this branch has been the excellence of our collections week by week. Life assurance policies are not lightly to be parted with in times such as these; and our experience of the past is repeated to-day, that current dangers emphasise the need for financial protection and the value in this connection of a "Refuge" policy.

INDUSTRIAL BRANCH VALUATION

The valuation was again made on a 2½ per cent. basis, and the resulting surplus, which includes £138,839 brought forward from the preceding year, was £1,028,556, showing an increase of £134,016 over that of the preceding year.

As was the case last year, £250,000 has been transferred to the investments reserve fund, and it is proposed to set aside £514,000 for allocation amongst the policyholders of this branch, and from the remainder to allocate to the shareholders the sum of £112,543, the amount carried forward being increased to £152,013.

ALLOCATION OF PROFITS TO POLICYHOLDERS IN THE INDUSTRIAL BRANCH

For many years we have followed a policy of building up reserves in this branch, and events have fully justified us in this course. Despite the adverse conditions existing to-day, the surplus is sufficient to enable us not only to repeat, but to increase the allocation to policyholders which has become a feature of our business, and which we are satisfied may well be made within the strength of our accumulated reserves.

The allocation takes the form of permanently increasing the sums assured by certain policies and of making the payment of claims arising by death or survival of endowment terms during the ensuing year on the basis of the latest and most favourable scale of benefit as regards those policies which have not been placed permanently upon this latest scale by this or previous allocations of surplus, together with an addition of 5 per cent. in respect of policies, with certain exceptions, dated prior to January 1, 1935.

ORDINARY BRANCH

In the ordinary branch the number of new policies issued by way of periodical premiums was 40,813, at annual premiums amounting to £361,865, the sums assured thereunder amounting to £6,231,912. In addition there were issued during the year 1,113 single premium contracts, the premiums applicable thereto amounting to £173,459.

It is again interesting to observe that of the total of £6,422,725 new ordinary branch sums assured issued last year, nearly 32 per cent., or over £2,000,000, represents individual assurances of £500 and over.

The ordinary branch premium income for the year was £4,634,406, and the net interest amounted to £1,378,823, and the net yield on the life assurance fund being £3 12s. 7d. per cent., showing a decrease of 6s. 10d. as compared with the corresponding figure for 1938. The expense ratio was appreciably lower than that of the previous year, being 13.52 per cent., as against 14.03 per cent. in respect of 1938; and the life assurance fund now amounts to £38,700,795, in addition to which there is an investments reserve fund of £2,000,000.

ORDINARY BRANCH VALUATION

The annual valuation was again made on a 3 per cent. basis and the surplus in respect of the year's operations was £1,344,430, including £464,272 brought forward from the preceding year. The question of the disposition of this surplus has been very carefully considered, and in accordance with the policy adopted by your board it has been decided to declare on this occasion, in place of a general reversionary bonus, a bonus on participating policies which become claims by death or survival during the ensuing year at the rate of £1 5s. per cent. on the sum assured in respect of each full year's premium due in 1939 and paid. The amount thus allocated is £67,115, including interim bonuses of £9,515 paid during the year, and the company is enabled thereby to carry forward undistributed the very greatly increased sum of £1,269,858, which will be available towards meeting any contingency which may arise out of the present world situation, or to be dealt with subsequently as the board may determine.

This decision must necessarily affect the dividend to shareholders, to whom is allocated the sum of £7,457, which when added to the allocation from the industrial branch makes up a total sum of £120,000.

INVESTMENTS

For the third successive year investors have had a very difficult time, due to circumstances with which you are well acquainted, and

with which I do not propose to weary you; and having regard to the fact that for almost the whole of this period there has been a falling trend in the market value of Stock Exchange securities, my first reference might appropriately be as to the position of our company in this respect. It is with satisfaction that I am in a position to inform you that, based on middle market prices as at December 31st last, in the ordinary branch our Stock Exchange securities exceeded in the aggregate the value at which they appear in the balance sheet, leaving the investments reserve fund of £2,000,000 intact. In the industrial branch there was a small depreciation at the end of the year which was very much more than covered by the investments reserve fund. This fund, including £250,000 added during the year, now amounts to £2,250,000. It will further interest you to know that, due to the rise in market values which has occurred since the end of the year, the values of the Stock Exchange securities in this branch again considerably exceed the value at which they appear in the balance sheet, now leaving the industrial branch investments reserve fund also intact.

I have already referred to the yield on the assurance funds under their respective branches, but may add that the net yield on the combined assurance funds is £3 18s. per cent. against £4 3s. 7d. per cent. in the previous year. This reduction is due almost entirely to the operation of the steep increase in income tax during the year; the low rate of interest available on new investments and the fact that a larger amount of our funds was retained in liquid form, playing only a minor part. The gross yield on the combined assurance funds is £4 13s. 10d. per cent., compared with £4 14s. 11d. per cent. for 1938.

It is worthy of note that our holding of British Government securities, amounting to £26,448,324, constitutes 36.5 per cent. of our total assets and that the geographical distribution of our investments compared with the previous year is approximately as follows:—

	1938	1939
Great Britain ...	83.69 per cent.	84.71 per cent.
Indian and Colonial ...	11.93 per cent.	11.58 per cent.
Foreign ...	4.38 per cent.	3.71 per cent.

In this connection we are perhaps fortunate in that the amount of our investments in continental Europe, even based on cost price, is less than one-quarter of one per cent. of our invested funds. You will be interested to know that the company recently applied for one million pounds of the 3 per cent. War Loan and now holds the relative allotment of over £800,000 fully paid-up.

NATIONAL HEALTH INSURANCE

Turning now to another branch of the company's activities I have to report that on behalf of the National Amalgamated Approved Society we administer the National Health Insurance of a membership of 716,000. During the year payments of benefit amounting to £661,601 were made by our widely spread agency staff at the homes of incapacitated members, including £74,057 in respect of maternity benefits. In addition, the further considerable sum of £66,376 was received by "Refuge" members by way of non-cash benefits. The number of new members of the society obtained during the year by "Refuge" representatives was 45,350.

THE FUTURE

I have referred at length to the problems that now confront us; but every day we are finding solutions to them, as we hope also to find solutions to those other problems which will no doubt arise from time to time. Our business is distinguished always by one great advantage in that life assurance is a necessity, a fact which is appreciated the more when circumstances emphasise the risks in respect of which it is our business to provide financial protection. By no other means is it possible to ensure an immediate estate for one's dependants; and the low lapse rates in both branches show clearly how great an importance our policyholders attach to the benefits their policies confer. New business continues to reach us in a measure which is not unsatisfactory considering the circumstances of the times; and we have made substantial additions to our reserves in the ordinary branch by strengthening the valuation basis and by increasing our carry-forward by over £800,000 and in the industrial branch by transferring £250,000 to the investments reserve fund. Finally, let us reflect that whatever the war may cost us—and it affects us

all, individually—it is in effect the premium we must pay to ensure the protection we are resolved to secure against any future attack menacing the peace and happiness of this nation and its allies.

TRIBUTE TO STAFF

Before I close I wish to refer with appreciation to the efforts which were made during 1939 by the company's staff, both outdoor and indoor, and especially during the last four months of the year, when the "black-out" regulations restricted travelling facilities and disturbances of population made the efficient performance of duties more difficult, particularly so in the case of our outdoor staff. In accordance with "Refuge" tradition, difficulties have been faced with a good spirit, and I have no doubt that the staff will continue to give of their best in the days to come. I am also pleased to say that the relations of the company with the Field Staff Association and the Chief Office Staff Council are maintained on a friendly basis.

CONCLUSION

Gentlemen, I have now much pleasure in moving the adoption of the annual report and accounts.

The report and accounts were adopted. The appointment to the board of Mr Francis H. Thornton was confirmed, and Messrs James Proctor-Pearson and John W. Moss were reappointed directors.

Messrs Walton Watts and Company were reappointed auditors. The meeting closed with a vote of thanks to the chairman.

ERICSSON TELEPHONES, LIMITED

GROWING VOLUME OF DEFENCE WORK

The thirty-seventh annual general meeting of Ericsson Telephones, Limited, was held, on the 3rd instant, at Kingsway Hall, London.

Colonel Sir Harold A. Wernher, K.C.V.O. (the Chairman), said that it was at such times as the present that the strength, or weakness, of a business was put to a searching test and the value of the careful planning and building of former years became more apparent. The accounts showed how effectively the company had been able to meet the initial strain of war conditions.

As was to be expected, the demand in the home market for telephone equipment had been adversely affected by present conditions, but, as in the last war, their plant was being used to an ever-increasing extent on contracts for the Defence Ministries. The Government had rightly drawn attention to the vital importance of maintaining a large export trade during the war period, in order to help finance the country's essential imports of food and raw materials. The company's sales overseas represented a substantial portion of their turnover, and the directors and officials were vigilant in holding and stimulating that branch of their trading.

Their home trade was changing over largely to contracts with the Defence Ministries, but the telephone system of the country was an integral part of National Defence, and there could be no doubt that the Government realised the prime importance of maintaining this great national asset in an adequate condition under war conditions. He inferred, therefore, that the modified programme of the Post Office would not be too drastically cut. Export trade was well maintained, and altogether they had work in hand to keep them well employed for months to come. When peace returned the Government would be faced with the huge problem of absorbing many hundreds of thousands of people into civilian life again. In the public telephone system there was a valuable national asset, suitable for much greater development, producing a satisfactory return on capital outlay and capable of providing a wide and well-balanced range of skilled and unskilled labour.

The report and accounts were adopted and payment approved of a final dividend of 12 per cent. and a bonus of 7 per cent., both free of tax; £20,000 being transferred to general reserve and £10,000 to dividend equalisation reserve, leaving £43,135 to be carried forward.

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.

CLERICAL, MEDICAL AND GENERAL LIFE ASSURANCE SOCIETY

STRENGTH OF THE SOCIETY

The one hundred and sixteenth annual general meeting of Clerical, Medical and General Life Assurance Society was held, on the 4th instant, at Southern House, Cannon Street, London, Sir Francis E. J. Smith (the chairman) presiding.

The general manager and actuary (Mr Andrew H. Rowell) read the notice convening the meeting, the minutes of the previous meeting, and the certificate of the auditors.

The Chairman said he hoped that they would agree that, taking all things into consideration, the results disclosed by the accounts for the past year were satisfactory. Some of the figures, however, necessarily reflected the immediate effects of the war. In the life assurance revenue account, for instance, income tax had absorbed £153,000—an increase of some £38,000. It was encouraging to note, however, that after meeting all outgoings, the life assurance fund had increased during the year by nearly £450,000, a striking tribute to the vitality of the Society.

New business suffered in 1939 a reduction of about 25 per cent. to a figure of just over £2 millions. That reduction was typical of the experience of life offices, as a whole, and was entirely due to the war, as at the end of August their total was actually ahead of the previous year. The gross yield, at £4 13s. 9d., was up by 1s. 9d. per cent., and the net yield, depressed, of course, by increased taxation, worked out at £3 13s. 6d., a reduction of only 2s. 8d. per cent. This net yield of £3 13s. 6d. still showed a substantial margin over the net valuation rate of 2½ per cent.

THE NEXT BONUS

In referring to the strength of the Society, the chairman said that reserves existed for all their liabilities—life assurance and annuity contracts alike—upon that conservative net interest basis of 2½ per cent., and that over and above those reserved they had a floating margin of undistributed surplus, upon which all tax had been paid, of over £2 millions. In addition, a number of assets were conservatively valued in the balance sheet, and thus constituted a further margin of security. In effect, a large contingency reserve, although not visible at that moment on the face of the balance sheet, none the less existed.

With regard to the next bonus, due to be declared a year hence, he had already referred to the undistributed surplus of over £2 millions, and there were the earnings of 1940 to come. Thus, if times had been normal, there was little doubt that there would have been available for their participating policyholders, a year hence, the usual good bonus. But, unfortunately, times were far from normal, and it might be that, in order to maintain their customary high standard of security, some portion of these resources would have, in prudence, to be conserved. Taking a long view, however, he remained convinced, in spite of present perplexities and the consequent need for caution, that, as compared with the non-profit contract, the profit-sharing policy would retain its superior attractions.

Since the outbreak of war the Society, in common with most other life offices, had excluded from the cover provided by new policies the risk of death arising "directly or indirectly" from war causes, although enlarged cover could usually be obtained by the payment of an extra premium, of an amount dependent upon the circumstances of individual cases. The past six months of war, however, had produced in their minds a growing dislike and distrust of those words "directly or indirectly" as being incapable of precise legal interpretation, and therefore entirely out of place in the policies issued by a society like the Clerical, which had always prided itself upon the simple and unrestricted character of its life assurance contracts.

The directors felt that the Society ought now to offer a type of policy designed to get back as closely as possible to the pre-war unrestricted form. They proposed henceforth to issue a policy which would contain a simple clause governing active service with the Army overseas, or in the Navy or Air Force, under which the amount payable at death in such service would in the ordinary way be a cash return of twice the premiums actually paid. With that one necessary exception, the policies would be in the familiar pre-war "whole-world and unconditional" form. They would thus afford, in the case of every civilian, complete cover in this country and, if effected on the full-profit or prime cost basis, the policy would carry the normal profit-sharing rights applicable to those tables. For a whole-life or endowment assurance, with profits, the annual premium would be about 5s. per cent. above the pre-war level.

The report was unanimously adopted.

BANK OF SCOTLAND

SATISFACTORY RESULTS OF A DIFFICULT YEAR

STRONG LIQUID POSITION

NEED FOR INCREASING EXPORTS

LORD ELPHINSTONE'S ADDRESS

The annual general meeting of the proprietors of the Bank of Scotland was held within the Head Office, Edinburgh, on the 2nd instant. The Right Honourable Lord Elphinstone, K.T., Governor of the Bank, presided.

In submitting the directors' report, the chairman said:—

My Lord, ladies and gentlemen, I assume that, as usual, we may hold as read the report by the court of directors of the affairs of the bank as at February 29th last, a copy of which you have all no doubt received.

The directors much regret the loss by death during the year of their esteemed colleagues Mr William Brodie, LL.D., and Lord Kinross. Mr Brodie's resignation from the board on account of ill-health was referred to from this chair a year ago. Lord Kinross had been a member of the board since January, 1925. Both had given valuable service to the bank.

The directors also regret the resignation on account of the state of his health of Mr Alexander Wallace, W.S., who had been an esteemed member of the board since April, 1917, and who gave valuable and exacting services as chairman of committees from October, 1922, until January, 1934. I am sure the proprietors will join with the board in extending their good wishes to Mr Wallace on his retirement.

To fill vacancies on the board the directors, in virtue of the powers contained in the bank's constitution, took the opportunity of inviting Mr Robert McCosh, W.S., and the Master of Polwarth to become ordinary directors. I am glad to say that they agreed to accept office. You will be asked to confirm their appointments to-day.

TRADE AND INDUSTRY

The fear of war which hung over us all in the autumn of 1938 and which at our last meeting had not receded far has unfortunately given place to the reality. The uncertainties and difficulties of those days have been replaced by new ones, but in one direction uncertainty has been entirely removed. We now know definitely what we are faced with and have no doubt about our duty to put forth the maximum effort and make the sacrifices necessary to bring the war to a successful conclusion as quickly as possible.

To this end trade and industry have necessarily been equally mobilised with the fighting forces, and in the intensive scheme of work which has followed we, as a bank, have contributed our share in financing the producers of food and munitions of war with temporary capital.

It is a commonplace to us all that in these days we must concentrate upon reducing our civilian consumption of goods and on increasing our savings; also that we must concentrate upon the necessity of paying for our imports, greatly swollen through war needs, by adding largely to our exports; and further that we must increase our home-produced food to conserve for war needs as far as possible the available tonnage space in the ships of our Mercantile Marine. Though these are matters about which there can be no difference of view among us, it is well that we should recall them to our minds with frequency to ensure that we do not forget their importance.

The Export Council, under its capable chairmanship, may be relied upon to promote the greatest volume of export trade that can be achieved under wartime conditions, and we as a bank are prepared to give what assistance we can to finance individual exporters among our customers.

The recent assurance of the Prime Minister, speaking for the present Government, that they were determined that agriculture should not a second time be allowed to collapse as it was after the last war, will be welcomed by those engaged in this vital and staple industry. As the bankers of numerous members of the farming community, with whose interests our own are closely bound up, we are glad to have this indication of policy. We are already giving assistance to farmers in their efforts to increase their production of essential crops and, in common with all the Scottish banks, are co-operating with the Scottish Office in plans for extending this assistance.

In a war such as this we must, as individuals and collectively, expect to be less well off than we would be in peacetime, and we must be determined to face that fact with courage.

THE BANK'S BALANCE SHEET

Turning to the bank's report, you will see that deposits at £42,137,116 show an increase of £4,285,425. Increased deposits, a common experience of banks in these days, are largely due to the considerable sums expended throughout the country by the Government for war purposes.

The note circulation at £3,941,242 shows an increase of £526,517. This also is due to the increase in employment as a result of the war. The average circulation for the year is again substantially in excess of the corresponding figures for the previous twelve months.

The item "Drafts Issued" calls for no special comment.

The increase in acceptances is due to extended business attributable to imports for war purposes.

LIQUID ASSETS

On the assets side, cash, bank balances, documents in transit and money at call and short notice amount to £10,858,825, i.e. fully 21 per cent. of our liabilities to the public. Bills discounted (including £2,000,000 of Treasury bills) and our investments amount to £29,236,962, or fully 56 per cent., giving a total of £40,095,788, or fully 77 per cent. of our liabilities to the public in liquid assets.

ADVANCES

Our advances at £10,508,426 show an increase of £781,029 and we are in a position to meet all further reasonable demands of our customers and connections for legitimate banking accommodation.

All bad and doubtful debts have been fully provided for. Our investments at £26,841,527 show an increase of £1,164,728.

The market value is substantially in excess of the value in our books.

BANK PREMISES AND HERITABLE PROPERTY

During the year, while some contemplated reconstruction work at certain of our branches has been postponed on account of war conditions, the bank's property all over the country has been maintained in good condition. The internal reconstruction being carried out at our head office is almost completed and the whole properties of the bank, including let properties, stand in our books at the slightly increased figure of £473,800 which is much below the market value.

RESULTS FOR THE YEAR

The net profits at £274,548 are £31,086 under those of last year. Lower net profits have been quite a common experience with other banks and the cause is readily explained by the additional expenditure caused by war conditions, including increased taxation, together with increased working costs and the continuance of low money rates.

The net profits are£274,548
Add: The balance from last year 151,918
£426,466

Deduct:
Applied to reserve for contingencies£75,000
Transferred to trustees for Officers' Pension Fund 30,000
Dividend at 11 per cent. per annum less
Income Tax168,000
273,000

Leaving to be carried forward£153,466
The dividend at 11 per cent. compares with one of 12 per cent for the previous year. This, together with the application of £75,000

to reserve for contingencies, has been decided upon as a measure of prudence in view of the uncertainties of the times.

BANK STAFF

Already about 250 men—that is over one-fifth of our entire male staff at the outbreak of war—have left for military service and we must expect a further very considerable loss of staff as more men are called up. In addition many of our men and women are giving in their spare time valuable voluntary help in the various branches of national service. We recognise and appreciate with gratitude the service and sacrifice which all these are rendering to public duty.

The absence of so many members of our staff combined with war conditions generally has called for much extra work on the part of those who are left. They have co-operated in a truly loyal and whole-hearted way in the many difficulties which have arisen and I have great pleasure in expressing our thanks to all concerned.

I should also like to mention in this place the Staff Joint Council including five members elected by our staff and so fully representative of them. The Council continues to perform very useful work.

DIVIDEND

I now have pleasure in moving that the report and balance sheet, as submitted, be adopted and that a dividend for the past half-year at the rate of 12 per cent. per annum, less income tax, be now declared payable on 15th current making with the dividend paid in October last 11 per cent. for the year, less income tax. The motion was agreed to.

The Lord Elphinstone, K.T., and the Lord Henry Scott were unanimously re-elected Governor and Deputy-Governor respectively for the current year.

Mr Robert McCosh, W.S.; the Hon. the Master of Polwarth, Sir Michael Nairn, Bart., and Mr John Craig, C.B.E., D.L., were re-elected ordinary directors.

Mr H. L. Usher, C.A., and Mr R. Arthur Morrison, C.A., were re-appointed to conduct the audit of the bank's books for the current year, and a vote of thanks to the chairman terminated the meeting.

MAPLE AND COMPANY, LIMITED

WARTIME ACTIVITIES

The fiftieth annual general meeting of Maple and Company, Limited, was held, on the 29th ultimo, on the company's premises, Tottenham Court Road, London, W., Mr Charles C. Regnart, the president of the company, presiding.

The Chairman, in moving the adoption of the report and the accounts, said that the outbreak of war, attended as it had been with the evacuation of London and Greater London, fears of bombing and destruction, had had a devastating effect on West End trade, and more particularly on the furniture trade.

Fortunately, up to the present, those fears had proved unfounded, but nevertheless the West End was still a distressed area.

At the same time, the control of timber and other commodities was making production more and more difficult, and he thought the company was to be congratulated on the possession of the largest stock of furniture in the world bought at prices which defied comparison.

The company had naturally suffered severely from lack of patronage from its vast clientele. On the other hand, their removal and warehousing departments had been taxed to the full, and they had also been kept extremely busy supplying blinds and curtains to meet A.R.P. regulations, in which direction business continued brisk.

At the same time, in present conditions the public would refrain from buying home comforts except necessities and so on, and until they reverted to peacetime conditions the luxury side of the company's trade must continue to suffer.

The balance available on the profit and loss account was £19,904 which, less £2,000 transferred to staff benevolent fund, the directors proposed should be carried forward.

It was the first time in the history of the company extending over 49 years that no dividend had been recommended, but he trusted they might look forward to the resumption of dividends at an early date.

The report and accounts were unanimously adopted.

ASSOCIATED ELECTRICAL INDUSTRIES, LIMITED

RECORD PROFIT FIGURES

The fortieth annual general meeting of the Associated Electrical Industries, Limited, was held, on the 29th ultimo, in London.

Sir Felix J. C. Pole (the chairman) presided and in moving the adoption of the report, said that the directors were able to present statement of accounts which they hoped the stockholders would regard as satisfactory. The profit for the year, before providing for depreciation and taxation, was £1,470,265, the largest profit earned in the history of the company, and an increase of £70,766, or 5 per cent., over the previous year. That increase, however, was much more than absorbed by the increased provision for taxation, although, owing to the conservative policy of the board in the past in leaving some of the profits in the business, they were spared the additional burden of the excess profits tax, but they had to provide for National Defence Contribution on their 1939 results instead of excess profits tax and, of course, for income tax. They had also had to make some provision in the accounts for the year for additional income tax on the profits earned in the year 1938. It would be seen that whereas they started with a profit for the year of £70,766 more at £1,470,265, they arrived at a net profit of £477,083, or 28.2 per cent. less than the corresponding amount for the previous year, due to the larger provision for taxation.

The profit for the year, after deducting taxation and depreciation, was £477,083, as compared with £664,308 for the previous year, to which had to be added £251,647 brought in from the previous year, making a total profit available for distribution of £728,730, and the directors recommended a dividend on the ordinary stock at the rate of 10 per cent. per annum, less tax, leaving a balance to be carried forward of £253,118.

THE EXPORT BUSINESS

The directors were continuing their policy of securing as much export business as possible. To that end they were maintaining an efficient organisation abroad and keeping in personal contact with overseas markets. Exports were more than ever necessary in wartime, and were rightly considered by the Government as second in importance only to the essential requirements of the fighting forces. The Government, through the Export Council which had been appointed by the President of the Board of Trade, appeared to contemplate giving more assistance than hitherto to exporting companies. In that connection they had pointed out the difficulty of obtaining large contracts for electrical and mechanical installations because of the risk incidental to quoting firm prices in view of rising costs of wages and materials. Some of their foreign competitors were not faced with that trouble, and they felt that the Government should assist the British manufacturer in dealing with that problem. He observed with interest that that opinion was shared by the chairman of the District Bank, who was in very close contact with the problems of export business.

He was glad to say that they continued to have many orders from the Dominions, the Colonies and foreign countries, the most recent large order being from Turkey for the construction of a large power station at Catal Agzi, the value being about £1,500,000.

Reverting again to the question of exports, might he take that opportunity of saying how glad he was that the Government had embarked upon an enlarged scheme of Colonial development. He had been a member of the Colonial Development Committee from its inception in 1929 and had visited several of the Colonies, therefore he was especially able to appreciate the potentialities of the Colonial Empire and the importance of the new scheme, which was announced by Mr Malcolm MacDonald on February 20th.

With regard to the Metropolitan Vickers Electrical Company, he would point out that they had on hand a larger volume of orders than ever before for turbo-alternator sets, transformers, switch gear, electrical winders, electric rolling mill equipment, hydro-electric installations, electric locomotives and other electrical apparatus. They had a record number of employees, while as regarded all the companies of the Associated Electrical Group, orders on hand exceeded £19,000,000 and the number of employees was the highest in their history. Although theirs was a reserved industry, they had nearly 3,000 employees serving with the Forces and a scheme was in operation whereby the Service pay of married men and single men having dependants was being supplemented by suitable allowances from their various companies. Also much was being done to support the National Saving Scheme.

The report and accounts were unanimously adopted.

THE MERCANTILE BANK OF INDIA, LIMITED

IMPROVED RESULTS DESPITE INCREASED EXPENDITURE

SIR CHARLES INNES ON THE POSITION

The forty-seventh annual general meeting of The Mercantile Bank of India, Limited, was held, on the 2nd instant, at Winchester House, London.

Sir Charles A. Innes, K.C.S.I., C.I.E. (the chairman), in the course of his speech, said:—An immediate effect of the war was temporarily to slow up the business of the bank. The bank has been appointed an authorised dealer in exchange in all the Empire countries in which we operate, and we regard it as our duty to co-operate with the authorities by strict observance, in the spirit as well as in the letter, of all the regulations which have been issued for the control of operations in exchange. But it must be confessed that at first the regulations were not too easy to understand, and for the first few weeks after the outbreak of war transactions which before the war had been just a matter of routine had each one to be the subject of individual consideration in order that we might be satisfied that no regulation was being contravened. Things are better now, for the regulations themselves have been clarified and our officers are more familiar with them, but at first the burden on Mr Crichton, Mr Paton and the branch managers was very heavy.

GERMAN CARGOES

Our experience in these matters was much the same as that of other banks, but the war involved the exchange banks which are mainly engaged in the finance of international trade in special difficulties. The outbreak of war, for instance, found us with many bills outstanding in respect of German cargoes. Fortunately, a large proportion of these cargoes had already arrived safely at their destinations when war was declared, and most of the relative bills were retired in due course. But there were some cargoes in German ships which were on the high seas when war broke out, and these ships at once ran for shelter to the nearest neutral port. They took refuge mainly in the ports in Italy, Eritrea, Japan and the Dutch East Indies. Other cargoes had been shipped in enemy vessels just before the outbreak of war, and these vessels remained in German ports. There were other cargoes again, in neutral ships bound for a German destination, and most of these ships were intercepted by the Allied navies and their cargoes brought before prize courts.

In this matter we had the experience of the last war to guide us, and Mr Crichton lost no time in organising, under the able direction of Mr Kennedy, our inspector of branches, an enemy debt department. Its business was to obtain with the least possible delay particulars of all cargoes in which we were interested and to find out where the ships were. Thanks to the prompt action taken, we were able to secure the release and transhipment to the original destinations of the bulk of the cargoes in Japan and the Dutch East Indies and of some of those in Italian ports without payment to the enemy of any of the charges which they have since tried to impose. We have also established our claim to, and secured the release of, much of the cargo brought before prize courts. But there are a number of cargoes which are still the subject of negotiations now being carried on through the London Chamber of Commerce. I am hopeful that in time we shall be able to secure the release of at least some of these cargoes, but in the meantime we have thought it wise to make full provision for any possible loss. In any case the amount involved has been reduced to small dimensions.

IMPROVED RESULTS

You will see that, in spite of additional expenditure to which I have alluded, we have been able to show rather better results, and our profit at £195,869 is an improvement on last year's figure. We are maintaining the dividend at 12 per cent., less tax, and we are making the same additional allocation of £30,000 to contingencies as last year. We have increased our allocations to the officers' pension fund and to premises account, and we have raised the carry forward by £2,000.

BALANCE-SHEET ITEMS

There are some interesting features in the balance sheet. The balance-sheet total at £22,000,000 is £3,500,000 in excess of the 1938 figure. On the liabilities side current and other accounts have increased by upwards of £3,000,000, while on the assets side cash is

up by £500,000 bills receivable by more than £2,000,000 and loans and advances by £1,000,000. The improvement in loans and advances is the direct result of the war. Prices have gone up, freight space is not always easy to obtain, and merchants require more finance. The increase in bills reflects to some extent increased trade, but it is mainly due to the fact that bills tend to be outstanding for longer periods owing to postal delays.

The only other point which requires comment is the increase in freehold banking premises. You will note that the figure has gone up from £304,724 to £338,422. I have just told you that we purchased a building last year in the outskirts of London, and we also acquired properties in Bombay and Colombo with the object of rebuilding the bank premises in the former city and of building a house for our manager in the latter. As I told you last year, this account is a very healthy one. We own many valuable properties, and the account has been systematically written down each year since the bank came into existence.

DEDUCTION OF INCOME TAX

Before I leave the accounts, there is one small matter which I must mention. Some of you will notice that in the final dividend warrants the "A" shares have been less generously treated than the "B" and "C" shares in the matter of deduction of income tax. You will remember that when the Chancellor introduced his Emergency Budget last September he raised the rate of income tax from 5s. 6d. to 7s. in the £ with effect from the beginning of the financial year. At that time we had already declared an interim dividend of 6 per cent., less tax, and the dividend warrants which had been prepared on the basis of British income tax at 5s. 6d. in the £ had actually been issued. In circumstances like these, as the Chancellor explained in his Budget speech, preference shares and ordinary shares are treated differently.

In the case of preference shares a company can and should correct in its final dividend an under-deduction of tax in the interim dividend, but it has no power to do this in respect of ordinary shares. As you know, our "A" shares are preference shares as to 5 per cent. of the dividend, and to that extent the under-deduction of tax in the interim dividend must be corrected. The effect is that while the "A" shares get a dividend of 12 per cent., less tax, the "B" and "C" shares get a fraction more. The matter is one in which the directors are quite helpless; they are bound by the Articles of the bank.

INTERFERENCE WITH NORMAL CONDITIONS

It has been the custom for the chairman, in his speech at the annual general meeting, to survey economic conditions in the countries in which we operate. This year, however, I do not think that it would be useful to attempt any detailed survey of this kind. The war has interfered with normal trading, and has set up entirely artificial conditions. In most of the Empire countries in which we have branches, imports and exports, shipping and foreign exchange are all controlled, and there have been centralised bulk purchases by the British Government of various commodities of vital importance, such as tea and sandbags. Measures of this kind, of course, are necessary for the successful prosecution of the war, and it is all to the good that the authorities have taken control much more rapidly than in the last war.

There is another point of difference in that payments for some of the purchases in India of the British Government are being made through the Bank of England and the Reserve Bank of India, which of course, was not in existence in the last war. I am sure, however, that the authorities are well aware of the part the Exchange Banks have always played in financing trade between India and this country, and that they will be anxious to interfere as little as possible with normal methods of finance. It is safe to say that it is not a question of profits. The chief concern of this bank is that its long standing connection with the trade between India and this country should not be interrupted or impaired.

A noticeable result of the war has been a large increase in direct shipments of rubber, tin and other commodities from Malaya and India to the U.S.A. This is a natural result, since the insurance

rates on cargoes which do not enter the war zone are much lower. There is also some risk that shipments of this kind may be financed by bills drawn on New York instead of on London, though the regulations just issued may obviate this danger. Time alone can show whether these are merely temporary phases or whether the war, especially if it is prolonged, will effect permanent changes in the course of Far Eastern trade as well as in the methods of financing it.

COMMODITY PRICES

As regards the principal commodities in which we are interested, rubber and tin are commodities of great importance in wartime, and as the result of the war, and also in the case of rubber of the barter agreement with the U.S.A., not only has a higher rate of release been allowed but prices have also improved. In consequence there has been a return of prosperity to Malaya, at any rate for the time being. There has been a rise in the cost of living and some unrest among Chinese labour, but generally the Government has kept a firm grip on the situation.

Ceylon has also benefited by the improvement in the rubber trade and by the fact that a large proportion of the tea crop has been bought by the Ministry of Food at a fair price. Here, too, however, there has been labour trouble on the estates, and some anxiety is felt regarding the future supply of Indian labour owing to an unfortunate dispute between the Governments of Ceylon and India. I mention in passing that we have opened, as an experimental measure, a new branch at Jaffna with the object of extending much-needed banking facilities to the north of the Island.

In India jute is the commodity which reacted most rapidly to the war. The British Government placed large orders for sandbags, and consumers all over the world became keen buyers. Prices rose quickly, and in the latter months of the year the mills were running their machinery to capacity for 60 hours a week. Thus the industry is enjoying a period of prosperity tempered to some extent by the prospect of the excess profit tax which the Government of India have decided to impose. The situation, however, is not without danger. The outbreak of war was followed by a period of intense speculative activity in the jute market in Calcutta, which temporarily forced the price of raw jute to an inordinately high level, and the cost of manufactured jute also rose. The supreme merit of jute as a packing material lies in its cheapness, and high prices give an impetus to the competition of cotton and paper bags.

SPECULATIVE ACTIVITY

The speculative activity in the jute market communicated itself to other markets, particularly those in cotton and silver, and in spite of action taken by the provincial governments to control prices, there was a rapid rise in wholesale and retail prices in the first four months of the war, with the result that there has been some labour unrest, especially in the Bombay mill industry. The war, however, had little effect, except in jute manufactures, on exports in the first three months of the war, and the combined exports of merchandise from India and Burma in 1939 were only 18 crores in excess of those of 1938. But there was a large increase of exports from India in December and again in January, and there is no doubt that the great resources of the country will be fully utilised for the purposes of the war. The agriculturist should benefit by the better prices he is getting for primary products, and it is probable that the war will give a further stimulus to the development of manufactures in India. There is, however, not so much leeway to make up as in 1914. A rather depressing feature of the trade returns of all these countries is that increased exports to the United Kingdom have so far not been counterbalanced by increased imports from the United Kingdom.

In China the Sino-Japanese war still drags on, but in spite of this fact and other hindrances, trade improved in Shanghai. The trade of the port was nearly twice as great as in 1938.

THE FUTURE

The war has brought a measure of prosperity to most of the countries in which we have branches, and there has been some improvement in the accounts which we are presenting to you to-day. But the main point I wish to make is that war prosperity is a prosperity of an artificial and unstable kind, and that when the war is over it will probably be succeeded by another period of trade depression. It is this contingency which your directors have to keep in mind, and we are confirmed in the conservative policy which we have followed for many years.

The report and accounts were unanimously adopted.

HALIFAX BUILDING SOCIETY

ASSETS REACH RECORD AMOUNT OF £129,000,000

The eighty-seventh annual general meeting of this Society was held, on the 1st instant, at Halifax, Brig.-Gen. Sir Edward N. Whitley, K.C.B., C.M.G., D.S.O., D.L., President of the Society, presiding.

In moving the adoption of the report and balance sheet the president said: The annual financial statement and report cover a period of seven months of uneasy peace and five months of war, and they give us great grounds for thankfulness.

As you see, our total assets have increased by more than £895,000 to the record sum of over £129,000,000 and, but for having to find an additional sum of over £200,000 for income tax and N.D.C., our profit would have been even better than last year.

The mortgages are carefully selected, the properties on which the loan is made being all valued by professional valuers, and the amount at risk is reduced each year by periodical repayments.

Turning to the other side of the balance sheet, the amount owing to investing shareholders at £88,000,000 and to depositors at £34,000,000 has increased by £495,942 during the year; other liabilities for income tax, N.D.C. and contingencies amount to £557,035, leaving in the reserve funds and carry-forward £5,800,000, which is 4.49 per cent. of all liabilities as against 4.2 per cent. last year.

Management expenses are less than last year, amounting to only 8s. 7d. in each £100 of mean total assets as against 9s. 1d. last year, which is well below the average of all building societies in Great Britain.

The amount advanced on new mortgages was £12,612,343, a very considerable sum, but of course far less than the £20,000,000 which we have advanced in each of the past five years. Up to the end of August our figures for completed mortgages compared very favourably with those of the corresponding date in the previous year, but since the outbreak of war we have done little more than complete outstanding commitments. The directors have allotted £100,511 to the payment of a bonus to monthly subscription investing shareholders of 15s. per cent. and to paid-up shareholders class 1 of 10s. per cent.

Referring to conditions at the outbreak of war, the Chairman said: At no time was there any sign of panic withdrawals, and after the initial shock of the declaration of war had passed withdrawals speedily returned to normal dimensions.

The effect of war on the other side of our business was much more marked. No new applications for advances were granted, but we completed all those which had been accepted prior to the war.

Another effect of the outbreak of war was the great increase in the number of requests for the temporary suspension of repayments of capital on advances already made, and we have given most sympathetic consideration to all cases where a member who has been a regular payer has found it difficult to go on in consequence either of military service, of evacuation, or of unemployment owing to the sudden dislocation of life.

WAR DAMAGE

Dealing with the question of war damage, the Chairman said: The Government, through the Chancellor of the Exchequer, as far back as January 31, 1939, stated that "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 would be graded."

This pledge on the part of the Government seems to me to be satisfactory to our Society, and particularly when we remember that our securities are generally in small units consisting mainly of dwelling-houses and spread throughout the whole of Great Britain and Northern Ireland. The promise of the Government to give the maximum compensation out of public funds at the end of the war affords the maximum protection against war damage at present available, and I do not know any other form of security which offers better safety in wartime than building society mortgages.

Although it does not fall strictly within the year covered by the accounts which I am presenting to you, I suppose I must make some reference to the reduction of interest from June 30th next of which we have recently given notice. The board has been very loath to reduce the rate of interest on money which has been with us for some years, but after the most careful consideration we can see no proper alternative.

The accounts were approved.

NATIONAL BANK OF INDIA, LIMITED

PROFITS WELL MAINTAINED

APPRECIATION OF SECURITIES

MR R. LANGFORD JAMES'S REVIEW

The ordinary general meeting of the National Bank of India, Limited, was held, on the 2nd instant, at the bank's premises, 24 Bishopsgate, London, E.C., Mr R. Langford James (the chairman) presiding.

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

The Chairman said: There has been an increase of approximately £1,300,000 in current, fixed deposit and other accounts, as compared with the previous year, while the amounts representing bills of exchange, discounts, loans receivable, etc., aggregating £15,000,000, show an increase of an almost equal amount—a welcome indication of expanding trade requirements in the principal centres where we operate, of which we hope to see a continuance. While loans payable outstanding amount to £1,500,000, cash and bullion at £6,860,000 exceed the amount appearing in the previous balance sheet by roughly £2,000,000. Our investments in British and Indian Government securities at £13,382,190 compare with £13,518,824 a year ago, and were valued at or under market prices ruling on December 31st. Since then there has been a considerable appreciation and their present market value is substantially in excess of that appearing in the balance sheet. The proportion of cash and Government securities held against deposits needs no comment beyond what I have made on previous occasions when I pointed out the strength which these figures disclose.

PROFIT AND DIVIDEND

The net profits for the year, amounting to £442,692, are about £1,490 less than those of the previous year. With the amount brought forward there is available the sum of £691,572, out of which an interim dividend at the rate of 16 per cent. per annum, less income tax, was paid last September, and we now recommend the payment of a final dividend at the same rate and to carry forward £246,572. The results have been arrived at after making full provision for bad and doubtful debts and for taxation on the heavily increased basis now in force.

The allocation to property account is the same as last year, when I reported to you the acquisition of this building from the Methodist Missionary Society. This year's meeting is interesting in that for the first time we are in undivided occupancy of the entire premises. We had been the tenants of the society for some 35 years, and gratifying testimony to the harmony of our relations with our landlords was recently conveyed to us in a very cordial letter from them. The sentiments expressed afforded us much pleasure and satisfaction. Our architects are at present preparing suggestions for consideration as to certain necessary structural alterations, but it is not our intention to enter upon any elaborate scheme under present conditions.

It may interest you to know that provision has been made for possible eventualities and that we have purchased a property at Fisher and leased another in the same locality which, combined, should provide us with alternative accommodation if the necessity arose.

INDIA'S FAVOURABLE TRADE BALANCE

India had a favourable trade balance of Rs. 51.54 crores, against Rs. 29.77 crores in 1938, which enabled the Reserve Bank to acquire large resources on this side and has put them in a position not only of being able to meet the India Government's current requirements, but to increase largely the external assets of the currency and to set aside sums for the repatriation of sterling debt. No less than £63,000,000 was obtained during the year as compared with £19,000,000 in 1938.

You will expect me to say a few words concerning the probable effect of the present state of affairs on business in those parts of the world where our interests mainly lie. While the exports of countries with which we are mainly concerned are, and will doubtless continue, in demand at prices above those ruling in recent years, less continue, in demand at prices above those ruling in recent years, it is not to be expected, generally speaking, that we shall see values rise to the levels reached in the last war. Much must depend on the duration of the war, of course, but in the meantime I think it

is a fair appreciation of the position to say that we look for general prosperity in our territories without the inflated prices of the 1915-20 level.

COTTON

As usual, I propose to refer briefly to the principal industries in which we are interested, commencing with the Bombay Cotton Mills. Up to the outbreak of the war raw cotton prices were abnormally low, and, with the demand for their products expanding, the mills were gradually working themselves into an improved condition. In spite of labour troubles—which I trust may prove of short duration—it is to be expected that the pace of this improvement will be accelerated under war conditions, prices of competing imported goods being handicapped inter alia by increased freight and insurance charges. For many years past imports of coarse fabrics into India have dwindled steadily, but possibly the extent to which that country is becoming self-supporting in the manufacture of fine cotton goods also may not be appreciated generally, though, of course, our friends in Lancashire are only too well aware of the fact, the days of the supreme importance of the Indian markets to United Kingdom manufacturers being definitely a thing of the past. While we cannot but sympathise with Lancashire—more particularly, of course, as their trade was of material value to the Exchange Banks—Bombay and other cotton manufacturing centres in India are entitled to congratulation on the success they have achieved.

JUTE INDUSTRY

Last year I called attention to the address of Mr P. S. Macdonald, the chairman of the Indian Jute Mills' Association, at the annual meeting of that body. Reading a few days ago the same gentleman's speech at this year's meeting, I was left with the impression that here indeed is an industry well able to take care of itself and one that is by no means prepared to take misfortune lying down. The history of the Bengal jute mill industry has not been a happy one during the past few years, but even before the war came to its assistance the vigorous steps towards rehabilitation taken by the association were slowly but certainly bearing fruit. As was to be expected, of course, war demands—including orders for over 900 million sandbags for ourselves and our Allies—have increased the activities of the mills materially. It is of interest to observe that, as in the case of the last war, the Allied Governments' requirements are being supplied practically at cost price, in some cases indeed, where manufacturers have found it necessary to replenish their stocks of raw materials after contracts were entered into, at an actual loss.

Unhappily, so far as the free balance of the mills' products is concerned, the market has been dominated by speculators, a well-known state of affairs in Calcutta. Early in the winter prices were rushed up to almost fantastic levels and, though this phase did not last long, values are still on the verge of what may prove an unhealthily high level. For a jute container is, of course, a somewhat rough article—not comparable with a bag made, say, of cotton—and it owes its popularity to its moderate price, an advantage over possible substitutes of which the local gambler in Calcutta is, if not unaware, at least unheeding. While, therefore, the Calcutta mills are at present enjoying a period of prosperity beyond anything they have experienced for many years, taking the long view, it would probably be in their interests were values to subside to a level at which their products would be of greater attraction to the actual consumer. This aspect of their business is kept prominently before the committee of the Mills' Association.

TEA, RUBBER AND SUGAR

Of tea there is not much to say: the industry continues the even tenor of its way under the protection of the International Regulation Scheme, which, worked by a committee of experts, is now in the eighth year of a successful existence. Since September last large quantities of tea have been supplied to Allied countries on terms readily agreed upon between producers and the Government of this country, and a long-term contract, to cover requirements for the duration of the war, is in course of conclusion. The prices payable by Government have been fixed on a basis which should

ensure supplies of tea being available to the public at moderate prices, while leaving the growers with a fair margin of profit.

The improvement in the rubber industry which developed during the early part of 1939 and was reflected in a rise in the London price to over 8d. was further influenced by the abnormal factors of the Barter Agreement with the Government of the United States of America and the outbreak of war. This latter event brought an immediate further rise in prices, and even higher levels were reached in subsequent months, the average for December being 11½d. The rising tendency, however, was checked by additional releases under the regulation scheme; producers have had to face rising costs of production, transit and insurance. World shipments of rubber during 1939 were 1,005,000 tons, and, although complete statistics are not available, reliable estimates indicate that world absorption was in the region of 1,090,000 tons. The experience of the last few years has emphasised the vital importance to the rubber plantation industry of the International Rubber Regulation Scheme. It may not be generally realised that the British Empire produces over 50 per cent. of the world production of plantation rubber, but the consumption of the United Kingdom is only 10 per cent. of the total world absorption. The influence of the rubber plantation industry in the provision of foreign exchange is, therefore, substantial.

With regard to Indian sugar—now an important industry—it suffices to say that, with a not inconsiderable rise in prices, the mills have had a rather more prosperous year. Much of the profit in the industry, however, found its way into the pockets of the growers, cane prices being regulated by the local Governments concerned. As you are doubtless aware, cane growing in India is almost wholly a village industry, the cane being cultivated by the ryot and by him sold to the local mill.

CEYLON, BURMA AND EAST AFRICA

In Ceylon, with the improvement in the position of rubber, tea assured of a reasonable return on capital invested and with better results from coconut properties probable under war conditions, there is every prospect of a return to more prosperous times. It is unfortunate that the working of the present Constitution has not been attended by the success which its progenitors anticipated, the recent deadlock created by the wholesale resignation of Ministers being a particularly regrettable incident. I referred last year to the proposal to alter the currency system of the island and gave reasons why, in our opinion, the step was not only unnecessary but was fraught with risks which it was undesirable to incur. The Bill to give effect to these proposals is now in course of passage through the Legislature and looks like finding its way on to the Statute Book, but we still hold the view that any system which breaks the link with the rupee currency of the neighbouring Continent of India will not be to the ultimate benefit of Ceylon.

In Burma there was some recrudescence of communal rioting in the early part of the year, but this gradually died out and conditions have since been quiet. The rice crop was excellent, and exports at over 3,600,000 tons were the largest since the record year of 1934. Prices were steady at about the same level as in the previous year, and the bulk of the exports went to India, where rice crops were below normal. Demand for teak showed some improvement, and prices recovered somewhat from previous low levels.

With regard to East Africa, while the undercurrent was better, no outstanding improvement in business was discernible up to the outbreak of the war. Since then Government expenditure has been on an increased scale, and it is fair to assume that under war conditions more prosperous times are in store. A considerable increase in the demand for cloves has come to the assistance of the Zanzibar Government's regulation scheme in connection with that commodity.

TRIBUTE TO GENERAL MANAGER

I cannot conclude without a word of special thanks from my colleagues and myself to our general manager, Mr Lawrence, not only for his ever-ready courtesy and help to us, but for his outstanding services to the bank. It cannot but be a fact that the war's problems have imposed an extra strain on the general manager, but, if so, no sign of this is ever allowed to affect the energy and eagerness with which each such problem is tackled and solved. I can assure you that the bank owes much to the general manager and to the executive at head office. (Hear, hear.)

The chairman concluded by moving the adoption of the report and accounts, this being seconded by Mr J. A. Swan (deputy-chairman) and carried unanimously.

GODFREY PHILLIPS, LIMITED

INCREASED PROFIT

MR ARTHUR I. PHILLIPS'S SPEECH

The thirty-first annual general meeting of Godfrey Phillips, Limited, was held, on the 2nd instant, at the Registered Office, 112 Commercial Street, E.

Mr Arthur I. Phillips (chairman and managing director), in the course of his speech, said: The net profit for the year is £281,627 against £259,226, an increase of £22,000, which is arrived at after all the usual annual charges and provisions, together with a provision this year for Excess Profits Tax and temporary A.R.P. costs, and, of course, there has been charged against revenue the very high premium cost in the last quarter of the war risk insurance. I hope you will agree that the result can be considered satisfactory.

Twice during the trading period there have been increases in the duty, both of 2s. per pound, most of which, though not all, has been passed on in the retail prices. The effect of these increases, so far as I am able to judge, has not tended towards any change of habit of the consumer nor much in the choice of brands.

PROBLEMS FOR TOBACCO EXPORTERS

Abroad, in many markets in which our "group" brands sell, we have had to contend, and are still contending, with many increased tariffs and far higher freights and insurances. I am afraid that, desirous as everyone is that the country's export trade should be maintained, and we particularly that the export trade of manufactured tobacco should be, we must face a diminished demand in those countries whose local manufacture is not subjected to similar difficulties.

Here I would like to add that whatever need there may be of the order withholding dollars with which to obtain deliveries of United States tobaccos, some relaxation in the order should apply where this tobacco is required solely for manufacture for export to countries which will give us other and additional foreign exchanges.

NEW ZEALAND FACTORY

I must take the opportunity of referring to the New Zealand factory now in operation. New Zealand has been taking for some years a considerable proportion of our exports both from here and Australia, and a very valuable goodwill in certain of our brands had been built up. More than a year ago the New Zealand Government, taking steps to protect the exchange position, imposed restrictions on the export of sterling and furthermore prohibited certain imports, of which tobacco was one. These actions made it imperative if we were to maintain the big business we had built up in New Zealand, that the manufacture should be transferred from the London and Melbourne factories to Wellington. This has now been done. It has necessitated the transference of some leaf stock, material and plant. It is this which accounts mainly for the increase in current account, etc., with subsidiaries.

Much has been written in the Press, though little is known of the Government's intention, regarding the varieties and use of oriental tobaccos, generally known in this country as "Turkish," which the Government have recently purchased. Whatever the ultimate decision may be, your company is particularly well placed. For many years we have occupied a unique position, and our knowledge and experience in handling and manufacturing this fine cigarette tobacco has brought us the manufacture under our roof of about 75 per cent. of the total Turkish tobacco used in this country.

CURRENT TRADING PROSPECTS

No one can at present be expected to do more than plan from day to day, and this is your directors' daily task, so I ask you not to expect me to do more to-day than express to-day's belief that at the end of this year's trading, the accounts we shall put before you will be no less satisfactory than I trust you agree are those before you this day.

Perhaps it will not be taken amiss if I say that this view is founded on my reluctance to believe that means will not be forthcoming by which currency may be found to allow of further imports of United States tobacco, and I cannot believe that further specific tobacco taxation can be intended.

The report and accounts were unanimously adopted.

THE CHARTERED BANK OF INDIA, AUSTRALIA AND CHINA

ALL-ROUND INCREASE IN BUSINESS

TRADING CONDITIONS IN THE EAST

MR A. D'ANYERS WILLIS'S ADDRESS

The eighty-sixth ordinary general meeting of The Chartered Bank of India, Australia and China was held, on the 3rd instant, at the bank's premises, 38 Bishopsgate, London.

Mr Arthur d'Anyers Willis (the chairman) presided.

The Chief Manager (Mr A. H. Ferguson) having read the notice convening the meeting and the report of the auditors,

The Chairman, in the course of his speech, said: It has been my custom each year to give a comprehensive review, accompanied by figures and statistics of trade and financial conditions in the various territories served by the bank. On this occasion conditions everywhere having been so radically altered as a result of the outbreak of war and the imposition of Exchange and Trade Control, I propose to confine my principal remarks to the bank's balance sheet and, later on, to refer only briefly and in a general way to the more important points affecting our many and varied interests throughout the East.

THE BALANCE SHEET

The business of a bank such as the Chartered, which is largely concerned in the financing of international trade, has perhaps been affected to a far greater extent than that of many other banking institutions by the application of the very proper measures which the Government have had to introduce to safeguard the economic and financial resources of the country, the Empire, and our Allies. Irksome as they are, these measures are vitally necessary in a time of war, and the authorities may be assured of our complete co-operation with them in their wartime economic and financial policy. I am pleased to be able to say that the effect of these regulations has so far not affected the volume of our business, as a comparison of the figures in the balance sheet in your hands with those of the previous year will show.

There has, however, been a change in what I may call the "domestic" sphere. I refer to the absorption of the business of the P. and O. Banking Corporation, Limited, which I mentioned in my speech last year. This absorption has made it difficult to make exact comparisons with the figures of a year ago—a difficulty which has been accentuated by the changes in the sterling value of the U.S. dollar, the peso, the guilder, and the Chinese dollar—which are the local currencies in which several of our agencies work and keep their accounts.

The grand total of the balance sheet is £67,568,797, an increase of, approximately, £7,000,000, and one of the largest totals in the bank's history. The figure of current and other accounts at £39,691,829 compares with £31,496,582 a year ago, and, although some portion must be attributed to the transfer of the P. and O. Bank accounts, an analysis of our figures shows increases at practically all points. It also, when you compare it with the decrease in fixed deposits from £14,695,385 to £13,970,479, illustrates the desire all over the world on the part of the public to keep their resources as liquid as possible.

Bills payable at £3,605,836 are more than double, and this again is one of the effects of the war. A year ago remittances from the East were chiefly sent home by air, a matter of days, whereas now they come mainly by sea, with the result that, at any date, outstandings are much heavier.

CASH IN HAND AND AT BANKERS

Another striking reduction is in the item of loans payable, which has fallen from £3,824,625 to £795,579. These loans, as explained in previous years, are temporary finance at various points, but under such conditions as are ruling to-day, when strong cash positions are an absolute necessity, large outstandings of this character might be a source of considerable anxiety. This strengthening of our liquid position is further shown by the increase in cash in hand and at bankers of £826,980 to £6,302,760, which is almost 16 per cent. of our call liabilities on current account.

Government and other securities with a reduction from £23,438,763 to £20,624,407 is another sign of the times.

The sale of the securities previously held by the P. and O. Bank, which were transferred to us on the purchase of the undertaking—and here I may recall that in 1938, the date of their last published

balance sheet, the P. and O. Bank held over £4,300,000 of securities—together with a reduction of our own holdings, has enabled us to build up a stronger liquid position, as already mentioned, and at the same time to finance the increased demands on us from our clients, to which I shall refer presently.

The purchase of the undertaking of the P. and O. Banking Corporation, Limited, on February 1, 1939, and the resultant repayment of capital, has eliminated that item from the balance sheet, and, if I may digress here slightly for a moment, I would mention that the necessary bookkeeping adjustments, which are of a "capital" nature, resulting from that purchase, have been made out of contingencies account, as stated in the profit and loss account.

The holding of Allahabad Bank shares is the holding taken over from the P. and O. Banking Corporation, Limited, at the date of purchase.

Bills of exchange, including Treasury bills, show a very substantial increase from £7,945,845 to £11,252,068, for which the longer time taken in transit by sea mail is partly responsible, but we were also holding substantially larger holdings of Treasury bills as compared with a year ago.

BILLS DISCOUNTED AND LOANS

Another large increase of almost 50 per cent. is shown in bills discounted and loans, the actual figures being £24,967,792, as against £16,538,710 at December 31, 1938. You will doubtless recollect that we participated in the loan to the Chinese Government under the guarantee of the British Government, and, in addition to this, must be added the loans and overdrafts transferred from the P. and O. Bank. These items, however, do not account for the whole of the increase, and it is satisfactory that our strong liquid position has enabled us to meet our clients' demands in this direction without undue strain.

Before turning to the profit and loss account, I would like to mention that we were able to transfer into our books practically the whole of the accounts of the clients of the P. and O. Banking Corporation, Limited, and this fact, in my opinion, speaks volumes for the goodwill and hard work of our officers, both at home and abroad, who were engaged in the transfer of that undertaking.

INCREASED PROFIT

Now for a few words concerning the profit and loss account. The profit for the year, after making sundry provisions, shows a small increase of £3,039 at £338,348, but whereas a year ago we provided out of contingencies account a sum to meet the depreciation on Government securities, this year it has been charged against current profits. To anyone who is conversant with the prices of Government securities during wartime it is evident that, on large holdings such as ours, this sum must have been considerable.

Another feature is the increase of taxation, both at home and abroad, and although some may be recovered from shareholders or relief obtained from double taxation when reciprocal arrangements between the Governments concerned have been made, I would remind you that taxes such as National Defence Contribution and excess profits tax, which have been fully provided for, are borne by the bank. Also the profits of many of our branches do not come within the reciprocal arrangements I have mentioned, and so bear very heavy taxation. I would also like to remind shareholders that the directors last September decided not to deduct the full rate of income tax as they could have done under the Supplementary Budget from the interim dividend, which really meant an increase in the dividend of ⅓ per cent. per annum.

This interim dividend absorbed £150,000, and it is proposed to pay a final dividend at the rate of 10 per cent. per annum for the half-year to December 31st last, costing £150,000, to transfer £35,000 to the officers' pension fund, and to carry forward the balance of £182,442 14s. 1d.

TRADING CONDITIONS IN THE EAST

I now pass to a very brief review of a few of the salient features in the economic and financial conditions of the countries in which we operate.

It is a heartening feature of the present conduct of the war that a recognition of the necessity for exports from this country is now almost general, and we welcome the institution by His Majesty's Government of an Export Council under vigorous leadership.

Through our widespread system of branches this bank is well equipped to render service in creating and building up markets for British goods.

On the outbreak of war countries producing raw and war materials immediately assumed greater importance.

CHINA AND JAPAN

In spite of such a large portion of China being under the control of the Japanese, and the Yangtze and Pearl Rivers being closed to foreign shipping, it seems remarkable that trade in no small volume continues to emanate from that country. Hongkong trade figures have been well maintained and local industries and business houses in the main have had a prosperous year.

In Japan a considerable expansion took place in the value of the foreign trade of the country during the past year—exports showing a much greater increase than imports.

Most of our German outstandings at the beginning of September have been liquidated.

THE BANK'S CHARTER

You may remember that after our annual meeting last year there was an extraordinary meeting to apply for a renewal of the bank's charter.

I have now much pleasure in telling you that all the legal and other formalities in connection with this renewal have been successfully carried through.

The new charter has had the approval of His Majesty's Treasury as well as all the other Government Departments concerned; it is now in operation, and carries us on for a further thirty years, until July, 1969.

THE CHAIRMANSHIP

Before I close I wish to refer to a matter affecting myself. I made it known to my directors some time ago that I wished to relinquish the chairmanship after this annual meeting—my reason being that my health has not been good for some time past, and last autumn I was laid up for several weeks. Bearing in mind the fact that I have spent twenty-four years of my life in India, I feel the time has come when a younger man, more recently retired from the East, should take my place. I should like here to mention that during my illness Mr Gubbay has taken on his shoulders a great deal of the chairman's work, and I take this opportunity of expressing to him my thanks, as well as the thanks of the board, for his able services. (Hear, hear.) My colleagues have kindly asked me to remain on the board as an ordinary director, and, if it is your wish, gentlemen, I shall be very pleased to serve you in that capacity. (Hear, hear.)

We have during the year brought on to the board Mr V. A. Grantham, who has been in India, and is closely connected with India and its conditions; the court have every confidence in Mr Grantham, and it is their intention to elect him as your chairman at their full board meeting next week.

WORK OF THE MANAGEMENT

During the time I have been your chairman—now six years—I have learnt to appreciate the exacting problems which the management have to deal with daily, and I would like to pay a tribute to the whole-hearted loyalty and support which I have received from everyone, both at home and abroad, during the period of my chairmanship.

Owing to the far-seeing judgment of your chief manager, Mr Ferguson, there has been brought into the executive, both in London and in our overseas branches, a number of men of experience and of ability whose interests are wholly bound up in a common desire to secure for the Chartered Bank that pre-eminent position which it has deservedly reached in the banking and commercial worlds of the East.

Even if the past six years have not been a period of easy and smooth sailing, I can assure my successor that, whatever the difficulties he has to contend with, he will be able to rely on not only the valuable assistance and co-operation of the principal executives around him in head office, but on the unstinted devotion of the staff abroad.

The report and accounts were unanimously adopted, and, the formal business having been transacted, a vote of thanks to the chairman, directors, managers and staff terminated the proceedings.

AUTOMATIC TELEPHONE AND ELECTRIC COMPANY, LIMITED

NATIONAL IMPORTANCE OF TELEPHONE INDUSTRY

The twentieth ordinary general meeting of this company was held, on the 3rd instant, in London.

Sir Alexander Roger (chairman of the company) said that orders had been maintained at a high level; output had again been increased, and they reported a profit of £276,249, against £265,896. Difficult times had been encountered, but they presented a balance sheet with every known trading risk provided for. It was proposed to pay a final dividend of 7 per cent. on the ordinary stock, making 10 per cent., plus a bonus of 2½ per cent., and a dividend of 10 per cent., plus a bonus of 2½ per cent., on the deferred stock and shares, all subject to income tax.

Continuing, he said: Telephone and General Trust, Limited, in which we have a substantial investment, has again paid a dividend of 8 per cent. on the ordinary stock and shares after increasing their capital and revenue reserve by £25,000 to £315,000 and carrying forward £62,569. We continue to derive much valuable business from this connection.

The war naturally brought to the Telephone Branch of the Post Office new and complex problems, and, as might be expected, the signalling services of the fighting forces made heavy inroads on their engineering personnel. This was unfortunate.

The annual report of the American Telephone and Telegraph Company just published says that good telephone service involves plant facilities and organisation adequate not only to take care of everyday needs of the nation, but also to meet sudden and perhaps unprecedented surges of demand for telephone connection.

This was precisely the policy which the Post Office had been pursuing with success for some years. It strove to provide a no-delay trunk service and an equally rapid local service.

NEED FOR EXPANSION OF TELEPHONE SERVICES

Maximum production of munitions and goods generally, both for home and export, cannot be rapidly achieved without the ample provision of the necessary tools for industry. The telephone is as essential as a machine tool, but I am afraid that this is not generally understood, and there would seem to be a tendency to starve and restrict the expansion of the telephone service. If this is persisted in at a time when all industrial effort must be keyed up to concert pitch, it can only act as a brake on production and on commerce generally. It is pleasant to record that ever since the outbreak of the war the Post Office has taken a broad view of the position they and their contractors faced. They are making every effort to assist the transition stage towards contractors' increased activity in war work whilst endeavouring to preserve a hold on the telephone manufacturing situation and the creation of reserve supplies of equipment.

I would, however, urge upon the Government that every assistance in finance and material should be rendered to this vital branch of our national life, recognising that rapid communication is an essential part of the military and commercial and social system.

EXPORTS

They welcomed the newly-formed "Export Council," and, in particular, the declaration that "there are powerful reasons why the strongest preference should be given to measures which involve the least interference with the existing channels of trade or with established practices and principles." They also welcomed the statement that arrangements should be built on the normal structure of trade on the assumption that the sounder and healthier would be the state of the trading organisation when more critical and testing conditions were likely to be encountered.

Later it was stated that "in many trades merchants customarily play a vital part in the machinery of overseas distribution, and the collaboration of the interested export merchants . . . will be most important." That was a note which industry had found wanting in many directions of Government control since war commenced, and, frankly, some of them had been in despair in case they would never hear it. Late as it was, they welcomed it with relief, and hoped that that attitude would be adopted widely by Government Departments dealing with the trade of the country.

In conclusion, he said that if supplies and man power were maintained they had little doubt that their output for 1940 would show an increase on that for 1939.

The report was unanimously adopted.

ASSOCIATED PORTLAND CEMENT MANUFACTURERS, LIMITED

WARTIME PROBLEMS

EXPORT DRIVE

SIR P. MALCOLM STEWART'S ADDRESS

The forty-first ordinary general meeting of The Associated Portland Cement Manufacturers, Limited, was held, on the 3rd instant, in London.

Sir P. Malcolm Stewart, Bart., O.B.E., D.L., LL.D. (Chairman of the company), said:—The profit on trading amounts to £879,282; it includes the sum due for compensation and receivable under the working agreement with the British Portland Cement Manufacturers, Limited. The profit compares with £1,070,381 earned in the previous year, a reduction of £191,099, largely accounted for by increased provision for taxation.

Interest and dividends on investments at £523,025 show a reduction of £66,999. The final dividend received on the British Portland Cement Manufacturers, Limited, ordinary stock was less by 2½ per cent. than in 1938. Further, the final dividend on the ordinary stock held in Alpha Cement, Limited, which was included in the previous year's accounts, has not yet been declared and therefore is not included in this year's accounts.

The income earned on the total of trade and liquid investments is approximately 14½ per cent. The total revenue for the year, at £1,402,925, compares with £1,661,209, a reduction of £258,284.

PROFIT AND DIVIDEND

On the debit side of the profit and loss account you will see the only notable difference this year is that no addition has been made to general reserve whereas £60,000 was added in the previous year. There remains a balance of profit of £741,981, which compares with £940,306 in 1938. Out of this sum there had been paid at the date of the balance sheet the preference dividend for the first half-year, £68,750, and an interim dividend of 7½ per cent. on the ordinary stock, absorbing together £368,750. Since December 31st there has been paid the preference dividend for the second half-year, absorbing a further £68,750, leaving a balance of £304,481.

We are able to recommend the payment of a final dividend on the ordinary stock of 7½ per cent., making 15 per cent. for the year, which compares with 20 per cent. paid in the previous year. There will remain a balance of £4,481 to be added to the carry-forward, which will then stand at £213,180.

During the year under review we suffered a variety of vicissitudes. In the early months deliveries were disappointing and the outlook uncertain; later on trade improved, and with brighter prospects prices were reduced to the consumer. We felt that with the promise of fairly stable costs of production and the prospect of an increased turnover once again our policy of keeping down prices to the consumer could be embarked upon.

However, the position was speedily changed on the outbreak of war in September, when municipal and private building rapidly eased off. We were, nevertheless, so fortunate as to receive a considerable tonnage of orders in respect of Government and A.R.P. work which it became necessary to accelerate; these sources largely filled the gap. Thus favoured and with the help of the good demand experienced in the summer months we were able to achieve aggregate tonnages of production and deliveries of Blue Circle Portland cement slightly in excess of those recorded in the previous year, despite some falling off in the autumn.

CEMENT MAKERS' FEDERATION

When addressing you last year I referred to the advantages of well-planned trade organisations from a national point of view. It is particularly satisfactory that the outbreak of war not only found the Cement Makers' Federation prepared but demonstrated the soundness of the principles upon which its co-operation is based. You will agree there is justification for this statement when I inform you that the Minister of Supply, after examination of the position in the early days of the war, was satisfied that he could, at any rate for the time being, leave to the War Executive Committee of the Cement Makers' Federation, under the able chairmanship of Lord Wolmer, the responsibilities of carrying on with the Ministry of Supply negotiations on matters affecting the industry.

The Minister further indicated that he regarded the appointment of a controller as unnecessary at the present time in view of the efficiency of our organisation. It has proved most gratifying to those who have for long years worked for co-operation in the industry to find that when the test came our Federation was not found wanting. It is serving a good purpose in wartime, and will, I trust, prove its value when peace comes, for peace will bring in its train industrial problems of a national character and magnitude not yet experienced. For these problems new methods have to be applied and novel solutions found. There will be a call for clear thinking and a progressive outlook when the day comes to grapple with post-war difficulties.

EXPORTS

We were successful in shipping a considerably increased tonnage of Portland cement for export during the first eight months of the past year. It took some time to settle down to the changed conditions brought about by the war, but I am glad to say that our Export Department, under Mr Chapman and his capable staff, succeeded in maintaining the shipments made during the last four months of the year, as compared with the corresponding period of 1938.

Following the call by the Government for an export drive, we are straining every nerve to increase our export tonnage by opening up new markets wherever opportunity affords. In this matter we are working in close collaboration with the Export Council of the Board of Trade.

The Cement and Concrete Association was established by the industry in 1935. Its main object is to give practical assistance to every user and potential user of Portland Cement. When its advice is sought it is prepared to help technically wherever Portland cement is used, be it in respect of structures of magnitude or of the simple requirements of the garden.

Widespread publicity is employed. In five years over ten million brochures, leaflets and technical papers have been issued. These met with great success; that dealing with concrete for garden purposes resulting in over half a million people writing for copies. Thus it is seen that through practical help and powerful publicity an earnest endeavour has been put forth to make Britain concrete minded.

With the advent of the war the functions and duties of the Association have undergone a marked change. Early it offered its voluntary services to the Home Office in connection with A.R.P. work, and the Association and the majority of its technical staff have been taken over to assist in this and a great variety of other work where concrete is in use by many Government Departments.

Shareholders will, I am sure, share the regret which the directors feel through the retirement, at his own request, of Mr Alfred Stevens. This took place at the end of last year. The industry has lost an outstanding figure of recognised integrity and charm. We all wish him long years of good health in which to enjoy his well-earned rest. In September last the board appointed Mr G. H. E. Vivian a managing director.

THE FUTURE

With regard to the prospects for the current year, it is impossible to make a confident forecast. Owing to abnormally hard frost and heavy downfalls of snow bringing building operations generally to a standstill the trading results for the first two months of the year were exceptionally poor. The demand for our products is improving with the better weather, but it is almost entirely dependent on Government, A.R.P., and export orders. The volume of these is uncertain, and I am bound to warn you that we cannot expect, under war conditions, a repetition of the results achieved last year. We are in a sound position to face difficult trading conditions, and you can rest assured we shall do our utmost to overcome them; but it must be remembered that the exigencies of war are paramount and that all individual and collective interests should be subordinated to the securing of victory.

The report and accounts were unanimously adopted.

BRITISH INSULATED CABLES, LIMITED

SATISFACTORY RESULTS FOR PAST YEAR

SIR ALEXANDER ROGER'S REVIEW

The forty-fourth ordinary general meeting of British Insulated Cables, Limited, was held, on the 2nd instant, at Exchange Station Buildings, 37 Tithebarn Street, Liverpool.

Sir Alexander Roger (chairman of the company) in the course of his speech, said:—The profit on trading, dividends on investments, interest, etc., after providing for taxation and for contingency reserves adjustment, amounts to £783,224, being a decrease of £24,650. Bearing in mind the disturbed conditions which prevailed during 1939, I am sure you will agree that the results now submitted are satisfactory. Adding to the profit of £783,224 the balance brought forward of £486,558, we have a total of £1,269,782. Depreciation of fixed assets absorbs £158,617, and, after providing for directors' remuneration, debenture interest, dividends already paid on the preference and ordinary capital, there remains £901,639. Out of this it is proposed to transfer £100,000 to a war contingencies reserve account and £13,334 to reserve account, and to pay a final dividend of 10 per cent. (less tax) on the ordinary stock, making with the interim already paid a total dividend of 15 per cent. (less tax). Your directors also propose, for the fifth year in succession, that a cash bonus of 5 per cent. (less tax) be paid on the ordinary stock; £488,305 then remains to be carried forward to 1940, a figure almost identical with that brought forward. On the basis of 1939 profits of your company is not liable to E.P.T., but you will readily appreciate that the incidence of income tax and also of N.D.C. as the alternative tax to E.P.T. has been a heavy charge in our 1939 accounts.

EXCESS PROFITS TAX

By reason of our standard years being good your company is not at the moment liable for E.P.T., but there are several inequities in the Act which call for correction, and we would like to add our weight to the great and growing body of protest which is being made to the Chancellor of the Exchequer. The inequities not only affect companies but also the tens of thousands of interested shareholders. We refer in particular to our associated company, the Automatic Telephone and Electric Company, in which we have a large investment and which has been contributing substantially to the development of a comparatively new industry in this country—namely, that of telephone manufacture. It finds itself penalised because of the progressive nature of its business in pre-war years, and unless the Act is modified to provide for such cases that pioneer company, which has set up a great business at home and abroad, will have an inequitable burden of taxation to bear.

EFFECTS OF THE WAR

The year 1939 resolved itself into two distinct periods—that for the eight months to the end of August, during which we were at least nominally at peace, and that for the four months from September, during which Germany forced war on the British and French Empires. In the first period trading conditions were difficult but satisfactory, and the 1938 level of business was being maintained in all our departments. With the outbreak of war entirely different conditions arose. Copper, our principal raw material, lead, and many other of our important requirements became controlled; wages and other costs began to rise, and after the first abnormal rush of general orders designed to fill empty shelves there was a partial falling-off in some departments, whilst in others both our personnel and plant were working to day-and-night capacity. Demands from electricity supply authorities have fallen, and work on our important L.N.E.R. contract has been largely suspended.

I am debarred for obvious reasons from giving you as much information as I would wish about our work. You may safely assume, however, that the bulk of our home business, either directly or indirectly, is to meet war requirements.

So far as the subsidiaries are concerned, I would merely add that British Copper Refiners, like the parent company, is out at full stretch, while the other subsidiary companies are more than holding their own.

SERVICES OFFERED TO THE GOVERNMENT

The chairman then referred to a message which was addressed to all B.I. employees by the managing director, Mr G. H. Nisbett, on September 5, 1939, in the course of which it was stated: "We are

now at war, and it is up to each one of us to do our best in whatever way we can to bring the issue to a quick and successful conclusion. The B.I. Company's policy will be to do everything possible to help the national cause, and to that end we are wholeheartedly offering our services to the Government in any and every direction in which we can be of possible assistance, regardless of all other considerations. We fully believe that the company's staff and workpeople will rise to the occasion in such a way as to make this company's war record a credit to all of us and to enhance the good name of the B.I. Company."

Continuing, Sir Alexander Roger said: We manufacturers were not slow to register our impatience with the exuberance exhibited by the various controls. We felt that our willingness to support the Government and put all our energy and wide experience at their disposal was not accepted so promptly as it might have been. We have noticed signs, however, that this situation is changing. At the same time, we would express the hope that sufficient manufacturing capacity outside Government demands may be left to us to fulfil the now modest requirements of our ordinary home business, on which our peacetime prosperity so much depends.

IMPORTANCE OF EXPORTS

I should like now to refer to export business, which is not only of importance to B.I. but of prime concern to the country as a whole. Export trade conditions were not easy, but it will interest you to know that our normal overseas business, excluding large contracts, showed an increase over the 1938 figures. Every endeavour is now being made to achieve a further substantial improvement, and we are glad to note that we may depend on the full co-operation of the Export Council which has been quite recently set up by the Board of Trade.

In order to compensate our people for the extra strain put upon them by war conditions and the increase in the cost of living we have made progressive increases in the wages of our workpeople, and we have granted a special bonus to those members of our staff who are in receipt of less than a certain salary. I am proud to inform you that although we are engaged in a reserved occupation over 600 of our staff and workpeople have been released to serve with His Majesty's Forces. To them generous allowances are being made, the membership of the pension fund is maintained, and an undertaking has been given that re-employment will be found on their return—a policy with which I am sure you are in complete agreement. In addition we have taken active steps to extend the scope of our employees' National Savings Group, which has been kept in being since the last war, by offering to all workpeople as a bonus the last 6d. for every 14s. 6d. subscribed for a National Savings Certificate of the present issue.

CURRENT YEAR'S OUTLOOK

It has been my custom in past years to give you at the annual meeting some indication of the outlook for the current year. At all times this is a risky thing to do, and under war conditions I know you will only expect me to deal with it in a general way. There has been an unavoidable slackening off in the demand for some of our products, while costs have increased and working conditions are difficult. In the aggregate, however, we have a record balance of orders on the books, and it is clear that in certain of our departments at least capacity output will be required for many months ahead. If this general position is maintained throughout the year we should be able to show you satisfactory results. But our future depends on the successful prosecution of the war. Towards this I have consistently urged further use of the unlimited national resources of industry, commerce, and the mercantile marine.

It is generally recognised that our immediate aim is economic—to smash German trade for the duration of the war, to stop its exports and imports and to break the insidious commercial political influence it exerts directly and indirectly through financial holdings in neutral countries. The Government cannot accomplish this alone. British industry, practised in foreign trade and its competition, must be mobilised still further to assist, and Government policy strengthened to achieve this end. The end will justify the means, however boldly these may be conceived.

The report was unanimously adopted.

WESLEYAN AND GENERAL ASSURANCE SOCIETY

STRONG FINANCIAL POSITION

The ninety-ninth annual general meeting of the members of the Wesleyan and General Assurance Society was held, on the 2nd instant, at the Central Hall, Corporation Street, Birmingham, Mr Arthur L. Hunt, F.S.S., F.C.I.I., the Society's chairman and managing director, in the chair.

The Chairman, in the course of his speech, said:—

New business in the ordinary department up to the end of August showed an increase on that for the corresponding period of the previous year, but thereafter, for a time, the public showed a natural hesitation to undertake new commitments, and a smaller number of policies was issued. I am pleased to say, however, that new business is now showing a marked improvement.

The Society's policies have for many years borne a clause excluding war risks, but, on the outbreak of war, the directors decided that, for the time being, the clause should be waived, and that war claims on policies effected before September 3rd last should be paid in full.

CLAIMS

The total of claims paid, in all departments, during the year amounted to £1,835,639, being £594,615 greater than in the previous year. Over £1,000,000 of this amount was in respect of maturing policies, for which proper provision had been made in the valuation of liabilities in previous years. Claims by death were proportionately little greater than in 1938.

VALUATION OF LIABILITIES

The Society's liabilities under its policy contracts were valued on the same bases as last year.

The mortality tables used were such as to leave a considerable margin of safety in times of peace. It was, however, considered a wise precaution to set aside additional reserves towards meeting excess mortality likely to result from the war.

ORDINARY DEPARTMENT BONUS

The directors decided that it would be unwise to allot reversionary bonuses in the ordinary department on the generous scale of recent years, and they accordingly declared a reversionary bonus at the rate of £1 per cent. of the original sum assured. From the surplus of this department they transferred £25,000 to general reserve, increasing it to £125,000.

INVESTMENTS RESERVE

The investments reserve now stands at £550,000, having been augmented by a transfer of £50,000 from the industrial department as a precautionary measure.

NEW GUARANTEED BONUS POLICY

The directors have recently introduced a new type of policy in the ordinary department. This includes the special feature that, for the first five years of the policy's duration, reversionary bonus will be added at the guaranteed rate of £2 per £100 sum assured. After the first five years, the policy will receive such bonuses as may then be declared on with-profits policies.

A generous amount of war risk cover will be given on this new guaranteed bonus policy, namely that, in the event of a claim as a result of war while the life assured is a civilian, a payment will be made equal to the total of (1) one-quarter of the sum assured, (2) the amount of accrued bonuses, and (3) twice the total amount of premiums paid. In the event of a claim as a result of war while the life assured is serving with His Majesty's Forces or in the Mercantile Marine, a payment will be made equal to twice the premiums paid.

This new policy is particularly attractive, and well merits the careful consideration of the many men who have not sufficient life assurance to give their dependants the degree of protection which is their due, particularly in time of war.

WAR COVER UNDER OTHER POLICIES

Similar war risk cover will be given on all the Society's other ordinary department with-profit policies and on all industrial department policies, namely, one-quarter of the sum assured and twice the premiums paid in the event of a claim as a result of war while the life assured is a civilian. The term "civilian" includes all A.R.P. workers and A.F.S. men. I may mention that this benefit will be paid on all ordinary department with-profits

policies issued since the war began, even though they bear a war clause of the less generous type which was at first adopted by practically all offices.

STRONG FINANCIAL POSITION

From a close study of the reports and balance sheet you will see that the Society is in a strong financial position.

Although the Society intends to pay war claims in full on policies issued before the outbreak of war, and although the expenses of administration are likely to increase, these are not in my view the most serious factors affecting its finances. Far more important is the increase in the rate of income tax and the prevailing low rate of interest at which premiums received can be invested. However, this is a burden of the war and it must be accepted philosophically. The Society will support Sir John Simon's War Loans to the best of its ability, even though the rate of interest yielded by the Loans is, for the good of the country, kept at a low level.

TRIBUTE TO THE STAFF

The staff at Chief Office and throughout the country, depleted as it is by many temporary absentees on war service, is carrying on loyally and industriously under the difficult conditions. At the present time no less than 69 members of the chief office staff and 96 members of the field staff are serving with His Majesty's Forces, and I am sure you will join with me in wishing them good fortune and a safe return.

The reports and accounts were unanimously adopted.

COALMINES OF SALGÓTARJÁN (HUNGARY)

The seventy-second ordinary general meeting of the Coalmines of Salgótarján Company, Limited, was held, on the 19th ultimo.

Mr Ferenc Chorin, Privy Councillor and member of the Hungarian Upper House, chairman of the company, presided. In the course of his address to the stockholders he said:—Our task is to supply the increased demand of the country by raising the production. The importance of coal supply under war condition is obvious. The demand has increased considerably, not only from factories working for the army, but also from the civil consumption and export. The consumption has increased by the happy re-attachment of Upper Hungary and by the good harvest, while the excessively hard winter also expanded the demand. Since our mines are exploited to full capacity, we have to widen production on new territories by opening new mines, in spite of the heavy expenditure involved, since the needs of the State require recourse not only to the capital of the company but also to our credit, the solution of our task is not an easy one. Notwithstanding this—as our report states—we continue to follow from year to year our programme of industrial investment.

The report stated that the war compelled industry to raise production. The demand for coal has increased. The production of the company's mines has reached 32,658,000 quintals, i.e. a rise of 16 per cent. In the past year the production reached the level of 1913, although the Peace of Trianon detached mines of the company producing about 13 million quintals. Since 1930 the production has risen by 70 per cent. The cost of production is becoming more and more expensive: the social burdens reached 5 millions this year, compared with 1.9 million in 1925. The price of the most important material of the mining industry, timber for props, has risen by 87 per cent. during the past four years. The financial position of the company had to be safeguarded by severe rationalisation.

The balance sheet for the year 1939 shows a net profit of 2.6 million pengős, which permits of an allocation of 250,000 pengős to ordinary reserve fund, 200,000 pengős to the pensions account, 15,000 pengős to the coal-miners' sanatorium, 29,500 pengős for the employees' fund and 60,000 pengős for charities. After the payment of the dividend of 1.75 pengős per share there remains a balance of 290,000 pengős to be carried forward.

The Hungarian Works for Ferro-Alloys, Limited—controlled by the company—supplied important material not procurable by import.

The turnover of the Hungarian Works for Artificial Fertiliser, Acydsulphuric and Chemicals, Limited, exceeded the previous year, but rising social burdens rendered an increase of dividend impossible.

The Klotild Chemical Works, Limited, has begun the production of new synthetic materials.

The Hungaria Electricity Supply Company, Limited, has raised its production to 34 million kwh. and has considerably increased the development of its network.

The report was unanimously adopted.

MAYPOLE DAIRY COMPANY, LIMITED

ADAPTATION TO WAR CONDITIONS

SERVICE TO PUBLIC

The forty-second ordinary general meeting of Maypole Dairy Company, Limited, was held, on the 29th ultimo, at Winchester House, Old Broad Street, London, E.C.

Sir George Schuster, K.C.S.I., K.C.M.G., C.B.E., M.C., M.P. (the chairman), said that the trading results of the fifty-two weeks ended January 6, 1940, showed a net profit, after provision for Excess Profits Tax, N.D.C. and A.R.P. expenditure, of £345,361, a decrease of about £35,000 on the figure for the fifty-three weeks of the preceding year. This decrease was much more than accounted for by the very large appropriation for E.P.T. Their company was unfortunately placed with regard to this tax in that the years taken as standard, above which profits were regarded as "Excess" were years during which their profits were below what on any reasonable view of their past record must be regarded as their standard earning power. It would be anomalous if, owing to accidental circumstances, a company such as theirs should find itself liable for this tax on a substantial portion of its profit, for it was clear that the effects of war conditions on their business were not likely to be favourable. He was not advancing any complaint about war burdens, but he thought it would have been fairer to companies such as theirs if the standard period had been extended over a greater number of years or had been allowed to include the period up to the commencement of war.

TRADING RESULTS

For the first thirty-two weeks of the year up to August 19th the company substantially maintained the satisfactory level of trading built up in 1938. Sales of butter, eggs, cheese, lard and many other Maypole specialities had continued to show good progress. This period of normal and satisfactory trading was followed by an exceptional period of about ten weeks, beginning ten days before the outbreak of war, during which the public was buying extremely heavily and the profits made by the company were abnormal for the time of year. That exceptional profit could be regarded as going some way to offset the heavy new burden of E.P.T., but it did not go the whole way, and it was an offset which could not be expected in future years. The third and final period covering the last ten weeks of the year was one in which various adverse factors began to be felt, but in which, on the whole, the profits were fairly close to what might have been normal expectations.

Looking back over the whole period, they could claim to have done everything possible to prepare for the eventuality of war and that their preparations had been well planned. They had laid in considerable stocks of their main commodities, and to avoid risk of having too much at one spot had effected a special distribution outside London, and had stocked their branches to the maximum capacity. Apart from that, they had made administrative arrangements for dealing with the situation in which it might have proved impossible to direct the operations of the company from London.

EFFECT OF RATIONING

Looking to the future, there were certain adverse factors to be taken into account resulting from the rationing of some commodities and the reduced supplies of others. Rationing of butter, which was one of the main items in their trade, affected their company perhaps more than others by reason of the limited range of goods in which they dealt. The import and sale of butter was now under Government control, and they were unable to maintain direct supply from their own organisation in Denmark. They could still give certain advantages owing to their special facilities for stocking and serving freshly packed supplies, and endeavoured to give the public the advantages of their large-scale organisation by continuing to sell butter at a penny per pound below the maximum Government price of 1s. 7d.

The restriction in the consumption of butter had been reflected in a considerable increase in the demand for margarine. Though they had been compelled by Government regulations to discontinue marketing two speciality brands, May Queen and Mayfair, which contained a substantial percentage of butter, they still maintained speciality brands of their own which were of exceptional quality and

were being widely appreciated. The war had also affected their supply of eggs from Denmark, but the turnover of their depots in this country had considerably increased.

In his speeches he had always emphasised that one of the most valuable possessions of the company was the high standard of service and loyalty of their branch staff. In the past he had been able to speak of what they had done for the welfare of their staff in wages, bonus and pension arrangements, and also in educational facilities. This year the main feature on which to comment was the large numbers who had joined the Colours. Already some seven hundred had joined up, and a further eight hundred were due to be called up in the next few months. They were making certain grants by way of allowances to dependants.

The question of expenses would have an important bearing on their profit result and, in expenses, wages represented the largest factor. They had already, since the war, made substantial increases. In view of the increase in the cost of living, they had agreed to an all-round increase in the scale of wages, the main feature being an increase of 4s. a week to all male employees of 21 and over. The wages paid by their company, taken together with the bonus distributions, had always been substantially in advance of any standard scale of wages that had been agreed upon.

THE FUTURE

Their prospects for the future depended mainly on four things—Government regulation, the volume of their turnover, which would be dependent upon rationing and supplies, the interpretation of the E.P.T., and rates of wages. Of them all they felt the most important from the shareholders' point of view was the maintenance of turnover. So long as they could keep up the goodwill of the company, that in the long run mattered more than what they were able to earn in profit during the period of a war. It would be their determined purpose to continue to give the best possible service to the public and to regard that as their main objective.

The amount available for ordinary dividends after deducting the higher taxation, was £170,000, or £58,000 less than in the previous year. It was proposed to make the usual allocation of £20,000 to the provident fund and pay a dividend of 7 per cent. on the deferred ordinary shares compared with 9 per cent. last year.

The report was adopted.

To Overseas Readers

Overseas readers may find that, in the disturbed conditions of wartime, *The Economist* does not reach them quickly enough, or that they require more detailed information on individual markets or special topics than can be compressed within the limited space permitted by the necessity to economise paper.

The attention of our readers is therefore drawn to *The Economist's* Intelligence Branch, which is prepared to meet the need for a rapid and objective appraisal of commodity markets, industrial prospects, political factors and other topics of vital concern to the business man. These special services consist of regular cables or mail reports, or both. They are designed to meet individual requirements and are confidential and exclusive to each client.

Enquiries should be addressed to the

Intelligence Branch, *THE ECONOMIST*

8 Bouverie Street, London, E.C.4

BRITISH ALUMINIUM COMPANY, LIMITED

RECORD PRODUCTION AND SALES

The ordinary general meeting of the British Aluminium Company, Limited, was held, on the 29th ultimo, at Winchester House, London.

Mr R. W. Cooper, M.C. (the chairman), in the course of his speech, said: We have further records to report for the year 1939 both as regards production and volume of sales, and in consequence an increase in trading profits of £170,646, which accrued evenly throughout the year. There was a small reduction in revenue from investments, dividends and transfer fees, making the total profit £165,945 higher at £1,075,796 compared with £909,851 for 1938.

The aggregate production at our older works was higher, but the largest increase took place at our Lochaber Works, and we still have a materially greater output to look forward to from this source.

Extensions at our various works which were in progress a year ago were duly completed, and further substantial additions are now in course of being carried out.

TWO DEVELOPMENTS OF THE METAL

During the first eight months of the last year there were two developments of our metal which were making remarkable progress in the face of free competition with other alternatives. One of these was the Brytal reflector, which has reached a stage where large-scale commercial production had already commenced. The other was our free-cutting alloy, to which I have referred on a previous occasion, and which has now become exceedingly popular with machinists wherever a light white metal is required. These two applications of aluminium represent the more recent of our special lines, but at the same time we had good reason to be satisfied with the continued popularity of our metal in the more familiar uses such as for holloware, bodywork of vehicles, foil and paint.

Apart from these specific instances, there was a steady advance in the consumption of aluminium for purposes such as in architecture, both for construction and decoration, and in the distributive trades for containers and packaging of all kinds. For the time being, however, all development work in the commercial and industrial fields has necessarily ceased for the reasons which I shall explain later on. We feel confident that the work which has been done in popularising our metal has been of a kind which will ensure that when happier times return aluminium will not be displaced from the position which it has won.

Meantime I can say that, in addition to the well-established applications of our metal in the construction of aircraft, transport vehicles and ships, ingenuity and research are constantly finding new directions in which it is able to take its place in the equipment of the fighting and defence forces.

The balance sheet total now exceeds £14,250,000. The outbreak of war necessitated the removal of our headquarters from London to Shrewsbury for the time being, and we came under the control of the Ministry of Supply. We were obliged to cancel orders and contracts on our books for commercial uses of aluminium in this country and for export business. No sale or delivery could be made without the express authority of the Ministry. Shortly thereafter the Ministry made arrangements with us under which they purchase the whole of our production of ingot aluminium, and they sell and distribute the metal themselves.

This contract with the Ministry extends up to the end of 1940, and is subject to renewal, the prices being based on those current in this country before the war. The Ministry resell to us the metal required for alloys and for our rolling mills, but the sale of products is limited in all cases to approved users, and no deliveries can be made without permits for both seller and buyer.

EFFORTS TO INCREASE PRODUCTION

In co-operation with the Ministry of Supply, we are engaged in very largely increasing the production of aluminium in this country, and work in this direction is proceeding energetically. You will realise that this is all the information which I am in a position to give you on these matters.

We have built up our organisation to its present important position over a long period of time, with great difficulty and under many setbacks. We can pride ourselves on our achievement, and stockholders will share our satisfaction in the knowledge that to-day we are able to contribute so materially towards the supreme effort required from all of us in the national interest.

The report was adopted.

VICKERS, LIMITED

73rd ANNUAL GENERAL MEETING

Mr A. A. Jamieson, the chairman of Vickers, Limited, presided over the seventy-third annual general meeting of that company held, on the 3rd instant, at the Hotel Victoria, London.

In his review, which was published with the report and accounts, the chairman stated: The balance sheet of Vickers, Limited, shows that a strong position has been maintained.

At the general meeting last year I gave an undertaking that the question of increasing the nominal value of the ordinary stock units would again receive the special consideration of the directors. I can assure stockholders that this undertaking has been implemented on several occasions during the past year.

It is only natural that the stockholders should desire that the capital which was written down in 1926 should be restored, and the directors clearly understand this wish. At the present time, however, the directors do not consider that they would be justified in recommending that effect should be given to this desire. It must be borne in mind that £6,157,742 would be required to bring the nominal value of the existing ordinary stock units up to £1.

I can give you the assurance that the change-over from peace to war conditions was carried out by Vickers-Armstrongs, Limited, without any disturbance and that the company are meeting the requirements of H.M. Government which are entrusted to them.

The necessity to provide for depreciation on a more liberal scale, together with increased taxation and the expense of air raid precautions, has caused a reduction in net profits of English Steel Corporation, Limited. The same dividend is paid and £100,000 put to reserve fund.

We have willingly undertaken extensive schemes for increasing the output of armaments, but I think it right to remind you of the very difficult problems which will arise when this huge capacity is no longer required for the purpose for which it has been created. With this in mind you will no doubt agree that ample provision must be made in order that we may be able to face the costly process of readjustment after the war.

The report and accounts were unanimously adopted and the final dividend of 6 per cent. was approved.

BRITISH ROPES, LIMITED

RECORD PROFIT

The eighteenth ordinary general meeting of this company was held, on the 3rd instant, in London.

Mr Herbert Smith (the chairman), in the course of his speech, said: Although the trading profit increased by £184,093, the final profit is only £29,902 in excess of last year. This is due to the greatly increased charge required to meet current taxation.

The progress made during the last few years has been more than maintained, the final profit for the year, namely, £267,959, being the highest recorded in the history of the company.

It may be thought that the increased results are wholly derived from war work, but this is not so. Up to the end of August our results from normal trading were such as to indicate that the profit for the year would be highly satisfactory and well in advance of last year's figures. In addition we have received a far greater return from subsidiary companies in the form of dividends earned prior to the outbreak of war.

Home trade during the year has been quite satisfactory. We were favourably placed as regards stock, and the Hemp Control which was immediately set up has stabilised the prices of raw materials and obtained good supplies. This has enabled us to carry on our home and export trade, and we are receiving our share of Government wire contracts.

The results of our subsidiary company, Rand Ropes (Proprietary), Limited, in South Africa, for their second year's trading are most encouraging, and the profit of our Canadian subsidiary has greatly improved during 1939 as compared with 1938.

To bring the nominal amount of the issued ordinary capital into closer relationship with the value of the assets employed in the business your directors have decided to recommend the capitalisation of £438,119 of the undivided profits, to be applied in paying up in full 3,504,953 of the unissued ordinary shares of 2s. 6d. for distribution share for share amongst the holders of ordinary shares.

I can see no reason why the profitable trading of your company should not be maintained during the current year.

The report was unanimously adopted.

TELEPHONE AND GENERAL TRUST, LIMITED

STRONG POSITION OF THE TRUST

The fourteenth ordinary general meeting of the Telephone and General Trust, Limited, was held, on the 29th ultimo, in London. Sir Alexander Roger (chairman and managing director), in the course of his speech, said:—The profit is almost the same at £112,529, and after provision for the 7 per cent. preference dividend and an interim dividend of 3 per cent. on the ordinary stock, we propose a final dividend of 5 per cent., making a total of 8 per cent., together with a dividend of 8 per cent. on the "A" ordinary shares. These dividends absorb £96,660, leaving £62,569 to be carried forward, as against £59,662.

We are also able to transfer to the credit of capital and revenue reserves respectively the sums of £15,000 and £10,000 from internal reserves. Capital reserve now totals £265,000 and revenue reserve £50,000. The total reserves and surplus shown on the balance sheet now amount to the substantial figure of £377,569.

After dealing with the progress of the operating companies, the chairman said:—When we last met I made some remarks on the benefits accruing to industry, trade, and employment from the steady progress achieved in recent years in the management of monetary conditions. The contrast I drew between experience under the new order and the old has been heightened by the events of the past year.

In order to be fully equipped to cope with the vast demands of war, the authorities have had to arm themselves with added powers. I am thinking in particular of control over supplies of new capital, for investment both at home and abroad, and over resources and transactions in foreign exchange. Both these branches touch upon our business of raising money in this country for investment in pioneering and expanding overseas enterprise.

WISE APPLICATION OF NEW REGULATIONS

Happily, we have evidence that the new regulations are being wisely interpreted and applied. One of the companies in which we are interested, the Anglo-Portuguese Telephone Company, has been among the very few permitted to raise additional money privately in the capital market for a foreign enterprise—in this case to facilitate further extension of a public service in Portugal, a country with whom our friendship now extends over centuries. Operations of this kind not only promote exports of British goods, but yield added interest receipts from abroad, thus supplementing the nation's power to pay out of income for imports. During 1939, for instance, the trust's group of telephone companies abroad remitted £319,600 of foreign exchange.

I do not doubt that a similarly broad-minded view will be taken in the choice of the capital assets of this country which may have to be requisitioned in order to fill any gap—and we hope that, with the increasing effort in export trade, the gap may be small—between

our current purchases from abroad and our current income from overseas.

I have said on many occasions, and I think it will bear repeating, that the commerce of this country—and it includes foreign investments—is its fourth arm of defence and is indispensable to victory.

It is difficult to make an accurate estimate of our revenue prospects for 1940, and I doubt if you would press me to do so. I can only say that we have started the year well, and we shall hope to maintain at least the strong position of the trust.

The report and accounts were unanimously adopted.

PROVINCIAL CINEMATOGRAF THEATRES, LIMITED

SATISFACTORY RESULTS

The thirtieth annual general meeting of Provincial Cinematograph Theatres, Limited, was held, on the 29th ultimo, in London.

Mr Mark Ostrer (chairman and managing director), in the course of his speech, said: The net profit for the year, including income from investments and transfer fees, is £450,630. Your directors recommend the payment of a dividend for the year of 15 per cent. on the ordinary shares amounting to £75,000.

I am sure you will agree these figures are satisfactory. In considering the results it must be borne in mind that all theatres and cinemas were compulsorily closed for practically two weeks on the outbreak of war. This closure not only caused a great loss of revenue, but in addition we had, quite properly, to bear the burden of paying our staff. Another item which must be taken into account is that in the previous year we showed "Snow White" at the New Gallery for nearly nine months. In the year under review the New Gallery was closed from the commencement of the war until the 18th of this month.

I said some years ago that the cinema had become an integral part of the lives of the people, and under present conditions the need for entertainment is much greater. As an instance, in numerous districts where troops are stationed, commanding officers have requested the local authorities to license the opening of cinemas on Sundays, and I am sure we have been able to relieve the tedium of a large number of His Majesty's Forces.

The outlook for the current year is naturally very difficult to forecast, but I am of the opinion that, given conditions which are no worse than those prevailing since the war began, we shall be able to present to you accounts which will be in every way satisfactory.

I should like to mention that we have been very fortunate in securing the new Walt Disney film, "Pinocchio," which is now showing at the New Gallery, and we have every reason to believe that it will be as successful as "Snow White." After it has finished its run at this theatre it will be shown at all our other theatres throughout the country.

The report and accounts were unanimously adopted.

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the 8 days to March 31, 1940, total ordinary revenue was £23,762,000 against ordinary expenditure of £65,329,000, issues of £11,500,000 under the Defence Loans Acts and £335,000 to sinking funds. Thus, including all sinking fund allocations, but excluding issues from defence loans, the deficit in 1939-40 is £280,231,000, against £12,727,000 in 1938-39. The Revenue return is printed in full on page 662.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Estimate, 1939-40	April 1, 1939, to Mar. 31, 1939	April 1, 1939, to Mar. 31, 1940	6 days ended Mar. 31, 1939	8 days ended Mar. 31, 1940
ORDINARY REVENUE					
Income Tax	390,000	335,901	390,083	8,168	6,384
Sur-tax	70,000	62,530	69,780	3,210	3,430
Estate, etc., Duties	75,500	77,430	77,720	1,290	3,650
Stamps	17,000	20,980	17,070	330	250
N.D.C.	25,000	21,890	26,940	590	540
E.P.T.	...	...	40	...	10
Other Int. Revenue	1,250	1,550	1,300	60	40
Total I. Rev.	578,750	520,281	582,933	13,648	14,304
Customs	239,600	226,326	262,136	3,426	3,205
Excise	132,850	114,200	137,900	800	770
Total Cust. and Excise	372,450	340,526	400,036	4,226	3,975
Motor Duties	22,000	35,608	34,086	265	338
P.O. (Net Receipt)	400	9,500	3,846	Dr. 560	412
P.O. Fund	1,600	1,400	1,758	1,400	1,758
Crown Lands Rec. from Sun. Loans	1,330	1,330	1,250	80	40
Misc. Rec.	5,000	5,699	4,916	...	...
Total Ord. Rev.	995,180	927,285	1,049,189	21,177	23,762
SELF-BAL. P.O. and B'dcasting	83,449	78,950	83,054	1,810	1,738
Total	1,078,629	1,006,235	1,132,243	22,987	25,500

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	Estimate, 1939-40	April 1, 1939, to Mar. 31, 1939	April 1, 1939, to Mar. 31, 1940	6 days ended Mar. 31, 1939	8 days ended Mar. 31, 1940
ORDINARY EXPEND.					
Int. & Man. of Nt. Dr.	230,000	216,781	222,850	2,016	2,154
Other int. (c)	...	1,946	5,788	...	...
Pays. to N. Ireland	10,000	9,459	9,556	892	781
Other Cons. Fund Ser.	7,200	4,825	7,310	69	204
Total	247,200	231,065	239,716	2,977	3,139
Sup. Serv.	118,578	695,715	1,078,257	6,693	62,190
Ditto, plus loans*	168,818	823,765	1,570,007	30,493	73,690
Total Ord. Expend.	1,432,968	926,780	1,317,973	9,670	65,329
Issues from Def. Lns.	502,430	128,050	491,750	23,800	11,500
Sinking fds.	...	13,219	7,150	1,566	(f)
SELF-BAL. P.O. and B'dcasting	83,449	78,950	83,054	1,810	1,738
Total	...	1,018,949	1,408,177	13,046	67,067

* Supply Services, after addition of issues under Defence Loan Acts: (c) Transferred as a charge. (d) Excluding £4,207,000 falling outside fixed debt charge and excluding old sinking fund. (e) Interest outside Debt charge, and falling on Service votes. (f) See introduction.

After reducing Exchequer balances by £546,168 to £2,394,622, the other operations for the week (as shown in the next column) raised the gross National Debt by £48,603,000 to about £8,942 millions. An analysis of the latter total appears on page 665.

DEBT INCREASES (£ thousands)	
3% War Loan	39,292
Pub. Dept. Adv.	6,465
Nat. Sav. Certs.	2,500
3% Def. Bonds	1,325
Other debt	94
	49,676

DEBT REPAYMENTS (£ thousands)	
Treasury Bills	1,048
Nat. Savings Bonds	25
	1,073

OTHER ISSUES (Net) (£ thousands)	
Housing Acts	6
N. Atlantic Shipping	50
Overseas Trade Gtes.	91
	147

OTHER RECEIPTS (Net) (£ thousands)	
P.O. and Telegr. (Money) Acts	4,400
	4,400

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts in the year ended March 31, 1940, are:—

Ordinary Exp. (£ thousands)	
Ord. Revenue	1,049,189
Iss. under Def. Loan Acts	105
Misc. Iss. (net)	6,670
	1,816,393

FLOATING DEBT (£ millions)

Date	Tender	Tap	Public Depts.	Bank of England	Total Floating Debt	Floating Assets
1939						
Mar. 31	892.4	27.9	...	...	920.3	...
Dec. 23	750.0	708.8	55.9	...	1514.7	764.7
" 31	760.0	709.9	65.3	...	1535.2	775.2
1940						
Jan. 6	770.0	718.1	58.5	...	1546.6	776.6
" 13	785.0	689.8	53.2	...	1528.0	743.0
" 20	800.0	658.1	54.7	...	1512.8	712.8
" 27	811.0	641.3	48.8	...	1501.1	690.1
Feb. 3	811.0	642.4	48.2	...	1501.6	790.6
" 10	806.0	630.1	47.6	...	1483.7	677.7
" 17	806.0	625.9	46.7	...	1478.6	672.6
" 24	801.0	621.9	53.4	...	1476.3	675.3
Mar. 2	791.0	651.0	54.1	...	1496.1	705.1
" 9	776.0	664.6	66.0	...	1506.6	730.6
" 16	761.0	673.6	56.3	...	1490.9	729.9
" 23	746.0	682.8	55.0	...	1483.8	737.8
" 31	731.0	696.7	61.5	...	1489.2	758.2

TREASURY BILLS (£ millions)

Date of Tender	Amount Offered	Applied for	Allotted	Average Rate %	Per Cent. Allotted at Minimum Rate
1939					
Mar. 31	45.0	55.8	42.0	25	6.72
Dec. 22	65.0	89.5	65.0	24	7.63
" 29	65.0	99.5	65.0	24	4.67
1940					
Jan. 5	65.0	104.0	65.0	22	3.54
" 12	65.0	109.0	65.0	22	2.38
" 19	65.0	122.1	61.0	21	8.85
" 26	60.0	112.2	55.0	22	0.32
Feb. 2	55.0	108.0	50.0	20	9.86
" 9	55.0	108.7	55.0	20	6.11
" 16	65.0	106.9	60.0	20	6.15
" 23	60.0	112.1	55.0	20	5.74
Mar. 1	55.0	108.2	50.0	20	4.81
" 8	55.0	98.3	50.0	20	5.30
" 15	50.0	99.8	50.0	20	5.28
" 22	50.0	100.0	50.0	20	4.92
" 29	50.0	99.9	50.0	20	7.76

On March 29th applications at £99 14s. 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 49 per cent. of the amount applied for and applications at higher prices in full. £50.0 millions of Treasury bills are being offered on April 5th.

NATIONAL SAVINGS CERTIFICATES AND 3% BONDS SUBSCRIPTIONS (£ thousands)

Period	N.S.C.* 3% Bds.	Total
Week to Mar. 19, 1940	2,939	4,178
4 days to Mar. 26, 1940	2,053	1,236
18 weeks to Mar. 26, 1940	59,366	59,984
		119,350

* Revenue returns show payments into the Exchequer of £52,500,000 net or £62,250,000 gross in the 18 weeks to March 31, 1940.

BANK OF ENGLAND RETURNS

APRIL 3, 1940

ISSUE DEPARTMENT

Notes Issued: £	
In Circul.	542,443,104
In Banking Dept.	37,793,654
	580,236,758
Govt. Debt: £	
Other Govt. Securities	11,015,100
Other Secs.	565,260,353
Silver Coin	3,216,143
	580,236,758
Amt. of Fid. Issue	580,000,000
Gold Coin & Bullion (at 168s. per oz. fine)	236,758
	580,236,758

BANKING DEPARTMENT

Props. Capital: £	
Rest	14,553,000
Public Depts.*	3,672,941
	18,225,941
Govt. Secs.: £	
Other Secs.	137,604,068
Discs., etc.	3,205,336
Securities	23,777,063
	164,586,467
Other Depts.: £	
Bankers	120,768,784
Other Accts.	41,417,073
	162,185,857
	202,801,427
	202,801,427

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

THE WEEK'S CHANGES (£ thousands)

Both Departments		Amt. Apr. 3, 1940	Compared with Last Week	Last Year
COMBINED LIABILITIES				
Note circulation	542,443	—	663	50,992
Deposits: Public	22,390	—	20,753	6,348
Bankers	120,769	—	22,802	28,822
Others	41,417	—	770	888
Total outside liabilities	727,019	—	616	87,050
Capital and rest	18,226	—	22	584
COMBINED ASSETS				
Govt. debt and securities	713,880	—	3,441	314,429
Discounts and advances	3,205	—	2,889	5,280
Other securities	26,393	—	128	4,797
Silver coin in issue dept.	508	—	3	305
Gold coin and bullion	1,258	—	40	226,007
RESERVES				
Res. of notes and coin in banking department	38,815	—	623	3,001
Proportion of reserve to outside liabilities	21.0	—	0.2	3.0
Bankg. dept. ("proportion")	21.0	—	0.2	3.0

COMPARATIVE ANALYSIS* (£ millions)

1939		1940	
Apr. 5	Mar. 13	Mar. 27	Apr. 3
Issue Dept.:			
Notes in circ.	491.5	534.9	542.4
Notes in bankg. dept.	34.7	45.3	37.1
Govt. debt and securities	299.1	576.0	576.2
Other secs.	0.1	3.5	3.2
Silver coin	0.8	0.5	0.5
Gold, valued at s. per f. oz.	226.2	0.2	0.2
Deposits:			
Public	16.0	34.9	43.1
Bankers	91.9	114.0	98.1
Others	40.5	42.6	41.8
Total	148.4	191.5	183.3
Bkg. Dept. Secs.:			
Government	100.4	136.4	133.6
Discounts, etc.	8.5	3.2	6.1
Other	21.5	23.8	23.0
Total	130.4	163.4	162.7
Banking dept. reserve	35.8	46.4	38.2
"Proportion"	24.1	24.2	20.8

GOVERNMENT REVENUE AND EXPENDITURE

I.—An ACCOUNT of the TOTAL REVENUE of the UNITED KINGDOM in the undermentioned periods of the Year ending March 31, 1940, as compared with the corresponding periods of the preceding Year.

	Quarter from January 1 to March 31, 1940, compared with the corresponding Quarter of the preceding Year		Year ending March 31, 1940, compared with the preceding Year		Estimate for the Year 1939-40		Year ending March 31, 1940, compared with the preceding Year		Estimate for the Year 1939-40	
	Quarter ending March 31, 1939	Quarter ending March 31, 1940	Increase	Decrease	Quarter ending March 31, 1939	Quarter ending March 31, 1940	Increase	Decrease	Quarter ending March 31, 1939	Quarter ending March 31, 1940
Ordinary Revenue										
Inland Revenue—										
Income Tax—	236,177,000	282,037,000	45,860,000		390,000,000	335,901,000	54,182,000		390,000,000	335,901,000
Stamp Duty—	49,960,000	54,930,000	4,970,000		70,000,000	62,530,000	6,470,000		70,000,000	62,530,000
Excise, etc., Duties—	20,650,000	20,600,000	50,000		75,000,000	77,430,000	2,430,000		75,000,000	77,430,000
Stamps—	5,650,000	4,990,000	660,000		17,000,000	20,980,000	3,980,000		17,000,000	20,980,000
National Defence Contribution—	8,620,000	7,530,000	1,090,000		25,000,000	26,940,000	1,940,000		25,000,000	26,940,000
Excess Profits Tax—	770,000	760,000	10,000		1,250,000	1,550,000	300,000		1,250,000	1,550,000
Other Inland Revenue Duties—	321,827,000	370,287,000	48,460,000		578,750,000	520,281,000	58,469,000		578,750,000	520,281,000
Total Inland Revenue—	649,277,000	742,694,000	93,417,000		1,075,000,000	955,180,000	119,820,000		1,075,000,000	955,180,000
Customs and Excise—										
Customs—	56,697,000	64,091,000	7,394,000		239,600,000	226,326,000	13,274,000		239,600,000	226,326,000
Excise—	26,000,000	36,750,000	10,750,000		132,850,000	114,200,000	18,650,000		132,850,000	114,200,000
Total Customs and Excise—	82,697,000	100,841,000	18,144,000		372,450,000	340,526,000	31,924,000		372,450,000	340,526,000
Motor Vehicle Duties—	24,039,000	24,265,000	226,000		22,000,000	35,608,000	13,608,000		22,000,000	35,608,000
Post Office (Net receipts)—	2,110,000	1,420,000	690,000		4,000,000	9,500,000	5,500,000		4,000,000	9,500,000
Post Office Fund—	1,400,000	1,757,446	357,446		1,600,000	1,400,000	200,000		1,600,000	1,400,000
Crown Lands—	310,000	280,000	30,000		1,330,000	1,300,000	30,000		1,330,000	1,300,000
Receipts from Sundry Loans—	907,391	658,435	248,956		5,000,000	5,698,778	698,778		5,000,000	5,698,778
Miscellaneous Receipts—	3,559,077	6,483,709	2,924,632		13,650,000	12,941,256	6,708,744		13,650,000	12,941,256
Total Ordinary Revenue—	436,849,468	504,714,590	67,865,122		1,698,312,222	1,495,956,956	202,355,266		1,698,312,222	1,495,956,956
Self-Balancing Revenue—										
Post Office (Revenue required to meet expenditure on Post-Office and Broadcasting)—	20,290,000	22,108,000	1,818,000		83,449,000	78,950,000	4,499,000		83,449,000	78,950,000
Total—	457,139,468	526,822,590	69,683,122		1,781,761,222	1,574,906,956	206,854,266		1,781,761,222	1,574,906,956

* War Budget of September 27, 1939 (H.C.177).

II.—An ACCOUNT showing the RECEIPTS into and ISSUES out of the EXCHEQUER in the Year ending March 31, 1940, as compared with the preceding Year.

RECEIPTS	Estimate for the Year 1939-40		Year ending March 31, 1939		Year ending March 31, 1940		ISSUES	Estimate for the Year 1939-40		Year ending March 31, 1939		Year ending March 31, 1940	
	£	£	£	£	£	£		£	£	£	£	£	£
Ordinary Revenue, as shown in Account I—	995,180,000	927,285,034	1,049,188,693				Ordinary Expenditure—	230,000,000	216,780,819	222,850,156			
Self-Balancing Revenue, as shown in Account I—	83,449,000	78,950,000	83,054,000				Interest and Management of National Debt—	10,000,000	9,459,403	9,556,069			
Total Revenue—	1,078,629,000	1,006,235,034	1,132,242,693				Payments to Northern Ireland Exchequer—	7,200,000	4,824,502	7,909,630			
Receipts under Section 1 (4) of the Defence Loans Act, 1937—		1,946,010	5,787,510				Other Consolidated Fund Services—	247,200,000	231,064,724	239,715,855			
Receipts under Section 4 (4) (b) of the Overseas Trade Guarantees Act, 1939—			18,351				Total—	1,185,768,000	695,715,000	1,078,257,000			
Temporary Advances Repaid—			880,000				Total Ordinary Expenditure—	1,432,968,000	926,779,724	1,317,972,855			
Essential Commodities Reserves Fund—		75,000	2,500,000				Sinking Funds—	1,121,918	7,149,844				
Money Raised by Creation of Debt—							Total (excluding Self-Balancing Expenditure)—	1,432,968,000	939,998,905	1,325,122,699			
(a) For Capital Expenditure Issues—							Self-Balancing Expenditure—	83,449,000	78,950,000	83,054,000			
Under the Post Office and Telegraph (Money) Acts, 1937 and 1939—		22,600,000	22,100,000				P. O. Vote & Vote for Broadcasting—	1,018,948,905	1,408,176,699				
Under the Housing Act, 1914—			23,000				Interest outside the Permanent Debt Charge—						
(b) For other Issues—							Issues under Section 1 (5) (b) of the Defence Loans Act, 1937—		1,946,010	5,787,510			
By Treasury Bills—	5,023,311,000	8,166,425,000	75,950,000				Issues under Section 4 (5) (a) of the Overseas Trade Guarantees Act, 1939—			18,351			
By National Savings Certificates—	79,595,998	59,975,000	99,242,090				Temporary Advances—			880,000			
By 3 per Cent. Defence Bonds—			1,630,802				Bullion—	25,000	880,000	2,500,000			
By 3 per Cent. War Loan, 1955-59—			2,525,095,000				Issues to meet Capital Expenditure—						
By other Debt under the War Loan Acts, 1914 to 1919, and the National Loans Act, 1939—			4,480,780,000				Under the Post Office and Telegraph (Money) Acts, 1937 and 1939—		22,600,000	22,100,000			
(c) Ways and Means Advances—							Under the Housing Act, 1914—			29,000			
Receipts under Section 2 (3) of the Eire (Confirmation of Agreements) Act, 1938—		10,000,000					Redemption of Debt—						
Repayments, etc.—							Treasury Bills paid off—	4,959,495,000	7,631,165,000				
In respect of Suez Canal Drawn Shares—		38,812	39,861				Principal of National Savings Certificates paid off—	28,200,000	26,950,000				
In respect of Issues under Section 4 of the Overseas Trade Guarantees Act, 1939—			23,178				Principal of National Savings Bonds paid off—	333,285	106,864				
In respect of Issues under Land Settlement (Facilities) Acts, 1919 and 1921—		149,652	165,153				Other Debt under the War Loan Acts, 1914 to 1919, and the National Loans Act, 1939—	45,964	60,300				
In respect of Issues under Section 26 of the Tithe Act, 1936—		1,934,979	2,150,693				Ways and Means Advances Repaid—	2,510,305,000	4,447,175,000				
Balances in Exchequer on April 1st—							Sinking Funds—		4,206,837				
Bank of England—	2,039,409	2,063,755					Issues under Section 1 (1) of the North Atlantic Shipping Act, 1934—	2,635,053	1,762,767				
Bank of Ireland—	324,568	435,657					Issues under Section 26 (1) of the Tithe Act, 1936—	1,870,000	1,935,000				
			2,363,977				Issues under the Defence Loans Acts, 1937 and 1939—	128,050,000	491,749,900				
			8,697,195,462				Issues under Section 2 (3) of the Eire (Confirmation of Agreements) Act, 1938—	10,000,000					
			14,052,432,743				Issues under Section 1 of the Anglo-Turkish (Armaments Credit) Agreement Act, 1938—		160,272	1,288,503			
							Issues under Section 1 of the Czechoslovakia (Financial Assistance) Act, 1939—	10,029,315					
							Issues under Section 4 (1) of the Overseas Trade Guarantees Act, 1939—			4,016,529			
							Issues to National Debt Commissioners to Reduce Debt—						
							Suez Canal Drawn Shares Repayments—	38,812	39,861				
							Old Sinking Fund, 1907-08—	13,434	90,000				
							Issues under Section 9 of the Finance Act, 1908—	8,694,696,050	14,050,038,121				
							Balances in Exchequer—						
							Bank of England—	2,063,755	2,039,409				
							Bank of Ireland—	435,657	360,799				
									2,499,412	2,394,622			
									8,697,195,462	14,052,432,743			

Treasury, March 30, 1940.
Mem.—Floating Debt, outstanding March 31, 1939—

	1939	1940
Ways and Means Advances outstanding—		
Advances by Bank of England	27,885,000	61,490,000
Advances by Public Departments	892,425,000	1,427,710,000*
Treasury Bills outstanding	920,310,000	1,489,200,000
Total Floating Debt outstanding	1,818,620,000	3,528,400,000
Net Increase		568,890,000

* Includes £40,000 the proceeds of which were not carried to the Exchequer within the period of the account.
† Excluding issues out of borrowed moneys under the Defence Loans Acts, 1937 and 1939, viz.: Estimate, £502,430,000; Actual (to date), 1939-40, £491,749,900.
‡ Estimated Expenditure as per Financial Statement (H.C. 104) of April 25, 1939, including margins provided for Defence and Civil Supplementary Estimates—

	£
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

Add: Supplementary Estimates—

	£
Civil Defence Votes (H.C. 123, 150 and 159)	20,000,000
Civil Votes (H.C. 147, 159, 32 and 50)	16,650,000
Vote of Credit (H.C. 175)	500,000,000
Less: Margins provided for Supplementary Estimates	25,000,000
Excess Votes for 1938—	
Navy (H.C. 82)	1,454,094,000
Civil Votes (H.C. 83)	35,000
Less: Original provision for Army Ordnance Factories—	
now included in Ministry of Supply (H.C. 150)	1,164,000
Less: Estimated Savings (War Budget) (H.C. 177)	1,432,968,000
	20,000,000
	1,432,968,000

OVERSEAS BANK RETURNS

NOTE.—The latest return of the Bank of Finland appeared in The Economist of December 9th; Portugal of February 10th; Egypt, International Settlements and South Africa of March 16th; Denmark, India, Iran, Jugoslavia, Lithuania, Norway, Sweden and Greece of March 23rd; Argentine, Japan, Java, Latvia, Germany, Roumania and Federal Reserve Reporting Members of March 30th.

U.S. FEDERAL RESERVE BANKS

Million \$'s				
	Apr. 6, 1939	Mar. 27, 1940	Mar. 27, 1940	Apr. 3, 1940
12 U.S.F.R. BANKS—				
RESOURCES				
Gold certifs. on hand and due from Treas.	12,573	15,869	16,048	16,102
Total reserves	12,943	16,234	16,428	16,485
Total cash reserves	361	356	372	375
Total bills discounted	3	Nil	Nil	Nil
Bills in open mkt.	1	3	2	3
Total bills on hand	14	10	10	10
Industrial advances	2,564	2,477	2,475	2,467
Total U.S. Govt. secs.	2,581	2,491	2,488	2,480
Total bills and secs.	16,211	19,472	19,779	19,719
LIABILITIES				
F.R. notes in circ.	4,398	4,889	4,899	4,935
Aggregate of excess mkt. bank res. over reqs.	3,710	5,730	5,680	5,820
Deposits—				
Member bank reserve account	9,318	12,367	12,294	12,395
Govt. deposits	1,103	536	700	692
Total deposits	10,891	13,634	13,802	13,824
Cap. paid in and surplus	311	315	315	315
Total liabilities	16,211	19,472	19,779	19,719
Reserve ratio	84.7%	87.6%	87.8%	87.9%
U.S.F.R. BANKS AND TREASURY COMBINED—				
RESOURCES				
Monetary gold stock	15,292	18,220	18,413	18,470
Treas. & bk. currency	2,838	2,984	2,990	2,991
LIABILITIES				
Money in circulation	6,855	7,481	7,471	7,521
Treasury cash and deposits with F.R. Bks.	3,815	2,894	3,082	3,064

NEW YORK FEDERAL RESERVE BANK—Million \$'s

	Apr. 6, 1939	Mar. 27, 1940	Mar. 27, 1940	Apr. 3, 1940
Total gold reserves	597.9	780.47	804.7	810.4
Total bills discounted	0.5	1.0	0.6	0.5
Bills in open mkt.	0.2	Nil	Nil	Nil
Total U.S. Govt. secs.	722.0	752.3	751.5	739.5
Total bills and secs.	726.5	755.3	754.2	742.1
Deposits—				
Member bank reserve account	507.9	694.5	682.6	692.5
Reserve ratio	90.4%	92.2%	92.3%	92.5%

BANK CLEARINGS

PROVINCIAL
(£ thousands)

No. of working days	Four weeks ended			Week ended Saturday			Aggregate from January 1 to	
	Apr. 1, 1939	Mar. 30, 1940	Change	Apr. 1, 1939	Mar. 30, 1940		Apr. 1, 1939	Mar. 30, 1940
24	23	%	6	5	78	75		
BIRMINGHAM	9,106	8,329	- 4.5	2,738	1,613	33,233	30,233	
BRADFORD	3,260	4,853	+ 56.3	973	1,053	11,428	19,010	
BRISTOL	4,972	7,022	+ 47.3	1,395	1,315	17,403	21,781	
HULL	3,005	3,289	+ 13.2	831	769	10,783	11,716	
LEICESTER	3,038	2,899	- 0.7	938	559	9,845	10,089	
LIVERPOOL	19,937	24,227	+ 27.0	6,078	6,102	67,368	79,588	
MANCHESTER	37,439	43,255	+ 20.6	11,146	10,017	128,240	147,884	
NEWCASTLE	6,152	5,889	- 0.1	1,738	1,334	21,261	19,776	
NOTTINGHAM	1,887	1,573	- 12.2	611	337	6,781	6,026	
Total: 9 Towns	88,796	101,336	+ 19.2	26,448	23,099	306,342	346,103	
DUBLIN	26,421	22,165	- 13.0	8,931	6,354	85,711	81,257	
SHEFFIELD†				924	336	14,574	9,489	

* Allowing for different number of working days.
† Clearing of suburban cheques through local clearing discontinued from September 7, 1939.

MONEY RATES

LONDON

	Mar. 28, 1940	Mar. 29, 1940	Mar. 30, 1940	Apr. 1, 1940	Apr. 2, 1940	Apr. 3, 1940	Apr. 4, 1940
Bank rate (changed from 3% Oct. 26, 1939)	2	2	2	2	2	2	2
Market rates of discount							
60 days' bank drafts	11/32	11/32	11/32	11/32	11/32	11/32	11/32
3 months' do.	11/32	11/32	11/32	11/32	11/32	11/32	11/32
4 months' do.	11/32	11/32	11/32	11/32	11/32	11/32	11/32
6 months' do.	11/32	11/32	11/32	11/32	11/32	11/32	11/32
Discount Treasury Bills							
3 months'	1-11/32	1-11/32	1-11/32	1-11/32	1-11/32	1-11/32	1-11/32
2 months'	1-11/32	1-11/32	1-11/32	1-11/32	1-11/32	1-11/32	1-11/32
Loans—Day-to-day	3/4	3/4	3/4	3/4	3/4	3/4	3/4
Short	1-11/4	1-11/4	1-11/4	1-11/4	1-11/4	1-11/4	1-11/4
Deposit advances: Bk.	1/2	1/2	1/2	1/2	1/2	1/2	1/2
Discount houses at call	1/2	1/2	1/2	1/2	1/2	1/2	1/2
At notice	5/4	5/4	5/4	5/4	5/4	5/4	5/4

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 £ on January 31, 1940.
Colombia.*	Sight selling rate on New York was 174.57 pesos per 100 U.S. dollars on February 15, 1940. This rate applies to holders of permits buying in the "open" market.
Ecuador.	Sight selling rate on New York was 15.12 sucres per U.S. dollar on February 15, 1940.
Guatemala.	Sight selling rate on New York is maintained at one quetzal per U.S. dollar, but a commission of 1 per cent. is charged by the Central Bank for the sale of drafts.
Nicaragua.*	Sight selling rate on New York for payment of imports was fixed by the National Bank at 5.52½ cordobas per U.S. dollar (including 10 per cent. tax and ½ per cent. commission) on June 9, 1938.
Paraguay.	Exchange is quoted on Buenos Aires; the sight selling rate was 71.20 Paraguayan pesos per Argentine "free" paper peso on February 1, 1940.
El Salvador.	Sight selling rate on New York was 2.50 colones per U.S. dollar on February 17, 1940.
Venezuela.	Sight selling rate on New York has been maintained at 3.19 bolívares per U.S. dollar since April 27, 1937.

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 ... Sept. 22, '39
Belgrade ... Feb. 1, '35	Paris ... Jan. 3, '39
Berlin ... Sept. 22, '32	Pretoria ... May 15, '33
Brussels ... Jan. 25, '40	Tallinn ... Oct. 1, '35
Bucharest ... Aug. 28, '35	Riga ... Feb. 17, '40
Budaapest ... Aug. 28, '35	Rio de Janeiro ... May 31, '35
Calcutta ... Nov. 28, '35	Rome ... May 18, '35
Copenhagen ... Oct. 9, '39	Sofia ... Aug. 15, '35
Helsingfors ... Dec. 3, '34	Stockholm ... Dec. 14, '39
Kyovo ... May 14, '39	Zurich ... Nov. 25, '36
Lisbon ... May 11, '36	Tokyo ... Mar. 11, '38
New York Fed.	Wellington ... Nov. 22, '38
Reserve ... Aug. 26, '37	Irish ... Sept. 28, '39

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

Comparison with previous weeks

	Bank Bills			Trade Bills		
	3 Months	4 Months	6 Months	3 Months	4 Months	6 Months
1940						
Mar. 7	1-11/4	11/32	11/16-11/8	11/8-11/4	21/2-3	21/4-3
" 20	1-11/4	11/32	11/16-11/8	11/8-11/4	21/2-3	21/4-3
" 28	1-11/4	11/32	11/16-11/8	11/8-11/4	21/2-3	21/4-3
Apr. 4	1-11/4	11/32	11/16-11/8	11/8-11/4	21/2-3	21/4-3

NEW YORK

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

	Apr. 5, 1940	Mar. 6, 1940	Mar. 13, 1940	Mar. 19, 1940	Mar. 27, 1940	Apr. 3, 1940
Call money	1	1	1	1	1	1
Time money (90 days' mixed coll.)	11/2	11/2	11/2	11/2	11/2	11/2
Bank acceptances—						
Members—eligible, 90 dys.	11/2	11/2	11/2	11/2	11/2	11/2
Non-mem.—eligible, 90 dys.	11/2	11/2	11/2	11/2	11/2	11/2
Commercial accept., 90 days	1	1	1	1	1	1

New York on	Mar. 28, 1940	Mar. 29, 1940	Mar. 30, 1940	Apr. 1, 1940	Apr. 2, 1940	Apr. 3, 1940
London:—						
Cables	359 1/4	353 1/8	353 1/8	355 1/4	358 1/4	355 1/4
Demand	359	352 3/4	351	355 1/4	358	355 1/4
Paris, Fr.	2 037 1/2	2 004 1/4	2 001 1/2	2 014 1/4	2 034 1/4	2 014 1/4
Brussels, Bel.	17 07 1/2	17 07 1/2	17 08	17 10	17 09	17 06 1/2
Switzerland, Fr.	22 42 1/2	22 44 1/2	22 42 1/2	22 42 1/2	22 43	22 44
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 11	53 10	53 10	53 10	53 09	53 09
Copenhagen, Kr.	19 32	19 32	19 32	19 32	19 32	19 32
Oslo, Kr.	22 73	22 73	22 73	22 73	22 73	22 73
Stockholm, Kr.	23 84	23 84	23 84	23 84	23 84	23 83
Athens, Dr.	Unq't'd	Unq't'd	Unq't'd	Unq't'd	Unq't'd	Unq't'd
Montreal, Can. \$	81 500	81 750	81 500	81 500	82 250	82 250
Japan, Yen	23 48	23 48	23 48	23 48	23 48	23 48
Shanghai, \$	6 35	6 25	6 20	6 25	6 25	6 25
B. Aires, Pao. (mkt. rate)	23 30	23 15	23 25	23 25	23 30	23 35
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 April 4, 1940:—
New York, \$4.11; Montreal, \$4.54; Paris, 178½f.; Brussels, 24.00b; Amsterdam, 7.68fl.; Switzerland, 18.10f.; Stockholm, 17.40kr.; Oslo, 18.25kr.; Buenos Aires, 17.85 paper pesos; Java, 7.75c.

AUSTRALIA AND NEW ZEALAND

London on Australia and New Zealand*				Australia and New Zealand on London*			
Buying		Selling		Buying		Selling	
Australia	New Zealand	Australia (any mail)	New Zealand (any mail)	Australia	New Zealand	Australia (any mail)	New Zealand
T.T.							
(Ord. Air Mail)	(Ord. Air Mail)	(Ord. Air Mail)	(Ord. Air Mail)	(Ord. Air Mail)	(Ord. Air Mail)	(Ord. Air Mail)	(Ord. Air Mail)
125	124 3/4	125	124 3/4	125 1/2	125 1/2	125 1/2	125 1/2
Sight	126 1/8	126 1/8	126 1/8	126 1/8	126 1/8	126 1/8	126 1/8
30 days	127 1/8	127 1/8	127 1/8	127 1/8	127 1/8	127 1/8	127 1/8
60 days	127 5/8	127 5/8	127 5/8	127 5/8	127 5/8	127 5/8	127 5/8
90 days	128 1/8	127 7/8	127 7/8	128 1/8	127 7/8	127 7/8	127 7/8

* 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. d.	£ s. d.	£ s. d.	£ s. d.
S. Africa	100 5 0	100 13 0	101 1 3	101 9 6
	101 0 0	101 8 0	101 16 3	102 4 6

(SELLING RATES PER £100 STERLING)

T.T.	Sight	30 days' sight	60 days' sight	90 days' sight
London on:—				
Rhodesia	£ s. d.	£ s. d.	£ s. d.	£ s. d.
S. Africa	100 5 0	100 15 0	101 1 3	101 9 6
	100 5 0	100 15 0	101 16 3	102 4 6

Investment

TRANSPORT RECEIPTS

British Railways and London Transport Board
Publication of Weekly Traffic Returns is now Suspended.

IRISH RAILWAY TRAFFICS

Company	Aggregate Gross Receipts March 29, 1940 (£'000)			Aggregate Gross Receipts, 13 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down—						
1939	1.6	0.5	2.1	21.2	5.5	26.7
1940	4.6	0.4	5.0	28.6	6.1	34.7
Great Northern—						
1939	7.7	12.8	20.5	108.5	132.6	241.1
1940	15.0	9.0	24.0	127.4	142.8	270.2
Great Southern—						
1939	28.9	43.1	72.0	365.1	534.1	899.2
1940	38.8	38.7	77.5	385.7	542.3	928.0

CANADIAN

(For heading, see Overseas Traffic in second column.)

Company	1940	1939	1940	1939
Canadian National	13	Mar. 31	\$5,872,336	\$896,601
Canadian Pacific	13	Mar. 31	\$3,610,000	\$116,000
			\$5,374,115	\$1,012,601

DIVIDEND ANNOUNCEMENTS

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

Company	*Int. or †Final	Total	Pay- able	Prev. Year	Company	*Int. or †Final	Total	Pay- able	Prev. Year	Company	*Int. or †Final	Total	Pay- able	Prev. Year
RAILWAYS					General Mining, etc.					Wearmouth Coal ...				
Barsi Light	1½*	...	May 2	2*	Roan Antelope	15†	25	June 6	25	Witan Investment ...	5†	10	...	15†
INSURANCE					Selukwe Gold	10*	...	May 20	10*	UNIT TRUSTS				
Caledonian Ins.	7/6	15 - ps	May 15	15 - ps	Wanderer Cons.	4*	...	Apr. 23	Nil*	Universal Second ...	Pence	...	...	Pence
Do.	7/6	15 - ps	Nov. 11	15 - ps	INDUSTRIALS					£3 033	...	£3 6075		
Employers Liability ..	2 - ps.	3 6 ps	May 23	3 6 ps.	African City Props.	13†	17	...	17	‡ Free of tax. (l) For 15 months to December 31, 1939. (s) Free of Indian income tax. (r) Paid on a capital increased by £899,354. (c) Also cash distribution 10 per cent. out of capital reserve.				
Thames and Mersey ..	6 ps.	13	...	13	Amalgamated Metal ..	7	...	...	7	AMALGAMATED METAL.—Ordinary dividend 7 per cent. for year to March 31, 1940, as before.				
Union Ins. (Canton) ..	12/6ps†	25 - ps	...	30 - ps	Army and Navy Stores ..	9dps.†	10	...	12½	GENERAL MINING AND FINANCE.—Final dividend 15 per cent., as before, making 25 per cent. for 1939, the same as for three preceding years.				
TEA AND RUBBER					Barrow Collieries	2½*	...	Apr. 1	3*	INDIAN IRON AND STEEL.—Interim dividend 7½ per cent. free of Indian income tax on account of year to March 31, 1940. There was no interim dividend for previous year.				
Alor Pongsu	...	3½	...	2½	Bombay Gas	4½†	8	...	8	PRIMITIVA GAS (BUENOS AIRES).—Dividend, 1939, 1¼ per cent. tax free, against 2¼ per cent. tax free for 1938.				
Brit. Malay Rubber ..	...	2½	Apr. 22	Nil	Brit. Canadian Trust ..	3*	...	Apr. 15	3*	ROAN ANTELOPE COPPER MINES.—Interim dividend on ordinary stock maintained at 10 per cent.				
Hidden Streams Rbr. ..	...	5	...	Nil	Cornwall Power	...	3	...	4					
Kanak Rubber	...	5	...	Nil	Craven Bros.	15†	23	...	22½					
Kapari Para Rubber...	...	5	...	2½	Groves and Whinnall ..	7†	12	...	12½					
Java Rubber	...	7-29	Apr. 19	4½	Higsons Brewery	4*	...	...	3*					
Labis Bahru Rubber ..	...	10	May 17	10	Indian Iron, etc.	(s) 7½	...	Apr. 30	Nil*					
London Asiatic Rbr. ..	...	6†	...	6	Kennedy's	...	5	...	5					
Lower Perak Rubber ..	...	5	...	2	Primitiva Gas	...	11½	Apr. 27	21¼					
Oriental Rubber	...	2½	Apr. 22	Nil	Slough Estates	10†	15	...	15					
Rembau Jelai Rubber ..	...	3½	Apr. 22	2½	South Hook Potteries ..	4*	...	Apr. 4	5*					
Remfield Rubber	...	5	Apr. 23	3½	Stewarts & Lloyds (Def.)	(r) 12½	...	...	12½					
Yunnan Rubber	...	3	...	Nil	Trussed Concrete	5†	7½	...	17½					
MINING					Tunnel Port. Cement ..	10†	20	...	22½					
Boulder Persever.	20†	40	May 15	40	United Molasses	(l) 53† r 28½	...	...	22½					
Cent. Prov. Mag. Ore ..	+15†	+22½	...	+25	Urban Electric	...	...	...	...					
Cent. Prov. Coal	...	...	...	...	U.S. & S.A. Invest.	4†	9½	...	9½					
Cent. Prov. Copper	...	...	...	...	Walker (G. and W.) ..	7†	12½	...	12½					

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, Year 1939		Prices, Jan. 1 to Apr. 3, 1940		Name of Security	Price, Apr. 3, 1940	Ch'ge since Mar. 27, 1940	Yield Apr. 3, 1940	Prices, Jan. 1 to Apr. 3, 1940		Last two Dividends			Name of Security	Price, Apr. 3, 1940	Ch'ge since Mar. 27, 1940	Yield Apr. 3, 1940
High	Low	High	Low					High	Low	(a)	(b)	(c)				
71 1/2	61	74 1/4	68 1/8	Consols 2 1/2%	72 1/2	+1 1/4	3 1/2	0	0	0	0	Investment Trusts	485	...	5 6	
107 1/2	98	109 1/2	103 1/8	Do. 4% (alt. 1957)	108	+1 1/2	3 1/2	1 1/2	1 1/2	1 1/2	1 1/2	Alliance Trust	485	...	5 6	
96 1/2	90 1/8	100 1/2	95 1/8	Conv. 2 1/2% 1944-49	98	+1 1/2	2 15	0	0	0	0	Debenture Corp. Stk.	180	...	5 11	
99 1/2	92 1/8	103	97 3/4	Do. 3% (aff. 1953)	101	+1 3/4	2 17	9	9	9	9	Guardian Investment	85 1/2	...	8 3	
99 1/2	87	100 1/4	94	Do. 3 1/2% after 1961	98 1/2	+1	3 11	1 1/2	1 1/2	1 1/2	1 1/2	Ind. and Gen. Ord.	195	...	6 3	
104 1/4	100 3/4	101 23/32	101 1/8	Do. 4 1/2% Dissented 1940-44 Assented 1940-44	101 7/8	...	...	...	...	...	...	Invest. Trust Def.	181	...	7 3	
112 1/2	103 1/4	111	107 1/8	Do. 5% 1944-64	108 1/2	+5 1/4	2 14	6	6	6	6	Mercantile Inv.	192 1/2	...	5 14	
87 1/4	79 1/2	92 1/4	86 5/8	Fund. 2 1/2% 1956-61	90	+1 1/4	3 3	4	4	4	4	Merchants Trust Ord.	81 1/2	...	8 11	
93 1/4	87 1/4	96 1/2	92 3/4	Fund. 2 3/4% 1952-57	96 1/2	+1 1/2	3 1	0	0	0	0	Metropolitan Trust	174 1/2	...	6 17	
95 1/2	87 1/2	98 1/2	92 3/4	Fund. 3% 1959-69	96 3/4	+1 1/2	3 3	6	6	6	6	Trustees Corp. Ord.	163 1/2	...	6 12	
109 1/2	100 1/2	113 1/4	106 1/2	Fund. 4 1/2% 1960-90	110	+1 1/2	3 6	1	1	1	1	United States Deb.	171 1/2	...	5 16	
99 1/4	94 1/2	102	98 1/8	Nat. D. 2 1/2% 1940-48	100	+1 1/2	2 10	5	5	5	5	Financial Trusts, &c.	115	...	6 10	
96 1/4	91 1/2	101 3/4	95 1/8	Do. 3% 1954-58	100	+1 1/4	3 0	7	7	7	7	Brit. S. Afr. 15/- fy. pd.	115	...	4 0	
106 3/4	102	110 1/8	105 1/8	Victory Bonds 4%	109	+1 1/4	3 0	8	8	8	8	Dalgely 20/-	28 1/2	...	9 10	
98 1/2	86	100	99 3/8	War L. 3% 1955-59	99 3/4	+1 1/2	3 0	2 1/2	2 1/2	2 1/2	2 1/2	Portugal Land £1	25	...	3 12	
93 1/2	83 1/2	100 1/4	93 1/8	War L. 3 1/2% af. 1952	99	+1 1/2	3 0	8	8	8	8	Hudson's Bay Co. £1	32 1/2	...	4 18	
99	91	101 1/2	97 1/2	Local Loans 3%	85	+1 1/2	3 10	7	7	7	7					
64	55 1/2	71 1/4	59 1/4	Austria 3% 1933-53	69 1/2	+1 1/2	3 11	11	11	11	11					
90	78	97 1/4	82 1/4	India 2 1/2%	96	+1 1/2	3 12	11	11	11	11					
115 1/4	104 1/2	115	105 1/4	Do. 4 1/2% 1958-68	115	...	3 8	10	10	10	10					
				Dom. & For. Govts.												
106 1/4	95	107 1/8	102	Austr. 5% 1945-75	105 1/2	...	3 18	11	11	11	11	Breweries, &c.	15 1/2	...	7 2	
103 1/2	98	102 1/4	100 1/2	Canada 4% 1940-60	100 1/2	...	3 16	11	11	11	11	Barclay Perkins £1	125 1/2	...	3 19	
112 1/2	102	105 1/8	101	Nigeria 5% 1950-60	110	...	3 16	11	11	11	11	Bass Ratcliff Ord. £1	55 1/2	...	6 2	
110	102	108 1/2	105 1/2	N. Zealand 5% 1946	104 1/2	...	3 10	11	11	11	11	Courage Ord. £1	67 1/2	...	4 8	
				S. Africa 5% 1945-75	108	...	3 7	10	10	10	10	Distillers Ord. £1	79 1/2	...	6 9	
111 1/2	104	110 1/4	106	Corporation Stocks	108	...	3 10	3	3	3	3	Guinness Ord. £1	72	...	6 15	
81 1/2	72	85	78 1/2	Birmingham 5% 1946-56	83 1/2	+1 1/2	3 11	10	10	10	10	Ind. Co. & All. £1	72 1/2	...	6 9	
93 1/2	86 1/2	94 1/2	87 1/2	Liverpool 3% 1954-64	93 1/2	+1 1/2	3 8	8	8	8	8	Michell's & Butlers £1	72 1/2	...	6 15	
102 1/2	95	103 1/2	98	Midland 3 1/2% 1957-62	103	...	3 5	5	5	5	5	Watney Combs Def. £1	49 1/2	...	7 6	
				Foreign Governments								Iron Coal and Steel				
61 1/2	53 1/2	64 1/2	58 1/2	Arg. 4 1/2% Stg. Bds.	60 1/2	+1 1/2	4 19	5	5	5	5	Baldwins 4/-	5 1/2	...	7 12	
95	50	64	56 1/2	Austria 4 1/2% 1934-59	56 1/2	+1 1/2	7 19	4 1/2	4 1/2	4 1/2	4 1/2	Bolsover Coal. Ord. £1	51 10 1/2	...	5 15	
31	8	15 1/2	10	Belgian 4% (36) 1970	20	+1 1/2	7 5	10	10	10	10	Brown (J.) Ord. 10/-	32 1/2	...	6 18	
23 1/2	6 1/2	35 1/2	20	Bulgaria 7 1/2%	17 1/2	+1 1/2	14	5 8 1/2	5 8 1/2	5 8 1/2	5 8 1/2	Cammell Laird 5/-	7 1/2	...	6 13	
19	9	23	19 3/4	Brazil 5% 1914	14	+1 1/2	7 4	11 1/2	11 1/2	11 1/2	11 1/2	Colvilles Ord. £1	24	...	8 4	
52	23 1/2	45 1/4	34 1/2	Chile 6% (1929)	38 1/2	+1	16	10	10	10	10	Dorman Long Ord. £1	24 1/2	...	8 4	
72	30	63	48 1/2	China 5% (1913)	48 1/2	+1	16	10	10	10	10	Firth Brown & Co. Ord. £1	70	...	5 12	
100	65	70	65	Czechoslovakia 8%	70	+2	16	10	10	10	10	Guest Keen & Co. Ord. £1	26	...	8 16	
86 1/2	58	79 1/4	76	Denmark 3%	78 1/2	+1 1/2	5	11	11	11	11	Huddell's 10/-	22 1/2	...	5 6	
126 1/4	9	101 1/2	99 3/8	Egypt Unified 4%	101 1/2	+1 1/2	5	11	11	11	11	Horse & Cories £1	22 1/2	...	6 19	
33 1/4	4	6 1/2	4 1/2	French 4% (British)	7 1/2	+1 1/2	5	18	0	0	0	Powell Duffryn £1	49	...	5 6	
30	15	24 1/2	21	Ger. Dawes L'n. 5%	21	+1 1/2	12	5	6 1/2	6 1/2	6 1/2	Sheepbridge C. & I. £1	49 1/2	...	4 13	
35 1/2	15	25	25	Do. Young L'n. 4 1/2%	25	+1 1/2	18	0	0 1/2	0 1/2	0 1/2	S. Durham Ord. £1	32 1/2	...	7 7	
61 1/2	33	65	57	Greek 6% Stab. L'n.	61 1/2	+1 1/2	18	0	0 1/2	0 1/2	0 1/2	Staveley Coal, etc. £1	51 10 1/2	...	3 17	
65	20	20	20	Hungary 7 1/2%	65	+1 1/2	7	5	6 1/2	6 1/2	6 1/2	Stewarts & Lloyds £1	46 10 1/2	...	5 6	
11 1/2	4 1/4	8 1/4	6	Japan 5 1/2% 1930	11 1/2	+1 1/2	12	5	6 1/2	6 1/2	6 1/2	Swan, Hunter £1	36 3/4	...	1 8	
				Peru 7 1/2% 1922	55	+1 1/2	7	5	6 1/2	6 1/2	6 1/2	Thornycroft 6/8	3 1/2	...	3 10	
				Poland 7%	70	+1 1/2	25	1	6 1/2	6 1/2	6 1/2	U. States Steel \$100	12 1/2	...	1 3	
				Roum. 4% Con. 1922	7 1/2	+1 1/2	25	1	6 1/2	6 1/2	6 1/2	Un. Steel Cos. Ord. £1	23 1/2	...	6 16	
												Vickers 10/-	18 1/2	...	5 11	
												Textiles				
												Brit. Cel. Ord. 10/-	8 1/2	...	Nil	
												Coats, J. & P. £1	38 1/2	...	1 6	
												Courtauld £1	39 3/4	...	3 3	
												English Sew. Cn. £1	32 1/2	...	1 3	
												Linen Thread Stk. £1	60 1/2	...	7 12	
												Patons & Baldwins £1	60 1/2	...	3 6	
												Whitworth & Mit. £1	14 1/2	...	Nil	
												Electrical Manufacts.				
												British Insulated £1	39 1/4	...	5 1	
												Callenders £1	86 3/4	...	3 12	
												Crompton Park £5	66 3/4	...	1 3	
												English Electric £1	18 1/2	...	5 6	
												General Electric £1	80 1/2	...	6 1	
												Johnson & Phillips £1	50 1/2	...	5 0	
												Electric Light, &c.		...	6 0	
												British Pow. & Lt. £1	28 1/2	...	4 18	
												Clyde Vall. £1	37 1/2	...	4 13	
												County of London £1	38 1/2	...	5 10	
												Edmundsons £1	25 1/2	...	4 14	
												Lancashire Elec. £1	20 1/2	...	4 12	
												London Ass. Elec. £1	36 10 1/2	...	5 11	
												Midland Counties £1	29 1/2	...	4 16	
												North-East Elec. £1	38 1/2	...	1 3	
												Scottish Power £1	36 3/4	...	4 8	
												Yorkshire Electric £1	38 1/2	...	4 2	
												Gas L. & C. £1	17 1/2	...	5 6	
												Imp. Cont. Stk.	81 1/2	...	9 16	
												Newcom-Tyne £1	21 3/4	...	1 4	
												S. Metropolitan Stk.	72 1/2	...	6 4	
												Motors and Cycle				
					</											

SHORTER COMMENTS

(Continued from page 665)

Guaranty Trust Company of New York.—Total deposits, March 31, 1940, \$2,343,234,641 against \$1,670,216,227 on March 29, 1939, and \$2,088,427,345 on December 31, 1939. Total resources, \$2,653,187,645 against \$1,988,747,869 (March 29, 1939) and \$2,401,634,265 (December 31, 1939). Total resources and deposits are at their highest level in the company's history. Undivided profits, \$15,154,462 against \$14,701,954 (December 31, 1939) and \$12,956,690 (March 29, 1939).

British Enka, Ltd.—Working profit, 1939, after £7,765 for A.R.P., £165,357 against a loss of £7,977 for 1938. Net profit, £97,172 against net loss £70,204. Debit of £653,537 brought in is reduced to £556,365 before E.P.T., which it is estimated should not exceed £30,000.

Stewarts and Lloyds.—This company is maintaining dividend of 12½ per cent. on the deferred stock for 1939, but it is payable on the capital of £7,779,720 as increased during the year by £1,899,354 through Stanton Ironworks acquisition. Payment May 22nd. Tax will be deducted at rate then ruling. Annual report to be issued about May 7th.

Champion Reef Gold Mines of India.—Profit 1939 increased by £9,205 to £199,756. To taxes, £49,000 (£16,800). To depreciation, £17,000 (£11,000). To insurance reserve, £3,000 as before. Ordinary dividend 40 per cent. as before. Carry forward £14,198 (£14,326).

Craven Brothers (Manchester).—Net trading profit 1939, £131,246 (£110,824). To interest charges, £1,035 (£171). To war risks insurance, £2,503 (nil). To A.R.P., £6,379 (nil). To depreciation reserve, £15,000 (£10,000). Ordinary dividend 22½ per cent. as before. Carry forward, £97,147 (£59,668).

GOVERNMENT GOLD MINING AREAS (MODDERFONTEIN) CONSOLIDATED, LTD.

(Incorporated in the Union of South Africa.)

Issued Capital, £1,400,000 in 5,600,000 Shares of 5s. each.

DIRECTORATE:
DIRECTORS:—J. B. JOEL, J.P. (Chairman), G. H. BEATTY (Deputy-Chairman), K. RICHARDSON, Dr. J. G. LAWN, C.B.E., G. IMROTH, D. CHRISTOPHERSON, C.B.E., G. J. JOEL, M.C.
ALTERNATES:—T. E. ROBERTSON, F. R. CAITHNESS, R. L. INNES, J. SEEHOFF, A. G. PETYT, F. H. P. ROOME, D. J. OWENS.

Extracted from the Annual Report to 31st December, 1939.

Tons crushed, 2,808,000, yielding 577,208.514 ounces fine gold.			
		Per ton, based on tonnage crushed.	
Total Working Revenue	£4,315,010 7 8	£1 13 1	
Total Working Costs	2,327,409 14 1	17 10	
Working Profit	1,987,600 13 7	15 3	
Rents, Interest and Sundry Revenue	18,100 17 3		
Balance at 31st December, 1938, brought forward	134,424 19 6		
	£2,140,128 10 4		
This amount has been dealt with as follows:—			
Miners' Phthisis Sanatorium, Donations, Depreciation, etc.	5,242 7 2		
Taxation	2,137 19 6		
Contribution for year 1939 in respect of Outstanding Liability, Miners' Phthisis Compensation Fund	15,148 9 7		
Capital Expenditure	23,738 13 3		
Government Share of Profits	979,188 12 1		
Dividends Nos. 44 and 45 of 32½ per cent. and 35 per cent. respectively	945,000 0 0		
	1,970,454 1 7		
Leaving a Balance carried forward of	£169,672 8 9		

The **Ore Reserves** at the end of the year were estimated to amount to 9,800,000 tons with an average value of 5.2 dwts. over a stopping width of 61 inches.

The full Reports and Accounts may be obtained from the London Agents, Johannesburg Consolidated Investment Company, Limited, 10 and 11 Austin Friars, London, E.C.2.

NEW STATE AREAS, LIMITED.

(Incorporated in the Union of South Africa.)

Issued Capital - £1,514,037 in 1,514,037 Shares of £1 each.

DIRECTORATE:
DIRECTORS:—J. B. JOEL, J.P. (Chairman), G. H. BEATTY (Deputy-Chairman), R. L. INNES, Dr. J. G. LAWN, C.B.E., G. J. JOEL, M.C., W. S. WEBBER, K. RICHARDSON.
ALTERNATES:—F. R. CAITHNESS, F. H. P. ROOME, D. J. OWENS, T. E. ROBERTSON.

Extracted from the Annual Report to 31st December, 1939.

Tons crushed, 1,482,000, yielding 407,358.01 ounces fine gold.			
		Per ton, based on tonnage crushed.	
Total Working Revenue	£3,043,935 12 9	£2 1 1	
Total Working Costs	1,331,744 17 2	18 0	
Working Profit	1,712,190 15 7	£1 3 1	
Rents, Interest and Sundry Revenue	13,799 2 4		
Balance at 31st December, 1938, brought forward	180,713 1 5		
	£1,906,702 19 4		
This amount has been dealt with as follows:—			
Miners' Phthisis Sanatorium, Donations, Depreciation, etc.	4,109 17 3		
Taxation	134,930 2 2		
Contribution for year 1939 in respect of Outstanding Liability, Miners' Phthisis Compensation Fund	6,406 7 8		
Capital Expenditure	33,871 6 4		
Government's Share of Profits	1,081,081 0 2		
Dividends Nos. 29 and 30 of 15 per cent. each	454,211 2 0		
Leaving a Balance carried forward of	1,714,809 15 7		

The **Ore Reserves** at the end of the year were estimated to amount to 4,098,000 tons with an average value of 5.3 dwts. over a stopping width of 48 inches.

The full Reports and Accounts may be obtained from the London Agents, Johannesburg Consolidated Investment Company, Limited, 10 and 11 Austin Friars, London, E.C.2.

Projectile and Engineering.—The report for 1939 shows trading profit up from £140,320 to £141,268. Obsolescence reserve takes £26,787 (£23,594) and maintenance reserve is up from £11,436 to £20,123. Net profit is £90,467, against £101,200. Dividend maintained at 15 per cent. and there is again a 7½ per cent. bonus. After £20,000, against £30,000, to commercial development, carry forward is raised from £35,140 to £38,107.

Shell Union Oil Corporation.—Net operating income 1939, \$11,805,713 (\$11,318,422). Dividends paid on common stock 50 cents per share against 70 cents per share. Consolidated surplus end of 1939, \$16,872,684 or \$776,540 less than at end of 1938. The consolidated balance sheet shows total current assets \$117,736,637 against current liabilities \$29,974,548.

North British Locomotive.—In 1939 profit, after £20,000 for depreciation, was £144,299 (against £63,162, when no

depreciation). Debit brought forward, £48,697, converted into a credit of £95,602 to carry forward.

Dickinson (John) and Company, Ltd.—Trading profit 1939, £616,313 (£438,385). To taxation, £234,000 (£115,000). For A.R.P., £48,789. Net profit, £296,728 (£287,014). Ordinary dividend and bonus 14 per cent. against 12½ per cent. To reserves: contingency, £60,000 (£30,000); general reserve, nil (£50,000). Carry forward, £79,015 (£74,163).

THE RANDFONTEIN ESTATES GOLD

MINING COMPANY, WITWATERSRAND, LTD.
(Incorporated in the Union of South Africa.)

Issued Capital, £4,063,553 in 4,063,553 Shares of £1 each.

DIRECTORATE:
DIRECTORS:—J. B. JOEL, J.P. (Chairman), G. H. BEATTY (Vice-Chairman), Dr. J. G. LAWN, C.B.E., G. J. JOEL, M.C., R. L. INNES, K. RICHARDSON, F. H. P. ROOME.
ALTERNATES:—F. R. CAITHNESS, T. E. ROBERTSON, D. J. OWENS.

Extracted from the Annual Report to 31st December, 1939.

Tons crushed, 4,679,000, yielding 707,683.792 ounces fine gold.			
		Per ton, based on tonnage crushed.	
Total Working Revenue	£5,287,206 16 11	£1 2 7	
Total Working Costs	3,967,293 11 0	16 11	
Working Profit	1,319,913 5 11	5 8	
Rents, Interest and Sundry Revenue	37,029 0 9		
Sales of Property and Township Stands, etc.	3,174 3 2		
Balance at 31st December, 1938, brought forward	381,360 5 6		
	£1,741,476 15 4		
This amount has been dealt with as follows:—			
Miners' Phthisis Sanatorium, Donations, Depreciation, etc.	8,543 10 5		
Taxation	281,932 3 7		
Contribution for year 1939 in respect of Outstanding Liability, Miners' Phthisis Compensation Fund	27,901 5 4		
Capital Expenditure	60,548 2 10		
Dividends Nos. 23 and 24 of 11½ per cent. each	914,299 8 6		
	1,293,224 10 8		
Leaving a Balance carried forward of	£448,252 4 8		

The **Ore Reserves** at the end of the year were estimated to amount to 13,079,000 tons with an average value of 3.7 dwts. over a stopping width of 47 inches.

The full Reports and Accounts may be obtained from the London Agents, Johannesburg Consolidated Investment Company, Limited, 10 and 11 Austin Friars, London, E.C.2.

VAN RYN DEEP, LIMITED.

(Incorporated in the Union of South Africa.)

Issued Capital: £1,196,892 in 1,196,892 Shares of £1 each.

DIRECTORATE:
DIRECTORS:—G. H. BEATTY (Chairman), J. B. JOEL, J.P., R. L. INNES, Dr. J. G. LAWN, C.B.E., Sir WILLIAM DALRYMPLE, K.B.E., Sir ABE BAILEY, Bart., G. J. JOEL, M.C., K. RICHARDSON.
ALTERNATES:—F. R. CAITHNESS, D. J. OWENS, F. H. P. ROOME, T. E. ROBERTSON, C. E. ROBERTS, E. H. READ.

Extracted from the Annual Report to 31st December, 1939.

Tons crushed, 1,204,000, yielding 179,713.556 ounces fine gold.			
		Per ton, based on tonnage crushed.	
Total Working Revenue	£1,342,647 19 0	£1 2 4	
Total Working Costs	1,070,343 0 1	17 10	
Working Profit	272,304 18 11	4 6	
Rents, Interest and Sundry Revenue	5,495 6 2		
Balance at 31st December, 1938, brought forward	90,244 6 10		
	£368,044 11 11		
This amount has been dealt with as follows:—			
Miners' Phthisis Sanatorium, Donations, Depreciation, etc.	2,570 18 11		
Taxation	65,737 16 0		
Contribution for year 1939 in respect of Outstanding Liability, Miners' Phthisis Compensation Fund	4,890 19 3		
Capital Expenditure	5,682 3 0		
Dividends Nos. 52 and 53 of 8½ per cent. each	209,456 2 0		
Leaving a Balance carried forward of	£79,708 12 9		

The **Ore Reserves** at the end of the year were estimated to amount to 3,241,000 tons with an average value of 3.1 dwts. over a stopping width of 46 inches.

The full Reports and Accounts may be obtained from the London Agents, Johannesburg Consolidated Investment Company, Limited, 10 and 11 Austin Friars, London, E.C.2.

BRITISH WHOLESALE PRICES

CEREALS AND MEAT				TOBACCO—continued				MISCELLANEOUS			
Mar. 26, 1940				Mar. 26, 1940				Mar. 26, 1940			
s. d.				s. d.				s. d.			
GRAIN, etc.—				CEMENT, best Eng. Portland, d/d site, London				CHEMICALS—			
Wheat—				in paper bags 20 to ton (free, non-returnable)				Acid, citric, per lb., less 5%			
No. 1, N. Man. 496 lb. f.o.b.				4-ton loads and upwards per ton				" Nitric			
Vanc.				East Indian				" Oxalic, net			
Eng. Gaz. av., per cwt.				Stemmed				" Tartaric, English, less 5%			
La Plata, per qtr.				Unstemmed				Ammonia, carb.			
Flour, per 280 lb.—								" Sulphate			
Straights, d/d London								Borax, gran.			
Barley, Eng. Gaz., av., per cwt.								" powder			
Oats								Nitrate of soda			
Maize, La Plata, 480 lb., f.o.b.								Potash, Chlorate, net			
Rice, Burma, No. 2, per cwt.								" Sulphate			
								Soda Bicarb.			
MEAT—								Crystals			
Beef, per 8 lb.—								Sulphate of copper			
English long sides								COPRA (per ton)—			
Imported hinds								S.D. Straits, c.i.f.			
Mutton, per 8 lb.—								HIDES (per lb.)—			
English								Wet salted Australia 40/50 lbs.			
Imported								" lian, Queensland			
Lamb, per 8 lb.—								West Indian			
Imported								Cape, Jo'burg Ord.			
Pork, English, per 8 lb.								Dry Capes			
								Drysalted Capes			
BACON (per cwt.)—								English & Welsh Market Hides—			
Wiltshire cut sides								Best heavy ox and heifer			
HAMS (per cwt.)—								Best calf			
Green								INDIGO (per lb.)—			
								Bengal, gd. red-vio. to fine			
OTHER FOODS								LEATHER (per lb.)—			
Butter (per cwt.)—								Sole Bends, 8/12 lbs.			
All Grades								Bark-Tanned Sole			
Cheese (per cwt.)—								Shoulders from D.S. Hides			
Canadian (new)								" Eng. or WS do.			
New Zealand								Bellies from DS do.			
English Cheddars								" Eng. or WS do.			
Dutch								Dressing Hides			
Cocoa (per cwt.)—								Ro. Eng. Calif. 20/35 lb. per doz.			
Accra, g.f.								PETROLEUM PRODUCTS (per gall.)—			
Trinidad								Motor Spirit, England & Wales			
Grenada								(c) Kerosene, Burning Oil			
Coffee (per cwt.)—								" Vapourising Oil			
Santos sup. c. & f.								(c) Automatic gas oil, in bulk, ex road tank wagons			
Costa Rica, medium to good								Fuel oil, in bulk, ex instal.			
Kenya, medium								Furnace			
Eggs (per 120)—								Diesel			
English (15 lb.)								ROSIN (per ton)—			
Danish (15 lb. and over)								American			
Fruit—								RUBBER (per lb.)—			
Oranges, Jaffa								St. ribbed smoked sheet			
" Spanish								Fine hard Para			
" (Navels)								SHELLAC (per cwt.)—			
Lemons, Messina								T.N. Orange			
Apples, B. Columbian								TALLOW (per cwt.)—			
Onions, Egypt								Swedish u/s 3 x 8			
LARD (per cwt.)—								" 2 1/2 x 7			
Irish, finest bladders								" 2 x 4			
Imported								Canadian Spruce, Deals			
PEPPER (per lb.)—								Pitchpine			
Black Lampong (in Bond)								Rio Deals			
White Muntok (f.a.q.) (in Bond)								VEGETABLE OILS (per ton net)—			
" (Duty paid)								Linseed, raw			
POTATOES (per cwt.)—								Rape, crude			
English, King Edward, Siltland								Cotton-seed, crude			
Wisbech, King Edw. (per ton) (f)								Coconut, crude			
SUGAR (per cwt.)—								Palm			
Centrifugals, 96%, prpt. shipm.								Oil Cakes, Linseed, Indian			
c.i.f. U.K./Cont.								La Plata			
Refined London								Calcutta			
Granulated, 2 cwt. bags								Turpentine (per cwt.)			
Cubes, 1 cwt. cases											
Pieces, 2 cwt. bags											
Soft Brown, 1 lb. cartons											
West India Crystallised											
TOBACCO (per lb.)—											
Virginia, stemmed and un-											
stemmed, common to fine											
Rhodesian, stemmed and un-											
stemmed											

(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.
 all contracts and quotations subject to war clause. (c) Higher Pool prices in some zones. (d) Quotations for standard copper no longer available.
 price is at buyers' premises. (e) Including import duty and delivery charges. (f) Official minimum and maximum prices.

AMERICAN WHOLESALE PRICES

AMERICAN WHOLESALE PRICES											
Mar. 27, 1940			Apr. 3, 1940			Mar. 27, 1940			Apr. 3, 1940		
Cents			Cents			Cents			Cents		
GRAINS (per bushel).—			METALS (per lb.)—cont.			MISCELLANEOUS (per lb.)			MISCELLANEOUS (per lb.)		
Wheat, Chicago, May			Spelter, East St. Louis, spot ..			Petroleum, Mid-cont. crude			—cont		
" Winnipeg, May			Cocoa, N.Y., Acra, May			per barrel			102		
Maize, Chicago, May			Coffee, N.Y., cash			Rubber, N.Y., smkd. sheet Apr.			18½		
Oats, Chicago, May			Rio, No. 7			Do. do. May June			18		
Rye, Chicago, May			Santos, No. 4			Sugar, N.Y., Cuban Cent.			2 80		
Barley, Winnipeg, May			Cotton, N.Y., Am. mid. spot			96 deg. spot			...		
METALS (per lb.)			Cotton, Arn. Mid. Apr.			Sugar, N.Y., 96 deg. No. 4,					
Copper, Connecticut			Cotton Oil, N.Y., May			f.o.b. Cuba, May					
Tin, N.Y., Straits, spot			Lard, Chicago, May			Moody's index of staple com-					
Lead, N.Y., spot											

to carry it in, and we shall no longer have to provide shipping for Denmark's imports. Denmark, in itself, is of much less use to Hitler as a possession than as a neutral; it was occupied only as a stepping-stone to Norway.

Norway itself would be a prize for the Nazis if they could seize and hold it. The gains would not be directly economic, but on the strategic side they would be immense, and on the moral front it would be a major victory to demonstrate to all the world that the neutral which is nearly the most accessible of all to Great Britain could yet be snatched from under our noses. Without much doubt, the Nazis hoped, by seizing the Norwegian capital and government, to secure as immediate an acceptance of their "protection" as in Denmark, so that the British, when they came, could be told that not even the Norwegians wanted them. This plot miscarried. The Norwegian Government was neither captured nor intimidated, but is fighting with bravery and with great success, and though the precariousness of the German communications might not have mattered if the country could have been occupied at a single blow, to fight a campaign across the disputed—or hostile—Skagerrak is a very different matter. It was a terrific gamble; but it seems to have failed.

The position of Sweden is anomalous and mysterious. The Germans have imposed neutrality, which has been accepted by Stockholm. But why did the Germans want a neutral Sweden? Three reasons suggest themselves. The first is that Sweden has a considerable army; since speed was essential to their plan, the Germans did not want to have a fight on their hands, knowing that once they succeeded in occupying Norway and Denmark, Sweden was, in any case, in their power. Secondly, Soviet Russia may have demanded that Sweden be left untouched. Or, thirdly, since the Nazis knew that, even if they held Southern Norway, they could not prevent an Allied occupation of Narvik (whose only communications with the rest of Norway are by sea), they hoped by maintaining Swedish neutrality to prevent the Allies from going on to the iron ore mines,

whose vital importance is explained—together with that of other economic aspects—on a later page.

Now that the Norwegian expedition has turned into a fight instead of a seizure, however, the Nazis must be in a dilemma over Sweden. If she remains neutral, they can get to their troops in Norway only by sea or by air. If, on the other hand, they force Sweden into the war, on either side, the iron ore—on which they depend as much as on any other thing outside their own borders—is in all probability lost to them. That when power politics are being played so ruthlessly on their own borders, the Swedes should take refuge in neutrality lends a touch of farce to the whole affair. Neutrality will not save them from a Nazi attack; it might help to make them defenceless before such an attack when it comes. They cannot stay neutral; they will have to choose their side, if they ever hope to have another free choice to make in the future.

The part that the attack on Scandinavia is to play in Hitler's grand strategy is not yet clear. But it begins to look as if he is staking everything on winning this summer. If he cannot do so, his position will be desperate next winter, for the absorption of Denmark will reduce his food supply while the freezing of the Baltic will virtually stop his supplies of Swedish ore, even if he is by that time undisputed master of the Scandinavian peninsula. If this is his position, we must expect further desperate throws, whatever the outcome in Norway.

There is one other consideration that must not be forgotten. President Roosevelt said on Tuesday that the invasion of Denmark and Norway would make Americans think more than they had done hitherto of the potentialities of war. We who lived in England through 1938 and 1939 know the death agonies of cherished illusions and the bitter pains of resolution from which the Americans are suffering. From the enjoyment of a clear conscience, a clear vision of duty to be done, and a clear sight of where the interest of all who believe in freedom lies, we can offer them our most sincere sympathy.

Putting Men to Work

THERE is sound sense in the Civil Service division of administration into plans, intelligence and operations. The putting of more men and more women to war work, for instance, is first and foremost a matter for broad decisions of policy. Long-range plans are needed for a much swifter rate of war output and for the transfer and training of workers to meet these requirements in advance. But plans are futile and planners helpless without information about the resources available and detailed machinery to fit workers into jobs. The task of intelligence has begun—belatedly; a limited census of labour in war industries has been ordered. But the present haphazard search for skilled workers by individual firms on war work reveals the need for machinery to find and place the men and women needed.

The machinery already exists *in posse*. Thirty-odd years ago Labour Exchanges were set up to do precisely this work of placing; and in the last war the transfer and recruitment of war workers was done to a notable degree by the exchanges of the Ministry of Labour. Unfortunately, the armistice period between 1918 and 1939 saw a deterioration in the positive functions of the exchanges. The continuance of unemployment at between 1½ millions and 2 millions or more meant that the focus of the exchanges' work was the payment of maintenance money to the workless. The bias of work at almost every exchange became paying, not placing.

Yet no country has the machinery Britain possesses to fit workers to work and *vice versa*. At the exchanges all the unemployed are registered and, in theory, all the vacancies for workers are reported. Officials are specialised in keeping contact with the needs of industry and in sifting the qualities of the registered workless. There are regional clearing houses for the pooling of vacancies; and a national clearing house to leave no worker out of touch with any job, however distant. And the bias of the exchanges' duties towards mere payment and maintenance

is ripe to be broken down as the volume of unemployment shrinks and war work grows.

Up to now, the operation of the exchanges has been regarded as merely a departmental matter for the Ministry of Labour to settle. The exchanges have lost the vital qualities envisaged by their pioneer sponsors a generation ago. There is a lack of drive and initiative. Applicants wait long periods, an hour or more, for attention—where a delay of minutes in, say, post offices is regarded as grossly inefficient. And, on the side of vacancy work, the record is one of short staffs, delay and neglect. Less than 30 per cent. of the jobs found by wholly unemployed persons are filled by the Labour Exchanges. Placing is undertaken *gratis* for employers and workers; there is no financial yardstick for inefficiency, as there is on the "dole" an insurance side, where the test is the solvency of the Unemployment Fund, made up by contributions from employers, workers and the Government.

The time is overdue to rebalance the work of the exchanges whose primary function at the outset was employment, not unemployment. The existing machinery for vacancy work is thorough though undermanned, and officers are able but mostly underpaid. There is little doubt that vacancy officers at employment exchanges are strategically well placed to find the right man for the right job. It is their function to select suitable applicants from the live register of the unemployed, to know them personally and to offer their services to employers. In years' records of the experience and qualifications of every worker who falls idle are kept at every exchange. It is clearly wrong and wasteful that this system should be generally by-passed. Employers advertise vacancies in the Press and choose their recruits, often very much at random, from scores of applicants. The fact that a very large proportion of the unemployed are, in fact, moving from job to job is not due only to the changeability of industry and the fluidity of labour. It is due also to

sheer misplacing of workers and the persistence of hit-and-miss methods of recruitment vastly inferior to the care and accuracy of the exchanges. The wastage due to misplacement of labour and intermittent unemployment is as crucial in war as it is lamentable in peace.

What can be done, therefore, to improve and extend the vacancy work of the Ministry's exchanges? It is important to recognise here that the war itself is already rapidly dissolving old resistances to the use of the exchanges. Sheer scarcity of many classes of workers has driven employers, who in the past were prejudiced against the exchanges, to use them. In some districts exchange managers have got together committees of local employers and trade unionists to study the live register of unemployed, to devise ways and means of finding places for unemployed skilled and partly skilled workers. Over-hasty resort to the recruitment of wholly inexperienced persons is thereby minimised; and the Ministry is assisting firms to scour the country for special types of labour.

Great pressure is being put on the whole vacancy mechanism. The effect of this wartime pressure must be that recruitment through casual foremen's contacts, notices posted at factory gates and advertisements in the Press, will be largely replaced by the official system. It is inevitable that a great deal more money must be spent on vacancy work. Better facilities for training officials in knowledge of the manual processes of industry; better space in exchanges for interviews and less congestion; more elaborate provisions for keeping carefully documented records about the qualifications of each worker; all these things are (as one of the admirable PEP broadsheets* urges) essential to the solution of Britain's wartime man-power problem.

Nor is it simply a question of placing the workless of before the war. Under the stress of war conditions, the character of unemployment and distress is undergoing profound changes. The impact of war upon civilian trades and the operation of the Schedule of Reserved Occupations have meant a fundamental change in the personnel of the unemployed. Compared with 1923, the number of people attached to *non-factory* occupations, retail distribution, personal service, clerical work, entertainments, sport and local government service has increased by over 60 per cent. It is these classes, containing a vast number of people who have either never come within the insured groups or are, for peculiar reasons, unfamiliar with the employment exchange mechanism, whose personal lives are being most profoundly affected by the war. And, in addition to women, they are war's great labour reserve. The forces themselves, unlike the Army of the last war, are indeed drawing heavily upon these groups; someone has called the latest age groups called up an "army of clerks"; A.R.P. provides paid work for a quarter of a million people also drawn largely from the same group of non-factory workers. But a walk along any street in any evacuation area shows how the war has

* Planning. No. 163. Employment Exchanges. 16 Queen Anne's Gate, London, S.W.1.

Russia in 1940—IV

Soviet Agriculture

ONE of the fears to which last year's German-Soviet Pact gave rise was that the vast agricultural resources of the U.S.S.R. would be secured by Germany to supplement her war effort. Since then, the difficulties, political, commercial and transport, in the way of any large and rapid expansion have been much stressed in Allied comment; and the actual volume of goods passing to the Reich has not grown alarmingly. But since it is two totalitarian States that are concerned it is realised that many of these difficulties may be overcome by official fiat, though the transport obstacles (canvassed in an article in *The Economist* on March 9, 1940, page 412) must prove more obdurate.

It is clear that great changes in Soviet farming, and still more in Soviet trade policy, would have to be made to reorient Soviet agriculture to meet Germany's crucial war needs. Many of the products which Germany requires are

affected the small shopkeeper and his family; and unemployment is widespread. Distress among these people, who in the main have enjoyed exceptional prosperity during the past decade, was mainly dealt with before the war by the local public assistance committees. Now the bulk of it has been taken over by the Unemployment Assistance Board, shortly to be re-named the Assistance Board. And it is in their and the nation's interest that the exchanges should be capable of finding them war work as soon as the scale of war output is sufficient to fit them in.

These two trends, the enforced greater use of the exchanges as employment agencies and the increased incidence of distress among non-insured people, jointly give a clue to the needed organisation of the unemployment services, not only now, but also after the war. Now it is full mobilisation of the population that is imperative. After the war, it will be necessary for the Ministry of Labour to possess a placing and vacancy service adequate to meet the needs of demobilisation, from the forces and from war work; re-employment will be the main problem facing society; in the short period the problem will be how to find remunerative work of any kind for people who have been munition workers, firemen or soldiers, but who are qualified in peace to be engineers, solicitors' clerks and shop assistants; in the long period the problem will be to get the population back into the employments for which they are best suited. Vacancy work, then as now, will be merged with the care of distress. The vacancy work of the Ministry of Labour will have to be expanded greatly—but along the lines of individual case work on enlightened Assistance Board principles. War and its aftermath give the Ministry and its exchanges a pivotal importance.

The time has come to translate into practice the old principle that vacancy work is the "primary function" of the employment exchanges. As the industrial pressure of war raises the proportion of unemployed persons placed in employment through the exchanges, the number of vacancy organisers and the facilities for their work will have to be increased greatly. It may well be that one of the reasons why the Control of Employment Act, which gives power to the Minister of Labour to sanction the engagement or re-engagement of all workers in industry, has not yet been put into operation is the sheer inadequacy of the employment exchanges to do the job. The moment is very near when the Allied war effort will demand, not necessarily the implementation of this Act, but at any rate the mobilisation by some means of the country's entire resources of labour. Plans must be made; that is the duty of the Cabinet, the Ministry of Supply, employers and trade unions. Intelligence must be gathered as a guide to numbers; that is the duty of the Ministry of Labour. Machinery to execute all demands must be made; that is the operational task of the exchanges. If there is any way, off the high seas, where Britain excels Nazi Germany it is in the efficient use of her man-power; but without the full range of successful plans, intelligence and operations, even that advantage may be lost in delay and wastage.

either not produced at all in the Soviet Union to-day or have not, up to now, been available for export in anything like the required quantities. Almost everywhere Russian exports, which are relatively small, fall short of German needs. Tropical products—rubber most important of all—are not found. Russian production of cotton, jute, oilseeds and other sources of vegetable fats, meat, fish and eggs would have to be greatly expanded. (The figures for food-stuffs were given in *The Economist* of September 16, 1939, pages 515-6. Figures of all important agricultural products will be found in "The Economic Alignment" in *The Economist* of December 16, 1939—also published separately in pamphlet form.)

But, over the rest of the field of agricultural production the prospects of effective Soviet aid to Germany are more favourable. By an expansion of the area sown to wheat and

rye, combined with good harvests and the curtailment of home consumption, it might be possible to build up an export sufficient to meet German requirements of those grains quite shortly. In feeding stuffs Russia could be, and has already been, of considerable assistance. While maize, the most important feeding stuff of all, would be missing (the maize imports of Greater Germany in 1934-37 amounted to 1.5 million tons annually and Russia's average exports in that period amounted to only 39,000 tons), German requirements of barley and oats could be met without great difficulty.

Comprehensive and effective assistance on a scale sufficient to affect materially the outcome of the war is another matter. Twenty-two years of Bolshevik rule have produced some improvement in the total agricultural production of the U.S.S.R. But, as the following table shows, that improvement, which is comparatively recent, has not been very spectacular, even in the last ten years or so, the first period in which the pre-1914 output was caught up and passed.

	1913	1928	1932	1937	1938	1939
Total production (mill. 1926/7 roubles)	...	13,980*	13,072	20,123	...	...
Total sown area (mill. hectares)	...	113	134.4	135.3	136.9	...
Grain harvest (mill. metric quintals)	810	733.2	698.7	1,082.7	855	950-1,050
Livestock (mill. head):—						
Cattle	60.6	70.5	40.7	57.0	63.2	...
Sheep and goats	121.2	146.7	52.1	81.3	102.5	...
Pigs	20.9	26.0	11.6	22.8	30.6	...
Cotton, etc. (mill. metric quintals)	7.4	8.3	12.7	25.8	29.2	...
Sugar beet (mill. metric quintals)	109.0	65.7	65.5	218.6	210.2	...

* 1927-28.

Figures from Memorandum No. 12 of the Birmingham Bureau of Research on Russian Economic Conditions.

It has been impossible to show anything in agriculture comparable to the achievements of the Soviets in equipping themselves with manufacturing plant. But, even so, the changes of the last ten years have been striking and fundamental. In brief, the trend has been to replace peasant farming by collective farms and State farms, co-ordinated and equipped by regional machine tractor stations, furnishing machinery and machine drivers. Only stock-raising, where Soviet achievements still stay obstinately below Tsarist levels, has remained predominantly in the hands of individual peasants. In 1938 there were 3,961 State farms averaging 2,691 sown hectares each; 242,000 collective farms averaging 484.6 sown hectares each and embracing 18,800,000 peasant holdings; and only 1,300,000 independent peasant holdings.

The key to these changes in organisation has been mechanisation. In 1938 there were 6,358 machine tractor stations, and in them the bulk of the machinery used in Soviet farming is concentrated. They serve the collective farms on a contractual basis and are paid in kind. They serve well over 90 per cent. of the sown area of Russia; and the concentration of machinery in these stations reinforces, in the context of Soviet central planning, the concentration of production in the collective and State farms.

The spread of mechanical aids tells its own tale. Between 1928 and 1938 the number of mechanical tractors in use rose from 26,700 to 483,500; the number of combines from practically none to 153,800; and the number of lorries from 700 to 195,800. In 1928 the proportion of threshing done by mechanical means was 1.3 per cent.; in 1938 it was 95 per cent. And, in the same period, sowing by hand fell from 74.4 per cent. to 12.8 per cent. and harvesting by scythe and sickle from 44.4 per cent. to 8.5 per cent.

That is not to say that, as yet, the expansion in production has been really commensurate with the spread of machinery. In 1913 Russia, on a comparable area, produced 800-820 million metric quintals of grains. This output was never reached again until 1933; in 1937, a record year, the grains harvest was 1,000-1,200 million metric quintals; and last year, the second best year in Soviet history, it was 950-1,050 millions. The cotton and seed crop last year was four times the 1913 figure; and the sugar beet harvest was double the pre-1914-18 level. Recent improvement is, of course, clearly marked. The average yield per hectare, 7.3 quintals in 1910-14 and 7.5

in 1928-32, was 9.1 in 1933-37. Machinery and collectivisation are having their effect despite peasant conservatism.

Peasant conservatism, however, is a factor that cannot be ignored in any assessment of Soviet farming's future. It has been a brake on the wheel in the past decade, and will still not be easy to overcome in the next few years. The number of collective farms has increased from 33,300 in 1928 to about 240,000 to-day, when collectivisation covers about 94 per cent. of peasant holdings. The change over from individual peasant holdings, accompanied as it has been by the secondary attempt to make the peasants good Communists, has been painful. There has been a shrewd suspicion that the collective farm may be an instrument for the exploitation of the peasants in the interests of the urban workers. Collectivisation was itself introduced on a large scale in the autumn of 1929 with the mere collection of food as its principal object.

The immediate necessity to sacrifice the peasants of Russia to the building up of a vast industrial equipment is now past; and the pressure to export agricultural produce to pay for industrial imports reached its peak in 1931 and has since died down. But it will still take a long time completely to break down the barriers to peasant co-operation that the Bolsheviks themselves have set up.

The peasants' wishes have been and will continue to be important. Since January, 1933, when a limited measure of private enterprise in agricultural production and marketing was permitted at the beginning of the second Five-Year Plan, the tendency has been for agricultural workers to give, wherever possible, more and more of their time to work for wages outside the collective farm and to the cultivation of their own small patches of land. The inclination towards private enterprise has been unmistakable, and it has been admitted—and condemned—in numerous public pronouncements by leaders of the Russian Communist Party.

These are more than growing pains. Socially and politically they are very important; and, economically, they are a great hindrance to Soviet farming. Nevertheless, production has gone markedly ahead with the growing grip of collectivisation and mechanisation; and it is in the largely uncollectivised sector, that is, in stock-raising, where farming has most notably lagged. The number of horses is much below the 1913 level. The number of sheep and goats is also below 1913; the number of cattle is about the same, and only the number of pigs is up. The outstanding failure, however, has been the failure of agricultural output to keep pace with the growth in population—139.7 millions in 1913, 147 millions in 1926 and 170.5 millions in 1939. The urban population has doubled in thirteen years, from 26.3 millions in 1926 to 55.9 millions last year. Nor is the gap—which in most recent years has, admittedly, been lessened by new high harvest figures—made up by imports; in 1929-32, when production was most markedly below the trend of population and food rationing was in force, exports reached their peak.

The fact is—and it is most important in any judgment on the scale of Soviet aid to Germany—that there is no necessary relation at all in the Soviets between the course of agricultural production and the course of agricultural exports. Complete State control over the home market and foreign trade means that it is possible, regardless of the demand for consumption, to withhold any desired proportion of total agricultural supplies for the purpose of export. Exports are not large. They have never reached even half the level of Tsarist days; the greatest annual export of grains since the Revolution, for instance, was in 1931, when 5,057,000 tons were sold abroad, against an annual average of 10,553,000 tons in 1909-13. But it is indicative of the peculiar relation between trade and production in Soviet Russia that 1931, the year of high record grain exports, was also a year when the grains harvest was the lowest on record and ration cards were in general use.

The explanation is that a steadily growing proportion of produce is grown, not for local subsistence or local sale, but for the State. In Tsarist days the bulk of Russian farm produce was not for sale, but for local use. Now nearly two-fifths of all agricultural products are grown for the market, that is, to be bought—or requisitioned—by State trading organisations, the only trading organisations author-

ised. Nearly twice as much grain is grown for the market now as in 1913, and over three times as much as in 1926-27; half as much meat again is produced for sale as in 1913 and three-quarters more than in 1926-27. And the State is the only large seller.

Thus the decision as to the quantity of agricultural commodities that might be made available to Germany will be a political one made by the Government. In 1930, with a grains harvest of 83½ million metric tons, 4½ million tons were exported; in 1931, with a harvest of 69½ million tons, as much as 5 million tons were exported; in 1937, with a harvest of 108½ million tons only 1½ million tons were exported. There are clearly limits to the policy of central pre-emption, political limits suggested by the possible consequences of famine and discontent. But they are very wide limits, as past experience of the Soviet policy of earmarking produce for export or military stocks has shown. Since 1933, it is true, exports of agricultural products have fallen away because the liquidation of external debts for equipment purchases had been largely carried through; but, even so, the supplies available for home consumption have not risen correspondingly, because of the accumulation of a war reserve.

The Taxation of War Profits

TAKING the profit out of war may be an unexceptionable proposition in economic policy and equity. But it is by no means simple to put into fiscal effect. A tax on wartime increases in profits is bound to involve more vexatious problems of assessment than a tax on total profits. The only experience we have of such an experiment in this country is the Excess Profits Duty, which remained in force from 1914 to 1921. During those seven years much trouble was involved in turning the duty into an efficient instrument of taxation, but by the time this had been achieved the day had come for its repeal. Its dusty precedents emerged for a brief spell in the National Defence Contribution (Mark I) in 1937. They have reappeared, though only in part, in the Excess Profits Tax introduced in last September's Budget.

In the interval, an opportunity has been presented to the critics to expose the anomalies and inequities which the tax contains. Sir John Simon promised last September to consider such representations before the next Budget, and the memoranda which have been submitted by bodies like the Federation of British Industries and the Association of British Chambers of Commerce show that E.P.T. has proved an easy target for objection in detail. Indeed, the Treasury might have spared itself and the business community a certain amount of trouble if it had followed the precedents of the Excess Profits Duty more closely, as it did in the first version of N.D.C. No general objection in principle has been offered to a tax on the growth of profits as such, with the important reservation that companies pursuing a steady course of prosperity feel its incidence least. But the root technical difficulty in taxing any growth of profits is to ensure that the basic standard from which such a growth is measured shall be reasonable and fair to the taxpayer without prejudicing the revenue-getting potentialities of the tax. That difficulty forms the basis of the major objections which have been made to the Chancellor.

At the beginning of the last war E.P.D. had a relatively fortunate birth, for the pre-1914 years on which standard profits were based were years of steady trade and reasonable profits. No substantial sector of industry was then suffering from the aftermath of depression, such as, say, the textile industry was still experiencing between 1935 and 1937. Moreover, businesses had the option of choosing to pay E.P.D. on the excess of their profits over a given percentage of their capital (the capital standard) rather than on the excess over pre-war profits (the profits standard), and if they could show that their capital was not fully remunerated before 1914 or if it was exposed to risks which warranted more than the 6 per cent. statutory allowance on capital, they were allowed special treat-

In fine, then, the magnitude of Soviet economic aid (in farm products) to Germany depends upon the closeness of the two countries' political intentions. Physically—apart from transport—there are no insuperable obstacles to a considerable expansion of Russian exports to the Reich, though peasant resistance to the New Farming is stubborn and still serious. The Government can divert supplies to export trade from stocks or consumption at its discretion; and there is no reason, for instance, why the 1938 export total of 2 million tons of grains should not be doubled, or even raised to the 1931 level of 5 million tons, at a stroke of the official pen. Wheat, rye, barley, oilcake, butter and sugar have been the chief agricultural exports; most of these have gone in greatest quantity to Britain in the past; and Russian sugar has almost all gone south to Turkey, Iran, Afghanistan and China. Will the Soviet Government be disposed to divert the greater part of all these exports to Germany? Will the Soviet leaders be willing to squeeze still more for export out of home supplies? Will it prove possible to overcome the difficulties of carrying goods in bulk westward by rail or water? These are the real questions; and they are only slightly connected with actual agricultural technique.

ment and given higher statutory percentages, according to the circumstances of their industry. The objectors to E.P.T. have made out an effective case for the introduction of a similar flexibility now. They have pointed to the limited discretion which the Act now gives to the Board of Referees to settle hard cases. At present the taxpayer cannot of his own volition choose a capital standard, but, in exceptional cases where profits or the volume of business were lower in the standard years than might reasonably be expected, the Board may fix a special standard, but subject to the limitation that it must not be more than would be enough to pay a 6 per cent. dividend on the issued ordinary capital (and, of course, full dividends on preference capital). The Board of Referees have unfettered discretion to make further concession if it is warranted by some "specific cause peculiar to the trade or business"—a phrase which seems inadequate to cover all cases of low profits or even losses in the standard years. The Chancellor, however, has already undertaken to reconsider the question of relief for such cases, and it is presumed that an adequate alternative capital standard will be made available for them.

A capital standard, however, involves a statutory definition of capital. Under E.P.T., the statutory percentage is governed by the amount of issued ordinary share capital, on which 6 per cent. is allowed, and the cost of paying dividends on preference capital. But as the suppliers of the Treasury have been quick to point out, the size of the issued capital of any particular company may be determined by convenience, tradition or even accident, and it bears no necessary relation to the amount of capital employed in the business. In short, it is claimed, not without reason, that a capital standard should be applied to the net earning assets of the company rather than an arbitrary sum of legal share capital. Those who recall the similar provisions in E.P.D. will not need to be reminded of their administrative inconvenience, but that tax at least provided a capital standard which was not arbitrarily determined by the purely technical consideration of the amount of issued ordinary capital.

A further string of difficulties arises from the treatment of holding companies. Under E.P.T., a holding company and all its subsidiaries (a subsidiary company being defined as one whose ordinary share capital is held as to not less than nine-tenths by the parent company) are treated as one unit for a calculation of standard profits. This principle of aggregation is sound, but its detailed application undoubtedly creates anomalies. In the first place, the definition of a subsidiary company conflicts with that laid down in the Companies Act, which defines a subsidiary company as one controlled as to more than 50 per cent. There

are some industrial groups like Imperial Chemical Industries which have established 100 per cent. holdings in subsidiaries. There are others which are none the less effective units, but which are organised on the basis of simple majority holdings in subsidiaries. Any shareholdings in subsidiaries of less than 90 per cent. are presumably to be treated for E.P.T. purposes as investments, and the income from such shareholdings, having already attracted E.P.T. before the subsidiaries pay their dividends, will again be liable for E.P.T. when the parent company takes these payments into its income.

If the status of subsidiary companies were redefined, and if their profits were treated as separate units, their assessments could be finally merged with that of the parent company, and such anomalies of double taxation would be avoided. The development of the holding company method of industrial finance during the past twenty years has raised problems on a scale which was never contemplated under E.P.D., and the detailed method of aggregation laid down in last September's Finance Act certainly warrants fresh consideration.

Objections such as these could be multiplied, though it would certainly be impossible to achieve the ideal of a workable E.P.T. which operated with complete equity on every section of business. Industry has the right to expect rough justice to be done, but it must be prepared to face the broad necessity for E.P.T. once its rough edges have been smoothed. Great play has been made on the stifling effect which E.P.T., in its present form, has upon enterprise. It is, indeed, obvious that a company which has struggled through a period of low profits in the standard years to later recovery, or which was then investing capital in development which only later became fully remunerative, must face with apprehension the prospect of losing 60 per cent. of its legitimately increased profits. Even wartime increases in profits might still provide such companies with no more than normal returns. These cases, however, can be dealt with by greater flexibility, increased discretion in the hands of the Board of Referees, freer use of alternative standards, and by the introduction of differential statutory percentages on capital for different industries such as were adopted under E.P.D. As the tax now stands, such companies have a peculiar incentive to forgo an appreciable amount of the profits which would otherwise accrue to them, by strengthening their goodwill with their customers, either by offering increased service or by accepting reduced

profit margins. By this means, they could, in effect, make the Exchequer find 60 per cent. of any amounts so re-invested in the business. Such a possibility, which recalls the excesses and extravagance under E.P.D., is not satisfactory to contemplate—though the worst examples of it under E.P.D. were in the post-war years, when the scope for such practices is larger than in actual war conditions.

But it is one thing to levy a tax on increases in profits; it is quite another thing to hamper the normal economic working of the profit motive, particularly in wartime. The expectation of profits is still the most effective way of achieving increased output, and a well-directed increase in production is still our first concern on the home front. This proposition, however, has a corollary. In wartime, increased production cannot—or should not—be expected to carry the rewards for the equity shareholder which would normally accrue in peacetime. It is questionable whether the rate of charge of E.P.T. could be increased much above 60 per cent. without encouraging waste and uneconomic expenditure. But it is equally questionable whether the 40 per cent. residuum which is left to swell the ordinary shareholder's earnings should be freely disposable in increased dividends. To distribute them entirely may introduce an undesirable stimulus to private consumption; but if they can be saved at the source, this risk need not arise. In short, institutional saving by the medium of company reserves should be a corollary of the present level of E.P.T. We have not in this country so far adopted measures for the control of dividends, although there is some indirect control over the investment of company reserves. If such measures were taken from the German book, ordinary shareholders as a body would still obtain an enhanced equity arising out of the industrial effort which the war demands, even if their dividends were stabilised.

Objections to the details of a tax on excess profits in wartime must not, for a moment, be allowed to be converted into opposition to the principle, or into an attempt to reduce the total yield. E.P.T. is an essential weapon in the armoury of wartime finance, and if a profits inflation should develop, despite our efforts to avoid it, a watertight E.P.T. will be the more essential. To remove all major anomalies would be prudent budgeting, for an unfair tax begets tax-avoidance. That should be the Chancellor's task. It will be industry's part, once this is done, to meet the bill fairly and squarely.

NOTES OF THE WEEK

Germany's Dependence on Swedish Iron.—During the last war, Germany was able to secure some 70 per cent. of her iron ore requirements from within her own political borders. She could draw supplies from the vast deposits of Lorraine (seized in the Franco-Prussian war just in time for her to be able to profit by the British invented basic-Bessemer process). When ore supplies became scarce and pig iron production fell by several million tons, she managed to keep her armies going through four years of war by cutting civil consumption to the limit. The Versailles treaty completely reversed the position, and before the Nazis came to power Germany had to import some three-quarters of her iron ore requirements. Even the mighty efforts of Hermann Goering and his minions did not change the situation appreciably, and the present war started with Germany dependent on foreign sources for about two-thirds of her iron ore requirements. A substantial proportion of her imports—and the vast bulk of the high-grade qualities—came from Sweden, which had in the meantime displaced Spain as the centre of iron ore strategy. Germany's iron ore imports of 22 million tons in 1938 included about 9 million tons from Sweden and over 1 million tons from Norway. The fifty-year tenancy of the Lorraine ore fields inevitably led Germany to base her steel industry on the basic-Bessemer process. Her iron and steel industry was reorganised after the last war, but continues to be partly based on the Lorraine (now French) ore, and the latest available statistics show that almost one-

half of the Reich's steel output was produced by the basic-Bessemer, better known on the Continent as the Thomas process. This means that Germany requires not only rich ore to mix with the poor quality native mineral, but also high-phosphoric ore to provide the phosphorus necessary for the basic-Bessemer process.

Briefly, therefore, Germany needs the rich phosphoric ore from Swedish Lapland; no other grade fills the bill. The main deposits occur in several veritable iron mountains, about midway between the Baltic and the Atlantic, in an angle formed by the Finnish and Norwegian frontiers. There are two main workings, about sixty miles apart, that of Gallivare, providing a very rich medium-phosphoric ore, and that of Kiirunavaara, furnishing an equally rich but high-phosphoric mineral. The Kiirunavaara ore, which is nearer the Atlantic coast, is therefore of special interest to Germany. The Lapland ore fields were discovered some three centuries ago, but they were not worked extensively until the construction of a railway from Lulea on the Swedish Baltic coast to Narvik at the head of a Norwegian fiord on the Atlantic at the beginning of this century. In recent times, the Lapland ore output has reached about 9 million tons a year, and the bulk of it went to Germany. In the open water months, part of the output is sailed to Lulea and shipped through the Baltic.

During the months when the upper Baltic is frozen the whole output is sent to Narvik, which is open throughout the year. Narvik is also the port of shipment for the Norwegian ore, and it handles more than twice as much tonnage as Lulea. Until very recently Germany contrived to bring a stream of ore-laden vessels down from Narvik, through Norwegian territorial waters, to the Baltic and



North Sea estuaries. The extension of the war will put an end to this traffic, and the most favourable outcome for the Nazis will be that they will have to be content with what they can get through Lulea, now about to be opened for shipping. While the future cannot be foreseen at this stage, the congestion of the railway to Lulea and at the port itself will make it very difficult for Germany, in the most favourable circumstances, to take more than about 5 million tons per annum by that route, if the mines continue working. This will leave her about 4 million tons short of normal ore imports at a time when other foreign sources, except possibly Luxembourg, are entirely cut off. In a long war that might be decisive. For some time, however, Germany could keep up her output by using her stocks of ore and by a ruthless collection of scrap.

Norway's Ships.—Like Britain, Norway has long been a seafaring nation, and the size of her fleet—in which she has invested a large proportion of her wealth—considerably exceeds her own demand for shipping tonnage. While Norway's share of world trade is only about one per cent., she owns no less than 7 per cent. of the world's steam and motor shipping tonnage. In June, 1939, her steam and motor tonnage aggregated 4.8 millions gross—the world's fourth biggest merchant fleet after those of the United Kingdom, the United States and Japan. Norway's success in the world's shipping business has been due largely to specialisation combined with a high level of efficiency; while a large proportion of her vessels consists of ordinary tramps, she has made great strides in establishing regular liner trades. But Norway has been particularly successful in the tanker trade, and her fleet of oil tankers is the third largest in the world after those of the United Kingdom and the United States. In June, 1939, she possessed 2,117,000 gross tons of tankers, compared with 2,920,000 gross tons owned by the United Kingdom and 2,801,000 gross tons by the United States. Last, but not least, Norway owns a large fishing fleet. Her whaling tonnage alone amounts to about a quarter of a million. After the United Kingdom, Norway is the leading whaling country; during the 1937-38 season Norway is estimated to have produced 198,000 metric tons of whale oil, compared with 221,000 tons by

the United Kingdom and 71,000 tons by Japan—the third largest producer. A large proportion of Norway's fleet is normally on the high seas; and whatever be the outcome of Germany's invasion of Norway, this valuable asset is unlikely to fall into the hands of the invaders.

Food from Denmark.—The German occupation of Denmark has the immediate—but not the ultimate—effect of diminishing the food supply of Great Britain and of increasing that of Germany. In 1938, Great Britain took one-quarter of her imported butter, one-third of her imported eggs and nearly half her imported bacon from Denmark. But since the war began, the difficulties of shipping from the Baltic countries have led the Ministry of Food to concentrate on supplies from the Empire, and the loss of the Danish trade will probably not seriously affect British rations. In the long run, however, the occupation of Denmark will mean a net loss to the German food supply, since Danish agriculture is based on large imports of raw materials, imported from countries outside Europe by routes which the Allied navies control. The table below summarises Danish foreign trade in food:—

DANISH FOREIGN TRADE			
Exports:—			
Butter ('000 metric tons)	1937	1938	1939
To U.K.	153.0	158.0	149.9
To Germany	115.7	119.4	...
Bacon ('000 metric tons)	34.7	36.4	...
To U.K.	181.7	178.7	183.9
To Germany	178.2	174.1	...
Eggs (million score)	2.1	4.3	...
To U.K.	80.7	77.9	85.6
To Germany	60.4	57.1	...
Cheese ('000 metric tons)	17.7	19.2	...
To U.K.	9.4	9.1	...
To Germany	1.1	1.1	...
Lard ('000 metric tons)	4.9	5.1	...
To U.K.	13.0	10.5	...
To Germany	1.8	0.1	...
Live pigs (thousands)	11.0	10.3	...
To U.K.	167	114	...
To Germany	157	114	...
Live cattle (thousands)	172	134	...
To Germany	141	121	...
Imports ('000 metric tons):—			
Coal and coke	5,900	5,247	...
Fertilisers	510	641	...
Mineral oils	730	875	...
Maize	6,192	3,081	...
Rye	1,242	1,162	...
Wheat	1,634	1,679	...
Oilseeds	445	376	...
Oilcakes*	417	594	...

* Imports less exports.

The imports of cereals and oilseeds have in the past helped to supply Germany with much-needed fats in the form of oilcakes, beef, butter, lard and pork, and their disappearance will result, now as in 1917 and 1918, in the forced slaughtering of cattle and a drastic fall in the output and export of food, though the stocks of feeding stuffs at present in Denmark, with the summer grass, may postpone the drop until the autumn. When the Nazis have commandeered existing stocks of bacon, butter and cereals, and have eaten most of the existing three millions of pigs and of cattle, they will have closed one of the main sources of food imports for the German people. Their action has enlarged their food supplies at the moment at the expense of an inevitable reduction in the spring of 1941 and thereafter.

M. Reynaud and the Politicians.—The stirring events of this week have had their effect on the political situation in France, where, even more than in Britain, resolute action can always be relied upon to redound to the credit of those in control of affairs. The Senate, which was to have expressed its dislike of M. Reynaud's Government at a secret session on Tuesday—and possibly even to vote against him and turn him out of office—gave him an ovation instead. Even before the Nazi move, however, the indications were that M. Reynaud was winning his struggle with the politicians. Three factors seem to have contributed to this result. The largest of them was undoubtedly the evidence of energy and resolution that M. Reynaud

showed, particularly in the external field. The decisions taken at the meeting of the Supreme War Council in London last week—which now seem so remote—were received in France, as everywhere else in the world, as signs that the Allies were about to take a more decided initiative, at least in the sphere of economic warfare. Secondly, M. Daladier, in whose hands the fate of the present Cabinet very largely rests, was apparently exerting his influence to suppress the revolt among the members of the Radical Party. Some of his actions in the very first days of the new Government could have been interpreted as signs of pique and resentment at his own loss of the first place, but even if this interpretation were correct, M. Daladier's loyalty and good sense have now clearly prevailed. Thirdly, the intriguing politicians have received several unmistakable intimations that the French people are more interested in getting on with the war than in overthrowing Cabinets. It would be a mistake, however, to interpret the improvement in M. Reynaud's position as much more than a reprieve. He will never be popular with the Radical Party. And the Right, which dislikes his inclusion of Socialists in the Cabinet, has also been showing signs of taking a dislike to a foreign policy which it accuses of stirring up bad blood in Italy and being insufficiently severe with Soviet Russia. M. Reynaud is still upon trial. But he has the qualities to establish a position for himself which no party jealousy will be able to destroy.

* * *

Lord Woolton Begins.—Lord Woolton takes over from Mr Morrison a Ministry of Food administratively in good running order. Stocks of important foods are high, and even the sudden loss of Danish imports will not affect the supply of dairy produce so much as it would certainly have done six months ago; as stocks run down, the Empire will be able to fill the greater part of the gap. Lord Woolton has started his Ministerial career by a series of homely and pointed speeches on the need for economy in the kitchen—economy in the sound sense of making the best use of the foods that are available. The education of housewives may indeed be desirable, even essential, but it is to be hoped that Lord Woolton will also set out to educate the Cabinet on the pressing need for a coherent and well-rounded food policy. Much more might be done, for instance, by propaganda and price differentials, to divert consumption from imported foods to a few basic home-grown ones; a larger consumption of potatoes and vegetables and the substitution of browner bread for the un-nutritious white now generally eaten would both improve the nation's health and conserve its supplies of foreign exchange. The rationing of meat, butter, sugar and bacon can be used if needed to cut down the consumption of these foods by the wealthier households, but so far the Ministry of Food has done little to regulate, and nothing to improve, the diet of the poorest classes except to permit, probably perforce, the discriminatory rationing of their foodstuffs by increased prices. The present subsidy to keep down food prices might well be both enlarged in amount and narrowed in scope to, say, brown bread, margarine, cheese, milk and potatoes; any adequate food policy must be firmly founded both on social needs and dietetic requirements.

* * *

Evacuation: Another Failure.—Evacuation has been given a bad name; and the Government's new scheme for sending children away is a complete failure so far as its initial stage of registering the children is concerned. Out of 456,250 school children in the County of London and the 26 neighbouring vulnerable areas, 52,451 have been registered for evacuation. Less than 10 per cent. of the parents have expressed their willingness to let their children go, and the parents of about 75 per cent. of the over 1 million in the other big cities. In Manchester and the Lorraine ore 11,000 and 12,000 replies were received; and steel industry 10,000 children, 4,700 will be evacuated. continues to be partly, 10 forms were issued; only 5,212 were ore, and the latest avail.

returned, and only 3,600 children will be sent away. Even allowing for the general disbelief in air-raids, such apathy is surprising, for under the new scheme the children would not leave until severe bombing had actually started. It can only mean that the known evils of evacuation are thought to be far worse than the unknown evils of air raids—though it is possible that this week's events would have made evacuation more fashionable, as they have made the carrying of the gas mask—and in itself it provides an adequate commentary on the half-heartedness of the Government's whole evacuation policy. There are now signs that the virtues of camps and hostels, urged many months before war broke out, are at last penetrating the official mind. The A.R.P. Co-ordinating Committee (an unofficial body, but of sufficient standing to be asked by the authorities for its advice) has produced a scheme for camp schools to take the majority of the evacuated children. It would cost about £104 millions, and would also require large amounts of scarce materials; but the committee points out that the capital cost, if repayment were spread over only two years, would add less than 6d. to each pound at present being spent on the war, and that a valuable legacy would be bequeathed to peacetime England. And the Board of Education has sent a circular to school inspectors stating that plans for providing hostels for evacuated secondary, junior technical and selective central schools will be considered. But these plans should have been in operation before evacuation started, and in any case before the new appeal to parents was sent out. As it is, evacuation, too, will have as its epitaph "Too Late and Too Little."

* * *

Economic War in the Balkans.—Meetings have been taking place this week, at the Foreign Office in London, at the Board of Trade and at the Ministry of Economic Warfare, between Britain's envoys in Turkey, the four Balkan countries and Hungary and members of the Government; the British Ambassadors in Rome and Moscow have been at hand for consultation. The object of these discussions is to study the background for a fresh Allied economic offensive in South-Eastern Europe, and, like the thrust against Germany's iron ore supplies which prefaced this week's dramatic events in Scandinavia and the waters of Northern Europe, they form part of the more active war decided upon by the Allied Supreme War Council a fortnight ago. The trade struggle in the Balkans, where Germany has been consistently successful for the two years in which Britain has been a confessed competitor, has reached a crucial stage. If Thursday's secret session of the Commons on economic warfare had taken place, there would have been renewed criticism of the Government's disinclination to meet the Germans' trade drive there boldly enough or in sufficient force, of the damming of the Allies' chances by faint aid from the Allied Treasuries, of over-small purchases of the Balkan goods that are vital requirements of the enemy and of over-small credits. There would have been recriminations about the British Government's alleged rejection of Balkan offers to sell oil, animal fats and feeding stuffs, and sinister stories of Germany having purchased Balkan produce in sufficient quantity to export it to Scandinavia in exchange for American dollars. The sponsors of these charges are perhaps prone to exaggeration; they give too little weight to the greater energy in the Balkan trade campaign that the opening months of this year have witnessed; and too little attention to the way in which, in Yugoslavia, for instance, the heads-I-win-tails-you-lose trade technique of the Nazis has to some extent recoiled upon itself by turning the terms of trade so violently against Yugoslav traders that even neutral fearfulness has found a limit to compliance. Germany has at least made no appreciable headway towards greater hegemony in most recent months; and rubber, cotton and even coal and unable to deliver large supplies of arms and munitions for foreign ore, are finding it increasingly difficult to deliver exports in sufficient quantities or with sufficient speed to pay for Balkan imports.

Even so, the critics' accusations are soundly based, and it is not likely that the establishment last week of the English Commercial Corporation, Ltd., to do business in Bulgaria, Greece, Hungary, Roumania, Turkey and Yugoslavia, will have fully allayed their misgivings. In the first place, ENCO illustrates the dragging delay that has consistently characterised British commercial strategy; plans to set it up were made many months ago. Secondly, it exemplifies again the grossly circumscribed view of the financial ammunition needed that has, equally consistently, been a decisive drawback. The report by *The Financial News* that the capital of the company is no more than a mere £500,000 has not been denied; and there is a supposition that the company, whose accounts will not be published, will be compelled to limit its aid to firms engaged in Balkan trade—ENCO is not to supersede existing organisations but to use and aid them—to the scale of its ludicrously small resources. As a co-ordinating body, working not only with individual firms, but also with the Export Council and the export groups that various industries have already set up, ENCO will do useful work. By advice, inquiry and consultation, it will be able to guide British manufactures and Empire raw materials into suitable markets; and, unlike the individual company, specialised in buying or selling, but not both, it will be able to look at both sides of the trade account and work out the usefulness and feasibility of direct barter exchanges. But it is not enough to lead a horse to water, even if special skill has been shown in handling the animal and locating its drinking trough. The horse must be made to drink; and it is still doubtful whether ENCO has the powers and resources, or the Government the imagination and boldness of purpose, to make the new offensive, which comes at a moment when the German grip has momentarily ceased to tighten, really effective. The diplomats in this week's conference will surely have made this plain, just as they must have made it equally clear that, in the inseparable fields of political and economic manoeuvre, it is above all proof of comprehensive and swift action by the Allies that the neutral States are looking for, before they can shake off fear and servility in face of German menaces.

* * *

The Political Background.—In the Balkan war, which is still a "white" war, trade is an instrument of politics. The petroleum, copper, bauxite, animal fats, vegetable oils, cereals and fruit of the Balkans are vital supplies for the blockaded Reich. The constant pressure of German diplomacy, this week alleged to have taken the form of some tentative approach to secure the right to police and patrol the Danubian basin against Allied "intervention," is the measure of Germany's needs—just as the Nazi Press story of Allied attempts to block the Danube by blowing up barge loads of explosives is the measure of Germany's nervousness. The choice for Germany, here as in Scandinavia, is to make the neutral States tools or victims, and it is ominous that the Nazi tales of impending aggression by the Allies in South-Eastern Europe are precisely similar to the allegations which preceded the brutal sloop upon Denmark and Norway. In Turkey, in whose friendship the pedestal of Allied influence in that quarter of the world rests, the Press—including semi-official organs—has been significantly frank in the last few days. They have repeatedly pointed out that the neutrals' fear of German attack too often causes them to court the very dangers they seek to avoid. Events in Scandinavia have given these arguments an added strength; both Lord Halifax and Mr Chamberlain have not delayed in drawing attention to the likely fate of countries that lag too long in seeking aid from the forces that are resisting aggression; and in Turkey, at least, the rôle of the Allies as the "natural" protectors of independent nations is receiving great stress. The conferences of Balkan envoys in London are concerned with measures to intensify the blockade, but for the reason that the most important single factor in the Balkan situation is this unremitting threat of German invasion the discussions must have hinged upon the strategic possibilities and political balance in all the countries concerned.

The presence at the conferences of the British Ambassadors in Rome and Moscow is full of meaning. Whether the Balkan war remains a war of trade, or breaks into military activity, both Italy and Russia hold a big stake there, and they have not been slow in the past week to censure the Allies for seeking every chance to spread the war to new fields. Rumours of Allied intentions to extend contraband control into the Adriatic and the Black Sea, and reports of the presence of Allied naval units in the Adriatic and the Aegean, have roused the non-belligerents to sharp recrimination in their controlled newspapers and news agencies. The Allied "aggression" in Scandinavia, "forestalled" by Germany's swift invasions, serves as an illustration of the machinations of the Western democracies. Indeed, the outlook in every neutral corner of Europe hinges on what happens in Northern waters. If the Allied *riposte* is decisive and successful, then the Balkan countries will feel a new sense of relief and security; and Germany's associates (among whom, judging from the naming of Spanish ports as well as Italian as places of refuge in the German order to Danish and Norwegian ships after the invasions, Spain is being somewhat optimistically included), whose plain object is to gain what they can of trade and influence in neutraldom in the wake of Germany's successes, will need to redefine where they stand. But to give the first sign of ability to meet German force with greater force is only a beginning. The need to plan and organise every possible line of active aid in the Balkans to the fullest degree becomes more urgent than ever; and with this in mind, as well as the course of the clash of arms in Scandinavia, the conference of envoys is well placed to lay the foundation stone for a new and still more successful phase of the war. Peace in the Balkans is the wish of the Allies, no less than of the Balkan countries themselves; but the chance of war in a flash can never be absent so long as the Nazis' efforts to secure the unification of Europe by assault and battery are not estopped.

THE NEW YORK TRUST COMPANY

Capital Funds . . \$37,500,000

COMPLETE
INTERNATIONAL
BANKING
FACILITIES

100 BROADWAY

CABLE ADDRESS
NYTRUSTCO



MEMBER OF THE FEDERAL DEPOSIT INSURANCE CORPORATION

Italian Indignation.—Officially, Italy's intention is still to keep the peace and prepare for war, but in the last week or so it has been the second part of this "historic mission" that has been most emphasised. Italy may have moved no nearer to war in these days, but the war has been brought closer to her. It was inevitable that any decision by the Allies to prosecute the economic war to the utmost and conduct the blockade with proper efficiency must disquiet the Italians. Hitherto Italy has benefited from the Allies' disinclination to take full advantage of their control of Europe's commercial sea lanes, and has served as a corridor for transit to Germany for goods from Spain and beyond. The first Italian brush with Allied sea power came when ships carrying German coal were stopped a few weeks ago. But those ships were allowed to proceed, and it is only lately, when rumours of the Allies' intention to blockade Yugoslav trade in bauxite through Trieste to Germany have gone about, that the full "iniquity" of the Allied "stranglehold" has been pounced upon by Italian newspapers. Official comment is mainly silent, though staff talks and measures for military preparedness have become daily news; and a draft bill for full civil mobilisation, of women and children over thirteen years of age as well as men, in the event of an emergency, has been published. Unofficial comment is far from quiet. The newspapers, in their attacks upon the Allies, have reached again the full scurrility of their Axis association, and the chief objects of their charges have been Mr Churchill and M. Reynaud. The somewhat crude and entirely unconvincing play made by German propaganda of the "map of Allied aggression" displayed on M. Reynaud's walls in his interview with Mr Sumner Welles has furnished Italian publicists with material for savage onslaughts upon French policy.

The German and Russian thesis that it is the Allies' chief aim to extend the theatre of war and to dominate and control the neutrals by the brutal use of sea power is fully accepted. M. Reynaud is the villain because he has stood out in France against the appeasing suggestions of the Right Wing *Munichois*. Mr Churchill is the villain because it is the overweening ambitions of the British Admiralty that menace every nation in Europe. These accusations are very plainly the accusations of writers who are alarmed about what is going to happen next. If the blockade spreads, effectively, to the Mediterranean; if the Allies, with Turkish aid, manage to activate the latent sympathy which the Balkan countries, distrustful and afraid of Germany, feel for them; and if British naval power finally triumphs in Scandinavia—Italy will be brought much nearer to the realities of European war than she has been yet, and the easy, almost contemptuous, flaunting of a decidedly unneutral non-belligerency will be made much more difficult. It is apprehension for Italian interests, rather than real sympathy with German ambitions, that has once

more lent the Italian Press to Dr Goebbels this week; and it is becoming clearer as the war gains in movement that Italy will be unable to postpone indefinitely her decision as to where her interests really lie. Germany has shown that there can be no neutrals in Europe now. In the last resort there can be no "non-belligerents" either.

Holland and the Blockade.—Holland has stood in the shadow of imminent invasion all this week. German troops have stood ready to march, and the strategical likelihood of such a move, after the invasions of Denmark and Norway and the Allies' reply in force, has seemed considerable. All the time German complaints about the surrender of the neutrals to the "brigandage" of Allied blockade measures have found a new focus in Holland's new trade arrangements with Britain. In the last war, in order to expedite the passage of neutral shipping through the Allied contraband controls and to ensure control over neutral trade with the enemy, agreements were made with corporations of neutral merchants in Holland, Denmark and Switzerland by which undertakings not to engage in illegitimate commerce were given and accepted. The bare outlines of a somewhat similar agreement, arrived at on March 21st between Britain and Holland, have now been made public. An official trading corporation, known from its initials as ANIC, is to be set up in Holland; this body will have power to license all imports; and all imports will be consigned to it. Parallel with this arrangement to prevent the evasion of Allied contraband requirements by individual importers, Holland's exports to Germany will be restricted. In a wide range of goods, mainly foodstuffs, exports to a limited percentage of the exports normal before the war will be allowed; the export of other goods, mainly materials useful for war manufacture and war use, will be entirely prohibited. What advantage these arrangements may have over the existing war trade agreements with neutral countries, which on the whole have probably been drawn too leniently, cannot be told without knowledge of the precise details of the trade permitted. Ostensibly, too, the new agreement is intended to do no more than ease the working of the contraband control. But, whatever the tactical worth of the arrangement may be in the economic conflict, such compliance with British wishes is *ipso facto* an act of provocation in German eyes, and the outlook for Dutch security has scarcely been improved by it—unless Holland, having seen the fate of neutrals elsewhere, is frankly relying on the speediest Allied aid if the worst befalls.

Japan and Germany.—Japan, never far out of the main stream of world politics, is being tempted back into the whirlpool by Nazi blandishments. There has been a distinct increase in recent weeks in the volume of German propaganda directed towards Japan and in the activity of the German Embassy in Tokyo. Germany would, of course, dearly love to get Japan into the war on her side; but for the moment she is angling for smaller fish. The German object is, in general, to create nervousness in Britain and France about their position in the Far East, with a consequent distraction of energy and possible dispersal of forces. There is, however, a more specific and immediate aim in view. Vladivostok is becoming one of Germany's more important ports of entry. It is true that anything brought into Vladivostok for Germany's use has to be carried over the 6,000 miles of the Trans-Siberian Railway, and even though the line has now been double-tracked in most, if not all, of its length, its carrying capacity is obviously limited. But it is quite enough to bring in considerable quantities of some of the special commodities which Germany most lacks and which can be obtained in the Far East. Germany's total annual imports of rubber, for example, were in peacetime only about 100,000 tons, of tin 15,000 tons, and some of the rarer metals even smaller. But if these commodities are to reach Germany, they must first reach Vladivostok, and it is the German hope that Japan will sufficiently impede Allied contraband

control in the North Pacific to allow sufficient quantities to get through. The Japanese have not yet got over the shock of finding that the Nazis did not take the Anti-Communist Pact as seriously as they did themselves. Their difficulties in China have also made them in the last few months more conscious of the harm that could be done them by a breach of relations with the Western Powers. But at the same time the bait being dangled by the Nazis is attractive, for it would be an undoubted affront to Japanese self-esteem if the British Navy were to establish an effective blockade of a port in the Sea of Japan. The situation is obviously delicate; it will require close watching and careful handling.

Shorter Notes

The German invasion of Denmark and Norway has brought two specific actions by the United States under the general policy of neutrality. The "combat zone," into which American shipping is forbidden to enter, has been extended from Bergen round the North Cape to a point east of Archangel. The significance of this action is that it prohibits American ships from going to Russian ports. At the same time, Denmark and Norway have not been declared belligerents, which would impose upon them the penalties of the "cash and carry" clauses of the Neutrality Act. The second action has been to block Norway's and Denmark's assets in the United States until their ownership can be determined.

The primary elections in Illinois and Nebraska have repeated the experience of Wisconsin last week. In the Republican election Mr Dewey has again demonstrated his vote-getting power and strengthened his position. In the Democratic Party there were eight votes in favour of a third term for Mr Roosevelt for every one given in favour of Vice-President Garner. It is becoming more and more certain that Mr Roosevelt will be the Democratic candidate. If Mr Dewey leads the Republicans, a conflict between Mr Roosevelt's foreign policy and outright isolationism can hardly fail to become a major issue of the campaign.

During the first seven months of the war Roumania exported 2,290,000 tons of oil, of which Great Britain took 668,000, France 208,000 and Germany 464,000 tons. The Allied total was thus nearly twice as much as the German. In the first three months Germany took only 100,000 tons, but in the second three months her total rose to 325,000 tons, whereas the Allied total was almost stationary at 377,000 and 368,000 tons respectively. On the other hand, in March Germany only took 39,000 tons, equivalent to a rate of 117,000 tons a quarter, whereas the Allies took 131,000 tons, which is equivalent to a rate of 393,000 tons a quarter.

The recent detention by the British Contraband Control of two Russian ships in the Pacific lends interest to the official Dutch statistics of exports from Netherlands India to Vladivostok. In January to August, 1939, these amounted to 520,000 kilograms, valued at 312,000 guilders. In September to December, 1939, they amounted to 10,611,000 kilograms, valued at 3,251,000 guilders. The latter figures include 3,386 tons of rubber, and as Russia's imports of rubber from the Dutch Empire before the war were negligible, there is hardly room for doubt that most of the increased shipments were for re-export to Germany.

British Overseas Airways has marked its inauguration by the first "preliminary flight" of a Frobisher air liner from London to Lisbon. This service will link up with the Pan-American Clippers that fly between New York and Lisbon. It is true that this link could not be forged until the signing of the Anglo-Spanish trade agreement per-

mitted British aircraft to fly over Spain. But even now a regular twice-weekly service will not start until May 4th. The K.L.M. Dutch service to Lisbon, which began on April 2nd and will, of course, compete with our own, will by then have had a month's start.

From April 9 pork has been unrationed, and in theory the public will be able to buy unrestricted quantities a week in addition to the 1s. 10d. worth of meat. This decision is officially described as "an illustration of the flexibility of the rationing machinery."

All three of the fighting services have been granted increased allowances for the children of serving men. The revised scales provide for allowances of 6s., against 5s., a week for one child, 10s., against 9s., for two children, 12s. for three children, and 3s. extra for each additional child thereafter.

A new stage has been reached in the long-drawn and slowly moving Mexican oil dispute. The American Government, fully aware that Mexico is a test case for the whole of its policy of the good neighbour towards Latin America, has been most reluctant to apply even diplomatic pressure so long as other means were available. But Mexican legal processes have now been exhausted without bringing to the expropriated oil companies anything that they regard as justice. In a note handed to the Mexican Government last week, the United States Government repeated its suggestion of arbitration. Mexico, it is believed, will reject the suggestion and will therefore force the United States to consider whether justice or friendliness is the more valuable to it.

It has been found necessary to revise the second table which appeared on page 508 of *The Economist* of March 23rd in the article on Germany and the Balkans. The amended table giving the percentage share of Greater Germany (including Czecho-Slovakia) in the Balkan countries' total imports and exports is printed below:—

	Hungary	Roumania	Yugoslavia	Bulgaria	Greece	Turkey
Imports—1938	48.1	49.4	50.1	57.9	31.9	51.5
1939	49.0*	56.2	54.2	69.5	31.7	...
Exports—1938	50.0	35.8	49.9	63.4	43.0	47.5
1939	52.0*	43.2	45.8	71.1	29.5	...

* Excluding Czecho-Slovakia. For purposes of comparison the 1938 percentages excluding Czecho-Slovakia are given as follows: imports 41.7, exports 45.8.

Small Accounts

By tradition as well as by deliberate policy, the Westminster Bank has always aimed at fostering the 'small' account. Moreover, there is no sharper line of demarcation between 'big' and 'small' than between 'white' and 'black'; there are many greys between, and it has always been good business for the Bank to encourage the smaller account, with confidence in its growth later on.

Those, therefore, who may have felt that their means hardly warrant a banking account are invited to consult the Manager of any branch and to that find their hesitation may have been groundless.

WESTMINSTER BANK
LIMITED

Head Office: 41 Lothbury, London, E.C.2

HOW YOU CAN

DOUBLE YOUR PRIVATE INCOME

PURCHASE AN ANNUITY FROM THE

**SUN LIFE ASSURANCE
COMPANY OF CANADA**

(Incorporated in Canada in 1865 as a Limited Company)

Write for particulars to H. O. Leach (General Manager for British Isles)

SUN OF CANADA HOUSE, PALL MALL EAST, LONDON, S.W.1

THE WORLD OVERSEAS

Occupied China: Asset or Liability?

(By our Shanghai Correspondent)

THE occupied areas of China are at present both a considerable asset and a large liability to Japan. Goods made in Japan dominate the import markets of these areas, selling in large quantities and at higher prices than ever before. The Japanese mercantile marine accounts for half the total foreign shipping in all Chinese ports. Japanese manufacturing industries in Shanghai, Tientsin, Tsingtao and elsewhere look back upon an extremely profitable business year. On the other hand, Japan has been unable to turn conquered China into a major source of supply of raw materials and fuel. The huge Japanese development companies of North and Central China are not making any progress. The revenue collected by the puppet regimes and the Japanese military themselves compares but poorly with the continuous huge war expenditure in China of the Tokyo Government.

The Japanese Empire, including Japan proper, Korea, Formosa, and the Kwantung Leased Territory, last year sold in the occupied areas of China £32 millions' worth of goods compared with £12 millions in 1936, the last year before the Sino-Japanese War. According to Chinese statistics, Japan's share of China's imports consequently rose from 18.10 per cent. in 1936 to 34.1 per cent. in 1939, and to 39.86 per cent. in January, 1940. The trade statistics of Japan put exports to China in 1939 at nearly £40 millions, including Yangtse Valley shipments and others continuously withheld from Chinese Customs registration. These exports formed some 13 per cent. of Japan's export total, and the occupied areas of China now rank third among Japan's customers.

The Tokyo Government, however, frowns upon these trade advances in China for two reasons. The first is that Japan is short of most of the commodities which loom large in her China exports. The other is that most of these exports are going to North China (Japan's import share in Shanghai is 15 per cent. only), and that North China fails to yield the foreign exchange which Japan badly needs—because it is included within the yen bloc. Tokyo, therefore, has for some time past been inclined to restrict Japanese commodity exports to occupied China, though with little result owing to lack of co-operation from Japanese business interests.

Prosperity of Private Firms

Private Japanese manufacturing industries in China are, on the whole, doing well. Many, whether of Japanese origin or of Chinese origin under Japanese management, have been fully employed for almost a year, and are yielding large profits. Japanese cotton spinning in Shanghai is particularly prosperous. The Dai Nippon spinning company, one of the Big Three in Japanese cotton milling, last year earned net 40 per cent. of its capital, half of the profits coming from the company's China plants. The Toyo and Kenagefuchi

cotton concerns obtained over one-third of their 1939 profits from spinning and weaving activities in occupied China. Satisfactory earnings are reported also by Japanese private metalware, soap and chemical plants in occupied China.

Development Companies Unsuccessful

The two semi-official Japanese development companies for North and Central China, however, are unable to pay the scheduled 5.5 and 6 per cent. dividends for 1939, and applied to the Tokyo Government for special dividend subsidies. These companies now are the holding concerns of some 24 subsidiary firms which administer the railways, bus lines, canal and river shipping, coal, iron and salt mines, iron industries, power works, gas plants, waterworks and fisheries of occupied China. Most of the North China companies have been unable to earn any profits, but have suffered substantial losses; 6 per cent. dividends paid by some of the Central China companies have been insufficient to cover overhead expenses of the parent companies. A year and a half after their establishment, the two development companies have not yet started upon any genuine development work worth speaking of. All the much advertised big development projects of these companies had to be postponed indefinitely, including the North China coal and iron mining projects, the Shanghai Lower Whangpoo Industrial Area project, and large-scale new railway construction. Both companies are suffering badly from lack of funds. Their capital of 450 million yen is paid up by about one-third, represented for the most part by the book values of seized Chinese property. They have not yet raised a single yen of the 1,400 million yen which they were scheduled to raise as from the beginning of last year. Japan, herself in the throes of an unprecedented economic and financial crisis, has been unable to finance development in China.

The development companies' failure to mobilise funds and to start large-scale operations has resulted in an extremely poor supply of Chinese raw material for Japan. To secure from China proper huge supplies of coal, iron ore and raw cotton was one of the chief objects of the invasion, yet occupied China under compulsion yields less coal, iron ore and raw cotton to Japan than she voluntarily sold to Dai Nippon before the war. Last year, Japan obtained from China 2,853,000 tons of coal; 102,000 tons of iron ore; and 8,800 tons of raw cotton. Chinese iron ore and cotton accounted for but insignificant percentages in Japan's imports of these raw materials. Chinese coal covered about one-third of Japan's import demand, but more than half the coal procured from China was obtained by means of regular commercial purchase from the British-owned Kaiping mines. The Japanese Empire's export share in China last year was less than 10 per cent., and imports from China accounted for only 2 per cent. of Japan's total imports. As a source of supplies, occupied China remained unimportant for Japan.

Eire's Uneasy Finances

[FROM OUR DUBLIN CORRESPONDENT]

Two years ago the Report of the Banking Commission drew attention to the fact that the condition of Irish public finance had shown a marked deterioration in recent years. The latest figures indicate a further serious deterioration which it is impossible to contemplate without anxiety. Rates of duty on many articles have been raised during the year and the standard rate of income tax has also been raised, but the yield from these increased taxes has failed to keep pace

The Plight of the Swiss Hotels

[FROM OUR GENEVA CORRESPONDENT]

THE Swiss tourist industry is hard hit by the war, and a number of hotels are now in a hopeless situation. Owing to international unrest, the summer season was much less prosperous than the year before, and since the end of September the number of foreign tourists in Switzerland had dwindled to almost nothing. Most foreigners had returned home, and the Swiss authorities, with a view to checking espionage, made it extremely difficult for foreigners to come in.

The "Société Fiduciaire Suisse pour l'Hôtellerie," which was responsible for the financial reorganisation of Swiss hotels after the last war, made an inquiry into the situation of 664 hotels, representing 45,000 beds, or 25 per cent. of the available accommodation in Switzerland. These hotels are only open during the summer or winter season. The inquiry revealed that receipts during the 1939 summer season were 16½ million francs, against 22 millions in 1938, a drop of 25 per cent. Out of these 664 hotels, only 91 had assets exceeding their liabilities and were in a position to pay the interest on their mortgages. In most cases 70 per cent. of the running costs was not covered by receipts. The situation is therefore very serious, and it is felt that something ought to be done to lessen the debt burden of the hotels. Some hotels have been commandeered as military hospitals, at Interlaken, Montreux and Territet, and the financial situation of the hotels concerned is safe, at least for the time being. The question is whether the Government will be ready to grant a subsidy, as it did in 1920, to help the industry as a whole.

In 1938, the 5,700 Swiss hotels, totalling 110,200 beds, received 3,485,000 guests, of whom 1,426,000 came from abroad; in 1939, they had only 2,918,000 guests, 1,000,000 of them foreign. During the last winter season, the number of foreign tourists was hardly 10 per cent. of previous winters. The capital invested in the hotel industry is estimated at 2,034 million francs, and mortgages total 902 millions. According to the calculations made by the Association of Hotel Keepers, the average running costs represented in 1937 16.91 francs per night and per bed, while receipts were 19.29 francs; since then running costs have increased, and they are now from 18.70 to 23.40 francs per night and per bed according to the class of hotels. The Association is therefore of opinion that hotels should be allowed to raise their prices, especially as, since September last, the cost of living has increased by at least 5 per cent.

Repercussions on Other Industries

Though not, as often supposed, the chief Swiss industry, the hotel industry plays an important part in the country's economy. Normally, it occupied nearly 75,000 persons, and its profits were about 200 million francs a year, exclusive of indirect profits from which several other industries benefit. It is estimated that in normal years tourists provided 5 per cent. of the earnings of the telegraph and telephone service, 10 per cent. of the postal service, and 17 per cent. of transport undertakings, which suffer greatly from the present state of affairs. Several steamboat companies—on the Lake of Geneva, for instance—will not be able to run their usual services during the present year, and a number of private railway companies are in a very serious situation.

March 27th.

THE COMMERCIAL BANK OF SCOTLAND LIMITED

Incorporated by Royal Charter and Act of Parliament

PAID-UP CAPITAL . . . £2,250,000

RESERVE FUND . . . £3,150,000

ESTABLISHED 1810

with the ever-mounting expenditure with the result that the deficit has grown to a figure of over £2,000,000. The consequent increase in the public debt is to be deplored, especially in view of the Banking Commission's strictures on the debt situation.

The Exchequer Return for the year ended March 31, 1940, discloses the following results:—

	1937-38	1938-39	1939-40
	£	£	£
Revenue	31,208,583	31,883,864	32,388,744
Expenditure	32,052,541	33,110,247	34,395,023
Deficit	843,958	1,226,383	2,006,279

A comparison of the revenue figures in the last two years discloses the fact that the increase of about £500,000 which was realised was due almost entirely to increases in the yield of indirect taxes. It is true that income tax rose by £145,000, but this was more than offset by a fall of £245,000 in estate duty. Motor tax, stamp duties, corporation tax and excess profits duties all registered declines. On the other hand, Customs increased by £488,000 and Excise by £229,000. This growing regressiveness is an unfortunate feature of the Irish tax system, which is likely to become even more accentuated in future as the income tax appears to have lost its capacity to return an elastic yield. An increase of £145,000 during a year when the standard rate was raised must be regarded as very disappointing.

Increased Expenditure

The increase in expenditure was accounted for almost entirely by the increased cost of the Army. While increases took place in some of the social services, for example education, unemployment assistance and old age pensions, compensating decreases occurred in other directions, and had it not been for the needs of the Army, the cost of the supply services would have remained the same as last year. When a longer view is taken, however, it will be realised that the existing budgetary difficulties cannot be attributed solely to the effects of the war, as the cost of government in Eire has been steadily increasing for many years. The total expenditure in the year 1932-33 was £28,849,739, as compared with £34,395,023 last year, which included seven months of war. The estimates for the supply services for 1940-41 show a reduction of £911,000, but he would be an optimist indeed who did not contemplate supplementary estimates in the course of the year. Moreover, the Central Fund services are increasing with the growing debt.

The figures "below the line" in the Exchequer Return show the result of the issue of the 4 per cent. Exchequer Bonds, which brought in £7,000,000. Temporary borrowings outstanding, which amounted to £3,150,000 on March 31, 1939, were entered at "nil" for March 30, 1940. The balance in the Exchequer increased from £638,124 at the opening of the financial year to £3,622,569 at its end, so that the position of the Minister for Finance is comfortable at least temporarily. How long it will remain so depends upon the way in which existing taxes continue to yield and upon the increased rates which will doubtless be imposed in the approaching Budget. There is no gainsaying that the coming financial year will be a difficult one. Many sources of revenue have diminished as a result of the war, while others have reached the limit of elasticity. Further borrowing will almost certainly be necessary in the course of the year.

The difficulties of the Minister for Finance will be fully shared by the taxpayers, who have become resigned to ever-growing burdens. When the revenue of over £32 millions is added the local rates and the widespread concealed taxation imposed by the policy of protection, the Irish taxpayers must be disgoring not far short of £40 millions. As the national income is estimated at about £150 millions the cost of government is unduly heavy. The most serious problem is the failure of the national income to expand while public expenditure is expanding in every direction. The economic condition of Eire calls for the most expert and objective investigation with the object of increasing the national income by exploiting to the full the natural productive resources of the country. The Report of the Banking Commission contains much excellent advice about what errors should be avoided and, if necessary, remedied in the monetary and financial system; but there is now needed a more positive and constructive inquiry with a view to planning an increase in productivity. If some such plan be not prepared the country may prove to have become financially top-heavy with the disagreeable consequences that other countries have experienced in a similar condition.

April 2nd.

The NATIONAL BANK of NEW ZEALAND, Limited

Established 1872

Head Office: 8 MOORGATE, LONDON, E.C.2

Temporary Address: BRAMLEY CROFT, HINDHEAD, SURREY

Tel. Nos: HINDHEAD 373 & 680

Subscribed Capital . . . £6,000,000

Paid-up Capital . . . £2,000,000

Reserve Fund . . . £1,000,000

Currency Reserve . . . £500,000

The Bank has branches throughout New Zealand and conducts every description of Banking business with that Dominion.

Slovakia—Captive of the German Clearing

[BY A CORRESPONDENT]

It is exactly a year since the so-called independent State of Slovakia was created—a political event standing, through its economic results, in sharp contrast to the many historical changes of the past two years.

The Austrian Anschluss, the return of former Czechoslovak territory to Hungary, the seizure of the Sudetenland by Germany, the establishment of the "Protectorate" of Bohemia and Moravia, the occupation of Danzig and Memel, and the conquest of Poland signified the incorporation of territories in large economic units. But Slovakia underwent a precisely opposite development. After belonging to an organism that functioned more or less satisfactorily, it was torn away and placed on its own feet. As its feet were weak and unsteady, the new dwarf State was compelled, as its Nazi midwife had intended, to seek the close support of its mighty neighbour, now in control of Bohemia and Moravia, with which Slovakia had previously formed an economic group. Thus it became a vassal State.

The bulk of Slovakia's exports go to territories where the Reichsmark holds sway, and where accordingly all payments take place through clearing arrangements. It was not many months before the country became the bond-slave of German or Protectorate clearing arrangements. For the more or less long-term blocked clearing demands of Slovakia amount to over a milliard crowns, of which 850 millions, according to the recently published report of the Slovak National Bank, are owed by the Reich and the Protectorate. At the same time the National Bank did not possess as much as 100 million crowns in free currency, though the State's total net circulation amounts to about 1,400 million crowns.

Difficulty of Imports

Germany has induced Slovakia to sign an agreement to provide the Reich with 30,000 agricultural workers and 25,000 artisans during the current year. Slovakia has always supplied a large contingent of so-called emigrant-workers who live very modestly abroad and send a large part of their wages home to support their families, but now the German currency authorities no longer permit this practice, and the workers' savings have likewise to make their way through clearing machinery, a process which takes six months or more.

As the workers' families are not able to wait so long, the Slovak Government has to make them advances, and this disturbing position has caused leading Slovaks to urge in Parliament the replacement of exports of men by exports of goods. However, Slovakia has no export difficulties so far as Germany is concerned, for she can easily sell almost all of her surplus products to the Reich. The difficulties are rather with imports, for Germany either cannot supply the goods needed by Slovakia, or can do so only at excessive prices. Even a drastic reduction on December 1, 1939, of tariffs on many German commodities, including iron and steel, textiles, cars and chemicals, had little effect. Recently, Germany has agreed to deliver 100,000 tons of coal and coke a month, in order to reduce the clearing balance. Finally, the clearing account is to be relieved by repatriating from the Protectorate shares in Slovak companies. The official accounts say nothing of one important matter, the payment of transport, billeting and other expenses of German troops, which now enjoy the right of passage through Slovakia.

An Impoverished People

Apart from all other considerations, the rigidity of the clearing arrangements are a danger to Slovakia, poor in raw

materials as she is, since she cannot, in spite of her favourable trade balance, obtain the currency to buy raw materials for her own industry. Thus the textile industry complains that it can get neither raw wool nor worsted from the Protectorate, but only substitute materials at best, for making up which the technical equipment is lacking. Although the milling industry is only 30 per cent. occupied, there is a marked shortage of sacks. There is even insufficient currency to get necessary supplies of lard from Yugoslavia. The extremely low standard of living, which has been depressed still further by recent price increases, constitutes the gravest economic problem of Slovakia's domestic policy, and the Government wishes to meet incipient social tension by vigorous price control. For the Price Commissariat is faced with an almost insoluble task, for it can fight only those factors caused by fears of inflation, such as hoarding of goods. These, however, are secondary. The main factors are the increased cost of raw materials on the world market and, above all, the incomparably higher price level in Germany.

Further restriction of consumption is not possible, and so there remains only the method of wage increases, and this has already been adopted in certain instances. Yet it is felt that this development must be prevented by all possible means, since it would bring inflationary tendencies too strongly to the fore. Inflation would have been far more marked had not the young State administered its financial affairs with discretion, and kept its budget in good order in spite of military expenditure. The budget for the past year was favourable, and that for 1940, with revenue of 1,467 million crowns and expenditure of 1,508 million crowns, shows only a small deficit. The State loan of last year brought in 350 million crowns.

The Government is further seeking to head off social tension by the announcement of great land reforms. The breaking up of large landed holdings in South-East Europe during the past two decades has made tremendous progress, and the Slovak Government aim at splitting up 2,470,000 acres of latifundia. Those economic reforms, too, which do not arise from social considerations, are mainly concerned with agriculture. Slovakia is steering towards a peasant State of fairly small farms, and her economic policy has this structure in mind.

In theory, Slovakia's economic independence will be complete on September 1st of this year, for that is the date when the customs union with Bohemia and Moravia, maintained for a transition period, comes to an end. In fact, however, the country's entire economic policy—and not only economic policy—follows German requirements.

Jugoslavia's Trade Relations

[FROM OUR BELGRADE CORRESPONDENT]

THE hard winter and the war have imposed an unusual economic strain and brought about a general rise in prices. External trade last year showed an export balance of 763.7 million dinars, with exports 5,521.2 million dinars and imports 4,757.4 millions. This, however, was not due to any expansion of export trade, but to a fall in imports.

Under the stress of declining imports and of exports directed mainly to clearing countries, principally Germany and Italy, it is more than ever necessary for Yugoslavia to maintain her present trade relations and to extend her markets wherever possible. It is essential to ensure the import of raw materials, and the growing armament requirements face her with the necessity of obtaining foreign exchange to pay for purchases from non-clearing countries.

In order to maintain present markets, negotiations are in preparation with Italy, Greece, Germany, Hungary and some other States for the adjustment and adaptation of existing agreements. To ensure imports of raw materials and sufficient foreign exchange it is essential that Yugoslavia extend her export markets, since the present markets come under the clearing system. The trade and financial delegations now in London are expected to achieve some concrete results in this respect. One trend, however, is already clear. Since the recent Balkan conference in Belgrade, the Balkan States have been working for the development of mutual trade on the one side and for a unified economic front on the other, and the newly established Chambers of Trade with Roumania and Bulgaria are witness that this policy is being seriously pursued.

March 28th.

"IT'S JUST PLAIN COMMONSENSE"

WHAT is the reason for the constantly growing net sale of the Daily Express?

No efforts have been made to develop it.

Yet nearly every month there is an increase. And, occasionally, a remarkable increase.

The answer is quite plain.

The Daily Express is the newspaper of all men and women who have commonsense.

The Daily Express takes a sound view on public events and occasions.

The newspaper supports a vigorous, determined and aggressive war policy.

It is in enterprise, adventure, audacity and violence in the prosecution of the war that we have the right to hope and expect an early victory.

Yet this war was opposed by the Daily Express. The newspaper did not advise it and did not wish to embark on it.

But now that the war is upon us, the Daily Express is confident that out of it will emerge an Empire completely united on economic lines and with a common political purpose.

And it is this very object for which the Express newspapers were founded. It has been the sole reason for the vigour and energy with which the enterprise has been directed.

2,573,962

copies of the Daily Express were sold each day during the month of March

DAILY EXPRESS

Following is the auditors' certificate for the month:

We have examined the books and accounts of the London Express Newspaper, Ltd., and certify that the average net daily sales of the Daily Express at the recognised trade terms or published prices (as defined by and arrived at in accordance with the instructions of the Audit Bureau of Circulations, Ltd.) during the month of March 1940, were 2,573,962 copies.

DELOITTE, PLENDER, GRIFFITHS & CO.

April 4, 1940.

WORLD'S LARGEST

DAILY NET SALE

A REASONABLE PRECAUTION
is for every responsible citizen to protect his dependants by securing Life Assurance now. Obtain advice on a suitable Policy from the
NATIONAL PROVIDENT INSTITUTION
for
MUTUAL LIFE ASSURANCE
ESTABLISHED 1835
48 Gracechurch Street, London, E.C.3

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.)

ON April 2nd, a very complex plan for storing household coal during the summer months was introduced. It is, in effect, a rationing scheme for household coal, but the decree gives no figures for the actual ration. The scheme covers the period up to March 31, 1941, and distinguishes three categories of consumers: households with separate stoves; houses with central heating and hot-water service; and agricultural and industrial undertakings which are not already on the priority list for supplies of coal. A percentage (not stated) of the actual consumption during 1938-39 will be supplied directly to consumers or to coal merchants in cases where consumers have no storage accommodation—in big towns the average household as a rule has no storage space at all. Credit facilities will be extended to coal merchants storing coal for small consumers.

Germany is divided in three climatic zones, and the stocks will vary according to the severity of the climate, which is most severe in Central and, especially, Eastern Germany.

* * *

Tax Certificates.—Total issues of the tax certificates introduced under the New Financial Plan on April 1, 1939, amounted to Rm. 4,832 millions, when the issues ended on November 1st last year. The fourth decree supplementary to the original decree which instituted the New Financial Plan was published on April 1, 1940, and finally suspended the use of tax certificates as a means of payment. It will be remembered that 40 per cent. of an account could be paid for in tax certificates at their face value. During last summer the price of tax certificates decreased to the low level of 93½ per cent., which made them a failure as a further means of financing State expenditure. Manufacturers became eager to buy tax certificates in order to effect their payments at an advantage, and the Government had thus to restrict the percentage of accounts payable in tax certificates to only 20 per cent.

Recently, the price of tax certificates followed the general upward trend of security prices. The decree forbidding the use of tax certificates as a means of payment led, however, to an extraordinary supply of them on the Bourse, and prices fell again. From now on, dealings in tax certificates will probably fall to a minimum, and the certificates have assumed the character of an ordinary Reich loan.

* * *

Capital Issues.—The extensive capital issues which reached a record level in the first two weeks of March have come to a standstill. The total value of industrial loans issued since the introduction of the New Financial Plan on April 1, 1939, reached Rm. 911 millions by the end of last month. Thirty-one loans amounting to Rm. 536 millions were issued after the outbreak of war. The leading industrial groups shared as follows in the capital issues made after the war started:—

	Rm. millions	In % of total
Coal and iron industry	221	41.3
Electricity and gas industry	155	28.9
Chemical and potash industry ...	69	12.9

The rest, amounting to 16.9 per cent. of the total of Rm. 536 millions, was shared by companies manufacturing synthetic petrol, cellulose and paper. During the early months of the war the public were reluctant to subscribe to the standard type of loans bearing 4½ per cent. interest, and later most issues changed to 5 per cent.

The present pause in capital issues does not mean that capital issues are to fall off altogether. The programme of industrial expansion has by no means come to an end, though it does appear that new programmes may be carried out by resorting to bank credit. The general increase in security prices, on the other hand, will probably result in a return to the 4½ per cent. type of industrial loans if new issues should be made.

Another interesting example of the activity of the capital market is the growth in the circulation of mortgage bonds issued by the Mortgage Bond banks, i.e. *Pfandbriefbanken*. These banks are the leading institutions for financing building. The net annual increase (+) or decrease (−) in the circulation of mortgage bonds has been as follows.

	Rm. millions
1928	746.6
1930	1,246.9
1932	257.9
Average 1933 to 1938	135.3
1939	664.2

The high figure for last year indicates that private capital again began to participate in building finance. In former years building was predominantly financed by public orders or by public credit. It becomes clear from the annual reports of the Mortgage Bond banks that private credit was increasingly used last year for financing small dwelling houses. The figures are interpreted by the German Press as showing that the capital accumulated by the mortgage banks may go very far even towards financing buildings for war purposes. Private building is hampered by the acute shortage of building materials. The erection of new buildings has been forbidden, but reconstruction of small flats and the building of workers' flats near new industrial plants will be aided by special credits. After the outbreak of the war it was thought possible to carry out a building programme in 1940 amounting to three-quarters of the normal demand, but it now seems doubtful whether this programme will be carried out.

* * *

Industrial Trends.—German industrial companies reporting for the calendar year 1939 show an interesting stability in profits and dividends. The *Frankfurter Zeitung* analysed the reports of 115 companies and found that 70 per cent. of them paid the same dividend as in 1938, 13 per cent. reduced the dividend and 17 per cent. increased it. The companies which reduced their dividends were mostly in the textile industry. A detailed analysis of 31 companies gave the following result:—

	(Rm. millions)	Net profits	Dividend	Taxes
In 1938	23.94	17.41	53.25	
In 1939	25.43	17.47	65.09	

The most remarkable item is the increase in taxes. Generally speaking, the ratio between production costs and earnings remained favourable throughout 1939.

The *Reichswerke Hermann Goering*, which in recent years rapidly grew to be the third biggest German industrial company, have again extended their influence. Several coal mining groups of the leading coal mining company *Harpener Bergbau A.G.*, have been transferred to them, in exchange for lignite mining interests. The transaction is explained by the claim that the national interest demands a new coal basis for the Hermann Goering Works. It may be remembered that the works chiefly use low-grade German iron ore, the working of which demands enormous quantities of coke, and it seems that the experiments in using coke manufactured from lignite have not been very successful. The purchase of substantial coal mining interests had thus become a necessity.

* * *

Coal for Italy.—The Press reports that, since February, the monthly supplies of coal to Italy have amounted to 500,000 tons. This quantity will now be doubled. Each month, 610,000 tons from the Ruhr area, 340,000 tons from Upper Silesia, and 50,000 tons from the Saar territory will be transported to Italy; and 65 coal trains will pass daily through the seven frontier stations. It remains to be seen, however, whether the railway system will be capable of carrying out such a programme. It may be possible that the turn-round of the trains can be arranged in such a way that on their return journey they will carry goods from the Balkan countries, especially Yugoslavia—the transport of Yugoslav bauxite to Trieste may be a pointer to this.

* * *

South-Eastern Europe.—The Director at the German Ministry for Economic Affairs has announced that the Ministry is considering the concentration of all financial relationships with South-Eastern Europe in one body to be called the South-Eastern European Corporation and domiciled in Vienna. It is estimated that the Hungarian wheat crop may be as much as 33 per cent. lower than last year, leaving very little for export. At least 20 per cent. less acreage was sown with wheat than last year.

Books and Publications

German Race and Universal Truth

It is well known that Germans have certain delusions about themselves. They claim that they are a race basically free from alien blood and distinct from any other human strain; that it is their destiny to appropriate an increasing part of the earth's surface because they are superior to its present inhabitants; that this process of expansion must be accomplished under great leaders to whom it is natural and beneficial for Germans to submit; that they lead the way in material progress; and that they round off their greatness by possessing a unique and superior culture.

The constant reiteration of race claims produces dangerous results and denials become a continuing necessity. Refutation is an essential task which must be as well done as possible. The world stands in need of the perfect refuter. He must not be a member of a nation which is, by force of circumstances, anti-German, nor must he be a German himself. He must be above the present conflict and approach the race question in a spirit of detached inquiry. He must be sufficiently learned to know the facts about the evolution of the German people and of sufficient authority and moral stature to pronounce judgment on their claims.

That Thorstein Veblen was such a man is not likely to be denied by anyone acquainted with his life or any of his numerous works. Veblen was an American of Norwegian extraction who stood completely apart from racial prejudice; a great scholar and an authority on precisely those subjects which are relevant to an appraisal of German race claims: a philosopher whose powers of analysis were applied to human history and behaviour; and a subtle and painstaking writer. He cannot be accused of taking sides in the present war, since he died before it began.

His book "Imperial Germany and the Industrial Revolution" first appeared in 1915, when the United States were neutral as between the Allies and Germany. Veblen himself was then, and remained, both practically and morally a neutral. Starting from positive premises, and not from a negative wish to refute any previous argument, he demonstrated with overwhelming historical evidence, close reasoning and abounding good humour that the Germans owed their racial survival and success to the facility with which they mixed with their neighbours; that their tendency to overflow geographical boundaries was due not to envious high destiny (or "Providential nepotism") but to an ascertained (and scientifically explicable) willingness to become followers of ambitious and unscrupulous leaders; that the state in which they were best fitted to survive in peace and happiness was not totalitarianism, but a "quasi-anarchistic neighbourhood autonomy"; that their unambiguously magnificent contribution to material progress was due to their capacity as intelligent imitators rather than as due to their capacity as intelligent innovators; and that far from possessing a superior "culture" they had invented that term to express something which is in fact a hindrance to material progress and with which they have not recently been encumbered.

It is difficult for Englishmen who live in an ever-thickening atmosphere of anti-German propaganda, and who have unconsciously reacted to protect themselves from that atmosphere, to realise that the case against German racial claims really can be scientifically and finally stated. But there is no reason why claims so absurd should not be refuted. The sad thing is that, being absurd, they should be so often and so solemnly repeated and their denial become so essential. Veblen, though setting out only to examine a particular trend in German development, did the job once and for all. It is indeed fortunate that his book is again available to the British public, with all its gracefully presented learning, its tolerant and almost flippant detachment and its pre-eminent readability.

* Now republished by Secker and Warburg. 343 pages. 12s. 6d.

Books Received

- The Politics of Democratic Socialism.* By E. F. M. Durbin. (London: Routledge. 384 pages. 7s. 6d. net.)
- The Failure of Constitutional Emergency Powers Under the German Republic.* By F. M. Watkins. (London: H. Milford. 148 pages. 10s. 6d. net.)
- Europe Must Unite.* By Count Coudenhove-Kalergi. (London: Martin Secker & Warburg. 160 pages. 3s. 6d. net.)
- The Development of Finnish-Soviet Relations in the Light of Official Documents.* Published for the Ministry for Foreign Affairs of Finland. (London: Harrap. 114 pages. 3s. net.)
- German Financial Policies, 1932-39.* By K. E. Poole. (London: H. Milford. 276 pages. 20s. net.)
- England Fights.* By H. Elliston. (London: Harrap. 398 pages. 15s. net.)
- The Background and Issues of War.* By H. A. L. Fisher and Others. (London: H. Milford. 141 pages. 6s. net.)
- Employment, Wages and International Trade.* International Labour Office. Studies and Reports. Series B (Economic Conditions), No. 32. (London: P. S. King. 107 pages. 2s. 6d. net.)
- India and Imperial Preference.* By B. Madan. (London: H. Milford. 279 pages. 10s. 6d. net.)
- A.B.C. of Wartime Law.* By R. S. W. Pollard. (London: Hamish Hamilton (Law Books), Ltd. 130 pages. 2s. 6d. net.)
- The National Income of British India, 1931-32.* By V. K. R. V. Rao. Macmillan and Company, Ltd. 240 pages. 10s. 6d.
- Handbook of the War.* By J. C. de Wilde, D. H. Popper, and F. Clark. Constable and Company, Ltd. 248 pages. 10s.
- The Prevention of Fraud (Investments) Act, 1939.* By L. J. Morris Smith. Jordan and Sons, Ltd. 171 pages. 10s. 6d.
- Financing Economic Security in the United States.* By William Withers. Columbia University Press, New York. (London: H. Milford. 210 pages. 17s. 6d.)
- A Social Approach to Economics.* By H. A. Logan and M. K. Inman. University of Toronto Press. Oxford University Press. 659 pages. 17s.
- Golden Avalanche.* By F. D. Graham and C. R. Whittlesey. Princeton University Press. Oxford University Press. 233 pages. 14s. 6d.
- Normal and Abnormal International Capital Transfers.* By Marco Fanno. University of Minnesota Press. Oxford University Press. 120 pages. 12s. 6d.
- Competition among Grains.* By N. Jasny. Food Research Institute, Stanford University, California. 606 pages. \$4.00.
- Egyptian Cotton Year Book, 1938-39.* Edited by Armand Lakah and Company. (Alexandria: P.O.B. 612. 165 pages and charts. 10s.)
- Fairplay's Annual Summary of British Shipping Finance.* (London: "Fairplay" Weekly Shipping Journal, Palmerston House, Bishopsgate, E.C.2. 576 pages. 21s. net.)
- The People's Year Book, 1940.* (Manchester: Co-operative Wholesale Society, Publicity Department. 209 pages. 3s. net.)
- The Neutrality of the United States. Documents covering period September 3—December 14, 1939.* (Boston: World Peace Foundation. 68 pages. 25 cents.)
- Among the Balance Sheets.* By the Editor of "Finance and Commerce" in "The Accountant." (London: Gee and Company. 155 pages. 17s. 6d. net.)
- The Excess Profits Tax.* By H. E. Seed. (London: Gee and Company. 188 pages. 10s. 6d. net.)
- Publications on Latin-American Economics in 1938.* By M. Handman, C. Lloyd Jones and D. M. Phelps. (Cambridge, Mass.: Harvard University Press. 159 pages. \$3.00.)
- The Ebb and Flow of Investment Values.* By E. S. Mead and J. Grodinsky. (London: D. Appleton-Century Company. 513 pages. 25s. net.)
- Profits.* By J. P. Beddy. (Dublin: Hodges, Figgis and Company. 420 pages. 12s. 6d. net.)
- English Theories of Central Banking Control, 1819-1858.* By E. Wood. (London: H. Milford. 250 pages. 26s. 6d. net.)
- Historian and Scientist.* By G. Salvemini. (London: H. Milford. 203 pages. 9s. 6d. net.)

THE BUSINESS WORLD

Steel in War

THE lengths to which Germany went this week—partly in an attempt to safeguard her supplies of Swedish iron ore—emphasises the importance of steel in the present war. Without an adequate supply of steel it will be impossible for the Allies to gain the margin of superiority in equipment which they need in order to defeat the enemy. It is therefore absolutely essential that our steel furnaces should be kept in operation day and night and that available supplies should be distributed to the best advantage.

At the end of 1938 the United Kingdom's capacity to produce crude steel was estimated at about 14½ million tons per annum. Much the most important problem at the moment is not the expansion of this capacity but the maintenance of the flow of raw materials to the existing furnaces. The two principal ingredients of steel are iron and steel scrap and pig iron. The proportions in which they are used can be varied, but in recent years scrap has become the chief ingredient. In 1937, for example, the British steel industry used 11.5 cwt. of scrap and 9.6 cwt. of pig iron for every ton of steel produced. As the United Kingdom's capacity to produce pig iron was assessed at some ten million tons per annum at the end of 1938, it seems at first sight that any shortage of scrap could easily be made good by an increase in the proportion of pig iron charged into the steel furnaces.

This solution of the problem, however, is not very satisfactory, for a substantial proportion of our supplies of iron ore—the chief raw material of pig iron—is derived from abroad. Thus, in 1937, when 8½ million tons of pig iron were produced, the iron and steel industry consumed 13.9 million tons of domestic ore and 6.2 million tons of imported ore. In addition, 9.7 million tons of coke—equivalent to 14.4 million tons of coal—were required to smelt the ore in the blastfurnaces. The output of domestic ore, which is chiefly of a low iron content, cannot be increased substantially at short notice. An appreciable expansion in imports, again, is scarcely desirable, for iron ore is a very bulky commodity and requires much shipping tonnage. Indeed, in case of a serious shortage of steel it might be preferable to import larger quantities of semi-finished steel rather than a heavier volume of ore. Incidentally, a stoppage of ore supplies from Scandinavia, while raising

certain technical problems, would not be disastrous and could probably be made good by increased purchases in Algeria and Tunis, for example.

But the only alternative to an early and appreciable expansion in the output of pig iron is an increase in the supply of domestic scrap. The scrap produced by the steel works and in further manufacturing processes is already being carefully collected, and no net addition to supplies can be expected from these two sources. But there is a potentially enormous supply of scrap in derelict or unused buildings, factories, bridges, rails, park and garden railings, etc. Much of this supply can probably be reclaimed at a reasonable cost. A survey of the potential scrap resources—possibly through its local organisations—should therefore be made by the Ministry of Supply without delay. And if the garden railings are required the public is unlikely to withhold its consent to their removal provided it is informed, with sufficient authority and persuasiveness, that this step is really necessary.

Given a certain measure of foresight, there should be no insuperable difficulty in maintaining the flow of raw materials to the steel furnaces. A subsidiary, though very important, task is to ensure that the available steel supplies are allocated to the best advantage and that the steel thus

assigned is in fact delivered when it is required. So long as steel is scarce—and it is certain to remain scarce during the war—it will be quite impossible to satisfy all requirements. Control was therefore essential. The system of control introduced after the outbreak of the war, by which all consumers with the exception of Government Departments and certain other users had to secure licences for their requirements, was unsatisfactory; it neither ensured the allocation of supplies to the best advantage nor the delivery of the authorised quantities at the dates at which they were required. The Control of Iron and Steel (No. 8) Order (which came into force on April 8th) introduces an entirely novel system of allocation and distribution. The essence of the scheme is that it provides machinery for the equation of demand with supply during quarterly periods, not, of course, by allowing prices to vary, but by the allocation of the estimated supplies of home-produced and (presumably) imported steel to individual consumers and for specific purposes.

To forecast supplies accurately is in itself no mean task, but this has to be done in any case. For this purpose individual steel products have been grouped under various headings. On the basis of the ascertained output capacity under each heading, supplemented by weekly reports from individual manufacturers, it has been possible to forecast the production of each. And as orders for imports are known, the Iron and Steel Control is now in a position roughly to estimate total supplies some time ahead. But these estimates, on which quarterly allocations are based, are not infallible. An interruption of production through lack of raw materials or as a result of air raids, the loss or delay of deliveries from abroad, could easily play havoc with the forecasts of the supply of individual products; and if this happens, some consumers will not be able to secure their rations. The new system, therefore, provides no absolute guarantee of supplies. But in view of the probability that any interruption in production will not affect all plants simultaneously and that there will

be scope for a redistribution of raw materials, it is hoped that the conservative scale of production budgeted for will in fact be attained.

The allocations themselves must needs be based on the forecasts of the supplies of individual products. The Central Priority Committee—which, in case of disagreement, will presumably consult the War Cabinet—is responsible for assigning steel to the main groups of consumers. It will, therefore, depend largely on the Committee's judgment whether steel is used to the best advantage. The main classes of consumer have been grouped under twenty Government Departments; these have the task of allocating the global tonnages assigned to them by the Central Priority Committee to individual firms or users. The Departments, together with the consumers or services for which they are responsible, are listed on the previous page.

These Departments, in conjunction with the Iron and Steel Control, will also have the task of seeing to it that the consumers and services for which they are responsible will in fact obtain the supplies assigned to them. Individual consumers, however, will continue to order their requirements from individual manufacturers, who have been advised not to accept orders in excess of their capacity to supply. And, in order to prevent confusion, consumers, in placing their orders, will have to quote symbols showing the Department responsible for them, contract or reference numbers indicating the purpose for which the steel is to be used, and delivery period numbers with a statement of the quantities involved.

Sound though this scheme for allocating and distributing steel may be in principle, it would be idle to pretend that it will be easy to operate, at least to begin with, or that it may not require amendments of detail in the light of experience. But, looked at in the round, it does represent an attempt to solve the urgent problem of ensuring that the available steel supplies are used to the best advantage and that individual consumers will be able to obtain their rations at specified dates.

GOVERNMENT DEPARTMENTS AND CONSUMERS OR SERVICES FOR WHICH THEY ARE RESPONSIBLE

Government Department	Consumers or Services
Home Office	Home Office services, e.g. prisons, police, approved schools, etc.
Ministry of Home Security	Requirements for camouflage, screening blast furnaces, etc.
Admiralty	Steel for A.R.P. (including Scotland). Navy requirements.
War Office	Mercantile shipbuilding and repairs. B.E.F. requirements, Army buildings, medical stores, fuel and light.
Ministry of Supply	All other requirements for Army. Machine tools, small tools and gauges. French Government requirements, direct or indirect.
Air Ministry	Schools, hospitals, housing schemes, police stations, prisons, special areas factories, agricultural buildings, land drainage works, piers, etc., water supplies, sewerage.
Scottish Depts.	(1) Gas undertakings. (2) All Home Civil requirements except where specifically included under another Department. (3) Miscellaneous agricultural requirements other than agricultural machinery and buildings. (4) Indirect Exports (i.e. exports of finished goods) excluding requirements of B.E.F. and oil companies and French Government requirements. (5) Direct Exports, excluding requirements of B.E.F., India and oil companies and French Government requirements.
Board of Trade	Schools. Ministry of Health services, e.g. hospitals and housing schemes, water supplies, sewerage. Agricultural machinery, including Scotland. Agricultural buildings and land drainage works, excluding Scotland. Railways (including all wagons used on railways), ports, canals, highways, tramways, works and buildings for Ministry undertakings. Motor vehicles and trolley vehicles, gas producers for motor vehicles. Provisions of tins and packing material for food, including food for service requirements. Food factories and buildings for storage and distribution. Certain new factories and buildings and internal requirements thereof. Certain Government stores and equipment. Fire-fighting appliances. Post Office requirements. Requirements of all mines and quarries. Oil companies' requirements, both home and export.
Board of Education	Electricity supply industry covering generating stations, the Grid and distribution systems.
Ministry of Health	All public services for Northern Ireland.
Ministry of Agriculture and Fisheries	All finished steel for direct export to India.
Ministry of Transport	
Ministry of Food	
Office of Works	
General Post Office	
Mines Department	
*Petroleum Department	
*Electricity Commissioners	
Northern Ireland	
*India	

* For the purpose of this scheme these are regarded as a Government Department.

Three Reprints from The Economist

THE ECONOMIC FRONT

Six Articles from the issue of December 9, 1939.

THE ECONOMIC ALIGNMENT

A statistical survey of the economic strength of the nations of the world.

THE FINANCE OF WAR

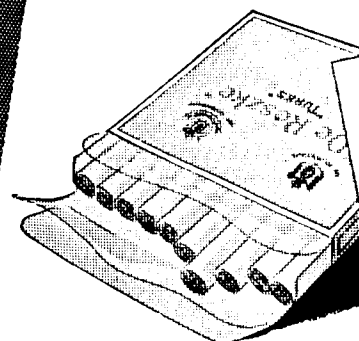
Four articles from the issues of January, 1940.

PRICE 6d. each

THE ECONOMIST, 8 BOUVERIE ST., LONDON, E.C.4

You help Turkey to help us
when you help yourself to
Turkish* cigarettes

ASK FOR



The Government have made large purchases of tobacco from our ally Turkey. Turkish is the finest cigarette tobacco the world produces. The 'chain-smoker' in particular can confidently take to Turkish cigarettes, because they possess less than half the nicotine content of Virginias.

De Reszke
TURKS

10 for 7d

20 FOR 1/2

Issued by Godfrey Phillips Ltd.

The Future of Private Banks—II

AN article in last week's issue described the contribution which the private banks had made to the development of British banking activities overseas, and we sketched the very valuable specialised position which the merchant banks had carved for themselves in the credit system of this country. We pointed to the difficulties which these institutions have had to contend with since the end of the 1914-18 war—difficulties latent and undetected at first, becoming more apparent in the 1930's, and crystallising into much more specific and formidable shape with the outbreak of the war last September. This last phase has been unhappily underlined by events in Scandinavia during the past week. The immediate future, leading us inevitably into an intensified war economy, can promise no relief from these difficulties. Government controls and monopolies have involved the temporary eclipse of the merchanting community, a tendency which must affect banking as well as the commodity markets. But after this war has run to its successful conclusion, will a world emerge in which the merchant banks will be able to pick up the threads of their unfinished task and to play a useful rôle? For the expression of clear, logical thinking on this subject by the authorities in the Allied countries we have to turn again to M. Reynaud. Here is what he said in a speech before the Senate, discussing the immediate and longer term implications of the Anglo-French monetary agreement:—

What will this post-war period be for which this agreement prepares? . . . Will the country be completely transformed and will the State absorb everything? No doubt the State will at the conclusion of hostilities play a principal part in changing over the country's economy to a peace footing and in linking it with the economies of neighbouring countries. But does that mean that an all-powerful totalitarian State will arbitrarily fix prices and salaries, that it alone will be entitled to conduct production, to control capital, to command profits, to cover losses? That would be a despairing view if it were true. First of all because the first months of war have given a full taste of an authoritarian regime (on that subject everyone is agreed) and, above all, because any State which at the conclusion of hostilities controlled all the wealth of the country and was able to regulate all its activities would thereby have power to oppress freedom of conscience and to suppress all those fundamental liberties which make life worth living. Why, then, fight at all?

The sentiments expressed in this quotation are those that must be echoed by the vast majority of responsible opinion in this country. From them there emerges a picture in which the functions of the merchant banks will not clash uncompromisingly and into which these institutions should be able to merge, given the resilience and adaptability of which they have, in many cases, given proof. In the world which, by implication, may be conjured up from M. Reynaud's remarks there will be room for the activities of the specialist banking institution engaged more particularly in the financing of foreign trade. The knowledge and attributes which such business demands will appertain more readily to the comparatively small, compact unit, able to specialise on certain markets and directed by partners or directors having personal knowledge of their overseas clientèle. The personal element in credit standing will never disappear, and that element, when it has to be weighed and assessed in foreign fields, will escape the impersonal joint-stock institution more readily than the efficiently organised and well-represented private bank. Moreover, merchant banking calls for adaptability and rapidity of decision, qualities which should come more easily to the comparatively small enterprise, directed more often than not by one dominant personality not compelled to refer decisions to a committee of directors and ultimately responsible to no large body of shareholders.

None the less, even the most rose-tinted spectacles will not hide the fact that the merchant banking community cannot enter into this promised land with its ranks unthinned and its sinews strengthened. The blows of the past

decade have left their inevitable mark on the resources and powers of resistance of some of the houses concerned. One or two of them are obviously destined for orderly liquidation or fusion into some other entity. For all others, a problem of adjustment will have to be faced and solved. Some of the business on which they developed has either gone for good or has had its flavour taken from it. With the reckoning which now becomes possible, the time has arrived to admit candidly that international acceptance business, for example, has in recent years been a much overrated form of banking enterprise. Partly owing to the intrusion of the joint-stock banks into this business, the rates charged for it have not, for some time past, borne a reasonable relation to the risks involved. The position is being remedied at this time, but it is rather late in the day. It should have been a guiding principle in international acceptance business that no such facilities could be granted unless the debtor maintained with the accepting bank funds at least adequate to meet all outstanding bills accepted for his account. The merchant banks, moreover, should not have made the mistake of following the joint-stock and American banks in granting large lines of open-credit facilities to foreign banks. When the problem of financing foreign trade is tackled in the post-war world, it is to be hoped that a return will be made to the sounder principles of the documentary credit which will not allow the abuse of the acceptance credit such as occurred during the 1920's. In any case, it will be well not to over-estimate the extent to which London will be able to resume its traditional short-term lending activities in the period immediately following the cessation of hostilities. The scope for such business will depend upon the state of the remaining gold and exchange reserve, and on the balance of our international payments. A period of recuperation is likely to be essential during which, no doubt, all the emergency machinery of bilateral clearings, though being gradually wound up, will still be available for financing the resumption of peacetime international trade.

It must also be realised that, apart from this general argument against the early revival of short-term foreign lending by the merchant banks after the war, there is the more particular argument that the period of enforced idleness to which they are being condemned "for the duration" must militate against an immediate vigorous resurgence on their part. From this point of view the merchant banks might have been treated by the authorities with rather greater benevolence—one might almost say "fair play"—in such matters as the distribution of the available foreign exchange business. The joint-stock banks had made considerable inroads into this sphere during the two inter-war decades. But is there any solid reason why that encroaching movement should receive official support at this time of strain for the merchant banks? It has received such support by the very fact of debarring merchant banks from the list of authorised dealers. Admittedly they are as free to deal in foreign exchange as the authorised joint-stock banks; but few will deny that the more restricted initiative of the unauthorised dealer in "vetting" his clients' business and giving decisions, together with the advantage which authorised banks have over most others in dealing "net of commission" with banking clients, have meant that an increasing proportion of the available foreign exchange business has in fact been passing to the joint-stock banks. When the race for foreign exchange business begins again after the war and is conducted under freer conditions, when ability to deal and to advise on points other than the filling up of forms will again be at a premium, the merchant banks will no doubt recover some of this lost ground. But it is unfortunate and unfair that this handicap should have been placed upon them.

In the period of reconstruction that must follow the war, long-term capital must again be set moving in international circulation—let us hope in a movement more intelligently co-ordinated than was that of the 1920's. In initiating that flow Great Britain must inevitably take secondary place to

the United States, which by the end of the war looks like holding as near the whole of the world's monetary gold stock as makes no matter. Indeed, that gold will have become valueless unless the international circulation of capital is again put under way. In the big international loans that will accompany the progress of this enormous reconstruction, the London merchant banks, working in conjunction with associates in the United States, should find some scope for their specialised knowledge and for the organisation built up over decades of similar activity.

Then there is the domestic field, where two distinct trends of development have been apparent. The first is the repopularisation of the domestic acceptance credit. Here, let us be candid, the results achieved have been far from spectacular. The bill habit, once lost, is very difficult to reinduct, and the main scope for such business has been and remains in the totally new sphere of hire-purchase finance. In this particular business the merchant banks have been active, but they are competing with specialist institutions which probably command the bulk of the business. The other direction is the forging of closer and more permanent financial relations with domestic industry. There has been evidence of such a movement among a few merchant banks, and though it leads in a direction diametrically opposed to the whole traditional trend of British banking, it may hold out profitable scope for certain of these institutions.

The success with which the merchant banks as a whole will meet the challenge of the post-war world must depend to some extent on the success with which they can sustain the lean period with which they are faced in the immediate future and conserve their resources. In tackling this problem it is evident that some concentration of forces will ultimately have to take place within this group of banks. That movement is unlikely to follow the precedents of the earlier development among private banks serving the domestic field. However justified may have been the process by which thousands of private banks in Great Britain fell into the jaws of the joint-stock mammoths over the past century, the parallel cannot be applied even on

a minor scale to the merchant banks. Their type of activity and the qualities for which it calls are not those that can be stereotyped, mechanised and dehumanised to the point at which they will fall logically into the orbit of large-scale joint-stock enterprise. The comparatively few instances in which the public joint-stock company has embarked on this particular field of activity have not yielded results that promise well for this particular solution of the problem. Rather must the integration be a welding of essentially similar and complementary units which will preserve the individuality and traditions of the component firms.

To sum up, it seems that the merchant bank is too typical and solid a product of British banking evolution to be "sunk without trace." As a whole these institutions have been hard hit and must expect uncongenial conditions while the war lasts. Their numbers are certain to be reduced by gradual liquidation—a process which has already begun—and, later, by amalgamations. But the stronger and more adaptable among them should not merely survive the war but live to play an important rôle in the world that will emerge from it. Some of them will no doubt continue a trend already apparent in forging permanent financial links with domestic industry. These may well come to fill that gap of which the Macmillan Committee complained in its remarks on the British capital market—the difficulty which the comparatively modest industrial concern encounters in satisfying its needs for longer-term credit than the deposit banks can grant. But for most of the merchant banks the scope of activities must remain overseas. It may well be that the "merchanting" part of their business will once more become dominant. There will certainly always be room for the alertness and adaptability of the most efficient of them. They have in the past brought a rich harvest to this country—not merely by the direct profits of their ventures, but through all the incidental income from their merchanting and intermediary activities, income which but for them would never have come to this country. We shall certainly have need of that revenue in the future.

Finance and Banking

Danish and Norwegian Crowns.—The control of the foreign exchange market has prevented the dramatic moves in the military and naval situation from having appropriately dramatic effects on the level of foreign exchange rates. After the occupation of Denmark on Tuesday, the Danish crown was suspended from the list of currencies quoted in London. The Norwegian crown was first quoted nominally at the former official rate, but on Wednesday it was also withdrawn from the list of quotations. The suspension of dealings in these two currencies was accompanied by instructions to London banks to block all Danish and Norwegian sterling accounts for the time being. The Belgian and Dutch currencies have sustained some pressure, but only the belga has fallen slightly against dollars. Sterling's behaviour in the free markets has been remarkably good given the absence of support for the rate, the "emotional" disturbances to which it has been subjected this week and the further curtailment in the demand for free sterling arising from the new Argentine regulations described in a subsequent Note. The rate in New York, which had closed last week at 3.58½, was already weakening on Monday of this week, when it touched 3.55. On Tuesday the shock of the Scandinavian developments caused a momentary slump to 3.44, followed on Wednesday by a recovery to 3.49½ with the more auspicious turn of events. On Thursday the improvement continued.

The Golden "Swag."—Reports still differ as to the fate of the gold reserves in Denmark and Norway. Both countries were placed at a disadvantage by their respective statutes in disposing of their gold with the precautionary care which the position has for some time past

demand. The Bank of Norway was forced by statute to keep the whole of the gold ranking for reserve in Norway. The amount thus held on March 30th last was Kr. 120 millions, which at the nominal parity at which the reserve was still calculated was worth some £13 millions. In addition, there was Kr. 65,600,000 of gold not included in the reserve and probably held abroad. There is a great hope that the whole of the above gold may have been got to safety before the German occupation of Oslo. M. Hambro, the President of the Storting, has stated that it left Oslo at the same time as the Government. In Denmark, the reserve of the Central Bank amounted to Kr. 117,100,000 equivalent to slightly over £12,000,000, on March 20th last. The whole of this appears to have been maintained in the capital, and though there are conflicting reports as to the fate of the reserve, it seems all too probable that the suddenness of the invasion provided no chance of its removal to safety. Here again, the obvious precaution of placing the metal in safety many weeks ago had not been taken because it would have involved a change in the statutes, which require the bulk of the reserve to be held at the head offices of the bank. The latest example of German robbery with violence has not yielded a cash return commensurate with the ultimate costs of the coup.

Next Monday's Test.—Conditions in the money and discount markets have remained almost absurdly indifferent to the latest turn of hostilities. Throughout this breath-taking week money has remained in very good supply at ¾ to 1 per cent., the clearing banks have been persistent buyers of the longest eligible July paper at 1 per cent., and the effective rate of discount for three

months' bills has not budged from the previous level of $1\frac{1}{2}$ per cent. Indeed, the business concern of the market has been much more directed to so technical a problem as the huge turnover of funds that must occur next Monday than to the possible reaction of military and naval affairs on the rate structure. Up to last Saturday £137,400,000 had been paid up on the new War Loan, leaving £163,600,000 to be transferred this week and on Monday next, the day when the second and final instalment of 90 per cent. is due. The whole of this sum will not be paid on that day. Official subscriptions to the Loan will have considerably reduced the actual turnover of funds caused by the operation, and there is no doubt that prepayments have been taking place during the past week at about the steady rate they have maintained ever since the loan was issued. But, none the less, it may be assumed that an exceptionally heavy turnover of funds awaits the market on the first day of next week. No one has expressed the slightest fear that it may react harshly on market conditions. The authorities are no doubt taking all the appropriate measures to neutralise this transfer. Those measures will probably be the purchase of very short-dated bills from the clearing banks, a technique which is now the mainstay of open market policy. In any case bankers' deposits shown in the latest Bank return at £123,915,000 are at a level which provides a fair measure of resilience for the big movements of funds that are to come.

The Chancellor on Free Sterling.—Sir John Simon's statement on the free market in sterling made in the House last Tuesday added little to the information available to the public. There are certain points, however, on which the assurances given with the authority of the Chancellor will be read with much interest. The first concerns the relative unimportance of the free market. "I am satisfied that the proportion of transactions carried out out-

side the official market is a very small one . . . and becomes very much smaller still if we allow for the fact that a very great proportion of our purchases are made from sterling- and franc-using areas and do not involve the intervention of foreign currencies at all." Thus, Sir John could deny all suggestions that the rates quoted in the free market were an important factor in the cost of living in this country. The second point was his statement that "it would be a wrong policy altogether to intervene in support of sterling in the free market"—an expression of opinion from which one may, presumably, claim the Chancellor's authority for saying that there has been no such support. Thirdly, Sir John Simon strongly deprecated all suggestions that the offerings of sterling in the free market should be curtailed by "blocking" foreign assets in this country. The decision not to block was taken "in accordance with the principles and traditions on which, in this market, foreigners have always felt able to rely." Sir John asserted that foreign holders of sterling had not used their freedom to take their money out of this country "to any substantial extent."

Sterling Remittances from Argentina.—Steps have been taken by the Argentine and British authorities this week to ensure that all remittances of sterling from Argentina to this country are effectively canalised in the official market. The new instructions apply more particularly to remittances in respect of financial services which under the agreement of 1933 were entitled to the official rate. These remittances must now be made through authorised Argentine institutions at the authorised rates for sterling based on a sterling rate for United States dollars of 4.02. The recent fall in the free sterling rate had meant that a considerable flow of remittances from Argentina to the sterling area had in fact been taking a triangular route

(Continued on page 693)

MONEY MARKET NOTES

THE news of the spreading of the war had an immediate adverse effect on free sterling, and on Tuesday the rate in New York opened 11½ points lower at 3.44, closing at 3.46½. On Wednesday, however, the rate was steadier, and Thursdays war news brought a big recovery, the rate opening at 3.56. In London, there has been almost no change in the official quotations, though fears of a German invasion of Belgium made the belga weaker on Thursday, the rate rising from 23.55-70 to 23.65-80. The guilder, on the other hand, was unchanged. Quotations of Norwegian and Danish crowns have been suspended, but the Swedish crown remains officially quoted at 16.85-95 kr. Wednesday's improvement in free sterling caused the unofficially quoted currencies to move in favour of the pound on Thursday.

The money market has been virtually unaffected by the week's events, although on Tuesday there was a slight diminution in the clearing banks' demands for bills. The following day, however, they were as keen buyers as ever, and bond money was readily available at ½ per cent.

The Bank Return shows bankers' deposits at the unusually high level of £123.9 millions. This is chiefly due to a return of notes from circulation to the amount of £3 millions, which has been allowed to have its full effect on the credit base, for though Government securities and other securities are down by a total of £1.1 millions, discount and advances are up by £2.3

millions. This has offset the small rise in public deposits.

Silver Supported.—The sudden flare up of hostilities immediately led to speculative demands for silver, much of it coming from the Indian market. The spot price thus rose this week from 20½d. to 20½d. in a market which remains exceptionally small, though on Thursday there was a decline of ½d. on the better turn of "free" sterling. For the time being fears of the psychological reactions to a deletion of the clauses in the United States Silver Purchase Act empowering the Treasury to buy imported silver have been brushed aside by the reactions of the Indian operator to the latest change in the military situation.

THE MONEY MARKET

	Apr. 13, 1939	Apr. 4, 1940	Apr. 11, 1940
Bank Rate.....	2	2	2
London Deposit Rate...	2	2	2
Short Loan Rates:			
Clearing Banks.....	1½-1*	1½-1½†	1½-1½†
Others.....	7/8-1	¾-1	¾-1
Discount Rates:			
Treasury Bills (3 mth.)	1½	1½	1½
Three months' bank bills	1½-5/8	1½	1½

* 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.

THE BANK RETURN

	Apr. 12, 1939	Mar. 27, 1940	Apr. 3, 1940	Apr. 10, 1940
Issue Dept. Gold	226.2	0.2	0.2	0.2
Value per oz. fine	148s. 6d.	168s. 0d.	168s. 0d.	168s. 0d.
Notes in circulation	489.7	543.1	542.4	539.4
Banking Dep.	37.5	38.2	38.8	41.8
Reserve...	17.7	43.1	22.4	22.9
Public Deps.	97.6	98.0	120.8	123.9
Bankers' Deps.	40.9	42.2	41.4	42.6
Govt. Secs.	108.7	134.2	137.6	137.2
Dis. & Adv.	6.3	6.1	3.2	5.5
Other Secs.	21.5	23.0	23.2	22.5
Proportion	24.0%	20.8%	21.0%	22.0%

THE BULLION MARKET

Date	Gold		Silver	
	Price per ounce fine*		Cash	Two Mths.
Apr. 5 1940	s. d.	d.	d.	d.
" 8	168 0	20½	20½	20½
" 9	168 0	20½	20½	20½
" 10	168 0	20½	20½	20½
" 11	168 0	20½	20½	20½

* Bank of England's official price.

(Continued from page 692)

via the free market for sterling in New York. By this detour the remitters could obtain a much more favourable rate than that to which they were entitled under the existing structure of direct official rates between the two countries. The Argentine railways, for example, had, by utilising the free market for their remittances, been able—quite legally of course—to remit to this country at a rate of approximately 15 pesos to the £ as against the railways' "special" rate of 16 to the £. The concession to the railways had, in fact, become valueless in relation to the rates obtainable in the free market. This was even more true of the facilities given for the remittance of funds for financial services at 17 pesos to the £. These rates will now become effective, as the recourse to triangular operations between pesos, dollars the sterling will no longer be possible. United Kingdom residents, who in transferring pesos into sterling follow the new instructions of the Argentine authorities, will fully comply with the British Defence Regulations defining the control of exchanges in this country. They will not, in other words, be called upon to sell the pesos in question to the Treasury. These instructions mark a further step in the contraction of the free sterling market, and since they do so by contracting the potential demand for sterling, they may well be followed by further weakening in the free sterling rate.

Clearing Banks and the War Loan.—The clearing bank statements for March were primarily scrutinised for the light they might throw on the reactions of the War Loan operation on the credit structure. From this angle the figures reveal very little. In the first place, the banks' investments are up by no more than £2,674,000, even though the latest total includes some of the banks' fully paid participation in the new loan. It is evident, therefore, that many cross currents have gone to create the modest net increase in the total. But even allowing on the most generous scale for these counter-movements, it does not appear that the clearing banks' direct participation in the loan can have been considerable—which is a most welcome conclusion, since it leaves them as virtually virgin soil to be exploited at a later date. The banks' advances are up by £6,350,000, a movement which is, in part, accounted for by special accommodation granted to private investors for the new loan. This contribution to the increase is probably small. The banks' facilities in this respect were primarily intended to help subscribers to even out the payments of the 90 per cent. instalment due next Monday. It is obvious that no one will have prepaid that instalment with the help of bank loans, since the charge on the loans is 3 per cent. while the discount on prepayment is only 1 per cent. The effect of this particular factor on the

banks' advances will thus be revealed in its true proportions when the April figures are published. Discounts and short loans are down in the aggregate by £25,045,000, a movement which compares with the reduction of £60,000,000 in the outstanding amount of Treasury bills issued through the tender over the month of March, and which is thus in accord with the normal seasonal trend of

	Mar., 1939	Nov., 1939	Dec., 1939	Jan., 1940	Feb., 1940	Mar., 1940
Capital and reserves	138.8	138.8	138.8	139.3	139.3	139.3
Acceptances, etc. ...	124.0	108.2	116.2	119.8	117.5	119.2
Notes in circulation	1.4	1.4	1.4	1.4	1.4	1.4
Current, deposit and other accounts ...	2,152.2	2,344.6	2,440.9	2,409.5	2,365.6	2,363.3
Total liabilities	2,416.4	2,593.0	2,697.3	2,670.0	2,623.8	2,623.2
Cash	232.4	245.2	274.2	241.5	247.3	248.6
Cheques, balances, & items in transit	60.4	69.8	118.8	91.2	80.2	92.5
Money at call.....	141.4	141.8	174.4	154.0	149.1	141.5
Discounts	190.3	353.3	333.9	387.8	353.1	335.7
Investments	611.0	610.8	609.3	610.3	608.6	611.2
Loans and advances	988.6	995.2	1,002.0	997.2	999.8	1,006.2
Investments in affiliated banks	24.2	24.2	24.3	23.5	23.5	23.5
Cover for acceptances, premises, &c.	168.1	152.7	160.4	164.5	162.2	164.0
Total assets ...	2,416.4	2,593.0	2,697.3	2,670.0	2,623.8	2,623.2

the floating debt over the final month of the financial year. Deposits, which show a reduction of only £2,358,000, would have been much more sharply down but for an increase of £12,284,000 in cheques in course of collection and other items in transit, which has duplicated the deposits total to the corresponding extent.

Fire Insurance of Government Stocks.—A note describing the agreement reached for covering the marine risks on Government-controlled stocks in the insurance market in *The Economist* of March 16th presaged a similar arrangement regarding fire insurance. This is now confirmed by an announcement that tariff companies, non-tariff companies and members of Lloyd's are to write the fire insurance on the large volume of commodities, home-produced or imported, that are under the control of the Ministries of Food and Supply. A special organisation, known as the Associated Fire Insurers' (Government Commodities) Management Committee, of which Mr A. S. Hinshelwood, the chairman of the Fire Offices' Committee, is chairman, has been set up to manage the scheme. Thus the fears which were expressed among fire insurers at the beginning of the war, that State control of stocks would mean that the Government would follow its peacetime practice of "self-insuring" its property, have been allayed.

INSURANCE NOTES

Clerical, Medical and General.—An indication of the substantial clientele of this society (an associate office of the Employers' Liability) is provided by the fact that in 1940 the average net sum assured per policy was as high as £800. The company suffered a fall in new business comparable with that shown by the other life companies—from £2,733,300 to £2,032,500. Premium income of the life fund for the year at £1,046,000 was, however, only fractionally lower than in 1939 (£1,048,700). There was an increase of 1s. 9d. per cent. in the gross rate of interest; probably this resulted from a more rigorous valuation of some of the assets, for a lowering of values on assets in the life fund automatically produces a higher recorded rate of interest per cent. Over £207,000 was absorbed in the writing-down of Stock Exchange securities and in losses on securities realised. The net rate fell by 2s. 8d. per cent. to £3 13s. 6d. per cent. as a result of higher taxation. The

accounts show an undistributed surplus of over £2,000,000. Loans on medical practices have been reduced from £742,600 to £700,400—a welcome movement in present circumstances; British Government securities, never very large, have fallen from £652,500 to £405,200, and the interest in the Clerical and General Investment Trust, valued at £750,000 in the 1939 balance sheet, was disposed of during the year.

Wesleyan and General.—The new business in the ordinary department declined, from £1,498,100 to £1,178,300, in common with the general experience, and claims by maturity of endowment assurances rose, from £353,900 to £695,100, as a result of the antecedent growth of business, so that the life fund in this department, amounting to £6,501,800 at the year-end, was fractionally lower than twelve months previously. In the industrial department the movements in

new business—which fell from £3,635,000 to £3,204,100—and in claims by maturity were similar but less marked and the resultant life fund was rather higher at the end of 1939 (£8,470,100 compared with £8,220,800 a year earlier). The net rate of interest earned was naturally lower in the ordinary department at £3 13s. 3d. per cent., a fall of 3s. 11d. per cent. In the industrial branch, tax is not paid on interest earnings, but on profits; consequently the earned rate actually increased by 2d. per cent. to £4 10s. 1d. per cent. The society was successful in reducing its industrial expense ratio slightly; including in the expenses the allocation to staff bonus from the annual surplus, the decline was from 36.8 per cent. to 36.3 per cent. Unfortunately, conditions are not now very propitious for more substantial declines in this ratio. From the surplus in the ordinary branch reversionary bonuses of £1 per cent., compared

(Continued on page 708)

Investment

Confidence and Calm.—It stands to the credit of the stock markets that the broadening of the war by Germany's invasion of Denmark and Norway has been received with a calm confidence, and that free dealing conditions have been maintained. There has been no artificial element in this week's price movements, and those movements, in the circumstances, have been small. The nerves of so sensitive an instrument as the Stock Exchange are naturally tested when no news, or only unconfirmed reports, of the progress of British action are received, but they have stood firm. In the gilt-edged market, losses of up to half a point were recorded in the "irredeemable" group on Tuesday, and although Wednesday was not a cheerful day, the market was able to recover its optimism towards the close, and so to limit the extent of the day's declines to a quarter of a point on balance. Thursday's opening was

	April 5	April 8	April 9	April 10	April 11	Net change since April 5
2½% Consols	72½	71¾	71¾	71½	71½	-1½
3½% War Loan	99½	99	99	98½	98½	-7½
3% War Loan	99½	99½	99½	99½	99½	-58
2½% Nat. Def.	99½	99½	99½	99½	99½	-9½
L.M.S. Ord.	24	22½	22½	22½	23½	-1½
L.N.E.R. 2nd pref.	20½	20	20	19½	20	-7½
G.W. Ord.	49	47¾	47¾	47¼	49½	+1½
Southern Def.	22	20¾	20¾	20½	21¼	-5¼
John Brown	32/6	31/9	31/9	31/9	32/3	-3d.
Courtaulds	39/0	38/6	38/9	38/6	38/7½	-4½d.
Dunlop	38/3	35/6xd	35/3xd	35/3xd	36/9	-1½
Lancs Cotton	24/1½	23/6	23/7½	23/4½	23/10½	-3d.
Turner & Newall	65/6	64/6	64/6	64/6	64/6	-1½
Woolworth	64/9	63/6	63/6	63/6	64/-	-9d.
Shell	327½	325½	325½	324	313½	-132
Trinidad Leaseholds	315½	317½	317½	317½	317½	+116
Crown Mines	137½	137½	137½	137½	14	+18
W. Wits.	315½	315½	315½	315½	315½	-
"Financial News" Index	124.9	125.0	124.6	124.2	124.4	-5
Fixed Interest	77.5	77.6	76.6	76.1	76.8	-7

naturally more confident, on the encouraging but unofficial reports which had been received of the course of hostilities off the Norwegian coast, but after gilt-edged had gained an initial half-point, the market adopted a "wait and see" attitude. Trade has never been dead, and it is possible that investment business for the first four days of the week would compare quite well with the volume for the first four days of last week. In groups like home rail stocks and Brazilian bonds, which have recently attracted speculative attention, the intermediate losses were more appreciable, but the recovery on Thursday, by the same token, was correspondingly sharper. Investors are, in fact, disposed to draw encouraging conclusions from the fact that Germany has chosen to extend the war in a direction which involves decisive sea supremacy for its success. The first round of active warfare has tested the market, and not found it wanting either in patience or in logic.

Scandinavian Securities.—The invasion of Denmark and Norway by Germany was inevitably followed by the calling of purely nominal prices for the majority of Scandinavian securities. The following table shows the nominal movements in leading Danish and Norwegian State and municipal stocks between Friday last week and Wednesday this week.

	Official List Quotations			Latest marking and date
	April 5	April 8	April 10	
<i>Denmark</i>				
4% 1912	50-70	50-70	20-50	52 (April 4)
3% Mort. Bank	30-50	30-50	10-40	37 (April 1)
4% Copenhagen 1910	50-70	50-70	20-50	54 (March 28)
4% Assoc. Municipalities ...	40-50	40-50	20-40	40 (April 5)
<i>Norway</i>				
3% Conversion 1888	50-70	50-70	40-60	57 (March 8)
4% Mort. Bank	50-70	50-70	40-60	60 (April 5)
4% Christiania (Oslo)	60-80xd	60-80	50-70	70 (March 26)
4% Bergen 1935	50-70	50-70	30-50	55 (April 3)

Such prices have little meaning. On Thursday the leading Norwegian issues were called 50-60 nominal, and Danish 4 per cent. Associated Municipalities 20-30 nominal. Business was apparently reported in the Norwegian 3½ per cent. Loan, 1904-05, at 65, though this must, in the circumstances, obviously be regarded as a high figure. Swedish industrial securities, which had in recent weeks shown some recovery, became virtually unmarketable. Swedish Match, for example, which at the end of last week was quoted at 10s. nominal, was reduced to 8s. 9d. nominal on Wednesday and recovered to 9s. 6d. on Thursday. The violation of Denmark and Norway may interrupt the record of regular debt payments which these countries have scrupulously honoured in the past, but their bonds will stand high in the defaulted class, if they should be interned there for the duration. Both countries have repurchased their own bonds freely in the London market and hold other securities which would be realisable in foreign exchange. It is all to the good, therefore, that an official notice has immediately been posted that transaction of business on behalf of any resident in Denmark is forbidden except under licence from the Trading with the Enemy Branch. The most careful attention should clearly be given to sales from any neutral source whose good faith is not fully guaranteed, in order that the German Government may be frustrated in any attempt to obtain further supplies of foreign exchange by theft from their latest victims.

Fortnightly Accounts.—It may be assumed that the suggestion that fortnightly accounts should be reintroduced on the Stock Exchange finds no favour with the Committee. At the outbreak of war one of the first steps which the Committee took, doubtless in conjunction with the authorities, was to introduce cash dealings. This step, which ran counter to established practices and involved substantial changes in Stock Exchange rules and procedure, found no critics. Its effect in reducing speculative activity was only incidental to its main purpose—that of maintaining, as far as possible, even positions and of safeguarding both brokers and jobbers against the inevitable risks in wartime of running open positions for as long as a fortnight. From the broker's point of view, cash dealings are not convenient. The task of day-to-day clearings of bargains, instead of the efficient settlement of the normal account, is the more irksome now that Stock Exchange staffs have been so seriously depleted, but that inconvenience is cheerfully borne. And it is probably not greater than the inconvenience which would be imposed upon the banking system if a fortnightly settlement were reintroduced. Both as a financial safeguard and as a measure of relief to the banking system the balance of argument is clearly in favour of the retention of cash dealings. There is little evidence that the system hampers general investment business. And there is no point in granting facilities which might assist speculative activity at the expense of the more serious task of financing the war.

Company Notes

Capital Issues and the Control.—Our quarterly figures of new capital issues, which appear at the foot of this page, can safely be left to tell their own story. During the past quarter the British Government raised £371,825,000 by the issue of 3 per cent. War Loan (of which a 90 per cent. call remained outstanding at the end of the quarter) and by sales of National Savings Certificates and 3 per cent. Defence Bonds to the extent of £71,825,000. The degree of control can be measured by the fact that less than £750,000 was added to the "Old Basis" totals and little over £5 millions to the more comprehensive "New Basis" figures, by industrial issues. Home corporations and foreign borrowers were entirely absent from the market. The absence of the latter is to be understood, but the former might at least have hoped to appear in the tabulation of conversion issues, for they have substantial amounts of debt carrying high rates of interest which are redeemable during this year. The Treasury, however, monopolised the conversion lists, in order to replace the 4½ per cent. Conversion Loan by the new 2 per cent. bonds, 1943-45, and home corporations are still debarred entry to the market. Although the Capital Issues Committee is permitting issues to shareholders for cash and bonus share distributions where good reason can be shown, the past quarter's figures give a vivid impression of a capital market under rigid control. That control is an essential feature of the economic war effort, but it needs to be tempered with a wise discretion in the case of issues which involve no new net investment of funds, and therefore do not, in general, affect the success of the Government's War Loans policy. The 3 per cent. war is now a familiar maxim. It will not be made more effective, in the long run, by preventing local authorities from converting 5 and 6 per cent. obligations to a wartime interest basis when suitable market opportunities occur.

Dunlop Rubber Progress.—The Dunlop Rubber profits announcement for 1939 must be regarded as the most satisfactory of its kind since the war began. Favourable trading conditions, especially overseas, are reported, and it is emphasised that although Government orders have naturally increased since the war, such orders represented only 7½ per cent. of the group's turnover. Net profits, apparently struck after depreciation, debenture interest and fees, total £2,853,133, against £1,501,000. But even after the large increases in tax provisions which have recently been reported, Dunlop's total allocation of £1,527,474, against £386,109, is staggering, although the latest sum includes £500,000 for income-tax reserve towards the 1940-41 liability. After charging preference dividends, equity earnings amount to £1,100,659, against £838,222, and are equivalent to 21.1 per cent., against 13.7 per cent. The distribution is increased from 9 per cent. to 12 per cent. by a 3 per cent. addition to the cash bonus. A sum of £248,228 is provided for a special reserve against investments in subsidiaries, presumably on account of overseas interests, and contingencies reserve receives £200,000. Even after treating the special investments provision as a charge, equity earnings would cover the increased dividend with a 4.4 per cent. margin. Shareholders will await the full report with eagerness for further light on these most impressive results.

British Celanese Arrears.—The announcement that a half-year's dividend on British Celanese second preference shares is to be paid is an obvious indication that the satisfactory trading conditions, referred to at the annual meeting, have been enhanced. Last January all outstanding

TABLE I
TOTAL BORROWING (Million £)

First Quarter of Year	British				Empire Foreign	Total Issues	Indices
	Government	Home Corporations*	Others	Total Home			
BY DIRECT PUBLIC OFFER (Old Basis)							
1928	85.8	1.0	47.6	134.4	21.6	13.0	169.0
1932	Dr. 3.0	9.8	6.0	12.8	4.9	Nil	17.7
1933	8.5	9.5	8.7	26.7	2.3	0.0	29.0
1935	3.0	3.1	18.3	24.4	2.7	0.2	27.3
1936	0.7	40.5	15.7	55.9	4.8	0.2	61.9
1937	0.3	8.9	28.8	38.0	5.0	Nil	43.0
1938	0.7	9.7	10.7	21.1	4.2	2.4	27.7
1939	0.3	1.5	14.1	15.9	3.5	0.2	19.6
1940	371.8	Nil	0.7	372.5	0.1	Nil	372.6
INCLUDING " PERMISSION TO DEAL " (New Basis)							
1935	3.0	3.8	57.4	64.2	9.1	1.4	74.7
1936	0.7	40.9	43.3	84.9	6.5	3.3	94.7
1937	6.9	9.3	71.2	87.4	26.3	1.1	114.8
1938	0.7	10.2	24.3	35.2	6.9	2.5	44.6
1939	0.3	1.5	21.6	23.4	8.2	0.2	31.8
1940	371.8	Nil	4.6	376.4	0.4	Nil	376.8

* Including county and public board loans.

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

	1933	1934	1935	1936	1937	1938	1939	1940
BY PROSPECTUS								
Debentures	3.5	2.0	4.6	4.1	7.8	3.3	3.1	Nil
Preference	3.4	3.4	7.9	4.4	7.1	2.3	0.9	0.1
Ordinary	2.0	6.2	8.7	12.1	18.6	9.6	5.2	0.6
Total (Old Basis)	8.9	11.6	21.2	20.6	33.5	15.2	9.2	0.7
INCLUDING "PERMISSION TO DEAL"								
Debentures	...	...	15.0	5.9	12.5	7.1	6.3	1.0
Preference	...	...	14.4	10.7	12.5	3.8	1.6	0.3
Ordinary	...	...	37.9	35.1	72.3	20.5	13.5	3.7
Total (New Basis)	...	...	67.3	51.7	97.3	31.4	21.4	5.0

TABLE III
ANALYSIS OF NEW CAPITAL APPLICATIONS (Excluding Conversions)

	Total for First Quarter of Years			
	Old Basis		New Basis	
	1938	1939	1938	1939
British Government Loans	250,000	371,825,000	250,000	371,825,000
Colonial Government Loans	1,287,000	Nil	1,287,000	Nil
Foreign Government Loans	Nil	Nil	Nil	Nil
British Corporation, County and Public Board Loans	1,455,000	Nil	1,455,000	Nil
Colonial Corporations and Public Boards	Nil	Nil	Nil	Nil
Foreign Corporations	7,387,500	Nil	7,387,500	Nil
British Railways	Nil	Nil	Nil	Nil
Colonial Railways	Nil	Nil	Nil	Nil
Foreign Railways	Nil	Nil	Nil	Nil
Australasian Mines	852,300	Nil	1,805,400	49,300
South African Mines	1,355,900	Nil	4,855,900	49,300
Other Mines	114,600	Nil	1,028,100	Nil
Exploration, Financial and Investment Trust	444,700	99,000	444,700	158,400
Breweries and Distilleries	88,700	Nil	88,700	Nil
Merchants, Importers, etc.	Nil	Nil	1,037,500	1,250,000
Stores and Trading	Nil	142,400	Nil	142,400
Estate and Land	Nil	90,300	Nil	5,100
Rubber	Nil	Nil	Nil	Nil
Oil	2,315,000	202,000	3,169,100	202,000
Iron, Coal, Steel and Engineering	1,236,000	Nil	1,236,000	351,800
Electric Light, Power and Telegraph	Nil	Nil	994,200	754,500
Tramway and Omnibus	Nil	Nil	Nil	80,900
Motor Traction and Manufacturing	Nil	Nil	1,513,100	641,100
Gas and Water	666,600	Nil	666,600	60,100
Hotels, Theatres and Entertainment	Nil	Nil	Nil	Nil
Patents & Proprietary Articles	Nil	Nil	Nil	Nil
Docks, Harbours & Shipping	Nil	Nil	Nil	Nil
Banks and Insurance	2,280,000	303,100	4,508,400	1,313,200
Manufacturing and Miscellaneous	19,633,300	372,571,500	31,815,500	376,833,800
Total				

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

	1935	1936	1937	1938	1939	1940
British Government	Nil	Nil	Nil	Nil	Nil	352.7
Other Conversions	67.8	44.2	28.6	13.3	1.1	Nil
Total	67.8	44.2	28.6	13.3	1.1	352.7

arrears on the 7 per cent. cumulative first preference shares were paid off, and in December last Dr Dreyfus pointed out that the rate of profit then being earned was about sufficient to cover annual dividend requirements on both classes of preference shares. The latest announcement thus implements the chairman's statement that if profits continued to increase a start would be made in paying the current dividend on the 7½ per cent. participating second cumulative shares. By the end of this month total arrears on these shares will amount to £3,028,125 gross, and the payment of six months' dividend on May 21st will reduce that sum by £159,375 gross. The new payment will thus make no impression on outstanding arrears. Indeed, it is not intended to; the most that has been foreshadowed is the payment of current dividends. When earnings have run for some time at a satisfactory rate, it is hoped to recommend a suitable funding scheme. Since the stabilisation of the rayon industry has been achieved, such hopes have moved from the nebulous stage towards actuality. On prospects of a funding scheme and the ultimate possibility of dividends, the ordinary shares now stand at 8s. 3d.

Pinchin Johnson Recovery.—From about November 1938, until the beginning of war, there was a sufficient recovery in business to provide Pinchin Johnson with total profits of £363,866 in 1939, against £300,622 in 1938. Both sales and production increased in the earlier part of the year, and although the four war months brought a certain amount of difficulty and dislocation, output was well maintained. The course of profits in the past three years is shown in the following table:—

	Years ended December 31,	1937	1938	1939
Total profit	£	389,344	300,621	363,866
Taxes	£	92,000	104,000	120,000
Expenses	£	18,750	13,531	8,319
Pref. dividends	£	33,931	33,051	30,038
Ordinary shares—				
Earned	£	244,663	150,039	205,509
Paid	£	244,641	170,212	126,011
Earned %	%	17.5	11.0	16.3
Paid %	%	17½	12½	10
Invest. depreciation, loss and contingencies	£	...	...	53,486
Carry forward	£	98,251	94,870†	120,882

† Including £16,792 income tax recovery.

Even after increased taxation provision—E.P.T. is not specifically mentioned, and indeed would not seem to be payable, from the published accounts—equity earnings are £55,470 higher. Dividend policy is perhaps the most interesting feature of the latest accounts, for in spite of the recovery in profits, the dividend is reduced from 12½ per cent. to 10 per cent. This is partly due to a provision of £53,486 (including £13,486 loss on realisation of securities) for investment depreciation and contingencies, and if this sum were treated as a charge, equity earnings would amount to 12.1 per cent. instead of 16.3 per cent. But it is also due to the need for conserving cash resources, owing to the higher value of stocks and to the need for maintaining adequate raw material reserves. Already by the end of December, stocks stood at £673,450 against £611,003, while cash had fallen from £406,854 to £295,818. Depreciation of the market value of holdings in a subsidiary has led the company to write down their book value by an appropriation from general reserve. Investments in subsidiaries at market value stand in the latest balance sheet at £542,111 against £629,301, and general reserves at £674,150 against £761,340. Before forming an opinion of the company's prospects under war conditions, shareholders may prefer to await next Tuesday's meeting, but in the meantime they will approve the declared intention

of maintaining the maximum technical efficiency of the business. At a current price of 21s. 1½d. the 10s. shares yield £4 14s. 8d. per cent.

Amalgamated Anthracite Report.—The 3 per cent. rise in Amalgamated Anthracite total profits in 1939 from £296,803 to £307,513 is perhaps rather smaller than might have been expected. But the company's profits from the anthracite trade are not determined by the same factors which control colliery earnings at large. A certain amount of dislocation caused by the war was not corrected until 1940. And as the taxation provision is very small (£20,116, against £16,345), part at least of total profits has presumably been received by the parent company after deduction of tax by the subsidiaries. After meeting fixed charges, including funding certificate redemption and £80,000, against £40,000 (that is, a full instead of a half-year's provision), for reserve for depreciation of group plant and machinery, there remains £76,348, against £88,120, available for dividend. Dividend arrears having been cancelled up to the end of 1938, the £1 cumulative participating preference shares receive for 1939 their full 3½ per cent. cumulative dividend. This absorbs £54,301 net, and the surplus of £22,047 is added to the carry forward. The parent company's balance sheet now shows more completely the effects of reconstruction, since Court sanction to the capital reduction had not been obtained by December, 1938. The assets revaluation deficiency account of £4,918,339 has disappeared, with a corresponding reduction in ordinary capital from £6,718,260 to £1,799,921. In the consolidated balance sheet, actual changes in the past year are not large, the most important being a rise in debtors from £757,437 to £930,261. Since at the meeting last July Mr Szarvasy referred to export trade with France, Canada and the United States, and as home trade was reported as satisfactory, the outlook for the current year may be considered encouraging, in spite of rising costs. The 4s. ordinary shares now stand at 1s. 3d.

"Three Counties" Electric Progress.—This important constituent of Edmundsons' Electricity group does not publish any details of operating results, but the accounts for 1939 provide evidence of a very satisfactory year. Receipts, which are shown net, are 11 per cent. higher, an increase which, in view of the 1939 trend of costs, probably results from a still higher gain in gross revenue. Accounts for the past three years are summarised below:—

	Years ended December 31	1937	1938	1939
Total income	£	819,435	802,109	887,778
Rates	£	65,470	70,376	93,929
Debt int.	£	156,250	156,250	156,250
Other expenses	£	54,033	47,649	63,582
Preference divs.	£	135,000	135,000	135,000
"A" and "B" ord. shares—				
Earned	£	408,682	392,834	439,017
Paid "A"	£	24,000	24,000	24,000
Paid "B"	£	134,750	134,750	134,750
Paid % "A"	%	8	8	8
Paid % "B"	%	5½	5½	5½
To reserves	£	240,000	260,000	315,000
Income tax credits	£	...	Cr. 27,500	Cr. 40,000
Carry forward	£	65,343	66,927	72,194

After a large addition to the cost of rates and a special item of £14,568 for compensation to employees, there remains a substantial addition to equity earnings of £46,183, even without taking income tax credits into account. Distribution, however, remains on the same conservative lines as in the previous two years. The reserve allocation is increased by £30,000 to £290,000, and a new reserve for contingencies has been opened with a provision of £25,000. In accordance with the company's

policy of incorporating subsidiaries' assets into the main undertaking, gross interests in subsidiaries have been reduced from £831,152 to £487,716 and investments, which previously stood at £294,864, have practically been eliminated. This company provides another instance in which capital requirements have been met by resort to temporary finance, for the bank overdraft has risen from £76,309 to £294,935. "Three Counties" has a large industrial load, and prospects for the current year should be satisfactory. At 28s. 6d., the £1 "B" shares yield £3 17s. 2d. per cent.

United States Steel Report.—Those company directors in this country who still consider that accounts should present the minimum of information in the most

unattractive manner may be recommended to study the report of the United States Steel Corporation for 1939. It is a document of absorbing interest; it contains 29 pages of detailed facts and figures; and it presents this information in a most readable manner. It provides an analysis showing the allocation of the total amount received from sales of goods to pay for purchases, depreciation, taxes, wages, interest and profits. As an example in effective public relations statements, this would be hard to excel, and only one company—Triplex Safety Glass—has attempted the same sort of statement in this country. The report itself shows that consolidated income of the Corporation and its subsidiaries rose from \$632.5 millions to \$904.2 millions last year, and a net operating loss of \$2,150,238 in 1938 was converted into a surplus of \$59,952,568 last year. Earnings available for dividends amounted to \$41.1 millions, against

UNION CORPORATION, LIMITED

(Incorporated in the Union of South Africa.)

ABRIDGED REPORT OF THE DIRECTORS

In submitting to the Shareholders the Accounts of the Corporation for the year ended December 31st, 1939, the Directors state:—

The Accounts are drawn up in Union of South Africa currency, United Kingdom currency being taken at par.

The profit for the year is £618,296 18s. 10d., plus £124,340 19s. 8d. brought forward, making a total of £742,637 18s. 6d. A final dividend of five shillings and sixpence (U.K. currency) per share was declared absorbing at par £423,500, making, with the interim dividend of two shillings and sixpence, a total of eight shillings, or £616,000 for the year. £126,637 18s. 6d. remains to be carried forward.

Those shareholders entitled to receive payment of the dividend in the Union of South Africa will be paid at par provided there is no material difference between the Union and U.K. currencies on the day the dividend is payable. Should there be any material difference between the two currencies, payment will be made in Union currency

calculated at the rate of exchange ruling on that day. The amount payable to present holders in South Africa of Share Warrants to Bearer will be on the same basis irrespective of the date of presentation of coupons.

Exploration expenses incurred during the year amounting to £56,516 13s. 3d. have been charged directly to Exploration Reserve Account, leaving a balance of £147,320 15s. 1d. to be carried forward on that account.

Holdings of Shares, Debentures and other securities have been taken into the Accounts at cost or under, but in no case above the market price of December 31st. At present last, or, where no market price exists, above the Directors' valuation. At present market prices, these holdings show a very substantial surplus over the amount at which they stand in the Balance Sheet. The Directors, as on other occasions, have thought it expedient to provide for contingencies by reducing the book cost of certain holdings both below cost and below market price.

The operating results of EAST GEDULD MINES have been as follows:—

	Tons milled	Gold output (and per ton)	Price per oz.	Working costs (and per ton)	Working profit (and per ton)	Dividends (and per share)
1938	1,751,800	£3,598,978 (41.1)	142s.	£1,413,265 (16/2)	£2,185,713 (24/11)	£1,035,000 (11/6)
1939	1,829,000	£3,912,292 (42.9)	148s.	1,435,976 (15/8)	2,476,316 (27/1)	1,215,000 (13/6)

The ore reserves at December 31st last amounted to 11,500,000 tons assaying 5.7 dwt. per ton over a stoping width of 56 inches.

The operating results of GEDULD PROPRIETARY MINES have been as follows:—

	Tons milled	Gold output (and per ton)	Price per oz.	Working costs (and per ton)	Working profit (and per ton)	Dividends (and per share)
1938	1,328,500	£2,323,607 (35.0)	142s.	£967,990 (14/7)	£1,355,617 (20/5)	£1,095,643 (15/0)
1939	1,365,000	2,340,341 (34.3)	148s.	1,013,811 (14/10)	1,326,530 (19/5)	1,168,686 (16/0)

In addition to the profits earned from its own operations, the Company received revenue from other sources amounting to £489,312, which figure includes £460,077 in respect of dividends received on its large shareholdings in East Geduld Mines and Grootvlei Proprietary Mines.

The ore reserves at December 31st last amounted to 8,900,000 tons assaying 4.7 dwt. per ton over a stoping width of 56 inches.

The operating results of THE GROOTVLEI PROPRIETARY MINES for the first full year are as follows:—

	Tons milled	Gold output (and per ton)	Price per oz.	Working costs (and per ton)	Working profit (and per ton)	Dividends (and per share)
1939	947,500	£1,669,916 (35/3)	148s.	£1,066,603 (22/6)	£603,313 (12/9)	£408,750 (3/0)

The extension of the reduction plant to 80,000 tons per month was brought into commission in March, 1939. The plant is giving most satisfactory results and has demonstrated that its actual capacity is well above its nominal capacity.

The ore reserves at December 31st last amounted to 5,250,000 tons assaying 5.5 dwt. per ton over a stoping width of 52 inches.

The ore reserves of MARIEVALE CONSOLIDATED MINES at December 31st last amounted to 1,700,000 tons assaying 5.8 dwt. per ton over a stoping width of 40 inches.

The reduction plant commenced operations on 1st November. Milling results were adversely affected in the initial stages by the usual absorption of gold in the plant and by the high proportion of low grade development rock sent to the mill. While steady

progress is being made, it will be some time before normal milling conditions are reached.

THE MODDERFONTEIN DEEP LEVELS went into liquidation in 1936. For the liquidation year ended September 30th last, 590,900 tons were milled for a profit of 2s. 7d. per ton milled. Liquidation Distributions of 4½d. and 3d. per share were declared in 1939, bringing the total Liquidation Distribution to date to 3s. 10½d. per share.

The ore reserves at September 30th last amounted to 1,100,000 tons assaying 3.0 dwt. per ton over a stoping width of 70 inches.

The operating results of VAN DYK CONSOLIDATED MINES for 1939, the first full year, are as follows:—

	Tons milled	Gold output (and per ton)	Price per oz.	Working costs (and per ton)	Working profit (and per ton)	Dividends (and per share)
1939	1,026,600	£1,836,101 (35/9)	148s.	£1,171,551 (22/10)	£664,550 (12/11)	£412,500 (1/6)

The extension of the reduction plant to 80,000 tons per month was completed by the end of March, 1939. The actual capacity of the plant considerably exceeds its nominal capacity.

The ore reserves at December 31st last amounted to 2,600,000 tons assaying 5.6 dwt. per ton over a stoping width of 40 inches.

The farms in the northern portion of the ORANGE FREE STATE—adjoining the property of the WESTERN REELS EXPLORATION & DEVELOPMENT COMPANY—together with another small area further south, have been retained under option.

As a result of drilling operations in the area south of the Sand River, options over a portion have been abandoned and drilling is now being carried out on the remainder of the ground.

In a portion of the area north of the Sand River drilling by Western Holdings, Limited, with whom the Corporation is collaborating, has revealed the existence of a reef zone. Payable gold values have been found in this zone and drilling thereon is still proceeding.

BAY HALL TRUST net profit for 1939 was £86,433. A dividend of 6½ per cent. was declared absorbing £65,381. The carry-forward was increased by £21,052 to £71,567. The Trust's investments as at December 31st last showed, at their current market prices, an appreciation of £40,522.

BRITISH ENKA ARTIFICIAL SILK COMPANY has benefited by the better prices secured for its Rayon production and the plant is operating profitably.

SAN FRANCISCO MINES OF MEXICO suffered a net loss of £96,520 for the financial year to September 30th, 1939, to be accounted for by low metal prices, high Mexican taxation and continued difficulties with Labour. The mill treated 475,790 tons of ore. A small operating profit is now being earned.

SELECTION TRUST paid a dividend of 9d. per share for the year ended 31st March, 1939. Its principal holdings are in the American Metal Company, Consolidated African Selection Trust and Trepeca Mines.

SOUTH AFRICAN PULP & PAPER INDUSTRIES' plant was brought into production in the early part of the year. Its initial operation was adversely affected by the usual difficulties which are inherent in the establishment of a new industry of considerable magnitude under novel conditions. These difficulties are gradually being overcome. The sale of the Company's products was at first seriously handicapped by severe Continental competition, and the fact that consumers had accumulated important stocks of imported paper owing to the disturbed international situation. With the outbreak of war, the situation changed radically, and the Company's problem became one of increasing its production to full capacity to meet the increasing demand for its products. In the main, however, the improvement in the affairs of the Company was not apparent until the current year and meanwhile the Accounts for the year 1939 show a loss of about £85,000.

RHODESIA AND WEST AFRICA. The revenue of Roan Antelope Copper Mines and Rhodesian Selection Trust was maintained at a fairly steady level. The profits of Consolidated African Selection Trust in the year to 30th June, 1939, reflected the lower level of diamond sales during that period.

HOLDERS OF SHARE WARRANTS TO BEARER CAN OBTAIN COPIES OF THE FULL REPORT AND ACCOUNTS ON APPLICATION AT THE LONDON OFFICE, PRINCES HOUSE, 95 GRESHAM STREET, E.C.2

a deficit of \$7.7 millions in 1938, and after paying the \$7.00 per share dividend on the preferred stock, a surplus equivalent to \$1.84 per common share was earned, compared with a deficit of \$3.79 in 1938. The increased output achieved last year was comparable with that of 1936, although earnings were not restored to that year's level, since lower prices prevailed for a considerable part of the total tonnage. Nor, apparently, were unit costs reduced sufficiently to offset the effect of lower prices. The review of the chairman points out that war orders represent only a fleeting prosperity and also distort normal economic production. The emphasis which the management places on the prospect of enduring peace as a prerequisite of a lasting prosperity is justified, but to the extent that the war influences general business conditions in the United States, the Corporation, which supplies the major construction and engineering industries, can expect to benefit. United States Steel common stock, which stood at one time last year as low as \$44½, now stands at \$77.0. Dealings in the stock by British residents are, of course, restricted.

Mining Reports

Union Corporation Report.—Published profits of Union Corporation, as for other finance companies, are not an exact reflection of trading conditions, for they include capital and revenue profits alike, and are struck after taxation and provisions for writing down investments. A small rise in profit, however, from £674,857 for 1938 to £679,306 for 1939 suggests that higher dividend receipts have offset any further decline in capital profits. After charging expenses, earnings for the ordinary shares amount to £618,297, against £611,535, and the repeated dividend of 64 per cent., absorbing £616,000, is covered with a small margin of disclosed earnings. The balance sheet shows few substantial changes, but it discloses holdings of £3,367,995 in companies other than subsidiaries plus £263,568 interests in subsidiaries, against £3,390,447 for "share and debenture holdings" in the previous year. As usual, the report contains invaluable information concerning the gold industry in general as well as the Union Corporation group. During 1939 the three new mines of the group accounted for 35 per cent. of the group's tonnage milled, against 17 per cent. in 1938, and their necessarily higher costs are responsible for the rise from 16s. 10d. to 18s. 1d. in the group's working costs per ton. The average value of yield, however, rose from 34s. 2d. to 35s. 8d. a ton. At 7½, Union Corporation 12s. 6d. shares yield £5 6s. 8d. per cent.

"Johnnies" Group Results.—The results of the four Rand mines in the Johannesburg Consolidated Investment Group are summarised in the accompanying table, which shows in each case weakened ore reserve positions and reduced profits last year. The ore reserves of *Randfontein* show another serious fall in tonnage. Development was accelerated in the Rock Tunnel Reef and 625,000 tons are included this year in the reserves from this source, and

it is clearly hoped that this reef will produce substantial tonnages in the future. The tonnage milled and profits were reduced, but dividends were maintained at 22½ per cent., upon which basis the yield is 11.5 per cent. The mine probably suffered from labour shortage during the year, but difficulty is clearly being encountered in the endeavour to maintain the ore reserves, which have been showing a falling tendency for some time past. The ore reserve position at this mine will continue to be watched with some concern. There is a slight increase in the tonnage of the *Government Areas* reserves, but another serious fall in grade of 0.5 dwt. Development in the Black Reef and in the Upper Leaders was accelerated and 2,110,000 tons of these lower-grade reefs are included in the reserves this year, an increase of 632,000 tons over the previous year. It appears clear that the grade of the ore reserves will continue to fall as more of these low-grade reefs are

	1939 Ore Reserves	Grade	Change compared with 1938	Profit	Change compared with 1938
	Thous. tons	Dwt.	Thous. tons	Dwt.	£
Randfontein	13,079	3.7	471	0.1	1,319,913
Govt. Areas	9,800	5.2	188	0.5	1,987,601
Van Ryn	3,241	3.1	83	0.2	272,305
New State Areas	4,098	5.3	41	0.5	1,712,191
					£7,717
					202,534
					129,488
					15,381

gradually included in the reserves. The additional plant to deal with a further 30,000 tons a month should shortly be in operation. The yearly profit fell substantially and dividends were reduced from 3s. 6d. to 3s. 4½d., on which latter basis the yield is 10 per cent. This mine appears to have passed its prime. *Van Ryn Deep* shows a further fall in reserves, both in tonnage and in grade. With the decreased tonnage milled and a further fall in grade to under 3 dwts. per ton, profits showed a substantial decline and dividends of 3s. 6d. were paid as against 4s. 6d. for 1938. The increased price of gold should have a material effect upon the future of this old mine, but its life is necessarily very limited. A small increase in tonnage, but a heavy reduction of 0.5 dwt. in grade is shown in the reserves of *New State Areas*. Tonnage milled and profits were approximately the same as for the previous year, and dividends of 6s. were paid, as for the last three years. The grade of the reserves is likely to continue falling and the life of the mine is somewhat limited. On these considerations, the present yield of 13.7 per cent. does not seem to be excessive.

Simmer and Jack and Robinson Deep.—Despite the serious shortage of labour, Simmer and Jack reports a very satisfactory year. Ore reserves were increased by no less than 767,000 tons, with a decline in grade of 0.2 dwt. The expansion programme to increase milling capacity to 180,000 tons a month is proceeding well, and, given an adequate supply of native labour, this tonnage should be attained by the end of this year. This is evidenced by the achievement of a record tonnage of 130,000 tons milled in March, as against 118,000 tons in January. The

THE PROVIDENT ASSOCIATION OF LONDON

PROVIDENT HOUSE, 246 BISHOPSGATE, LONDON, E.C. 2.

Authorised by Act of Parliament, Intituled Provident Association of London Act, 1910.

LIFE ASSURANCE WITH HOUSE PURCHASE PRIVILEGES.

ATTRACTIVE ANNUITY RATES.

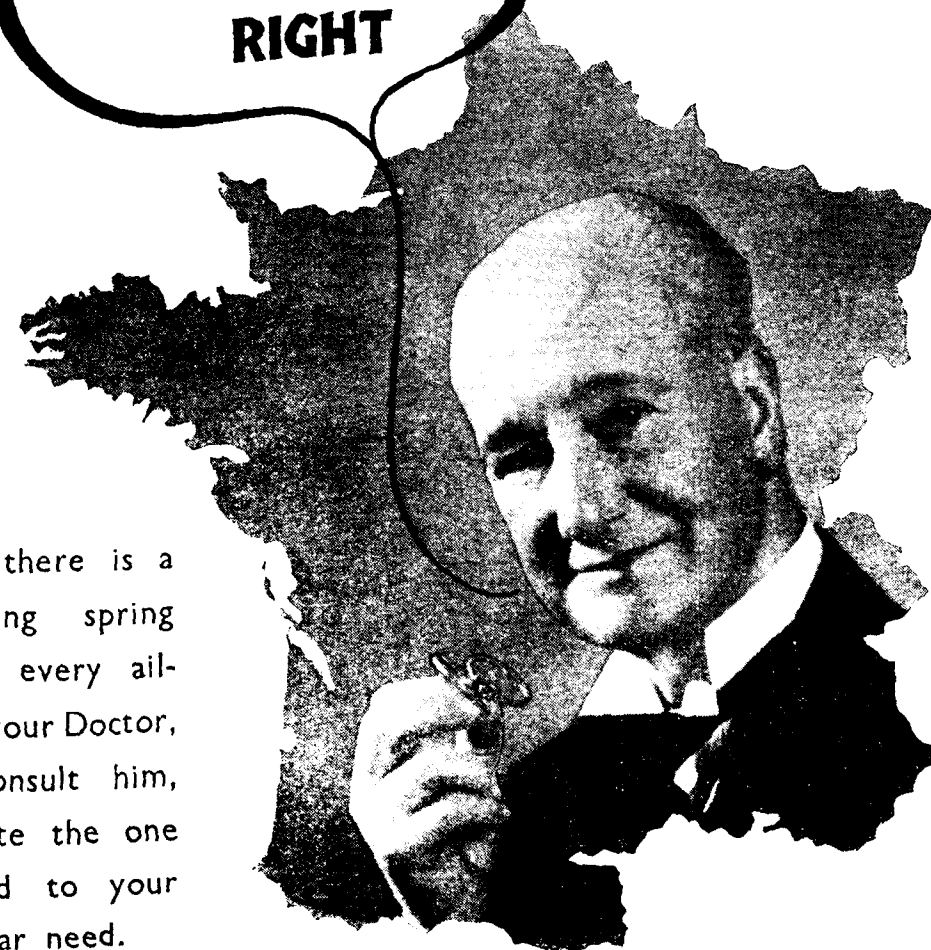
TOTAL FUNDS
£15,208,017

W. W. BENHAM, Chairman.

Total Advances upon House Property to Policy-holders and Certificate-holders exceed
TWENTY-FOUR MILLIONS

J. G. SLEIGH, Managing Director.

A FRENCH SPA
WILL PUT YOU
RIGHT



In France there is a health-giving spring for almost every ailment, and your Doctor, if you consult him, will indicate the one best suited to your particular need.

THE SPAS OF

FRANCE

For further information apply to the Federation of the Health Resorts of France, Tavistock House North, Tavistock Square, W.C.

company paid two half-yearly dividends of 7d., on which basis the yield is 5.7 per cent., but increasing dividends should be forthcoming. With its long life, Simmer and Jack may be considered a promising mining investment. Robinson Deep, on the other hand, suffered from a serious shortage of native labour for the greater part of the year, so that the full capacity of the plant was not attained

	1939 Ore Reserves	Grade	Change compared with 1938	Profit	Change compared with 1938
	Thous. tons	Dwt.	Thous. tons	Dwt.	£
Simmer and Jack	3,723	4.5	767	- 0.2	722,522
Robinson Deep	6,845	4.5	156	- 0.1	963,069
					£ 57,797
					7,125

and development was retarded. Consequently the ore reserves showed a decline in tonnage, but this will doubtless be remedied in the current year. The air-cooling plant at the Turf shaft worked very efficiently, and a similar plant is to be erected at the Chris shaft. Two dividends totalling 5s. were paid, which provide a yield of 8.5 per cent. The mine has reached its peak of production, but should have many years of profitable life ahead.

Springs and West Springs.—The annual report reveals that ore reserves of Springs Mines show a further substantial decline of 674,000 tons to 8,328,000 tons, averaging 5.2 dwt., which also represents a fall of 0.1 dwt. in value. The reef has been intersected beyond the fault in the southern section of the mine; but unfortunately, owing to further faulting, no reliable information is yet available with regard to the prospects of this area, which will have a most important bearing upon the future ore reserve position of the mine. The company suffered from a severe shortage of native labour, which hampered operations generally. Profits at £1,952,000 show an increase of £114,000, and dividends improved from 52½ per cent. to 53½ per cent., upon which basis the yield is 10 per cent. The northern portion of the mine has now been extensively worked, and the future will be largely dependent upon results of development in the southern section. Pending definite information on this point, the prospects of Springs are somewhat uncertain. West Springs' report shows that, despite the shortage of native labour, the mine had a successful year. Ore reserves fell by a small amount to 4,522,000 tons, averaging 5.45 dwt.—an improvement of 0.2 dwt. over the previous year. Details of development are not given in the report, but the underground plan accompanying it indicates that development from the No. 2 shaft in the southern portion of the mine is going ahead fast. This very large and promising area will gradually become the main source of supply for the mine. For many years West Springs have

KANSALLIS - OSAKE - PANKKI

(NATIONAL JOINT STOCK BANK)
ESTABLISHED 1889

PAID-UP CAPITAL AND
RESERVES - - - - - FMK
DEPOSITS AND CREDIT
BALANCES December, 1938 4,436,000,000

Head Office : HELSINKI (Helsingfors) FINLAND

Our large network of branches, comprising 208 BRANCHES, ensures prompt and efficient execution of your collections and payment orders

Telegraphic Address : KANSALLISPANKKI

had an unsatisfactory mining lease, but the second lease for the southern section was more favourable. It is hoped that within a reasonable time these two leases will be combined to the benefit of the company. Last year profits rose by £69,000 to £622,738, and dividends totalling 13½ per cent. were paid, on which basis the yield is 6.5 per cent. In view of the long life and prospects of the mine the shares should constitute a promising mining investment.

Western Reefs.—The annual report of Western Reefs shows that out of a large development footage less than one-third was on reef, but it is hoped that during the current year development on reef will be substantially increased. Some 10,610 feet of development were sampled, of which 51.2 per cent. was payable, averaging 9.16 dwt. over 45.54 inches, or 417 inch-dwts. Eight separate reefs, sometimes quite close together, are being opened up on three levels from No. 1 shaft. No. 2 shaft was completed and equipped, and it is hoped that underground connection with No. 1 shaft will shortly be made. Finance was recently obtained to carry on intensive development and to instal a plant with a capacity of 100,000 tons a month, which it is hoped will start crushing by the middle of next year. It will be interesting to see if underground development will justify a reduction plant at such an early date. In the meantime, the shares have speculative merits.

The Week's Company Profits.—This week our usual table of profit and loss accounts includes 56 companies, whose total profits of £7,411,000 are 9 per cent. higher and whose net profits also show a small increase, from £3,767,000 to £3,796,000. The week's results include those of a large number of rubber companies, whose 1939 profits are in most cases much better than in 1938. Aggregate profits of 666 companies reporting in 1940 to date are £139,136,000, against £132,284,000, a rise of 5 per cent., while net profits are 3 per cent. lower, at £76,456,000, against £79,024,000. The week's results are discussed in preceding Notes and on page 702 under the heading "Shorter Comments."

Company Meetings of the Week.—Reports of company meetings will be found on page 706 of this week's issue. At the *Standard Life Assurance* meeting, Mr H. A. Jamieson discussed the board's decision to discontinue the system of annual actuarial valuation and distribution of surpluses. The company, of course, will carry out an actuarial investigation on or before November 15, 1943. Meanwhile, it is proposed in the current year to maintain the intermediate rate of bonus. Sir Sydney Skinner reported to shareholders of *John Barker and Company* that the current year had started fairly well, but he declined to attempt any prophecy, remarking that additional expenses and trading difficulties were a daily problem. Mr S. C. Goodwin informed shareholders of *G. Beaton and Sons* that a controlling interest had been acquired during the year in a company developing fuel injection pumps and in another undertaking for the production of special tools. The directors' report of the *Bank of Athens* refers to economic problems of Greece in wartime arising from blockade and interference with Greek supplies of raw materials. Mr C. T. Pott emphasised at the *British Enka* meeting that the company was doing its utmost to further the export trade. This policy will necessitate the reduction of supplies to home customers, but was dictated by national necessity. He emphasised the need for building up the financial strength of the company and reducing indebtedness.

THE STOCK EXCHANGES

London

Note : all dealings are for cash

THE course of dealings this week has been determined solely by the actions off the coast of Norway, following Germany's invasion of Denmark and Norway. On Monday there was an obvious tendency to await the sequel to the Allies' minelaying off the Norwegian coast, and it was not long in coming. Despite the lack of authenticated news, the market calmly faced the impact of Germany's latest aggression and recovered with some spirit at the opening on Thursday, when unconfirmed reports showed that the Allied forces had made a spirited reply. Dealings have been free throughout and in relation to the week's momentous news, price movements have been of small dimensions.

In the *gilt-edged* market a certain amount of selling occurred on Tuesday, which lowered gilt-edged prices by half a point or more. In a late rally on Wednesday about half of the earlier losses during that day were recovered, leaving stocks approximately ¼ down, but Thursday's opening spurt produced net gains ranging up to half a point.

In the *foreign* market, Danish and Norwegian bonds became nominal. The position of Scandinavian securities is discussed in a Note on page 694. There was a shake-out in Brazilian stocks, where a certain amount of speculative buying had recently taken place.

Sharp falls were reported in *home* rails on Tuesday and in early dealings on Wednesday. Losses of a point or more occurred at first in the marginal stocks, but there was no net movement in prices on Wednesday, and on Thursday gains of up to 1½ points were recorded.

Industrials were depressed by the German invasion of Norway and Denmark. Losses, however, remained small, and reaction took the form mainly of declining business, small scattered sales and a precautionary lowering of prices. But on Thursday there was a greater state of tension. Prices were sensitive to events, and on balance industrial share prices held their ground or in some cases recovered. Iron and steel shares hardened at first, and under the influence of general market sentiment, lost fractionally all round on Tuesday. The losses became more pronounced in mid-week, but were never serious. Electrical equipment and supply issues followed a similar course. Motor shares were fairly steady until mid-week, but Dunlop were realised in the equipment section. No interest was taken in aircraft issues. While textile shares were not exempt from general tendencies, declines were not more than a few pence on any one day. Rayon issues also gave way after firmness on Monday. Brewery and tobacco shares moved in accordance with other sections. Swedish industrials were weak.

In comparison with other sections, oil shares were firm. On Monday, more interest than of late was shown in the smaller issues, and oil shares in general were resistant to Tuesday's small re-

cession. Even on Wednesday, prices fell only fractionally, and there was some recovery later. Rubber shares were very quiet and relatively firm, though where changed were usually lower on the week. Tea shares moved against the trend, and hardened slightly in mid-week.

In the *mining* market, prices of Kaffir shares were keyed up to fluctuation in sentiment. Small gains, brought by investment demand, were widespread on Monday. A precautionary marking down of prices on Tuesday most affected the more speculative issues. A firmer tendency was apparent in late dealings on Wednesday and on Thursday. Diamond shares reacted on profit-taking, and then became inactive. Rhodesian copper issues made a mixed showing, with no obvious relationship to the general trend. After a few gains on Monday, tin shares lost fractionally.

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

Apr. 4	Apr. 5	Apr. 6	Apr. 8	Apr. 9	Apr. 10
121.3	120.9	121.8	122.0	121.1	120.0

1940 High: 123.7 January 3rd. Low: 116.3 January 31st.

TOTAL DEALINGS IN NEW YORK

1940	Stock Exchange	
	Shares 000's	Bonds \$000's
April	4	1,990
"	5	1,260
"	6	700
"	8	1,260
"	9	2,140
"	10	1,290
"	11	7,070

Not stated.

"FINANCIAL NEWS" INDICATORS

1940	Total Bargains†	Corres. Day 1939	Security Indices	
			30 ord. shares*	20 fixed int.†
April 5...	4,600	4,680	77.5	124.9
" 8...	5,651	4,880	77.6	125.0
" 9...	4,066	5,160	76.6	124.6
" 10...	3,879	4,470	76.1	124.2
" 11...	3,745	5,115	76.8	124.4
1940 High.....	...	...	80.6	126.1
Low.....	...	...	Feb. 29 74.1	Feb. 1 117.6
			Jan. 17	Jan. 2

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

New York

THE broadening of hostilities produced considerable activity on Wall Street on Tuesday. Domestic news was disregarded and leading steel and aircraft shares rose sharply in the early dealings. But the spurt lasted for no more than an hour or two, and even at Tuesday's close a considerable degree of nervousness was apparent, the Dow Jones industrial average, in fact, closing one point lower at 150.31. Nervousness continued in mid-week, and the volume of trade, which on Tuesday had reached the highest level since September at 2,141,000 shares, declined to 1,290,000 shares, and a further appreciable fall in the industrial average was recorded. A decline in steel activity for the current week from 61½ to 61 per cent. of capacity is not regarded as significant by *Iron Age*, which reports renewed confidence that the decline in production has reached a trough.

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

1940	Low Jan. 31	High Jan. 3	Mar. 28, 1940	Apr. 4, 1940	Apr. 10, 1940
347 Ind'ls ...	105.8	111.4	107.8	110.0	109.8
32 Rails ...	28.3	30.7	29.0	29.6	29.3
40 Utilities ...	(9)86.5	89.4	87.0	88.6	88.2
419 Stocks ...	90.4	94.8	91.7	93.5	93.3
Av. yield* ...	4.58%	4.30%	4.60%	4.50%	4.59%
	High	Low			

(s) March 21, 1940. * 50 Common Stocks.

New York Prices

Close Latest Apr. 4, 1940	Close Latest Apr. 11, 1940
1. Railroads	Am. Roll. Mill 157½ 164½
Balt. & Ohio 53½ 51½	Am. Smelting 52¼ 53¼
Ches. & Ohio 41½ 39½	Anaconda 30½ 31¼
G.N. Rly. P. 26½ 25½	Beth. Steel 80 82½
Illinois Cent. 12½ 12½	Briggs 23 22½
N.Y. Central 83½ 81½	I.T. Case & Co 68 68½
Norfolk Pac. 85½ 81½	Colaneseo A. 32¼ 33¼
Pennsylv. R. 23½ 22½	Chrysler 89¼ 87½
Southern Rly. 17½ 16½	Eastman Kdk. 154 155½
2. Utilities, etc.	Gen. Electric 39¼ 39½
Amer. Tel. 174 174	Gen. Motors 55½ 55¼
Amer. W'ks. 11½ 10½	Glidden 18½ 17½
Col. Gas & El. 7½ 6¾	Int. Harvester 57½ 57¼
Nat. Dairy 17½ 17½	Nat. Distillers 26½ 26
Int. Tel. For. 4¼ 3¾	Sears Roebck. 87 86½
Pac. Gas & El. 34½ 33½	Shell Union 12¼ 12½
Pub. Serv. N.J. 42 42½	Socony Vac. 12 11½
United Corp. 25½ 25½	Stan. Oil N.J. 43¼ 43
Unt. Gas Imp. 12½ 12½	20th Cen. Fox 12 10½
Westn. Union 24½ 23½	U.S. Steel 41¼ 41¼
3. Commercial and Industrial	West'nse Elec 11¼ 11¼
Amer. Metal. 24¼ 23¼	Woolworth 41 40½

Canada

THE market remained in a sluggish and depressed condition during March and statistics indicate that the total volume of trading was substantially lower than a year ago. The uncertainty of the European situation ruled out any speculative interest, but in contrast the bond market was fairly consistently supported. Despite the satisfactory earnings of industrial concerns, prices have shown no tendency to improve, and pulp and paper stocks, after a show of liveliness at the beginning of the month, were adversely affected by the Russo-Finnish peace treaty in view of the possibility of a resumption of Finnish competition in forestry products. Copper stocks benefited from the rise in the price of copper, but gold stocks have been weak.

Capital Issues

CAPITAL ISSUE TOTALS

Week ending April 13, 1940	Nominal Capital	Con- versions	New Money
To the Public	Nil	Nil	Nil
To Shareholders	Nil	Nil	Nil
By S.E. Introduction	Nil	Nil	Nil
By Permission to Deal	176,356	...	278,336
Savings Certs., week to April 6, 1940	2,000,000	...	2,000,000
Defence Bonds	...	...	...
Exch. receipts, week to April 6, 1940	1,825,000	...	1,825,000
Year to date	Including Conversions	Excluding Conversions	
1940 (New Basis)	738,129,384	385,174,251	
1939 (New Basis)	37,001,741	33,770,675	
1940 (Old Basis)	728,777,933	376,022,801	
1939 (Old Basis)	19,311,760	19,995,695	

(Continued on page 702)

Destination (Excluding Conversions)

Year to date	U.K.	Brit. Emp. Foreign ex U.K. Countries
1940 (New Basis)	384,694,819	479,432 Nil
1939 (New Basis)	24,843,603	10,727,073 200,000
1940 (Old Basis)	375,254,500	77,500 640,800
1939 (Old Basis)	12,857,435	928,447 5,309,813

Nature of New Borrowing (Excluding Conversions)

	Deb.	Pref.	Ord.
1940 (New Basis)	375,977,966	605,807	8,590,478
1939 (New Basis)	16,130,169	2,300,796	17,339,711
1940 (Old Basis)	375,254,500	77,500	640,800
1939 (Old Basis)	12,857,435	928,447	5,309,813

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

As a result of full employment in all departments during 1939, BARROW HÆMATITE STEEL report substantially increased profits, and are resuming dividends with a 5 per cent. payment. COLTNESS IRON, whose experience in 1939 has varied as between different departments, report some reduction in total profits, from £316,522 to £341,016. Contrary to expectations, deliveries of cement by TUNNEL PORTLAND CEMENT rose in 1939, both for home and for export, but taxation more than absorbs the increase in total profits. UNITED GLASS BOTTLE MANUFACTURERS report increased total profits by 15 per cent., to £456,053. The report offers no comment on this satisfactory result. ANGLO-PORTUGUESE TELEPHONE are repeating their 8 per cent. dividend, after making total profits of £364,338 against £341,217. An 11 per cent. increase in the total profits of PRIMITIVA GAS COMPANY OF BUENOS AIRES is more than offset by higher taxation and exchange losses. In common with other London stores, ARMY AND NAVY STORES report reduced total profits, which are £601,545 against £643,273. MOSS' EMPIRES report that in 1939 up to mid-August profits increased, and so far this year profits are higher than in the same period of 1939.

MISCELLANEOUS

Edmundsons Electricity Corporation, Ltd.—The results of operations of the Edmundsons group of companies in March, 1940, as compared with March, 1939, show an increase of 15 per cent. of units sold.

Vogelstruisbult Gold Mining Areas.—Working profit 1939, £469,546 (£361,946). The company paid its first dividend in June with a payment of 5 per cent., and in December declared a further dividend of 7½ per cent. These dividends required £314,286. To expenditure on plant, £67,634 (£248,339). Surplus carried forward, £195,326 (£120,926).

Whitbread and Company.—For 1939 ordinary dividend is maintained at 14 per cent., together with bonus of 3 per cent. against a bonus of 4 per cent., making 17 against 18 per cent. for year. Profit 1939, after depreciation and taxation, £339,422 (£342,579). To property reserve, £50,000 (£60,000). Carry forward, £280,205 (£262,970).

Army and Navy Stores.—Net profit year to January 27, 1940, £104,905 (£133,306). Gross profits from trading, plus miscellaneous income, £601,544 (£643,273). Working expenses, depreciation, £496,640 (£509,968). Ordinary dividend reduced from 12½ per cent. to 10 per cent. To: N.D.C., £4,500 (£5,000); pensions, £16,590 (£14,831); Indian good service, £2,000 (same). Carry forward, £111,845 (£112,030).

Brewers and Distillers of Vancouver.—Combined net profits 1939, £525,918 (£451,959). It is proposed to pay a dividend of 10 per cent. and a bonus of 5 per cent. as before.

Tunnel Portland Cement.—Trading profit 1939, £345,883 (£326,380). Interest and dividends received, £120,578 (£96,565). To depreciation, £71,418 (£74,064). Net balance, £390,043 (£343,882). To taxation, £200,000 (£92,462). Preference dividends, £23,400 (£26,100). Ordinary dividend reduced from 22½ to 20 per cent. To reserves, nil (£50,000). Carry forward, £141,829 (£98,822).

Coltless Iron Company.—Profit 1939, £316,522 (£341,016). To tax, £50,000 (£22,500). To redemption and depreciation, £85,000 (same). Net profit £177,522 (£224,516). Ordinary dividend reduced from 23½ to 20 per cent. To reserve, £25,000 (£35,000). To staff retiring allowances, £2,500 (£5,500). Carry forward, £259,860 (£253,713).

United Glass Bottle Manufacturers.—Trading profit 1939, £367,778 (£301,810). Other income, £88,275 (£95,236). Total profit, £456,053 (£397,046). To taxation, £150,000 (£84,000). Net profit, £248,443 (£257,592). Ordinary distribution maintained at 12 per cent. To: debenture redemption, £18,350 (£17,570); general reserve, £50,000 (£17,570); staff fund, £25,000 (£15,000); A.R.P., £10,000 (nil). Carry forward, £41,096 (£42,255), after deducting special provision for packing stores, £15,000.

The Stock Exchange.—Profits (before taxation), year to March 25, 1940, £268,607 (£308,463). Income, £467,155 (£506,186). Expenditure, £198,547 (£197,723). To income tax and N.D.C., £103,000 (£27,250). Net profit, £150,607 (£266,213). Year's dividend down from £12 10s. per share to £5 per share. Carry forward, £192,320 (£141,713).

Mysore Gold Mining Company.—Total revenue 1939, £735,365 (£679,877). Working costs, £387,359 (£380,816). Profit, £328,967 (£283,142). Income tax reserve, £70,000 (£50,000). E.P.T. and N.D.C., £32,000 (£11,000). To: writing off buildings, plant, etc., £19,000 (£17,000); depreciation of works underground, £35,000 (£30,000); insurance and contingency reserve, £4,000 (same). Ordinary dividend, 27½ per cent. as before. Carry forward, £10,715 (£10,586).

Aktiebolaget Separator.—Net profit for 1939, Kr.7,731,814 (Kr.7,919,152). Tax reserve receives Kr.2,600,000 (Kr.1,600,000); distribution maintained at 6 per cent. Carry forward, Kr.2,008,076 (Kr.1,778,263).

United Molasses Company.—The preliminary statement of this company was discussed in *The Economist* of April 6, 1940, on page 630. The balance sheet at December 31, 1939, compares with the balance sheet dated September 30, 1938. Total assets, £6,222,100 (£5,647,909). Stocks, £42,593 (£551,101). Estimated amount receivable in respect of stocks taken over, £1,162,123. British Government securities, £985,914 (£1,423,523). Cash, £112,719 (£257,581). Debtors, £238,288 (£84,841). Creditors, £166,828 (£231,396).

Hudson's Bay Company.—Net profit from trading in year to January 31, 1940, £72,269 (£110,503), after U.K. and Canadian taxation of £228,493 (£111,095). Dividend from trade profits 1 per cent. (subject to tax), and distribution from surplus of land account of 1½ per cent. (tax not payable). For previous year dividend was 2½ per cent., and land surplus payment was 1 per cent.

Barrow Hæmatite Steel.—Net profit 1939, after tax, £111,394 (£55,994). Ordinary dividend 5 per cent. against nil. To general reserve, £75,000 (£50,000). Carry forward, £19,064 (£18,033).

Bryant and May.—Ordinary dividend maintained at 25 per cent., tax free, with a final of 15 per cent., tax free. Bonus dividend is also proposed of £200,000 out of general reserve, to ordinary shareholders. British Match Corporation, who own all ordinary shares, will carry this bonus dividend to reserve.

(Continued on page 711)

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	"	"	"	"
San Paulo Railway ...	...	£2½	...	2½
INSURANCE				
Legal and General ...	40†	60	May 30	45†
Liverpool, etc., Globe	13.6†	27 ps	June 15	27 ps
Phoenix Assurance ...	6.†	12 ps	Dec. 14	12 ps
Do.	6.†	12 ps	May 30	6 ps
ROYAL INSURANCE	3.3 ps†	6 ps	May 30	6 ps
TEA AND RUBBER				
Bikam Rubber ...	...	7½	May 17	5
Bukit Ijok Rubber ...	...	5	May 17	Nil
Bukit Panjong Rub. ...	...	4½	...	2½
Dennistown Rubber ...	...	7	...	2½
Dindings Rubber ...	...	5	...	3
Djemmer Rubber ...	...	6	May 2	Nil
Doolalla Rubber ...	...	9	...	2
Eow Seng Rubber ...	...	10†	...	14
Kampong Kuantan R. ...	...	16½	...	8½
Kuala Selangor Rub. ...	...	10†	May 8	3
Mendaris Rubber ...	...	4½	...	1½
Pantiya Tea ...	...	8†	...	12
Pataling Rubber ...	...	12	...	12
Rub. Estate of Johore	...	2	Apr. 29	Nil
Telbedde Rubber ...	...	7†	...	12
Temph Rubber ...	...	5	...	Nil
MINING				
Globe and Phoenix ...	10†	70	...	80
Kramat Tin ...	15†	25	Apr. 17	15
Mawchi Mines ...	60†	90	...	80
Naraguta Extended ...	...	9	Apr. 25	7½
do. (year 1940)	...	4*	Apr. 25	5
Naraguta Karama ...	7½†	10	...	2½*
do. (year 1940)	...	2½*	...	Nil*
Renong Tin ...	7½*	...	May 3	10
S. Bukuru Areas ...	7½†	10	Apr. 25	2½*
do. (year 1940)	...	5*	Apr. 25	Nil*
South West Africa	5*	...	Apr. 29	Nil*
INDUSTRIALS				
Albion Motors ...	...	12½	...	15
Anells Brewery ...	...	5*	...	5*
Assoc. Automatic ...	...	4½	...	5
Blythe (William) ...	...	7†	...	10
Bradleys Chester ...	9½†	12½	...	11½
Briggs (Wm.) ...	2½*	...	...	5*
Brit. Celanese 7½	...	...	...	Nil
2nd Pref.	...	33†	May 21	17
Charrington & Co. ...	...	16	...	10
Cow and Gate ...	...	Nil	...	7½
Currys ...	...	10	Apr. 25	7½
Dunlop Rubber ...	...	12	Apr. 30	9
Electric Supply Corp. ...	...	8†	...	12
Elephant Trading (S.A.)	(w)7*	...	...	8
Ever Ready Trust ...	...	6†	May 3	2½
Finch (B.) & Co. ...	...	5	...	4
Foreign Amer. Trust ...	2½†	4	...	6
Footman Pretty ...	...	7	...	10½
Fuller Smith, etc. ...	2½†	9½	...	15
Gieves ...	...	15	Apr. 13	4*
Hodgsons Brewery ...	...	4*	...	6
Hope Brothers ...	...	10	...	6
Hubbard (S.) ...	...	10	...	3½(m)
Hudson's Bay Co. ...	(n)2½	...	...	8
Imperial Chemical ...	...	5†	July 1	22½
Mallinson (G.) & Sons	25†	32½	May 10	5
Mansell Hunt Catty ...	...	4	...	5
May & Hassell ...	...	5†	...	7½*
Morris (Herbert) ...	...	10†	May 4	15
Newton Chambers ...	...	10†	May 29	15
Oriental Gas ...	...	3½	...	12½
Pinchin Johnson ...	...	6†	...	17½
Ragusa Asphalte ...	12½†	17½	...	15
Reed (Austin) ...	...	4†	...	15
R.F.D. Co. ...	...	9†	...	Nil
Scottish Stamping ...	...	10	...	5*
Sneyd Collieries ...	...	5*	...	Nil
Transparent Paper ...	...	10	...	10
West (Allen) ...	...	7½	...	Pence
UNIT TRUSTS				
Provident Investors ...	Pence	41½	Apr. 15	43½

* Free of income tax. (m) 1 per cent. tax free.
(n) Paid on larger capital. (r) 1½ per cent. tax free.
(c) Free of South African income tax.

CRITERION RESTAURANTS.—No dividend is to be paid in respect of year to March 31, 1940, against 7½ per cent. for 1938-39.

MAWCHI MINES, LTD.—Final dividend 60 (against 50) per cent., making for 1939 90 against 80 per cent.

SAN PAULO (BRAZILIAN) RAILWAY COMPANY.—Ordinary stock dividend for 1939 2½ per cent. tax free, against 2 per cent. tax free.

LEGAL AND GENERAL ASSURANCE.—Final dividend 40 per cent., making 60 per cent. for 1939 less tax. Total dividend and bonus for 1938, 45 per cent., tax free.

PHENIX ASSURANCE.—Total dividend for 1939, 60 per cent., the same as for 1938.

LIVERPOOL AND LONDON AND GLOBE.—This company has maintained its dividend, with a final of 33½ per cent., making 67½ per cent. for year.

ROYAL INSURANCE.—A final of 3s. 3d. per share (26 per cent.) brings the year's total dividend up to 6s. 6d. (52 per cent.). In previous year 6s. per cent. was paid, plus a capital bonus of 25 per cent.

Industry and Trade

As the coal and iron and steel industries are now regulated by the Government, the weekly market reports hitherto printed in this section of *The Economist* in smaller type and narrower columns have been suspended. Any news of importance, however, will in future be discussed in Notes in the main body of the section. A summary of current developments in the principal industries will continue to be given in the monthly *Trade Supplement* which is included in the last issue of *The Economist* in each month. The weekly survey of the commodity markets will be continued, and this, together with the regular monthly tables on unemployment, retail trade, wholesale trade in textiles, overseas trade, motor registrations, retail prices, as well as tables on unemployment, retail trade, wholesale trade in textiles, overseas trade, motor registrations, retail prices, as well as the fortnightly table of wholesale price indices, will in future be published at the end of *Industry and Trade Notes* in a section entitled *Commodity and Industry News*. If these tables disclose any significant changes, these will be discussed in the main body of the section.

Britain's Trade with Scandinavia.—Until communications can be reopened with the Swedish and Norwegian ports our trade with these countries is necessarily at a standstill. As far as Britain's imports from Sweden are concerned, the timber, paper and steel trades will suffer most from the interruption. In 1938, Sweden provided the following proportions of British imports: wood pulp and paper and cardboard, one-fifth; iron ore, also one-fifth; wood and timber, one-eighth; as well as fair quantities of

probably be maintained and, until exports can be increased again, arrangements will be made to divert the surplus to home consumers anxious to accumulate stocks.

* * *

More Coal.—The need for an expansion in the output of coal remains unchanged. Domestic requirements are likely to be heavy during the war, while exports—apart from the provision of France—should be increased as much as possible in order to secure foreign exchange. After the outbreak of the war the Mines Department asked the mining industry to produce at least 260 million tons—and, if possible, 270 million tons of saleable coal—per annum during the war. In 1937, the best year since 1929, the output reached 240 million tons, but in 1938 it fell to 227 million tons as a result of the recession. It is not only doubtful but highly unlikely that the industry has been producing at the rate of anything like 260 million tons per annum since the outbreak of war. Consequently the Mines Department announced on Friday last week that the Secretary for Mines had decided to set up a Coal Production Council whose task will be to "promote a substantial increase" in the production of coal, in collaboration with representatives of the owners and miners. The Council will have as chairman Lord Portal, and it will comprise three representatives of the miners, three of the owners and one each of the Ministries of Transport and Shipping and of the Mines Department. During the last war output actually fell, from 287 million tons in 1913 to 266 millions in 1914, 253 millions in 1915 and 228 millions in 1918. The Council's task will not be easy, but there is no reason why it should not achieve the desired output.

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

Coal Shipments to Scandinavia.—Pending instructions from Scandinavian sources, shippers of coal from the North-East Coast, who met on Wednesday in Newcastle, decided to hold up all neutral vessels loading at local ports for Scandinavia; in addition, all customs clearances for vessels with cargoes intended for the Scandinavian countries have been stopped. This action does not involve any serious financial loss, for the greater part of the business was being done on a "cash-and-carry" basis. The effect of Germany's aggression in Scandinavia on the coal and coke industry of the North-East is difficult to ascertain at the moment, but it would seem that there will be some temporary dislocation of trade, particularly in the North-umberland steam coal and in the Durham coke sections. However, there are other countries that are anxious to secure North-East coals and coke. Meanwhile output will

Mr Burgin on Machine Tools.—Mr Burgin's review of the supply of machine tools in a speech at Wolverhampton last Saturday did not provide an entirely reassuring answer to the questions raised in a Note on page 639 of last week's *Economist*. He agreed that an increase in supplies was essential, and he exhorted machine tool makers to see that their plant was kept in operation day and night. He also informed his audience of a scheme by which machine tools in France and Britain were to be treated as tourists. Thus, any tools not required for some months in either country are to be sent across the Channel in order to keep them continuously in operation. But Mr Burgin did not indicate whether the Government had taken steps early in the war to expand the basis of the industry in relation to the magnitude of requirements; nor did he convince his audience that every tool is now being used as efficiently as possible. In fact, as in most of his recent speeches, Mr Burgin almost confined himself to exhortation—a sure sign that the position is not altogether satisfactory.

Cotton Spinners' Margins.—Owing to the increase of 7½ per cent. in the wages of cotton operatives which came into force in the first week of April, it was expected that the Cotton Controller would issue revised margins between the cost of raw cotton and the selling prices of single yarn. When we went to press, however, revised schedules had not yet been issued. It is understood that the new spinning margins had been drawn up in Manchester, but that at the last moment some difficulty arose with the Ministry of Supply. The delay has given rise to disappointment, for a considerable volume of business appears to have been held up by the uncertainty. At the same time, the orders on the books of spinners and of cloth manufacturers are substantial, and the absence of any action by the Controller has not hampered production. The leaders of the industry accepted war control as a necessary evil, but some irritation is now being shown. Attention is again being focused on the fact that, although the profits of spinners are limited, there is no restriction on the prices in other branches of the industry. It is held that the reduction in the margin of spinners which took place last January has not been passed on to consumers, that manufacturers of cloth are in a position to secure abnormal profits and that consequently export business has been adversely affected.

C.W.S. Turnover.—In the year ended on January 13, 1940, the turnover of the Co-operative Wholesale Society amounted to £131.4 millions, an increase of £10.1 millions, or of nearly 9 per cent. over the total for the previous year. The increase was due both to higher prices and to an expansion in sales. In the 33 weeks preceding the war, sales were 3½ per cent. higher than in the previous year, although prices were rather lower. Since September the weekly turnover has been about 8 per cent. greater than a year earlier, due very largely to the rise in prices. In the grocery department, for instance, which supplies three-quarters of the trade of the Co-operative Wholesale Society, the rise in prices in the last quarter of the year made the average level of grocery prices for the whole of the year 5 per cent. higher than in 1938. Of the total turnover of £131.4 millions, the Society's own works provided £44.2 millions, an increase of 4 per cent. over last year's figures; the flour mills provided £8.3 millions and

the seven boot and shoe factories nearly £2 millions. The profit for the year, after allowance for taxation, interest and depreciation, amounted to £2,974,832, a slight increase compared with last year; the dividend remains unchanged at 4d. in the pound on the trade of societies in membership, with an additional dividend of 3d. in the pound on purchases of the C.W.S.'s own productions.

Chrome, Wolfram and Magnesite.—Under a new Ministry of Supply Order, the home trade in chrome, magnesite and wolfram is to be regulated by a licensing scheme. For the first two products this scheme will come in operation on April 15th, while the wolfram control came into force on April 8th. By a special direction a number of chrome, magnesite and wolfram products have been exempted from the licensing restrictions, which aim at securing military requirements without interfering with the trade in products not required for war purposes. Hitherto home requirements were secured by export restrictions and import duty concessions. The new licensing schemes will not increase total supplies, but will ensure a more efficient distribution. As was shown in a Note on page 116 of *The Economist* of January 20th, the Allies' supply position in wolfram is better than that of any other country or group of countries. The same conclusion is justified in the case of chrome, which is largely used for the production of special steels of great hardness, toughness and heat resistance, as well as in refractory materials, dyestuffs, chemicals and tanning materials. Of a world output of, say, 1,200,000 long tons per annum, the British Empire (mainly Southern Rhodesia, South Africa and India) produces between 400,000 and 500,000 tons. Another 50,000 tons are produced in French New Caledonia. In addition, the British Government has bought large parts of the Turkish and Greek supplies and is about to buy part of Yugoslavia's output. These three countries together supply over 300,000 tons per annum. As regards magnesite, the Allies' position is less satisfactory. The world's output of this light metal amounted to 25,000 metric tons in 1938, of which 14,000 tons were produced in Germany. Great Britain was the second largest producer with 4,000 tons, while France was fourth with 1,800 tons. The magnesite industry, however, is still in its infancy, and as the metal is the sixth most abundant element in the world, its output may experience a steep expansion, similar to that of aluminium, in the years to come. The British price of magnesite has advanced by only 1d. to 1s. 6d. per lb. since the outbreak of war, a fact which does not suggest that supplies are short. The price of 48 per cent. chrome ore is now 125s. per ton c.i.f., against 90s. in August last, while tungsten ore has risen from 48s. to 50s. per unit f.o.b. The present price, however, is nominal and therefore not strictly comparable with the pre-war figure.

Farm Labour.—The steady decline in the number of regular farm workers in the last twenty years has been in part a symptom of greater efficiency in the use of labour and of a change in farming methods adopted to ease the burden of rigid wage rates in times of falling prices. The fact that British farmers can now produce a given amount of food with less labour than in 1916 is a direct help to our present war economy, though it also means that there is a smaller margin of labour available now than in 1916 to handle an increase in production. The regular work can probably be fitted in, though certain districts have already been denuded of their skilled men by the competition of camps and aerodromes under construction. Here the Women's Land Army is helping to fill the gap and is now calling for more volunteers to be trained. But the real difficulty is likely to be the shortage of labour to cope with the seasonal rush of haymaking, harvesting, fruit picking and root lifting. The Prime Minister gave an assurance that sufficient labour would be available, but so far little

has been done by the authorities to implement this pledge. Some help may be forthcoming from the Army, if the military situation permits. The Women's Land Army has opened a register for women who could undertake farm work for periods of one to six months at a time. Private enterprise has also begun to organise week-end gangs, and much has been written, but little done, to form a boys' land army for youths between school and military age. The need for some official assistance is urgent, not only because the area to be harvested is larger, but also because local sources of casual labour have diminished and because the war has

checked the usual seasonal influx of Irish workers. If some guarantee could be given against the entry of members of the I.R.A., the official encouragement of a steady flow of men from a country which is suffering from rural unemployment to one whose farms will be hampered by a shortage of labour would benefit all concerned. Most of these potential immigrants are already trained in agricultural work, and it should not be beyond the ability of the Ministry of Agriculture to arrange for the engagement from Eire not only of seasonal workers, but also of men who would serve on the British food front for the duration.

COMMODITY AND INDUSTRY NEWS

THE extension of the war to Scandinavia brought an abrupt rise in many commodity prices during this week. Cotton prices are higher both in Manchester and New York and there was also some recovery in rubber prices from the levels reached at the end of last week. With the exception of spelter, all the major non-ferrous metals were marked up in New York; in London, the price for standard cash tin rose by £2 per ton compared with last week.

Cotton (Manchester).—The delay in the publication by the Cotton Controller of the revised margin for spinners is discussed on the opposite page. Raw cotton prices have advanced rather sharply, the political development being considered bullish. No decision has yet been reached over the allocation of freight for the import of American cotton to this country after the end of this month. Liverpool and Manchester merchants are supplying the authorities with particulars of their commitments up to the end of this season. The yarn market has been stagnant. Sales of American qualities have been few and more Egyptian spinners of coarse counts have refused to entertain business. Trade in piece-goods has again been impeded by the refusal of manufacturers to sell. Only isolated transactions have been put through for export, though some buying of standard makes for the home trade has taken place on long delivery terms. Fairly substantial Government contracts have been arranged.

Metals.—In the United States lead and spelter prices remained unaltered this week, although demand has increased. The American copper price, which was cut from 11.50 cents to 11½ cents per lb. earlier this month, recovered to 11½ cents this week on a revival of buying.

Tin.—The London price of cash tin gained £2 15s. to close at £252 5s. per ton; the backwardation has narrowed this week from £2 10s. to £2 5s. The rally was largely due to better buying as a direct result of the intensification of the war. In addition, the substantial selling pressure from the East has slackened.

Grains.—Slight rains in the United States wheat belt brought a fall in wheat prices in Chicago, but reports of large sales of Canadian wheat had a steadying influence on the market. Shipments from the Canadian eastern coast are expected to begin on a large scale before the end of the month. Private estimates of the United States winter wheat crop indicate a harvest of about 430 million bushels, compared with 563 million bushels in 1939. Shipments of Argentine maize from the new crop are now on a large scale, but prices remain firm; the small remaining surplus of wheat and linseed in the Argentine will release tonnage for the transport of maize. The invasion of Norway and Denmark will temporarily stop supplies to these countries, which are considerable net importers of overseas grain and oilseeds.

Oils and Oilseeds.—Trade consumers have fairly substantial allocations of seeds and oils at unchanged prices. Plate shipments of linseed continue on a fair scale; those from India are still very small, as the new crop has not yet reached the ports. Linseed prices remain steady with a small advance for Plate under a fair weight of American buying. The seeding of the new linseed crop in the United States is being done in favourable weather conditions and a large increase in acreage is expected owing to the premium now held by linseed prices over those for cereals. Home demand for oilcakes is still maintained.

Rubber.—In the early part of the week, the London market continued to stagnate, but with the extension of the war into Scandinavia, prices both in London and New York recovered from the lowest levels of the week.

RAW COTTON delivered to Spinners

Variety ('000 bales)	Week ended				From Aug. 1 to	
	Mar. 29, 1940	Apr. 5, 1940	Apr. 7, 1939	Apr. 5, 1940		
American	26.8	35.0	713	989		
Brazilian	3.3	3.5	199	195		
Peruvian, etc. ...	3.7	4.5	83	154		
Egyptian	4.3	6.6	225	258		
Sudan Sakel	1.2	2.4	96	110		
East Indian	13.7	17.5	274	269		
Other countries ..	1.7	2.7	114	100		
Total	54.7	72.2	1,704	2,075		

Source: Liverpool Cotton Association's Weekly Circular.

WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week ended				From Aug. 1 to	
	Mar. 30, 1940	Apr. 6, 1940	Apr. 8, 1939	Apr. 6, 1940		
N. America	675	630	21,290	18,212		
Argentina and Uruguay	233	507	6,862	14,487		
Australia	...	...	8,502	13,605		
Russia	...	...	4,477	114		
Danube and district	103	77	6,960	5,097		
Other countries	...	...	1,476	345		
Total	1,011	1,214	49,567	41,860		

* Unobtainable. † Shipments up to Jan. 31, 1940. Source: The Corn Trade News.

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From ('000 quarters)	Week ended				From Apr. 1 to	
	Mar. 30, 1940	Apr. 6, 1940	Apr. 1939	Apr. 6, 1940		
Argentina	167	408	145	408		
Atlantic America	27	16	46	16		
Danube Region	13	13	97	13		
S. & E. Africa	89	56	55	56		
Indo-China, etc.	15	15	28	15		
Total	311	508	371	508		

Source: The Corn Trade News.

TINPLATE PRODUCTION: PERCENTAGE OF SOUTH WALES' CAPACITY IN OPERATION

Week ending	1939	1940
March 2	56.13	72.52
" 9	59.22	68.89
" 16	58.80	71.91
" 23	56.29	72.71
" 30	51.68	70.90

MERCHANT SHIPPING LOSSES THROUGH ENEMY ACTION

	March, 1940		Sept., 1939 to March, 1940	
	No.	Tons gross	No.	Tons gross
British:—				
Passenger liners ..	...	...	6	55,063
Cargo liners	3	12,961	31	189,457
Cargo vessels	8	25,820	79	273,804
Tankers	1	5,742	22	157,859
Colliers	...	...	7	8,891
Coasters	1	710	9	8,033
Trawlers, etc.	1	165	33	9,133
Auxiliary trawlers ..	14	45,398	187	702,240
Naval trawlers	3	710	16	4,999
Total	17	46,108	204	723,936
French	2	3,172	19	83,274
Polish	...	...	1	14,294
Total Allied	19	49,280	224	821,504
Neutral	25	54,179	192	510,946
Total Allied and Neutral	44	103,459	416	1,332,450

The casualty figures include only losses suffered through German action, and not those suffered through any other war action. Ships which have disappeared without a trace are included, the presumption being that they have been mined or torpedoed.

Source: The Shipping World.

FAMOUS SINCE 1795

OTARD'S

COGNAC BRANDY

COMPANY MEETINGS

THE STANDARD LIFE ASSURANCE COMPANY

SATISFACTORY RECORD FOR PAST YEAR

HIGH INTEREST EARNINGS

GREAT STRENGTH OF COMPANY'S POSITION

The one hundred and fourteenth annual general meeting of The Standard Life Assurance Company was held, on the 9th instant, in Edinburgh. Mr H. A. Jamieson, chairman of the company, was in the chair.

The manager and secretary having read the auditors' report, the chairman said:—
Gentlemen,

It is needless for me to point out that the year under review has been a difficult one for life assurance companies. Even prior to the outbreak of war the condition of tension was not favourable to the transaction of our business, and it is hardly necessary to say that with income tax at the rate of 7s. 6d. in the pound, in conjunction with the low rate of interest now to be obtained on first-class securities, the problem of finding suitable investments for the company's surplus funds is not an easy one. The closing of the American field of investment and the fact that our existing dollar securities in the United States are at the disposal of the Government have had the effect of increasing the difficulty.

NEW LIFE BUSINESS

In spite of these adverse features, however, the record of our work during the past year is a satisfactory one. From the report you will observe that new life business, including group life assurances, amounted to a total of over £4,000,000 after deduction of reassurances. This figure represents a considerable reduction on the amount of life assurance business transacted during the previous year, but considering the circumstances ruling during the year under review it may, I think, be regarded as satisfactory. A large volume of pension business was also transacted, and this is included in the total deferred annuities purchased from the company stated in the report at no less than £237,560 per annum.

PREMIUM INCOME AND INTEREST RATE

The revenue account of the life assurance and annuity fund shows that our premium income for the past year was £2,542,000, an increase of some £200,000 over the figure for the previous year. Interest revenue after deduction of income tax is £1,281,000, and represents a net rate of interest earned on the life assurance and annuity fund during the year of £4 11s. 7d. per cent. Although this rate is 2s. 7d. per cent. lower than the corresponding rate last year (largely owing to the sharp rise in the rate of income tax), I am sure that members will be satisfied that our funds are earning such a satisfactory rate. The surplus income from the guarantee fund, after meeting interest charges, amounts to almost £41,000, and this, in accordance with our custom, is transferred to the life assurance and annuity fund.

The increase in claims both by death and by maturity as shown by the expenditure side of the account is a natural result of the company's development. The decrease in commission is, of course, on account of the smaller volume of new business, and expenses of management also show a slight decrease. The expense ratio, i.e. the ratio of commission and expenses to premium income, at 12.2 per cent. must be considered very favourable. The sum of £81,932 has been transferred to the staff pension fund, and, as can be seen from the figures published, the life assurance and annuity fund increased during the year by over £1,400,000. This substantial increase, representing additional funds which required to be invested, renders the comparatively small fall in the net rate of interest earned on our total funds all the more satisfactory.

The total assets are stated in the balance sheet as £32,559,000, and notwithstanding the low prices ruling at November 15th last you will see that the directors were able to state that, in their belief, the value of the assets at that date was in excess of the balance-sheet figure. The excess, I may say, was of very considerable amount, and has, of course, increased on account of the rise in security values since the date of the balance sheet.

BOARD'S SOUND VALUATION DECISION

All members of the company holding with-profit policies received intimation, shortly after the close of the year, that the directors did not think it desirable on this occasion to carry out a formal annual actuarial investigation with a view to distribution of surplus. As

you may be aware, it is not obligatory for a life assurance company to carry out actuarial investigations at more frequent than five-yearly intervals. At one time it was our regular practice to make our investigations every five years; but some years ago the directors decided that it would be to the advantage of the members to have an annual valuation and distribution of surplus. On account of the fact, however, that at the end of the financial year under review we were entering upon a struggle the duration and severity of which it was impossible to estimate, the directors felt that it was only prudent, in the meantime at least, to discontinue the system of annual distributions of surplus. It is clearly in the best interests of the members that the resources of the company should be conserved in the face of a difficult and unknown future, but I may say that when an actuarial investigation is next carried out (which will be on or before November 15, 1943) holders of with-profit policies which are then in force will participate in any bonus distribution in respect of each premium due and paid since November 15, 1938, so that their interests are fully protected. A full investigation into the value of our assets has, however, been carried out, and, as I have already indicated, the directors were satisfied that they were of greater value than the figure stated in the balance sheet. I may say further that an interim actuarial valuation of the liabilities of the company was undertaken for the information of the directors and that the position revealed was one which enables us to face the future with a considerable degree of confidence. The company is in a strong position, but no one can tell to what extent its strength may be tested in the years to come.

INTERMEDIATE BONUS MAINTAINED

Up to date the intermediate bonus, that is the bonus payable under policies which become claims by death or maturity, in respect of premiums due and paid since November 15, 1938, has been maintained at the rate of £2 2s. per cent., with corresponding bonuses in other classes. The question of a possible change in the rate of intermediate bonus has received and must continue to receive the careful consideration of the board. The directors feel, however, that an immediate reduction would not be justified and that in fairness to those members whose policies mature by death or survival during the current financial year the present rate should be continued until November 15, 1940, unless in the opinion of the directors circumstances arising before that date should render a change desirable. This decision—which is, as I have indicated, necessarily of a character which may require revision—is not to be taken as implying any forecast of what future bonuses may be. Future bonuses depend upon profits which may be earned, and in this connection we must bear in mind the possibility of adverse mortality experience due to the war and of a diminution in the interest income from our invested funds.

LIFE ASSURANCE SCHEME TO ASSIST WAR LOAN

Realising as they do the duty, and in fact the necessity, of a large financial institution such as ours supporting the Government in its financial policy, the directors have invested nearly £900,000 in British Government securities since the commencement of the war, and in connection with the recent issue of 3 per cent. War Loan they instituted a life assurance scheme to assist the public in purchasing this security. The duty has been laid upon the public to save as much money as possible at the present time, and one method of saving which is well worthy of consideration is by effecting a life assurance policy. The premiums constitute a real saving on the part of the policyholder, as well as giving him and his dependants greater security. Further, as the money requires to be invested by the assurance company in the comparatively limited field allowed by Government restrictions, the result is that the Government's financial policy is assisted either directly or indirectly.

In conjunction with other life assurance companies, we have entered into an arrangement to assist such of our members as may have difficulty owing to altered circumstances due to the war in keeping their policies in force. Everything is being done as far as possible to assist our members in this direction.

The report was unanimously adopted.

G. BEATON AND SON, LIMITED

RECORD TURNOVER

MR S. C. GOODWIN'S REVIEW

The annual general meeting of G. Beaton and Son, Limited, was held, on the 11th instant, at the Waldorf Hotel, London, W.C.

Mr S. C. Goodwin (the chairman), in the course of his speech, said:—My first duty, and a very pleasant one, is to introduce to you Sir Eugene Ramsden, who joined the board in August last. We are convinced that his knowledge of public and company affairs will prove to be of immense value to the board. In accordance with the policy of the board to extend the scope of activity of your company, several propositions were examined during the year. The first of these is E.H. Fuel Injection, Limited, a company which, since its incorporation in 1932, has been engaged almost entirely on developing under patents pumps for the injection of fuel. In view of our close connection with the motor and aircraft industries, this project was deemed to be eminently suitable for your company to become interested in, and accordingly your directors entered into an agreement to supply the necessary working capital on terms which they considered favourable and which provide us with a controlling interest.

PRODUCTION OF SPECIAL TOOLS

The second is an undertaking which has been created jointly with another company for the production of special tools. These tools have a regular demand which, incidentally, is not confined to trades in which we were hitherto primarily interested, and consequently this enterprise represents a broadening of our activities. We have also found it necessary to again increase our capacity for the production of aircraft components, and accordingly, towards the year-end, two factories were taken on short leases. It should be added that our accounts for 1939 do not reflect any benefit from the acquisitions and extensions referred to, as they were not in full production in that year. The trade agency which we had held for some years was, by mutual consent, terminated during the year, under an arrangement which provided for the payment to us of suitable compensation and the disposal of our holding of shares in the company.

Up to the outbreak of war our turnover in motor accessories was on a par with that for the corresponding period of 1938, but there was an inevitable fall in the post-war months. Our total turnover was, however, substantially higher than in the previous year, and again created a record, and the profits of £47,319 15s. 3d. are higher by some £14,530. This balance of profits is struck after charging depreciation, our expenditure on A.R.P. as well as certain initial outgoings in connection with our new factories, and your directors consider the results to be satisfactory.

DIVIDEND DECISION

It is with regret that your directors are recommending a distribution below that of last year. This decision was only reached after serious consideration of two main factors, viz. taxation and the necessity under existing conditions of conserving resources. As regards the former, no less a sum than £30,650 is required to meet the liability under this head, which figure is almost equal to the profit of 1938 and considerably exceeds that of the years 1936 and 1937. For a company of our size this contribution to the National Exchequer is a very heavy one, and its severity can only be mitigated by the fact that it is helping to provide the funds which are so vitally necessary for the successful prosecution of the war.

As to the second point, it will be readily appreciated that funds for the development of the company's interests must be found out of current resources, and that in order to provide such resources adequate amounts must be allocated to reserve. Some time must inevitably elapse before new enterprises reach a profit-earning basis, and in the interim period their operations necessitate the provision of adequate working capital, and it is for this reason that we recommend the comparatively substantial appropriation of £6,500 to general reserve. The surplus of assets over liabilities has increased by approximately £6,000 during the year and now stands at £165,110, compared with shareholders' capital of £100,000.

With regard to the figure at which our stocks and work in progress have been brought into account, in view of existing conditions, it has been considered necessary to apply extreme caution in valuing the stocks in our motor accessories department.

The report and accounts were adopted, and the meeting concluded with a vote of thanks to the officials, staff and workpeople of the company.

BANK OF ATHENS

STRONG POSITION MAINTAINED DESPITE EUROPEAN CRISIS

The Directors' report for 1939 was presented at the annual shareholders' meeting on the 23rd ultimo.

The following were among the more salient points:—

Last year was marked by successive crises provoked by a series of alarming events, the evolution of which completely upset the political and economic situation throughout the Continent, and led to a new war from which it is difficult to foresee the extent of the consequences to affairs all over the world.

In Greece, the constructive effort undertaken by the State to develop the resources of the country has been continued, particularly in the branches of agriculture and industry. However, the reaction of the unfavourable conditions was also felt in our country, which, on account of the rigorous commercial blockade exercised by the belligerents, was deprived in a large measure of the principal outlets for its products. On the other hand, problems have arisen in the supplies of raw materials, the lack of which has been felt by the industry, and particularly in construction works.

Despite the very unfavourable conditions, and the further restrictive measures imposed on the outbreak of hostilities, the turnover of the bank has been satisfactory, as is shown by the balance sheet which is to-day submitted for your approval.

A new item in the balance sheet is the "Account created by Law 1767/1939" and "Greek State—Law 1767/1939" in the assets and liabilities respectively. These two accounts arise out of the agreement concluded between the bank and the State, terminating the differences which have been under discussion for several years in connection with the Drachmification of the accounts previously held in foreign currencies. Following this agreement, a new evaluation of the assets has been effected, on the basis of the rates prevailing on December 31, 1939.

The profits for 1939, after deducting the usual provisions and amortisations, amount to Drs. 18,089,839 as against Drs. 18,920,242 for the preceding year. This allows us to propose the distribution of a dividend of Drs. 10 per share, leaving a balance to be carried forward of Drs. 4,940,571.

JOHN BARKER AND COMPANY LIMITED

RESULTS SATISFACTORY

The forty-seventh ordinary general meeting of this company was held, on the 9th instant, in London.

Sir Sydney Martyn Skinner, J.P., chairman and joint managing director, who presided, said the result of the past year's trading was a net profit of £306,663, which the directors considered satisfactory, having regard to the prevalent conditions, particularly since the outbreak of war. The decrease of £41,278, as compared with the previous year, was substantial, but the results compared not unfavourably with those of undertakings of a similar nature. Up to the end of August the profits showed increase, which indicated how seriously war had affected the position.

The outbreak of war, however, changed the whole situation. It became impossible to proceed with the building operations according to schedule, but the work was proceeding wherever possible, having regard to existing circumstances. The building could not be completed by the time originally fixed, but from what could now be seen of the frontage of the new building, with the lovely sweep of arcade windows and internal arrangements, it would be agreed that, when completed, it would fully justify all the thought and effort expended.

Large but necessary expenditure had been incurred to provide efficient and up-to-date service to customers, including an unseen service of heating, lighting, ventilating and air-conditioning plant, all necessary to ensure comfortable shopping facilities. During the year they brought into use the splendid escalator installation, which was second to none in this country or elsewhere.

The gross profit, rents receivable, etc., for the year amounted to £1,474,695, or a decrease of £73,047, while economies had been effected of £31,768, leaving a difference of £41,278. Immediately on the outbreak of hostilities the position was surveyed from the point of view of expenses and drastic economies were introduced to meet, at least in part, any drop in profit arising from the inevitable dislocation of trade. Expenses over which they had no control—rates, taxes, war risk insurance, etc.—had increased by

approximately £27,000, or about 20 per cent., with the prospect of further increase in the current year. But for these charges they would have been very little short of the net profit for the previous year. In addition they had had to face the loss of trading arising from black-out conditions. Having all these factors in mind, it would be agreed that the net profit of £306,663 was satisfactory.

The current year had started fairly well, but it would be a bold man who would attempt any prophecy. Additional charges for rates, taxes and other uncontrollable expenses were already in operation and increasing difficulties were a daily problem. But all that human foresight and energy could do to further the company's interests would be done. The reduction of the dividend on the ordinary share capital from 15 to 10 per cent. was, in the directors' view, the right and prudent course to take.

The report and accounts were unanimously adopted.

BRITISH ENKA LIMITED

IMPROVED RESULTS

The 15th ordinary general meeting of British Enka, Limited, was held, on the 11th instant, at the Hall of the Chartered Insurance Institute, 20 Aldermanbury, London, E.C., Mr C. T. Pott presiding.

The Chairman, in the course of his remarks, said: The year's trading resulted in a profit of £97,172. As we made a loss for 1938 or £70,204, the improvement by comparison is £167,376. The profit, however, is subject to Excess Profits Tax, which should not exceed £30,000. Unfortunately, our profits standard for E.P.T. is very low, but we are hopeful that the forthcoming Budget will give consideration to businesses such as ours which were suffering particularly from depressed trading conditions during the standard years. No part of our increased profit can be attributed to the war, which as a matter of fact has affected us adversely.

The co-operation between the rayon manufacturers has yielded many benefits to producers such as we are, and to the rayon trade as a whole. We have done our utmost to further general co-operation in the industry. In that regard we are much indebted to Mr A. D. Carmichael, who, as a director of this company, has been particularly active and successful in fostering goodwill. It is noteworthy that Mr Carmichael is now acting as Chairman of a Committee on which all the rayon producers in the United Kingdom are represented.

(Continued from page 693)

with £1 18s. per cent. in 1938, are declared; £25,000 is transferred to the general reserve. From the industrial branch surplus, as in 1938, nothing is allocated to policyholders by way of divisible profits, but the interim bonuses on policies becoming claims are maintained at the same rates, and £50,000 is transferred to investments reserve. At present prices market values of the assets considerably exceed book values.

★

Standard Life.—Unlike a number of offices, the Standard Life, a mutual office, effected a fairly considerable increase in its life and annuity funds last year. In the year ending November 15, 1939, they rose from £27.9 millions to £29.3 millions. In addition there is a guarantee fund of £1.7 millions available for the security of policyholders. The increase in the life funds occurred despite a fall in net new business from £6,466,300 to £4,030,400. The company has been one of the leading offices in the transaction of group life assurances, but in 1939 the new sums assured on this type of business decreased from £1,816,700 to £358,100. This was no doubt largely the result of deliberate policy, for war conditions produce unfavourable factors in group assurances and the offices have not been anxious to develop this business as freely as in the past. The company has usually recorded a net rate of interest on the life funds considerably larger than the other offices, partly, no

doubt, because its holdings of debentures and ordinary stocks (which last year represented 43.9 per cent. of the assets) are relatively higher. Last year the net rate of interest was 4.58 per cent. against 4.71 per cent. in 1938, the fall being due to higher taxation. The average net rate of the offices whose accounts have so far appeared was in the region of 3.75 per cent. for 1939. Expenses of the Standard Life were 12.2 per cent. of premiums in 1939 against 13.8 per cent. in 1938; this considerable reduction in a difficult year continues the trend of several years past. The directors have postponed the valuation and profits distribution, which used to be annual but need only be quinquennial if they so decide. They have not announced when the next valuation will be, but it cannot be later than 1943. The interim bonus is maintained at £2 2s. per cent. Market values of the assets as at November 15, 1939, exceeded the book values of £32,559,500.

★

Employers' Assurance.—The Employers' Liability Assurance Corporation transacts a very large part of its business in North America and its fortunes, therefore, closely depend upon conditions in the United States and Canada. The report and accounts suggest that experience in these countries was rather less satisfactory in 1939 than in 1938, but it must be remembered that in the latter year the results were unusually good. The corporation has merged the accident account with

Thanks to the greatly increased demand in 1939, we were able to gradually raise our production. We also benefited from much better operating efficiency brought about through the many improvements made in our works during the previous two years.

The high quality of our products has been maintained even under the difficult war conditions, and so long as we can get the necessary quality in labour and raw materials there seems no reason why there should be any falling off in this standard.

EXPORT TRADE

Although we do not export directly any large quantity of our yarn, we are doing our utmost to further the export trade. A proportion of our production is being used by the Services and we estimate that about 25 per cent. of our output is exported in the form of fabrics. We are endeavouring to regulate our business so that a considerably higher proportion will go into the export trade. This has necessitated, and will necessitate, the cutting down of supplies to customers whom we have had for many years in the home trade market, but we hope they will recognise that only national necessity compels us to do this.

We have continued to receive assistance and collaboration under our agreement with the Dutch A.K.U., and although we are no longer able to make the usual frequent contacts with Holland, we still have the advantage of their technical advice and assistance and we are indeed grateful.

For the rayon trade as a whole we believe there is a good future. Through improved methods of manufacture rayon is becoming more and more popular and finding ever wider markets. World production of rayon yarn in 1939 rose to approximately 1,125 million pounds. Although we hear of the invention of new fibres there is none as yet which is even in sight of competing with the type of yarn which we manufacture.

You will doubtless want to know whether our much improved position brings us to within reasonable sight of a reconstruction of the company's capital and the payment of dividends. Your directors feel that the financial position of the company must be strengthened. We must, of course, get rid of our indebtedness which has been incurred largely to finance the many improvements of our plant, and this must be done without denuding ourselves of working capital. Once these objects are achieved, and subject of course to a continuance of favourable trading conditions, the time should be ripe for shareholders to begin to receive some reward for their long wait.

The report and accounts were unanimously adopted.

the general account so that the new "accident and general account" comprises all business other than fire (dealt with in a separate account), life (transacted through the associated company, the Clerical, Medical and General, whose accounts are analysed on page 693) and marine (written by the Merchants' Marine).

The earned premiums on the accident and general business amounted to £6,036,300 in 1939, compared with £6,427,900 in 1938. In 1939, the underwriting profit, at £203,300, was 3.37 per cent. of earned premiums; in 1938, the profit was £307,000, or 4.78 per cent. Claims rose slightly last year, from 55.6 per cent. to 56.2 per cent., and in keeping with the general trend of expenses in most parts of the world and not least in the United States, the expense ratio increased from 39.6 per cent. to 40.5 per cent. The problem of enlarged expenses abroad, resulting mainly from Government action—taxation alone accounted for more than one-half of the increase in the expense ratio—is one of the major problems confronting the non-life departments of British companies operating abroad.

Earned premiums on fire business were practically unchanged at £398,100 against £397,200 in the previous year. The underwriting profit was £25,000, or 6.3 per cent., compared with £28,100, or 7.1 per cent. in 1939. The dividend is maintained at 3s. 6d. (less tax) per £1 share (5s. paid). The assets total £11,576,400, of which £4,810,400 consists of U.S. Federal securities.

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the 6 days to April 6, 1940, total ordinary revenue was £20,812,000 against ordinary expenditure of £48,552,000, and issues to sinking funds of £259,000. Thus, including all sinking fund allocations, the deficit for the 6 days is £27,999,000, against £10,095,000 for the corresponding 8-day period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	8 days ended Apr. 8, 1939	6 days ended Apr. 6, 1940
ORDINARY REVENUE		
Income Tax	6,528	9,649
Sur-tax	1,840	1,390
Estate, etc., Duties	1,570	1,570
Stamps	520	270
N.D.C.	530	530
E.P.T.	50	50
Other Inland Revenue	60	20
Total Inland Revenue	10,518	13,479
Customs	4,654	4,596
Excise	900	779
Total Customs and Excise	5,554	5,375
Motor Duties	1,446	2,184
P.O. (Net Receipt)	Dr. 50	Dr. 250
Post Office Fund	...	...
Crown Lands	...	...
Receipts from Sundry Loans	55	...
Miscellaneous Receipts	37	24
Total Ordinary Revenue	17,560	20,812
SELF-BALANCING		
Post Office and Broadcasting	1,300	1,400
Total	18,860	22,212

Expenditure	8 days ended Apr. 8, 1939	6 days ended Apr. 6, 1940
ORDINARY EXPENDITURE		
Interest and Management of National Debt	17,878	17,520
Other Consolidated Fund Services	33	32
Total	17,911	17,552
Supply Services	9,500	31,000
Total Ordinary Expenditure	27,411	48,552
Sinking funds	245	259
SELF-BALANCING		
Post Office and Broadcasting	1,300	1,400
Total	28,956	50,211

After raising Exchequer balances by £54,598 to £2,394,622, the other operations for the week (as shown below) raised the gross National Debt by £29,691,000 to about £8,972 millions.

SIX DAYS' CHANGES IN DEBT.

DEBT INCREASES	DEBT REPAYMENTS
3% War Loan	Treasury Bills
Nat. Sav. Certs.	Pub. Dept. Adv.
3% Def. Bonds	
Other debt	
41,590	11,899

OTHER ISSUES (NET)	
N. Atlantic Shipping	25
Overseas Trade Gtes.	105
Anglo-Turk. Arms	203
Title Act.	970
Bullion Advances	85
P.O. and Teleg.	250
	1,638

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts for the 6 days ended April 6, 1940, are:—

(£ thousands)	
Ordinary Exp.	48,552
Misc. Iss. (net)	1,638
Inc. in balances	54
Total	50,244
Ord. Revenue	20,812
Gross borr.	29,691
Less—	
Sinking fds.	259
Net borrowing	29,432
Total	50,244

FLOATING DEBT

Date	Tender	Tap	Public Depts.	Bank of England	Total Floating Debt	Float- ing Assets
1939						
Apr. 8	387.0	510.8	34.4	...	932.2	545.2
Dec. 31	760.0	709.9	65.3	...	1535.2	775.2
1940						
Jan. 6	770.0	718.1	58.5	...	1546.6	776.6
" 13	785.0	689.8	53.2	...	1528.0	743.0
" 20	800.0	658.1	54.7	...	1512.8	712.8
" 27	811.0	641.3	48.8	...	1501.1	690.1
Feb. 3	811.0	642.4	48.2	...	1501.6	790.6
" 10	806.0	630.1	47.6	...	1483.7	677.7
" 17	806.0	625.9	46.7	...	1478.6	672.6
" 24	801.0	621.9	53.4	...	1476.3	675.3
Mar. 2	791.0	651.0	54.1	...	1496.1	705.1
" 9	776.0	664.6	66.0	...	1506.6	730.6
" 16	761.0	673.6	56.3	...	1490.9	729.9
" 23	746.0	682.8	55.0	...	1483.8	737.8
" 31	731.0	696.7	61.5	...	1489.2	758.2
Apr. 6	716.0	706.3	55.0	...	1477.3	761.3

TREASURY BILLS

Date of Tender	Offered	Applied for	Allotted	Average Rate %	Per Cent. Allotted at Minimum Rate
1939					
Apr. 6	35.0	58.0	32.0	26	2.83
Dec. 29	65.0	99.5	65.0	24	4.67
1940					
Jan. 5	65.0	104.0	65.0	22	3.54
" 12	65.0	109.0	65.0	22	2.38
" 19	65.0	122.1	61.0	21	8.85
" 26	60.0	112.2	55.0	22	0.32
Feb. 2	55.0	108.0	50.0	20	9.86
" 9	55.0	108.7	55.0	20	6.11
" 16	65.0	106.9	60.0	20	6.15
" 23	60.0	112.1	55.0	20	5.74
Mar. 1	55.0	108.2	50.0	20	4.81
" 8	55.0	98.3	50.0	20	5.30
" 15	50.0	99.8	50.0	20	5.28
" 21	50.0	100.0	50.0	20	4.92
" 29	50.0	99.9	50.0	20	7.76
Apr. 5	50.0	94.5	50.0	20	8.33

On April 5th applications at £99 14s. 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 51 per cent. of the amount applied for and applications at higher prices in full. £50.0 millions of Treasury bills are being offered on April 12th.

NATIONAL SAVINGS CERTIFICATES AND 3% BONDS SUBSCRIPTIONS

Period	N.S.C.*	3% Bds.	Total
4 days to Mar. 26, 1940	2,053	1,236	3,289
Week to Apr. 2, 1940	2,319	1,690	4,009
19 weeks to Apr. 2, 1940	61,685	61,674	123,359

* Revenue returns show repayment of principal amounting to £10,250,000 in the 19 weeks to April 6, 1940.

BANK OF ENGLAND RETURNS

APRIL 10, 1940

ISSUE DEPARTMENT

Notes Issued :	£	Govt. Debt	11,015,100
In Circulation	539,417,754	Other Govt.	565,303,964
In Banking	40,819,004	Securities	3,168,041
Department		Other Secs.	512,875
		Silver Coin	512,875
		Amt. of Fid.	580,000,000
		Issue	580,000,000
		Gold Coin & Bullion	236,758
		at 1688. per oz. fine	580,236,758

BANKING DEPARTMENT

Props. Capital	14,553,000	Govt. Secs.	137,224,068
Res.	3,107,555	Other Secs.	5,543,509
Public Depts.*	22,880,190	Disct., etc.	22,480,950
		Securities	28,024,459
Other Depts. :		Notes	80,819,004
Bankers	123,915,058	Gold & Silver	981,327
Other Accts.	166,508,113	Coin	207,048,858
			207,048,858

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

THE WEEK'S CHANGES

Both Departments	Amt. Apr. 10, 1940	Compared with Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	539,418	+ 3,025	+ 49,715
Deposits : Public	22,880	+ 491	+ 5,142
Bankers	123,915	+ 3,146	+ 26,269
Others	42,593	+ 1,176	+ 1,657
Total outside liabilities	728,806	+ 1,788	+ 82,782
Capital and rest	17,661	+ 565	+ 17
COMBINED ASSETS			
Govt. debt and securities	713,543	+ 316	+ 305,945
Discounts and advances	5,544	+ 2,338	+ 733
Other securities	25,649	+ 744	+ 3,872
Silver coin in issue dept.	513	+ 5	+ 300
Gold coin and bullion	1,218	+ 40	+ 226,010
RESERVES			
Res. of notes and coin in banking department	41,800	+ 2,985	+ 4,266
Proportion of reserve to outside liabilities	22.0%	+ 1.0%	+ 2.0%

COMPARATIVE ANALYSIS*

	1939	1940			
	Apr. 12	Mar. 20	Mar. 27	Apr. 3	Apr. 10
Issue Dept. :					
Notes in circ.	489.7	540.6	543.1	542.4	539.4
Notes in bank- ing dept.	36.5	39.6	37.1	37.8	40.8
Govt. debt and securities	298.9	576.2	576.2	576.3	576.3
Other sec.	0.3	3.2	3.2	3.2	3.2
Silver coin	0.8	0.5	0.5	0.5	0.5
Gold, valued at s. per f. oz.	226.2	0.2	0.2	0.2	0.2
Deposits :					
Public	17.7	49.5	43.1	22.4	22.9
Bankers	97.7	98.1	98.0	120.8	123.9
Others	40.9	41.8	42.2	41.4	42.6
Total	156.3	189.4	183.3	184.6	189.4
Bkg. Dept. Secs.					
Government	108.7	133.6	134.2	137.6	137.2
Discounts, etc.	6.3	7.2	6.1	3.2	5.5
Other	21.5	26.0	23.0	23.2	22.5
Total	136.5	166.8	163.3	164.0	165.2
Banking dept. reserve	37.5	40.7	38.2	38.8	41.8
"Proportion"	24.0	21.4	20.8	21.0	22.0

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

OVERSEAS BANK RETURNS

NOTE.—The latest return of the Bank of Finland appeared in The Economist of December 9th; Portugal, of February 10th; Egypt, and International Settlements of March 16th; India, Iran, Yugoslavia, and Lithuania, of March 23rd; Argentina, Japan, Java, Latvia, and Roumania, of March 30th; Australia, Belgium, Bulgaria, Canada, Estonia, Hungary, New Zealand, Switzerland and Turkey of April 6th.

U.S. FEDERAL RESERVE BANKS

Million \$'s	Apr. 6, 1939	Mar. 27, 1940	Mar. 27, 1940	Apr. 6, 1940
12 U.S.F.R. Banks	1939	1940	1940	1940
Gold certifi. on hand and due from Treas.	12,573	15,869	16,048	16,102
Total cash reserves	12,943	16,234	16,428	16,485
Total bills discounted	361	356	372	375
Bills in open mkt.	1	Nil	Nil	Nil
Total bills on hand	3	3	3	3
Industrial advances	14	10	10	10
Total U.S. Govt. secs.	2,564	2,477	2,475	2,467
Total bills and secs.	2,581	2,491	2,488	2,480
Total resources	16,211	19,472	19,779	19,719

Million \$'s	Apr. 6, 1939	Mar. 27, 1940	Mar. 27, 1940	Apr. 6, 1940
F.R. notes in circ.	4,398	4,889	4,899	4,935
Aggregate of excess mkt. bank res. over reqs.	3,710	5,730	5,680	5,820
Deposits: Member-bank reserve account	9,318	12,367	12,294	12,395
Govt. deposits	1,103	536	700	692
Total deposits	10,891	13,634	13,802	13,824
Cap. paid in and surplus	311	315	315	315
Total liabilities	16,211	19,472	19,779	19,719

U.S.F.R. Banks AND TREASURY COMBINED: RESOURCES	Apr. 6, 1939	Mar. 27, 1940	Mar. 27, 1940	Apr. 6, 1940
Monetary gold stock	15,292	18,220	18,413	18,470
Treas. & bk. currency	2,838	2,984	2,990	2,991
Money in circulation	6,855	7,481	7,471	7,521
Treasury cash and deposits with F.R. Bks.	3,815	2,894	3,082	3,064

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

Million \$'s	Apr. 6, 1939	Mar. 27, 1940	Mar. 27, 1940	Apr. 6, 1940
Total gold reserves	597.7	804.7	804.7	816.4
Total bills discounted	0.5	0.5	0.5	0.5
Bills in open mkt.	0.2	Nil	Nil	0.5
Total U.S. Govt. secs.	722.0	752.3	751.5	739.5
Total bills and secs.	726.5	755.3	754.2	742.1
Deposits: Member-bank reserve account	507.3	6,945.7	6,826.8	6,692.1
Reserve	90.4	92.2	92.3	92.5

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

Million \$'s	Mar. 22, 1939	Mar. 6, 1940	Mar. 13, 1940	Mar. 20, 1940
Assets	1939	1940	1940	1940
Loans, total	8,209	8,591	8,616	8,606
Investments	13,533	14,764	14,821	14,792
Reserve with Federal Reserve banks	7,379	10,411	10,477	10,318
Due from domestic bks.	2,572	3,111	3,181	3,191
LIABILITIES				
Deposits: Demand	15,976	19,341	19,507	19,251
Time	5,212	5,303	5,340	5,333
U.S. Govt.	630	572	573	576
Inter-bank	6,501	8,947	8,998	9,035

BANK OF FRANCE.—Million francs

Million francs	Apr. 6, 1939	Mar. 27, 1940	Mar. 27, 1940	Apr. 6, 1940
Assets	1939	1940	1940	1940
Gold	87,266	84,613	84,613	84,614
Bills: Commercial	9,815	13,761	14,147	14,203
Bought abroad	726	46	46	46
Advances on securities	3,197	3,398	3,758	3,450
Thirty-day advances	151	413	320	489
Loans to State without interest	10,000	10,000	10,000	10,000
Bonds Neg. Treas.	30,000	30,000	30,000	30,000
Prov. adv. to State	20,570	20,550	20,550	20,900
S.F. bds., & other assets	10,155	11,531	11,409	11,573
LIABILITIES				
Notes in circulation	120,303	156,135	156,032	157,895
Deposits: Public	3,771	1,165	1,154	1,122
Private	14,907	13,993	14,004	13,995
Other liabilities	3,107	3,420	3,272	4,281
Gold to sight liabilities	62.7	49.5	49.4	49.1

† The provisional advances, under Nov. 1938 decree, of fcs. 20,473 millions have been repaid. * Not yet available.

REICHSBANK
Million Reichsmarks

Million Reichsmarks	Mar. 31, 1939	Feb. 29, 1940	Mar. 21, 1940	Mar. 30, 1940
Assets	1939	1940	1940	1940
Gold & for. currencies	76.6	77.3	77.5	77.6
Bills and cheques	818.0	118.2	115.5	112.1
Rentenbank notes	171.0	227.4	199.6	199.6
Advances	57.6	37.3	27.7	30.7
Secs. for note cover	677.4	172.2	128.1	143.6
Other assets	133.9	8.179	3.1698	3.1821
LIABILITIES				
Notes in circulation	831.0	9.1877	2.11526	2.1275.6
Daily maturing liab.	12.9	1.1559	3.1618	9.1759.8
Other liabilities	517.6	6.89	7.758	7.76.5
Cover of note circula.	0.92	0.65	0.67	0.61

NATIONAL BANK OF BELGIUM
Million belgas

Million belgas	Apr. 5, 1939	Mar. 7, 1940	Mar. 28, 1940	Apr. 4, 1940
Assets	1939	1940	1940	1940
Gold and for. ex.	3,676	4,347	4,468	4,525
Bills and securities	747	1,554	1,481	1,469
Advances	146	103	62	79
LIABILITIES				
Notes in circulation	4,373	5,659	5,770	5,833
Deposits: Govt.	14	1	1	1
Other	192	173	187	181

NATIONAL BANK OF DENMARK
Million kroner

Million kroner	Mar. 31, 1939	Jan. 31, 1940	Feb. 28, 1940	Mar. 20, 1940
Assets	1939	1940	1940	1940
Gold coin and bullion	117.6	117.2	117.1	117.1
Foreign bills & balances	115.7	7.5	7.4	7.4
Home bills, loans, etc.	391.5	614.7	624.0	639.1
Advances to Treasury	77.3	96.2	*	*
LIABILITIES				
Notes in circulation	436.1	586.0	592.9	550.3
Deposits	85.1	71.4	92.7	74.7
Foreign liabilities	13.9	54.9	55.3	45.8

* Not available.

BANK OF GREECE.—Million drachmae

Million drachmae	Mar. 23, 1939	Mar. 15, 1940	Mar. 23, 1940	Mar. 23, 1940
Assets	1939	1940	1940	1940
Gold and for. exchange	3,871	4,272	4,341	4,348
State sec. in for. exch.	113	123	123	122
Bills discounted	789	689	689	684
Advances	7,905	12,226	12,145	12,264
State debt	4,113	4,081	4,037	4,037
LIABILITIES				
Notes in circulation	6,680	8,967	8,916	8,990
Dep. and current accts.	9,841	12,038	12,000	11,950
Foreign exch. liabilities	272	452	498	500

NETHERLANDS BANK.—Million florins

Million florins	Apr. 11, 1939	Mar. 11, 1940	Apr. 11, 1940	Apr. 11, 1940
Assets	1939	1940	1940	1940
Gold	129.8	101.5	124.5	124.9
Silver	20.7	9.8	9.4	9.4
Home and for. bills	13.7	11.1	10.2	10.5
Loans and advances	208.6	275.9	215.5	206.7
Notes in circulation	1022.3	1101.4	1128.3	1109.5
Deposits: Govt.	22.8	35.3	70.8	36.3
Other	512.8	200.1	283.1	363.9

BANK OF NORWAY
Million kroner

Million kroner	Mar. 31, 1939	Mar. 15, 1940	Mar. 15, 1940	Mar. 15, 1940
Assets	1939	1940	1940	1940
Gold reserve	147.7	120.0	120.0	120.0
Bal. abroad & for. bills	173.9	77.5	80.8	88.8
Gold, not in gold res.	62.8	65.6	65.6	65.6
Nor. & for. gov. secs.	134.8	119.1	119.3	119.3
Discounts and loans	125.1	350.4	341.8	328.9
LIABILITIES				
Notes in circulation	460.4	593.6	598.0	599.0
Deposits at sight	159.5	113.0	108.0	112.1

SOUTH AFRICAN RESERVE BANK
Million £'s

Million £'s	Mar. 21, 1939	Mar. 15, 1940	Mar. 15, 1940	Mar. 15, 1940
Assets	1939	1940	1940	1940
Gold coin and bullion	26.81	32.17	32.74	33.22
Bills discounted	7.73	8.22	8.28	8.27
Inves. & other assets	15.84	21.68	22.26	22.73
LIABILITIES				
Notes in circulation	18.58	18.81	18.06	18.06
Deposits: Government	6.44	11.33	12.04	12.44
Bankers	18.82	25.79	27.50	25.57
Others	2.72	1.65	1.56	3.19
Reserve ratio	57.9%	55.7%	55.8%	55.9%

BANK OF SWEDEN.—Million kronor

Million kronor	Mar. 23, 1939	Feb. 15, 1940	Mar. 15, 1940	Mar. 15, 1940
Assets	1939	1940	1940	1940
Gold reserve	596.2	909.6	915.6	726.1
Secondary cover	188.8	610.7	706.3	711.9
Foreign assets	795.8	432.1	438.7	562.6
LIABILITIES				
Notes in circulation	1053.6	1289.7	1291.3	1317.9
Deposits: Government	324.0	276.5	214.6	183.4
Banks & others	527.2	73.1	73.4	70.3

† Including "gold abroad not included in gold reserve."

BANK CLEARINGS

PROVINCIAL
(£ thousands)

	Four weeks ended			Week ended Saturday		Aggregate from January 1 to	
	Apr. 1, 1939	Mar. 30, 1940	Change *	Apr. 8, 1939	Apr. 6, 1940	Apr. 8, 1939	Apr. 6, 1940
No. of working days :—	24	23	%	5	6	83	81
BIRMINGHAM	9,106	8,329	- 4.5	2,746	2,994	35,978	33,226
BRADFORD ...	3,260	4,853	+ 56.3	895	790	12,323	19,800
BRISTOL	4,972	7,022	+ 47.3	1,093	1,534	18,496	23,315
HULL	3,005	3,289	+ 13.2	869	923	11,824	12,639
LEICESTER	3,038	2,899	- 0.7	791	1,058	10,636	11,147
LIVERPOOL	19,937	24,227	+ 27.0	5,105	5,447	72,473	85,035
MANCHESTER	37,439	43,255	+ 20.6	11,146	13,814	139,386	161,698
NEWCASTLE	6,152	5,889	- 0.1	1,408	1,512	22,669	21,288
NOTTINGHAM	1,887	1,573	- 12.2	634	545	7,415	6,571
Total: 9 Towns	88,796	101,336	+ 19.2	24,687	28,617	331,200	374,719
DUBLIN	26,421	22,165	- 13.0	7,045	6,961	92,755	88,219
SHEFFIELD†.....	...	...	...	1,627	870	16,201	10,359

* Allowing for different number of working days.
† Clearing of suburban cheques through local clearing discontinued from September 7, 1939.

MONEY RATES

LONDON

	Apr. 4, 1940	Apr. 5, 1940	Apr. 6, 1940	Apr. 8, 1940	Apr. 9, 1940	Apr. 10, 1940	Apr. 11, 1940
Bank rate (changed from 3% Oct. 26, 1939)	2	2	2	2	2	2	2
Market rates of discount							
60 days' bills, drafts	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2
3 months' do.	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2
4 months' do.	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2
6 months' do.	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2
Discount Treasury Bills							
2 months	1-1 1/2	1-1 1/2	1-1 1/2	1-1 1/2	1-1 1/2	1-1 1/2	1-1 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	3/4-1 1/4	3/4-1 1/4	3/4-1 1/4	3/4-1 1/4	3/4-1 1/4	3/4-1 1/4	3/4-1 1/4
Short	1-1 1/4	1-1 1/4	1-1 1/4	1-1 1/4	1-1 1/4	1-1 1/4	1-1 1/4
Deposit advances: Bk.	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
At notice	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2

MONTHLY STATEMENT OF BALANCES OF LONDON CLEARING BANKS

(000's omitted)

March, 1940	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
ASSETS												
Coin, bank notes and balances with the Bank of England.....	£ 46,121	£ 1,743	£ 10,175	£ 3,815	£ 41,790	£ 13,061	£ 53,821	£ 3,036	£ 32,428	£ 37,739	£ 4,837	£ 248,566
Balances with and cheques in course of collection on other banks in Great Britain and Ireland.....	16,521	878	3,280	3,359	14,403	3,014	15,450	309	10,678	14,763	2,442	85,097
Items in transit.....	23,416	4,092	5,402	4,949	5,053	2,321	96,123	21,783	16,798	25,882	7,928	141,480
Money at call and short notice.....	70,651	1,601	9,194	1,414	62,825	7,692	96,123	1,303	43,487	39,887	1,563	335,740
Bills discounted.....	100,829	6,823	29,599	12,223	108,290	31,522	116,975	14,626	75,220	102,885	12,261	611,233
Investments.....	206,008	10,087	35,052	12,007	169,444	47,918	218,519	17,256	137,025	138,795	14,057	1,006,168
Advances to customers and other accounts.....	17,144	779	4,605	4,246	30,804	8,551	19,027	326	12,097	18,935	2,393	118,907
Liabilities of customers for acceptances, endorsements, etc.....	8,089	412	1,593	740	7,461	2,762	9,723	572	7,342	5,371	1,021	45,086
Bank premises account.....	6,273	...	...	...	3,670	...	8,101	...	2,514	2,993	...	23,551
Investments in affiliated banks and subsidiary companies.....	195,052	26,415	98,900	42,753	466,112	123,221	559,522	39,906	337,589	387,250	46,502	2,623,222
Ratio of cash to current, deposit and other accounts ..	10.23	7.37	11.52	10.42	10.19	12.22	10.49	8.53	10.55	10.79	11.70	10.52
LIABILITIES												
Capital paid up.....	15,858	1,000	2,976	1,060	15,810	4,160	15,159	1,500	9,479	9,320	1,875	78,197
Reserve fund.....	11,250	1,000	2,976	530	9,500	3,600	12,411	1,160	8,500	9,320	900	61,147
Current, deposit and other accounts.....	450,800	23,636	88,343	36,607	409,991	106,890	512,925	35,576	307,513	349,661	41,334	2,363,276
Acceptances, endorsements, etc.....	17,144	779	4,605	4,246	30,804	8,551	19,027	326	12,097	18,935	2,393	118,907
Notes in circulation.....	...	...	...	...	7	20	...	1,344	...	14	...	13,985
Reduction of bank premises account.....	...	...	...	310	...	...	...	...	...	...	...	310
	195,052	26,415	98,900	42,753	466,112	123,221	559,522	39,906	337,589	387,250	46,502	2,623,222

Investment

TRANSPORT RECEIPTS

British Railways and London Transport Board

Publication of Weekly Traffic Returns is now Suspended.

IRISH RAILWAY TRAFFICS

Company	Aggregate Gross Receipts April 5, 1940 (£'000)			Aggregate Gross Receipts 14 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down— 1839	2.0	0.4	2.4	23.2	5.9	29.1
1940	2.2	0.6	2.8	30.9	6.7	37.6
Great Northern— 1839	11.5	8.7	20.2	120.0	141.3	261.3
1940	11.4	11.0	22.4	138.8	153.8	292.6
Great Southern— 1839	36.9	42.0	78.9	402.0	576.1	978.1
1940	34.0	50.8	84.8	419.8	593.1	1,012.9

OVERSEAS WEEKLY TRAFFIC RECEIPTS

INDIAN

Name	Weeks Ending	Gross Receipts for Week		Aggregate Gross Receipts	
		1940	+ or -	1940	+ or -
Bengal & N. Western	24 Mar. 20	Rs. 12,04,163	+1,68,554	Rs. 1,82,37,901	-2,01,937
Bengal-Nagpur	51	35,59,000	+7,29,427	10,55,87,945	+1,39,05,945
Bombay, Bar. & C.I.	51	38,00,000	+1,19,000	12,14,63,000	+26,09,000
Madras & S. Maharastra	51	25,67,000	+2,97,223	7,59,11,014	+28,17,430
S. Indian	49	14,97,476	+33,532	5,15,48,854	+1,01,541

‡ 10 days. † 11 days.

CANADIAN

Name	Weeks Ending	Gross Receipts for Week		Aggregate Gross Receipts	
		1940	+ or -	1940	+ or -
Canadian National	14 Apr. 7	\$ 3,877,506	+506,644	\$ 57,251,621	+1,268,3318
Canadian Pacific	14	2,760,000	+328,000	38,398,000	+6,620,000

TRANSVAAL GOLD OUTPUT

Statistics for March, 1940

(on basis of £7 10s. Od. per fine ounce)

Name of Mine and Group	Tons Milled	Output Fine ozs.	Net Estimated Value	Working Costs	Profit	Working Costs Per Fine oz.
Anglo-American Corporation			£	£	£	s. d.
Brakpan Mines	138,000	254,157	153,121	101,036	90 4.5	
Daggafontein Mines	157,000	333,768	153,760	180,008	69 1.8	
East Daggafontein	65,000	125,331	91,229	34,102	109 3.2	
S. African Land and Exploration	105,000	217,233	106,209	111,024	73 4.5	
Spring Mines	157,000	326,470	160,368	166,102	73 8.8	
West Springs	91,500	150,775	97,681	53,094	97 1.1	
Central Mining—Rand Mines						
City Deep	104,000	24,255	...	46,431	111 10	
Cons. Main Reef	194,000	32,461	...	59,074	113 7	
Crown Mines	325,000	83,035	...	259,695	87 8	
Durban Road. Deep	177,000	33,638	...	64,175	111 11	
East Rand Prop.	220,000	46,313	...	97,092	108 3	
Geldenhuis Deep	67,000	9,221	...	17,320	112 7	
Glyn's Lydenburg	10,000	2,939	...	4,621	107 4	
Modderfontein B.	90,000	14,481	...	28,214	86 4	
Modderfontein East	128,000	21,817	...	58,214	96 8	
New Modderfontein	197,000	30,555	...	89,942	91 4	
Nourse Mines	82,000	15,950	...	24,601	119 5	
Rose Deep	80,000	12,544	...	18,302	121 3	
Transvaal Gd. Mining	29,000	5,075	...	4,042	131 3	
General Mining						
Van Ryn Gold	63,000	...	54,166	...	5,751	140 6
West Rand Cons.	230,000	...	317,335	...	128,788	92 1

SOUTH & CENTRAL AMERICAN

(For heading, see Overseas Traffic in first column.)

Company	Month Ending	Receipts for Month		Aggregate Receipts	
		1940	+ or -	1940	+ or -
Canadian Pacific	2 Feb. 29	Gross \$11,915,000	2,719,000	24,160,000	+5,265,000
		Net \$1,972,000	1,739,000	3,801,000	+3,107,000
Int. Rlys. Cent. Amer.	2 Feb. 29	Gross \$604,831	55,394	1,170,321	-72,611
		Net \$165,778	3,645	290,243	-10,153
Mexican Light and Power	12 Dec. 31	Gross \$655,381	7,222	17,453,670	-619,914
		Net \$121,508	70,417	1,378,082	-428,144
Peruvian Corp.	9 Mar. 31	Gross \$74,738	5,140	660,651	-2,514
Singapore Tract.	6 Mar. 31	Gross \$240,000	31,000	1,378,000	-142,000

* Receipts in Argentine pesos. † Fortnight. (a) Converted at official rate. (d) Receipts in Uruguayan currency. (e) Converted at "controlled rate."

MONTHLY TRANSPORT RETURNS

Company	Month Ending	Receipts for Month		Aggregate Receipts	
		1940	+ or -	1940	+ or -
Canadian Pacific	2 Feb. 29	Gross \$11,915,000	2,719,000	24,160,000	+5,265,000
		Net \$1,972,000	1,739,000	3,801,000	+3,107,000
Int. Rlys. Cent. Amer.	2 Feb. 29	Gross \$604,831	55,394	1,170,321	-72,611
		Net \$165,778	3,645	290,243	-10,153
Mexican Light and Power	12 Dec. 31	Gross \$655,381	7,222	17,453,670	-619,914
		Net \$121,508	70,417	1,378,082	-428,144
Peruvian Corp.	9 Mar. 31	Gross \$74,738	5,140	660,651	-2,514
Singapore Tract.	6 Mar. 31	Gross \$240,000	31,000	1,378,000	-142,000

* December 1939. † 12 months 1939.

AMERICAN RAILROADS

Company	Month of February, 1940	Compared with Feb., 1939		Two Months, 1940	
		1940	+ or -	1940	+ or -
Baltimore and Ohio	Gross	\$12,725,000	+1,888,000	\$27,199,000	+4,409,000
	Net	1,348,000	+88,000	3,114,000	+183,000
New York	Gross	28,000,000	+3,200,000	59,700,000	+7,400,000
	Net	2,000,000	+1,400,000	5,800,000	+3,100,000
Pennsylvania	Gross	34,400,000	+4,900,000	72,900,000	+10,500,000
	Net	4,500,000	+800,000	10,000,000	+1,300,000
Southern Pacific	Gross	16,300,000	+2,100,000	33,800,000	+3,800,000
	Net	900,000	+600,000	2,300,000	+1,000,000
Union Pacific	Gross	11,200,000	+900,000	23,700,000	+1,500,000
	Net	600,000	+400,000	2,200,000	+700,000

† 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.

Prices, Year 1939		Prices, Jan. 1 to Apr. 10, 1940		Name of Security		Price, Apr. 10, 1940	Ch'ge since Apr. 3	Yield Apr. 10, 1940	Prices, Jan. 1 to Apr. 10, 1940		Last two Dividends		Name of Security		Price, Apr. 10, 1940	Ch'ge since Apr. 3	Yield Apr. 10, 1940
High	Low	High	Low						High	Low	(a)	(b)	(c)				
71 1/8	61	74 3/4	68 1/8	Consols 2 1/2%	107	-1 1/2	3 10 8	493	476 1/2	11 1/2	14 1/2	10 1/2	14 1/2	Investment Trusts	485	...	5 6 0
107 1/8	98	109 1/2	103 1/8	Do. 4% (aft. 1957)	107	-1 1/2	2 17 9	187	184	8 1/2	3 1/2	3 1/2	3 1/2	Alliance Trust	185	...	6 4 0
96 1/4	90 1/8	100 1/2	95 1/2	Conv. 2 1/2% 1944-49	100 1/2	-1 1/2	2 19 2	186	155	4 1/2	6 1/2	6 1/2	6 1/2	Anglo-Am. Deb.	180	...	5 11 0
99 1/8	92 7/8	103	97 1/2	Do. 3 1/2% 1948-53	101 1/4	-1 1/2	3 12 0	90	84	2 1/2	4 1/2	4 1/2	4 1/2	Debenture Corp. Stk.	185	...	8 3 0
99 1/8	87	100 1/4	94	Do. 3 1/2% after 1961	97 1/4	-1 1/2	3 12 0	109	107	10 1/2	4 1/2	4 1/2	4 1/2	Guardian Investment	181	...	6 3 0
104 1/4	100 3/4	101 1/2	99 1/2	Do. 4 1/2% Dissented	99 1/2	-1 1/2	2 17 0	186	168	8 1/2	5 1/2	5 1/2	5 1/2	Ind. and Gen. Ord.	192 1/2	...	5 14 3
112 1/8	103 3/4	112	107 1/8	1940-44 Assented	108	-1 1/2	3 4 9	195	174	3 1/2	7 1/2	7 1/2	7 1/2	Mercantile Inv.	192 1/2	...	8 11 9
87 1/4	79 3/4	92 3/4	86 5/8	Do. 5% 1944-64	89	-1 1/2	3 2 10	83 1/2	80 1/2	5 1/2	7 1/2	7 1/2	7 1/2	Merchants Trust Ord.	174 1/2	...	6 17 6
93 5/8	87 3/4	98 1/2	92	Fund. 2 1/2% 1956-61	95 1/2	-1 1/2	3 4 3	165 1/2	139	7 1/2	3 1/2	3 1/2	3 1/2	Metropolitan Trust	163 1/2	...	6 2 4
95 1/8	87 1/2	99 1/2	92 3/4	Fund. 3% 1959-69	96	-1 1/2	3 7 4	173 1/2	140 1/2	4 1/2	6 1/2	6 1/2	6 1/2	Trustees Corp. Ord.	172 1/2	...	5 15 11
109 1/8	100 1/2	113 1/4	106 3/8	Fund. 4% 1960-90	109	-1 1/2	2 14 1/2	22 3/4	18 10 1/2	8 1/2	8 1/2	8 1/2	8 1/2	Fin. S. Afr. 15/- p.d.	20 6	-6d	6 2 0
96 1/4	94 3/4	102	95 1/8	Nat. D. 2 1/2% 1944-48	99	-1 1/2	3 9 9	120 1/2	90	2 1/2	3 1/2	3 1/2	3 1/2	Dalgely £20, 45 p.d.	115	...	4 0 0
99 1/8	91 1/2	102 1/2	95 1/8	Do. 3% 1954-58	99 1/2	-1 1/2	3 11 0	26 3/4	23 1/2	4 1/2	3 1/2	3 1/2	3 1/2	Forestal Land £1	25 9	+6d	5 8 9
108 1/8	102	110 7/8	105 1/8	Victory Bonds 4%	107 1/2	-1 1/2	3 11 0	35 1/2	30 9	10 1/2	8 1/2	8 1/2	8 1/2	Hudson's Bay Co. £1	24 9	-3d	2 12 0
87 1/8	86	100 1/4	93 1/8	War L. 3 1/2% 1955-59	99	-1 1/2	3 11 0	35 1/2	30 9	10 1/2	8 1/2	8 1/2	8 1/2	Sudan Plant. £1	32 6	...	4 18 6
99 1/8	91	100	97 1/2	Local Loans 3%	98 1/4	-1 1/2	3 13 6	17 1/2	14 9	4 1/2	11 1/2	11 1/2	11 1/2	Barclay Perkins £1	16 1/2	+6d	6 19 0
64	55 1/2	71 1/4	60 1/4	Austria 3 1/2% 1933-53	68	-1 1/2	3 13 6	17 1/2	14 9	4 1/2	11 1/2	11 1/2	11 1/2	Barclay Perkins £1	16 1/2	+6d	6 19 0
115 1/4	104 1/2	115	105 1/2	India 2 1/2%	114 1/2	-1 1/2	3 9 8	125 1/2	119	12 1/2	15 1/2	15 1/2	15 1/2	Bass Ratcliff Ord. £1	124 1/2	-1 1/2	4 0 0
106 1/4	95	107 1/8	102	Do. 3 1/2% 1958-68	104 1/2	-1 1/2	3 9 8	57 1/2	52 1/2	6 1/2	11 1/2	11 1/2	11 1/2	Courage Ord. £1	54 1/2	-1 1/2	4 6 0
103 1/8	98	102 1/4	100 1/2	Austr. 5% 1945-75	104 1/2	-1 1/2	3 19 7	70 3/4	64 3/4	15 1/2	6 1/4	6 1/4	6 1/4	Distillers Ord. £1	67 1/2	...	6 9 0
112 1/2	103	110 1/2	107	Canada 3 1/2% 1940-60	100 1/2	-1 1/2	3 17 1	73 1/2	72 1/2	14 1/2	11 1/2	11 1/2	11 1/2	Guinness Ord. £1	78 1/2	...	6 8 0
103 1/2	92	105 1/8	101	Nigeria 5% 1950-60	101 1/4	-1 1/2	3 17 1	73 1/2	72 1/2	14 1/2	11 1/2	11 1/2	11 1/2	Guinness Ord. £1	78 1/2	...	6 8 0
110	102	108 1/2	105 1/2	N. Zealand 5% 1946	101 1/4	-1 1/2	3 8 0	52 1/2	48 1/2	12 1/2	6 1/2	6 1/2	6 1/2	Ind. Coops & All. £1	71 1/2	...	6 12 0
111 1/2	104	110 1/4	106	S. Africa 5% 1945-75	108	-1 1/2	3 10 6	6 1/2	5 1/2	10 1/2	10 1/2	10 1/2	10 1/2	Mitchells & Butlers £1	72 1/2	...	5 15 0
72 1/8	65 1/2	78 1/2	68 1/2	Corporation Stocks	103	-1 1/2	3 12 6	52 1/2	43 1/2	3 1/2	11 1/2	11 1/2	11 1/2	Watney Combe Def. £1	48 1/2	-1 1/2	7 10 0
95 1/8	86 1/2	94 1/2	87 1/2	Birham 5% 1946-56	108	-1 1/2	3 12 6	52 1/2	43 1/2	3 1/2	11 1/2	11 1/2	11 1/2	Baldwins 4 1/2	5 3	...	7 12 0
102 3/4	95 1/2	103 1/2	98	L.C.C. 3%	83	-1 1/2	3 8 10	34 7 1/2	28 1/2	12 1/2	15 1/2	15 1/2	15 1/2	Bolsover Col. Ord. £1	50 7 1/2	-1 1/2	5 18 0
91 1/2	73 3/4	92 3/4	84 3/4	Liverpool 3% 1954-64	93	-1 1/2	3 5 7	24 7 1/2	21 9	3 1/2	4 1/2	4 1/2	4 1/2	Brown (J.) Ord. 10/-	32 1/2	-9d	5 18 0
65 1/2	54	58 1/2	51 1/2	Middx. 3 1/2% 1957-62	102 1/2	-1 1/2	3 5 7	24 7 1/2	21 9	3 1/2	4 1/2	4 1/2	4 1/2	Brown Laird 5/-	7 3	...	6 19 0
95	30	56 1/4	48 1/2	Foreign Governments	91 1/2	-1 1/2	4 18 4	28 1/2	22 6	10 1/2	10 1/2	10 1/2	10 1/2	Colvies Ord. £1	23 1/2	-1 1/2	8 12 6
31 1/8	18	35 1/2	20	Arg. 4 1/2% Stg. 1934-59	57 1/2	-1 1/2	7 16 6	75 1/2	60 1/2	16 1/2	11 1/2	11 1/2	11 1/2	Dorman Long Ord. £1	23 1/2	-1 1/2	8 12 6
19 1/8	9	23	18 1/2	Belgian 4% (36) 1970	58 1/2	-2	7 16 0	26 11 1/4	20 9	13 1/2	12 1/2	12 1/2	12 1/2	Firth Brown £1	72 1/2	+2 1/2	4 16 0
55 1/2	23 1/2	45 1/4	34 1/2	Bulgaria 7 1/2%	17 1/2	-1	14 5 8m	27 19	23 6	7 1/2	15 1/2	15 1/2	15 1/2	Guest Keen & Co. Ord. £1	25 3	-9d	4 15 0
100	65	70	35	Brazil 5% Fd. 1914	33 1/2	-1	7 9 3m	29 4 1/2	26 1/2	2 1/2	7 1/2	7 1/2	7 1/2	Hadfields 10/-	24 9	-9d	9 2 0
86 1/4	58	79 3/4	70	Chile 6% (1929)	20	-1	7 10 0	22 7 1/2	17 9	4 1/2	7 1/2	7 1/2	7 1/2	Horden Collieries £1	28 1/2	-7 1/2	5 11 0
12 1/2	9	10 1/2	9	China 5% (1913)	36 1/2	-2	16 11 5	34 6 3/4	30 4	10 1/2	14 1/2	14 1/2	14 1/2	Powell Duffryn £1	21 6	-1 1/2	7 2 0
44	4	7 1/2	5 1/2	Czecho-Slovakia 8%	47 1/2	-35	8 11 5	54 9	47 1/2	12 1/2	12 1/2	12 1/2	12 1/2	Sheepbridge C. & I. £1	48 9	-7 1/2	4 14 6
30 1/2	15	24 1/2	14 1/2	Denmark 3%	78 1/2	-1	5 18 0	39 1/2	32 3/4	4 1/2	10 1/2	10 1/2	10 1/2	S. Durham Ord. £1	31 3	...	4 0 0
35 1/2	25	25	25	Egypt Unif. £1	10 1/2	-1	12 5 6m	86 5/8	80 5/4	Nil c	5 1/2	5 1/2	5 1/2	Staveley Coal & £1	50 1/2	-10d	4 0 0
61 1/2	33	65	57	French Gov. British	70 1/2	-1	12 5 6m	86 5/8	80 5/4	Nil c	5 1/2	5 1/2	5 1/2	Stewarts & Lloyds £1	45 7 1/2	-1 1/2	5 9 0
55	40	50	50	Ger. Dawes £. 5%	70 1/2	-1	12 5 6m	86 5/8	80 5/4	Nil c	5 1/2	5 1/2	5 1/2	Swan, Hunter £1	35 7 1/2	-7 1/2	8 8 6
65	20	20	20	Get. Young £. 4 1/2%	6 1/2	-1	12 5 6m	86 5/8	80 5/4	Nil c	5 1/2	5 1/2	5 1/2	Thomas (Rich.) 6/8	3 6	...	Nil
11 1/2	4 3/4	8 3/4	6	Greek 6% Stab. L.	21	-1	12 5 6m	86 5/8	80 5/4	Nil c	5 1/2	5 1/2	5 1/2	Thornycroft, John £1	32 6	...	6 3 0
				Hungary 7 1/2%	25	-1	12 5 6m	86 5/8	80 5/4	Nil c	5 1/2	5 1/2	5 1/2	U. States Steel \$100.	\$78 1/2	+ \$7	5 12 3
				Japan 5 1/2% 1930	61	-1	9 0 4	24 3	21 4 1/2	5 1/2	2 1/2	2 1/2	2 1/2	Un. Steel Cos. Ord. £1	22 6	-9d	7 2 3
				Peru 7 1/2% 1922	55	-1	9 0 4	24 3	21 4 1/2	5 1/2	2 1/2	2 1/2	2 1/2	Vickers 10/-	17 3	-9d	5 15 6
				Poland 7%	20	-1	22 1 9	38 1/4	33 1/2	Nil c	Nil c	Nil c	Nil c	Textiles	8 3	-3d	5 6 6
				Roun. 4% Con. 1922	8 1/2	-1	22 1 9	38 1/4	33 1/2	Nil c	Nil c	Nil c	Nil c	Brit. Col. Ord. 10/-	37 9	-3d	5 6 6
								39 10 1/2	34 6	2 1/2	5 1/2	5 1/2	5 1/2	Coats, J. & P. £1	37 9	-3d	5 6 6
								35 9	29 10 1/2	5 1/2	2 1/2	2 1/2	2 1/2	Courtaulds £1	38 6	-9d	3 12 6
								26 1/2	25 9	3 1/2	3 1/2	3 1/2	3 1/2	English Sew. Ctn. £1	35 1/2	+2 1/2	4 6 0
								61 3	55 9	11 1/2	10 1/2	10 1/2	10 1/2	Lancs Cotton Corp £1	23 1/2	-7 1/2	4 6 0
								15 6	13 9	1 1/2	2 1/2	2 1/2	2 1/2	Linen Thread Stk £1	27 6	...	3 6 9 1/2
								43 1 1/2	37 9	10 1/2	10 1/2	10 1/2	10 1/2	Patons & Baldwins £1	60 1/2	+3d	Nil
								31 1/2	27 6	10 1/2	10 1/2	10 1/2	10 1/2	Whitworth & Mit. £1	14 3	+3d	Nil
								38 1/2	37 9	10 1/2	10 1/2	10 1/2	10 1/2	Associated Elec. £1	38 1 1/2	-1 1/2	5 4 9
								43 1 1/2	37 9	10 1/2	10 1/2	10 1/2	10 1/2	British Insulated £1	86 3	...	4 12 6
								31 1/2	27 6	10 1/2	10 1/2	10 1/2	10 1/2	Callenders £1	63 9	-2 6	4 14 0
								31 1/2	27 6	10 1/2	10 1/2	10 1/2	10 1/2	Crompton Pat. A5/-	18 9	...	5 6 0
								31 1/2	27 6	10 1/2	10 1/2	10 1/2	10 1/2	English Electric £1	31 3	-10 1/2	6 8 0
								31 1/2	27 6	10 1/2	10 1/2	10 1/2	10 1/2	General Electric £1	79 4 1/2	-7 1/2	5 0 0
								31 1/2	27 6	10 1/2	10 1/2	10 1/2	10 1/2	Johnson & Phillips £1	50 1/2	...	6 0 0
								31 1/2	27 6	10 1/2	10 1/2	10 1/2	10 1/2	Electric Light & Co.	28 1/2	-6 1/2	5 0 0
								31 1/2	27 6	10 1/2	10 1/2	10 1/2	10 1/2	British East. £1	36 10 1/2	-7 1/2	4 6 10
								31 1/2	27 6	10 1/2	10 1/2	10 1/2	10 1/2	Clyde Valley Elec. £1	36 3	-10 1/2	5 16 0
								31 1/2	27 6	10 1/2	10 1/2	10 1/2	10 1/2	County of London £1	25 1/2	-6d	4 16 0
								31 1/2	27 6	10 1/2	10 1/2	10 1/2	10 1/2	Edmundsons £1	31 3	-1 1/2	4 16 0
								31 1/2	27 6	10 1/2	10 1/2	10 1/2	10 1/2	Lancashire Elec. £1	18 9	-1 1/2	4 16 0
								31 1/2	27 6	10 1/2	10 1/2	10 1/2	10 1/2	London Ass. Elec. £1	31 3	-1 1/2	5 19 0
								31 1/2	27 6	10 1/2	10 1/2	10 1/2	10 1/2	Midland Counties £1	28 1/2	-5 1/2	4 18 0
					</												

Prices, Jan. 1 to Apr. 10, 1940					Last two Dividends			Name of Security	Price, Apr. 10, 1940	Ch'ge since Apr. 3	Yield Apr. 10, 1940	Prices, Jan. 1 to Apr. 10, 1940					Last two Dividends			Name of Security	Price, Apr. 10, 1940	Ch'ge since Apr. 3	Yield Apr. 10, 1940		
High	Low	(a)	(b)	(c)	(a)	(b)	(c)					High	Low	(a)	(b)	(c)	(a)	(b)	(c)						
13/11/2	10/9	8	c		Miscellaneous	11/3		£ s. d.	65/7 1/2	60/7 1/2	95	c		Mines	63/9	-1/3	6	s. d.	Ashanti Goldfields 4/-	63/9	-1/3	6	s. d.		
9/-	8/3	10	b	Nil	Allied News £1	9/-	+6d	10 13 4	11/9	8/6	25	b	p3/2	Burma Corp. Rs. 9	9/6	+1/2	8	7 6 0	Burns Corp. Rs. 9	9/6	+1/2	8	7 6 0		
62/6	43/11/2	7 1/2	a	7 1/2	Assoc. P. Cement £1	43/9	-3/9	6 17 3	51/3	42/6	6 1/4	10	b	Cons. Glds. of S. Afr. £1	47/6	-1/3	6	16 0 0	Cons. Glds. of S. Afr. £1	47/6	-1/3	6	16 0 0		
44/3	37/6	5	a	5	Barker (John) £1	42/6		5 17 1	15 1/2	12 1/2	95	b	95	a	Crown Mines 10/-	13/8	-1/4	7	0 0 0	Crown Mines 10/-	13/8	-1/4	7	0 0 0	
8/9	7/6	28 1/2	13	a	Beechams Pills Df. 2/6	8/-		3 8 3	8 1/4	5 1/2	Nil	c	Nil	c	De Beers (Def.) £2 1/2	7 1/4	-1/2	7	Nil	De Beers (Def.) £2 1/2	7 1/4	-1/2	7	Nil	
44/6	39/-	32 1/2	13	a	Boots Pure Drug 5/-	43/11/2	-2/6	4 16 3	42/6	32/-	15	c	15	c	Joburg Cons. £1	40/-	...	7	10 0 0	Joburg Cons. £1	40/-	...	7	10 0 0	
56/1	48/6	4	4	b	Brit. Aluminium £1	51/10 1/2	-1/3	3 13 0	42/6	32/6	11 1/4	a	11 1/4	b	La Plata, per cwt.	38/9	...	11	12 0 0	La Plata, per cwt.	38/9	...	11	12 0 0	
106/3	94 1/2	120	119	b	Brit. Amer. Tob. £1	105/-	-1/3	4 10 8	11 1/2	8 1/2	25	a	25	b	Langfontaine £1	10 1/4	+3/8	4	18 0 0	Langfontaine £1	10 1/4	+3/8	4	18 0 0	
78/9	69 1/2	7	5	b	British Oxygen £1	75/-	...	4 10 8	16/-	13/6	5	b	10	a	Roan Antelope Corp. 5/-	14/3	-6d	5	1 0 0	Roan Antelope Corp. 5/-	14/3	-6d	5	1 0 0	
11/6	9/6	25	25	c	British Ropes (2/6)	10/9	-3d	5 17 0	10 1/2	9 1/4	75	a	75	b	Sub Nigel 10/-	10	+3/8	7	10 0 0	Sub Nigel 10/-	10	+3/8	7	10 0 0	
52/6	45/-	7 1/2	a	12 1/2	Brockhouse (J.) £1	48/9	-1/3	8 4 2	79 1/6	65	2/6	a	5/6	b	Union Cp. 12/6 fy. pd.	7 1/2	+3/8	5	6 9 0	Union Cp. 12/6 fy. pd.	7 1/2	+3/8	5	6 9 0	
65 1/2	56	4	c	4	Cable & Wir. Hdg.	61 1/2	...	6 10 0	88/9	58/9	Nil	Nil	Nil	Nil	W. Witwatersrand 10/-	75/-	-5/-	5	Nil	W. Witwatersrand 10/-	75/-	-5/-	5	Nil	
65 1/2	53 1/2	15	a	15	Carreras 'A' Ord. £1	58 1/2	-1/8	5 12 0																	
34/7 1/2	27/6	9	c	12	Dunlop £1	35/-xd	+3/5	6 17 0																	
10/11/2	7/7 1/2	5	c	Nil	Elec. & Mus. Ind. 10/-	8/6	-6d	5 13 3																	
27/7 1/2	25/10 1/2	15	b	15	Ever Ready Co. 5/-	26/6	-1/8	5 2 0																	
65 1/2	51 1/2	7 1/2	a	20	Gallagher Ltd. Ord. £1	54 1/2	...	Nil																	
2 1/2	2/-	Nil	Nil	c	Gaumont-Brit. 10/-	26/3	-1/10 1/2	7 12 5																	
28/4 1/2	24/9	25	15	a	Gestetner (D.) 5/-	11/6	...	10 17 6																	
25/4 1/2	11/-	20	30	b	Gt. Universal Stores 5/-	91/3	-1/3	5 9 0																	
93/11/2	88/-	20	5	a	Harrison & Crosd. £1	36/3	-1/3	5 10 4																	
40/6	36/-	5	a	5	Harrods £1	31/3	-1/-	5 9 9																	
33/9 3/4	29/6	3	a	5	Imp. Chem. Ord. £1	13/9	...	Nil																	
13/9	12/-	5	c	Nil	Imp. Smelting £1	54 1/2	-3/4	4 7 0																	
61 1/2	55 1/2	7 1/2	a	11 1/2	Imp. Tobacco £1	54	-1/8	4 7 0																	
£499 5/8	£45	£2 25/8	£2 0/0	c	Int. Nickel n.p.	11/6	-3/4	4 7 0																	
12/3	10/3	5	b	5	International Tea 5/-	11/6	-3d	4 7 0																	
34/3	28 3/4	6	a	4 1/2	Lever & Unilever £1	32/6	...	6 12 0																	
32/9	28/-	20	c	10	London Brick £1	28/9	-1/3	6 19 2																	
87/6	74 1/2	14 1/2	a	15	Lyons (J.) Ord. £1	51/9	-6d	3 19 3																	
54 1/2	50 1/2	12 1/2	b	5	Marks & Spen. 'A' 5/-	32 3/4	-1/3	4 9 6																	
43 1/2	32 3/4	12 1/2	b	5	Metal Box £1	80/-	-1/3	5 0 0																	
87/6	77 1/2	12 1/2	b	12 1/2	Murex £1 Ord.	21/-xd	-5d	4 5 0																	
23 1/2	16/3	4	a	6	Ninchin Johnson 10/-	17/-	...	4 5 0																	
17/6	16/3	3	a	15	Ranka Ord. 5/-	61/3	+1/3	4 18 0																	
61/6	54/-	12 1/2	b	21 1/2	Spillers Ord. £1	53/9	-7 1/2	5 0 0																	
57/9	53/-	3 1/2	10	b	Tate and Lyle £1	41/10 1/2	-7 1/2	5 3 6																	

(a) Interim dividend. (b) Final dividend. (c) Last two yearly dividends. (d) Yield on 18-95% basis. (e) Yield on 18-95% basis. (f) Yield on 18-95% basis. (g) Yield on 18-95% basis. (h) Yield on 18-95% basis. (i) Yield on 18-95% basis. (j) Yield on 18-95% basis. (k) Yield on 18-95% basis. (l) Yield on 18-95% basis. (m) Yield on 18-95% basis. (n) Yield on 18-95% basis. (o) Yield on 18-95% basis. (p) Yield on 18-95% basis. (q) Yield on 18-95% basis. (r) Yield on 18-95% basis. (s) Yield on 18-95% basis. (t) Yield on 18-95% basis. (u) Yield on 18-95% basis. (v) Yield on 18-95% basis. (w) Yield on 18-95% basis. (x) Yield on 18-95% basis. (y) Yield on 18-95% basis. (z) Yield on 18-95% basis. (aa) Yield on 18-95% basis. (ab) Yield on 18-95% basis. (ac) Yield on 18-95% basis. (ad) Yield on 18-95% basis. (ae) Yield on 18-95% basis. (af) Yield on 18-95% basis. (ag) Yield on 18-95% basis. (ah) Yield on 18-95% basis. (ai) Yield on 18-95% basis. (aj) Yield on 18-95% basis. (ak) Yield on 18-95% basis. (al) Yield on 18-95% basis. (am) Yield on 18-95% basis. (an) Yield on 18-95% basis. (ao) Yield on 18-95% basis. (ap) Yield on 18-95% basis. (aq) Yield on 18-95% basis. (ar) Yield on 18-95% basis. (as) Yield on 18-95% basis. (at) Yield on 18-95% basis. (au) Yield on 18-95% basis. (av) Yield on 18-95% basis. (aw) Yield on 18-95% basis. (ax) Yield on 18-95% basis. (ay) Yield on 18-95% basis. (az) Yield on 18-95% basis. (ba) Yield on 18-95% basis. (bb) Yield on 18-95% basis. (bc) Yield on 18-95% basis. (bd) Yield on 18-95% basis. (be) Yield on 18-95% basis. (bf) Yield on 18-95% basis. (bg) Yield on 18-95% basis. (bh) Yield on 18-95% basis. (bi) Yield on 18-95% basis. (bj) Yield on 18-95% basis. (bk) Yield on 18-95% basis. (bl) Yield on 18-95% basis. (bm) Yield on 18-95% basis. (bn) Yield on 18-95% basis. (bo) Yield on 18-95% basis. (bp) Yield on 18-95% basis. (bq) Yield on 18-95% basis. (br) Yield on 18-95% basis. (bs) Yield on 18-95% basis. (bt) Yield on 18-95% basis. (bu) Yield on 18-95% basis. (bv) Yield on 18-95% basis. (bw) Yield on 18-95% basis. (bx) Yield on 18-95% basis. (by) Yield on 18-95% basis. (bz) Yield on 18-95% basis. (ca) Yield on 18-95% basis. (cb) Yield on 18-95% basis. (cc) Yield on 18-95% basis. (cd) Yield on 18-95% basis. (ce) Yield on 18-95% basis. (cf) Yield on 18-95% basis. (cg) Yield on 18-95% basis. (ch) Yield on 18-95% basis. (ci) Yield on 18-95% basis. (cj) Yield on 18-95% basis. (ck) Yield on 18-95% basis. (cl) Yield on 18-95% basis. (cm) Yield on 18-95% basis. (cn) Yield on 18-95% basis. (co) Yield on 18-95% basis. (cp) Yield on 18-95% basis. (cq) Yield on 18-95% basis. (cr) Yield on 18-95% basis. (cs) Yield on 18-95% basis. (ct) Yield on 18-95% basis. (cu) Yield on 18-95% basis. (cv) Yield on 18-95% basis. (cw) Yield on 18-95% basis. (cx) Yield on 18-95% basis. (cy) Yield on 18-95% basis. (cz) Yield on 18-95% basis. (da) Yield on 18-95% basis. (db) Yield on 18-95% basis. (dc) Yield on 18-95% basis. (dd) Yield on 18-95% basis. (de) Yield on 18-95% basis. (df) Yield on 18-95% basis. (dg) Yield on 18-95% basis. (dh) Yield on 18-95% basis. (di) Yield on 18-95% basis. (dj) Yield on 18-95% basis. (dk) Yield on 18-95% basis. (dl) Yield on 18-95% basis. (dm) Yield on 18-95% basis. (dn) Yield on 18-95% basis. (do) Yield on 18-95% basis. (dp) Yield on 18-95% basis. (dq) Yield on 18-95% basis. (dr) Yield on 18-95% basis. (ds) Yield on 18-95% basis. (dt) Yield on 18-95% basis. (du) Yield on 18-95% basis. (dv) Yield on 18-95% basis. (dw) Yield on 18-95% basis. (dx) Yield on 18-95% basis. (dy) Yield on 18-95% basis. (dz) Yield on 18-95% basis. (ea) Yield on 18-95% basis. (eb) Yield on 18-95% basis. (ec) Yield on 18-95% basis. (ed) Yield on 18-95% basis. (ee) Yield on 18-95% basis. (ef) Yield on 18-95% basis. (eg) Yield on 18-95% basis. (eh) Yield on 18-95% basis. (ei) Yield on 18-95% basis. (ej) Yield on 18-95% basis. (ek) Yield on 18-95% basis. (el) Yield on 18-95% basis. (em) Yield on 18-95% basis. (en) Yield on 18-95% basis. (eo) Yield on 18-95% basis. (ep) Yield on 18-95% basis. (eq) Yield on 18-95% basis. (er) Yield on 18-95% basis. (es) Yield on 18-95% basis. (et) Yield on 18-95% basis. (eu) Yield on 18-95% basis. (ev) Yield on 18-95% basis. (ew) Yield on 18-95% basis. (ex) Yield on 18-95% basis. (ey) Yield on 18-95% basis. (ez) Yield on 18-95% basis. (fa) Yield on 18-95% basis. (fb) Yield on 18-95% basis. (fc) Yield on 18-95% basis. (fd) Yield on 18-95% basis. (fe) Yield on 18-95% basis. (ff) Yield on 18-95% basis. (fg) Yield on 18-95% basis. (fh) Yield on 18-95% basis. (fi) Yield on 18-95% basis. (fj) Yield on 18-95% basis. (fk) Yield on 18-95% basis. (fl) Yield on 18-95% basis. (fm) Yield on 18-95% basis. (fn) Yield on 18-95% basis. (fo) Yield on 18-95% basis. (fp) Yield on 18-95% basis. (fq) Yield on 18-95% basis. (fr) Yield on 18-95% basis. (fs) Yield on 18-95% basis. (ft) Yield on 18-95% basis. (fu) Yield on 18-95% basis. (fv) Yield on 18-95% basis. (fw) Yield on 18-95% basis. (fx) Yield on 18-95% basis. (fy) Yield on 18-95% basis. (fz) Yield on 18-95% basis. (ga) Yield on 18-95% basis. (gb) Yield on 18-95% basis. (gc) Yield on 18-95% basis. (gd) Yield on 18-95% basis. (ge) Yield on 18-95% basis. (gf) Yield on 18-95% basis. (gg) Yield on 18-95% basis. (gh) Yield on 18-95% basis. (gi) Yield on 18-95% basis. (gj) Yield on 18-95% basis. (gk) Yield on 18-95% basis. (gl) Yield on 18-95% basis. (gm) Yield on 18-95% basis. (gn) Yield on 18-95% basis. (go) Yield on 18-95% basis. (gp) Yield on 18-95% basis. (gq) Yield on 18-95% basis. (gr) Yield on 18-95% basis. (gs) Yield on 18-95% basis. (gt) Yield on 18-95% basis. (gu) Yield on 18-95% basis. (gv) Yield on 18-95% basis. (gw) Yield on 18-95% basis. (gx) Yield on 18-95% basis. (gy) Yield on 18-95% basis. (gz) Yield on 18-95% basis. (ha) Yield on 18-95% basis. (hb) Yield on 18-95% basis. (hc) Yield on 18-95% basis. (hd) Yield on 18-95% basis. (he) Yield on 18-95% basis. (hf) Yield on 18-95% basis. (hg) Yield on 18-95% basis. (hh) Yield on 18-95% basis. (hi) Yield on 18-95% basis. (hj) Yield on 18-95% basis. (hk) Yield on 18-95% basis. (hl) Yield on 18-95% basis. (hm) Yield on 18-95% basis. (hn) Yield on 18-95% basis. (ho) Yield on 18-95% basis. (hp) Yield on 18-95% basis. (hq) Yield on 18-95% basis. (hr) Yield on 18-95% basis. (hs) Yield on 18-95% basis. (ht) Yield on 18-95% basis. (hu) Yield on 18-95% basis. (hv) Yield on 18-95% basis. (hw) Yield on 18-95% basis. (hx) Yield on 18-95% basis. (hy) Yield on 18-95% basis. (hz) Yield on 18-95% basis. (ia) Yield on 18-95% basis. (ib) Yield on 18-95% basis. (ic) Yield on 18-95% basis. (id) Yield on 18-95% basis. (ie) Yield on 18-95% basis. (if) Yield on 18-95% basis. (ig) Yield on 18-95% basis. (ih) Yield on 18-95% basis. (ii) Yield on 18-95% basis. (ij) Yield on 18-95% basis. (ik) Yield on 18-95% basis. (il) Yield on 18-95% basis. (im) Yield on 18-95% basis. (in) Yield on 18-95% basis. (io) Yield on 18-95% basis. (ip) Yield on 18-95% basis. (iq) Yield on 18-95% basis. (ir) Yield on 18-95% basis. (is) Yield on 18-95% basis. (it) Yield on 18-95% basis. (iu) Yield on 18-95% basis. (iv) Yield on 18-95% basis. (iw) Yield on 18-95% basis. (ix) Yield on 18-95% basis. (iy) Yield on 18-95% basis. (iz) Yield on 18-95% basis. (ja) Yield on 18-95% basis. (jb) Yield on 18-95% basis. (jc) Yield on 18-95% basis. (jd) Yield on 18-95% basis. (je) Yield on 18-95% basis. (jf) Yield on 18-95% basis. (jg) Yield on 18-95% basis. (jh) Yield on 18-95% basis. (ji) Yield on 18-95% basis. (jj) Yield on 18-95% basis. (jk) Yield on 18-95% basis. (jl) Yield on 18-95% basis. (jm) Yield on 18-95% basis. (jn) Yield on 18-95% basis. (jo) Yield on 18-95% basis. (jp) Yield on 18-95% basis. (jq) Yield on 18-95% basis. (jr) Yield on 18-95% basis. (js) Yield on 18-95% basis. (jt) Yield on 18-95% basis. (ju) Yield on 18-95% basis. (jv) Yield on 18-95% basis. (jw) Yield on 18-95% basis. (jx) Yield on 18-95% basis. (jy) Yield on 18-95% basis. (jz) Yield on 18-95% basis. (ka) Yield on 18-95% basis. (kb) Yield on 18-95% basis. (kc) Yield on 18-95% basis. (kd) Yield on 18-95% basis. (ke) Yield on 18-95% basis. (kf) Yield on 18-95% basis. (kg) Yield on 18-95% basis. (kh) Yield on 18-95% basis. (ki) Yield on 18-95% basis. (kj) Yield on 18-95% basis. (kk) Yield on 18-95% basis. (kl) Yield on 18-95% basis. (km) Yield on 18-95% basis. (kn) Yield on 18-95% basis. (ko) Yield on 18-95% basis. (kp) Yield on 18-95% basis. (kq) Yield on 18-95% basis. (kr) Yield on 18-95% basis. (ks) Yield on 18-95% basis. (kt) Yield on 18-95% basis. (ku) Yield on 18-95% basis. (kv) Yield on 18-95% basis. (kw) Yield on 18-95% basis. (kx) Yield on 18-95% basis. (ky) Yield on 18-95% basis. (kz) Yield on 18-95% basis. (la) Yield on 18-95% basis. (lb) Yield on 18-95% basis. (lc) Yield on 18-95% basis. (ld) Yield on 18-95% basis. (le) Yield on 18-95% basis. (lf) Yield on 18-95% basis. (lg) Yield on 18-95% basis. (lh) Yield on 18-95% basis. (li) Yield on 18-95% basis. (lj) Yield on 18-95% basis. (lk) Yield on 18-95% basis. (ll) Yield on 18-95% basis. (lm) Yield on 18-95% basis. (ln) Yield on 18-95% basis. (lo) Yield on 18-95% basis. (lp) Yield on 18-95% basis. (lq) Yield on 18-95% basis. (lr) Yield on 18-95% basis. (ls) Yield on 18-95% basis. (lt) Yield on 18-95% basis. (lu) Yield on 18-95% basis. (lv) Yield on 18-95% basis. (lw) Yield on 18-95% basis. (lx) Yield on 18-95% basis. (ly) Yield on 18-95% basis. (lz) Yield on 18-95% basis. (ma) Yield on 18-95% basis. (mb) Yield on 18-95% basis. (mc) Yield on 18-95% basis. (md) Yield on 18-95% basis. (me) Yield on 18-95% basis. (mf) Yield on 18-95% basis. (mg) Yield on 18-95% basis. (mh) Yield on 18-95% basis. (mi) Yield on 18-95% basis. (mj) Yield on 18-95% basis. (mk) Yield on 18-95% basis. (ml) Yield on 18-95% basis. (mm) Yield on 18-95% basis. (mn) Yield on 18-95% basis. (mo) Yield on 18-95% basis. (mp) Yield on 18-95% basis. (mq) Yield on 18-95% basis. (mr) Yield on 18-95% basis. (ms) Yield on 18-95% basis. (mt) Yield on 18-95% basis. (mu) Yield on 18-95% basis. (mv) Yield on 18-95% basis. (mw) Yield on 18-95% basis. (mx) Yield on 18-95% basis. (my) Yield on 18-95% basis. (mz) Yield on 18-95% basis. (na) Yield on 18-95% basis. (nb) Yield on 18-95% basis. (nc) Yield on 18-95% basis. (nd) Yield on 18-95% basis. (ne) Yield on 18-95% basis. (nf) Yield on 18-95% basis. (ng) Yield on 18-95% basis. (nh) Yield on 18-95% basis. (ni) Yield on 18-95% basis. (nj) Yield on 18-95% basis. (nk) Yield on 18-95% basis. (nl) Yield on 18-95% basis. (nm)

THE CUNARD STEAM SHIP COMPANY, LIMITED

NOTICE IS HEREBY GIVEN that the TRANSFER BOOKS FOR ORDINARY STOCK and PREFERENCE STOCKS will be closed from April 10 until April 24, 1940, both days inclusive.

By Order of the Board,

H. J. FLEWITT, Secretary.

Offices: Cunard Building, Liverpool.

April 5, 1940.

TERMS OF SUBSCRIPTION TO THE ECONOMIST

	INLAND	OVERSEAS
	£ s. d.	£ s. d.
12 Months	2 18 0	3 1 0
6 Months	1 9 0	1 10 6

Cheques to be made payable to The Economist Newspaper Ltd.

Copies of *THE ECONOMIST* may be obtained in

THE CITY: 20 Bishopsgate, and all principal newsagents and bookstalls.

PARIS: Messageries Hachette, 111 Rue Reaumur.
W. H. Smith & Son, 248 Rue de Rivoli.
W. Dawson & Sons, 13 Rue Albouy.
Galignani Library, 224 Rue de Rivoli.

BRUSSELS: W. H. Smith & Son, 71-75 Boul. Adolphe Max

AMSTERDAM: M. V. Gelderen and Zoon, Damrak 35.

GENEVA: Agence Naville, 5 & 7 Rue Levrier.

BUDAPEST: Grill's Bookshop, Dorottya utca 2.

CAIRO: Mr. E. J. Lovegrove, 14 Chareh Maghrabi.

NEW YORK: The International News Co., 131 Varick St.
American News Co., 131 Varick St. and Branches.

CANADA: Wm. Dawson, Ltd., 70 King St. East, Toronto.

PUBLISHING OFFICE:

8 BOUVERIE STREET, LONDON, E.C.4.

Telephone: Central 8631

OFFER TO NEW READERS

Any reader who makes his first acquaintance with this journal with this week's issue is invited to fill up the attached:

To The Publisher, Economist Newspaper Ltd.,

8 Bouverie Street, E.C.4.

In order to test the value of your publication I should like you to forward it to me by post for the next four weeks. If I then decide to become a subscriber, it is understood that there will be no charge for the copies thus received, but otherwise I shall be willing to pay 4s. to cover their cost.

Name

Address

FOREIGN AFFAIRS

AN AMERICAN QUARTERLY REVIEW

HAMILTON FISH ARMSTRONG, Editor



IN THE APRIL ISSUE

DOROTHY THOMPSON

in a brilliant article, only the size of a small book, condenses the whole explanation of why the Germans are what they are—the philosophical and historical reasons for their dissatisfaction of spirit, together with an original discussion of the common origins of Nazism and Communism and the meaning of this for the world today.

“The Problem Child of Europe”

— a rational diagnosis that opens new vistas.

also:

War for Our World

By André Siegfried

Lawless Maritime Warfare

By Charles Warren

Turkey and Her Allies

By Halidé Edib

Will Stalin Sell Out China?

By Edgar Snow

Japan's Economic Invasion of China

By John E. Orchard

British Policy in the Far East

By Gerald Samson

The Political Heritage of Pius XII

By George La Piana

Germany Behind the Blockade

By Karl Brandt

French Economy on a War Footing

By André Philip

How Britain Will Finance the War

By Lionel Robbins

The Middle West Books Abroad

By W. W. Waymack

The War at Sea

By Hector C. Bywater

—other articles, notes, appraisals of new books

Single copies may be obtained from booksellers or

THE INTERNATIONAL NEWS COMPANY, LTD.

5 Bream's Buildings, London, E.C.4

Subscription rate, \$5 a year, post free

(through any agency or direct from the publishers)

FOREIGN AFFAIRS

45 East 65th Street, New York, N.Y.

THE ECONOMIST

Vol. CXXXVIII

APRIL 20, 1940

No. 5043

CONTENTS

LEADING ARTICLES

Help for Norway	717
The Budget	718
Italy's Choice	719
France's War Effort	720

NOTES OF THE WEEK

The Northern War	722
Norway's Minerals and Metals	722
Norway and the Neutrals	723
Towards a Balkan Offensive?	723
Limitation of Textile Sales	724
Railway Fares	724
Winning the War?	725
Mobilising the Home Worker	725
Japan and the Indies	726
Price Control	726
Shifting Industry	726
Road Deaths	726
Danubian Tug-of-War	727
The American Census	727
Shorter Notes	727

THE WORLD OVERSEAS

Battle for Hungary	728
Mistrust in Yugoslavia	729
United States and Reciprocal	
Trade	730
Lottery Loans Abroad	731
Germany at War	732

THE BUSINESS WORLD

LEADING ARTICLES

Shipbuilding Shares	733
English Canals	735

FINANCE AND BANKING

War Loan Payments and the	
Market	736
The Dollar Security Purchases	736
United States and Free Sterling	737
Allied Currency in Norway	737
Silver Arbitrage	737
War Risks Cover in Life Assurance	738
MONEY MARKET NOTES	737

INVESTMENT NOTES

Increased Railway Charges	738
The Increase and Prospective	
Earnings	738
Second Dollar Securities Re-	
quisitioning	739
Austrian 4½ per Cent. Bond Service	739
Grid Finances	739
Directorial Changes	739

COMPANY NOTES

Dunlop Rubber Report	740
J. and P. Coats' Increased Profits	740
Cable and Wireless Dividend	740
Colvilles' Profits	740

MINING REPORTS

West Rand Consolidated	741
Vlakfontein	741
Rand Leases	741
Vogelstruisbult	741
Marievale Consolidated	741

The Week's Company Profits	742
Company Meetings of the Week	742
THE STOCK EXCHANGES	742
CAPITAL ISSUES	743
SHORTER COMMENTS	743
DIVIDEND ANNOUNCEMENTS	743

INDUSTRY AND TRADE

The Supply of Electricity	744
Cotton Margins	744
The Jute Industry in War	744
Cut in Paper Supplies	745
Stable Exports	745
Swedish Industry	745
Finnish Timber	745
Jugoslavia's Metals	746

COMMODITY AND INDUSTRY NEWS

COMPANY MEETINGS

CURRENT STATISTICS

Help for Norway

THE battle for Scandinavia is still in its early stages, and it is not yet possible to get a clear picture of the state of affairs in Norway. To judge by the slowness of their advance, the Germans in Oslo are still few in number and weak in artillery; but some transports are getting through the British mines and submarines; and the fact that the Germans are advancing at all shows that the Norwegians are still weaker. The German outposts at Bergen and Trondheim are still separated by hundreds of miles of mountains from their main force at Oslo; but they are growing stronger daily, as they receive reinforcements by air.

The place of Norway in Hitler's strategy, however, has become much clearer in the past week. What is happening is not by any means what he planned. He intended to seize Norway as he seized Denmark—in an hour and without a blow. The way had been well prepared; there are ugly stories of treachery and corruption coming out of Oslo, and the Nazis had good reason to believe that they would be able to take peaceful possession of the whole country. Their small landing parties at Christiansand, Stavanger, Bergen and Trondheim would have been relieved from the land long before the British could arrive and we should have been faced with the impossible task of landing troops on a strongly-held hostile coast. This explains what has puzzled many observers; they have asked why Hitler should have done anything so obviously foolish as to choose to fight in a country where he is at a strategic disadvantage. The answer is, of course, that he did not expect to have to fight at all; it was to have been another of his bloodless victories. It explains also why Sweden was left alone when Norway and Denmark were attacked. To have invaded Sweden on April 9th would have slowed down the whole time-table. But with Norway and Denmark fully occupied, Sweden would have been entirely at Hitler's mercy, and must also, in its turn, have surrendered, so that even the garrison at Narvik would have been relieved from the land, and Hitler would have

had all the Swedish ore. There was nothing rash at all about Hitler's plan—provided that Norway surrendered. The Allies would have been faced with a total and almost instantaneous engulfing of Scandinavia before they could have moved; Hitler would have won his greatest victory and the Allies would have suffered a crushing defeat. It was a brilliant plan, of majestic scope, cleverly conceived and efficiently carried out—in all save the vital detail. The Allies and the democratic cause have been saved by the courage and patriotism of King Haakon, Her Nygaardsvold and Professor Koht. Norway cannot to-day be very proud of her policy of neutrality and pacifism à outrance; but she can be proud in full measure of her king and her statesmen.

The seizure of Scandinavia was obviously intended only as a prelude to the campaign of 1940. Whether the curtain will now go up we do not know, though the turn of events in Norway has made it more rather than less likely. Hitler's intention was that Scandinavia should distract the Allies' attention and assist him to strike his main blow elsewhere. But he now needs to distract us from, not to, Scandinavia, and the main blow is all the more necessary. He intended to make a feint; but he has presented us with the opportunity we wanted and could not otherwise get, that of outflanking him in Scandinavia with the help of the Scandinavian peoples. What was intended as a side-show may become a main theatre, to his dismay.

To do this, however, and pass from the defensive in Norway to the offensive in the Baltic we must hurry. We must not be diverted to Narvik, which is now, in the changed circumstances, a mopping-up operation. We must move with all speed to the main Norwegian front. There is no reason to doubt that we are moving fast, that we shall interpose a strong force between Oslo and Trondheim, Oslo and Bergen, before the various German forces can join hands. But we must hurry, hurry, hurry. When a general uncovers his flank, his opponent must strike with lightning speed. There is not a day to be lost.

The Budget

THE Budget which Sir John Simon is to lay before the House of Commons on Tuesday will decide whether our fiscal policy for the duration of the war is to be inspired by financial realism or by political cowardice. Hitherto it has been possible to justify a policy that hesitated to pile new burdens on the taxpayers' shoulders. The only virtue of restricting the taxpayers' consumption is to set free resources of man-power or materials for the war effort; and if the war effort is not ready to receive them, restriction of consumption merely creates unemployment. The fact that so small a part of the increase in expenditure since September has been met out of revenue is, therefore, neither a necessary cause for complaint nor a guide towards future policy. Even so, the Chancellor's failure to give the public any guidance on the main lines that financial policy is to follow when the transition period is over—indeed, his explicit suggestion that the further increase in income tax will be very small—has created an atmosphere of dangerous illusion. It is inevitable, at the sudden onset of a war, that there should be a certain amount of living on capital and drawing on stocks. But a prudent Government would check this tendency and reverse it as soon as possible. Sir John Simon's silence has encouraged the British public to believe that the present comfortable paradox of rapidly rising Government expenditure, together with hardly any restriction of popular consumption, can continue indefinitely.

This mistake can be redeemed by Tuesday's Budget if it is of such a nature as to make the public face the facts at last. But the decision cannot be put off any longer. It is true that we are still in the transition phase, with the unemployment register still over a million. The Budget, however, covers a whole twelvemonth, and though there might be a case for postponing the actual collection of additional taxes for a few more months, the announcement should be made now, so that we may all know where we stand. If the opportunity is let slip now, it will hardly be possible later to catch the ebbing tide of public resolution—or, indeed, to arrest the undertow of inflation.

The size of the expenditure to be provided for will have to be guessed even by the Chancellor. Reasons were given in an article in *The Economist* a fortnight ago for believing that the total will possibly be as much as £3,400 millions, and almost certainly over £3,000 millions; any lesser figure will be the sign of a grievously inadequate war effort. Against this expenditure, the taxes already in existence and those already announced can be estimated to bring in about £1,300 millions. Is this enough? Or, more appositely, is the balance of £1,700-£2,100 millions a sum that can be raised by borrowing without recourse to inflation? The question answers itself; if the matter is looked at as a problem in economic realism, it can be stated as a simple fact that more taxes, to the tune of several hundred millions, are imperative if inflation is to be avoided. Perhaps, even at this late hour, it is necessary to insist once again that taxation does not impose a burden that could otherwise be escaped; the burden is imposed by the expenditure, which takes men and materials away from their peacetime function of supplying the needs of the public, and it will have to be borne, whether the Government covers the expenditure by taxation, by borrowing or by inflation. The Nazis have seen this very obvious point and drawn the necessary conclusions. Are we so in thrall to delusions that we cannot do as much?

Nobody, of course, would suggest that it is humanly possible to cover the whole cost of the war out of taxation. But it is fully possible to lay down the policy now that, throughout the war, half its cost shall be raised out of imposts laid compulsorily on the people. The burden, by that means, will be no greater than if taxes are left at their present level; indeed, it will be lighter, since the weight can be scientifically adjusted. And the future dislocation will be much less.

The 50 per cent. policy would envisage the imposition in next week's Budget of new taxes to bring in from £200

to £400 millions. Obviously, this is no small task. How could it be accomplished? Let us mention first of all the various special devices that might be adopted to bring in small amounts. Postage rates can be put up; the 2d. letter can be restored and more can be charged for telegrams and telephones (though the mechanical problem of the telephone call-box must not be forgotten). The phase of transition to a full war economy might be turned temporarily to revenue account. There is a long list of luxuries and semi-luxuries whose production will before long have to be limited or prohibited entirely; let them be named now and a stiff excise tax placed upon them. There are adjustments to be made in the definitions of the Excess Profits Tax, and, once we are sure that it is equitably levied, it might be appropriate to provide that any excess profits not taxed away should be compulsorily lent to the Government. The arguments against a levy on excess incomes other than excess profits, never very convincing, would be lessened if it were adopted as a means of securing compulsory loans rather than tax revenue. It is hard to imagine cases where it would be unjust to require an individual who has an increase in income during the war to lend all, or at least the greater part, of the increase to the country. The petrol duty, in present circumstances, could be very considerably increased without much reduction in consumption or any real hardship, except perhaps to road transport undertakings. There are other possibilities in the realm of excise taxes and stamp duties.

But these devices, though useful, are not the means to produce hundreds of millions. To secure that result, levies must be placed directly on the incomes or on the ordinary general expenditure of everybody—rich, middle-class and wage-earners. Not much more, it is true, can be got from the rich. As has been pointed out in *The Economist* before, a limitation of all incomes to £2,000 a year (after taxation) would not bring the Exchequer more than £60 millions a year. But perhaps the importance of taxation on the rich is not best represented by its yield. After paying his income tax at 7s. 6d. in the £ and his surtax at the current rates, the average surtax-payer will have about £2,650 left. Can he be exempted from further levies if his fellow-citizens with only a fraction of that income are to be asked to assume heavy new burdens?

In the middle ranges of income, more revenue can best be obtained by an increase in the income tax. But so long as that tax is calculated by reference to a standard rate far higher than any but a tiny majority pay on the whole of their income, any further increase would be interpreted as a piece of fiscal terrorism. There were some hints in Sir John Simon's speech when introducing the War Budget last September which suggested that he was thinking of reconstructing the basis of the tax so that it would be in appearance, what it is in fact, a progressively graded tax. If the standard rate were lost to sight—save for special purposes such as the deduction of tax from dividends—it would be possible to increase the effective rates by one-third without more than a shadow of the alarm that would be caused by the announcement of a 10s. standard rate. Moreover, such a change would make it possible to grade the progression more effectively. In particular, it would make it possible to tackle the problem of the incomes which are at present heavily hit neither by direct nor by indirect taxation—those incomes of £5 to £12 a week, which, as Lord Stamp was most unjustly criticised for pointing out, now bear proportionately less taxation than others either above or below them.

A recasting of the income tax might also make it possible to overcome the very difficult political and technical problem of taxing the wage-earner. He cannot escape some part of the burden of the war; but the discussion aroused by Mr Keynes's proposals has shown that any tax which is aimed specifically at the wage-earner will meet with fierce opposition. To include him within the purview of a general tax, levied on all alike, raises technical problems. Indirect taxes are easily levied, but inequitable in their incidence.

Direct taxes, to be administratively feasible, must be at a flat rate and collected at the source—both requirements that are difficult to reconcile with a progressive income tax. It might be possible, however, to meet all these objections, political and technical, if a flat-rate deduction were made at the source from all incomes above a small exemption level; in the terminology to which we have become accustomed, the standard rate of income tax might be reduced to, say, 2s. in the £ and deducted from all incomes at the source, with surtax beginning at, say, £250. Such a tax would hardly be fair in its incidence without a system of family allowances placed alongside it. But it would have the merit of producing revenue promptly, and it could be adjusted so as to bring in a very heavy yield. And the principle of extending the income tax to cover the great majority of citizens would be one which it would be difficult for any democratic legislature to oppose.

The week before the Budget Speech is, of course, far too late to make specific suggestions. What has been said in this article is meant to be taken less as a set of proposals than as illustrations of the possibility of increasing tax revenue if we set our minds to it. But the increase of taxes

must necessarily be considered in its proper framework. The Budget, on its revenue side, covers only one facet of the general problem of war finance, and an increase in taxation, if it were left to stand by itself, might have the result of reducing the savings that would otherwise be available. But if we are to raise only half the cost of the war by revenue, and if at the same time inflation is to be avoided, it is apparent that savings must be very greatly increased. This, too, is a problem that cannot be ignored any longer and must find a place in any comprehensive survey of the economic problem. The Chancellor of the Exchequer has succeeded in maintaining his supreme control of the machinery for economic planning, and we are told that it succeeds in taking the broad view and the bold decision. Now is his chance to prove his case. Let him survey the whole field—not merely that part recorded in the Exchequer returns—and propose the drastic measures that such a survey dictates. His task is not to be envied; but he has the opportunity, for which every Chancellor of the Exchequer should pray, of showing that the British fiscal system, hitherto the world's preceptor, has not lost its power of seeing problems clearly and seeing them whole.

Italy's Choice

IF we are to believe the Italian Press, matters stand at a crisis between Italy and the Allies. Signor Ansaldo's recent warning that "all Italians who believe our country can stay out of the present conflict up to the end are mistaken" should take no one by surprise. Since the outbreak of war there has only been one Italian question: would Germany's ally and Axis partner move from non-belligerency to hostility, and if so, at what moment? The Allies have tried to meet and if possible counter the possibility by methods which are simply an extension of the old policy initiated after Sanctions, a policy of tact, conciliation and forbearance. To give a few examples: our blockade was engineered so as to do a minimum of harm to Italian interests, concessions and exceptions were made, pledges of good faith accepted, buying Commissions sent out in the hopes of making it economically worth Italy's while to divert certain supplies to us. It was possible during the winter months to allow our policy some measure of success. Italy was still out of the war. France had succeeded in placing important orders. Our trade negotiations were advancing steadily, and we were contemplating the purchase of over £20 millions of Italian goods, including munitions—more than three times our 1938 purchases. True, there were certain leakages through to Germany, but it was possible to attribute them to the profit-seeking ingenuity of individual firms and not to impugn the Government's good faith. The political background of all this promising economic activity was a new cordiality in certain circles hitherto markedly hostile to the West and a general atmosphere, largely inspired by the very fair and unbiased reporting of the Press, of confidence and détente. There grew up among the Allies a certain tendency to discount the possibility of Italian intervention. The Axis was broken. Italy *farà da se*.

So much optimism has been shown to be misplaced. Even at the time there were various pointers. In the *Popolo d'Italia*, for example, the Duce's own paper, the section which is reputed to be from his own hand never once abandoned a bitter jibing attitude towards the "pluto-democracies." Nor could it escape careful observers that some of the help afforded by Italy to Germany in order to outmanoeuvre the blockade suggested anything but a broken Axis. On the contrary, it seemed as though Italy's "non-belligerency" was exactly what her Axis partner needed most. Involved in war, Italy might well have become an immediate economic and military liability to Germany. Out of the war and winning favourable treatment from the Allies by her equivocal attitude, Italy occupied a key position in that ring of neutral States which protected Germany from attack and helped in varying degrees to secure her supplies. "Non-belligerency" in this sense served both German and Italian interests, and

could continue to do so just so long as the Allies were content to allow the blockade to leak.

By the end of the first six months of war France and Britain were obviously growing more and more perturbed at the comparative ineffectualness of their economic war. M. Reynaud's formation of a Cabinet pledged to put more vigour into every branch of the Allies' war effort coincided with assurances in London that the leaks would stop. The possibility of an effective blockade placed Germany under the necessity of elaborating a new policy and the new policy demanded a new type of Italian collaboration. The first sharp reminder of Germany's interpretation of "non-belligerency" came with the breakdown of the British trade talks after months of negotiation. The meeting of the two Dictators at the Brenner was significantly prefaced by the open bombing and sinking by Nazi planes of three Italian cargo boats, and whatever the scope of the colloquy, one of its immediate consequences was the launching in Italy of a frenzied anti-Allied campaign, which still rages in Press and radio and has reached unequalled heights of misrepresentation and bias in the reporting of the onslaught on Norway. Finally have come warnings, war talk, rumours of mobilisation and troop concentrations, of naval manoeuvres, reinforcements to Albania, and of a possible Balkan offensive. Even if the break so far exists largely on paper, Italian non-belligerency has entered a new phase.

The new phase is not easy to interpret, for interpretation carries us beyond the reach of known facts. The fact of the Brenner meeting is useless without precise information on the nature of the conversations which took place. Did Hitler propose a new policy to the Duce? If the Duce acquiesced, what type of collaboration is to follow? If not, what independent line does Italy hope to pursue? It is hardly likely that Hitler made the long journey merely to grasp Signor Mussolini's hand and bid him continue. He had no intention of waiting till the net of the Allied blockade had been drawn closer. He may therefore have announced a coming offensive and demanded Italian intervention, pointing out that once a severer blockade had been introduced by us, Italy's most hopeful moment for entering the conflict would have already passed. We have no means of establishing what type of offensive Hitler had in mind, but Norway was probably thought of as a side-show, to be seized without fighting, and intended to paralyse the Allies while he struck elsewhere. If so, the main blow is yet to fall, and from Hitler's standpoint the hour of launching the great offensive would obviously be the most opportune moment for Italy's entry into the war. It is for this reason that the possibility of an onslaught on the Balkans cannot be ruled out. It is in the Balkans that a joint Italo-German offensive would have the most immediate and crushing effect, and in Yugoslavia the two

Dictators have a state with which they both have common frontiers and which is cut off from all immediate Allied assistance. However, even if we are satisfied that Hitler at the Brenner meeting proposed a joint offensive to put an end to a "non-belligerency" whose economic advantages to Germany would shortly be destroyed by the tightening of the Allied blockade, and even if we place a Yugoslav campaign high on the scale of our possibilities, we are still left with the enigma of the Duce's reaction to the scheme.

Some commentators are convinced that the Duce refused compliance. The press campaign they explain away as being the least the Duce could do to compensate Germany for Italy's defection. Italy will remain "non-belligerent" even at the risk of the strongest German pressure and renewed attacks on Italian shipping. There is no lack of good reasons to support this interpretation. The people of Italy have a genuine horror of wars of any sort, but quite especially of a war in which they would be fighting beside Germany. The whole influence of the Vatican together with that of the House of Savoy would be thrown on the side of continued Italian neutrality, and certain influential leaders are known to oppose the hazardous adventure that war at this juncture would mean. Germany would provide the Allies with a battlefield and front on Italian soil just at a time when (after radical reorganisation) the Italian army is easily the least efficient of the three services. Economically, the outlook is even more gloomy. The first effect of intervention would be the extension to Italy, under conditions which make its effectiveness certain, of the Allied blockade. In her most important raw materials, Italy is largely dependent upon extra-Mediterranean and especially American supplies, and even though Germany, by a vast effort, is guaranteeing to cover the Italian coal demand, the outbreak of hostilities, especially in the Balkans, would put an immediate stop to the elaborate transport arrangements necessary to make the delivery of the million tons a month at all possible. The excessive cold of the winter has, moreover, played havoc with water supplies, and hence with Italy's entire hydro-electric system. Nor is the food situation happy. Nowhere in Central Europe will the harvests be good. Italy is reported to be below her necessary autarkic figure. Small wonder, then, that starvation is what her people fear most when they envisage war.

Were rational arguments likely in the last resort to settle the problem of Italian intervention, then it might be safe to prophesy the continuance of non-belligerency. But beside the rational arguments, there are a host of countervailing desires, beliefs, urges, feelings, half-truths, which are likely to play at least as decisive a rôle. In the economic sphere the arguments based on the inability of Italy to go to war owing to her economic straits may work in exactly the contrary direction. Faced with the slow econo-

mic hæmorrhage which is gradually sapping the country's standards and resources, the Italian leaders may prefer a desperate venture now to the slower defeat of increasing bankruptcy. Italy's war stocks stand higher to-day than they are ever likely to do again. At immense cost to herself, reserves of vital raw materials, especially of oil, have been accumulated in the last six months. If the Allies tighten the blockade, say, by some system of rationing, stocks can no longer be replenished. There is thus an economic price factor to be considered.

It is, however, factors of prestige and psychology which defy the drawing of any certain conclusions. In Britain we perhaps under-estimate the extent to which our policy in Italy for years past has missed its mark. Sanctions were the initial error—not because they were imposed but because they were not imposed to the full. They were sufficiently hostile for a lasting resentment to be sown among the Italian people, and sufficiently ineffective to breed a growing scepticism in our imperial strength. "Plutodemocratic decadence" has been so drummed home in Italy that certain leaders now believe in it and our miserable failures *vis-à-vis* Hitler, culminating in Munich and Prague, have only confirmed the impression. Some Italians do not think we can win the war, and as the *Regime Fascista* naively put it, it is "absurd that our people, which does not renounce its great future, should not take a share in the transformation of the map of Europe and perhaps of the world." Convinced of our impotence, certain circles press that Italy join the jackals marauding round our corpse. The passive first six months have given them little cause to modify their belief. It is possible, therefore, that the fate of Italy hangs on the slender thread of the campaign in the north. One smashing Allied victory and one of Hitler's chief levers might be destroyed.

Actually the decision rests with one man. It is important to remember that four years' conciliation has not caused him to modify one jot of his antipathy towards us, an antipathy which is perhaps thirteen years older than Sanctions and has been a permanent undercurrent in his regime.

It follows that the possibility of Italian intervention now or in the near future must be seriously considered. We have not sought the quarrel, but our conciliatory gestures have been interpreted as weakness, our patience as a sign of senility. Mr Cross was certainly summing up the common conviction of the Allied peoples when he said "We have no quarrel with Italy . . . but we are plain-dealing and plain-speaking people, and we should like to know where we stand with her." This is firmer language than has been heard for many years, but it is not likely to be misunderstood on that account. We have more than proved our willingness for peace. It is perhaps time—should the Italians thrust the decision upon us—to show our readiness for war.

France's War Effort

THE German libel that this war is being fought for Britain by Frenchmen is believed nowhere. The complacent view current among a section of Englishmen that all the economic effort of the *Entente* is being made by them and their own rich trading country is equally false, but much more prevalent. Economically, it is true, Britain has more to contribute to the common cause than France; but, equally truly, it is the French people and not the British who are so far bearing much the heavier proportionate burden to meet the cost of war.

France is a military nation; Britain a nation of shopkeepers. That is the starting point alike for the German jibe and our own complacency. Actually, this is also the explanation of the heavy economic sacrifices that the people of France have been called upon to make. As soon as war started, all able-bodied Frenchmen between the ages of 18 and 49 were called to the colours. Only those men with essential civil duties, such as certain civil servants over 40 years of age or those engaged in work of national importance, have been exempted. Something like 4½ million men are still under arms, and all the men exempted from

service for the moment because of the essential nature of their work are under military jurisdiction and liable to instant calling up.

It is this fact of general mobilisation that dominates the war economy of France. There is no schedule of reserved occupations as in Britain. If there were, perhaps two million fewer Frenchmen would now be under arms—a calculation which affords some measure of the vast military effort made by our Allies. It measures, too, the sharp blow suffered by French industry, agriculture and trade, deprived in general of all their labour except that of women, youths and men of 50 or more. France has been set a special problem in war economics: to keep up output in the war industries and export trades with a critically depleted personnel. The wartime need to cut down civilian consumption in order to release resources for war work has been correspondingly augmented, and the considerable sacrifices that French civilians are being called upon to make under the realistic direction of M. Reynaud, first Minister of Finance and now Prime Minister, spring directly from the colossal conversion of civilians into soldiers. They are sacrifices that

the British Parliament and the Chancellor of the Exchequer might usefully employ next week to assess the comparative severity of Britain's own second War Budget.

With 4½ to 5 million men standing ready in the Forces, France's first task was to increase the output of the workers left at home. One way was to require more work from those already in employment; the other was to bring in new recruits. At a stroke in September permitted working hours were raised to 60 a week; and in defence factories working day and night 72 hours a week for three months may be allowed. In coal-mining, where many miners were called up and many mines in the war areas closed, a working week of 52½ hours was made lawful, and coal output has not fallen off at all.

The new hours have been accepted with the same willingness as mobilisation itself. The forty-hour week remains only a statistical norm, and all work done in excess of it is accepted as nationally necessary overtime—though no increased overtime rates of pay are given until 60 hours have been worked. Neither employers nor workers can alter the collective bargains that bound them when the war started, and it is the feeling that the Minister of Labour is equally protecting the pre-war and post-war interests of both parties with regard to hours of work, working conditions and rates of pay that accounts for industry's acceptance of the onerous new war regime. There are safeguards; daily working hours must not exceed 11 for men or 10 for women and juveniles except in extraordinary circumstances, and then only with official sanction.

But no mere intensification of labour could fill the gap. A chief problem has been to find new workers and, in particular, to bring in women. A first step was to ensure that the drive for more workers in industry would not draw away farm workers and finally cripple a partially disabled agriculture; the Minister of Labour was given the strictest powers over the movement of labour from place to place; and, on February 28th last, a decree specifically forbade farmers, rural workers and peasants to seek different work elsewhere. A second step was to train and absorb the unemployed; a close examination is going on to find how many of them are really employable; and for three months an organisation has been in building by the Marseilles Chamber of Commerce to retrain the workless for war work.

In the long run, however, the battle for production can only be won by France's women. The first act was not conspicuous, though it was the indispensable basis of mobilisation; straightaway in September women took over the farms, shops and businesses of their called-up men. Since then women have flowed steadily into all sorts of employment. At present there are 300,000 women at work in war factories, and in munitions works directly controlled by the Government just under 30 per cent. of the staffs are women.

Even so, only a start has been made, and if output is to be adequate many more women workers will be wanted. So far the principle of their recruitment has been voluntary, and the flow of recruits has been sufficient. But, at the same time, it has been haphazard and uncontrolled. Accordingly, on February 28th, a decree gave powers to mobilise all women for war work, to compel their registration and employ them compulsorily. The powers have not been used, but it is plain that the aim of France's wartime man-power policy is to mobilise the nation's workers according to a conscious plan, and a law is being drafted to compel certain industries to include a specified proportion of women among their working staffs. The aim is to carry through a controlled process of substitution, whereby the intake of women will automatically release a corresponding number of men for the Forces.

Thus, man-power is the basis of France's wartime economic policy. Since September, when not far short of six million men were mobilised, nearly 1½ millions have been released for essential duties on the home front, and even the addition of the British Expeditionary Force to the front-line strength of the Allies leaves a gap of 750,000 to a million still to be filled. For the spring sowing, farmers and rural workers of the 1912-15 classes were temporarily released from active service. A sudden offensive on the Western Front now would almost certainly mean the abrupt and dislocating withdrawal of half a million men or more from civil work; and the Allied aim must be,

by the recruitment of more women workers in France and the addition of more British soldiers to the forces along the Maginot Line, not only to fill the gap but also to reduce the upper limit of France's need for mobilised men to no more than, say, four millions. The maintenance of a Near Eastern Army and the opening of a new theatre of war in the North makes the need more pressing.

Industrial establishments working for national defence have, like man-power, been mobilised. The new Minister of Armaments has full powers over plant, materials and labour for munitions and over capital extensions. But not even the boldest and most far-reaching plans to mobilise France's resources have abated the necessity to cut down civil consumption drastically. The urgent need to cut down is a corollary of the country's shortage of men. To satisfy the vast needs of the army for men and materials, to conserve resources for military uses and to prevent any sharp rise in prices—these have been the principles of policy.

The restrictions imposed upon consumption are not confined to the home front. The French private receives less than 1d. a day when he is behind the line, and about 1s. a day, against the British soldier's 2s. to 2s. 6d., when he is at the front. A soldier's family of wife and three children living outside of Paris, where the rates are higher, receives 17s. a week; the equivalent allowance in the British Army is 36s., to which the husband contributes 7s. Prices and living standards are too different for much weight to be given to comparisons like these, but it is at any rate illuminating to notice that it has been estimated that, if the French Army were paid on the British scale, it would cost well over £400 millions more a year than it does to maintain.

The sacrifices made by soldiers set the standard for the treatment of civilians far more in France than in Britain. Levies and taxation take a heavy toll of the incomes even of the poorest, and consumption is kept stringently down. There are three main direct taxes on income in France. The largest is the *impôt général sur le revenu* which is levied on incomes of over 10,000 francs (say £60) a year at rates varying from 1½ per cent. to 5½ per cent. The second is the *contribution nationale* of 5 per cent. on incomes of over 7,000 francs (with further exemption for children). The third is the *impôt cédulaire* levied at rates that vary according both to the size and the nature of the income. On wages and salaries the *impôt cédulaire* begins at 10,000 francs, where the rate is 4 per cent., rising to 8 per cent. over 20,000 francs. These taxes, it will be seen, are by no means light. But there are two further sets of levies. In addition to the allowances granted to married and family men under the taxes already mentioned, there are special taxes (*taxes de compensation familiale*) on bachelors (3 per cent. on incomes from 10,000 francs to 60,000 francs, rising to 20 per cent. on incomes over 810,000 francs), and on childless married couples (at rates about one-third less than for bachelors); these finance the new family allowance system, which, of course, is a considerable offset to taxation for large families. Secondly, two levies are made for the national solidarity fund, out of which the allowances and pensions for soldiers and their families are paid. A man of military age but not conscripted pays not 5 per cent. but 15 per cent. in *contribution nationale*, and a special tax of 40 per cent. is put on all wages paid for hours in excess of 40 a week. The excess profits tax is also paid into this fund. The cumulative effect of these taxes is very heavy, as can be seen from the following figures of direct taxation on a bachelor whose income comes from salary or wages (the case of a bachelor is, of course, that where the French taxation is heaviest):

	Frs.	Frs.	Frs.
Net income	35,000	105,000	875,000
	(£200)	(£600)	(£5,000)
Impôt cédulaire	1,600	7,200	68,800
Contribution nationale	1,750	5,250	43,750
Impôt général	584	7,917	402,513
Taxe de compensation familiale	750	4,200	122,500
Total	4,684	24,567	637,563
£ equivalent (approx.)	£26.8	£140.3	£3,642
British income tax and surtax	£12.5	£119.1	£2081.6

These calculations do not include the two levies that go to the solidarity fund.

The problem of cutting civilian consumption and keeping

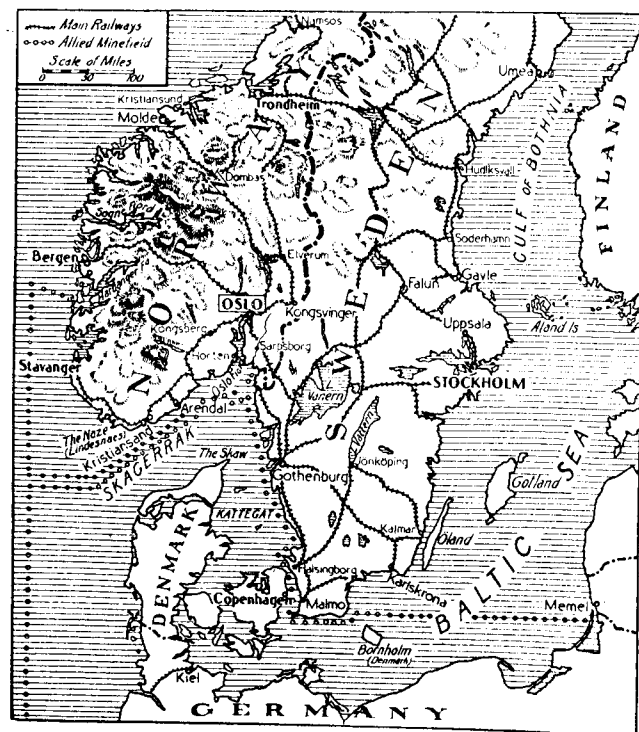
down prices has been met straightly. Only the essential supplement of rationing to reduce purchases is so far lacking, though the distribution of ration cards for many articles is now planned. So far, apart from meatless days and restrictions on the sale of other foods and drink, the method has been to curtail, not purchases but purchasing power. The means has been swingeing increases for every class of Frenchman in direct taxation, and recourse to heavy indirect taxation has been avoided. A series of decrees has fixed prices (other than agricultural) at their pre-war (September 1st) level; no increase in any price is permitted without special authorisation—the level of retail prices has in fact gone up by about 12-13 per cent. Similarly, in undertakings on defence work, wages may not be increased above their September level without the per-

mission of the Minister of Labour, and in other undertakings all wage agreements are subject to regulations by the Minister.

It is a very realistic policy that France has chosen to pursue. Its basis is the mobilisation of the nation's men. Its severity is sanctioned by the sense of national solidarity of a conscript country at war, and its symbol is the fund into which, not only the 40 per cent. levy on wages for hours worked over forty a week, but also the proceeds of the excess profits tax, will be paid—and out of which allowances and pensions for soldiers and families will be paid. To pay for the war the French have accepted a steep lowering of their standard of life, but they have done it on principles of concerted sacrifice which should both inspire and instruct their Allies.

NOTES OF THE WEEK

The Northern War.—The third round in the war in Norway has started. The first was won on points by the Germans: their successful surprise descent on all Norway's ports, aided it seems by Norwegian traitors, flouted Allied sea power; but the expectation that Norway would give in, like Denmark, without resistance was belied—a serious setback. The second round was won by Britain: it was a sea fight, marked by the courageous action of the second destroyer flotilla at Narvik, the revenge taken for the destroyers' wounds by *H.M.S. Warspite*, the harrying by submarine and bomber of German transports and supply ships, the laying of mines on Germany's own Baltic coasts, the swift and safe carriage of Allied troops to Northern Norway and the use of naval guns to cover the German



retreat at Narvik and to break up the German airfield at Stavanger. The German navy was mutilated; one battle-cruiser, one heavy cruiser, four light cruisers and ten destroyers were reported by the Allies sunk; a pocket battleship was torpedoed and another battle-cruiser badly damaged. And against this loss of something like half the enemy's navy, the losses reported by the British Admiralty, four destroyers and a submarine sunk and a cruiser lightly hit, are derisory. The third round, the struggle for Southern and Central Norway, is in essence a struggle for Norway's few routeways, for railheads such as Namsos, Trondheim, Romsdal and Bergen, and rail junctions such as Staenker, Dombas, Hamar and Elverum. It is command of the wheel spokes hubbed at Oslo that is the prize. By Thursday the Germans held all the rail routes to Sweden—from Narvik, Trondheim, Oslo via Kongsvinger and Oslo via Halden; they had lost Narvik itself and had

not been in Namsos and Romsdal; but they were in occupation of Trondheim, Bergen, Stavanger and Oslo. Fighting from Oslo in the South and Trondheim in the North-West, their aim was to secure full hold of the railway network; north of Oslo, Kongsvinger had fallen and Hamar and Elverum were threatened; north-east of Trondheim, Staenker, on the line from Namsos, was being invested. The Norwegian resistance against only small German forces, sometimes moved up by plane, was proving brave but not very effective, as they were forced back almost everywhere upon the Swedish frontier.

The question was: could the Allied troops, landed on Monday at unspecified points on the north-west coast, make contact in force with the Germans before their hold on the country's arteries became too tight? In this context the battle for Narvik, still reported to be raging on Thursday, was irrelevant. The key points for the Allies to seize and advance from were the railheads of Namsos, Trondheim and Romsdal; and the Germans, already in Trondheim, were astride the lines to both the other two—though with only very slender strength. Without knowledge of the whereabouts of the Allied troops, withheld for reasons of State, comment is hardly possible, except to say that the repeated British attacks on Stavanger aerodrome, nine times by the Royal Air Force and once by the Navy, show the importance that must be given to air fighting in this Northern war. To tranship, land and move large numbers of men on the difficult Norwegian terrain is extremely dangerous, and might even be disastrous without local command of the air; but without air bases in Norway (Trondheim aerodrome as well as Stavanger has been bombed) Germany would find it hard to resist the Allied advance backed by support from the sea. So far, the air conflict has hardly begun, the land conflict between the chief rivals not at all. Only the sea battle has been fought—and won; all the time German lines of communication and supply with Denmark and the Reich will be exposed and frayed. But the war, which may last a long time, will be won or lost on land, and for the moment speed into action must be the essence of Allied strategy.

Norway's Minerals and Metals.—Apart altogether from iron ore, which is mined near and shipped through Narvik, Norway is also an important producer of a number of non-ferrous metals and ferro-alloys, but these industries, as the bulk of her other trades, are located almost entirely south of Trondheim. Contrary to the general impression, the country is not particularly rich in metallic minerals. Most of the smelters and refineries owe their origin to the availability of cheap sources of energy—in the old days charcoal fuel, and nowadays hydro-electric power. With no coke resources to warrant the foundation of a large-scale iron and steel industry, Norway has to be content to export her ore, and she is a minor producer and shipper of pig iron and steel. Though the small quantities of elementary

ferrous metals exported are of high quality, their loss hardly affects either this country or Germany. On the other hand, Norway is an important producer or refiner of non-ferrous metals, such as copper, zinc, aluminium and nickel, and of ferro-alloys, like ferro-silicon, ferro-chrome, ferro-manganese and silico-manganese; her exports of these to this country have been substantial. A shortage of these metals would be a very serious matter to the United Kingdom. Fortunately, however, there are alternative sources of supply, and, especially in ferro-alloys, our stocks are substantial. But as Norway has to import most of the ore, Germany would gain little, even if she succeeded in seizing all the smelters and refineries south of Trondheim. Norway's metallurgical industry is least dependent on foreign supplies of copper ore. Nevertheless, her own output has to be heavily supplemented by imports of copper-nickel matte from Canada. In the case of zinc, Norway imports about nine times as much ore as she produces; the ore is reduced by the electrolytic process, which is the *raison d'être* of the trade. Small tonnages of nickel ore are raised, but here again the vast bulk of the primary mineral is imported from Canada. In aluminium, the considerable Norwegian production is entirely based on bauxite supplies from abroad, and Germany cannot get enough bauxite for her own works. In ferro-alloys the dependence on foreign supplies of ore is even more striking. Norway produces neither chrome ore nor manganese ore nor wolfram. Without foreign supplies Norway's production of the typical ferro-alloys used in steel-making must fall to zero, for Germany certainly cannot fill the gap. At the best the Nazis might seize the stocks, but these cannot be large, for the practice of the industry has been to dispose of its current output. It is true that Germany might get possession of Norway's molybdenum ore, but this is not required by this country, while Germany has to use it as a second best to tungsten. Apart from metals, Norway produces substantial quantities of chemicals, and she has been an important source of our supplies of calcium carbide. The cessation of these supplies may cause some inconvenience, but there should be no difficulty in time in expanding domestic production and imports. In short, while the loss of iron ore imports from Narvik may be decisive for Germany, her temporary control of Norway's metal and chemical industries south of Trondheim is not likely to assist her war effort to any significant extent or to cripple ours.

Norway and the Neutrals.—The eyes of all the smaller neutrals are fixed on Norway. Now that news is beginning to reach the outside world of the astonishing extent and terrifying efficiency of the Nazi plot by which the key positions in Norway's cities and harbours were sacrificed to the invader almost before he had set foot on land, the other neutrals are attempting in a mood not far removed from panic to cope with the problem of their own "Fifth Columns." In Holland, the maximum penalty for espionage has been raised, and stronger measures are being taken behind the scenes to tighten the control of foreigners. Belgium is preparing fresh internment camps, and the visa control along her Dutch and Luxemburg frontiers is to be reinforced. In Sweden, where the problem is particularly grave, emergency measures have been passed in the Riksdag to combat sabotage and espionage, and the Defence Minister even called for the "extirpation of those who have clearly shown that they are working for a foreign Power." In South-East Europe, Yugoslavia is faced with a situation which may well get out of hand. For years, German commercial penetration, incitement of the non-German minorities and organisation on Nazi lines of the large German groups have been going on. In recent months it has been intensified. Yugoslavia is riddled with German "tourists" who talk to the troops, distribute pamphlets, settle at strategic points and invade the cities carrying suspicious and unaccountable pieces of luggage. If the grim earnest of the plot in Norway did not reinforce the tales, it would be hard to take seriously reports so fantastically compounded of Baron Münchhausen and the Arabian Nights. It may, of course, be that Germany intends no offensive and the high colour of the rumours is simply designed to keep everyone guessing and the Balkans on

tenterhooks. But the Yugoslavs are taking the threat seriously. The police have orders to proceed against all suspect foreign visitors. Two-thirds of the foreigners resident in Belgrade alone are to be expelled and the Press reflects the shock to public opinion dealt by the standing and influence of the Norwegian traitors. The papers protest that the death of patriotism is the end of national freedom, and urge that not only foreigners, but dissidents and agitators at home, should come under the ban. Roumania and Turkey are not so seriously affected, but are planning counter-measures. Sofia, on the other hand, has succumbed to the same plague of tourists as Belgrade. Here, too, vigorous measures are under discussion. The failure of the Norwegian *coup* (for failure it was, since the Norwegians were not paralysed into complete acquiescence) has thus given a salutary lesson to every small State. The Fifth Columns of Europe will find their work at least handicapped, possibly checked.

The conflict in the North is being watched with grave anxiety for other reasons. If the saboteurs and traitors are Hitler's back door into every small country, his military forces are ready to batter on the front, and the success or failure of Allied counter-measures is of crucial importance to every neutral State. It is useless to lock the back door if the key to the front is missing, and no small neutral front door can be closed without Allied backing. Norway is thus a test case. With the tide of battle, the hopes of all the smaller Powers ebb and flow. The news of the sinking of a large part of the German navy heartened Sweden into a resolute attitude with regard to her own neutrality. The landing at Narvik and the destruction of the German naval forces lying there very probably helped Roumania to impose her wheat ban, Yugoslavia to launch her anti-tourist campaign, Holland to extend her state of emergency, and Turkey to announce fleet movements. Similarly, any failure now, any weakening of our attack or falling off of our military reinforcements will have repercussions far beyond the merely strategic implications of the Norwegian campaign. The smaller Powers have watched, hypnotised, for the last three years while, one by one, the victims of German aggression have succumbed to Jugernaut. Last week, for the first time since the rape of Vienna, there came news of a German setback. The joy with which the news was greeted is the measure of the smaller neutrals' support of our cause, but it would also be the measure of their disillusion if Hitler were once again to prove that aggression can be made to pay.

Towards a Balkan Offensive?—The spectres which were first evoked by the Brenner meeting, then exorcised by the comparative inactivity which followed, are once more abroad. Germany is making her contribution in the form of rumoured troop concentrations in Slovakia. Italy has crowned four weeks' press campaigning against the Allies with the threat that her intervention may take place at any moment—in which case there is only one direction in which her offensive could be launched. Naval units are concentrated off the Straits of Otranto, four classes have been called up, 25,000 workmen are said to be en route for Albania, and Bari, the port used for the Albanian invasion last year, has now been declared a special area. Everything has been planned to point to an attack from the Adriatic. Greece, with her British guarantee, close alliance with Turkey and her accessibility to the British Navy, is an unlikely victim. Yugoslavia, enjoying none of these advantages and susceptible, moreover, to German pressure, is the obvious target of Italy's potential outbreak. Finally, the third conspirator is added in the shape of Russia, who has in the last week issued a sharp protest to Roumania on the subject of frontier violations along the Dnieper. Coming on top of Molotov's speech and its reference to "Bessarabia, the lost province," the incident may well take a graver turn. Thus the stage appears to be set for the *pas à trois* forecast by the German press at the time of the Brenner meeting. Joint action will establish pre-arranged German, Russian and Italian spheres of interests, Balkan

supplies will be secured once and for all to the Axis Powers and their adjunct, Russia, and Allied influence will be finally and completely destroyed in the South-East. The reason for the new activity is obvious enough. The Allies have promised to make their blockade effective in the South-East, and the establishment of our recently founded trading company, on however limited a scale, is evidence of new activity. In the Balkans as elsewhere the Germans have therefore to reconsider their line of action in the light of the Allies' latest plans. If we make it impossible for Hitler to secure his Balkan supplies by peaceful means, his only alternative is an extension of the war in the way most damaging to our interests and prestige. The association of Russia and Italy with his policy would greatly increase its propaganda value by completing the picture of invincibility and, if sufficiently skillfully exploited, might even secure the exclusion of the Allies without the necessity of resort to force.

How near Hitler is to completing a successful stroke of Balkan strategy it is impossible to say. The situation is still fluid, and while the battle in Norway remains undecided, it is likely to remain so. If Hitler, by a military success, gives another proof of invincibility, then possibly Russia and Italy *voleront aux secours du vainqueur*. But several points are very obscure. Italy has repudiated collaboration with Russia and is attempting friendly relations with Roumania. Turkey is watching the situation warily, and has let it be understood that a conflict with Roumania brings her into the war and presumably the Allies into the Black Sea. The pro-German party are not in power in Budapest, and there is no sign that the Teleki Government would be compliant in the matter of allowing German troops passage to Hungary or Yugoslavia, a concession which would greatly simplify Hitler's strategic problem. All the Balkan States have in recent weeks given clear evidence of the store they set by their independence and of their determination to defend it. Roumania's ban on wheat exports and her partial ban on key commodities in order to stock her military reserves are one example, the vigorous measures against espionage and sabotage in Yugoslavia, Roumania and Turkey another. Finally, there is an unknown factor in the degree of solidarity which an attack on one Balkan State would evoke in the others. It is not certain that they would repeat Scandinavia's disastrous mistake. It would therefore be difficult even if not impossible for Hitler to strike in the Balkans as he hoped to strike in Norway, in such a way as to secure his objectives without calling in Allied military opposition. And it would be difficult to crush the Balkan peoples' resistance so speedily that help when it came would come too late. Mr Churchill has gone out of his way to remind Italy that our Mediterranean fleet is not operating off Stavanger, the Allied Near Eastern army grows steadily, in a conflict Italy's industries and Russia's oil supplies would be very vulnerable to an attack, all reasons for supposing that the *pas à trois* may after all turn out to be a *pas seul*.

Limitation of Textile Sales.—It has long been widely recognised that the labour resources available for ministering to the consumer must decline with the expansion of the output of munitions and of the Defence Forces, and that the raw materials allocated to the manufacture of consumption goods must be curtailed in order to economise foreign exchange and shipping space. The supply of a number of consumption goods has already been curtailed in bulk or rationed to individual consumers. The new Board of Trade Order restricting sales of cotton and rayon piece-goods to retailers during the 5½ months from April 16th to September 30th to 75 per cent. of those made during the six months ended September 30, 1939, and those of linen piece-goods to 25 per cent., is therefore unlikely to cause a public riot. (The allocation of wool for manufacture into goods for civil consumption has already been reduced.) The limitation of supplies of cotton and rayon piece-goods is anything but drastic. First, during the

initial restriction period something like 5 per cent. of the adult population will be clothed by the Government. Secondly, the volume of purchases per head of the population would in any case probably have been appreciably smaller than last year. The reduction in supplies of linen piece-goods, on the other hand, is severe; but this was necessary in view of the fact that Germany has been able to cut off some of the principal sources of our flax supplies. But the consumption of linen is normally much smaller than that of cotton goods; and, in any case, cotton can be substituted for linen for the majority of purposes. The value of materials that the reduction in supplies to domestic civil consumers will set free for export is estimated at about £15-£20 millions per annum.

The new Order is to be regarded as only a first step in a policy of setting free machinery and labour for more urgent purposes. In announcing the limitation of textile supplies to domestic civil consumers in the House of Commons on Tuesday, Sir Andrew Duncan pointed out that it may be necessary to add to the list. It is surely not only necessary but a matter of considerable urgency to devote more of our resources to the munitions and export trades. Sir Andrew Duncan need only look at the overseas trade returns for March published this week by his Department. In its present temper the public is only too willing to assist the Government in the effort to win the war. Consequently, excessive timidity, born of the fear of a wave of public indignation, is surely out of place at this stage. So far as the method of limiting the consumption of textiles is concerned, rationing in bulk is undoubtedly preferable for technical reasons to the rationing of individuals adopted in the case of foodstuffs; but this method is only justified (and the comparatively mild initial turn of the screw was probably designed to accustom the public to it and thus to ensure its success) so long as the poorer section of the community is not deprived of its essential requirements by an inordinate rise in prices. If that were allowed to happen, there would indeed be a public outcry, and it would be fully justified.

Railway Fares.—At the time that the financial agreement between the Government and the railway companies was announced it was predicted in these columns that the working of the agreement would run directly counter to the obvious main interest of general economic policy in keeping prices down. Proof of this prophecy could hardly have been expected in such early and drastic shape. The Minister of Transport announced in the House of Commons on Wednesday evening that there is to be an addition of 10 per cent. to all railway charges, including fares on London Transport's railways, from May 1st. This is to bring in £18 millions a year towards the railways' estimated increased costs of £26½ millions in the first nineteen months of control. The increase is presented as a *fait accompli*, since the only possibility of upsetting it is the very remote one of an adverse vote by the House of Commons. The gravest objection must be taken to this procedure in a matter of such high public importance. The argument for a speedier method of deciding increases in railway charges than by an application to the Railway Rates Tribunal can readily be accepted; but it is hard to see why speed should necessitate close secrecy for the preliminary discussions or why it should absolve the railway companies from the obligation to make their case in public. Again, much was made, when the new procedure was announced three months ago, of the fact that trading organisations would be taken into consultation. But how much remains of this consultation if it is not to take place until after the Order is tabled? It is not only to the procedure that objection can be made, but also to the substance of the increase. The justification for it is that charges were, according to the agreement, to be raised in relation to changes in "working costs and certain other conditions arising from the war." It is apparent that the interpretation put upon this phrase is to be entirely one-sided. The rail-

ways are to be compensated for any increase in their *direct* costs, but the reduction in their *indirect* costs owing to the increase in traffic is apparently not treated as one of the "conditions arising from the war." Again, it is difficult to see why benevolent allowances made to employees on active service should be charged to the transport user rather than deducted from the rapidly rising revenues of the proprietors of the railways. There will be no objection in any quarter to fair play for the railway companies, and it has frequently been argued in *The Economist* that they can make out a strong case for financial compensation on a scale higher than their earnings of recent years. But this sort of thing is much more than fair play. The railways are being assisted to increased revenues by a method which forces up the cost of transport, one of the most vital elements in the whole price structure. Moreover, the present increase is only a beginning. It is not difficult to see what will be the next step—an application for increased wages, which the companies will have no incentive to resist. It would be hard to imagine a more disastrous example of economic impolicy.

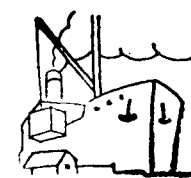
Winning the War?—Only one speaker in Tuesday's debate in the Commons was wholly satisfied with the Government's manpower policy. That was Mr Ernest Brown. The Minister of Labour told the House that the allocation of men between military service and industry "bristled with difficulties"; but he was satisfied about the 30,000 soldiers who have been indefinitely or temporarily released for work on the home front. He was satisfied with the 40,000 men whom it is proposed to train annually in Government centres for war work in future years—though this year less than half that number will be trained. He was satisfied that there was no room for women in these training centres. He was satisfied that it was not his job to see that manufacturers took on or trained more potential war workers than at present. He was satisfied that all the employable engineers, shipbuilders and coal-miners available had been, or would almost certainly be, put to work and that the shortage of skilled labour in these industries could not be helped. He was even satisfied with the large total of unemployed workers who made up, he said, an invaluable "reserve" of labour—in happy contrast, presumably, to luckless countries like Germany, where almost every man and woman has already been given a place in war production. No one else, in a meagre House, even on the almost deserted Government benches, was at all satisfied. One after another, shocked by the contrast in the vital use of labour between the conscript democracy of France and our own easy-going freedom, they cited the example of our great Ally as well as of Germany—virtually the whole of two nations mobilised for fighting or war work. Still looking abroad, they were unimpressed by Mr Brown's suggestion that the task of building up a large army was so arduous and complicated that the equally important task of drafting the remaining men and women into essential industries must necessarily make almost imperceptible progress. They had no patience with a "reserve" of idle labour, of unemployed persons, women and normally unoccupied persons, the chief virtue of which, apparently, was to stay in reserve unused. The Minister's attempt to persuade the House that what is awry with our war employment is simply an act of God and beyond his (Mr Brown's competence signally failed.

No one would, or could, deny that the registration of 1,700,000 men for military service, the application to them of the schedule of reserved occupations and the combing-out of soldiers essential to industry without impairing the army's efficiency is a very complex and delicate business—and one for which Britain, in the Ministry of Labour, has a uniquely suitable instrument. But there are well over 20 million workers or potential workers still left on the home front, and it is in the allocation of these to their posts in the war effort that vision and energy have been most lamentably lacking. It is no use for Mr Brown

to say that he has not the power to secure the recruitment and training of war workers. The simple fact is that they must be recruited and trained in their millions; they are willing and anxious to be recruited and trained; and if manufacturers will not do it—only factory training is really satisfactory—they must be made to. If they, in turn, claim—as they might quite reasonably do—that there still is not a sufficiency of war orders, actual or prospective, to justify a wholesale expansion of their potential labour force, then Mr Brown must bring his "balanced" oratory to bear on Mr Burgin. It is not a matter for leisurely democratic discussion. There is no alternative. Every available man and every available woman must be pressed into essential employment without any more needless delay—if winning the war is a war aim.

Mobilising the Home Worker.—The new Minister of Food (writes a Correspondent) has called upon the housewives of the country to mobilise in defence of the nation's food supplies. An army marches upon its stomach; to-day the whole nation is the army, and the commissariat is in every larder. The home workers—men with spades and women with saucepans—are as relevant to victory as any other providers of necessities. It is to be hoped that this appeal indicates a livelier realisation in high quarters of what the home worker may be worth and of the handicaps under which he—or she—labours. These are not few. We are told to Dig For Victory; but the man whose newly cleared allotment will yield him a bumper crop of potatoes and (as every pioneer gardener knows) precious little else in the first season, may not sell his surplus to help feed the towns. If he thinks of keeping hens and so using up kitchen and garden refuse, he cannot count on getting the little food which that refuse needs as a supplement. The prospective keeper of a pig or two runs up against a tangle of restrictions calculated to scare the boldest. The housewife, too, has her grievances. The just-ended marmalade season was a bad joke for her. She had to buy marmalade and twiddle her thumbs during the hours she would have spent in making it—the marmalade sugar ration being a fraction of the normal family's consumption and, moreover, in relation to the number of oranges needed to get it, about one-third of that required by any recipe known. If she preferred Empire grapefruit to foreign Seville, she got no sugar at all. (Here, surely, was a case for preference rather than penalty.) Days elapsed between the purchase of the oranges and the receipt of the sugar; one wonders what will happen when, in summer, perishable soft fruit replaces the patient orange. And then, it seems, only home-grown fruit will qualify for a supplementary ration—if that. The commercial fruit-grower must sell to the jam factories or not at all; and these must employ industrial labour to do the job most housewives are glad to do for themselves. The housewife nowadays is not the all-round handywoman she once was; but there is a sufficient store

Export
and
Import
Banking
on
Sweden



SKANDINAVISKA BANKEN

of working ability embodied in women who cannot for family reasons take employment outside their homes to release a perceptible contingent of industrial workers if it were not deprived of the materials on which to work. There may be good reasons for the deprivation. If so, the public should be told. Let the Ministries of Food and of Agriculture jointly secure the services of one practical allotment-holder and one hardened housewife to advise them; and, thus instructed in nicely blended domestic and political economy, let them in addition hire a competent advertising agent to sell the home workers how they may apply their skill and energy—and if not, why not.

* * *

Japan and the Indies.—M. Arita's statement to the Press that Japan would oppose the extension of the war to the Dutch East Indies should come as no surprise to those who have followed the evolution of Japan's "East Asia" policy according to which the Dutch East Indies form an obvious part of Japan's *Lebensraum*. As we have learnt in Europe, "anxiety for the peace and stability" of a small and defenceless country is a usual prelude to the forcible bestowal on it of "armed protection" and, in the present anarchy, we cannot suppose that Japan will show more forbearance than other predatory powers. Nevertheless, she will keep a wary eye on British and American reactions. Mr Cordell Hull has already issued a statement that "intervention in . . . the Netherland Indies" by violent means would be "prejudicial to the cause of stability, peace and security not only in the region of the Netherlands Indies, but in the entire Pacific area." It is hard to say how seriously this warning must be taken. Japan might dare to bluff the American navy, but not for one moment could she ignore a threat to her vital American supplies. Here the United States could cripple Japan overnight.

* * *

Price Control.—The committees set up by the Board of Trade nearly four months ago under the Prices of Goods Act to prevent profiteering have no powers over foodstuffs. There is no set limit to the goods that can be brought under their control by Order, but it is taken for granted that foodstuffs and raw materials, already regulated in price in many cases by the Ministries of Food or Supply, ought not to be included. The trouble is that the committees, whose function of hearing individual complaints about prices is probably as important as their power to fix prices and enforce them, have had more complaints about food prices than about anything else. Only the main staple foods are regulated in price by the Ministry, and the question now is whether the uncontrolled foods (e.g. dried peas), about which allegations of excessive charges are most frequent, should be regulated—either by the Ministry or by the Board of Trade's committees. The view of the Central Price Regulation Committee is that these prices should be fixed, but (quite plausibly) that it would be confusing for any body but the Ministry of Food to deal with them. The fact is that some danger exists of frontier disputes being allowed to obscure the main aim, which is to prevent onerous increases in the price of necessary articles of general use not justified by corresponding increases in cost. Other prices should probably be left to rise freely, if only to restrict consumption. Should the price committees extend their control over a much wider range of clothing, including men's suits? Is it possible for price regulation to be fair and effective when it is mainly, though not exclusively, concentrated on retail prices? Ought it not to be focused more on the price of materials? All these questions, which are current talk, bring the committee close to the province of the Ministry of Supply. This is inevitable. Price is a function of supply and, in any sound programme of price control, supply policy and rationing must all be closely co-ordinated. Any rigid and arbitrary departmentalisation is impossible. The solution of the present difficulties is for the Board of Trade and the Ministries of Food and Supply to work together in the administration of a uniform scheme, dividing the task between them according to administrative convenience and

using the local price committees—and the local food committees—as sounding boards for consumers' grievances. Two things are certain. Complaints about excessive charges for uncontrolled foods and clothing cannot be left much longer unanswered; and it is ploughing the sand to attempt to regulate prices except in strict accord with the regulation of supplies and the restriction of consumption by rationing.

* * *

Shifting Industry.—On Wednesday, in the hush of expectant waiting for news about the Allied Expeditionary Force in Norway, the House of Commons debated the location of industry. Their time was not wasted. Due tribute was paid to the invaluable collection of facts and views about industrial movements and their effects made by the recent Barlow Commission. The general agreement, reflected in the Reports of the Commission, that steps are needed to arrest the undue expansion of urban centres like London and to avert the creation of fresh distressed areas, was echoed on all sides. Even London's Londoner, Mr Herbert Morrison, admitted that, proud as he was of London, he was far from proud of Greater London. But, in the main, the discussion was needlessly academic. The view of the Minister of Health, that a debate on this subject in wartime might appear unreal, was too easily accepted. It is, of course, true that it will be after the war when the major problems of industrial redistribution will return to be solved. But industrial movements, sharply distorted by war needs and war conditions, are going on now; and they will not only affect decisively the unbalance of industrial Britain when the war is over. They greatly influence the problem of war economy itself. The migration of evacuees and workers; the spread of new factories and new housing needs; the renewal of the old hectic expansion of the munitions and export trades that lag in peacetime—none of these can be shelved and set aside until Hitler has been beaten. From day to day, Government departments and local authorities will have to deal with them as they come up, and it is more than arguable that a planned approach according to some common policy, such as every member of the Royal Commission advised, would be preferable, even in wartime, to the disparate piecemeal methods that have previously prevailed. Even a purely advisory body simply to carry on the facts and analysis of the Royal Commission in war conditions might be invaluable. To suggest, as the Parliamentary Secretary to the Board of Trade did on Wednesday, that the present hurried census of labour resources in three war industries is a sufficient substitute is absurd.

* * *

Road Deaths.—Last month's road casualty list is again shocking, and the big improvement in February, when the new speed limit of 20 miles an hour in built-up areas after dark first came into force, must, therefore, have been mainly due to the severe weather at the beginning of the month, which kept the majority of cars off the roads. In March, the number of deaths was 496, compared with 416 in February and 457 in March last year, so that the longer hours of daylight are clearly having very little effect. In fact, the number of daylight deaths rose from 151, or 36 per cent. of the total, in February, to 261, or 53 per cent. of the total, last month. On the other hand, there is evidence that the new speed limit is doing some good. Deaths on unrestricted roads in black-out hours were 17 higher than in February, but on roads subject to the speed limit they were 47 fewer and only amounted to 29 per cent. of the total, compared with 45 per cent. But the fact remains that the total number of deaths is higher. Publicity, summer-time, speed limits have, therefore, in the net result, been of no avail, and the debatable remedy of large-scale road construction has naturally been indefinitely shelved. There only remains the possibility that in the long run petrol rationing, higher petrol prices and heavier motor licence fees will achieve an improvement, as the snow and ice did in February, simply by reducing the number of cars on the road. But there is little sign of this at present.

Danubian Tug-of-War.—The obscure incident which occurred a fortnight ago when British agents were supposed to have attempted to sabotage the free passage through the Danube's "Iron Gates" has been cleared up to this extent, that it is now possible to fit it into the general framework of another piece of Nazi strategy. The original tale almost certainly originated in Dr Goebbels's perfervid imagination. Its dissemination was used as an excuse for Germany to put forward the proposal, apparently through Hungary, that she should undertake the policing of the Danube in order to protect the riverain States from "Allied aggression." Had the Hungarian Government proved more compliant, Germany's fine fleet of gunboats might have been promptly despatched from Vienna, and the Allies, since they are represented on the International Danube Commission, would have suffered another setback. The Hungarian Government, however, merely transmitted the request to the other riverain States, and after a week's negotiations Germany's plans have suffered a check, in that a new scheme covering possible cases of sabotage and military activity has been approved by the International Commission. Control is vested in the riverain States, and warships and near-warships are banned from the river. The Norwegian campaign came just in time to stiffen the attitude of the Danubian Powers. The last word, however, has not been said, and Germany is still building gunboats at Vienna.

* * *

The American Census.—The decennial census of the population of the United States has begun. This is only one of six censuses to be taken this year—the others are of business, manufactures, mines, agriculture and housing. In the population census alone, thirty questions are to be asked of every person, including inquiries about income and hours worked. In addition, a further 15 questions are to be asked of an arbitrary sample chosen by taking every tenth person; these include such miscellaneous matters as language spoken, war service, social security status, number of children, etc. The housing census has 31 questions for each house, including, for example, sanitary facilities, fuel used, mortgages, etc. Before such an array of questions the British statistician—inhabitant of a country where it is indelicate to inquire about an unmarried mother's previous children—can merely stand in impotent envy, knowing that unless he is very lucky he will not get a decennial census at all next year.

* * *

Shorter Notes

There is a grouping of anniversaries at the present time from which some significance could surely be drawn. This issue of *The Economist* bears the date of Adolf Hitler's birthday. The House of Commons has just marked the fiftieth parliamentary birthday of Mr Lloyd George, whose name stands, more than that of any other, as the proof of what an embattled democracy can do in a test of strength. It would be pleasant to believe that the same significance deliberately attaches to the opening of a crucial Budget on St. George's Day, the anniversary of Zeebrugge. And last Sunday was the seventy-fifth anniversary of the assassination, on Good Friday, of the man who dared to call upon the people of the United States to take risks, "that government of the people by the people for the people shall not perish from the earth."

*

In the pompous language that is always reserved for Parliamentary questions and answers on the most trivial subjects, it is announced that the name of the new Balkan trade organisation is to be changed from "English Commercial Corporation, Limited," to "United Kingdom Commercial Corporation, Limited," in order that "the title of the company should have a wider territorial significance than the word 'English' might suggest." If we are to carry respect for our minorities to such lengths, ought we not to have contrived to incorporate in the title the Channel Islands and the Isle of Man?

North Battersea, which once returned a Communist member of Parliament, gave only 791 votes to the anti-war candidate at this week's by-election, or 8.6 per cent. of the total number of votes cast.

*

The 1938 Board of Trade bankruptcy report gives some interesting facts about the failures of women in various trades and occupations. The highest place is taken—perhaps naturally—by milliners and dressmakers among whom there were 66 failures. Those with no occupation came next with 59 (these, incidentally, had by far the largest liabilities), and drapers and haberdashers were third with 33. Other unusual feminine occupations which had failures were coal and coke merchants, 5; directors and promoters of public companies, 5; butchers and meat salesmen, 4; dairymen and cowkeepers, 4; millers, 1; and timber merchants, 1. One would like to know more about the two women labelled as "occupation unknown," who failed, as well as the sixteen called "miscellaneous." Most interesting, perhaps, are the three who, coming under the general heading of "Entertainment and Sport," are simply described as "persons."

*

According to the Registrar-General's Statistical Review of England and Wales for 1938, the number of live births registered in that year was 621,204. This gives a birth-rate of 15.1 per 1,000 persons living, or 0.2 above the 1937 figures, 0.3 above 1936 and 0.7 above that for 1933, which was the lowest rate ever recorded. The death-rate, adjusted for the increasing proportion of old people among the total population, was 8.5 per 1,000, which is 0.5 less than 1935, the previous best recorded year.

*

The following table shows total entries at Vladivostok of certain commodities during the twelve months preceding the war and the seven months from September, 1939, to March, 1940, together with exports from the United States of America of the same commodities:—

	Total Entries		From U.S.A.	
	12 months prior to war	Sept., 1939, to Mar., 1940	1938	Sept., 1939, to Mar., 1940
Copper tons	70,000	70,000	50	60-70,000
Tin tons	13,500	7,500	Nil	2,200
Rubber tons	27,500	40,000	Nil	6,000
Molybdenum . . . lbs.	3,000,000	6,030,000	3,000,000	6,900,000

As this traffic, with the exception of about 5,000 tons of rubber, did not start until November, the contrast between pre-war needs and recent imports is even greater than is shown in the table.

*

In the table on Danish foreign trade on page 677 of last week's *Economist* the unit for the import of maize, rye and wheat should have been given as hundred metric tons and not as thousand metric tons.

INSURE WITH



7, CHANCERY LANE, LONDON, W.C.2

THE WORLD OVERSEAS

Battle for Hungary

(From a Special Correspondent in the Balkans)

IN more than one small State of Europe, the steady condemnation of German diplomacy that had marked the currents of their public opinion before September, failed on the outbreak of war to prevent their Governments from adopting an attitude of deference to German interests. And it must be counted as a debit to the Allies, just as much as a neutral fault, that this failure of nerve should have been perhaps most noticeable among the small neutrals whose geographical position could afford them, if necessary, direct Allied help. The countries of South-Eastern Europe have shown a better spirit of resistance; and for the most part they have rejoiced with Allied successes and wept with Allied failures.

Standing apart from the Balkan countries by her ties with the Anti-Comintern States, Hungary has provided a surprise of her own. The ready assumption that Hungary would automatically side with Germany has proved false, and false in more than a merely formal sense. Had general war broken out in September, 1938, instead of a year later, the assumption might have been justified. Flushed with their success in Slovakia and Ruthenia, more than ever impressed with the power of Germany, eager to take on the flood a tide that might never flow again, the ruling class in Hungary, the army and the great mass of conservative voters could scarcely have resisted the opportunity of invading Roumania and seizing whatever the chaos of European war might have yielded them. But in the twelve months after Munich there was a change. The extremists lost in strength so greatly that, by the summer of 1939, it was possible for the moderate Government of Count Paul Teleki to take active measures against them; and with the outbreak of war this policy developed to the point where the Nyilas parties—sympathetic to Nazi doctrines—had been deprived of nearly all the firm footing they had had twelve months before. By February this year they had so little backing that two of their parliamentary deputies, Gruber and Gál, could actually be suspended and sent to gaol for participation in terrorist activities.

Two main reasons brought about this change. The first was a matter of internal politics. Hungary is ruled by a comparatively small number of men who demand and receive the loyalty of a high percentage of the middle class, of the army, and of those sections of the lower class who are swayed by traditional ideas. Nazi doctrines, except as a means towards the end of Greater Hungary, could never hold out any strong appeal to any of these parts of the population. Hungary wanted no revolution in manners and morals such as Nazi government would have entailed. The second reason sprang straight from the matrix of German diplomacy. An invasion of Poland, Hungary's sentimental friend, following and only made possible by a cynical deal with Soviet Russia, Hungary's potential enemy, shook the whole foundations of Hungarian friendship for Germany. And these shocks served only to confirm the disappointment of the Belvedere Award, by which Germany had refused Hungary much of what her extremists had claimed.

The effect of these happenings, with the growing realisation that Berlin had ominously donned the mantle Vienna had worn for so long—that Germany had become another but infinitely more puissant Austria—was to strengthen those who sought to maintain Hungary's independence, even at the cost of her ambitions. The war found the traditional elements in power. The Regent united in his person the virtues of moderation. It was argued that Hungary must remain neutral in order to bring all her influence to bear at the peace settlement.

The Nazi Drive

Against this view the extremists, whether under Nazi influence or merely ultra-conservative, urged that the Allies were going to lose the war, and that even if they won it Hungary could expect nothing from them; and that Hungary must therefore give Germany every support she needed in order to earn as large a reward as possible. To-day it is over this issue that there is a split in public opinion which becomes steadily wider. It is the more surprising that the Western Powers should not have healed this breach by convincing all those who sympathised with the Allied cause that Germany was certainly going to be beaten.

The Germans have not failed to understand the position. In the last resort, they must obviously reckon on being able to invade Hungary or to force permission for the free passage of German troops. The realisation that the Nazis could and would treat Hungary just as they have treated Czechoslovakia and Poland, if it suited their interest, has played a big part in destroying pro-German sympathy. The Germans may also reckon on Hungarian support for any scheme which appears to coincide with Hungarian interests. But, short of military pressure, the Germans are still under the necessity of playing their Hungarian fish, hooked though it be, with a great deal of care.

The main preoccupation of the Nazis, therefore, is to change the Hungarian Government. For a long time they favoured the Arrow-Cross movement in Hungary until its internal divisions and diminishing hold on the popular imagination robbed it of most of its value; and during the last few weeks it has become evident that German interests might be well served by a return to power of M. Béla Imrédy. The memory of his Jewish grandmother does not seem to have deterred M. Imrédy from taking up an active pro-German attitude. It would not be too much to say that he regards himself as Count Teleki's most formidable rival; and, were he to obtain power, Hungary's neutrality might become at least "non-belligerency." Until the early days of April M. Imrédy's challenge to the Government did not amount to much. As far as is known his policy was opposed to the personal views of the Regent. He had only a handful of convinced followers; his support in the Lower House amounted to no more than about 35 deputies; and his means of propaganda were restricted to one newspaper, the *Uj Magyar-sag*—with the uncertain hospitality of two or three others.

Besides M. Imrédy, the Germans have other irons in the fire. It seems that they have agreed to continue direct help to the Nyilas parties, only if these are able to sink their differences under a unified leadership, and provide less questioning loyalty to Germany than some of them have given in the past. This is taken to mean that Count Pálffy, or someone equally susceptible to German influence, will direct a coalition of his own faction with those of M. Hubay and M. Mecser, and that the coalition will then campaign for closer ties with Germany. It goes without saying that the Germans are willing to provide whatever money and promises may be necessary. It is understood, for instance, that they have offered to return the Bohemian and Moravian estates of the Grand Duke Albrecht, son of the late Grand Duke Frederick and first cousin of Prince

Otto, if he will openly support the cause of Germany. At least two leading Hungarian generals are playing the German game; and, among the lesser ranks of the army, conducted tours of Germany have worked wonders. The whole of Hungary, it sometimes seems, is soaked and pickled in German propaganda.

M. Imrédy's Challenge

The first phase of M. Imrédy's campaign for the premiership came to a close on April 5th. On that day there was a crucial meeting of the Government Party—ostensibly to provide Count Teleki with a chance of reporting on his visit to Rome, but really to test the strength of the Imrédy movement—and the meeting concluded with the Prime Minister's leadership unchallenged. The gravity of the issues at stake, and the certain fact that the bulk of the country is still behind Count Teleki, seem to have deterred M. Imrédy from attempting revolt. Doubtless that will come later on. Early in May there will be elections in the Félvidék—the "redeemed territories"—and the Imrédyists expect to increase their strength there by 15 to 20 seats.

M. Imrédy may reckon, too, that time is on his side. Unless the Allies are able to produce convincing evidence that the re-constitution of Central and South-Eastern Europe, in the event of an Allied victory, will not be left to the unfriendly hands of the Little Entente's successors—and that Hungary, therefore, may expect that her voice will not only be heard but listened to with respect—the rivals of the present regime in Hungary may reasonably hope for a drastic change in public opinion. The Allies will lose favour. The Nazis will gain.

To Western eyes these details may seem unimportant, even irrelevant. In fact they are neither. In a very real sense, Hungary holds the key to the Danube Basin; so long as she remains neutral, the German Army is separated by hundreds of miles from the frontiers of Roumania and from the open wheatfields of the Yugoslavian Voivodina. It is more than silly to scoff at Hungary's slender power of resistance and simply to calculate the speed at which Germany's *panzerdivisionen* could traverse the Hungarian plain. During the first six months of this war the Hungarian Government—with the active and courageous approval of the Regent—defended their neutrality in a way that deserves far more recognition by Western opinion than it has been given. But no small nation surrounded by potential enemies—its only friend, Italy, far away behind a massive mountain barrier—can for long follow a continental policy without receiving at least moral support from outside its frontiers. And unless that moral support is forthcoming from the West, it may well be that the present regime in Hungary will be overturned—in Germany's favour.

The key to the situation lies in Hungary's isolation. If she enters the war on Germany's side, and Germany wins, she can hope for very little extension of her sovereignty; on the contrary, she might reasonably fear a marked contraction of her sovereignty. If she fights with Germany, and Germany is beaten, then everything is lost. The present regime has shown no signs of wanting to fight on Germany's side; and, for obvious reasons of strategy and geography, Hungary cannot enter the war on the Allies' side. Hungary's best course seems, therefore, to be at all costs one of neutrality. But to maintain public support the regime must be able to show that neutrality will lead to positive gains at an eventual peace settlement. Here is the problem; and it is one that the Western Powers, if they wish for a continuance of Hungary's neutrality, which has been, and will continue to be, their gain, must help to solve.

April 16th.

Mistrust in Yugoslavia

[FROM A SPECIAL CORRESPONDENT IN BELGRADE]

THE report of British naval successes found in Yugoslavia a public enthusiastic for an Allied victory and a Government still deeply troubled by the political situation at home. The outbreak of war caught Yugoslavia in the middle of internal changes. The agreement between Dr Matchek, for the Croat People's Party, and M. Tsvetkovitch, for the Regent and Government of Yugoslavia, had scarcely come into force; none of the details of this far-reaching federal settlement had been worked out; the consent of the peoples concerned was not assured. As one observer remarked: "In the past the Serbs and Croats never came to an agreement

because they began with the details; now they have made a general agreement before settling the details, and the details, of course, are as hard to agree upon as ever."

Jugoslavia can withstand Great-Power pressure from the North and North-West only if she is internally united. The cement is too new along the country's frontiers to allow much optimism about the result if Germany and Italy were to agree upon a plan for partitioning Yugoslavia. But the outlook would become radically changed if Serbia and Croatia were really united in their determination to defend themselves and each other. This was the aim of the Serbo-Croat agreement, made and signed in months of great international tension. Now its details are under discussion while the whole future of the country is at stake.

For the moment, it must be said, the internal situation is very far from satisfactory. It is already a common saying among Serbs that "this agreement was made between the Crown and the Croats without the consent of the Serbian people." The old distrust between Zagreb and Belgrade is as profound as ever. Little that has happened in the past few months has served to weaken the rooted suspicion of the Croats that Belgrade aims really at founding a Greater Serbia at Croatia's expense or, on the other side, the no less rooted Serbian suspicion that Croatia is willing to compact with Germany at Serbia's expense.

Competing Claims

When the agreement was signed, towards the middle of last year, three main questions remained to be settled. They were, respectively, the delineation of federal boundaries; the distribution of administrative expenditure; and the degree of federal autonomy in matters of police, justice, security and similar branches of administration. Commissions were set up to work upon these questions. Weeks of earnest discussion ensued. The fate of the Bosnians, who by this time were claiming the right to federal autonomy of their own, hung in the balance. In the first place, the Croats had asked for boundaries stretching right down into Montenegro, including the whole Dalmatian coastline from Susak to the mouths of Cattaro and a mixed population of Croats, Serbs and Bosnians (Serb and Croat Mohammedans). They were dissuaded from pressing these claims and, in the end, were contented with boundaries that reached only as far as Dubrovnik. Even so, the *Ban* of Croatia was to include over a million Serbs.

The details of the financial settlement have just been passed through the Sabor. The *Ban* of Croatia has the right to retain for its own expenditure the income from direct taxes and from law, land and consumption duties. In Croatia's first Budget, passed through the Sabor in Zagreb on April 1st, this income is estimated at 1,300 million dinars (about £5 millions).

The precise degree of federal autonomy has yet to be settled. Agreement has been reached on a number of details; but it remains to be seen, for instance, whether the Serbs will find it possible to agree to Croatia's retention of the People's Party's peasant guards as a regular armed militia.

Dr Matchek's Hold

In Croatia itself, the agreement was followed by frantic agitation on the part of the Germanophil extremists, whose claims stop short only at complete independence. The newly-created Croatian Government found itself obliged to fill the gaols with would-be mischief-makers. For a time, it seemed that Dr Matchek was losing his hold on the wide mass of the population. Then, gradually, saner feelings returned until, to-day, it may be said that Dr Matchek is as strong as ever. Yet, that is not to say that the strength of his position—any more than the strength of the Regent's

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	...	...	\$40,265,700
TOTAL ASSETS IN EXCESS OF	...	...	\$1,025,000,000

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

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

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

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

The MERCANTILE BANK of INDIA
LIMITED
Head Office: 15, Gracechurch St., London, E.C.3
Branches and Agencies throughout the East
EVERY DESCRIPTION OF HOME AND EASTERN BANKING TRANSACTED
Enquiries invited

position—is any guarantee that the Croats—any more than the Serbs—can be got to support the details of an agreement upon which a majority of both peoples have never looked with much favour.

Unhappy though the present situation may be, there is probably no need to fear an open breach. Both parties surely understand too well the risks they would run by pressing their respective viewpoints too far, and the disaster that an open breach would be likely to entail. The aim of German and, to a lesser extent, also of Italian, policy, is far too clear. For it will obviously serve best the interests of Germany—and, at least so long as she is “non-belligerent” and not neutral, also of Italy—if Yugoslavia remains in her present uneasy condition, her splendid fighting strength weakened and demoralised by internal difficulties and misunderstandings.

April 11th.

United States and Reciprocal Trade

[FROM OUR NEW YORK CORRESPONDENT]

THE extension of the powers of the State Department to continue its programme of reciprocal trade agreements has passed the Senate by the narrow margin of 42 to 37. The voting was extremely mixed: the Republicans voted solid in favour and were joined by a large group of the so-called Progressives or New Dealers, especially from the West. The majority included most of the so-called Conservative or anti-New Deal Democrats and some New Dealers. The vote and the debate which preceded it showed a curious combination of partisanship, sectionalism and tradition. On the whole, the majority group took it both as a vote of confidence and as an expression of conviction that the reduction of trade barriers is the *sine qua non* of world order. The minority took it as a vote of confidence, and as an expression of sectional grievance, and a conviction that world circumstances had so greatly altered since the powers were originally granted that the premises of the idea had been invalidated. The net result of these cross currents was the close vote.

While the closeness of the vote was no surprise—indeed, many had predicted that it would go the other way—it was significant. The reciprocal trade agreements had enjoyed support from both sides' parties up to very recent months; and the change in this attitude came after the recent wave of currency depreciation. Nevertheless, there were official affirmations that no evidence had been adduced of undue hardship to interested parties, and this statement is supported by the figures. In recent months our exports have increased and our imports have first risen and then fallen, which seems to indicate that the movements of exchange rates have had little influence.

Even before the immediate past in which extraneous forces have been clearly decisive, the actual achievements of the reciprocal trade programme were not easy to measure. A good part of the increase in our exports since 1935 at least has

been attributable to re-armament programmes, and our imports have moved violently with the fluctuations of our domestic trade cycle. Moreover, the existence of the most-favoured-nation clause implies that certain consequences of a trade agreement may appear in a country other than that with which the agreement was negotiated.

The Lowered Barrier

The United States has a large and important free list; in an average year nearly half the actual imports are duty free. But for articles not on the free list, the schedules, especially those enacted by the Hawley-Smoot Tariff of 1930, were so high that it was really open to question if they were not designed to be not protective but exclusive; and, indeed, apart from the free list, the trend of tariff making up to the election of 1932 seemed to be in the direction of exclusion. The Hawley-Smoot Tariff, however, designed as a recovery measure, became subject to a wave of revulsion when it failed to produce a millennium. In this wave of revulsion, the general desirability of reducing trade barriers gained adherents, and while the idea of reciprocal agreements was politically expedient, the inclusion of the most-favoured-nation clause generalised the effects, which therefore lost their statistical identity. If the intent was to lower trade barriers, the most-favoured-nation element was as important, or almost as important, as the reciprocity element; and the proper statistical method of measuring the success of the programme is not by comparing the export and import trade with specific signatories, like the “before” and “after” photographs in a proprietary medicine advertisement. The only fair, simple method, crude and open to objection though it may be, is to compute the ratio of duties paid to the total of all imports or to the total of all dutiable imports. This indicates that the average tariff rate has fallen steadily and substantially as these treaties came into operation. In other words, the net result of the reciprocal agreements was to effect a general but not absolutely indiscriminate reduction in the American tariff. Whether there was an equivalent reduction of the trade barriers to which our exports are subject is far more difficult to ascertain.

The arguments in favour of the agreements rested, however, on certain premises of *rebus sic stantibus*; they presumed, for one thing, approximate stability of the exchange rates. Most, if not all, of the agreements contained an escape clause available, but not automatic, in the event of a material alteration of the premises. In a great many instances, the exchange rate between the dollar and the currency of the signatory powers has undergone a change of sufficient magnitude to open the question, but with exports rising and imports falling in the immediate past, it was impossible to generalise the argument that the escape clause should be invoked. If specific escape clauses were not invoked, it was still harder to argue that the idea as a whole was demonstrably injurious. The solid Republican vote may then be set down as more political than economic; but with an economic basis of potential effectiveness.

The Farmers' Vote

The vote of the Democratic agricultural Senators is not so readily rationalised. It must, however, be remembered that the argument for agricultural subsidies has always rested on the theory that they were mere compensations for the tariff because the farmer exported his crops in an unprotected market and made his personal purchases in a protected market. Furthermore, the customs resources are partially allocated to agricultural payments. The net effect of farmer with the idea that a threat to the theory of industrial protection is a threat to the theory of agricultural subsidies, and to establish a statistical connection in his mind between tariff resources and sums available for agricultural subsidy. This may possibly explain why agricultural senators voted against the treaties, although their party loyalty urged them in the opposite direction.

It is possible that the vote might have been less close if it had not been for the severe decline in the foreign exchanges over the past 18 months; it might have been closer if it had not been for the feeling that the escape clauses provided relief in case the pressure (political or economic) should become greater. Perhaps the whole affair can be summed up as follows: the United States has made an effort to reduce trade barriers. It has effected a material reduction in the barriers surrounding this country. Through its representatives in Congress it has reaffirmed its approval of this programme, but only a very qualified approval. The greatest threat to the programme lies in the vulnerability of its premise of mutually satisfactory rates of exchange.

April 11th.

Lottery Loans Abroad

[BY AN AUSTRIAN CORRESPONDENT]

FINANCING the war has become more and more a main point of public discussion in Britain. Taxes have been heavily increased in the first days of the war and will rise further. A successful campaign of selling National Defence Bonds and Saving Certificates is going on. A new War Loan of £300 millions has just been issued. The great interest which Mr Keynes's plan for compulsory saving has aroused shows clearly the readiness to discuss all possible ways and means. Something might be learned from the very varied experience of Continental countries, e.g. with lotteries and lottery loans.

On the Continent, for instance, the issue of lottery loans (or premium bonds) is a well-known and popular institution. The Turkish Lottery Bonds were, up to the last war, one of the most popular investments among the small private investors of Central and South-Eastern Europe. They were to be found in the home safes of thousands of families; and Russian, Serbian and Italian premium bonds had a wide circulation all over Europe.

Financial changes after 1918 dealt a severe blow to this kind of loan. But, wherever lotteries appeared in any form, there has always been a strong tendency for the State to assume exclusive rights. In most countries lotteries have become State monopolies, and as a rule they are abundant sources of revenue. Two extreme examples may be mentioned: the thousand-million turnover of the Italian popular Lottery, in which the participants make their “business plans” by recourse to the Egyptian Dream Book; and, at the other end of the scale, the French Defence Bonds, which were successfully offered to those investors who, while seeking a solid capital investment, are attracted less by a high rate of interest than by the chance of drawing a big prize.

Austrian Loans

Both lotteries and lottery loans were operated in pre-Nazi Austria. The little Austrian Popular Lottery, which was always about to be abolished on moral grounds and always retained on budgetary grounds, was an ordinary game of

chance. Twice a week, five out of ninety numbers (1 to 90) were drawn, and of these one to three numbers had to be forecast. The prize amounted to about four thousand times the average stake of threepence to sixpence. The Class Lottery was a higher stage of development. Twice yearly there was an issue of 60,000 tickets worth about ten pounds each. Each lottery was worked off in five drawings of tickets, nearly half the tickets in the lottery being drawn—most of them with a prize only amounting to the value of the ticket itself. The first prize was a million schillings, or roughly £40,000. This again was a game of chance, and the public lost half of the total issue.

The State Lottery loans, however, were different. In the years immediately following the last war numerous lottery loans were issued, and through the agency of instalment payment organisations were sold everywhere, even to the villagers in the most remote mountain passes. These loans were practically nullified by the inflation. But, when the Austrian State was again in need of money in the year 1933, it floated a Prize Loan, which at a time of severe crisis achieved the remarkable subscription success of 265 million schillings. The interest it carried was 4 per cent., which was relatively low in view of the high rates then being charged for credit in Austria, and the attraction was that the bonds also offered the chance of a prize. Every 200,000 bonds of 500 schillings each formed a block, and every year a first prize of one million schillings, 30 prizes of between 10,000 and 50,000 schillings, and a further 2,000 or so small prizes were drawn for each block. After the first ten years of the fifty-year span of the loan the prizes were to be greatly curtailed, the amortisation of the bonds beginning from 1943. The loan had therefore the character of a high-class bond which grew in popularity and demand; and it was one of the very few Austrian Government stocks quoted above par on the exchange.

The basic idea of these loans is to link the desire of the Government for cheap money with the betting and gambling instinct of the people which has to be satisfied in any case.

In English life there seems (to a foreigner) to be a latent passion for betting which the State is unable to eradicate by legislation. To-day, the State is in urgent need of money. The question therefore arises whether the State could exploit this passion for its own purposes.

Books Received

- La Politica Annunziata dell'Italia durante la Grande Guerra.* By U. Ricci. (Bari) Gius. Laterza and Figli. 353 pages. L.6.
- American Investments and Business Interests in Germany.* By J. Tenenbaum. (New York) Joint Boycott Council. 39 pages. No price stated.
- The Substance of Economics.* Eleventh Edition. By H. A. Silverman. (London) Pitman. 371 pages. 6s. 6d. net.
- The Book of the Stock Exchange.* Third Edition. By F. E. Armstrong. (London) Pitman. 415 pages. 10s. 6d. net.
- Tinverstricte en Tinprijs.* By M. J. Schut. Netherlands Economic Institute. (Haarlem) De Erven F. Bohn N.V. 115 pages. Fl.1.50.
- Lectures and Transactions of the Incorporated Accountants' Students' Society of London and District for the Year 1938-39.* (London) The Society, Accountants' Hall, W.C. 302 pages. 3s. 6d. net.
- The Stock Market Credit and Capital Formation.* By F. Machlup. (London) Wm. Hodge & Co., Ltd. 416 pages. 21s. net.
- Wall Street Under Oath.* By F. Pecora. (London) The Cresset Press. 312 pages. 8s. 6d. net.
- The Future of Scotland.* By J. A. Bowie. (London) W. & R. Chambers. 272 pages. 7s. 6d. net.
- The Economic Basis of a Durable Peace.* By J. E. Meade. (London) Allen and Unwin. 192 pages. 6s. net.
- Theory of the Just Price.* By R. Kaulla. (London) Allen and Unwin. 219 pages. 7s. 6d. net.
- Europe and West Africa.* By C. K. Meek, W. M. Macmillan and E. R. J. Hussey. (London) H. Milford. 143 pages. 10s. net.
- The Indian Sugar Industry, 1939 Annual.* By M. P. Gandhi. (Calcutta) Gandhi and Company (Publishers). 350 pages. Rs. 3-8-0.
- Gambler's Glory.* By M. Harrison. (London) Rich and Cowan. 391 pages. 15s. net.
- Hopousia.* By J. D. Unwin. (London) Allen and Unwin. 475 pages. 21s. net.
- Egalisatiefondsen en Monetaire Politiek in Engeland en Nederland.* 2nd edition. By H. M. Van der Valk. (Haarlem) De Erven F. Bohn N.V. 165 pages. Two florins.

OXFORD ECONOMIC PAPERS

No. 3

Edited by H. D. HENDERSON,
R. OPIE and R. F. HARROD
6/- net.

Contents. *Resources available for War*, by A. J. Brown: *Business Men and the Terms of Borrowing*, by R. G. S. Sayers: *A Further Enquiry into the Effects of Rates of Interest*, by P. W. S. Andrews: *The Trade Cycle in Britain before 1850*, by Sir William Beveridge: *Building Output in the Trade Cycle (U.K. 1924-38)*, by I. I. Bowen: *The Consumption and Rationing of Butter and Margarine*, by R. S. G. Rutherford: *Some Factors affecting the Movement of Labour*, by G. H. Daniel.

No. 1
OCTOBER, 1938
3/6 net

No. 2
MAY, 1939
5/- net

Oxford University Press

NATIONAL BANK OF GREECE

Established in 1841

Capital paid up and Reserves Drs. 1,205,000,000
Deposits (30th June 1939) Drs. 10,665,000,000

Head Office in Athens.

Branches and Agencies throughout Greece
Correspondents in all parts of the World

Complete international banking service

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 long expected reduction of the Bank rate was announced on April 8th—from 4 per cent. to 3½ per cent.—but the difference between Bank rate and the discount rate for day-to-day money, 1½ per cent. to 2½ per cent. for trade bills, is still considerable. The general conditions of the money and capital markets would undoubtedly justify a further decrease of the Bank rate, which had been at 4 per cent. for nearly eight years. Shortly before the outbreak of the war increasing liquidity and consequent reductions of the private discount rates made the Bank rate almost nominal.

Apart from the immediate effect on the money market, the reduction of the Bank rate points to a long-term policy intended to reduce the average rate of interest. The greater part of the 4½ per cent. securities have already reached or exceeded par. The reduction of the Bank rate must thus be considered as an important step towards preparing the capital market for a big Reich loan. Short-term credits of the Government for financing the war will become cheaper immediately, which is of considerable importance, because of the enormous increase in the short-term debts of the Reich. The immediate effect on the Reichsbank itself is probably not very great. The greater part of the Rm. 12,200 million holding of bills and cheques consists of Treasury bills (there has lately been a remarkable increase in these), which were unofficially charged at a rate below 4 per cent.

The latest figures about Germany's internal debt relate to the end of last December:—

	(Rm. millions)	Dec., 1938	Nov., 1939	Dec., 1939
Long-term debt	22,167.6	26,578.8	26,895.2	
Short-term debt.....	5,013.0	12,601.1	14,140.0	
Total Debt.....	27,180.6	39,179.9	41,035.2	

To the total at the end of December, 1939, must be added the total issue of tax certificates amounting to Rm. 4,670.5 millions. During the year the total debt (excluding the tax certificates) has increased by 51 per cent., but the short-term debt has increased by 281 per cent. During December Rm. 165 millions of tax certificates were used for paying taxes.

Banking.—The reports of German banks for 1939 are now complete with the publication of the report of the biggest bank, the *Deutsche Bank*. The report confirms the analysis made in *The Economist* on March 30th; the total assets of the bank increased from Rm. 3,748 millions at the end of 1938 to Rm. 4,184 millions at the end of 1939; during the year the bank opened branches in all the newly incorporated territories, and total deposits increased by 14 per cent. to Rm. 3,734 millions. As shown in the reports of other banks the average size of advances increased also from Rm. 13,360 in 1938 to Rm. 15,370 in 1939; and the increasing part played by the bank in financing the Reich is shown by a further increase in the holdings of Treasury bonds from Rm. 529.7 millions to Rm. 1,148.8 millions.

The aggregate increase in the total holdings of Treasury bonds by the Big Five amounted to 114 per cent.; they rose from Rm. 1,229 millions at the end of 1938 to Rm. 2,627 millions at the end of 1939. Based on the reports of the leading German banks the *Frankfurter Zeitung* estimates an increase in the total deposits of the reporting German banks

from Rm. 19,000 millions at the end of 1938 to Rm. 22,000 millions at the end of 1939. The total holdings of bills and Treasury bills are estimated at Rm. 14,000 millions, against Rm. 9,000 millions at the end of 1938. Yet Treasury bills and bonds alone have only increased from Rm. 3,500 millions to Rm. 9,250 millions.

Wages and Prices.—The recent appointment of Dr Todt as Minister for Munitions foreshadowed increased activity in the production of war material and munitions. The consequent employment of more women and the possible effect on prices are being discussed by the press. Hitherto the methods of price control have hardly differed from the methods employed before the war. It is pointed out that the immediate result of greater munitions activity would be a further increase in purchasing power. It is also feared that the widespread retraining of workers for skilled jobs will result in an increase in wages. It is therefore expected that the Price Commissar will extend his activities to controlling wages. The price control itself will concentrate on bringing down the prices of war materials. By the official indices, prices have remained almost unchanged since the beginning of the war.

	August, 1939	January, 1940	February, 1940
Wholesale index (1913=100)	107.1	108.2	108.4
Agricultural products	108.8	108.2	108.1
Industrial raw materials and semi-manufactures	94.9	97.8	98.2
Finished goods	126.0	126.9	127.2
Index of cost of living (1913-14=100)—total	126.5	127.0	127.2
Foodstuffs.....	123.9	123.5	123.7
Clothing	131.4	135.1	135.8
Fuel and light	123.6	125.5	125.4
Rent	121.2	121.2	121.2
Sundries	142.0	124.7	143.1

The actual movement of wholesale prices as well as retail prices is somewhat different from the indices. A great number of wholesale prices are kept down by levies and subsidies. Furthermore, the inevitable increase in wholesale prices by using costly products of the substitute industries is very often veiled by levies or direct subsidies. The cost of living index covers only rationed goods, and the considerable increase in the prices of a number of "free" articles is thus not recorded. There are quite a number of articles whose quality has deteriorated since the beginning of the war, especially branded goods; and the increase in milk prices has had hardly any effect on the index.

Civil Aviation.—The report of the *Deutsche Lufthansa*, the sole agency for Germany's civil air services, shows in 1939 a fall in passengers and freight and an increase in luggage and mail. The figures are as follows:—

	1938	1939
Passengers	255,000	243,000
Luggage, in tons.....	388	408
Freight, in tons	1,322	1,026
Mail, in tons	5,289	5,913

The flown mileage fell by 19.6 per cent. to 14.3 million kilometres, though during the first eight months of the year the flown mileage increased by 10 per cent. After the outbreak of the war the South Atlantic and the Teheran-Kabul routes were suspended, but the air services to South-Eastern as well as Northern countries were increased. High quality goods were frequently shipped by plane; a considerable part of the exports of furs, for example, was exported by air to the North as well as to Southern European countries. This year new routes have been introduced between Berlin and Moscow, and all the routes to the East and to the South of Europe are working as before. Recently an agreement about air services to Spain was concluded, but no details have been announced by the German press.

THE BUSINESS WORLD

Shipbuilding Shares

THERE are seven ages of man, but only three of shipbuilding. In the ideal state, which comes too rarely, orders for new ships flow evenly, materials are regularly and punctually delivered, skilled and unskilled labour is comfortably adequate but not excessive, costs of production are steady, and overheads at a minimum. Contract prices combine reasonable profits for builders with an incentive to shipowners to take a courageous view of their future tonnage requirements. Over and over again, however (as that authoritative publication the *Burntisland Shipping Journal* recently reminded its readers), this desirable condition has vanished almost overnight, at the first breath of doubt among owners of the indefinite continuance of shipping prosperity. By way of the second phase, when yard and shop activity tapers off as existing contracts are completed, the industry has reached the third, when a dearth of orders has dictated a painful choice between dispersal of skilled labour or depletion of resources, or both.

To-day, when war has brought a demand for every ton of shipping, naval and mercantile, which British builders are capable of producing, it is natural that the industry should pitch its grievances high, the more so when a Government department—the Admiralty—has taken over responsibility for all mercantile shipbuilding and repairs, and the question of what is "reasonable" remuneration for services rendered has not been finally decided. Yet shipbuilding shareholders have every reason to know that the picture drawn in the preceding paragraph is not exaggerated. That is shown by the table at the foot of page 734, which sets out, for every year from 1913 to 1939, (a) British launchings of new merchant tonnage, (b) Government expenditure on naval contracts, and (c) the net earnings, before preference dividend, of four of the largest shipbuilding concerns. The data set out in the first section of this table are re-expressed in the second section in a series of indices on the base 1913 = 100.

This survey shows that the last troubled quarter-century falls into four periods (the fourth being somewhat reminiscent of the first) which may be dubbed respectively "war and boom," "twilight," "darkness" and "revival." The Great War of 1914-18 brought, not an increase but a substantial decrease in merchant tonnage construction, but Government expenditure on naval contracts rose nearly eightfold before the war was over. In the short-lived post-war boom new launchings of merchant vessels in fact rose only slightly above the 1913 level, while naval expenditure fell sharply to its pre-war figure. Three years after the collapse of the boom, merchant launchings had dropped to one-third of those of 1913, and a victorious Britain had entered one of its recurrent phases of stringent naval "economy." In the later 1920's demand showed some revival. But all the difficulties which were destined to endure right up to the outbreak of the Second Great War in 1939 were already revealing themselves—strong competition abroad, based frequently on State subsidies for shipping and shipbuilding, a significant decline in the ability of British shipyards to secure foreign orders, and severe competition for a limited volume of tonnage contracts. But even these unsatisfactory conditions seemed

like prosperity itself by contrast with those of the early 'thirties, when new orders almost disappeared and the industry encountered unperceived depression.

The revival which came, none too soon, about half-way through the decade, was based partly on the industry's own efforts to improve its earning capacity, of which the formation of National Shipbuilders Security, to buy up and dismantle redundant and inefficient yards, was a strikingly successful example. Another factor was a new disposition on the British Government's part to give limited financial assistance to the national Mercantile Marine. But the fundamental influence was a world-wide shipping revival founded on increasing trade activity, plus re-armament. When the former of these twin influences faltered, the latter became increasingly important.

The profits figures of the companies chosen, for the purposes of this article, as representative of the industry suggest that the upward trend of shipbuilding earnings in the last war was due much more to naval than to mercantile building. The post-Armistice period of inflated tonnage values and change-over in the yards was actually a period of falling shipbuilding earnings. In the "twilight" years, earnings steadily fell away until those of the more stable concerns were running at about one-half to three-fifths of the pre-war figures, while other companies were barely meeting their fixed charges, or were accumulating debit balances. In the acute phase of the depression of the early 'thirties only the strongest concerns managed to "break even," while others lost a substantial part of their capital, and had to endure reconstruction before they could begin to pass on the fruits of the ensuing recovery to their shareholders. Revival, however, when it came, was not half-hearted. Two of the three companies whose figures in the accompanying table go back to 1913, had



**MARTINS
BANK
LIMITED**

World-wide facilities

London District Head Office: 68 LOMBARD ST., E.C.3
Head Office: WATER ST., LIVERPOOL 2
Total Assets £126,566,116

SCIENTIFIC DISTRIBUTION

by R. SIMMAT, M.A.

This new book deals with a question always prominent in discussion and never more so than at the present time. The author, well known as a marketing expert, describes the whole technique of marketing goods under modern large-scale production methods, and the book contains a mass of information which the economist will find of absorbing interest. 10s. 6d. net.

PUBLISHED BY PITMAN

surpassed that year's recorded profits by 1937, and their latest published figures show earnings ranging from 1½ times to twice those of that far-off year.

Undoubtedly, while the war lasts, the outlook for shipbuilding shares will be satisfactory. The industry will have no ground for complaint if the rate of payment agreed with the authorities for wartime construction is adequate rather than handsome. Regularity and sufficiency are the factors in wartime orders which best ensure economy of working. There may be difficulty in obtaining due supplies, both of workers and material. The position under each heading, however, will be determined by the Government's priority policy. And the Government has every reason to be generous, because the industry subserves every part of the national war effort, military and economic. Prices are only one of the constituents of wartime expenditure beyond the control of the shipbuilding industry, which is more an "assembling" industry than many people realise. But its own level of efficiency was never higher than to-day. Stark necessity resulted in the cutting away of much dead wood in the depressed years (though quantity of output might have been sacrificed a little less to quality if a new European war had been foreseen), while prosperity in the immediate pre-war years enabled many companies to replenish their depleted working capital resources.

The problem for investors in shipbuilding shares in 1940 is to estimate the right price to pay now for an investment which is assured of a satisfactory return, so long as the war lasts, but whose peace prospects are much less certain. If an investor were buying on war prospects alone, he would probably vote for the shares of companies like Harland and Wolff, which, having suffered most, have most to gain; or for those of concerns like Cammell Laird and John Brown, which have important interests in industries outside shipbuilding proper, and have shown, over a fairly long period, a greater propensity to wide variations in earning power between depression and prosperity than those of such a company as Swan Hunter. But if shipbuilding history is likely to repeat itself, even partially, after the war, then the more stable shares will hold out much the best long-term prospects. Actually, as the table opposite suggests, the market is valuing the former shares on a rather lower yield basis than the latter.

The industry is vulnerable to E.P.T.; for revival came too late to afford any company a profits standard comparable with present earnings, and a 6 per cent. ordinary

capital standard would give little assistance to an industry which has pruned its ordinary capital drastically during the past decade. On the whole, however, the wartime earnings position is sufficiently assured to allow of at least the maintenance of and possibly a moderate increase in dividends, quite apart from the incidence of war taxation. But the further outlook seems to be too hazardous to permit of an answer at this stage to the real problem. Certainly, there will be some falling off in shipbuilding

SHIPBUILDING EARNINGS AND SHARE VALUES

Company (and Date of Balance Sheet)	Swan Hunter and Wigham Richardson (Dec. 31)	John Brown (Mar. 31)	Cammell Laird (Dec. 31)	Harland & Wolff (Dec. 31)
Main Shipyards	Wallsend	Clydebank	Birkenhead	Belfast, etc.
Additional interests	Iron, engines, aircraft	Coal, steel, engines, aircraft	Steel, carriages and wagons	Engineering, aircraft
Ordinary capital—	Earned: Paid	Earned: Paid	Earned: Paid	Earned: Paid
1935.....	9.4 5	Nil Nil	3.2 313	Nil Nil
1936.....	4.9 7	29.9 162½	10.7 5	Nil Nil
1937.....	11.0 9	20.46 156	16.9 813	c c
1938.....	25.9 12	22.2 17½	19.7 10	c c
1939.....	30.3 15	23.3 17½	18.7 10	c c
Latest price of stock	36/3	33/- (d)	7/3 (e)	14/7½ (f)
Yield on last Earnings (%)	16.8	7.1 (a)	12.9	3.8
Dividend (%)	8.4	5.3 (a)	6.9	Nil

(a) Free of tax. (b) Earned and paid on capital increased by share bonus of two in three. (c) Reorganisation, August, 1937, resulted in conversion of all existing preference and ordinary capital into "B" ordinary stock, which in 1938 earned equivalent of 2.8 per cent. on normal basis. (d) 10s. shares. (e) 5s. denomination. (f) "B" ordinary stock.

output and earnings after the war. But how much? The answer depends partly on the competitive power of British merchant shipping against foreign owners whose coffers will have been substantially replenished during the war years, but mainly on the kind of international trading background which will be the war's legacy. The perpetuation of economic nationalism could not possibly serve the true long-term interests of either British shipping or shipbuilding. But an Allied victory, far-sightedly used, might be the best guarantee against that possibility. All that the industry can do is to ensure that its own mistakes, after the last war, are not repeated. The rest lies with the world's governments when, after victory, they tackle their duty of reconstruction.

SHIPBUILDING OUTPUT AND PROFITS: 1913-39

	Basic Figures							1913 = 100									
	Merchant Tonnage Launched (Thous. Gross Tons)			Expenditure on Naval Contracts* (£'000)	Net Profits (£'000) (After deb. interest)				Merchant Tonnage Launched			Expenditure on Naval Contracts	Net Profits				
	For Home	For Export	Total		Swan, Hunter	John Brown	Cammell, Laird	Harland & Wolff	For Home	For Export	Total		Swan, Hunter	John Brown	Cammell, Laird	Harland & Wolff (d)	
"War and Boom"																	
1913	1,513	419	1,932	12,226†	264	272	174	...	100	100	100	100	100	100	100	...	...
1914	...	...	1,683	(a) 217	377	238	...	...	...	...	87	(a) 82	138	137	...	...	...
1915	...	...	651	64,513	305	521	304	...	...	...	34	528	116	192	175	...	...
1916	...	...	608	53,983	297	485	321	...	...	...	31	442	112	178	184	...	...
1917	...	...	1,167	70,609	315	494	308	...	...	...	60	578	119	181	177	...	...
1918	...	...	1,348	94,249	373	453	283	...	...	...	70	772	142	166	163	...	...
1919	...	...	1,620	48,349	433	467	238	...	...	...	84	396	164	172	137	...	...
1920	...	...	2,056	12,001	382	379	261	...	...	...	106	98	145	139	150	...	...
"Twilight"																	
1921	...	...	1,538	4,834	401	332	170	...	...	...	80	40	152	122	...	...	...
1922	...	...	1,031	3,226	397	210	146	...	...	...	53	26	150	77	98	...	...
1923	627	19	646	4,428	384	212	70	...	41	4	33	36	145	78	84	...	...
1924	1,219	221	1,440	5,415	326	212	71	238c	...	...	75	44	123	78	40	...	...
1925	906	179	1,085	6,395	185	211	...	...	80	53	56	52	70	78	41	100c	...
1926	550	90	640	7,275	198	91	Dr. 86	201	36	21	33	60	75	33	Dr. 49	84	...
1927	958	268	1,226	8,839	125	7	Dr.112	142	63	64	63	72	47	3	Dr. 43	84	...
1928	1,154	292	1,446	8,263	169	67	Dr. 81	114	76	70	75	68	64	25	Dr. 64	60	...
1929	1,263	260	1,523	7,291	188	87	12	333	84	62	79	60	71	32	Dr. 47	40	...
1930	828	651	1,479	5,533	157	24	28	118	55	155	77	45	60	88	16	7	50
"Darkness"																	
1931	298	204	502	4,718	150	11	Dr. 41	Dr.283	20	49	26	39	57	4	Dr. 24	Dr.119	...
1932	129	59	188	5,429	35	3	1	Dr.118	9	14	10	44	13	1	0.6	Dr. 50	...
1933	121	12	133	7,905	19	2	3	Dr.164	8	2	7	65	7	1	2	Dr. 69	...
1934	413	47	460	9,638	96	3	Dr.0.4	Dr.113	27	11	24	79	36	1	Dr.0.2	Dr. 48	...
1935	435	64	499	12,159	192	79	24	43	29	16	26	100	73	29	14	18	...
"Revival"																	
1936	763	93	856	17,850	163	401	146	64	50	22	44	146	62	147	84	27	...
1937	796	125	921	29,646b	250	489	224	14	53	30	48	243	95	180	129	6	...
1938	824	206	1,030	40,455b	426	527	254	128	54	49	53	331	161	194	146	54	...
1939	...	...	...	57,355b	490	551	225	...	...	...	...	470	186	203	129	...	...

* Vote 8, Section III.—12 months to March 31st of following year. † Budget Estimate. (a) Not available. (b) Net totals of votes or cash expenditure before deduction of issues from the Consolidated Fund. (c) No earlier published figures. (d) 1924 = 100.

English Canals

FEW people realise the existence of the network of canals which was spread over England and Wales in the latter half of the eighteenth century. It was possible, a hundred years ago, to send a loaded barge from London across the Wiltshire downs to Bristol, or up the Thames Valley and across the watershed of the Cotswolds to Gloucester, or through the Chilterns to Birmingham and the Potteries. From Birmingham, the centre of the spider's web, there was through transport to the estuaries of the Mersey, the Dee and the Trent, to the upper waters of the Severn on the west and of the Nene on the east. Three canals had been cut across the Pennines, linking Manchester and Liverpool to Leeds, Huddersfield and Hull. Without the cheapening in transport costs brought about by canals, the industrial revolution could never have developed until the advent of railways; until 1840, only canals could move the growing quantities of coal, pottery, cotton, iron and steel and timber, and could bring the huge supplies of corn and food needed in the industrial areas.

The decline of the canals before the competition of the railways and the steam coaster was inevitable. Between 1840 and 1845, the railways had bought, either by choice or by blackmail, one-third of the canal mileage; falling revenues made extensions impossible, and for close on seventy years no improvements or modifications were made to the canal system. The only new developments were the Manchester Ship Canal, and in Scotland the Forth and Clyde canal (both undertaken at the end of the nineteenth century). The Royal Commission on Canals and Inland Waterways listed in 1909 the difficulties of the canals: the multiplicity of companies owning separate stretches of the same route; the varying size of locks which kept the size of barges down to that of the smallest lock; the divergences in policy between companies that owned the waterways, those that owned the barges plying for hire, and those that were subsidiaries of the railways. The Royal Commission recommended the unification of all waterways under a Waterways Board which should undertake the improvement and enlargement of the four trunk routes—those connecting Birmingham with the Mersey, the Humber, the Thames and the Severn.

That was too bold a suggestion for the free trade era. The canals continued to decay until the last war, when they, together with the railways, came under Government control. The suspension of control left them with arrears of maintenance, but also with some idea of unified working and certain lump payments in compensation. In the post-war years there was a considerable consolidation among the independent canal companies. The route from London to Birmingham, for instance, came entirely under the control of the Grand Union Canal Company which rebuilt the locks and bridges, improved the loading facilities and introduced diesel-engined motor barges. The interest on the loans raised was partly provided by the Government. Similar developments took place on the Birmingham-Severn route.

These improvements have brought about a certain revival in long-distance traffic on the canals, particularly in those goods transported to and from the Midlands and the estuaries in the course of foreign trade. But it is still true to-day as in 1909 that the bulk of the canal traffic is local. Coal is still the main cargo; it supplied in 1938 just about half of the 13 million tons of canal traffic. The Grand Union Canal has a large trade in coal moved from the Thames to factories in North and West London; sugar beet is carried by water in East Anglia; the Weaver navigation transports salt; timber is the main item on the Lea and Stort Navigation, and canals directly connected with estuaries do a fair trade in petrol and oils. About one million tons of petrol, of agricultural produce and of building materials went by inland waterways. But the development of road transport in the years after the last war was a further severe blow to the canal companies, and meant the loss of much of their local traffic. The fall in canal traffic in the last ten years is shown by the following table; it

includes the ten canals (excluding the Manchester Ship Canal) with the largest volume of traffic:—

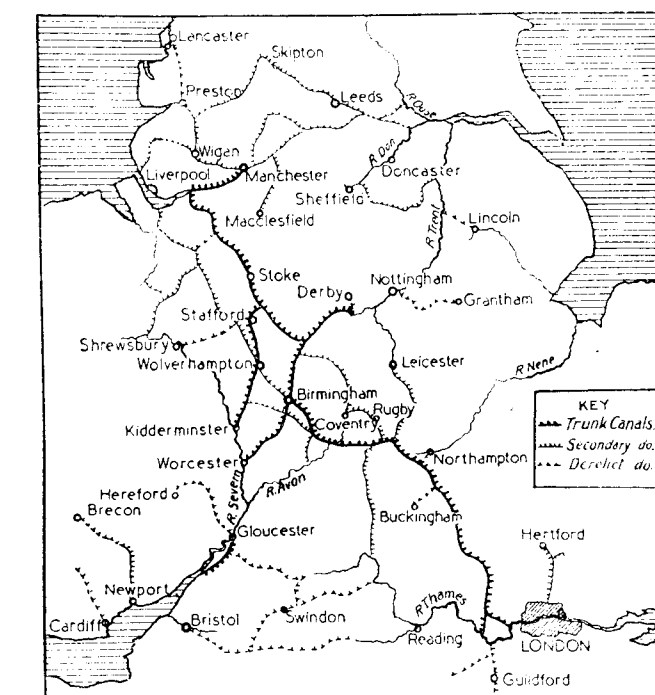
TRAFFIC* IN THOUSAND TONS

	1929	1938	Of which Coal
Aire and Calder	2,520	2,400	1,704
Birmingham†	3,684	2,034	1,205
Bridgewater‡	1,209	1,045	508
Gloucester and Berkeley	378	643	51
Worcester and Birmingham	2,910	1,811	575
Grand Union	1,653	1,459	888
Lea and Stort	458	738	486
Sheffield and S. Yorkshire	477	589	11
Trent	769	567	0.4
Weaver.....	...	...	...

* Traffic originating on each canal. † Controlled by L.M.S.R. ‡ Owned by Manchester Ship Canal Company. § Not available.

In the last ten years the Aire and Calder Canal has paid between 4 and 5 per cent. on its ordinary capital, while the interest paid by the Birmingham canals has been largely supplied by the L.M.S. under the terms of its guarantee. With these exceptions, none of the other canals which are public companies has paid more than a negligible dividend.

ENGLAND'S CANAL SYSTEM



Under the terms of the new railway agreement between the railways and the Government, the working of the railway-owned canals was included with that of the railways themselves. These canals are, therefore, assured of their upkeep and may benefit from any increase in railway revenue. But the position of the independent canals is not so secure. Financially, they were doing none too well before the war, owing to the competition of railways for long-distance traffic and of road transport for local hauls. Petrol rationing has somewhat restricted the services provided by road operators, and it is possible that pressure on the railways may eventually lead to a transference of some traffic to the canal system, though the immediate effect of the war was a fall in traffic on some canals. But here the problem of rates becomes acute. The rate structure of the canal companies (most of whom are now also carrying companies) is necessarily based on that of their far stronger competitors, the railways, and any change in the general level of rates has to be justified before and approved by the Railway and Canal Commissioners. An increase in canal rates alone would probably serve even now only to depress their total

net revenue; their operating costs are largely fixed, and the demand for their services probably inelastic, yet their operating costs have considerably increased in the past six months, due to the higher costs of coal, petrol and maintenance work. Unless there is a general increase in railway rates, therefore, the financial position of the independent canals is likely to deteriorate considerably; hence the plea that they should, as in the last war, receive from the Government the same guarantee of revenue that the railways have obtained.

There seems, indeed, no reason why the independent canals should be left out in the cold, and, in fact, if the best use is to be made in wartime of the transport structure of this country, canals, both railway-controlled and independent, should be brought under unified control. The inclusion of certain canals, such as the Trent and Mersey, the Shropshire Union and the Birmingham canals, in the Government-controlled structure, merely because they are financially connected with the railway companies, has only intensified the disunity which exists within the canal system, whose centre is the Birmingham area. Canals and railways resemble each other (and differ from road transport) in possessing private permanent ways constructed at great expense and needing a steady minimum expenditure for repairs and maintenance to keep the capital equipment

in working order. A co-ordinated transport policy, whether for war or peace, should deal with both canals and railways on a uniform basis.

The fact that few canals are now a financial success may suggest that the whole system of waterways has become uneconomic and should simply be abandoned, if not during the war, at least after it. Competition from railways and roads has, in fact, led to the closing of a considerable mileage of canals in the last hundred years, as the accompanying map shows. But the arguments for preserving the main canals are as valid to-day as when they were listed by the Royal Commission on Canals and Inland Waterways in 1909 and by the Royal Commission on Transport in 1930. Some industries and many firms depend largely on canal transport, and the closing of canals would cause considerable, if localised, hardship. Further, once the structure of a canal—its bed, locks and reservoirs—has fallen into decay, restoration is expensive; while for a minimum of maintenance work the permanent way might still be kept in use. And it may be noted that, until the outbreak of war, the main canals usually earned enough revenue to cover their expenses, even if their share capital went unpaid. Under a unified transport policy, the four trunk routes, with their feeder canals, could play a useful part both as subsidiaries and as alternatives to railways and roads.

Finance and Banking

War Loan Payments and the Market.—The money market stood the test of the payment of the final call on the recent War Loan with complete equanimity. The weekly Exchequer returns show that up to the end of last week just over £172,000,000 had been received from 3 per cent. War Loan. Thus there remained some £128,000,000 to be paid over last Monday as the balance of the final instalment. The actual transfer of funds to Government accounts must have fallen appreciably short of this total, given the size of official applications for the new loan. But, none the less, the sum to be transferred on that day from bankers' to Government deposits at the Bank of England must have been such as to set the authorities a considerable task of neutralisation. How well that task was accomplished may be seen from the fact that neither on Monday, nor on Tuesday, when the full effects of the payments would have been more apparent, was there the slightest indication of stringency. On both days there was even some buying of bills by the clearing banks. Apart from some calling of funds by certain of the Scottish and Colonial banks the discount market would have been unaware of the enormous turnover of funds which was under way during the first days of the week.

In tackling this considerable offsetting problem, the authorities revealed another refinement of their open market technique. Last week the clearing banks were exceptionally well supplied with cash. The ordinary expenditure of the Government at £38,796,000 had exceeded revenue by no less than £26,765,000, and partly for this reason bankers' balances at the Bank of England were at the exceptionally "comfortable" level of £123.9 millions. The Bank of England, acting for various public departments, took this opportunity to sell to the clearing banks substantial lines of Treasury bills having no more than a few days to run and thus maturing on the days when the clearing banks would be feeling the effect of War Loan payments. By this means the authorities skimmed the surfeit of cash which became apparent during the course of last week and restored it to the banks at the beginning of this week, when the need for reinforcement arose. In addition to this, the position at the beginning of the week was helped by appreciable official purchases of short bills from the clearing banks. These latest indications of open

market technique emphasise again how far the methods of open market operations have changed during the past twelve months. The bulk of open market transactions is now done by the authorities with the clearing banks. The former dependence on the discount market has disappeared. That market is fast losing its traditional rôle of buffer state between the central bank and the joint-stock banks in this country. The firm which acts for the authorities in the market is always ready to provide help for any house needing an outlet for bills which it cannot for the time being find with the banks. But its rôle *vis-à-vis* the market is becoming largely passive, and when any positive open market action is required the discount market is now by-passed and the approach is made direct to the clearing banks. It is the magnitude of present-day open-market transactions which is probably responsible for this comparatively recent change in practice.

The Dollar Security Purchases.—The issue of the second Vesting Order for the mobilisation by the Treasury of dollar securities comes as a reminder of the void in the Allied balance of international payments which must be made good by the export of gold and of the best of our foreign securities. Market estimates place the value of the 117 securities covered by the latest order at between £50 and £60 millions, or about double the figure represented by the first Order issued last February. No guide as to the amounts involved is provided by the Exchequer returns. The securities acquired by the Treasury are, in fact, purchased through the Exchange Equalisation Account, which at the outbreak of the war was empowered to hold foreign securities as well as gold and foreign exchange balances. As the E.E.A. acquires dollar securities, Treasury bills are issued on its behalf and sterling is thus made available for payment to the former holders. These operations thus form part of the many factors at work in determining the distribution of Treasury bills issued through the tender and by tap. But the other factors responsible for this distribution are so numerous and, since the recent issue of 3 per cent. War Loan, have acquired such magnitude, that it is quite impossible to unravel the tangle sufficiently to obtain from this direction even the vaguest estimate of the amounts involved in the dollar security mobilisations.

United States and Free Sterling.—The recent depreciation in the sterling rate as quoted in New York has received the closest attention from the United States authorities. Mr Morgenthau has made several pronouncements on the subject, all of them suggesting that the position was being closely watched. This week we have had the first action prompted by this scrutiny of the exchange situation. The United States Customs authorities have been instructed to calculate the dollar equivalent of goods entering the United States under sterling invoices at the official rate of \$4.03½ and not, as has hitherto been the custom, at the prevailing free rate. The fall in the free rate has undoubtedly caused the stimulation of goods from the sterling area for which payments may still be made in sterling obtained in the free market. That advantage will still be available to the United States importers, but it will be to some extent diminished by the compulsion to pay import duties on the dollar equivalent calculated at the official rate. The official rate is also to apply to Australian pounds and to Canadian and Newfoundland dollars, all of which are quoted in New York at rates appreciably below the parities indicated by the respective official rates fixed in the London official market. This move on the part of the American Treasury has no doubt received the complete approbation of the British authorities, since it serves the claims of the official sterling-dollar rate as being the true rate.

Allied Currency in Norway.—The haste with which the Allied expeditionary forces to Norway have had to be organised and dispatched, and the immediate German occupation of the Bank of Norway's head offices, have necessarily involved the introduction of pounds and francs in the circulation of those parts of Norway in which the Allied forces operate. By a special decree issued by the Norwegian Government, British and French currency have been given legal tender attributes for an indefinite period

in Norway. This is clearly an emergency and temporary measure which will disappear as soon as the machinery for issuing Norwegian currency returns to Allied control. As yet such details as the conversion rate at which pounds will circulate in Norway have not been published, but it is probable that a rate of 20 Norwegian crowns to the pound will be fixed both on grounds of convenience and of economic justification. The machinery for the ultimate settlement of the debts thus incurred by the Allied countries to Norway will be ready to hand in the shape of the Anglo-Norwegian Payments Agreement. For the time being that agreement and the clearing accounts that go with it are in suspense. There will be ample work for it in the future.

Silver Arbitrage.—There has been some evidence during the past week of silver being bought in London for shipment to New York on an arbitrage basis. The amounts have been very small—necessarily so as the market here remains exceptionally narrow. The resumption of silver arbitrage between London and New York has been made possible by the depreciation in the free sterling rate against dollars. At the silver prices which have been current in recent days there has been a theoretical profit margin on shipping silver to New York ranging around 3d. per ounce. If we allow for the fact that there is a 50 per cent. tax on the profits made by selling imported silver to the United States Treasury, this profit margin seems none too generous given the considerable uncertainty in which the immediate future of American silver policy is shrouded. The shipper cannot sell his silver forward and must run the considerable risk of a further reduction in the official buying price for imported silver or even of a complete discontinuance of such purchases, while his silver is in transit to New York. It is probable, however, that the purchases in question had an alternative commercial character. Important industrial consumers of silver in the United States—the

MONEY MARKET NOTES

STERLING has not maintained the improvement noted in the free market last week. There has been no marked weakness, but from a close of 3.52½ last Saturday the rate has since fluctuated around 3.49-50. Officially quoted rates in London have been mostly unaltered, though the belga on Thursday showed a depreciation of 10 points to 23.85-24.00. Based on the free sterling-dollar rate the belga would be quoted at about 21 to the pound. Among unofficial rates the lira has fluctuated with the free rate for sterling.

The payment of War Loan subscriptions has had no effect upon money and discount rates, which are completely unchanged. Moreover, the war

news was ignored at last week's Treasury tender, when total applications, though lower on the week, were still at a high figure—£90.6 millions—and the average rate of discount was slightly lower at £1 0s. 8.16d. per cent. Another indication of the present abundant monetary conditions is provided by the result of the tender for the £500,000 Bristol bills. Applications totalled £2,950,000; and, though they are six-month bills, the average rate of discount was only £1 0s. 6.325d. per cent., which is nearly 2d. less than that for last week's Treasuries.

The Bank Return shows the effect of the War Loan payments, but, considering the size of the payments to be made, the movements in the items are

small. Public deposits are up by £5.8 millions, and bankers' deposits are down by only £8.9 millions and are still at a comfortable level. They have been helped to a certain extent by the return of notes from circulation to the amount of nearly £2 millions. The fall in Government securities of £7.8 millions may be explained by the authorities' offsetting operations at the end of last week, when they sold to the clearing banks large quantities of bills which matured at the beginning of this week, when the War Loan payments fell due.

The market for silver continues to be very narrow, and a little general buying on Tuesday and Wednesday was enough to cause the small rises that took place on those days.

THE MONEY MARKET

	Apr. 20, 1939	Apr. 11, 1940	Apr. 18, 1940
Bank Rate.....	2	2	2
London Deposit Rate ...	1½	1½	1½
Short Loan Rates:			
Clearing Banks	1½-1¼	1-1¼½	1-1¼½
Others	7½-1	¾-1	¾-1
Discount Rates:			
Treasury Bills (3 mth.)	1½	1½	1½
Three months' bank bills	1½-¾	1½	1½

† Viz. 1 per cent. for loans against Treasury bills and British Government securities; 1½ per cent. for loans against other collateral.

THE BANK RETURN

	Apr. 10, 1939	Apr. 3, 1940	Apr. 10, 1940	Apr. 17, 1940
Issue Dept. Gold	£ mill.	£ mill.	£ mill.	£ mill.
Value per oz. fine ...	148s. 6d.	168s. 0d.	168s. 0d.	168s. 0d.
Notes in circulation	485.0	542.4	539.4	537.5
Banking Dep.	42.2	38.8	41.8	43.7
Reserve...	22.1	22.4	22.9	28.7
Public Deps.	96.5	120.8	123.9	115.0
Bankers' Deps.	38.8	41.4	42.6	39.7
Other Deps.	102.0	137.6	137.2	129.4
Govt. Secs.	6.7	3.2	5.5	4.9
Dis. & Ads.	24.2	23.2	22.5	23.0
Other Secs.	26.7	21.0	22.0	23.8
Proportion				

THE BULLION MARKET

Date	Gold		Silver	
	Price per ounce fine*		Price per oz. standard	
			Cash	Two Mths.
1940	s. d.	d.	d.	d.
Apr. 12.....	168 0	207½	207½	207½
" 15.....	168 0	207½	207½	207½
" 16.....	168 0	207½	207½	207½
" 17.....	168 0	207½	207½	207½
" 18.....	168 0	207½	207½	207½

* Bank of England's official price.

photographic industry, for example—would under existing circumstances find the London market the cheapest in which to buy their material. Given the stocks which they must maintain in the United States, they can engage in arbitrage operations on a covered basis and therefore undeterred by the uncertainties of official silver policy in their country. If by the time the silver reaches New York it can no longer be sold at a profit to the United States Treasury, it merely goes to swell the stocks which these industries must maintain.

* * *

War Risks Cover in Life Assurance.—Some time ago, it was hoped that all British offices would maintain a common line of action in covering civilian war risks. The majority of offices are still covering the war risk by charging an extra premium of £1 per cent. or £1 ls. per cent., as described in *The Economist* of February 3rd. But an increasing number of offices are now departing entirely from a percentage addition to premiums. Some months ago the Scottish Widows Fund introduced a scheme to cover the war risk under participating policies without extra premium, under which the cost of war claims is to be met by reductions in the profits bonuses. A number of other offices reduce the benefit under participating policies according to a formula. Thus, according to the plans of the United Kingdom Provident Institution and the Royal London Mutual, the amount payable under with-profits policies will be one-half the sum assured, plus accumulated bonuses, if death is caused through war. The amount payable by the Pearl and the Wesleyan and General under such policies will be one-quarter of the sum assured plus accrued bonuses plus twice the premiums paid; in the last case bonuses of £2 per annum for the first five years are guaranteed. The Equitable has a similar scheme under which the payment will be two-thirds of the sum assured (or the whole of the surrender value, whichever is the greater) plus the accrued bonuses. This applies to those

over 40; for those under 40, one-half of the sum assured is substituted for two-thirds in the formula. In all these cases no extra premium is payable for the war cover as specified, but the United Kingdom Provident will grant full war cover on payment of an extra 10s. per cent., limited to five years. The National Mutual similarly charges no additional premium under participating assurances but will grant no bonuses on new policies during the war period, though if experience warrants it bonuses will afterwards be declared retrospectively. The Royal Exchange Assurance has boldly announced its willingness to write both with-profits and without-profits policies in approved cases with no extra premium and without variation in the benefits offered. Practically all the offices named stipulate that cover on the lines mentioned is confined to persons in the United Kingdom who are civilians at the time of death, though the National Mutual covers members of H.M. Forces on the same terms as civilians.

* * *

It is, on the whole, regrettable that there is not a more uniform treatment of war risks in life assurance among the British offices. So far, the public, which is not very willing to effect new assurances at all, certainly prefers the non-war risks cover, under which, if death comes through war, only the premiums paid or the surrender value, whichever is the higher, is payable. A more uniform treatment would probably encourage new assurances. It is interesting to note that the French offices have evolved a scheme which at least ensures such uniformity, though it introduces a far-reaching element of State interference. A pool of life assurance companies, domestic and foreign, is to have the exclusive privilege of writing the war risks cover on life assurances up to a maximum amount of Frs. 300,000 for one assured. Membership of the pool is voluntary, but no non-member office may cover the war risk. The pool will operate in co-operation with and under control of the Government, but it will remain an autonomous body.

Investment

Increased Railway Charges.—The 10 per cent. increase in railway charges and fares doubtless surprised the general public but it has not put much heart into the railway market. On Thursday, to the dismay of holders who awaited the announcement of increased charges to take their profits, marginal stocks reacted by as much as two points and shed all the gains recorded on the previous day. Movements are shown below:—

	Low, 1939	Feb. 6, 1940	Feb. 8, 1940	Apr. 12, 1940	Apr. 17, 1940	Apr. 18, 1940
L.M.S. ord.	9¼	16½	17¾	22½	23¼	21¾
L.N.E. 2nd pref. ...	7½	16½	17½	20	20¼	19½
G.W.R. ord.	21½	42¼	44½	47¾	48½	46½
Southern def.	7	14¾	16½	20½	20¾	20

The Minister of Transport's statement gives little information either to the railway user or to the railway stockholder. He has satisfied himself that increased working costs to the extent of £22½ millions have been "proved" by the railways out of total claims amounting to £26¾ millions. These estimates apply to the nineteen months from September 1st last year, when control commenced, to March 31, 1941, and they are made up of £9¾ millions for increased labour costs, £2½ millions for allowances to railwaymen now serving with the Forces, and £10 millions for increased prices of fuel and materials. The balance of £4½ millions represents increases due to the black-out and other precautionary measures and is to be examined "in the light of further experience." Possibly the railways themselves might have been willing to supplement these bare figures by details of increased costs under various headings, but none have been published. The Minister has found that the proved increases justify an all-round addition to railway charges of 10 per cent., which is estimated

to yield £18 millions in a full year, and he has made an Order authorising such an increase, as from May 1st next, to all railway charges, including fares on London Transport's railways. Fares on the Board's road services are being examined by the Consultative Committee (in other words, the permanent members of the Railway Rates Tribunal), who will advise the Minister on the best means to obtain a corresponding increase from the Board's road services. The Board's financial problem is not less pressing than that of the main lines, yet for its road services a deliberative procedure has been adopted.

* * *

The Increase and Prospective Earnings.—Possibly the market's reaction to the increase may have been due to somewhat mysterious statements by the Minister that "this deficit has been running for some time" and that under the terms of the financial agreement "the Government is liable to reimburse to the controlled undertakings a sum approximating £400,000 a week." Under the terms of the agreement, the Government is liable to make good any shortfall of net revenue below £40 millions. Hence if the weekly liability of £400,000 to which the Minister referred represents an effective charge, it would necessarily mean that net railway revenues are running well below £20 millions a year. That is surely improbable. The expectation from the 10 per cent. increase is £18 millions in a full year. In 1938 the gross railway receipts of the four main lines (ignoring for convenience the railways of London Transport) amounted to £159.8 millions. It was generally assumed that, but for the outbreak of war, gross railway receipts last year would have shown an increase of possibly £10 millions. It would, therefore, seem that the aggregate gross receipts contemplated by the

10 per cent. addition—of the order of £200 millions—are probably £30 millions higher than the normal expectations in 1939. Railway stockholders should surely regard such figures with satisfaction. Indeed, they—possibly like transport users in general—do not yet appear to have grasped the full implications of Clause 10 of the agreement, by which the railways may apply for an increase in charges to offset increases of working costs and other war conditions. That arrangement implies that the companies are automatically protected against increased costs, and that their net revenues are determined largely by the volume of traffic which they handle.

* * *

Second Dollar Securities Requisitioning.—The Treasury has issued a second Order, dated April 13th, requiring the vesting of 117 dollar securities (S.R. & O., 1940, No. 527). The second list includes a greater number of important market leaders than the first, which was issued on February 17th, such as Bethlehem Steel, United States Steel, Chrysler Corporation, General Electric and New York Central. Moreover, 25 dollar bonds, largely railroad issues, are requisitioned on this occasion. The list of stocks called up is given on page 753 of this issue. Prices specified in the Order are the sterling equivalents at the official rate of 4.03½ of the latest New York levels. Payment will be made to banks or stockbrokers by whom securities are lodged, with the Bank of England or Bank of Ireland, on April 29th, provided that the securities are received not later than April 19th. It is obvious that the new list will make much deeper inroads into the American portfolios of British investors than the first. Between the two vesting Orders, Wall Street has made slight net progress. The Dow-Jones index of industrial stocks stood at 148.72 on February 17th and at 149.66 on April 13th. Thus the two months' respite given to holders of dollar securities in the second list does not appear to have brought them any outstanding advantage. It should not be assumed that the second vesting Order, any more than the first, implies that the authorities have taken the step to counter immediate pressure on our exchange resources. The vesting Order may, in fact, be designed as much to reinforce the authorities' control over the domestic market, by releasing new investment funds, as to meet any immediate need for dollars. Wall Street has in the past week shown some response to the possibility of a more active war. The vesting Order will enable the authorities to take advantage of any advance in future by realising vested securities at some profit to themselves, in a manner which Wall Street can most comfortably absorb.

* * *

Austrian 4½ per Cent. Bond Service.—The trustees of the Austrian 4½ per cent. guaranteed loan, 1934-59, have this week announced a second payment of 25½ per cent. of the face value of coupons due on December 1st last on the sterling, French franc, and Swedish crown tranches of the loan, and a first payment of 78½ per cent. on the belga issue. A first payment of 53 per cent. on the former group of issues has already been made, and the trustees are now distributing amounts received under the Czechoslovak guarantee of 24½ per cent. (paid from Czech assets held in this country) and the 1 per cent. guarantee payment by Denmark. A 54 per cent. distribution has also been made available on the December 1, 1939, coupon of the Swiss issue. Of the eight guarantors, Great Britain, France, Czechoslovakia, Belgium, Sweden and Denmark have made full payments in respect of interest due on December 1, 1939, to the trustees. Holland (which is responsible for 1 per cent. of the total liability) has reached a separate arrangement with Germany, and no payment has yet been received in respect of Italy's 20½ per cent. guarantee. Owing to the technical default of the Austrian Government, it is understood that amortisation purchases below par cannot be effected, under the terms of the general bond. Drawings at par have recently been made, however, under the sinking fund provisions, which operate

between March 15th and April 15th each year. It does not follow, of course, that these drawn bonds will be repaid in full on June 1st next, the due date. The trustees must first receive from the guarantors the requisite payments in respect of guarantees of principal, and these are not due until May 1st. The present quotation of 53 for the bonds is probably in line with future expectations under the heads both of interest and principal. On a 78½ per cent. basis, the bonds yield £6 13s. 2d. per cent., but the period for which payments can be anticipated under the Czech guarantee is not known.

* * *

"Grid" Finances.—The Central Electricity Board so comfortably exceeded revenue estimates that in 1938 it ceased to charge interest on any of its stocks to capital, though its powers did not expire until the end of last year. In 1939, the impact of war was not apparently severe for the Board, although the growth in electricity output was arrested during the last four months. But from the technical safeguards which the Board is introducing in wartime, such as the pooling of spare equipment and the maintenance of a larger reserve of spare generating plant than would normally be required, it is evident that for the next few years the Board's financial progress will be more noticeably affected. The Board's finance is, in fact, based upon economies from the reduction of inefficient generating plant and upon the growth of maximum demand made upon it by authorised undertakers. Those conditions will be appreciably affected by war, and the latest report shows that some increase in the Board's tariffs must be contemplated in due course, although it is hoped to avoid any rise in tariffs during 1940. This point is of importance for electricity supply shareholders. As for the Board's own revenues, the credit balance of general trading account last year was £3,134,128, an increase of £379,360 over 1938. The corresponding increase in 1938, however, was £739,860. The effect of a fall in maximum demands by authorised undertakers at the end of the year owing to the war is clear from these figures. The Board's revenues are, of course, protected against the effect of rising costs, through the operation of the coal clause, and the aggregate demand as the war develops may not prove entirely static. Stockholders must be prepared, however, to modify their expectations of revenue resulting from economies of generation over the next few years. They may also note that the Board has provided £325,000 for Excess Profits Tax, though it is hoped that the liability will not mature. Meanwhile, the balance of revenue carried forward has been increased by £243,244 to £2,433,716, compared with total charges for interest and redemption fund of £3,664,866 last year.

* * *

Directorial Changes.—Two important announcements of directorial changes have been made this week. Imperial Chemical Industries, whose management system was reorganised two years ago, have appointed three directors to be deputy chairmen, namely Messrs John Rogers and J. G. Nicholson and Lord Melchett. Two former executive managers, Mr F. W. Bain and Mr A. J. Quig,



**FOR ALL
INSURANCE
NEEDS**

Head Offices:
LIVERPOOL LONDON
North John St. Lombard St.

have been appointed to the board. The object of the changes in 1938 was to relieve Lord McGowan of the considerable strain of detailed work as managing director and he was then appointed chairman of the management board. The latest appointment of three deputy chairmen has naturally given rise to conjecture regarding the reversion of the chairmanship. On this point it can only be said at this stage that the board's decision is an interesting experiment for which there can be few, if any, precedents. The second announcement, which on Thursday was officially confirmed by the company itself, is of the removal of Sir William Firth from the chairmanship and board of Richard Thomas and Company. The severance of Sir William's connection with the company follows a decision of the Control Committee, and arises from an "irreconcilable difference" with the board. Indeed, it is not difficult to perceive in the various changes in the directorate some evidence of long-standing disharmony in the management of the concern, since control was instituted in 1938. The Ebbw Vale project, for which Sir William Firth was peculiarly responsible, cost more than was anticipated, and could only be completed with special banking assistance when the company's own finances proved inadequate. But his conception of the new plant has been technically justified, and Richard Thomas shareholders may reasonably expect some fuller statement of the circumstances which have led to Sir William's break with the company.

Company Notes

Dunlop Rubber Report.—The preliminary announcement of Dunlop Rubber Company's profits (discussed on page 695 of last week's issue) has been followed by an impressive report, drawn up on the usual informative lines. The aggregate profits of the group amounted to £4,154,807, against £2,265,469 in 1938. Of this remarkable increase, rather over half came from overseas business, and any facile explanation of the results in terms of re-armament and war is set aside by the directors' statement that Government orders represented only 7½ per cent. of last year's turnover. The subsidiaries have provided £861,252 for taxation, against £434,107 in the previous year. The parent company has increased its provision for taxation from £386,109 to £1,027,474, and in addition has set aside £500,000 against the 1940-41 liability. Of the group's total profits of £4,278,199, no less than £2,388,726 has thus been absorbed by taxation. The parent company's net profits and their allocation are shown below:—

	Years ended December 31,		
	1937	1938	1939
Aggregate profits of group	2,478,000	2,265,469	4,154,807
Net profit Dunlop Rubber	1,967,940	2,025,375†	3,441,675
Depreciation	337,610	356,705	417,883
Taxation, and fees	503,815	394,109	1,035,474
Debt and loan interest	159,243	159,777	162,659
Preference dividends	281,250	276,562	225,000
Ordinary stock—			
Earned	686,022	838,222	1,600,659
Paid	562,479	552,063	624,977
Earned %	11.0	13.7	30.7
Paid %	9	9	12
To general reserve	...	99,168	...
To contingencies reserve, etc.	250,000	175,000	948,228*
Repayments by subsid.	Cr. 127,930	...	...
Carry forward	591,429	603,420	630,874

* Of which £500,000 provision for income tax 1940-41; £200,000 to contingencies; £248,228 against subsidiaries.

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

Dunlop is among the few companies this year to achieve an increase both in trading profits and in net profits and to declare an increased dividend. And these figures show that it has done so without any departure from conservative canons. The directors could have distributed a 30 per cent. dividend, had they so chosen, but they have preferred to write £563,228 off subsidiary interests (of

which £248,228 is provided from profits), to place £200,000 to contingencies, and to keep in hand £500,000 towards the current year's tax liability. As a result the German subsidiary now stands in the books at £1, though it has been greatly fortified by untransferred profits in recent years. The group's fixed assets, which amount to £14,274,782, show a reduction of £190,000 during the year, despite further extensions. The book value of interests in countries with controlled exchanges has been reduced by £522,000 to £836,055, while the net current assets of the group stands at the impressive total of £11,587,588, against £10,200,626 at the end of 1938. Thus the report combines a highly satisfactory financial position with an impressive advance in earnings. The group is doubtless making an important contribution to defence supplies. It is also well situated to participate in the drive for exports, to compensate for any reduction in civil business at home, provided that raw materials and key operatives are adequate. Before the preliminary statement, Dunlop Rubber ordinary stood at 33s. 9d. At their present price of 35s. 6d. ex dividend they yield £6 15s. per cent.

J. and P. Coats' Increased Profits.—The preliminary profits statement of J. and P. Coats is impressive. Net profits for 1939, after charging depreciation and the company's proportion of income tax, amount to £2,187,797, compared with £1,535,297 in 1938. After charging preference dividends (£330,000 gross) a balance of £1,857,797 is available for ordinary dividends—sufficient to meet a 14 per cent. payment. The distribution is maintained at 10 per cent., and absorbs £1,475,000 gross. Exchange and contingencies reserve absorbs the surplus together with £117,203 from the carry-forward, which is reduced to £364,662. These figures are very satisfactory, particularly since earnings of such dimensions must involve a substantial charge for E.P.T., in view of the indifferent trading experience in the base years. The ordinary stock stands at 38s. 3d.

Cable and Wireless Dividend.—For a short period on Tuesday afternoon Cable and Wireless (Holding) ordinary stock was encouraged by the declaration by Cable and Wireless (the operating company) of a total distribution of 4 per cent. against 3¼ per cent. in 1938. After the market had closed, however, the holding company announced that its ordinary dividend would be maintained at 4 per cent. The operating company's distribution corresponds, in fact, to the standard revenue agreed in 1938 between the company and the Government. It represents an increase in the gross amount to be received by the cable companies of £225,000, which is available for them to distribute to Cable and Wireless (Holding). In 1938 Marconi's Wireless Telegraph, whose share capital is largely held by Cable and Wireless (Holding), increased its distribution from 9 to 12 per cent., and declared an additional payment of 3 per cent. free of tax. The maintenance of the holding company's dividend may, therefore, cover some reduction of income from the Marconi's Wireless company. It is, perhaps, a fair inference from the dividend declaration that the operating company has achieved a net increase in traffic as a result of the war and presumably the Empire flat rate scheme has provided further benefits. The holding company's ordinary stock now stands at 60 and yields £7 3s. per cent. after allowing for the accrued 4 per cent. dividend.

Colvilles' Profits.—Trading profits of Colvilles, Limited, in 1939 substantially increased from £919,596 to £1,058,462, and including dividends received from subsidiaries the parent company's total income advanced from £1,048,601 to £1,205,984. Total profits of the subsidiaries, after provision for contingencies, showed an increase from £648,856 to £865,191. It is evident, therefore,

that the recent extensions carried out by the group have been opportune, and the report states that the coke-oven and blast-furnace scheme is now in operation and is fulfilling expectations. Ordinary stockholders, however, receive no direct benefit from the company's recent enterprise, for the dividend is maintained at 8 per cent. and earnings are actually reduced owing to the enormous increase in the taxation provision from £285,000 to £600,000:—

	Years to December 31,		
	1937	1938	1939
Trading profits	911,004	919,596	1,058,462
Dividends from subsidiaries	135,126	129,005	147,522
Total	1,046,130	1,048,601	1,205,984
Depreciation, etc.	295,000*	300,000*	350,000*
Taxation	240,000	285,000	600,000
Fees	2,000	2,000	2,000
Preference dividends	82,844	80,437	75,625
Ordinary stock—			
Earned	426,286	381,164	178,359
Paid	235,173	227,335	203,816
Earned %	14.5	13.4	7.0†
Paid %	8	8	8
To reserve	150,000	150,000	Nil
Carried forward	288,251	292,080	266,624

* Includes supplementary depreciation: 1937, £110,000; 1938, £100,000; 1939, £100,000. † 10.9 before charging £100,000 supplementary depreciation.

They may take some consolation, perhaps, in the admission of the directors that the liability of the company to Excess Profits Tax cannot yet be determined, since it suggests the possibility that generous provision has been made. Colvilles is not favourably situated for E.P.T., in view of its expanding profits since 1935-37, but the trading position and the company's technical advancement is good. Hence, the current yield of £7 5s. 6d. per cent. on the ordinary stock at 23s. should be justified.

Mining Reports

West Rand Consolidated.—This mine suffered from a serious labour shortage during the year. To minimise the effect on milling, labour was diverted from development, and ore reserves consequently fell by 303,000 tons to 10,447,000 tons, averaging 4.4 dwt., the same grade as for some years past. In view of the mine's strong position, this fall is of no significance and should soon be rectified. The increased plant was unable to crush to full capacity, but a substantially higher tonnage was milled, and, despite the lower milling grade, profits rose by over £208,000 to £1,443,000. Taxation absorbed over 40 per cent. of the total profit. The deferred shares are entitled to 25 per cent. of the amount distributed in dividends, and the dividends on the ordinary shares were maintained at 2s. 6d., giving the satisfactory yield of 7 per cent. The mine should have a very long life, and the present satisfactory position should be maintained for many years to come.

Vlakfontein.—Very satisfactory progress was made by Vlakfontein last year. The main haulage from Sub Nigel connected with the Vlakfontein workings and greatly improved ventilation. As the west sub-vertical shaft has reached its final depth and is sufficient for development requirements, sinking has been temporarily suspended in the east sub-vertical shaft in order to conserve funds. The total footage on reef sampled amounted to 9,850 feet, of which 26 per cent. was payable, averaging 38.7 dwt. over 7.2 inches, or 279 inch-dwt. Some details of development are given on three levels, and very good values are being obtained at the lowest point. The shoot system is very highly developed in this sector of the Rand, and the next report may provide some interesting comparisons of the prospects of Vlakfontein as compared with the Sub Nigel mine. Meanwhile, the quarterly reports have recently shown a marked improvement. Sub Nigel is at present capitalised at about £17,000,000, against approximately £5,000,000 for Vlakfontein, but a substantial amount of new money will, of course, be required before Vlakfontein reaches pro-

duction, and some will be needed shortly for development. Present indications suggest that Vlakfontein may well develop into a very fine property, comparable with Sub Nigel.

Rand Leases.—Rand Leases ore reserves were increased by 318,000 tons to 5,987,000 tons, averaging 4.8 dwt., an improvement of 0.2 dwt. in grade. With the high percentage of payability in development of the different reefs, ore reserves should continue to rise, and development is, moreover, to be started on the Kimberley Reef. Owing to labour shortage, the plant could not be run to full capacity, but nevertheless milling increased by over 300,000 tons and profits to £890,221, an increase of £243,000 over the previous year. Dividends rose from 2s. 3d. to 2s. 9d., and the shares give a yield of 5.3 per cent. In view of the strong ore reserve position, the reduction capacity is to be further increased from 175,000 tons to 200,000 tons a month, and higher dividends may be expected over a period. The mine should have a very long life and the shares may be considered a sound mining investment.

Vogelstruisbult.—This mine suffered from shortage of labour during last year, so that development footage was reduced and the mill could not run to full capacity. Nevertheless, ore reserves were increased by 322,000 tons and now amount to 1,773,000 tons, averaging 5.6 dwt., or about two years' supply to the mill at the present rate of crushing. Profits rose by £107,600 to £469,546, and dividends totalling 1s. 3d. per share were paid, upon which basis the shares yield 5.2 per cent. The normal width of the reef is narrow, averaging about 14 inches, so that a large development footage must be carried out if the ore reserves are to show any substantial increase to warrant later a higher milling tonnage. Generally speaking, the mine has not fulfilled the first optimistic expectations, and in present circumstances the shares appear to be fairly valued.

Marievale Consolidated.—A satisfactory year's working was achieved by Marievale Consolidated. Ore reserves rose by 600,000 tons to 1,700,000 tons, but showed a fall in grade of 0.3 dwt. to 5.8 dwt. Milling started last October, and the plant is now crushing to its nominal capacity of 40,000 tons a month. Development at Marievale is concentrated on the central portion of the property and little is known of the prospects in the eastern or western sections of the mine. The eastern section adjoins the derelict Rietfontein No. 11, whilst the western section adjoins the eastern portion of Nigel Gold, in which no development has as yet been carried out. Working costs at present are about 29s. per ton, and it is unlikely that

Three Reprints from The Economist

THE ECONOMIC FRONT

Six Articles from the issue of December 9, 1939.

THE ECONOMIC ALIGNMENT

A statistical survey of the economic strength of the nations of the world.

THE FINANCE OF WAR

Four articles from the issues of January, 1940.

PRICE 6d. each

THE ECONOMIST, 8 BOUVERIE ST., LONDON, E.C.4

a mine in this position on the Rand can reduce working costs materially, but the company should benefit substantially from the increased price of gold. Marievale's prospects, however, do not appear to outweigh those of other companies in the early stages of production.

* * *

The Week's Company Profits.—Our usual table of profit-and-loss accounts on page 755 includes the results of 46 companies. These again show the conflicting trends of higher total profits (£10,379,000, against £8,403,000) and reduced net profits (£4,891,000, against £5,067,000). The 712 companies whose reports have been received this year show an increase in total profits of nearly £9 millions, but net profits are £2½ millions lower at £81,347,000. The week's results are discussed in earlier Notes and on page 743 under the heading "Shorter Comments."

* * *

Company Meetings of the Week.—Reports of company meetings begin on page 747 of this issue. Sir Courtauld Thomson informed shareholders of *Employers'*

Liability Assurance that the direct effect of the war on the company's activity had so far been small, thanks to the large proportion of business transacted in the Dominions and the United States. Sir James Lithgow, addressing shareholders of *William Beardmore*, was unable to give detailed information regarding the company's activities for military reasons, but he emphasised the difficulty of estimating even approximately the liability for E.P.T. in view of the settlement of prices in numerous Government contracts and the apportionment of profits throughout the years in which they were running. Sir Max J. Bonn referred to the setting up of a "1940 profit and loss suspense account" by *United Glass Bottle Manufacturers*, to which the profit on forestalling orders at the end of last year has been carried. Addressing shareholders of *Anglo-Portuguese Telephone Company*, Sir Alexander Roger emphasised the importance of Portugal and the Portuguese Empire as a field for British exporters. Brig.-Gen. Sir Frederick Gascoigne described the difficulties of retail trading in wartime to shareholders of *Army and Navy Stores*, and disclosed that since the close of the financial year the stock position had been fortified.

THE STOCK EXCHANGES

London

Note: all dealings are for cash

ONLY activity in the railway market on Wednesday has relieved the subdued tension on the Stock Exchange this week. Investors in any case would have shown little buying incentive before next Tuesday's Budget, but as the week proceeded they became more preoccupied with the development of Italy's non-belligerency into a warfare of words and the fear of further outbreaks of Nazi aggression in Central Europe—and, indeed, nearer home—has grown on balance. In the result, some modification of the early firmness of the markets, which were responsive to British naval victories at the beginning of the week, has occurred, though they have been quiet rather than definitely reactionary.

*

Small changes were registered in gilt-edged stocks throughout the week. Although Thursday was an unimpressive day, Old War Loan managed to close at 99½ bid.

Foreign bonds were directly affected by increased political nervousness. Japanese issues were lower and Italian bonds were a heavy market, while trading in Central European issues was difficult.

Home rail stocks enjoyed brief buoyancy on Wednesday afternoon on the announcement of the 10 per cent. increase in charges (discussed on pages 724 and 738). Great Western ordinary closed at 48 on Wednesday, having been as low as 46½, but even a moderate volume of profit-taking on Thursday found the market in a thoroughly soft condition, incapable of absorbing any volume of stock. Prices were disappointingly flat throughout the group. Some demand for Argentine rail debenture stocks was reported, particularly earlier in the week.

*

A few features were reported in the industrial market, which opened fairly firm, with fractional rises among the leading stocks. Cable and Wireless (Holding) jumped in anticipation of an increased distribution, after the operat-

ing company had announced a higher dividend, but reacted in mid-week on the maintenance of last year's payment. Publication of the Dunlop report (discussed on page 740) brought some support for the stock, although it shared in the mid-week easiness of the market. Chain store issues, including Marks and Spencer and Woolworth, were depressed by the restriction of supplies of cotton and linen to retailers, and Lever and Unilever were vulnerable to the tension in Holland. The Indo-China Steam Navigation dividend disappointed the market.

Continental nervousness was responsible for the continued fall in Royal Dutch, and the majority of the other leading oil shares declined in sympathy. Little business was reported in rubber shares, and but for some Cape buying on Tuesday, the Kaffir market spent a listless week. In the base metal group, Trepsa declined further owing to fears regarding the security of Jugoslavia.

"FINANCIAL NEWS" INDICATORS

1940	Total Bargains†	Corres. Day 1939	Security Indices
			30 ord. shares* 20 fixed int.†
April 12..	3,683	4,915	76.5 124.4
" 15..	4,552	5,760	76.8 124.5
" 16..	4,574	4,660	76.9 124.3
" 17..	4,138	4,830	76.7 124.2
" 18..	3,958	4,465	76.3 124.2

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

New York

EARLY this week war stocks were restored to something like their old popularity, and aircraft stocks closed on Monday at the best. Wall Street's interpretation of the absence of news from Scandinavia, however, was a signal to take profits, and on Tuesday an increased volume of trade was reported at significantly lower prices. The tone of the market at the close was heavy.

No noticeable movement of trend either up or down has since occurred, and traders continue to follow a cautious line. *Iron Age* estimates this week's steel mill activity at 62 per cent. of capacity against 61 per cent. last week, and there are suggestions that the recent cuts in steel prices may be withdrawn.

New York Prices

	Close Latest Apr. 11, 1940	Close Latest Apr. 11, 1939
1. Railroads		
Balt. & Ohio	55½	55
Ches. & Ohio	10	10
G.N. Rly. Pl.	27½	27
Illinois Cent.	11½	10½
N.Y. Central	17½	17
Northern Pac.	8½	8
Pennsylv. R.	22½	21½
Southern Rly.	16½	16
2. Utilities, etc.		
Amer. Tel.	173½	173
Amer. Wkws.	10½	10
Col. Gas & El.	6½	6
Int. Tel. For.	3½	3
Pac. Gas & El.	33½	33
Pub. Serv. N.J.	42½	41½
United Corp.	2½	2
Unt. Gas Imp.	12½	12
Westn. Union	23½	23
3. Commercial and Industrial		
Amer. Metal.	23½	23
Am. Roll. Mill	10½	10
Am. Smelting	53½	51½
Anaconda	31½	31
Beth. Steel	81¼	81
Briggs	22½	22
J.I. Case & C.	69½	69
Celanese A.	32½	33
Chrysler	87½	87
Eastman KdK	158½	157
Gen. Electric	39	39
Gen. Motors	54½	53½
Glidden	17½	17
Int. Harvester	57½	57
Nat. Dairy	17½	18
Nat. Distillers	25½	25
Sears Roebck	86½	85½
Shell Union	12½	11½
Socony Vac.	11½	11
Stan. Oil N.J.	43½	41
20th Cen. Fox	10½	9½
U.S. Steel pf.	119½	120½
West. Elec	113½	113
Woolworth	40½	40

Securities for which no price is shown have now been requisitioned by the Treasury.

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).

	Low Jan. 31, 1940	High Jan. 3, 1940	Apr. 4, 1940	Apr. 10, 1940	Apr. 17, 1940
347 Ind's ...	105.8	111.4	110.0	109.8	108.4
32 Rails ...	28.3	30.7	29.6	29.3	28.6
40 Utilities ...	88.6	89.4	88.6	88.2	87.6
419 Stocks ...	90.4	94.8	93.5	93.3	92.2
Av. yield* ...	4.67%	4.30%	4.50%	4.59%	4.67%

(*) March 21, 1940. * 50 Common Stocks. (†) April 17, 1940.

	Apr. 11	Apr. 12	Apr. 13	Apr. 15	Apr. 16	Apr. 17
DAILY AVERAGE OF 50 AMERICAN COMMON STOCKS (1926 = 100)						
120.2	119.5	119.7	119.6	117.8	117.9	
1940 High: 123.7 January 3rd. Low: 116.3 January 31st.						

TOTAL DEALINGS IN NEW YORK

	1940	Shares 000's	Bonds \$000's
April 11	890	6,210	
" 12	830	(a)	
" 13	500	(a)	
" 15	1,260	5,470	
" 16	1,510	(a)	
" 17	900	(a)	

(a) Not stated.

Capital Issues

CAPITAL ISSUE TOTALS

Week ending April 20, 1940	Nominal Capital	Conversions	New Money
To the Public	£	£	£
To Shareholders	Nil	Nil	Nil
By S.E. Introduction	Nil	Nil	Nil
By Permission to Deal	Nil	Nil	Nil
Savings Certs., week to April 13, 1940	2,300,000		2,300,000
3% Defence Bonds Exch. receipts, week to April 13, 1940	1,825,000		1,825,000
Year to date	742,254,384		389,299,251
1940 (New Basis)	37,918,912		36,687,847
1939 (New Basis)	732,902,933		380,147,800
1940 (Old Basis)	19,261,760		19,045,695
1939 (Old Basis)			

Destination (Excluding Conversions)

Year to date	U.K.	Brit. Emp. ex U.K.	Foreign
1940 (New Basis)	388,819,819	479,432	Nil
1939 (New Basis)	25,760,774	10,727,073	200,000
1940 (Old Basis)	380,005,344	142,456	Nil
1939 (Old Basis)	15,358,339	3,487,356	200,000

Nature of New Borrowing (Excluding Conversions)

Year to date	Deb.	Pref.	Ord.
1940 (New Basis)	380,102,966	605,807	8,590,478
1939 (New Basis)	16,583,519	2,300,796	17,803,132
1940 (Old Basis)	379,379,500	77,500	640,800
1939 (Old Basis)	12,807,435	928,447	5,309,813

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

Bristol Corporation.—Tenders invited for £500,000 six months bills payable October 22, 1940, in amounts of £1,000 and £5,000. Tenders received by Westminster Bank, 41 Lothbury, April 18th. Accepted tenders to pay up in full April 22nd. The consent of the Treasury has been obtained for this issue.

Luton Gas Company.—Sale by tender with Treasury consent of 5 per cent. preference stock to realise £21,789 at minimum £103 per £100 stock. Redeemable at par January 1, 1955.

BY STOCK EXCHANGE INTRODUCTION

Tottenham and District Gas Company.—Issue of £100,000 4½ per cent. debenture stock redeemable at par April 1, 1950. Interest payable January 1st and July 1st. First payment July 1, 1940, for three months to June 30, 1940. Stock has been purchased by Laurence Keen and Gardner at £102½ per cent., less ½ per cent. brokerage.

PRIVATE PLACING

British Overseas Airways Corporation.—Issue of £4,250,000 3 per cent. Airways stock redeemable 1960–70 was placed on April 1st. Guaranteed principal and interest by Treasury. Temporary borrowing by the Corporation from bankers up to £2,250,000 also guaranteed.

Shorter Comments

Company Results of the Week.

One of the best industrial results of the week is that of CURRYS, LTD., whose net profits have increased from £41,537 to £50,138 and whose dividend is raised from 7½ to 10 per cent. A further batch of rubber company results also show an appreciable rise in total profits and a steady increase in net profits. In some cases, however, such as SELANGOR, distribution policy is distinctly conservative. In the retail trade group, HOPE BROS. and WILLIAM McILROY enjoyed a substantial improvement in trading last year, and their dividends have been increased. BRITISH UNITED SHOE MACHINERY maintains its usual high level of earnings and the 19 per cent. tax free dividend is repeated. BRYANT AND MAY net profits were slightly higher at £566,602, and the 25 per cent. tax-free dividend has been maintained. JOSEPH CROSFIELD profits were also slightly higher at £777,672, and the ordinary dividend is repeated at 35 per cent. Net profits of SUNDAY PICTORIAL showed an increase last year from £150,726 to £193,644, while those of DAILY MIRROR were slightly lower at £290,508. The dividends have been maintained at 10 and 15 per cent. respectively. The trading profits of LAURENCE, SCOTT AND ELECTROMOTORS showed some improvement last year, but net profits were reduced. The 15 per cent. dividend, however, is covered with only a slight reduction in the carry-forward.

MISCELLANEOUS

British United Shoe Machinery.—Gross profit, 1939, £563,919 (£542,919). Net profit, £550,429 (£529,571). Dividend, 19 per cent. tax free, as before. Carry-forward, £181,862 (£179,284).

Daily Mirror Newspapers.—Net profit year to February 29, 1940, £300,509 (£313,560). To reserve, £20,000 (£20,000). Ordinary dividend, 15 per cent., unchanged. Carry forward, £137,583 (£141,075).

Globe and Phoenix Gold Mining.—Mining profits, 1939, £210,884 (£181,056). Taxation, £94,063 (£58,060). Net profit, £107,801 (£167,494). Dividend, 70 per cent. against 80 per cent. tax free. Carry-forward, £4,482 (£36,682).

Anglo-Portuguese Telephone Company.—Gross profit figures for this company are £129,867 for 1939 and £124,244 for 1938. The figures of £364,338 and £341,217 respectively which appeared in last week's issue represented gross operating revenue.

Spillers, Ltd.—Final ordinary dividend 12½ per cent., making 15 per cent. for year to January 31, 1940, as before. Dividend on deferred and co-partnership shares maintained at 15 per cent. Annual meeting on May 8th will be adjourned sine die until final accounts are available. The directors have sufficient information to show that trading results have been as favourable as the previous year, when the net profit was £652,256.

Consolidated Diamond Mines of South West Africa, Ltd.—Revenue, 1939, £394,599 (£343,760). Mining expenses, £140,126 (£286,881). Net profit, £198,863 (£19,532). Full year's preference dividend paid, bringing it up to June 30, 1939. Carry-forward, £110,439 (£93,303).

Cow and Gate, Ltd.—Net profit year to September 30, 1939, after tax, £36,299 (£73,225). No dividend on ordinary shares against 10 per cent. Carry forward, £51,303 (£47,629).

Bank of Adelaide.—Ordinary dividend 5½ per cent. for past financial year against 5½ per cent. for preceding year. Profit, £71,392 (£71,121). Carry forward, £33,484 (£30,841).

(Continued on page 744)

Dividend

Announcements

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

Company	*Int. †Final	Total	Pay- able	Prev. Year
BANKS				
Bank of Adelaide	23½	5½		5½
Royal of Canada	2	...	June 1	2
Union of Scotland ...	9	...	June 1	9
Do.	9	...	Nov. 30	9
INSURANCE				
Alliance Assurance ...	10½	18½	July 5	18½
Atlas Assurance	6½	10½	May 4	6½
London Assurance ...	5½	11½	Nov. 1	11½
N. British Mercantile ..	3½	6½	May 15	6½
Do. do.	3½	6½	Nov. 11	6½
Northern Assurance ..	40½	75	May 15	75
Royal Exch. Assnec. ...	19	30	...	30
Sea Insurance	8½	17½	May 10	17½
Yorkshire Insurance ...	40½	157½	...	47½
TEA AND RUBBER				
Anglo-Malay Rbr.	...	3	May 15	2
Chulsa Rubber	...	5	May 7	3
Cluny Rubber	...	6	...	4
Dorankande Rubber ..	...	4 16	...	4 16
Gadek Rubber	...	7½	May 15	5
Henrietta Rbr.	...	10	May 8	7
Jasin Rubber	...	10	...	3
Java Amal. Rbr.	...	6½	May 7	4
Lanadron Rubber	...	5	...	3
Ledbury Rubber	...	5	...	6
Medini Rbr.	...	6	May 7	6
Merton Rubber	...	4	...	Nil
Neboda Rubber	...	4	May 10	3
Rahman Rubber	...	4	Apr. 23	1½
Sapong Rubber	...	9	May 24	6
Spring Valley	6½	8	May 9	8
MINING				
Ampat Tin	...	12	May 17	Nil
Martha Gold	15½	25	...	30
Rahman Tin	4	...	May 4	Nil
INDUSTRIALS				
Anglo-Amer. Asphalt ..	12½	22½	...	32½
Anglo-Scott. Inv.	1½	...	May 1	1½
Balkis	2½	...	May 1	2½
Bovis, Ltd.	...	10 4	...	10 4
Bristol Un. Breweries ..	5*	...	May 16	5*
British United Shoe ..	10½	19	...	19
Cable and Wireless ...	2½	4	...	3¼
Do. (Holding)	10½	15	May 31	4
Daily Mirror	10½	15	...	15
Dennis Bros.	33½	...	May 18	33½
Hoyle (Joshua)	2½	...	May 31	Nil*
Humphreys	...	12½	...	10
McNeill (F.)	5½	10	...	12½
Melhuish (Wm.)	...	12½	...	15
Monte Video Water ...	...	5	...	7½
Murex, Ltd.	7½	...	May 11	7½
Olds Discount	2½	7½	...	13½
Parnall Aircraft	(s) 5*	...	May 18	25cts.*
Quebec Power	25cts.*	14	...	14
R. Plate Trust "A" ...	3½	4	...	4
Do. "B"	4½	6½	...	7½
Ransomes & Rapier...	3*	...	May 1	3*
Renold Chain	...	9½	...	9½
Schweppes Ord.	...	10	...	10
Do. Def.	...	15	...	15
Second Edin. Invest. ..	12½	15	...	15
Spillers Ord.	15	...	...	15
Do. Def.	11½	15	...	13½
United Flex Tubing ...	...	6	May 3	10
Veritys	6*	...	May 1	5½
Walsleys (Bury)	...	...	...	...
UNIT TRUSTS				
British Insurance	18	...	Apr. 13	26
Century Fixed	18	...	May 1	16 5
Fourth British	4½	20	May 15	4
Midland & Stn. Fund ..	18	...	May 1	14
Orthodox Unit.	16	...	Apr. 15	...
Trust of Bank and Insurance	28 889	...	Apr. 30	43

Industry and Trade

As the coal and iron and steel industries are now regulated by the Government, the weekly market reports hitherto printed in this section of The Economist in smaller type and narrower columns have been suspended. Any news of importance, however, will in future be discussed in Notes in the main body of the section. A summary of current developments in the principal industries will continue to be given in the monthly Trade Supplement which is included in the last issue of The Economist in each month. The weekly survey of the commodity markets will be continued, and this, together with the regular monthly tables on unemployment, retail trade, wholesale trade in textiles, overseas trade, motor registrations, retail prices, as well as the fortnightly table of wholesale price indices, will in future be published at the end of Industry and Trade Notes in a section entitled Commodity and Industry News. If these tables disclose any significant changes, these will be discussed in the main body of the section.

The Supply of Electricity.—The twelfth annual report of the Central Electricity Board, published this week, lacks many of the factual data contained in its preceding surveys. The aggregate maximum demand for electricity has fallen substantially since last September as a result of the black-out and the curtailment of non-essential services, and in the view of the Board it is unlikely to show any material increase during the war. On the other hand, the United Kingdom's capacity to produce electric power will be further increased by the completion of the pre-war plant extension programmes for 1940 and 1941 and by the modified programme for 1942. The margin of reserve capacity, essential during the war, will therefore be substantial. Moreover, the greater part of the orders for the pool of switchgear, transformers and other apparatus from which equipment damaged or destroyed by enemy action is to be replaced have now been delivered. The danger of serious breakdowns has thus been appreciably reduced.

Cotton Margins.—The new yarn margins for cotton spinners, which came into force on Wednesday with the publication of three Orders by the Minister of Supply, vary according to different counts, but the maximum advance is about 3 per cent. This is generally considered to be a fair allowance for the spinners' increased costs. As trade has been held up for some weeks by the uncertainty over the new margins, a rush of new orders was expected immediately after the schedules were issued, which might have interfered with production on Government orders. The Cotton Controller has consequently forbidden spinners to accept for one month any new orders except those placed by the Government or by merchants for export. The rationing of home sales of textile goods, discussed elsewhere, should also help to relieve the pressure on the cotton industry. The new Orders also provide for the collection of the levy of 5d. per 100 lbs. of yarn spun which is to be used for research and for the development of the export trade; in future, also, agents' commission on yarn transactions is to be paid by the buyer, except where a spinner has agreed to dispose of his whole output through a single agent.

The Jute Industry in War.—At the outbreak of war the jute industry was immediately placed under the control of the Ministry of Supply, and by an Order dated September 1, 1939, the disposal or acquisition of jute was forbidden. The Order applied to raw jute, jute waste,

jute cuttings, jute yarns and jute twists. At the same time a schedule of maximum prices was issued above which future transactions were prohibited, and power was given to the Minister of Supply to ask for returns relating to stocks or any other information, from concerns dealing with, or trading in, jute. Dealings in jute were thus impossible, but the Control of Jute (No. 2) Order, which came into force on September 26th, substituted a licensing system for the prohibition and revoked the schedule of maximum prices. A licence is necessary for the purchase or sale of jute and for its spinning, weaving or other manufacture. As soon as the restrictions were removed there was an immediate rush to obtain supplies. Buyers who normally used Calcutta goods clamoured for delivery of Dundee fabrics, as shipments from Calcutta were considerably delayed, and spinners and manufacturers in Dundee were unable to satisfy all requirements. Prices naturally advanced rapidly. The price of yarns rose from 2s. 10d. for common 8 lb. cops to 5s. 10d. in a very short time, and that of hessians advanced from 3½d. for 10½ oz. 40 in. and 3¼d. for 8 oz. at the end of August to 8d. and 6d. respectively. The full group of raw jute (Daisee-2/3, shipment to Dundee) jumped from £21 17s. 6d. per ton to £56. The peak was reached at the beginning of December, but the price of Daisee-2/3 has since declined to £33 10s., common cops to 5s., 10½ oz. 40 in. hessians to 6½d. and 8 oz. to 4½d. Prospects for the next jute crop are very favourable, and, as there should be a fair carry-over from the present crop, supplies of raw jute will be plentiful, and prices in consequence will probably be kept within reasonable limits.

The prosperity of the trade during the first months of the war was due largely to Government orders for sandbags and camouflage hessians. The Indian jute mills were asked to supply 300 million additional sandbags, while Dundee's quota was increased to 4 millions a week. The market experienced a setback in the third week in January, when the Government cut the Indian deliveries of sandbags by 50 per cent., namely, to 54.5 million bags per month instead of 109 millions. Indian deliveries will continue at the lower rate until August, while those from Dundee manufacturers will be completed by April 11th. New business in Dundee is scarce, chiefly because of the much larger imports of Calcutta goods into the United Kingdom, and several firms are working only four days a week. Employment since the war has been good, but unless fresh Government orders are forthcoming many workers will soon be placed on short time. In July, 1939, there were 28,410 insured persons engaged in the jute industry, and on February 12, 1940, 12.3 per cent. of these were

SHORTER COMMENTS

(Continued from page 743)

Ever Ready Trust Company.—Final dividend on ordinary and deferred shares 6 per cent., making 9 per cent. for year to March 31, 1940, compared with 8 per cent. for previous year. Net revenue, £28,470 (£28,084).

Olympic Portland Cement.—Net profit 1939, £32,000 (£28,981). To sundry reserves, £12,000. Carry forward, £32,469 (£29,745). Final dividend 5 per cent.

making 7½ per cent. for year and bonus 2½ per cent. less 10 per cent. U.S.A. withholding tax and British income tax. 1938 dividend 7½ per cent.

Crosfield (Joseph) and Sons, Ltd.—Profit 1939, £927,672 (£765,834). Ordinary dividend 35 per cent. as before. £150,000 towards funding of staff pensions before inauguration of contributory pensions. Carry forward, £158,727 (£133,555).

Amalgamated Collieries of South Africa.—Profits 1939, £287,090 (£277,693). Amortisation reserve, £60,000

(£42,500). Carry forward, £42,738 (£37,406). Ordinary dividend maintained at 10 per cent.

Ragusa Asphalte Paving Company.—Final ordinary dividend 12½ per cent., making 17½ per cent. for 1939 (the same). Net profit, £34,537 (£34,527).

Ransomes and Rapier, Ltd.—Net profit 1939, £22,503 (£26,282). Ordinary dividend 6½ per cent. tax free against 7½ per cent. tax free. Gross dividend 10 per cent. against 10.3 per cent.

(Continued on page 757)

unemployed, compared with 15.5 per cent. on August 14, 1939. Some works which have been in the habit of running day and night shifts have had to cease night working, as many young men have been called to the Colours and women are not allowed to work at night. Both merchants and manufacturers have increased their overseas sales in recent months. Sellers have wisely reduced their prices to obtain orders, which they could afford to do, as profits in the earlier months of the war were considerable, amounting to as much as £20 to £25 per ton on yarns and cloth. But as Scandinavia has been a good customer of the Dundee jute industry—Denmark purchased large quantities of bacon wrappers—it will be adversely affected by Germany's latest moves.

Cut in Paper Supplies.—Finland, Sweden and Norway supplied something like three-quarters of Britain's requirements of wood pulp before the war. Imports of paper-making materials from these sources, already curtailed before the extension of the war to Scandinavia, have now been virtually cut off. It was consequently necessary to reduce consumption still further, and this has been done by an Order of the Ministry of Supply issued on April 13th. The cut has been severe, for consumers, whose supplies from March 3rd to June 1st this year had already been limited to 60 per cent. of the quantities delivered between March 1 and May 31, 1939, will now have to do with only 30 per cent. of the amount used during the reference period. This reduction will involve a further drastic cut in the size of newspapers and periodicals, and, coming hard on the heels of the rise in prices on April 1st, has naturally aggravated the difficulties of publishers. While Canada and Newfoundland should be able to increase their exports of paper and paper-making materials to the United Kingdom, the two countries cannot be expected to be able to replace Scandinavian supplies at short notice. Meanwhile, it may be necessary for the Government to discriminate rather more closely between the purposes for which available supplies are used.

Stable Exports.—It would certainly be over-optimistic to expect the activities of the new Export Groups to have borne fruit in time to affect the March trade returns, but the figures published on Thursday again emphasise the urgent need for greater exports. Compared with March, 1939 (a month which had two more working days than March, 1940), the value of British exports showed a small decline of 0.5 per cent.; the fall in exports of machinery was not entirely compensated by higher values for exports of textiles and chemicals. On a working day basis, too, there was no improvement in export trade between February and March, 1940. But the value of imports continues to in-

	1938	1939	1940	Change between 1939 and 1940
March				
Total imports.....	84,854	78,022	108,543	30,521
British exports.....	42,155	41,635	41,456	-179
Re-exports.....	5,468	4,923	3,598	-1,325
Total exports.....	47,623	46,558	45,054	-1,504
Excess of imports over exports.....	37,231	31,464	63,489	32,025
Transshipments under bond.....	2,885	2,885	2,109	-776
Three Months ending March				
Total imports.....	245,285	218,521	308,339	89,818
British exports.....	120,870	119,129	119,929	800
Re-exports.....	15,792	14,285	9,698	-4,587
Total exports.....	136,662	133,414	129,627	-3,787
Excess of imports over exports.....	108,623	85,107	178,712	93,605
Transshipments under bond.....	8,205	8,037	6,954	-1,083

crease. Imports of grain and flour, of dairy produce, of "other food," of all raw textiles except silk, and of oil-seeds were all higher a year ago by more than £1,000,000, signs both of high food stocks and increasing activity in

the textile trades. Among manufactured articles, imports of iron and steel manufactures, of textile materials other than cotton, wool or silk (sandbags from India?), of manufactured oils and of paper and cardboard were also up by more than £1,000,000 compared with March, 1939. Detailed tables of the month's foreign trade will be found on page 757.

Swedish Industry.—Swedish Industry is based on her three great natural resources, metal ores, timber and water power. The metal content of the output of iron ore, both from the deposits on the Narvik-Lulea railway and from those in Central Sweden, amounted to more than 9 million tons in 1937, the year when output was largest. The production of crude steel was 1.1 million tons in the same year, produced mainly in Central Sweden by electrical power and imported coal. On these raw materials there has been based a large and varied engineering industry. In 1935, the output of the various branches of the engineering industry was valued as follows:—

OUTPUT OF ENGINEERING PRODUCTS
(Million kr.)

Agricultural machinery ...	21.1	I.C. motors.....	24.8
Woodworking machinery ...	5.8	Motor vehicles	70.5
Pulp and paper machinery ...	15.4	Bicycles	38.2
Machine tools	10.2	Shipbuilding and repairs	78.1
Generators & transformers	33.7		

The armament works at Bofors are in the central region north-east of Lake Vanern. There is a considerable export of electrical machinery and parts, such as ball bearings.

About 40 per cent. of Sweden's exports (by value) are products of timber. The major saw mills are concentrated at the ports on the Gulf of Bothnia, while there are a number of smaller mills scattered over central Sweden west of Stockholm. The Bothnia coast and the northern shore of Lake Vanern are also the main sites of the paper and wood pulp trades. Production of wood pulp amounted in 1937 to 3½ million metric tons and that of paper and paper boards to nearly one million tons. The extensive distribution of electric power through long-distance transmission and the ease of river transport for timber has enabled the wood-using industries to be widely spread along the eastern coasts and in central Sweden.

Finnish Timber.—Finnish exports of sawn and planed woods have averaged during the last few years about a million standards per annum, of which Britain has taken one-half to a third. It is not possible to estimate the

OFFER TO NEW READERS

Any reader who makes his first acquaintance with this journal with this week's issue is invited to fill up the attached:

To The Publisher, The Economist Newspaper Ltd.,
8 Bouverie Street, E.C.4.

In order to test the value of your publication I should like you to forward it to me by post for the next four weeks. If I then decide to become a subscriber, it is understood that there will be no charge for the copies thus received, but otherwise I shall be willing to pay 4s. to cover the cost.

Name

Address

loss of standing timber which Finland suffered from ceding territory to Russia, but the loss in saw mills is considerable. According to *The Timber Trades Journal*, saw mills with an annual output of some 200,000 standards were situated in the lost districts. In addition, the transport system in south-east Finland has been disorganised, since both the railway running on the north side of Lake Ladoga and the Saimaa canal ended at Viborg, which is now in Russian hands. The capacity for export of the saw mills which remain in Finnish territory will therefore be reduced. But as most of the Finnish timber is shipped from the Baltic ports, exports are at present limited more by the problems of sea carriage caused by the extension of the war into Scandinavia than by internal difficulties.

* * *

Jugoslavia's Metals.—After considerable delay the Government's negotiations with Yugoslavia for the conclusion of war trade agreements have now entered a decisive stage. In Germany and Italy these negotiations have naturally aroused concern, for Yugoslavia is the only metal producer of significance in the Balkans. Apart from small quantities of other metals, she supplies between 40,000 and 50,000 tons of copper, a like amount of zinc, over 70,000 tons of lead, over 50,000 tons of chrome ore, some 350,000 to 400,000 tons of bauxite, and 150,000 tons of pyrites per annum. In recent years Yugoslavia has also become a large source of antimony, of which about 3,500 tons were produced in 1939. In the past, Italy has not imported Yugoslav metals to any great extent; but if Italy decided to throw in her lot with Germany, Yugoslavia would be the only country on which she could rely for metal supplies with some degree of certainty. For Germany, who has always been the main buyer of Yugoslav

minerals, Yugoslavia is at present the only major foreign source of copper, lead, chrome and antimony. In bauxite, Germany is less dependent on Yugoslavia, as additional sources of supply are available in other countries, especially in Hungary. In her war trade agreement with Yugoslavia, concluded last October, Germany obtained large concessions in metals. She now obtains metals by a special compensation agreement and no longer has to pay for them with foreign exchange. On December 23, 1939, France also concluded an agreement with Yugoslavia; this came into force on January 1, 1940, and provided, among other things, for the supply of certain quantities of metals. These supplies, however, are not nearly as large as those delivered to Germany. Great Britain, on the other hand, pursues more ambitious aims, and regards the supply of Yugoslav metals to Germany as one of the major loopholes in the blockade which should be stopped so far as possible. The British Government is in a very strong position in its negotiations with Yugoslavia. According to official Yugoslav sources the capital invested in Yugoslav mining enterprises amounted to 882 million dinars in 1937. Of this total, over two-fifths was British (invested chiefly in the lead, zinc and chrome industries), while another three-tenths was French (invested mainly in copper enterprises). The Allies, therefore, have a strong case in demanding a diversion of Yugoslav metal exports to them. They can strengthen their position still further by supplying Yugoslavia with those colonial raw materials and products that Germany is unable to provide and by paying in a currency which is acceptable in all parts of the world. Mr A. Chester Beatty, the head of the Trepca Mines, Ltd. (Yugoslavia's largest metal mining concern), was made a director of the newly formed United Kingdom Commercial Corporation, Ltd. If Britain succeeds in laying her hands on a substantial part of Yugoslavia's metal supplies, she will have won an important bloodless battle.

COMMODITY AND INDUSTRY NEWS

SPOT tin prices have risen in both London and New York in the last week, partly because of smaller offerings and partly through fear of the spread of the war to the Dutch East Indies. War fears were also responsible for the rise in American prices of grains and rubber, but the rise in cotton prices has been checked.

*

Cotton (Manchester).—The fixing of new margins for spinners, to operate from April 17th, is discussed in a Note on page 744. Business in Manchester has been almost at a standstill both for yarns and piece-goods. Exports to India have fallen off to such an extent that, under the clause of last year's trade agreement, Indian import duties have been reduced by 2½ per cent.

*

RAW COTTON delivered to Spinners

Variety ('000 bales)	Week ended		From Aug. 1 to	
	Apr. 5, 1940	Apr. 12, 1940	Apr. 14, 1939	Apr. 12, 1940
American	35.0	32.3	729	1,021
Brazilian	3.5	3.2	203	198
Peruvian, etc.	4.5	3.7	85	157
Egyptian	6.6	9.3	229	268
Sudan Sakel	2.4	2.6	98	113
East Indian	17.5	20.7	290	290
Other countries ..	2.7	2.0	117	102
Total	72.2	73.8	1,751	2,149

Source: Liverpool Cotton Association's Weekly Circular.

*

Metals.—In the United States prices remained unchanged after last

week's rise in the domestic copper price from 11.375 to 11.50 cents per lb. and in lead from 4.85 to 4.95 cents per lb. The United States March copper statistics made an unfavourable impression. Total American deliveries, including those for export, fell from 72,809 short tons in February to 71,893 tons in March, the lowest level since last June. Production of refined copper advanced from 82,761 to 86,295 short tons, the highest level since the 1937 boom. As a result producers' stocks rose to 159,795 short tons at the end of March, an increase of more than 14,000 tons in the month and of more than 24,000 tons compared with the end of January.

*

Tin.—After an initial setback the London tin market became very firm, standard cash closing at £255 per ton, an advance of £2 15s. on the week; the backwardation widened from £2 5s. to £5 7s. 6d. Both these changes were due to smaller offerings for immediate delivery and to the fresh decline in home warehouse stocks, which fell by 282 tons to 1,247 long tons. Since the beginning of March the level of these stocks has been halved, but invisible stocks in this country and stocks of concentrates at the smelters are substantial, so that no shortage is likely.

*

Grains.—Wheat prices in all exporting countries were marked up sharply after the extension of the war to Scandinavia, though the elimination,

if only temporary, of these countries' grain imports might have been expected to have a depressing effect. Australia has sold 100,000 tons of flour to the Far East and the Argentine surplus of wheat has also been reduced by heavy shipments. The new Argentine maize crop is estimated at 50.6 million quarters, double the size of the previous harvest, and with fewer countries importing, a large carry-over is expected at the end of the season.

*

Vegetable Oils.—Fairly substantial allocations of edible oils have been made to manufacturers of margarine and cooking fats at unchanged prices. Imports are arriving in fair volume, though somewhat irregularly, owing to the convoy system. Exports of Plate linseed are heavy and the exportable surplus was estimated by the Argentine Ministry of Agriculture last week at 440,000 tons, compared with 845,000 tons a year ago. Exports of oilseeds from India to Scandinavia have been prohibited, so that a larger proportion than usual of the Indian exports will be available for British use.

*

Rubber.—American rubber consumption in March was slightly below the February level on a working day basis and there was a small increase in stocks. The extension of the war, however, brought a firmer tone to the New York market, though in London prices remained unchanged during the week.

(Continued on page 750)

COMPANY MEETINGS

WILLIAM BEARDMORE AND COMPANY, LIMITED

CONSIDERABLE INCREASE IN PROFIT

DIVIDEND OF 10 PER CENT.

WORKS EMPLOYED TO FULL CAPACITY

SIR JAMES LITHGOW'S REVIEW

The ordinary general meeting of this company was held, on the 12th instant, in London.

Sir James Lithgow, Bt., M.C., D.L. (chairman of the company), presided.

The secretary (Mr D. M. Cameron, C.A.) read the notice convening the meeting, and the auditors' report was read by Mr H. MacRobert.

The chairman, in moving the adoption of the report and accounts, said: In these days of strict censorship there is little which can be said in regard to the activities of a concern like yours, so largely engaged as it is on armament work, and I therefore propose in my remarks to confine myself to a short explanation of the main differences in the accounts as compared with the previous year and, perhaps, to a few general observations.

Under the heading of loan capital, you will notice that the interest for the half-year to December 31, 1939, is shown as a liability. Normally this interest which is due to be paid on that date would not so appear, but it so happened that on this occasion December 31st fell on a Sunday.

I mentioned to you last year that the temporary loans as shown in the accounts had been paid off, and as the company had a substantial cash balance at December 31, 1939, that item no longer appears.

The item sundry creditors, credit balances and provision for taxation is up by approximately £588,000. This is accounted for by an increase in trade creditors and the provision made for Imperial taxation.

EXCESS PROFITS TAX PROVISION

As you will appreciate, it is very difficult to estimate, even approximately, the company's liability to Excess Profits Tax as, in addition to the difficulties which will arise in adjusting a standard profit, there is also the question of a settlement of prices in numerous Government contracts and the apportionment of the profits on these contracts throughout the years in which they were running. We have, however, set aside a sum which we are confident will meet the needs of the case.

The remarks I made with regard to the half-year's interest to December 31, 1939, on the debenture stock apply equally in the case of the preference dividend for the same period.

The amount shown under the head of final dividend on ordinary stock represents the rate recommended by the directors under deduction of tax, upon which I shall comment later. You will note that this year we have given effect to this recommendation in the published figures altering those of last year in the comparison column so as to make them exactly comparable. The alteration seems to me to give a clearer view of the position.

THE RESERVES

The reserves, as you will see, have been considerably increased since last year. Depreciation and obsolescence have gone up by £145,000, a figure which your directors consider will, in addition to covering for depreciation, look after any maintenance and repairs, the carrying out of which may have been deferred due to the reasons given in the directors' report.

This year the directors have decided to create a general reserve, and you will be asked later formally to confirm the placing to the credit of that account of the sum of £300,000, as recommended.

The balance at credit of profit and loss account carried forward has, as you will see, been increased by the substantial sum of £71,012. With regard to our guarantee to the Empire Exhibition, a call of 4s. in the pound has been paid (£1,000), and it is unlikely that there will be any further payment. I am confident that the total cost to the company arising from the exhibition has been fully justified.

Turning to the assets side, you will observe there is a small

increase of £4,196 in the item of land, buildings, plant and machinery, etc. This represents the difference between additions during the year and the book value of assets sold, comprising the works at Anniesland, which I indicated in my speech last year had been sold early in 1939, and the old motor works at Paisley, which were disposed of later in that year. These sales resulted in a small surplus, which has been applied in writing down another property.

THE SUBSIDIARY COMPANIES

With regard to subsidiary companies, in view of the details which I gave you last year I need only say that their results are very satisfactory. I ought to mention, however, that our interest in Beardmore Motors, Limited, which I then indicated was of no direct advantage to your company's business, was exchanged during the year for a 100 per cent. interest in a subsidiary of that company. That exchange was effected so that Beardmore Motors might be developed by its owners in their own interest and to enable us to realise the assets of the subsidiary. Although that subsidiary company has made a loss, it is only technically a revenue loss; the realisation of the assets is proceeding satisfactorily and should produce a satisfactory capital return. It was, however, considered necessary in order to comply with the Companies Act to make a reference to the revenue loss on the face of the accounts, which explains the note thereon to that effect.

The additions to the subsidiary companies of £39,482 represents the transfer of the investment to which I have referred from "investments in associated and other companies," plus a call by John Broadfoot and Company, Limited (£7,232), which now makes the holding in that company fully paid and accounts for the substantial reduction in contingent liabilities. The uncalled capital under this latter heading is now reduced to negligible proportions, and arises from small trade development investments.

The increase in the figures shown under the head of "current assets," while substantial, does not call for special comment, as it is merely a reflection of the increased activity of the company.

DIVIDEND AND TAX DEDUCTION

While the profit for the year shows a considerable increase, the directors feel that with so much uncertainty as to the future they would not be justified in distributing more than a dividend of 10 per cent. for the year, and in recommending a final distribution of 7 per cent. they consider that stockholders will support them in what is necessarily a prudent policy. In regard to income tax on the dividend, the exact rate will not be known until after the Budget. We propose, however, to deduct tax at the current rate of 7s. 6d. and if there is a difference it will fall upon the company.

The works have been employed to their full capacity during the year. Every opportunity has been taken to improve the practice followed in the various manufacturing processes and the efficiency of the plant generally.

In periods of activity such as the present it is of prime importance to keep the works and plant thoroughly up to date and, in order that your company may be in a position to meet the competition which must inevitably follow in the train of a conflict such as that in which our country is at present engaged, a policy with this end in view is very definitely being carried out.

The future is all very uncertain, and it therefore behoves us, particularly a company like yours which depends to such an extent on armament work, to conserve its resources. Many schemes are on foot to increase the country's output of armaments. Certain of these have been entrusted to your company to carry out, and will be managed by us on behalf of the Government. The successful accomplishment of such work in addition to the timely execution of very large orders on hand demands, as will be readily understood, an ever-increasing effort on the part of those concerned.

The report and accounts were unanimously adopted.

UNITED GLASS BOTTLE MANUFACTURERS, LIMITED

HOME AND EXPORT TRADE EXPANSION

SIR MAX J. BONN'S REVIEW

The twenty-seventh ordinary general meeting of this company was held, on the 18th instant, in London.

Sir Max J. Bonn, K.B.E. (the chairman) in the course of his speech, said:—There are many difficulties in presenting the position of the company and the results for the year 1939, against the background of the national emergency. A somewhat slower movement of our trade in the earlier months was followed by an unprecedented onrush of business during the closing period of the year, representing both fresh demands and delivery instructions existing contracts.

BALANCE SHEET

Dealing with the balance sheet, it will be seen that the additions to freehold and leasehold property amount to £8,562. Plant and machinery, at £598,052 (after writing off depreciation, £102,130), compares with £645,071. The items of fixed and loose plant, machinery, etc., are now shown under the one heading of "Plant and Machinery" in order to simplify the presentation of the accounts. The expenditure to date on air raid precautions is £24,763, of which £10,000 has been written off in this year's accounts. After allowing for a decrease in bottle stocks and, on the other hand, an increase in raw materials and stores, the aggregate of £623,001 shows a decrease of £65,472 on the previous year. Debtors, including dividends due from subsidiaries and since received, after making ample provision for any doubtful items, have risen from £471,619 to £650,105. Cash at £209,420 has increased by £60,736. On the liabilities side of the balance sheet, sundry creditors including provision for taxation and contingencies, at £554,198, compares with £453,295.

Our increased liquidity is largely explained by the heavy decreases in bottle stocks, of which I shall have more to say. You will be pleased to know that the board has made a substantial investment on behalf of the associated companies in the recent issue of the 3 per cent. War Loan. Throughout the organisation most enthusiastic support has been given to the U.G.B. National Savings Group, which is affiliated to the City of Westminster Committee.

Ever since the September crisis of 1938 it has been our policy to carry increasingly large supplies of raw materials, within the limits of their availability and our own storage capacity. The various extensions to factory space during recent years have been more than justified by the course of events. Since the National emergency our transport and buying departments have been confronted with daily changing problems and difficulties, and the board wish to render due tribute to Mr Roberts and Mr Biram, the respective heads. You will be interested to learn that of late months we have made good progress in the development of various sand deposits, which promise to render us less dependent on foreign supplies.

PROFIT AND LOSS ACCOUNT

Turning to profit and loss account, it will be seen that the net profit is £248,443, as against the previous year £257,592. The satisfactory results—allowing for the steep increase in taxation, necessitating a provision of £150,000 as against £84,000—are mainly due to two factors: firstly, the greatly increased volume and velocity of trade during the last five months of the year; secondly, an adjustment in prices early in the autumn, sufficient to absorb the immediate upward movement in our main production costs, i.e. increases in wages, fuel, freight and insurances. At the present moment costs are running ahead of prices charged; but provided trade remains at the present volume, and our own costs remain around the existing level, we do not anticipate further increases.

Your board are fully alive to the dangers of the "vicious spiral," and our industry as a whole is keeping a careful watch on this whole question, probably one of the most important in the home front problem.

After comparison with other peak periods, we have come to the conclusion that during September and December, delivery demands—after allowing for increased consumption in certain lines and

new developments arising from the war—must, in some degree, have been in the nature of customers' anticipations. To that extent—obviously at best only an estimate—these over-deliveries would have been at the expense of the earlier part of 1940, short of some certainty that renewals of contracts would be at the very high level of 1939. We have, therefore, with the ready concurrence of your auditors, carried an amount representing the normal profit-rate on this amount of business to the credit of a "1940 Profit and Loss Suspense Account." This is not a provision, but a proper adjustment, just as discount applied to a bill, not yet due.

ALLOCATIONS

The board has allocated £18,350 to debenture redemption reserve, bringing it up to £164,121; £50,000 to general reserve, now standing at £500,000; and £25,000 to staff benevolent fund, which is brought up to £44,246. In previous years you have endorsed my submission as to the need of gradually building up a substantial discretionary fund, in addition to our pension scheme. The increased allocation of £10,000 this year should require little pleading on my part, in view of the many uncertainties which are likely to confront us.

The year's dividend on the preference shares, £58,566, and the interim dividend on the ordinary shares, £28,344, have been paid and it is now proposed to pay a final dividend on the ordinary shares of 6 per cent., making 9½ per cent. for the year (same as last year) and a cash bonus of 2½ per cent. (same as last year), both less income tax, £59,341, and to carry forward a balance of £41,096. We have received a satisfactory contribution by way of dividends from our main subsidiary companies, British Bottles, Limited, and Kork-N-Seal, Limited, the difference being due to increased income tax deducted. Again the mathematics on which the merger arrangement was based have been maintained for all practical purposes.

THE FUTURE

As to the future, we have made an excellent start this year; beyond that I can only promise you the board's unremitting efforts amidst growing difficulties.

The greater the demand, the greater the strain on our factories, whether measured in terms of skilled manpower and/or supplies. No words of mine can do justice to the splendid achievements during war conditions on the part of all our factories—especially during the recent days and nights of frost-bound endeavour.

We have endeavoured to adjust overwhelming demands in the following priority:—

- (1) Actual Government requirements.
- (2) Bottles to be filled for export purposes.
- (3) Our own export of empty bottles.
- (4) General trade—where necessary rationing old customers slightly or even turning down new enquiries.

Although the markets for our direct exports are limited, I am happy to say that they have shown a very marked increase. On the other hand, the aggregate value and importance of the various commodities and products exported in glass containers is far in excess of general appreciation. I have seen estimates which justify in feeling that we are making, no matter how humble, a contribution to the national effort.

In conformity with Government policy, a Glass Industry Export Group has been formed within the last few days; Mr W. H. Pilkington has been elected chairman, and our Mr Judd vice-chairman, as representing the Glass Container Section of the industry. I therefore feel assured that the dependency of our export business on a broad basis of home trade, owing to the problems of mass resist paying a special tribute to the head office organisation, with which I am in more personal touch.

The report and accounts were unanimously adopted and the proceedings terminated with a vote of thanks to the chairman, directors and staff, proposed by the Hon. W. B. L. Barrington.

THE EMPLOYERS' LIABILITY ASSURANCE CORPORATION, LIMITED

SATISFACTORY PROFIT

The fifty-ninth ordinary general meeting of this company was held, on the 17th instant, in London.

Sir Courtauld Thomson, K.B.E., C.B. (the chairman), said that their total premiums, other than for life and marine business, were £6,272,000. Though the volume was less than in 1938, they actually had written more policies. The underwriting profit was £228,000, a satisfactory figure well above that earned in most recent years. Their investments, on market values at current rates, showed a considerable appreciation on book values.

After providing for reserves on a high standard, for heavy taxation, and for dividends at the same rate as a year ago, they had added £63,000 to the amount carried forward, which now stood at £469,000. He thought they would consider that a satisfactory result, particularly for a year partially affected by war conditions.

EFFECTS OF THE WAR

Shareholders would, not unnaturally, wish him to tell them something of how the war had affected, and might affect, the business of the Corporation. The direct effect of the war had so far been small. At home their motor business had dropped with the widespread laying-up of cars. They had been hardly affected at all on the continent of Europe, where their commitments were relatively small. On the other hand, the large proportion of their business which was transacted in the Dominions and in the United States was now a source of greater strength and stability than ever before. They had the added satisfaction of knowing that for that reason they were able to produce valuable "invisible exports" through their interests overseas, and so to contribute to the country's economic war effort.

The fire account once again showed satisfactory results. The general growth of fire business had continued, particularly in the home field. The healthy state of their United States business was strikingly shown by the fact that in spite of reduced premium income the number of policies written in 1939 was the highest for several years past.

With regard to life business, he was glad to say that their associated company, the Clerical, Medical and General Life Assurance Society had been able to report satisfactory results. Although naturally affected by the war, the net new life business completed was over £2,000,000 and the life assurance fund had been increased by £442,000.

There were few changes of special interest in their investments. The larger amount shown at the end of the year in British Government securities had been added to recently by the amount of the new Three per Cent. War Loan which they had been allotted.

Their investments in bonds, stocks and shares, when valued at market prices at the current rate of exchange, showed an appreciation of £1¼ millions compared with values.

APPROPRIATION OF PROFITS

Dealing with the profit and loss and appropriation accounts, he said that when they added the underwriting profit of £228,000 to the net interest received, amounting to £206,000, and deducted £26,000 for sundry expenses and provisions—mainly covering A.R.P. expenditure—they had £408,000 to carry to the appropriation account. The directors declared last September an interim dividend of 1s. 6d. per share, less tax, and now recommended the payment of a final dividend of 2s. per share, less income tax at the appropriate rate in force at the time of payment. If that remained at 7s. 6d. in the pound the final dividend would cost £96,000, making a total of £180,000 in respect of dividends for the year.

The directors recommended that the surplus remaining, £63,000, be added to the amount brought in, making the total carried forward £469,000.

No business could be altogether immune from the effects of war, but, taking into account the geographical distribution of their business, with its high proportion in the British Empire and the United States, its strength in North America, and their comparatively small stake on the Continent of Europe, they could feel that they had certain advantages which made it possible for them to face the countless and inevitable difficulties which lay ahead, with a reasonable degree of confidence.

The report and accounts were unanimously adopted.

ARMY AND NAVY STORES, LIMITED

DIVIDEND OF 10 PER CENT.

The annual general meeting of the Army and Navy Stores, Limited, was held, on the 17th instant, in London.

Brig.-Gen. Sir Frederick Gascoigne, K.C.V.O., C.M.G., D.S.O. (chairman and managing director), said that it was inevitable that there would be a fall in their sales last year, and that fall was reflected in their gross profit, which was down by £38,011, but, owing to the measures of economy which had already been put into operation against the possible coming of the evil day, the net profit was down only by £28,401, notwithstanding certain expenses amounting to some thousands of pounds which they had had to meet on account of the war.

The diminution of profit was due to the falling off in trade. Several factors had contributed to the loss of turnover, the principal ones being the increase in income tax, the evacuation, the black-out, restrictions on the use of petrol, and the frequent admonitions by the Government to the public to spend less. While it had always been their policy to sell a good article at a reasonable price, never had they been more determined than now to pursue that policy. War, with consequent rises in prices, afforded many opportunities for undue profits to be made, but he could assure shareholders that such profits would not be made by them. The customer would be given the advantage of any foresight they might have shown in buying, and prices would be advanced only when such a step became necessary. That was not a policy dictated only by morality; it was a matter of good business.

HINDRANCES TO SHOPPING

The evacuation had taken away from London and its environs many of their customers, and no doubt those districts to which they had repaired had benefited. The black-out and restricted shopping hours were obviously a hindrance to shopping, and in regard to the restrictions on the use of petrol, those had hit the business in two ways. Customers had found it impracticable to go there so frequently, and they had had to curtail their motor delivery service very considerably. They made the very most of their petrol allowance: their customers realised the situation and co-operated with them by giving perhaps more forethought than heretofore in making out their orders, in a mutual endeavour to minimise the inconvenience of the curtailed service.

Stock-in-trade, at £654,035, was no less than £154,420 higher than in the preceding year. Stock was the life-blood of their business, and he could assure shareholders that their business had been duly protected in that respect. Since the close of the year the stock position had been further fortified.

As to the profit available, there remained a sum of £196,434 after adding the amount brought forward last year, £112,030, and deducting £20,500 already paid as interim dividend. In view of the situation which had arisen last September, the directors had thought it advisable to keep the interim dividend at a low figure and to pay out 3d. per share, or 2½ per cent. only. The total results for the year seemed to justify their present recommendation of a final dividend of 9d., making a total of 1s., or 10 per cent. for the year, and accounting for £61,500. It was also proposed to allocate £2,000 to the Indian Good Service Fund and £16,590 to the pensions fund. He was conscious that he had held out hopes that the latter allocation would have been considerably less this year, and so it would have been but for the special circumstances which had prevailed.

For the last two years at their meeting he had refrained from attempting to foretell the future. He certainly did not feel competent, nor would shareholders expect him on that occasion to make any prophecy in regard to the results of the current year. They could not shut their eyes to the fact that the disabilities under which they had suffered for the past year or more could not be expected to diminish so long as the war lasted. They might even increase. They had a loyal clientele, which counted for a great deal; they had an organisation ready to cope with any difficulties which might arise; they had good stocks; they had good reserves, and shareholders might rest assured that, come what might in the way of restrictions or burdens, they would, with the shareholders' support, on which he knew they could count, do their best cheerfully to keep the flag flying in Victoria Street until victory and peace came along and better conditions prevailed.

The report and accounts were unanimously adopted, and a final dividend of 9d., making 1s. or a total of 10 per cent. for the year, was approved.

ANGLO-PORTUGUESE TELEPHONE COMPANY, LIMITED

CONTINUED GROWTH

The fifty-third ordinary general meeting of the Anglo-Portuguese Telephone Company, Limited, was held, on the 12th instant, at the Incorporated Accountants' Hall, London.

Sir Alexander Roger (the chairman) said that the continued growth of the system was reflected in the operating revenue, which had risen by £23,121 to £364,338. Operating expenses had increased by £16,513, partly due to increased provision for depreciation on a larger plant. They had provided £13,000 for contingencies that might be drawn upon during 1940 for writing off debenture issue expenses, and it also formed a reserve for taxation. Net profit amounted to £81,853, compared with £78,967, and they again recommended a final dividend of 5 per cent., making 8 per cent. for the year on the ordinary stock, and a dividend of 8 per cent. on the "A" ordinary shares. The successful placing, in accordance with Treasury requirements, of 5 per cent. first debenture stock early in the present year was an illustration of the advantages which the company derived from its association with the Telephone and General Trust.

After stating that the remittance position continued to be satisfactory, as there was in Portugal a free exchange of currencies of all countries, he went on to say that the stations had increased by 1,408, the total number at the end of the year being 52,506, and they were meeting every demand for service without delay. Since he had become connected with the company in 1927 the number of stations had risen from 21,127 to 52,506, or, putting it in another way, the system had multiplied two and a half times. They were satisfied with the rate of increase, and were glad to note that the calling rate per subscriber, which might be regarded as the true index of telephone activity, was being maintained at a good level. That indicated that the communities which they served were steadily becoming more telephone-minded, and was evidence of the increasing importance of their telephone system to the governmental, commercial and social population in Lisbon and Oporto.

They modestly took credit for the bold expansion policy which they had laid down in 1927, and which they had pursued in good times and in bad, feeling confident that if they provided a first-class modern service it would be appreciated. In spite of the unsettlement caused by the war, their gross capital expenditure for 1940 was expected to amount to some £125,000.

ANGLO-PORTUGUESE TRADE

Portugal was now seeking energetically new outlets for her commerce, and that of her colonies, to replace those markets which the war had restricted or closed, and it was very apparent that neutral countries whose business with Portugal hitherto had been small were fully alive to the reciprocal trade possibilities of the Portuguese market. British national spokesmen were constantly stressing the vital importance of British export trade, and he would emphasise afresh the value and wide range of the field which Portugal and the Portuguese Empire offered not only to British exporters but to firms dealing in imports for home consumption and for re-export to the rest of the world.

Good opportunities for reciprocal trade with Portugal undoubtedly existed, and it was important that they should not be missed because of a too rigid adherence to procedure appropriate to more normal times. Under war conditions British trading regulations should be adjusted as far as possible to meet the requirements and outlook of the Portuguese trader.

The report was unanimously adopted.

PINCHIN, JOHNSON AND COMPANY, LIMITED

A SATISFACTORY YEAR

The annual general meeting of Pinchin, Johnson and Company, Limited, was held, on the 16th instant, at the Hotel Victoria, London, S.W.

Mr Edward Robson (the chairman), in moving the adoption of the directors' report and balance sheet for the year 1939, said:—The profit and loss account balance is £258,942, as compared with £179,880—which is a highly satisfactory improvement upon the previous year, bearing in mind the extraordinary conditions which obtained for the last four months of the year and the obviously depressing influence which preceded that period.

It is gratifying to record that with two exceptions foreign and overseas units have bettered their positions.

With reference to the trading of the past year, I would say that we have made very rapid progress in commercial development of new type materials.

Generally speaking, all sections of our business, which is a very widely spread one, have shown good increases.

It would not, in my opinion, be in the national interest to complain off, or ventilate here, the many troubles we have been experiencing. Naturally, our chief anxiety has been to obtain adequate material with which to operate. Raw material is, of course, the most important single item of our business.

INCREASED DEMANDS

There have been tremendously increased demands for certain articles which are essential to war-time production. As an offset, I am very pleased to say that our own technical resources have evolved many alternatives and replacements that may prove to be of inestimable value and permanent utility.

Competition is still severe and, in some cases, is quite un-economic.

Whilst we can view our own future with confidence, we must realise that, in reality, our whole existence depends upon the successful issue of the struggle with which we, as a nation, are faced to-day.

The company is still by far the largest exporter of paint products in the British paint and varnish industry, and we would like to express our appreciation of the support afforded the industry by the Board of Trade.

The report was unanimously adopted.

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week to April 13, 1940, total ordinary revenue was £12,032,000 against ordinary expenditure of £38,796,000. Thus, including all sinking fund allocations, the deficit accrued since April 1 is £54,763,000 against £18,658,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)			
	Apr. 1, 1939 to Apr. 15, 1939	Apr. 1, 1940 to Apr. 15, 1940	Week ended Apr. 13, 1939	Week ended Apr. 13, 1940
ORDINARY REVENUE				
Income Tax	8,040	11,242	1,512	1,593
Sur-tax	2,440	2,190	600	800
Estate, etc., Duties	2,800	2,710	1,230	1,140
Stamps	300	270	300	...
N.D.C.	790	820	270	290
E.P.T.	70	70	20	20
Other Inland Revenue	100	30	40	10
Total Inland Revenue	14,470	17,332	3,952	3,853
Customs	8,503	9,728	3,849	5,132
Excise	1,910	1,790	1,010	1,011
Total Customs & Excise	10,413	11,518	4,859	6,143
Motor Duties	2,517	3,450	1,071	1,266
P.O. (Net Receipts)	500	200	550	450
Post Office Fund	...	...	...	...
Crown Lands	...	...	...	...
Receipts from Sundry Loans	55	48	...	48
Miscellaneous Receipts	38	296	1	272
Total Ordinary Revenue	27,993	32,844	10,433	12,032
SELF-BALANCING				
Post Office and Broadcasting	2,100	2,300	800	900
Total	30,093	35,144	11,233	12,932

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)			
	Apr. 1, 1939 to Apr. 15, 1939	Apr. 1, 1940 to Apr. 15, 1940	Week ended Apr. 13, 1939	Week ended Apr. 13, 1940
ORDINARY EXPENDITURE				
Interest and Management of Natl. Debt...	22,377	18,571	4,199	1,051
Other Consolidated Fund Services	279	277	246	245
Total	22,656	18,848	4,445	1,296
Supply Services	23,750	68,500	11,250	37,500
Total Ordinary Expenditure	46,406	87,348	18,995	38,796
Sinking funds	245	259	...	...
SELF-BALANCING				
Post Office and Broadcasting	2,100	2,300	800	900
Total	48,751	89,907	19,795	39,696

After raising Exchequer balances by £104,948 to £2,554,168, the other operations for the week (as shown below) raised the gross National Debt by £27,389,000 to about £8,999 millions.

WEEK'S CHANGES IN DEBT

DEBT INCREASES (£ thousands)		DEBT REPAYMENT	
3% War Loan	34,750	Treasury Bills	12,876
Nat. Sav. Certs.	2,300		
3% Def. Bonds	1,825		
Pub. Dept. Adv.	1,390		
Total	40,265	Total	12,876

OTHER ISSUES		OTHER RECEIPTS	
N. Atlantic Shipping	15	Land Settlement	8
Overseas Trade Gies.	247		
Anglo-Turk. Arms	15		
P.O. and Telen.	250		
Total	527	Total	8

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1 to April 13, 1940, are:—

Issues (£ thousands)		Receipts (£ thousands)	
Ordinary Exp.	87,348	Ord. Revenue	32,844
Misc. Iss. (net)	2,157	Gross bor.	57,080
Inc. in balances	160	Less—	
		Sinking fds.	259
		Net borrowing	56,821
Total	89,665	Total	89,665

FLOATING DEBT (£ millions)

Date	Treasury Bills	Ways and Means Advances	Public Depts.	Bank of England	Total Floating Debt	Float. Assets
1939						
Apr. 15	394.0	511.7	35.4	...	941.2	547.2
Jan. 6	770.0	718.1	58.5	...	1546.6	776.6
" 13	785.0	689.8	53.2	...	1528.0	743.0
" 20	800.0	658.1	54.7	...	1512.8	712.8
" 27	811.0	641.3	48.8	...	1501.1	690.1
Feb. 3	811.0	642.4	48.2	...	1501.6	790.6
" 10	806.0	630.1	47.6	...	1483.7	677.7
" 17	806.0	625.9	46.7	...	1478.6	672.6
" 24	801.0	621.9	53.4	...	1476.3	675.3
Mar. 2	791.0	651.0	54.1	...	1496.1	705.1
" 9	776.0	664.6	66.0	...	1506.6	730.6
" 16	761.0	673.6	56.3	...	1490.9	729.9
" 23	746.0	682.8	55.0	...	1483.8	737.8
" 31	731.0	696.7	61.5	...	1489.2	758.2
Apr. 6	716.0	706.3	55.0	...	1477.3	761.3
" 13	701.0	708.4	56.4	...	1465.8	761.8

TREASURY BILLS (£ millions)

Date of Tender	Offered	Applied for	Allotted	Average Rate %	Per Cent. Allotted at Minimum Rate
1939					
Apr. 14	30.0	51.3	30.0	3 1/2	50
Jan. 5	65.0	104.0	65.0	22 3/4	63
" 12	65.0	109.0	65.0	22 3/8	40
" 19	65.0	122.1	61.0	21 8/85	15
" 26	60.0	112.2	55.0	22 0/32	17
Feb. 2	55.0	108.0	50.0	20 9/86	36
" 9	55.0	108.7	55.0	20 6/11	48
" 16	65.0	106.9	60.0	20 6/15	47
" 23	60.0	112.1	55.0	20 5/74	32
Mar. 1	55.0	108.2	50.0	20 4/81	34
" 8	55.0	98.3	50.0	20 5/30	45
" 15	50.0	99.8	50.0	20 5/28	43
" 21	50.0	100.0	50.0	20 4/92	38
" 29	50.0	99.9	50.0	20 7/76	49
Apr. 5	50.0	94.5	50.0	20 8/33	51
" 12	50.0	90.6	50.0	20 8/16	52

On April 12th applications at £99 14s. 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 52 per cent. of the amount applied for and applications at higher prices in full. £50 0 millions of Treasury bills are being offered on April 19th.

NATIONAL SAVINGS CERTIFICATES AND 3% BONDS SUBSCRIPTIONS (£ thousands)

Period	N.S.C.*	3% Bds.	Total
Week to Apr. 2, 1940	2,462	1,690	4,152
Week to Apr. 9, 1940	2,728	1,675	4,403
20 weeks to Apr. 9, 1940	64,556	63,349	127,905

* Revenue returns show repayment of principal amounting to £10,700,000 in the 20 weeks to April 13, 1940.

BANK OF ENGLAND RETURNS

APRIL 17, 1940

ISSUE DEPARTMENT

Notes Issued		Govt. Debt	
In circulation	537,477,467	Other Govt.	11,015,100
In Banking Department	12,759,291	Securities	565,444,746
		Other Secs.	3,029,221
		Silver Coin	510,933
		Amt. of Fid.	530,030,000
		Issue	...
		Gold Coin & Bullion	...
		168s. per oz. fine	236,758
			530,236,758

BANKING DEPARTMENT

Propos. Capital		Govt. Secs.	
14,553,000		129,411,063	
Rest	3,119,775	Other Secs.	4,946,946
Public Depts.	28,654,206	Securities	22,950,754
Other Depts.			
Bankers	114,958,166	Notes	27,897,700
Other Accts.	39,736,323	Gold & Silver Coin	42,759,291
	154,694,489		920,411
	201,021,470		201,021,470

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

THE WEEK'S CHANGES (£ thousands)

Both Departments		Compared with	
	Apr. 17, 1940	Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	537,478	1,940	52,474
Deposits: Public	28,654	5,774	6,526
Bankers	114,958	8,957	18,486
Others	39,736	2,857	906
Total outside liabilities..	720,826	7,980	78,390
Capital and rest	17,673	12	13
COMBINED ASSETS			
Govt. debt and securities	705,904	7,639	305,150
Discounts and advances	4,947	397	1,795
Other securities	25,980	331	1,048
Silver coin in issue dept.	511	2	304
Gold coin and bullion	1,157	61	226,021
RESERVES			
Res. of notes and coin in banking department...	43,680	1,879	1,505
Proportion of reserve to outside liabilities..	23.8%	1.8%	2.9%

COMPARATIVE ANALYSIS* (£ millions)

	1939	1940
Apr. 19		
Mar. 27		
Apr. 3		
Apr. 10		
Apr. 17		
Issue Dept.:		
Notes in circ.	485.0	543.1
Notes in banking dept.	41.2	37.1
Govt. debt and securities	298.5	576.2
Other sec.	0.7	3.2
Silver coin	0.8	0.5
Gold, valued at s. per f. oz.	226.2	0.2
Deposits:		
Public	22.1	43.1
Bankers	98.5	98.0
Others	38.8	42.2
Total	157.4	183.3
Bkg. Dept. Secs.		
Government	102.0	134.2
Discounts, etc.	6.7	6.1
Other	24.2	23.0
Total	132.9	163.3
Banking dept. reserve	42.2	38.2
"Proportion"	26.7	20.8

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

(Continued from page 746)

FORTNIGHTLY INDEX OF WHOLESALE PRICES IN U.K. AND U.S.A.

		(1927 = 100)				
		Mar. 31, 1937	Apr. 19, 1939	Aug. 30, 1939	Apr. 2, 1940	Apr. 16, 1940
The Economist Index (U.K.):						
Cereals and meat	93.0	71.2	66.9	86.3	86.8	
Other foods	70.4	59.6	61.1	80.9	80.4	
Textiles	74.2	53.3	54.3	87.0	87.6	
Minerals	113.2	90.8	95.4	114.7	115.9	
Miscellaneous	87.0	73.7	77.6	99.4	99.2	
Complete Index	87.2	69.2	70.3	93.4	93.8	
1913 = 100	119.9	95.3	96.8	128.5	129.0	
Irving-Fisher Index (U.S.A.)	100.4	85.4	83.4	89.7	...	

* This figure relates to March 16th. † Highest level reached during 1932-7 recovery.

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.

(a) Interim dividend.	(b) Final dividend.	(c) Last two yearly dividends.	(e) Allowing for exchange.	(f) Flat yield.	(g) Yield worked on 4% basis.
(h) Yield on 4½% basis.	(i) Yield worked on 12% basis.	(j) Yield worked to average redemption—end 1960.	(k) Based on redemption at par in 1946.	(l) Yield based on 43% of coupon.	(m) Yield based on 47% of coupon.
(n) Based on payment of 2½%.	(o) To redemption at par in year shown.	(p) 1½% paid free of tax.	(q) Yield on 1523% basis.	(r) Yield based on 43% of coupon.	(s) Yield based on 47% of coupon.
(t) Yield worked on a 15% basis.	(u) Yield based on 47% of coupon.	(v) Yield based on 47% of coupon.	(w) 1% paid free of tax.	(x) 1% paid free of tax.	(y) 1% paid free of tax.

(a) Interim dividend. (b) Final dividend. (c) Last two yearly dividends. (d) Yield on 18.95% basis. (e) 12½% basis. (m) Including bonus of 5% free of tax. (n) Yield worked on a 22½ per cent. basis. (o) Yield worked on a 25 per cent. basis. (p) Annas per share. (q) 8½% paid free of Income Tax. (r) For 15 months to December 31, 1939. Also cash dividend 10 per cent. out of capital reserve. * Bid and offered prices are free of Commission and Stamp Duty. † Free of Income Tax.

Company	Year Ending	Total Profit	Depreciation, etc.	Net Profit after Deb. Interest	Available for Distribution	Appropriation					Difference in Carry Forward (+ or -)	Preceding Year		
						Prof. Div.	Ord. Div.	Rate	To Free Reserves	Total Profit		Net Profit	Ord. Div.	
Breweries		£	£	£	£	£	£	%	£	£	£	£	%	
Woodheads Canonbury ...	Jan. 31	15,688	1,425	4,326	6,620	1,513	2,160	8	...	+ 653	16,473	5,438	10	
Financial Land, etc.														
Agricultural Mortgage ...	Mar. 31	545,593	...	17,193	18,503	...	...	...	9,664	+ 7,529	545,808	2,982	Nil	
Cent. & Dist. Properties ...	Oct. 31	39,587	...	5,669	12,076	3,990	...	...	...	+ 1,679	39,861	4,469	Nil	
Iron, Coal and Steel														
Amalgamated Colls. (S.A.)	Dec. 31	298,436	60,407	205,332	242,738	...	200,000	10	...	+ 5,332	288,999	234,761	10	
Colvilles, Ltd. (S.A.)	Dec. 31	1,205,984	350,000	233,984	546,065	75,625	203,816	8	...	- 25,457	1,043,601	461,601	8	
Edinburgh Collieries ...	Jan. 31	37,491	...	15,146	Dr. 20,926	...	...	...	+ 15,146	...	20,112	Dr. 3,337	Nil	
Wharfedale Colliery	Dec. 31	38,519	10,000	11,363	23,614	1,921	7,838	10	2,500	- 896	28,343	11,433	7½	
Motor, Cycle and Aviation														
Albion Motors	Dec. 31	176,061	...	109,561	185,727	8,032	62,175	12½	60,000	- 20,646	200,189	157,689	15	
Currys, Ltd.	Jan. 27	75,063	...	50,138	69,427	15,000	35,000	10	...	+ 138	62,995	41,537	7½	
Rubber														
Amherst (Selangor)	Dec. 31	12,580	...	6,971	8,846	...	6,398	6	...	+ 573	12,907	8,069	6	
Bow Seng	Dec. 31	7,814	...	5,828	6,960	...	4,600	5	...	+ 1,228	3,440	1,747	2	
F.M.S. Planters	Dec. 31	15,231	...	3,138	16,046	...	6,125	2½	...	+ 2,987	5,707	Dr. 1,778	Nil	
Jaya Amalgamated	Dec. 31	23,258	...	9,435	15,220	...	11,562	6¼	...	+ 2,127	14,943	7,774	4	
Medini	Dec. 31	5,138	...	2,558	4,149	...	3,000	6	...	+ 442	4,557	2,495	4	
Muar River	Dec. 31	12,971	...	5,548	8,858	...	5,460	3½	...	+ 88	6,556	2,227	1½	
Rahman	Dec. 31	2,539	19	904	1,386	...	938	4	...	- 34	3,022	434	1½	
Selangor	Dec. 31	11,038	500	10,280	17,292	...	3,000	2½	...	+ 7,280	10,027	87	Nil	
Sungei Siput	Dec. 31	23,341	829	8,878	20,074	...	7,667	10	...	+ 1,211	14,369	5,633	5	
Sungei Telor	Dec. 31	4,964	...	2,735	4,800	1,322	4,804	4	...	- 391	1,987	Nil	4	
Sungei Way	Dec. 31	23,102	700	14,192	25,249	...	14,080	6	...	+ 312	15,592	9,394	4	
Shops and Stores														
Civil Service Supply	Feb. 29	45,799	...	9,604	36,151	...	...	...	4,000	+ 5,604	54,371	19,567	5½	
Hope Brothers	Feb. 29	67,994	9,098	51,980	114,684	16,500	28,000	7	5,000	+ 2,480	53,362	38,461	6	
McIlroy (Trusts)	Feb. 21	55,323	2,539	47,850	71,636	5,600	13,000	13	...	+ 29,250	20,579	11,086	9½	
African City Props.	Dec. 31	156,711	1,570	66,458	104,403	7,500	46,750	17	10,000	+ 2,208	150,117	60,956	17	
Second Caledonian	Mar. 1	45,227	...	12,823	44,247	9,125	...	...	10,000	- 6,302	49,353	12,987	Nil	
Third Scottish Western	Mar. 1	58,877	...	16,008	55,570	12,863	...	...	10,000	- 6,855	61,696	17,220	Nil	
<														

+ Free of income tax.

Price of income tax

BRITISH WHOLESALE PRICES

		Apr. 9, 1940	Apr. 16, 1940
CEREALS AND MEAT			
GRAIN, etc.—			
Wheat—			
No. 1, N. Man. 496 lb. f.o.b.	s. d.	s. d.	
Vanc.	32 11/2	32 7 1/2	
Eng. Gaz. av., per cwt.	7 3	7 11	
La Plata, per qtr.			
Flour, per 280 lb.—			
Straights, d/d London	22 0	22 0	
Barley, Eng. Gaz. av., per cwt.	16 8	16 9	
Oats	12 6	12 0	
Maize, La Plata, 480 lb., f.o.b.	14 10 1/2	15 0	
Rice, Burma, No. 2, per cwt.	8 0	8 3	
MEAT—			
Beef, per 8 lb.—			
English long sides	4 8	4 8	
Imported hinds	5 4	5 4	
Mutton, per 8 lb.—			
English	4 4	4 4	
Imported	4 4	4 4	
Lamb, per 8 lb.—			
Imported	6 0	6 0	
Pork, English, per 8 lb.	8 0	8 0	
BACON (per cwt.)—			
Wiltshire cut sides	113 6	113 6	
HAMS (per cwt.)—			
Green	118 6	118 6	
OTHER FOODS			
BUTTER (per cwt.)—			
All Grades	143 0	143 0	
CHEESE (per cwt.)—			
Canadian (new)	78 0	78 0	
New Zealand	75 0	75 0	
English Cheddars			
Dutch			
COCOA (per cwt.)—			
Accra, g.f.	34 3	35 0	
Trinidad	35 0	35 6	
Grenada	75 0	75 0	
80 0	80 0		
60 0	60 0		
62 6	62 6		
COFFEE (per cwt.)—			
Santos sup. c. & f.	43 0	43 0	
Costa Rica, medium to good ..	110 0	110 0	
Kenya, medium	98 0	98 0	
EGGS (per 120)—			
English (standard)	15 6	18 0	
FRUIT			
Oranges, Jaffa	13 0	13 0	
" Spanish	14 0	15 0	
" (Navels)	12 0	13 0	
Lemons, Messina	12 6	12 6	
Apples, B. Columbian	15 0	15 0	
Onions, Egypt	18 0	18 0	
Onions, Egypt	19 0	24 0	
Onions, Egypt	20 0	26 0	
LARD (per cwt.)—			
Irish, finest bladders	46 0	46 0	
Imported	54 0	54 0	
Imported	42 6	42 6	
PEPPER (per lb.)—			
Black Lampong (in Bond)	0 35 3/4	0 35 3/4	
White Muntok (f.a.q.) (in Bond) ..	0 41 8	0 41 8	
" (Duty paid)	0 43 4	0 43 4	
" (Duty paid)	0 51 4	0 51 4	
POTATOES (per cwt.)—			
English, King Edward, Siltland ..	8 0	8 3	
Wisebeck, King Edw. (per ton) (f) ..	110 0	110 0	
120 0	120 0		
SUGAR (per cwt.)—			
Centrifugals, 96%, prpt. shipm. ..	7 6	7 6	
c.i.f. U.K./Cont.			
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	36 9	36 9	
37 9	37 9		
TOBACCO (per lb.)—			
Virginia, stemmed and un-			
stemmed, common to fine	1 0	1 0	
Rhodesian, stemmed and un-	2 6	2 6	
stemmed			

(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 price is at buyers' premises. (c) Higher Pool prices in some zones. (d) Quotations for standard copper no longer available. New (e) Including import duty and delivery charges. (f) Official minimum and maximum prices.

AMERICAN WHOLESALE PRICES

		Apr. 10, 1940	Apr. 17, 1940
GRAINS (per bushel)—			
Wheat, Chicago, May	Cents	106 7/8	109 7/8
" Winnipeg, May		89 5/8	90 1/8
Maize, Chicago, May		58 1/8	62 5/8
Oats, Chicago, May		41 1/4	42 3/8
Rye, Chicago, May		67 1/4	69
Barley, Winnipeg, May		53 3/8	53 1/2
METALS (per lb.)—			
Copper, Connecticut		11 50	11 50
Tin, N.Y. Straits, spot		47 37 1/2	47 50
Lead, N.Y., spot		5 10	5 10
METALS (per lb.)—cont.			
Spelter, East St. Louis, spot ..		5 75	5 75
MISCELLANEOUS (per lb.)—			
Cocoa, N.Y., Acra, May		5 59	5 95
Coffee, N.Y., cash			
Rio, No. 7		5 38	5 38
Santos, No. 4		7 14	7 18
Cotton, N.Y., Am. mid., spot ..		10 92	10 90
Cotton, Am. Mid., May		10 99	10 88
Cotton Oil, N.Y., May		6 87	6 93
Lard, Chicago, May		6 00	6 40

OVERSEAS TRADE RETURNS

EXPORTS OF PRODUCE AND MANUFACTURES OF THE UNITED

KINGDOM (Value F.O.B.)

		Imports (Value C.I.F.)		Exports (Value F.O.B.)	
		Month ended March 31	Three Months ended March 31	Month ended March 31	Three Months ended March 31
		1939	1940	1939	1940
CEMENT, best Eng. Portland, d/d site, London area in paper bags 20 to ton (free, non-returnable)—(b)					
4-ton loads and upwards per ton		45 0	45 0		
CHEMICALS—					
Acid, citric, per lb., less 5%	Nom.	0 2	0 2		
" Nitric	0 2 1/2	0 2 1/2	0 2 1/2		
" Oxalic, net	60 0 0	60 0 0	60 0 0		
" Tartaric, English, less 5%	1 6 1/2	1 6 1/2	1 6 1/2		
Ammonia, carb.	32 0 0	32 0 0	32 0 0		
" Sulphate	9 6 0	9 6 0	9 6 0		
Borax, gran.	s. d.	s. d.	s. d.		
" powder	19 6	19 6	19 6		
Nitrate of soda	9 10 0	9 10 0	9 10 0		
Potash, Chlorate, net ... per lb.	0 10 0	0 10 0	0 10 0		
" Sulphate	10 0 0	10 0 0	10 0 0		
Soda Bicarb.	11 0 0	11 0 0	11 0 0		
Crystals	5 10 0	5 10 0	5 10 0		
Sulphate of copper	26 15 0	26 15 0	26 15 0		
COPRA (per ton)—					
S.D. Straits, c.i.f.	13 10 0	13 10 0	13 10 0		
HIDES (per lb.)—					
Wet salted Australia, Queensland } 40/50 lbs.	s. d.	s. d.	s. d.		
West Indian	0 4 1/2	0 4 1/2	0 4 1/2		
Cape, Jo'burg Ord.	0 7 1/2	0 7 1/2	0 7 1/2		
Dry Capes	0 9 1/2	0 9 1/2	0 9 1/2		
Drysalted Capes	0 9 1/2	0 9 1/2	0 9 1/2		
English & Welsh Market Hides—					
Best heavy ox and heifer	0 7 0	0 7 0	0 7 0		
Best calf	0 7 0	0 7 0	0 7 0		
INDIGO (per lb.)—					
Bengal, gd. red-vio. to fine	5 6	5 6	5 6		
LEATHER (per lb.)—					
Sole Bends, 8/12 lbs.	1 10	1 10	1 10		
Bark-Tanned Sole	3 0	3 0	3 0		
Shoulders from D.S. Hides	1 2	1 2	1 2		
" Eng. or WS do.	1 5	1 5	1 5		
Bellies from DS do.	1 2	1 2	1 2		
" Eng. or WS do.	1 5	1 5	1 5		
Dressing Hides	2 0	2 0	2 0		
Ro. Eng. Calf, 20/35 lb. per doz.	5 3	5 3	5 3		
PETROLEUM PRODUCTS (per gall.)—					
Motor Spirit, England & Wales (c) Kerosene, Burning Oil ..	1 6 1/4	1 6 1/4	1 6 1/4		
" Vapourising Oil ..	0 9 1/4	0 9 1/4	0 9 1/4		
(c) Automatic gas oil, in bulk, ex road tank waggons ..	1 3 1/4	1 3 1/4	1 3 1/4		
Fuel oil, in bulk, ex instal.	1 3 1/4	1 3 1/4	1 3 1/4		
Thames					
Furnace	0 6 1/4	0 6 1/4	0 6 1/4		
Diesel	0 7 0	0 7 0	0 7 0		
ROSIN (per ton)—					
American	25 0 0	25 0 0	25 0 0		
St. ribbed smoked sheet	35 0 0	35 0 0	35 0 0		
Fine hard Para	0 10 1/2	0 10 1/2	0 10 1/2		
SHELLAC (per cwt.)—					
TN Orange	83 0	83 0	83 0		
TALLOW (per cwt.)—					
London Town	22 10	22 10	22 10		
TIMBER—					
Swedish u/s 3 x 8	25 17 1/6	25 17 1/6	25 17 1/6		
" 2 1/2 x 7	25 16 1/2	25 16 1/2	25 16 1/2		
" 2 x 4	24 2 1/2	24 2 1/2	24 2 1/2		
Canadian Spruce, Deals ..	28 10 0	28 10 0	28 10 0		
Pitchpine	33 0 0	33 0 0	33 0 0		
Rio Deals	50 0 0	50 0 0	50 0 0		
VEGETABLE OILS (per ton net)—					
Linseed, raw	42 10 0	42 10 0	42 10 0		
Rape, crude	44 5 0	44 5 0	44 5 0		
Cotton-seed, crude	31 2 1/2	31 2 1/2	31 2 1/2		
Coconut, crude	28 2 1/2	28 2 1/2	28 2 1/2		
Palm	18 15 0	18 15 0	18 15 0		
Oil Cakes, Linseed, Indian ..	8 2 1/2	8 2 1/2	8 2 1/2		
Oil Seeds, Linseed	16 17 1/2	17 5 0	17 5 0		
La Plata	19 0 0	19 0 0	19 0 0		
Calcutta	54 9	54 9	54 9		
Turpentine (per cwt.)					
IV.—Animals, not for Food ...					
V.—Parcel Post					
Total					

SHORTER COMMENTS

(Continued from page 744)

Nundyroog Mines.—Net profit 1939, £255,167 (£225,606). Written off: buildings, etc., £13,702 (£13,860); exploration expenditure, £4,266 (£3,621). Insurance reserve, £4,000 (same). General reserve, £30,000 (£10,000). To income tax and N.D.C., £73,230 (£49,700). Ordinary dividend reduced from 47½ to 42½ per cent. Carry forward, £10,087 (£10,382).

Bovis, Ltd.—Profit for 1939, £37,356 (£39,057). £12,954 has been transferred from the reserve for contingencies, etc., to meet losses of subsidiary companies. To reserve for contingencies, etc., £15,954.

Carry forward, £1,405 (£1,645). Ordinary dividend maintained at 10.4 per cent.

Vine Products, Ltd.—Profit 1939, £196,200 (£165,446). To taxation, £42,589 (£38,057). By reduction of goodwill, £30,000 (£29,608). Ordinary dividend maintained at 22½ per cent. Carry forward, £26,497 (£21,234).

Travers (Joseph) and Sons, Ltd.—Net profit year to January 27, 1940, £80,208 (£16,189), after income tax and N.D.C. and in 1940 after E.P.T. Ordinary dividend raised from 10 to 15 per cent. To war contingency reserve, £20,000; pensions reserve, £5,000; development reserve, £2,724. Carry forward, £35,429 (£19,195).

Hope Brothers, Ltd.—Net profit year to February 29, 1940, £52,980 (£39,461). Ordinary dividend raised from 6 to 7 per cent. To reserve for contingencies, £5,000 (nil). Carry forward, £65,184 (£62,704).

Shell Union Oil Corporation.—Net income 1939, \$11,805,713 (\$11,318,423). Dividends paid on common shares 50 cents against 70 cents in 1938. Production 1939, 47,825,985 barrels (46,213,842 barrels).

London Asiatic Rubber.—Net revenue 1939, £139,335 (£108,714). Ordinary dividend maintained at 10 per cent. To taxation reserve, £57,500 (£31,000). General reserve, £20,000 (nil). Dividend equalisation reserve, £10,000 (nil). Carry forward, £82,701 (£82,395).

THE MITSUBISHI BANK, LIMITED
(Incorporated in Japan)
SUBSCRIBED CAPITAL.....YEN 100,000,000
PAID-UP CAPITAL.....YEN 62,500,000
RESERVE FUND.....YEN 68,211,463 (June 1939)

GENERAL BANKING AND FOREIGN EXCHANGE BUSINESS
DEPOSIT RATES ON APPLICATION

Head Office: TOKYO

Branches: TOKYO (15), OSAKA (5), KOBE (3), KYOTO, NAGOYA (2), OTARU, KOKURA, SHANGHAI, DAIREN, NEW YORK, LONDON
London Office: 3 BIRCHIN LANE, CORNHILL, E.C.3
Telephone: MANSON HOUSE 5531-5532
Telegraphic Address: Inland, "IWASAKIBAK, STOCK, LONDON."
Foreign: "IWASAKIBAK, LONDON."

THE SUMITOMO BANK, LIMITED
(Incorporated in Japan)

Head Office: OSAKA, JAPAN

Capital Subscribed Yen 70,000,000.00
Capital Paid-up Yen 50,000,000.00
Reserve Fund Yen 52,000,000.00
HOME OFFICES:—Amagasaki, Fukuoka (2), Hiroshima (3), Kobe (3), Kokura, Kumamoto, Kure, Kurume (2), Kyoto (3), Moji, Nagoya (2), Niihama, Okayama, Onomichi, Osaka (30), Shimonoseki, Tokyo (20), Wakamatsu, Wakayama, Yanai and Yokohama.
FOREIGN OFFICES:—Dairen, Shanghai, London, New York, San Francisco, Los Angeles, Seattle, Sacramento and Honolulu.
OFFICES IN PACIFIC LINERS:—M.S. "Asama Maru," M.S. "Kamakura Maru" and M.S. "Tatuta Maru."
Correspondents in all important places at Home and Abroad
London Office: 67 BISHOPSGATE, E.C.2
Telephone: London Wall 4955 (2 lines).
M. MAYE, Manager.

IMPERIAL JAPANESE GOVERNMENT

FIVE AND A HALF PER CENT. EXTERNAL LOAN OF 1930
FOR \$71,000,000

NOTICE IS HEREBY GIVEN that the COUPONS due 1st May, 1940, will be PAID on and after that date (Saturdays excepted) between the hours of 11 and 2 at The Yokohama Specie Bank, Limited, where lists may be obtained.

Coupons must be left three clear days for examination prior to payment, and will be PAID at the fixed exchange of \$4.8665 to the £1.
For THE YOKOHAMA SPECIE BANK, LIMITED,
H. KANO, Manager.

7, Bishopsgate, London, E.C.2.
16th April, 1940.

THE ALEXANDRIA WATER COMPANY, LIMITED
PAYMENT OF DIVIDEND

NOTICE IS HEREBY GIVEN that a dividend of Eleven Shillings per £5 Share will be paid without deduction of British Income Tax but less Egyptian Government Tax at 8 per cent., making 10s. 1.44d. net, on Coupon No. 103 on and after April 15, 1940, at the National Bank of Egypt in Alexandria at Rue Toussouin, or in London at 6 King William Street, E.C.4.
Net profits for the year ended December 31, 1939, £168,000 (last year £168,000).

Dated, Alexandria, Egypt, April 4, 1940.

By Order of the Board,
T. D. KEY,
ROBERT WALTON,
Joint Managers.

ROYAL BANK OF CANADA

DIVIDEND No. 211

NOTICE IS HEREBY GIVEN that a DIVIDEND of 2 per cent., being at the rate of 8 per cent. per annum, upon the paid-up Capital Stock of the Bank has been DECLARED for the three months ending 31st May, 1940, and will be PAYABLE at the Bank and its branches on and after 1st June, 1940, to Shareholders of record 30th April, 1940.
By Order of the Board,
E. B. McINERNEY, London Manager.

6 Lothbury, London, E.C.2.
April 18th, 1940.

THE CUNARD STEAM SHIP COMPANY LIMITED

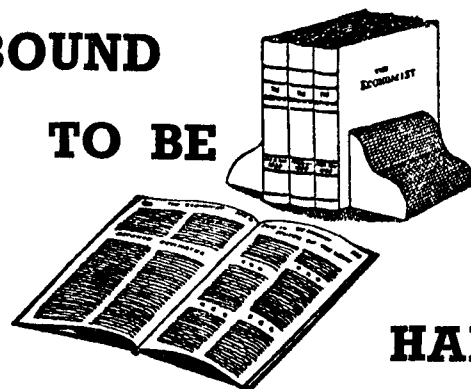
NOTICE IS HEREBY GIVEN that the Sixty-third Ordinary General Meeting of THE CUNARD STEAM SHIP COMPANY LIMITED will be held at Cunard Building, in the CITY OF LIVERPOOL, on Wednesday, the 24th April, 1940, at ELEVEN o'clock a.m.
Owing to circumstances arising out of the War, the Statement of Accounts and Balance Sheet cannot be submitted and the Stockholders will be invited to pass a Resolution adjourning the Meeting to a later date.

By Order of the Board,
H. J. FLEWITT, Secretary.

Offices: Cunard Building, Liverpool.
10th April, 1940.

BOUND

TO BE



HANDY

For many years we have been supplying special binders to hold three months' issues of *The Economist*. These Binders have no wires, clips or metal contrivances and each issue can be bound up in an instant in such a way that it can be read as easily as a well-bound book.

In response to numerous requests we are now also supplying a Reading Case, made on similar lines, to hold two issues.

Both are bound in full cloth (blue) and lettered in gilt.
The price of the Binder is 5s. 6d. post free (Overseas 6s. 6d.) and of the Reading Case 4s. post free (Overseas 4s. 6d.)

from

THE ECONOMIST

8 BOUVERIE STREET, LONDON, E.C.4

TERMS OF SUBSCRIPTION TO THE ECONOMIST

	INLAND	OVERSEAS
	£ s. d.	£ s. d.
12 Months	- - 2 18 0	3 1 0
6 Months	- - 1 9 0	1 10 6

Cheques to be made payable to The Economist Newspaper Ltd.

Copies of *THE ECONOMIST* may be obtained in

THE CITY: 20 Bishopsgate, and all principal newsagents and bookstalls.

PARIS: Messageries Hachette, 111 Rue Reaumur.
W. H. Smith & Son, 248 Rue de Rivoli.
W. Dawson & Sons, 13 Rue Albouy.
Galignani Library, 224 Rue de Rivoli.

BRUSSELS: W. H. Smith & Son, 71-75 Boul. Adolphe Max
AMSTERDAM: M. V. Gelderen and Zoon, Damrak 35.

GENEVA: Agence Naville, 5 & 7 Rue Levrier.

BUDAPEST: Grill's Bookshop, Dorottya utca 2.

CAIRO: Mr. E. J. Lovegrove, 14 Chareh Maghrabi.

NEW YORK: The International News Co., 131 Varick St.
American News Co., 131 Varick St. and Branches.

CANADA: Wm. Dawson, Ltd., 70 King St. East, Toronto.

PUBLISHING OFFICE:

8 BOUVERIE STREET, LONDON, E.C.4

Telephone: Central 8631

THE ECONOMIST

Vol. CXXXVIII

APRIL 27, 1940

No. 5044

CONTENTS

LEADING ARTICLES

A Budget of Delusions	759
Italy and the Allies	761
Food Policy	762
The Budget Accounts	763

NOTES OF THE WEEK

Hostilities in Norway	765
Lull or Checkmate?	765
The Kremlin Looks On	766
More Quislings	766
Terms of Requisitioned Ships	766
Fifth Columns and the Fourth Estate	767
Censorship and Information	767
The Purchase Tax	767
Votes of Credit	768
The Railways' Ten Per Cent.	768
Germany's Trade Drive Continues	768
Shorter Notes	769

THE WORLD OVERSEAS

Poland Under German Rule	769
Labour and the Election (U.S.A.)	770
Canada's Spring Revival	771
Irish Opportunity	772
Jugoslavia's Needs	772

THE BUSINESS WORLD

LEADING ARTICLES

Limited Dividends and Equities	774
The Case of Ebbw Vale	776

FINANCE AND BANKING

Money and the Budget	777
The Course of Sterling	778
Sterling Rate in Norway	779
Swedish Exchange and Gold	779
A New Bank of England Branch	779
Union Bank of Scotland	779
MONEY MARKET NOTES	778

INSURANCE NOTES

The London Assurance	779
Royal Exchange Assurance	779

INVESTMENT NOTES

A "Gilt-Edged Budget"	780
Changes in E.P.T.	780
From Gross to Net	781
Railway Charges	781
An Undefaulted German Bond	782
Dunlop Rubber Achievement	782
East Rand Proprietary	782
Anglo-American Development Progress	782

INVESTMENT NOTES—continued

Company Results of the Week	782
Company Meetings of the Week	783
THE STOCK EXCHANGES	783
CAPITAL ISSUES	784
SHORTER COMMENTS	784
DIVIDEND ANNOUNCEMENTS	784

INDUSTRY AND TRADE

Compensation for Requisitioned Ships	785
Cotton Trade Regulations	785
Raw Cotton Stocks	785
The Match Trade	785
Food from Scandinavia	785
Woollen Exports to Scandinavia	786
Whale Oil	786
Germany's Chemical Industry	786
Industrial Orders in America	787
Is There Enough Oil?	787
COMMODITY AND INDUSTRY NEWS	787

COMPANY MEETINGS

CURRENT STATISTICS

MONTHLY TRADE SUPPLEMENT

A Budget of Delusions

SIR JOHN SIMON has missed his opportunity. He could have introduced a Budget on Tuesday that might have served at once as a promise of resolute action, as a proof of realistic foresight and as an instrument by which the people could demonstrate their passionate desire to serve the State. Instead he has preferred to muffle the emergency, to foster delusions and to encourage the citizen to believe that his help is neither needed nor desired in much more than the present offhand degree. The lowest conceivable figure has been put on the financial measure of the State's activities and even that inadequate sum is left to be raised, as to more than half of it, by the easiest (and most dangerous) method. Even the keenest desire to foster confidence in the national finances must yield to a sense of bitter disappointment.

In a usual year, discussion of the Budget naturally turns mainly on the details of the taxes imposed; the total figures are taken largely for granted. But this year it is to those total figures that the severest criticism has rightly been directed both in Parliament and in the responsible Press. The Chancellor explained at some length the unavoidable difficulty of estimating expenditure in war conditions; but there was nothing in his speech to indicate that his figure of £2,000 millions for war purposes and £667 millions for civil purposes was intended to be other than a genuine forecast of what was in fact likely to be spent. The figure of £2,000 millions is, of course, huge; but it is also miserably inadequate. In fact, it can be bluntly stated that if we spend money at that rate only we shall lose the war. A few comparisons will illustrate the point. The sum of £2,000 millions a year represents £5½ millions a day. But in the first seven months of the war we spent on war purposes an average of £4¼ millions a day. Are we invited to assume that the average expenditure of the twelve months just beginning will only be a quarter larger than in those first months, when so much was being improvised, so much

just starting up, so much only in paper existence? In the eight weeks from mid-January to mid-March, expenditure on the war was running at about £5 millions a day; last week it was only a shade lower. Does the Government really wish us to believe that the most it can manage in the next twelve months is a war effort only one-tenth greater than at present? And behind these comparisons there is a more sinister one. The Nazis are spending at least £2,500 millions and probably £3,000 millions or even more this year on the war. Is there any pretence that we shall win with a smaller effort than theirs?

It is, of course, perfectly true, as the Chancellor pointed out, that the amount of expenditure is determined "by the man-power available for production and by the supply of war material." Finance, in wartime, is necessarily a camp follower, which cannot move until the armies themselves are on the march. But if the Chancellor relies on this explanation of his inadequate figures the position is only made worse. If his figure of £2,000 millions is a true estimate, then the supply position must be bad beyond belief. If, on the other hand, it is a deliberate under-estimate, then, since all the arguments and proposals of the Budget were based upon it, it will have the effect of deluding the public about the extent of the burdens they will have to bear and of postponing the inevitable awakening to reality until it will be far too late to improvise a realistic policy. In either case, for those with the imagination to translate financial figures into strategic facts, nothing more utterly disheartening than this figure of £2,000 millions has emerged since the war began.

This main issue of economic policy is that on which the eyes of the public should now be trained. The question of by what precise financial means the total of expenditure should be met—the Budget problem proper—is, of course, important. But its importance is secondary: to make the wrong choice between taxation, borrowing and inflation

may cause us endless sorrow and social disturbance; but it will not lose the war. To set the limits of our war effort too low, on the other hand, to proceed with timidity rather than boldness, will mean the losing of the war.

Even when we turn from the major aspect of economic policy in general to the comparatively minor matter of methods of finance, it is difficult to feel any satisfaction with this week's Budget. The total expenditure of £2,667 millions is—we must devoutly hope—an absolute minimum. But of this absolute minimum only 46 per cent. is to be covered out of revenue—less than half of an inadequate figure and not much more than a third of what our expenditure ought to be this year. But it is surely reasonable that the lower the estimate that is put on total spending, the higher should be the proportion covered by taxes. If we do our strategic duty, the expenditure in this twelvemonth will be not £2,667 millions, but more like £3,300 millions, with still more to come next year. Compared with either figure, a revenue total of £1,234 millions is hopelessly inadequate.

The taxation proposals contained in the Budget bear heavily only on the specific points on which they are imposed. The increases on the duties on beer, spirits and tobacco are undoubtedly stiff, and the increases in postal rates penal. But the increase of taxation as a whole is light. The lowering of the starting-point for surtax from £2,000 to £1,500 is unlikely to exact an extra payment of more than about £30 from any individual—and to pay as much as that he must have an income of at least £2,000. The increased burden on the £5-£12 a week class—who now, by general admission, bear the lightest proportionate burden of any income group—is also slight. The Chancellor quoted the case of the married man without children earning £300, who will pay £15 in income tax this year, against £7 last year and £5 the year before. His tax, it is true, has gone up by 200 per cent. in two years. But his net income after tax—which is what matters, since it determines his consumption—has only been reduced from £295 to £285, or by about 3½ per cent. Sir John is deluding himself—or the public—with the simple fallacy of proportions when he quotes examples such as this as “striking increases.” How can the public be expected to take seriously the need for restricting consumption when the Chancellor thus encourages them to squeal long before they have been hit?

The chief novelty in the field of taxation is the Purchase Tax. Some reasons are given on a later page for thinking that the yield of this tax will not be very great. Indeed, like any other indirect tax, it inevitably falls between two stools; if, in the attempt to produce a large revenue, it is levied on necessities, it is unfair and regressive in its incidence; but if in the attempt to avoid placing the lion's share of the burden on the shoulders of the poor, necessities are exempted, very little revenue will be obtained. The Purchase Tax is an interesting and ingeniously contrived newcomer to the fiscal gallery; but it is not a major contribution to the problem of paying for the war.

The result of this timid approach to taxation is that the Chancellor of the Exchequer is left with £1,433 millions to borrow—at least £1,433 millions and probably a great deal more. Not all of this sum, it is true, has to be raised from the public. The recent loan operations have left the Exchequer with £100 millions “in hand” (though the collection of this sum will surely reduce by the same amount the savings available for other loans). Drafts on our dollar assets reduce the need for new borrowing, though not more than a very few hundred millions a year can be derived from this source. Purchases from sterling area countries may lead to the accumulation of balances that can be lent back to the Treasury. But, even with these deductions, the amount to be sought from the savings of the public in the present year cannot be less than £1,000 millions and may well be half as large again. The national savings, including expenditure on the maintenance and replacement of existing capital, have never in peacetime reached this figure. It follows that the total of savings must, by one means or another, be increased.

Having arrived at this point, Sir John Simon was naturally led to pronounce upon Mr Keynes's proposals for compulsory savings or “deferred pay.” This was the moment for which the House of Commons had been most

anxiously waiting, since the Keynes plan, apart from its precise proposals, has come to stand as a symbol of the need for a novel and imaginative approach to the problem of war finance. The Chancellor's decision was to reject the Keynes plan on the ground that the use of compulsion would diminish the yield of voluntary borrowing. “Why should we assume that the willing exertions of our people if properly aroused and directed will produce less results than if we attempted to apply a cast-iron formula and compel people to lend? . . . I would advise the Committee to rely on the results to be obtained by stimulating to the utmost the response to our existing methods of borrowing.”

This is a line of argument that can always be relied upon to raise a cheer; but it cannot be conceded very much logic. As Sir John himself pointed out, the fact that taxes are compulsory is the reason why so few voluntary gifts to the Exchequer are made. But he does not draw from this fact the conclusion that compulsory taxes should be avoided. On the contrary, he assumes, every day, that “the willing exertions of our people” would produce far less than the application of a “cast-iron formula” of compulsion. It is, of course, perfectly true that the imposition of a scheme of compulsory savings would reduce the amount of voluntary savings; but so will an increase in income tax, a lowering of the surtax limit, an increase in the duties on tobacco, beer and spirits, and the imposition of a Purchase Tax. Every part of the financial problem impinges on every other, and if we were never to undertake any measure that might reduce voluntary savings there would be no Budget at all. It is not by arguments such as these that the Keynes plan can be rejected.

The weakness of the Keynes plan is that it was ever associated with borrowing. Any proposal to put compulsory levies on the people, whether they are called taxes or loans, raises heated arguments about relative equity and consumes a very great deal of political energy. If we are to increase tax revenue to the required extent, we shall need all the political energy we can command; it is a pity to squander any of it on proposals for borrowing, which is a problem that should not arise until after taxation has been pushed to the uttermost limits.

Compulsory saving by an assessment on each income is a second-best idea, for the simple reason that if the assessment can be achieved it can be used for an outright tax. But it does not, of course, follow that the necessary increase in saving can be left to be achieved by mere exhortation. Sir John Simon did not suggest that that was possible; his policy of “stimulating to the utmost the response to our existing methods of borrowing” includes the forcible restriction of expenditure. The limitation of dividends is one small step in this direction, the control of imports is another, the limitation of raw materials for civil uses a third, the new Purchase Tax a fourth. The element in the Budget speech that deserves the most commendation is this recognition of the fact that savings can only be increased if consumption is limited. This is a sound and an essential policy; but it suffers from the defect that to be effective it must be complete. To limit some forms of expenditure is merely to increase others. If the object is to produce an increase in total savings, all forms of expenditure must be brought under control. If the policy is carried through to a conclusion, it will produce savings (as it has in Germany) far greater than could be done by any system of assessment on specific incomes. But, alas, there is little reason to believe that the Government have the resolution necessary to carry this, or any other, painful policy far enough. Without it, Sir John's endorsement of the need for restrictions on consumption, like his avowal of determination to avoid inflation, is likely to be as ineffectual in practice as it is praiseworthy in principle.

The Chancellor has gravely misjudged the economic needs of the situation. If we go through the year with no change in the financial policy outlined in this Budget, we shall be in a financial morass from which no Chancellor will be able to rescue us. We must pin what hopes we can to the possibility that, by the autumn, the need for a revised Budget will be too pressing to be denied, and that by that time, through a change of personnel or some other minor miracle, a breath of realism and courage will have blown through the windows of the Treasury.

Italy and the Allies

IN spite of the open declarations of the Italian Government that Italy is not neutral and may at any moment enter the struggle against us, many people still find it hard to believe in Italy's hostility towards the West. They remember that she was our ally in the last war and are conscious of no immediate clash of interest. There exists very little desire to fight Italy, rather surprise and regret that Italy should—apparently—want to fight us.

The regret is justified, but possibly not the surprise. Ever since Italy achieved national unity in 1870 her path to expansion and Great Powerhood (which could only lie through the Mediterranean) has been blocked by the old-established Powers who had achieved their positions while she was still struggling for freedom. The war did not ease the position, for whereas France and Britain held that Italy was well served at Versailles with Trieste, Trentino, Gorizia, Istria, the South Tyrol and control of the Adriatic, Italy herself looked on these acquisitions as a mere completion of the work of national unification and bitterly resented her exclusion from the division of the German and Turkish Empires. Apart from the consolidation of her position in the Adriatic and the Dodecanese, the last war did not improve Italy's position in the Mediterranean. She came out of the war a discontented Power.

The years which followed, especially after the advent of Fascism, were filled with Mediterranean bickering over Corfu, over Tunis, over naval parity. The elements of future misunderstanding existed long before the Abyssinian war brought about a new deterioration in Italy's relations with the West. We tend to look on sanctions as an attempt to enforce a new standard of international behaviour which was frustrated by France's overmastering fear of Germany and the British Government's indifference to the fate of the experiment. The focus of interest in this country was the upholding of international law, not the crushing of Italy. There was no thought of her as a possible imperial rival, and comparatively little hostility. Italy, somewhat understandably, took another view. Sanctions was a hypocritical plot to prevent her competing in the imperial field, a desperate endeavour on the part of the old imperialist Powers to enforce their monopoly. The country emerged from the ordeal in a state of mind which must be fully understood if we are to see the significance of her present position.

On the one hand, her hostility towards France and Britain and her desire to turn them from the Mediterranean were enormously reinforced. On the other, their startling failure to make their policy effective encouraged Italy to believe that their day was over and that they were empires in decline. Since 1936 our *decadentia pluto-democratica* has been so widely advertised that the Italians have come to believe in it. And it must be admitted that the Allies' policy has given the propagandists some valuable assistance. Once her fear of isolation and her need of reinforcement in Spain had driven Italy into the arms of Germany and the Axis had come into being, Italy was offered the intoxicating spectacle of her two great Mediterranean rivals in steady retreat. In the Rhineland, in Spain, in Austria and finally and most devastatingly in Czechoslovakia, the Allies suffered a series of political setbacks so serious in their cumulative effect that by the end of 1938 Italy appears to have believed that Axis pressure

would secure without fighting a transfer of power in the Mediterranean. No other belief can have underlain the “Tunis, Corsica, Nice” outburst or the open canvassing in the Italian Press for a “Mediterranean Munich.” The Allies appeared to be in full retreat, and their conciliatory policy—the gentlemen's agreement and Mr Chamberlain's letter in 1937, the Anglo-Italian pact and France's offer of a general understanding in 1938, Mr Chamberlain's post-Munich visit to Rome in January, 1939—convinced Italy not of their good-will but of their weakness, while, in that spirit of contradiction which distinguishes Italy's attitude towards the West, their consolidation of friendly relations with Turkey and the guarantees to the Balkans were loudly denounced as “encirclement” and “power politics.” France and Britain were at once imperialists and decadents, warmongers and pacifists, a deadly threat and a spectacle of impotence.

These, then, were the unsatisfactory relations existing at the outbreak of war. It is still a matter of conjecture why Italy did not at once enter the conflict at the side of her ally, but from Count Ciano's speech of December 16th

last it is possible to deduce that the chief reason was unpreparedness. At Milan and again at Salzburg, Italy made it clear that she was not yet ready to fight, and even mentioned a three-years' delay. The sweeping changes in the Italian Government which took place in October were connected with such matters as low reserves, lack of military stocks, and tardy reorganisation in the Services.

Another reason may very well have been pique in that Germany, in her violent career of aggression, had left no time for the looked-for “Mediterranean Munich,” and Italy was not anxious to join in a war for Poland when her immediate

aim was Tunis—without a war. But her abstention meant no fundamental change in her attitude towards the Western democracies, and they in their turn did little to convince her that her attitude had been mistaken. The quick destruction of Poland, the Finnish war and the general passivity of the first phase tended to confirm Italy's low opinion of the Allies' fighting power. Their overtures to her, their concessions, their attempts to make her “non-belligerent” economically worth while increased her suspicions of their imperial strength. On the other hand, the Treaty with Turkey, with its provisions for “the maintenance of peace” in the Mediterranean, the massing of a great army in the Near East, and, above all, our contraband control, were as many irritating reminders of the reality of our hold on the Mediterranean.

In spite of the “holdback guarantees” and the navicert system, which reduce the actual searching of Italian ships to a minimum, the Italians feel it intolerable to have to pass through our controls at Gibraltar and Suez when entering *Mare nostrum* or to be invited to stop at Malta on their way to Italian ports. There is another difficulty. We expect neutrals to accept our contraband control as a means to a victory which will be as much to their advantage as to our own. But Italy is Germany's “non-belligerent” ally. If she is interested in anyone's victory it is Germany's. Acceptance of our contraband control thus puts her in the paradoxical position of helping to defeat her own apparent interests. She does not resent the control less on that account.

There is thus nothing in Italy's recent relations with

ITALIAN IMPORTS IN 1938 (‘000 quintals)					
	Raw Cotton	Raw Wool	Iron Ore	Steel Scrap	Crude Oil
From Allied countries	491	212	2,829	1,037	2,363
From Neutrals beyond Suez, Gibraltar and the Dardanelles	1,046	93	...	4,125	11,324
Total of above	1,537	305	2,829	5,162	13,687
Total imports	1,571	326	4,006	6,040	14,742

NAVIES, SEPTEMBER, 1939			
	Great Britain	France	Italy
Capital ships	15*	7	4*
Aircraft carriers	6†	1	...
Heavy cruisers	15	7	7
Other cruisers	43*	12	14
Destroyers	179	59	61
Submarines	57	78	104
Torpedo boats	...	12	70
Motor torpedo boats	26	1	72

* Including 2 under construction. † Excluding H.M.S. *Courageous*. Figures from *Jane's Fighting Ships*.

the West to suggest that she will remain permanently neutral. She resents our presence in the Mediterranean and she has come to have serious doubts on our powers of remaining there. This general attitude, however, throws little light on her immediate intentions. The crucial point may well be our contraband control. Since the Brenner meeting the system of "holdback guarantees" has been working less satisfactorily, and more leakages of goods to Germany occur, a fact which may entail a greater use of the right of search. Behind this particular aspect of the blockade lies the general necessity of making it more effective, a problem which is peculiarly delicate *vis-à-vis* Italy. In the last six months her war reserves have been greatly reinforced. Her purchase of certain war materials have exceeded the level of previous years to a serious extent. We can perhaps accept her guarantee that the excessive purchases are not being passed on to Germany, but since she openly promises intervention and that intervention can only be directed against us, it is certainly a curious situation in which we stand passively by and watch a hostile power stock herself to the point at which she feels ready to strike. Yet any action on our part might precipitate a conflict we have shown every anxiety to avoid.

The problem of intervention does not, however, solely concern our relations with Italy. We have to take into account the possibility of German pressure. Had the Norwegian *coup* been immediately successful, Germany might have suggested intervention on the grounds of an immediate Allied capitulation. Now that Norway is developing into a major campaign, the Nazis may need a diversion elsewhere and so press for intervention on that account. And even if Italy were unwilling, it is possible that she could not afford to allow Hitler a free hand in the Balkans and would be obliged to march at his side in order to safeguard her own interests.

There are, however, a number of grounds to suggest that Italy will continue in the way of caution. So long as the issue is undecided, she stands to gain by neutrality and the waging of the war itself would be a tremendous risk. It is hard to base an estimate of the outcome on comparative military strength, for so many vital problems—the effectiveness of air power against sea power, the extent to which the vulnerability of a long coastline can be offset

by air action, the results of intensive submarine warfare in closed waters—are still unresolved. But it would be folly to under-estimate Italy's military effectiveness. With an army which can be quickly raised to 4 million men, a front line air force of 1850 'planes and a navy which has concentrated on speed and agility and is especially adapted to Mediterranean conditions, Italy would be an adversary to be reckoned with, even though her accessibility and vulnerability would lay her open to a type of attack which cannot yet be launched against her ally, Germany.

It is in the economic sphere that Italy's problem is almost insoluble. The campaign for autarky and the repeated assurances of its complete success have lulled the Italian people into false security. Their war economy is, in fact, vulnerable not only by what it lacks but also by the ease with which—at Suez and Gibraltar—its vital supplies could be cut off. War stocks would carry the country through a short war, but not even Hitler can promise the Italians that. Naturally, the reminder of our potential stranglehold exasperates Italy. It reinforces the feeling of being a prisoner in the Mediterranean. It may therefore lead not to peace but to war in a desperate attempt to break the "foreign servitude."

The tragedy of the present situation is that the two facets of Italy's attitude towards the West are both based on a misunderstanding. It is not true that we are weakly prepared to surrender our heritage without combat. A policy based on this assumption must lead Italy astray. It follows that our repeated attempts at conciliation in the face of repeated rebuffs spring not from fear but from genuine good will. Italy is therefore equally wrong when she pictures us as imperial rivals. In the words of M. Reynaud in his latest conciliatory advance, we are "in search of a Mediterranean understanding which . . . constitutes one of the indispensable bases of peace." Perhaps it is too much to hope that Italy can still revolutionise a manner of thinking which has been slowly created during the last twenty years, and it would entail a revolution indeed to look on the West as friendly and powerful rather than hostile and weak. Nevertheless, it is our duty to continue to impress both our present strength and our ultimate friendliness upon her, a task as delicate as it is vital to Mediterranean peace.

Food Policy

THE war has given the subject of food an even greater interest than it normally attracts. Housewives are concerned at the rise in prices of most foods; the Cabinet has recognised the importance to industry of a stable cost of living and has provided a subsidy of £50 millions a year to cheapen bread and meat; the Ministry of Food buys, sells and distributes most staple foods and has been more successful in maintaining a high level of supplies than a stable level of prices; the publicity department of the Ministry of Agriculture is working overtime to persuade farmers to plough more land and to grow more crops. The Government's activities, however, appear excessively departmentalised, and even the Cabinet has got no further than its subsidy towards a national food policy. What, in fact, are the functions of the Ministry of Food? Should it be authorised to cut down civil consumption of food to the minimum by rationing and high prices? Should consumers be dragooned into eating only those foods which are largely home grown? Should the Ministry attempt to supply foods in the same quantity and at the same prices as those available in August, 1939? Should it go further and try to improve the diet of the poorest classes, whose expenditure on food, even at pre-war prices, was admittedly inadequate to maintain full health and efficiency? At present, the Ministry seems to be aiming at the third of these objects; the subsidy for meat and bread prices was expressly provided to prevent a further rise in the cost of living. Rationing and diversion of food consumption from imported to home-grown supplies seem to be regarded as necessary evils, to be excused and apologised for.

The Chancellor of the Exchequer, in his Budget speech, stressed the need for reducing civilian expenditure in

general and in particular that on imported goods. Clearly the Ministry of Food could help considerably in attaining these objects. The diet of the upper and middle classes in this country could be simplified and cheapened without any falling off in health, even if the range of choice was narrowed. If, in fact, the nation was a uniform social unit, a moderate rise in the price of those foodstuffs for which the demand is elastic and a drastic rise in those considered unessential would do the trick. But such a policy is impossible in our existing society. A rise in prices necessary to reduce the expenditure of the upper classes would reduce the poorer to starvation, unless wages were linked to the cost of living; in that case, which is to-day largely true, a rise in prices of staple foods defeats its own ends and causes also much discontent.

Consequently, while higher prices may be a useful ally they cannot form the Ministry's sole weapon in the battle against unnecessary expenditure. As a method of discrimination between classes, direct rationing is more effective. A meat allowance of 1s. 10d. or a quarter of a pound of butter per head per week does not affect the poorer housewives, who cannot afford such quantities; it does not affect the cost-of-living index, while it does directly cut down the expenditure of the more wealthy. The main difficulty of rationing is the expensive machinery needed to operate and enforce it; consequently, it is best kept for those few foods which are semi-luxuries of fairly wide consumption. And, if need arises, the machinery can be used to spread equally any real deficiency in one particular food.

If necessary, people could be kept in health and efficiency (if not in contentment) on a diet of vegetables (particularly potatoes), milk, butter or vitaminised margarine

oatmeal, brown bread and cheese; a little fish, meat, sugar, fruit and tea might be provided to relieve the monotony. Sir John Orr urges* that we should all be put immediately on to this diet. The nation's health probably would be improved, and the adverse balance of trade certainly diminished, but such a radical and abrupt change in habits might have psychological reactions very unfavourable towards a vigorous prosecution of the war. It would certainly be a hard blow for farmers both in this country and in the Dominions whose agriculture has been developed on a free entry to the British market of large quantities of meat, fruits and luxury foods.

But if the policy as a whole is too drastic, the actions of the Ministry of Food should certainly tend in this direction. The consumption of meat, for instance, an expensive item to import, could be steadily reduced by rationing until it equals the amount which British farmers can produce from roots and grass (fresh in summer and preserved in winter), together with the minimum amounts which we can persuade the Dominions and other sterling-area countries to send. A subsidy to keep down meat prices should, therefore, be combined with strict rationing to ensure that consumption is not increased. It should certainly not be combined—as it is at present—with an increase in the financial inducement offered for the production of home beef. And the production of potatoes and other vegetables should be stimulated in every way, so that consumption can be directed on to them and away from competing imported goods. Farmers are chary of increasing their output of these crops, since, with normal yields, home production of most vegetables is in the marketing season almost sufficient to supply the demand at prices which they consider profitable. Consequently they fear a glut, in spite of the promises of Mr Morrison and Sir Reginald Dorman Smith about potato factories and "appropriate" prices. Neither of the two Ministries seems to have grasped that an appropriate level of wartime prices for vegetables is that level at which the largest possible production can be fully absorbed; if this level is unprofitable for farmers, the subsidy now paid on meat might well be transferred. The production of meat should probably be slowly diminished and the prices paid for livestock by the Ministry of Food should certainly be adjusted to stop entirely the production of early spring lamb and of highly finished beef carcasses.

* "Feeding the People in Wartime." Orr and Lubbock. Macmillan. 1s. 6d.

The Budget Accounts

IN presenting his first full-year Budget of the war, Sir John Simon did not attempt to deviate from the classic formula of describing first the results of the past financial year, then the estimated expenditure of the current year and how far revenue on the existing basis of taxation would go to meet it, and finally the proposed changes in tax and other revenue.

The emergency Budget of last September provided for a total ordinary expenditure of £1,933 millions. Of this, defence—or rather war—expenditure was to account for £1,249 millions (including a vote of credit of £500 millions), against an April Budget estimate of £620 millions (including issues under the Defence Loan Acts). In the event, actual issues in 1939-40 were £116 millions less than the estimate, largely owing to the underspending of the vote of credit by £91½ millions. As revenue brought in £54 millions more than the September estimate, the deficit was only £768 millions instead of £938 millions—a book-keeping nicety from which small comfort can be derived in time of war.

On turning to the current year, the Chancellor presented an estimate for war expenditure which he admitted was mostly guesswork. It is to be hoped that his guess errs badly on the low side, for the figure he gave of £2,000 millions is only £500 millions higher than the rate of war expenditure in the first seven months, which, as has been pointed out, was itself below the estimate made at the beginning of the war.

In war we cannot afford quality; we must concentrate on that quantity of meat which can be grown without the extensive use of imported feeding stuffs. And if farmers are to be bribed, persuaded and compelled to alter their cropping system to feed more humans and fewer animals, the Ministry's attentions should also be directed towards a reform in the distributive system. War, with its accompanying shortage of labour, should make it easier for the Ministry of Food to embark on schemes of cheap distribution of milk and vegetables.

Can such a policy of limited consumption and increased home production serve at the same time to improve the diet of the underfed? Sir John Orr, in his latest book, says that it could. By subsidies, the prices of milk, potatoes, oatmeal, vegetables, bread, margarine and sugar could be held at such a level that even the poorest could buy sufficient for health. Sir John estimates that such subsidies on these seven foods would cost about £100 millions per annum. But even half that amount—the level of the existing food subsidies—if spent in providing cheap potatoes and oatmeal and cheap milk to all children and expectant mothers would cause a great improvement in health. The experiments already made in schools and in the distressed areas with cheap milk and potatoes show how surprisingly far people will modify their habits to take advantage of low prices.

As a first step in a national food policy, therefore (a step which should have been taken last September), the home production of vegetables and milk—the two foods which combine the advantages of being nutritionally valuable and produced at home in sufficient quantities to meet the demand—should be increased by every possible method. These can then be sold at a price which will ensure their absorption. Consumption of the less essential foods can be adjusted by prices and by rationing to the level of supplies, which, in turn, will be dictated by the competing demands for land, labour, ships and "hard" currencies. Housewives must be guided by intelligent and purposeful publicity towards those foods which are cheap or seasonally plentiful. Abrupt and compulsory changes in diet should, indeed, be avoided, since they are apt to lead to both indigestion and resentment. But a consistent policy of guided production, selective prices, discriminatory rationing and forceful propaganda could by next year have saved some dollars needed for munitions, much purchasing power for investment in War Loans, and might, as well, have started a steady improvement in the nation's health.

Having given his estimate of war expenditure, which is the crucial part of the whole Budget, Sir John briefly dismissed the other items of expenditure. He has maintained the fixed debt charge at £230 millions in spite of the fact that it was insufficient last year to pay the statutory sinking funds, in spite of the prospective and actual big increase in borrowing and the doubling of the tender Treasury bill rate; he was able to do this because of the set-off arising under the Defence Loan Acts by which the Defence Departments pay interest at 3 per cent. each year on the amounts borrowed by them under the Acts in previous years. In addition to this arrangement, under which £15 millions more will be available this year than last, he could take into consideration the saving in interest by the conversion of the 4½ per cent. Conversion Loan, and he assumed that future borrowing would not cost more than 3 per cent. A reduction on last year's issues of about £9 millions in civil and revenue estimates to £420 millions brings the total ordinary expenditure to £2,666,790,000.

In accordance with tradition, Sir John then showed how far short of this figure revenue on the basis of existing taxation would fall. This year the analysis seemed more than ever academic, for not only was it known that the gap was enormous, but it was also clear that even heavy tax increases would only close it a fraction and the most eagerly awaited Budget pronouncement—the rate of income tax—had already been revealed in September. The

Chancellor had then announced that in a full year he proposed to raise the standard rate to 7s. 6d. He had also incorporated in that Finance Act the raising of the reduced rate of tax to one-half of the standard rate, with an increase in the zone to which the reduced rate applied from the first £135 of taxable income to the first £165; a reduction in the exemption limit from £125 to £120; a reduction in the earned income allowance from one-fifth of such income to one-sixth; and reductions in the personal allowance for married taxpayers from £180 to £170 and in the allowance for children from £60 to £50 for each child. All these changes now come into force, and together with the rise in the rate they are estimated to increase the yield of income tax this year by £42½ millions and in a full year by £61¼ millions.

Surtax was increased in the September Budget and the rates have been left untouched. But the zone over which it operates is determined a year in advance, and Sir John announced that the surtax payable in 1941-42 on incomes of 1940-41 will operate on incomes of over £1,500 a year instead of £2,000 as at present.

Indirect taxation has been increased by heavy additions to the hardy annuals—the duties on beer, spirits and tobacco. The beer duty is to be increased by the equivalent of 1d. a pint, the spirits duty by 1s. 9d. on a bottle of whisky and the tobacco duty by 3d. an ounce. These increases will produce together £42,500,000 this year, and with the proposed doubling of the match duty—equivalent to an increase of ½d. on a box of 50—will mean a total increase in indirect taxation of £46 millions in 1940-41 and £52 millions in a full year.

These are the only increases in taxation that are to come into force this year. But as in the last war, the Post Office is to contribute to revenue. The inland letter rate will go up to 2½d. for two ounces; for postcards the charge will be 2d.; and there will be corresponding increases in the rates for printed matter, newspapers and imperial and foreign letter posts, but the rate for parcel

post at home and abroad is unaltered. The poundage on postal orders will be raised by ½d. on orders of 1s. 6d. to 2s. 6d. inclusive, and 6s. to 15s. inclusive. Telephone charges will be subject to a general 15 per cent. increase with rises in the cost of trunk, toll and other calls and of telegrams. The Post Office Fund is exhausted, and for the time being the whole of the Post Office revenue will be taken into the Exchequer. On the basis of the new charges this will bring an extra £12½ millions this year.

The Chancellor then disclosed his one new tax, the purchase tax, which is discussed in detail on page 767, and will take the form of a percentage on the price at the stage when the wholesaler sells to the retailer. As neither the machinery nor the rate has yet been decided, it cannot enter into the Budget Accounts, and we are left with a total ordinary revenue of £1,234 millions—an easy figure to remember, but which leaves a deficit of £1,433 millions.

It is here that the classic formula has been abandoned. Tradition dictated the budgeting of a formal surplus even when a large part of defence expenditure was met by borrowing. Now, however, this pretence has had to go, and the Chancellor had to conclude his speech with a discussion of ways and means of borrowing. He rejected Mr Keynes's proposals because they would damage voluntary saving, on which he intends to rely and which he is encouraging among the wage-earning classes by exempting from the means test any war savings up to £375. But an element of compulsion has been introduced by the limitation of the dividend distribution of public companies to the rate paid in any one of three pre-war years, which has the dual purpose of restricting consumption and encouraging the investment of undistributed profits in Government loans. With E.P.T. and N.D.C., together estimated to bring in £70 millions this year, and the limitation of dividends, the Exchequer will probably be getting the maximum contribution from industry. It is difficult to see how private voluntary saving can fill the gap that will be left even on the present low basis of expenditure.

	EXPENDITURE (£'000)			
	(Including issues from loans)			
	April Budget Estimate 1939-40	War Budget Estimate 1939-40	Actual Issues 1939-40	Budget Estimate 1940-41
Consol. Fund Services: Int. and Management of Nat. Debt	230,000	230,000	222,850	230,000
Payments to N. Ireland	10,000	10,000	9,556	9,400
Other Cons. Fund.....	7,200	7,200	7,310	7,600
Total	247,200	247,200	239,716	247,000
Supply Services:				
Army and Min. of Supply	165,087	272,673	272,650	1*
Navy	149,399	149,399	147,436	2*
Air	208,561	248,061	248,061	1*
Civil Defence	47,191	78,871	64,804	*
Margin for Supplementaries	50,000	...	...	...
Vote of Credit.....	...	500,000	408,500	2,000,000
Total Defence ..	620,238	1,249,004	1,141,451	2,000,004
Civil Votes (exc. Broadcasting)	427,860	422,491	414,111	404,867
Margin for Supplementaries	5,000	...	...	...
Revenue Depts. (exc. P.O.)	14,646	14,646	14,445	14,919
Total Supply Services.....	1,067,744	1,686,141	1,570,007	2,419,790
Total Ordinary Expenditure	1,314,944	1,933,341	1,809,723	2,666,790
Sinking Fund.....	...	...	†7,150	...
Grand Total	1,314,944	1,933,341	1,816,873	2,666,790

* Substantive cost to be met from Vote of Credit.

† In addition, sinking fund payments amounting to £4,207,000 were made outside the permanent debt charge.

	REVENUE (£'000)			
	War Budget Estimate 1939-40	Actual Receipts 1939-40	Estimate for 1940-41 on basis of existing taxation	Estimate for 1940-41 after proposed tax changes
Inland Revenue:				
Income Tax	390,000	390,083	408,000	450,500
Surtax	70,000	69,780	75,000	75,000
Estate Duties	75,500	77,720	85,000	85,100
Stamps	17,000	17,070	19,000	19,000
National Defence Contribution	25,000	26,940	70,000	70,000
Excess Profits Tax.....	...	40	...	...
Other Inland Revenue	1,250	1,300	1,000	1,000
Total	578,750	582,933	658,000	700,600
Customs and Excise:				
Customs	239,600	262,136	278,100	302,050
Excise	132,850	137,900	141,900	164,050
Total	372,450	400,036	420,000	466,100
Motor Vehicle Duties..	22,000	34,086	35,000	35,000
Total tax receipts....	973,200	1,017,055	1,113,000	1,201,700
Post Office net receipt.	400	3,846	628	13,291
Post Office Fund	1,600	1,757	...	...
Crown Lands	1,330	1,250	1,150	1,150
Sundry Loans	5,000	4,940	5,000	5,000
Miscellaneous	13,650	20,341	13,250	13,250
Total Ordinary Revenue.....	995,180	1,049,189	1,133,028	1,234,391

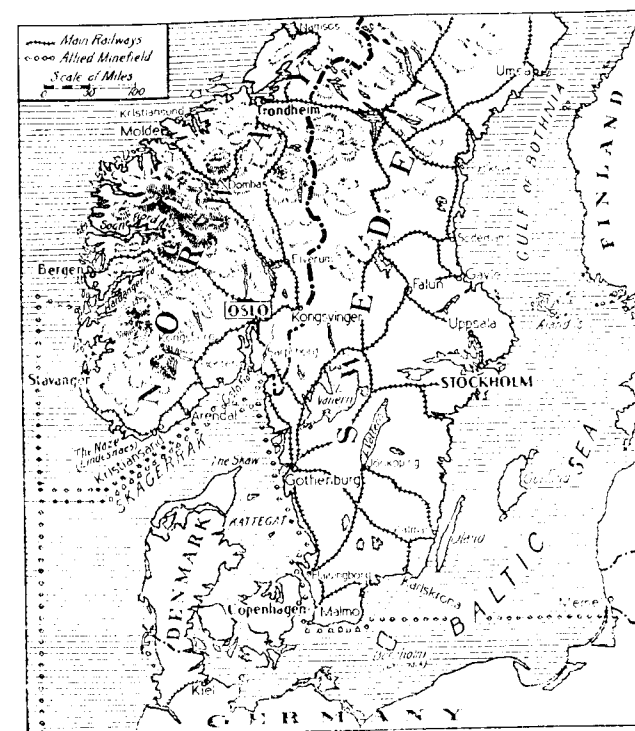
SELF-BALANCING REVENUE AND EXPENDITURE

Post Office and Broadcasting.....	83,399	83,449	83,054	86,222*
-----------------------------------	--------	--------	--------	---------

* Excluding Post Office expenditure of £4,450,000 estimated to be required from Votes of Credit.

NOTES OF THE WEEK

Hostilities in Norway.—Details of the campaign in the new Norwegian theatre of war are still obscure, and probably only the post-war historian will be able to chart its course with any confidence. It is reasonably sure, however, that the Allies' counter-blows have been delivered swiftly and shrewdly enough to hinder the Germans in taking full advantage of their surprise attack; and the resistance of the Norwegians themselves has apparently been notably stiffened by the arrival of the British and French forces. The Germans are well established in the south; they claim to be in complete control of all the area between Oslo and Stavanger; and they hold the country eastward from Oslo to the Swedish frontier. In the north they are installed in Trondheim. The aims of the campaign are this far clear; the Germans are trying to link up the territories they hold (Oslo and Trondheim) by winning control of the two north-south valleys through which the railways run—the Gudbrandsdal route



north via Hamar, Lillehammer, Dombas and Stoeren to Trondheim, and the Oesterdal route to Stoeren via Elverum, Koppang and Roeros. The Allied forces, landed (among other places) north of Trondheim at Namsos and south-west of Trondheim near Molde and Andalsnes on Romsdal Fiord, are trying to prevent this operation. From Namsos, Allied troops, moving directly on Trondheim along the north-eastern spur of Trondheim Fiord, have apparently been checked by combined land, air and naval action from the flank near Steinkjer. From Andalsnes, light Allied forces seem to have advanced with remarkable speed via Dombas into the Gudbrandsdal to meet the Germans moving north from Oslo and Hamar near Lillehammer; and further east in the Oesterdal, where the Germans have apparently pressed forward considerably north of Elverum, Allied forces are collecting south-east of Trondheim to stop their progress.

So far, the Germans retain the initiative. In the two key valleys the twin junctions of Hamar and Elverum are in their hands; their grip on southern Norway is fast; and their hold on Trondheim will be difficult to loosen. But their only route for troops and supplies to Trondheim—as to Narvik in the far north—is by air, and if they can be prevented from forcing a passage through the Gudbrandsdal or the Oesterdal, they must lose Trondheim and the north in time. The fact that they have not estab-

lished land communication between Oslo and Trondheim is almost certainly a setback; and they have failed to secure control of the railway due east from Trondheim to Storlien on the Swedish border, because of stout Norwegian resistance at the fortress of Hegra. Indeed, the rôle of the Norwegians at every point, in the Gudbrandsdal, in the Oesterdal and all around Trondheim, is to delay and harass German operations until the Allied forces can be sufficiently strengthened to cut and hold the north-south waterways. The greatest obstacle to Allied plans is the Germans' superiority in the air. It is reported that Namsos harbour has been rendered scarcely tenable by bombing—though the Navy itself has apparently suffered only slightly despite daily raids. Dombas has been bombed constantly to check the flow of troops into the Gudbrandsdal and Allied lines of march have been subjected to incessant attack from the air. That is why a major feature of operations has been attacks by the R.A.F. on German air bases in Norway and Denmark. So far, the Allies have no Scandinavian air bases of their own, which they must secure if their attack on Trondheim is to be pressed home and if their recent check near Lillehammer is not to be extended. Meanwhile, the possibility of the Germans seeking new avenues of attack and supply from an invaded Sweden is ever-present, and stories of troopships moving towards the Aaland Islands and the Gulf of Bothnia are widespread. It is this possibility that gives the west-east railways from Narvik and Trondheim into Sweden a special strategic importance.

Lull or Checkmate?—There remains the question whether the signs of new energy among the smaller neutrals will have the effect of modifying Hitler's plans of aggression. It is difficult to answer, for the simple reason that no one yet knows where and when the next blow will fall. The conversion of Norway into a major campaign makes a diversion elsewhere more rather than less likely, and if the activity of the Quislings of Sweden and Yugoslavia is any indication of Hitler's intentions, it may be that these two countries are singled out for the next attack. Yet anxiety in the South-East is not as acute as it was a week ago. Many of the German "tourists" have been expelled; Britain has allowed her interest in the Yugoslav situation to become known in circles where such knowledge could have a salutary effect; Turkey is acting as a stabilising influence on her immediate neighbour, Bulgaria; Roumania has packed off Dr Clodius with very few concessions and glad to have even preserved the economic *status quo*; and finally, the news from Italy is rather more encouraging. The garrison in Albania, which stands at 68,000 men, is not big enough to cause heart-searchings across the frontier, and although the violent anti-Allied Press campaign continues, the Balkan countries have the impression that Italy is watching the news from Norway with a rather sober attention. In his recent speech Signor Mussolini gave Italy the watchword "Work and arms," and Italy's neighbours to the South-East remember with some relief that in the past the Duce has usually associated work with peace.

THE BRITISH LINEN BANK

Incorporated by Royal Charter, 1746

Head Office: 38 St. Andrew Square, Edinburgh

OVER 210 BRANCHES IN SCOTLAND

LONDON OFFICES:

City Office: 38 Threadneedle Street, E.C.2
West End Branch: 198 Piccadilly, W.1

It is therefore to Scandinavia rather than the Balkans that interest is directed at present. The Swedes have passed an anxious week. It is announced that the German Minister presented a request to the Swedish Foreign Office requesting the passage of German troops and armaments to Norway. If so, he was answered by the Swedish Government's determined announcement that no such permission would be granted to any belligerent. There followed a series of violations by German planes of Sweden's air. One plane was brought down by a Swedish fighter, and is reported to have contained evidence that the purpose of the flight was to obtain photographs of the Swedish terrain. Sweden immediately delivered a strong protest in Berlin. On April 23rd rumours of activity in Germany's Baltic ports and of the departure of troopships caused fresh alarm in Sweden; everything, however, indicates the Swedes' resolute spirit and their determination to be spared the fate of Denmark. If invaded, there is no doubt that they will fight back. We may recall Mr Chamberlain's statement: "Nothing will save them [the neutral States] but a determination to defend themselves and to join with others who are ready to aid them in their defence." To-day the will for self-defence is present from Narvik to the Hatay. Were the equally binding necessity of collective defence as freely recognised, none of the smaller neutrals would stand in their present state of jeopardy.

* * *

The Kremlin Looks On.—Russia's attitude to the war remains an unsolved riddle. The Norwegian campaign has brought the fighting once more within measurable distance of her zone of interest, and the meagre news on the matter points to the likelihood that there exists no joint Russo-German scheme for dividing the sovereignty of Scandinavia. Reports from Sweden even suggest that the Swedish Government has received discreet backing from Moscow in taking a strong line with the German demands for free passage (if they were ever made). The rumoured concentration of the Russian fleet off Hangö may mean an added reinforcement to Swedish independence or merely a counter-measure in case of a German occupation of the Åland Isles. In the Balkans, too, Russia appears to be taking an independent line, and the announcement of forthcoming trade talks with Yugoslavia (whose Government has so far refused Russia diplomatic recognition) is sufficiently unusual to have revived talk of pan-Slavism and of a joint Bulgaro-Yugoslav (or South Slav) bloc under Russian leadership. This possibility might mean that Germany and Russia have come to terms over the division of Roumania, or alternatively, that Stalin has decided to put a stop to Hitler's Balkan advance. In all these obscurities, the attitude of Turkey is a useful guide to the maze of power politics. From the time of M. Sarajoglu's fruitless visit to Moscow last October until the end of the Finnish campaign, Russo-Turkish relations were described as "correct but cold." Only a week ago, however, Ankara let it be understood that a touch of the old cordiality was returning. This fact suggests that Turkey at least has no fear of Russia's aggressive intentions in the Balkans. If a judgment can be risked on a subject as essentially hazardous as a Dictator's intentions, it is perhaps possible to suggest that Germany's hopes of Russian collaboration are already suffering the setback which the end of the Finnish campaign was bound to bring; in which case, the British Government's decision to welcome in principle the opening of trade negotiations with Russia has probably come at the right moment. It is obvious that we shall need safeguards to ensure that we do not begin supplying Germany *via* a Russian intermediary, but if some sure safeguard can be secured, then it is obviously in our interests to see that no Russian supplies reach Germany which could be diverted to ourselves.

* * *

More Quislings.—The purge of Quislings and Fifth Column men in most of the neutral countries of Europe still continues. The Norwegian experience has given other

governments useful hints on procedure, while the arrival of Allied troops in Norway has created the necessary atmosphere of confidence in which to put the hints into legislative form and executive practice. Switzerland, for example, has issued a decree particularly warning all citizens, in the event of invasion, to take no notice of any broadcast announcement that the Government has resigned and telling soldiers to go to their appointed posts whatever counter-instructions they may receive. Thousands of aliens have been interned in Belgium. The Dutch have extended their state of siege to cover the Press, which from Saturday next will come under strict military censorship. The greatest activity is, however, apparent in Yugoslavia and Sweden where, during the last week, the danger of invasion has appeared greatest. Yugoslavia has taken energetic measures against her German "tourists," and the purge of Yugoslav suspects has included two such notable figures as M. Stoyadinovitch, the former Prime Minister, and M. Atchimovitch, a former Chief of Police and Minister of the Interior, while the ruthless elimination of Quislings from the State police is reported to have brought valuable (and sensational) evidence to light. Sweden's precautions were taken on the morrow of the invasion of Norway, but have now been extended to include the evacuation of all foreigners from Northern Sweden, a veto on the sale of maps, and a number of raids on the local Nazi organisations. How effectively Hitler's spy rings have been scotched it is impossible to say, but at least a part of the Nazi's vast underground work of espionage and sabotage will have to begin again "from the ground up" before the efficiency of a fortnight ago is restored.

* * *

Terms of Requisitioned Ships.—War inevitably brings Government intervention and control in many industries, and in the main the present Government's policy has been to proceed by agreement with, and through the medium of, the representatives of the industry. Shipping, however, has been an exception to the rule of willing agreement. The shipowners did not welcome the policy of requisitioning ships, as distinct from licensing them. And the settlement of compensation to be paid for requisitioned ships has led to protracted and difficult negotiations. Last month there was still a margin outstanding between what the Government offered and what the shipowners would accept; in the standard case of an 8,000-ton tramp the two figures were 5s. 9½d. and 6s. 3d. a ton deadweight per month, the Government taking the responsibility for war risk insurance. Last week agreement was reached (though with reluctance on the owners' side) on a figure of 6s. This figure is compounded of three elements. First is the assessed current cost of running the ship, which would appear to have been calculated on a basis sufficient to provide rather more than peacetime profit. Second, there is an allowance of 5 per cent. for interest on capital, and, third, a further allowance of 5 per cent. for depreciation and obsolescence; both these are calculated on capital value, to be independently determined. The crux of the matter lies in the provision for obsolescence. Shipowners have memories of the cost of shipbuilding after the war, and they wish for sums large enough to insure them against a similar rise this time and against being outbuilt by neutrals, who are meanwhile reaping a good harvest. But any attempt to provide now for the cost of rebuilding in an unpredictable future is clearly impossible. The only way of being fair to the owners and the community alike would seem to be to evolve some scheme by which every ton sunk or grown obsolete during the war will be replaced by an equivalent ton after the war. This could be done on a ton-for-ton basis, by which shipowners were credited, not with so many pounds sterling, but with so many tons out of the post-war programme; or if that were thought too radical, an alternative solution would be to pay obsolescence allowances at a rate appropriate to the pre-war level of costs and values, to credit them to a fund and increase the total amount at the end of the war in proportion to the change in the cost of shipbuilding. To follow the present plan of trying to guess at an appropriate figure is sure to produce one that is unfair either to the country or to the industry or perhaps to both at once.

Fifth Columns and the Fourth Estate.—In November last year, when the immediate fear of a sudden assault upon these islands from the air had somewhat faded, a notable victory was won in Parliament. Powers to prevent all attempts to influence opinion and to restrain all manner of publications quite arbitrarily had been given to the executive in the first Defence Regulations of the war. Parliamentary protests, based upon the sound view that democracy must not commit suicide in self-defence, secured a change in the Regulations. The fundamental rights of appeal and legal trial were restored; the principle that restrictions should only be imposed upon opinion in cases of strictly proven necessity was re-established; and the return to the rule of law, which, far more than Parliaments or suffrage methods, is the essence of democratic ways, was generally welcomed. Since then a growing nervousness has weakened the courage of British convictions. Saboteurs, military and political, have sucked at the strength of Germany's neutral neighbours. The fall of Norway was engineered by traitors from within. And, in Britain itself, tales of information handed to the enemy have been accompanied by indiscreet outpourings from the supporters of peace at any price, whose moral and religious opposition to warfare has been dangerously allowed to become overlaid, in their printed and spoken views, by bitter political animus against the conduct of this particular war.

* * *

In consequence, a demand for the repression of all opinions opposed to war has appeared. A section of the Press, in its opposition to the Nazis, has gone all Nazi. A return to the *lettres-de-cachet* Regulations of September is wanted by some Members of Parliament. The internment of all aliens, whatever their record, is called for, regardless of the fact that Hitler's spies and Quislings in other countries seldom bear German names or are of German origin. The suppression of all pacifists, regardless of Mr Chamberlain's pre-war pledge that sincere conscientious objection to war would always be treated tenderly, is demanded. The re-examination now going on of uninterned aliens is politic; the exclusion of aliens from port areas is just common sense; the constant attempt to seek out enemy propaganda in the ingenuous propaganda of anti-war advocates is wise; the stronger powers against demonstrably subversive activities that Sir John Anderson is to discuss with representatives of opposition parties may be needed. But the fact still remains that the fundamental difference between Britain and Nazidom, the difference for which above all the people of this country have gone to war, is epitomised in the treatment of aliens and pacifists. It will be nothing but a clear sign of unjustified alarm and weakness if arbitrary and indiscriminate action is taken simply to suppress a meagre minority. The fact that the influential Press, after permitting some concessions to hysteria, now explicitly appreciates this point is a bull-point for freedom; and, when the supporters of peace themselves, above all in their own Press publications, learn to distinguish more intelligently between liberty and licence, the danger of stupid repression will be appreciably lessened.

* * *

Censorship and Information.—The common-sense changes in the censorship, announced by the Prime Minister on Wednesday, had been generally expected ever since Sir John Reith became Minister of Information. The secession of the Press and Censorship Bureau from the Ministry last October to become an independent unit was due rather to the vices of the Ministry than to the virtues of the new dual arrangement; and it has always seemed more reasonable that the Minister of Information should himself be responsible for the Bureau's work of giving news to and censoring the Press. The Ministry of Information will now resume these functions, and Sir Walter Monckton, formerly head of the Bureau, will become Deputy Director-General in the Ministry. The undoing of last autumn's sweeping decentralisation will be carried still further. The Department of Postal and Telegraph Censorship, formerly under the War Office, is also to be transferred to the Ministry of Information. Co-ordination between publicity in neutral countries, done by the Ministry, and enemy pro-

paganda, watched over by the Foreign Office, will be secured by the appointment of Sir Walter Monckton, Janus-headed, to be an extra Deputy Under-Secretary of State for Foreign Affairs. By this oddly ingenious arrangement, which seems to depend to a precarious extent upon the tact and imagination of a single individual (though it is a tribute to Sir Walter's qualities that most people believe that it will work), two much criticised and somewhat maligned bodies, Chatham House and the British Council, will emerge some way from the shadowy irresponsibility in which they have spent the last six months. It will now be possible for Sir John Reith and Sir Walter Monckton to deal impartially with all instances of overlapping and duplication in the collection or distribution of information—*inter alia* with what *The Times* has happily called "the whole mustard club of digesters." But these changes are merely administrative. In themselves they mean only more efficient organisation. The root question of policy is still undecided. Who, in the last resort, is responsible for deciding what news shall be made public and when? According to Mr Chamberlain's statement, the Defence Departments will remain responsible for censorship "in all matters where it is necessary to prevent information from reaching the enemy"—"subject to advice from the Ministry of Information on general censorship policy" and with the aid of specially appointed representatives from the Ministry in each department. The expert opinion of the Services must, admittedly, always count for most in such matters, and the new provisions for liaison with the Ministry should smooth the censorship's working. But someone must have the last word in disputed decisions, and it is difficult to see where final authority should reside, under the War Cabinet, if not in Sir John Reith himself.

* * *

The Purchase Tax.—The new Purchase Tax, foreshadowed in the Budget speech is a novelty in British fiscal legislation, and has no exact parallel in any other country. Its distinguishing feature is that it is to be levied not, as is usual, at the stage of retail sale, but at the wholesale stage. The reason for this is obviously administrative convenience. A universal sales tax, levied on everything sold in a shop, might be administratively feasible, but a tax which, like this, is to be levied only on some goods would pose problems that the shopkeeper might find beyond his power to decide or the State's power to control. The mechanism of the Purchase Tax is to be the compilation of a register of wholesalers, and the tax will fall whenever there is a sale (except of exempted goods) by someone on the register to someone off the register. This is an ingenious device to get over the major difficulty of such a tax; but it leaves many knotty points of definition behind. What is a wholesaler? How, in border-line cases, are the exempted goods (food, drink, exports, "articles already subject to a heavy duty, such as tobacco or

INSURANCE

CONSULT
THE
LIVERPOOL
AND
LONDON
AND
GLOBE
INSURANCE CO., LTD.

FIRE · LIFE · MOTOR · ACCIDENT · MARINE

Head Office:
1 Dale Street, Liverpool, 2

London
(Chief Office): 1 Cornhill, E.C.

petrol" and all services) to be defined? What provision will be made for rebate on goods exported by an unregistered person? For answers to these questions we must wait at least until the text of the Bill is issued, and perhaps much longer.

* * *

The Chancellor gave no indication of the rate at which the new tax is to be levied, but a first approximation to the yield can be given by an estimate of the volume of sales on which it will fall. According to the most recent estimate of national expenditure (that compiled by the London Press Exchange on the basis of Mr A. E. Feavear-year's original figures), the total amounted to £4,820 millions in 1937. Of this total, however, services accounted for £1,990 millions, leaving £2,830 millions for retail sales of goods. The composition of this last figure was as follows:—

GOODS TO BE EXEMPTED FROM PURCHASE TAX

(£ millions)

Foodstuffs	1,360	
Drink	260	
Tobacco.....	160	
Petrol and oil	25	
Coal.....	65	
		1,870
GOODS LIABLE TO PURCHASE TAX		
Groceries	37	
Women's clothes	168	
Men's clothes.....	143	
Boots and shoes.....	70	
Piece goods	67	
Furniture	118	
Hardware.....	75	
Drugs, fancy goods	148	
Sport and travel goods	34	
Cars and cycles	50	
Newspapers	50	
		960
Total retail sales		2,830

The sums that could be got from such a tax are, therefore, in the context of war finance, not large. A levy at the rate of 10 per cent. of the retail value (2s. in the £) would produce less than £100 millions; at the rate of 8½ per cent. (1d. in the shilling) only about £80 millions. Since the tax is to be levied at the wholesale stage, the actual rates specified would have to be from a quarter to a third higher. A rate of charge of 5 per cent. of the wholesale value, which has been mentioned in the Press, would bring in only some £30 millions. The new tax will obviously mean a mountain of labour for the Customs and Excise; if it is to be worth while it must be made to produce something less mouse-like than that.

* * *

Votes of Credit.—Following a precedent of the last war, a White Paper has been issued giving some details of the services on which the estimated war expenditure of £2,000 millions will be spent. The only details that are given are of salaries paid in the various Ministries, accounting for only a fraction of the total, but the divisions between the different Ministries of the total expenditure is shown. The main items are as follows:—

	(£'000)
Navy, Army, Air Force and Ministry of Supply ..	1,615,000
Ministry of Food	2,099
Ministry of Shipping (part cost)	382
Ministry of Economic Warfare	432
Ministry of Information	1,883
Ministry of Home Security	96,314
Ministry of Health (War Services)	35,110
Department of Health for Scotland (War Services) ..	4,961
Ministry of Agriculture & Fisheries (War Services) ..	4,775
Dept. of Agriculture for Scotland (War Services) ..	560
Reserve of Plant and Building Materials.....	300
	1,761,816

These constitute Group A of the votes. Group B, amounting to £18,547,500, consists of various war activities of civil departments, which, though accounted for under the votes of these departments (and therefore appearing in the

Civil Estimates), fall to be paid for out of Votes of Credit. Group C, amounting to £73,136,500, consists of a number of services not elsewhere accounted for, including any net loss on the trading of the Ministries of Food (£55 millions) and Supply (£15 millions). Group D is a balancing figure of £146,500,000 to bring the total up to £2,000 millions; it will be used for any excesses over the previous figures.

* * *

The Railways Ten Per Cent.—It was appropriate that this week's hastily-called Commons debate on the imminent increase of 10 per cent. in railway charges should have taken place on Budget Day itself. Expounding his proposals over the wireless on Tuesday evening, Sir John Simon emphasised the Government's wish to keep down prices and the cost of living; and almost simultaneously in the House members were protesting against an increase in the vital cost of transport, decided in secret without the consultation of railway users and upon distinctly doubtful principles of equity. The House is seldom happy in the discussion of railway problems because prejudice and political nostrums are usually allowed to cloud the issue. It is a pity that Tuesday's debate, which in the main avoided these pitfalls, was not more fully reported. Three points were made in criticism; first, that to allow an increase in charges on the basis of increased war costs without also taking into consideration increased war traffics was unfair in every way; secondly, that to absolve the companies from the need to state their case in public before the die was cast in their favour was equally unjust—and contrary to what the Opposition believed the Minister of Transport had promised; and, thirdly, that the increased charges would be unduly burdensome upon traders, travellers and members of the Forces, as well as running directly counter to the proper aim of economic policy in wartime. The Government had no reply at all to these criticisms. It was startlingly revealed in the course of argument that the agreement upon which the railways' wartime finances are to be based is not even yet settled in detail; the Government would not even pledge itself to put out a further White Paper after the agreement's final signature to inform Parliament and the public more fully about it. When all negotiations about railway finance are given the status of official secrets it is natural that the public, like Parliament, should draw their own conclusions.

* * *

Germany's Trade Drive Continues.—It is difficult to give a satisfactory picture of the state of Germany's Balkan trade drive. In Turkey she appears to be making up some of the ground she lost with catastrophic suddenness at the beginning of the war. Turkey, it is true, is refusing to supply chrome or other minerals which could be used in German armament production, but since January each successive temporary agreement has tended to provide for a greater volume of trade. In February it stood at £T5 millions, later at £T7,500,000. A new agreement is now announced, allowing for a figure of between £T13 millions and £T20 millions. The reason for this steady increase is obvious enough. Until recently Germany accounted for about 50 per cent. of Turkey's foreign trade, and Turkey's dependence upon Germany for machines and machine tools was almost complete. Now her need for renewals and spare parts compels her to negotiate. Her plight provides a lesson to all countries heavily engaged in trade with Germany, and Turkey is the first to underline the moral; the Turkish Press has gone out of its way to warn the Balkan countries that Nazi economic methods, whatever their temporary advantage, end in complete economic slavery. Certain reactions in the Balkans suggest that other countries are not blind to this danger. Yugoslavia's willingness to negotiate with Russia may be taken as a counter stroke to renewed Nazi pressure, and there are even rumours that she is demanding free exchange in payment for a number of agricultural exports. In Roumania the situation is more obscure. It is obvious that Dr Clodius has not secured the sweeping success expected by the Nazis. The oil

quota and the exchange rate of the leu remain unchanged, but special terms are to be arranged for an exchange of German armaments for Roumanian oil and wheat, and these terms are said to be favourable to Germany and to counteract the advantage Roumania gained by preserving the existing exchange rate. Whatever the result, Germany has by no means fired her last shot. On the contrary, her trade campaign is still in full swing.

* * *

Shorter Notes

Lord Zetland's speech in the India debate appears to have had a good reception in India. It certainly deserved it, for it was a fair and well-balanced survey of the situation and contained an eloquent appeal to all the great political interests in India to make a new attempt to solve the constitutional problem. Neither the Moslem nor the Congress solutions are acceptable as they stand. The only way is through a compromise which both will accept. But they cannot expect the British Government to find a solution if they contribute nothing to the search.

*

The establishment of the principle that women should have the same pay as men for the same work has gone a step further with the decision of the Industrial Court on the rates of pay for women employed by local authorities as bus conductors. The local authorities argued that women's wages were generally lower than those of men, that absenteeism was greater among women and that the wages of men allowed for their responsibilities as heads of families. The Court's decision that women over 21 should have the same scale of pay and increments as men does not, however, necessarily mean that in wartime all women taking the place of men will be equally fortunate. In the last war,

women bus conductors were given the same pay as men, but this treatment was not extended to industry.

*

It appears to be believed in this country that Trondheim is a German form of the name of Norway's third city and that Trondhjem is more patriotically Norwegian. This is the reverse of the truth: Trondhjem is the Swedish, not the Norwegian, form of the name. Some years ago there was a movement in Norway to abolish foreign names for towns. Christiania—so-called for a Danish king—became Oslo. Trondhjem was changed first to its antique form of Nidaros and then (this change apparently proving too severe) to Trondheim, in which form it is referred to in all Norwegian publications.

*

The Chancellor of the Exchequer gave a definite assurance in his Budget speech that if individual fortunes were made out of the war they would be subject to a post-war levy. This is good news, but it is difficult to understand why he has not given an earnest of his intentions by at least setting up the machinery for the assessment of fortunes as they stood on the outbreak of war.

*

British civil aviation, which was already sadly lagging behind its chief competitors, has suffered another setback by the decision not to start the regular North Atlantic service this year. The reason given is that the aircraft intended for the service are to be diverted for defence purposes. This may explain the postponement, but it does not excuse the Air Ministry for its dilatoriness in the last few years in securing an adequate number of planes for both civil and defence purposes.

THE WORLD OVERSEAS

Poland under German Rule

(By a Correspondent)

ROUGHLY two-thirds of Poland have now been under German occupation for more than six months, and become a territory sealed against the outside world. The only information available comes from German sources. Reports of refugees and the information coming from the Hungarian or Lithuanian border naturally relate to individual experiences of atrocities, food shortage, compulsion and regimentation. There is no doubt, however, that life has become more normal again now. German administrative machinery, as distinct from the activities of the German army of occupation, has begun to operate and the mass of decrees reported daily by the German Press allow some picture to be drawn.

The latest decree, introducing the Four-Year-Plan machinery into the *Gouvernement General*, makes it clear that Poland's resources will be fully exploited for Germany's war economy. The political as well as the economic administration of the German-occupied part of Poland distinguishes between the new German *Ostgaue*, i.e. Eastern Districts of Greater Germany, and the *Gouvernement General*, whose capital is Cracow. The parts incorporated in Greater Germany have been formed into two new *Gaue*, i.e. *Danzig-Westpreussen* and *Warthegau*. The latter *Gau* includes not only the former German province of Posen, but also the district of Lodz, the largest textile centre of Poland—the mills are now working again to one-third of their capacity and the raw material found there will last for 18 months. Polish Upper Silesia has been made a fourth district of the German province of Silesia, and the "Ziechenau" and the

Suwalki areas form parts of the province of East Prussia.

The *Gouvernement General*, on the other hand, is the Central and South-Western part of Poland. It measures roughly 43,000 square miles with a population of 14.5 millions. Among them are two million Jews, 500,000 Ukrainians and 70,000 Germans. The *Gouvernement* has been divided into four districts, i.e. Cracow, Lublin, Radom and Warsaw. The Governor-General, Dr Frank, is chief of the administration, which is divided into several departments resembling the Ministries of an ordinary Government. Some Reich institutions have permanent representatives in Cracow, while the Cracow administration keeps a kind of High Commissioner in Berlin. The *Gouvernement General* has its own customs system, and has retained the Polish currency. Its Budget is separate from the Reich's. Three-fifths of the total revenue is derived from six State monopolies, i.e. tobacco, salt, matches, alcohol, a lottery, and mineral oil. The oil monopoly was added by the Germans to the reconstructed five Polish monopolies. Income tax has been reconstructed after the German model and begins with 1.2 per cent. rising to 60 per cent. of the highest incomes. An excise is levied on sugar, beer and yeast. Railway and postal services have become State property. Official reports maintain that the total number of German civil servants occupying only the key positions in this new administration is 2,500. This does not include the German police, whose chief occupies a position on the same footing as the Governor-General. No information is available about the strength of the German armies stationed in Poland.

On March 1st, the new Central Bank began operations, replacing the temporary *Reichskreditkassen*, which were instituted in September, 1939. The notes in circulation will be gradually replaced, and the cover of the note circulation is to be formed by a kind of global mortgage on the entire land property. It is limited to 3,000 million zloty. During the first months of the occupation the German economic administration confined itself to fixing maximum prices for all goods. After that, compulsory delivery of 80 per cent. of the total harvest of cereals and root crops, as well as food rationing, was introduced. The next step was the introduction of a Central Control Board for the iron and steel industry. With the establishment of the Four Year Plan department in the central administration, the principles of control, and of "steering" industry, finances, and agriculture are being introduced one after the other. The agricultural programme to be carried out will concentrate on an increase in root crops, flax, and oilseeds. The number of horses and livestock, especially pigs, has greatly decreased during the short war, and in the district of Cracow, which is very densely populated by small farmers, even cereals had to be imported from the Reich in order to prevent famine. The only surplus the *Gouvernement* had, namely, in man power, is rapidly being transported for work to Germany.

Conditions in Warsaw are the worst of all. The population is reported to have increased from 1.3 millions to 1.8 millions. The destruction of the town and the primitive system of supply by individual peasants living near Warsaw must have created conditions which are hardly imaginable. There are uncensored reports about fantastic price increases. One kilogram of bread is said to cost 6 zloty. In 1938 the retail price for one kilogram of rye bread amounted to 0.32 zloty. Butter is sold at 60 zloty per kilogram, against 3.50 zloty in 1938. The price for one hundredweight of potatoes is quoted at 100 zloty against 5 zloty in 1938. These prices are obviously paid in illegal trade. Information given in German papers is emphatic about a very strict control of prices, which does not necessarily mean that German authorities are able to prevent a rise in prices, under conditions of a very severe shortage of foodstuffs. Meanwhile, one-quarter of Warsaw's considerable industry is reported to be working again. Public life is, however, still restricted. Cafés and restaurants are working nearly normally, but there are only seven cinemas. Warsaw has been made the centre for the transport of workers to Germany. The total number of Poles to be sent to Germany is intended to reach one million, in addition to the 300,000 Polish prisoners of war already working in Germany. A considerable percentage of them will be employed in German industry, particularly in the coal-mining industry.

For the exploitation of the oil fields, mainly situated near Jaslo, two new companies have been formed. The output of these fields amounted to 150,000 tons in 1938. German papers have become sceptical about an immediate increase in output. There are, however, rumours that the Russians gave the Germans a concession for working the oilfields under Russian occupation, which produced 350,000 tons of oil in 1938. It may be possible that the utilisation of natural gas in this district will rapidly increase. Reports about the repair of destroyed roads, railways, bridges and telephones vary considerably. In the district of Cracow alone three tunnels, 370 miles of railway tracks, 60 bridges, and 3,000 miles of telephone cable have been repaired.

Poland in Germany

The picture provided by the parts incorporated in Germany is very different. In these parts German administration included the Nazi Party and labour organisation is already complete. Apart from East Upper Silesia, Lodz and Danzig, the country is predominantly agricultural. All land owned by Poles has been declared State property. Elaborate compulsory marketing organisation has been introduced in a very short time. It is claimed that winter sowing was 80 per cent. of normal. At present the cultivation of root crops, potatoes and oilseeds is being extended. The Polish war reduced the number of livestock, and cattle, pigs and sheep have to be imported from the Reich. The extensive resettlement policy will probably prevent any substantial increase in cultivation during this year. The total number of Germans transferred to these new provinces is variously estimated at from 160,000 to 200,000; it is proposed to resettle 100,000 Germans from South-Western Germany over a period of several years.

The surplus of cereals normally produced in these provinces will be just sufficient to cover the demand of the highly industrialised area of Upper Silesia, but the surplus of sugar is considerable. The *Warthegau* produced in 1938 roughly 12 per cent. of the total sugar output of Germany.

The area under forests is relatively smaller than in the Reich. The timber resources of Poland are situated in the Russian-occupied territory. The main asset is the coal, steel, zinc and lead of Upper Silesia.

The total coal output in German and Polish Silesia amounted in 1938 to 55 million tons. A rapid increase is quite possible. Conditions, especially in the Polish coal fields, are similar to the richest mines in the United States of America. Zinc output in Upper Silesia amounted to 108,000 tons in 1938. The "Olsa" territory ceded to Poland after Munich produced in 1938 an additional 7 million tons of coal.

Transport Development

Lastly, there remains the problem of communications. The intentions of the Germans are to develop the inland waterways of Poland and to link them up again on the one hand with the system in Germany and on the other hand with the waterway system in Russia. Here the main connection is from the River Dnieper via the Pripet canal to the River Bug and the Vistula, which establishes direct connections between the Black Sea and the Baltic. The destruction of railways and bridges in the Central and Western provinces of Poland was far greater than in the South. German reports speak of 600 bridges to be repaired. The Baltic ports of Gdynia and Danzig will be developed jointly, i.e. Gdynia—called "Gotenhafen" by the Nazis—for staple goods, especially coal, iron ore and timber, and Danzig for manufactured goods. Coal exports and iron imports were already resumed at the end of October.

Destruction in the war, the prolonged and unusually cold winter, the extensive resettlement, and the temporary disorganisation caused by the establishment of the German system of controlled economy—will probably hamper the recovery of agriculture during this year. Only the coal and iron industries may be able to increase production without delay. Apart from some timber, potatoes, and sugar, there will probably be no agricultural surplus available. This would, however, change in the second and third years of occupation. Conditions are thus different from those during the Great War, when a purely military administration developed no plans for maintaining production, let alone plans for increasing production.

The Nuremberg Anti-Jewish laws are put into practice with even more brutality than in Germany. The wholesale transfer of Jews to the Jewish Reserve near Lublin is hardly mentioned in the German Press. There are, however, many stories about the ghettos in Warsaw, Lodz and Cracow—in the usual Nazi style. The great number of Jews who were independent artisans in Poland are debarred from economic activities. This must have created a shortage of artisans. Their shops in the incorporated part will be filled by independent artisans from the Old Reich. The only hope for the Jews seems to be emigration. But there are hardly any possibilities. The only agency still working in Poland is the Triestino Lloyd, of Italy, which does seem to be active in providing facilities for emigration.

Labour and the Election

[FROM OUR WASHINGTON CORRESPONDENT]

ALL three of the major economic groups in the United States—agriculture, industry and labour—are facing some stiff decisions as to strategy for the coming elections. Most difficult of the current choices is probably that before labour: is this the year to attempt independent political action, or not?

Nobody believes that an American Labour Party could nominate and elect a Presidential candidate in 1940. Against it are, not only the history of third parties in the American past, but also the present divisions in labour. On January 26th, Mr John L. Lewis, head of the Congress of Industrial Organisations, speaking before the biennial convention of his own union, the United Mine Workers, attacked President Roosevelt and prophesied defeat should he run for a third term. The next day, Mr Sidney Hillman, President of the Amalgamated Clothing Workers, and second only to Mr Lewis in importance as a C.I.O. leader, affirmed his support of Mr Roosevelt. The two statements indicate the current division on the third-term issue within the ranks of the four million American workers who belong to the C.I.O.

At the same time, political co-operation seems impossible between the C.I.O. and the four million members of the American Federation of Labour, the national organisation

of craft unions from which the C.I.O. split in 1935. Locally, members of the two organisations have at times joined forces for municipal or State elections, but at other times they have killed each other off by putting opposing candidates in the field. Less than a week after Mr Lewis's speech, the American Federation of Labour Council warned that "any candidate for public office who seeks and accepts the support of the C.I.O. and places himself in bondage to its leader has received the 'kiss of death.'"

If the prospects for independent labour action are as bad as these divisions indicate, why is it even being suggested? The forces which are pushing Mr Lewis in that direction are clearer for a backward glance at the previous history of American labour in politics. Large-scale labour organisation did not begin until after the Civil War. The first successful national movement, the Knights of Labour, did not gain real strength until the mid-eighties. The Knights were the American equivalent of the Chartists—with a broad programme of social reform, and with political action as one means of securing it. But, with the rise of craft unionism, their social approach was superseded by the strictly economic interests of the American Federation of Labour.

The American Federation of Labour organised skilled workers. The "business unionism" on which it concentrated aimed at securing to its members in the building trades, the metal trades and the cigar industry a fair share of the returns from the product they manufactured. Mr Samuel Gompers, who became American Federation of Labour President in 1886, believed that European Socialist Parties had done little good for labour; during his thirty-seven-year term of office the American Federation of Labour maintained a non-partisan relationship with all political parties. In point of fact, the method of labour's "rewarding its friends and punishing its enemies" normally resulted in support of Democratic Party nominees; but the Democratic Party was in no sense a labour party.

In the years following 1929, a number of new considerations became prominent. The ranking American industries of the twentieth century were not staffed on a craft basis. Mass production had diminished the proportion of skill required, and the endless belt linked together unskilled, semi-skilled and skilled workers. Just as the disappearance of the geographic frontier had produced the Populist revolt of the West in the 'nineties, so the disappearance of the technological frontier after 1929 induced a comparable mass unrest over the whole country.

The Unions and the Democrats

Through no forethought of its own, the Democratic Party became the party of the forgotten man, of the third of a nation that is ill-housed, ill-clothed, ill-fed. The way to recovery was seen to lie in his increased consumption, in his increased purchasing power, in his increased wages and decreased hours, in his collective bargaining. The new Administration was not a labour administration, but its objectives were the objectives of labour. In 1933, the American Federation of Labour had 2,125,000 members. In 1939, the C.I.O. and the American Federation of Labour together numbered eight million members—and another quarter million were in independent unions. Labour votes contributed no little to the Roosevelt landslide in 1936 and labour donations to Democratic campaign funds totalled nearly three-quarters of a million dollars.

Social security legislation, the National Labour Relations Act, the U.S. Housing Authority, the Wages and Hours Law, were established in rapid succession in the years 1933-38. But the Democratic Party was still not a labour party. The legislation of those years was produced by Liberals for labour. By 1938, the party which had supported labour legislation willy-nilly began to weaken at the hyphen and divide into the willy and nilly faction. The willy faction lost in its effort to reorganise the Supreme Court and in its attempt to purge the nilly faction in the 1938 elections. Since then, there have been few new developments, and the Garner candidacy and the Farley candidacy are here to show that the Democratic Party is traditionally based on the Solid South and the metropolitan machines.

So a choice is up to labour. Its immediate tactics are clear enough—to put as much pre-convention pressure as possible on the choice of the Democratic candidate. Mr Lewis's speech of April 1st did just this, when he declared that unless a candidate "acceptable to labour and the common people" is forthcoming, he would call a mid-summer convention of labour, youth, old age, Negro and farmer groups "and we'll see whether mere machine politics in this country are going to be more powerful than the voice of the people of this land."

April 12th

Canada's Spring Revival

[FROM OUR OTTAWA CORRESPONDENT]

THE only surprising feature of the result of the Canadian general election was the size of the Liberal majority. The Liberal Party is still considerably over-represented in Parliament in the light of the popular vote, but a provisional tabulation shows that it secured about 53 per cent., a substantial improvement upon the percentage of 46.8 secured in the election of 1935. Dr Manion's pledge to form a "National Government," representative of all parties, if he was returned to power, proved a boomerang, as its only real effect was to antagonise thousands of Conservatives and make them feel free from any party obligation to support him and his candidates. The *Winnipeg Free Press*, the ablest Liberal paper in Canada, expresses some disquietude at this infiltration of Rightist influences into its party; it suggests that the Government, having secured the adhesion of thousands of voters who "never were and never will be Liberals," may have forfeited the right to call itself a Liberal Ministry, and declares that it is incumbent upon all genuine Liberals to adopt an attitude of vigilant independence.

The result of the election was simultaneously an emphatic endorsement of the war policy and programme of the King Government and a decisive rebuke to the misguided tactics of the Opposition. There are supporters for the theory also that the overwhelming mandate given to the King Ministry represented a widespread anxiety among the Canadian people that they should not be drained to exhaustion of their young man-power and wealth in another attempt to settle the age-long feuds of Europe. They could not feel sure that Dr Manion, if returned to power, might not, under pressure from the British Government and his own Imperialist followers, be induced to cast all Canada's resources to the last man and dollar into the scales for victory. So it is suggested that, while the result can be construed as a mandate for the Government to continue the national war effort, there was implicit in it an accompanying caveat that certain limitations should be set to it.

The Foreign Exchange Control Board has promulgated a

THE CHASE NATIONAL BANK

OF THE CITY OF NEW YORK

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

HEAD OFFICE: PINE STREET CORNER OF NASSAU, NEW YORK

Main London Branch:
6 LOMBARD STREET, E.C.3

Bush House Branch:
ALDWYCH, W.C.2

West End Branch:
51 BERKELEY SQUARE, W.1

also

The Chase National Executors & Trustees Corporation, Ltd.

6 LOMBARD STREET, E.C.3

Paris Correspondent:

THE CHASE BANK

41 RUE CAMBON & 29 AVENUE GEORGE V

new regulation under whose authority it will hereafter decline to provide United States funds in exchange for Canadian coin and currency imported from foreign countries. This move is designed to check the activities of exchange manipulators in the United States who have been discounting Canadian currency there at a rate higher than the Board's official rate of 11 per cent., and by transferring it to Canada and getting United States funds for it at the official rate have been reaping profits, but it is difficult to see how the practice can be completely stopped.

The foreign trade returns for February showed the value of imports almost unchanged and a seasonal shrinkage in exports. But with the month of February, 1939, the comparison is very favourable, as the data below reveal:—

	Feb., 1939	Jan., 1940	Feb., 1940
	\$	\$	\$
Imports	40,380,234	71,104,145	71,041,553
Exports (Domestic) ..	57,571,572	90,100,133	71,078,946
„ (Foreign)	671,278	753,704	1,235,125

The trade experts of the Government are disturbed by the new Australian import restrictions and particularly about their effect upon the fish-packing industry, and they estimate that their effect will be to reduce Canadian sales of sardines, canned salmon, smoked fish and other commodities in the Australian market by about \$3 millions per annum.

Good Business Prospects

The spring thaw has now arrived and the accumulated snowfall is melting rapidly, but although cultivation of the land has started in the more southerly areas, it will not be general for a fortnight. Business conditions remain satisfactory and are benefiting from the usual stimulus provided by the advent of spring. The latest employment bulletin covering up to March 1st recorded a slight slackening of industrial employment in February, but the employment index on March 1st at 113.5 was 7 points above the figure for March 1, 1939, 106.5, and was at the highest point ever recorded for this date. The construction industry continues to gain ground, largely as the result of the extensive contracts being placed by the Government. Anxiety in the West about the lack of reserves of soil moisture has been relieved by a very heavy snowfall, and the new crop has now a chance to get off to a good start.

April 14th.

Irish Opportunity

[FROM OUR DUBLIN CORRESPONDENT]

THE seizure of Denmark by Germany creates a wonderful opportunity for Irish farmers to increase their exports of bacon, butter and eggs. For many years Danish competition has been one of the dangers to Irish agriculture, and Danish methods have been held up to Irish farmers as the models on which they should develop their production. Now that this competition is temporarily removed, it is important that the opportunity for expansion should be used to the utmost. The question is whether the peculiar inelasticity of Irish agricultural output, to which attention has previously been drawn in this column, is capable of being surmounted. In the case of pigs, for example, the number of pigs in Eire in 1901 was 1,014,828, while the number in 1939 was only 930,907. The quality of the pigs and the value of their products had greatly increased, but the failure of the number of pigs to expand, in spite of a steadily rising demand for bacon in Great Britain, has been, to say the least, disappointing. If the output cannot be increased in the present unique emergency, the prospects for the future of Irish agriculture are indeed dark.

Since 1935, the pig and bacon industries have been regulated by marketing boards with the objects of preventing undue fluctuations in price and maintaining production at a profitable level. Much dissatisfaction has been expressed by the farmers at the operation of these schemes, which, they allege, have proved unduly profitable for the curers at the expense of the primary producers. At the same time the price of bacon has been raised so much in the home market as gravely to reduce domestic consumption. It is obvious that, in the long run, Irish bacon cannot hope to be exported on a subsidised basis, and the fundamental problem is one of costs in relation to prices. The rise of prices which will probably occur in the near future will doubtless stimulate output, provided that the price of feeding-stuffs does not

rise even more. Agricultural experts attach great importance to the need for increasing the use of potatoes as pig feed. Potatoes are cheaply grown in Ireland and modern developments in ensilage enable them to be stored and preserved.

The situation in regard to butter is somewhat similar. The number of dairy cattle has grown since 1901 only from 1,188,050 to 1,216,500, and is now tending to fall. The quality of Irish butter has greatly improved, but the rate of expansion of the industry is not satisfactory. Here again, the problem of cheap feeding-stuffs is pivotal. It is absolutely essential that modern methods of grass production and utilisation should be widely adopted. Every variety of home-grown fodder, hay, roots and cereals, should be intensively produced and the latest improvements in ensilage pressed into service. The health of the dairy herds could be materially improved by better feeding and by further veterinary attention; and the average milk yield could be substantially increased. It is to be hoped that the Department of Agriculture will display appropriate vigour and energy in this unprecedented opportunity to supplant our chief competitor in the British market.

An increase in exports is particularly desirable at present, because of the serious deterioration in the balance of payments. The prices of many imports have soared, while two of our invisible exports, namely, the sweepstakes and the tourist trade, have temporarily collapsed. The sweepstakes, in addition to providing large sums for the construction of hospitals, gave considerable employment in Dublin and yielded an annual income to the Exchequer of £500,000. They were certainly qualified to rank as an export industry since most of the subscriptions came from the outside world, principally the United States. Needless to say the war has interrupted this highly profitable activity. The tourist trade also depended largely on American visitors, and even British tourists cannot be expected to visit Ireland in anything like their normal number during the war. An attempt is being made to attract holidaymakers from Northern Ireland in the coming summer.

April 22nd.

Jugoslavia's Needs

[BY A CORRESPONDENT]

THE war has put the Balkan countries under a very heavy strain. Dr Schacht's system of trade by clearing arrangements resulted in the concentration of the exports of the Balkan countries on Germany. Increased exports to Germany, as well as mounting clearing credits, compelled the Balkan countries to take imports of German industrial articles. This resulted in a decrease of exports to the "free foreign exchange" countries, and as a result imports of necessary raw materials to be got only by paying with free *devisen* had to be restricted. Since September the shortage of raw materials has been serious.

Jugoslavia's imports of raw materials and semi-manufactures in the first eight months of peace in 1939 and then in the first four months of war may serve as an example. The following table shows Jugoslavia's imports:—

	('000 tons)		(Million dinar)	
	1938	1939	1938	1939
Raw materials	565	303	1,045	700
Semi-manufactures	351	471	10,030	1,077
Partly finished articles	139	136	591	736
Wholly finished articles	136	145	2,005	1,945

The fall in imports is most marked in raw materials; the quantity fell by 46 per cent., the value by 32 per cent. The increase in imports of semi-manufactures happened during the first eight months of the year. The next table shows how the war influenced Jugoslavia's supplies of important goods.

	Peace Months, January to August				War Months, September to December			
	Tons		Mill. dinar		Tons		Mill. dinar	
	1938	1939	1938	1939	1938	1939	1938	1939
Cotton, raw	12,150	12,600	152	156	9,490	5,470	112	76
Wool, raw	2,770	3,210	78	83	2,000	490	55	17
Cotton yarn	10,030	10,820	213	249	3,940	1,360	95	36
Yarn, manufactured from other natural fibres	4,350	2,950	44	52	1,500	620	17	15
Woollen yarn	950	1,560	67	100	570	240	38	17
Pig iron	46,000	24,160	99	61	9,700	6,860	23	20
Coal	36,320	30,760	139	104	13,450	8,730	43	38
Skins, undressed ..	7,090	1,360	97	22	1,520	165	17	2
Tallow	4,360	3,960	20	17	2,150	750	9	3

During the first eight months of last year the textile industry was able to secure adequate imports of raw materials—the fall in imports of yarns and other textile fibres was the result of restrictions placed on imports of sisal and Manilla yarns in the spring. Imports of pig iron fell because stocks had been accumulated during 1938—the number of workers employed in the iron industry at the beginning of 1939 exceeded the number a year before, and the output of pig iron increased from 59,300 tons in 1938 to 62,000 tons in 1939. Smaller imports of coal are explained by the attempt to replace imported coal by domestic lignite.

The Allies' Chance

Import difficulties during the first four months of war were most marked in the imports of textile materials. Compared with the corresponding months of 1938 (September, October, November and December), raw cotton imports fell 32 per cent. in value, raw wool 69 per cent., woollen yarn 55 per cent., cotton yarn 62 per cent., jute and flax yarn 59 per cent. Before the war Jugoslavia imported the greater part of her yarns from Germany, Czecho-Slovakia and Italy. Germany is now no longer able to export yarns. Germany does not even seem able to export yarns manufactured from artificial fibres.

Jugoslavia is thus more than ever dependent on the Allies for importing necessary raw materials. In order to be able to import raw materials and semi-manufactures from Britain and France, Jugoslavia is about to reorganise her system of foreign trade. Logically, the result would be an increase in exports to non-clearing countries, which is possible only to the disadvantage of Germany. During the last months of 1939 this tendency was already at work. Germany's, i.e. the Reich and Austria, share in Jugoslavia's exports fell from 42 per cent. in 1938 to 32 per cent. in 1939.

One must take into consideration, too, that a considerable part of Jugoslav exports used to go to Czecho-Slovakia. The former Czecho-Slovakia held a considerable clearing credit in trade with Jugoslavia of roughly 150 million kronor. This credit has disappeared. There is now a debit, which is steadily growing, and amounted to 80 million kronor at the beginning of March, 1940.

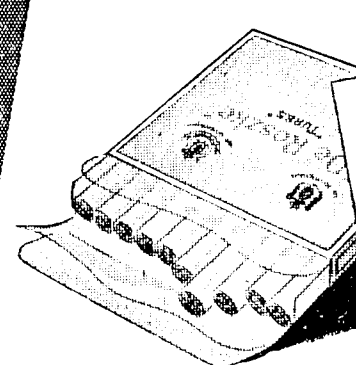
Jugoslav trade authorities have estimated that during 1940 they must import raw materials obtainable only in Allied countries amounting in value to 2,000 million dinar. In 1939 Jugoslav exports to the United Kingdom amounted to 367 million dinar; exports to France amounted to 140 millions; and to the U.S.A. to 281 millions. This adds up to 788 million dinar. In other words, a considerable increase in exports to these countries is now necessary to pay for raw materials. This increase may be made easier by the fact that Great Britain and France are now ready markets for Jugoslav products, such as minerals, timber, meat and dairy produce.

The Allies are in a position to divert Jugoslav exports from Germany to themselves. Their key position in supplying Jugoslavia with indispensable imports makes it possible for them to exercise considerable influence on Jugoslavia.

Books Received

- The English Navigation Laws.* By L. A. Harper. (London) H. Milford. 503 pages. 25s. net.
- The Treasury and Monetary Policy, 1933-1938.* By G. G. Johnson. (London) H. Milford. 230 pages. 14s. 6d. net.
- Tanker Freight Rates and Tankship Building.* By T. Koopmans. (Haarlem) De Erven F. Bohn N.V. 219 pages and charts. Two florins.
- Punishment and Social Structure.* By G. Rusche and O. Kirchheimer. (London) H. Milford. 268 pages. 20s. net.
- The Control of Competition in Canada.* By Lloyd G. Reynolds. (London) H. Milford. 324 pages. 16s. 6d. net.
- Public Policy. A Yearbook of the Graduate School of Public Administration, Harvard University, 1940.* Edited by C. J. Friedrich and E. S. Mason. (London) H. Milford. 391 pages. 20s. net.
- Swiss-American Economic Relations.* By D. G. Jacquelin. (Geneva) Geneva Research Centre. 295 pages. 3.50 Swiss francs.

You help Turkey to help us
when you help yourself to
Turkish* cigarettes



The Government have made large purchases of tobacco from our ally Turkey. Turkish is the finest cigarette tobacco the world produces. The 'chain-smoker' in particular can confidently take to Turkish cigarettes, because they possess less than half the nicotine content of Virginias.

ASK FOR
De Reszke
TURKS

Issued by Godfrey Phillips Ltd.

THE BUSINESS WORLD

Limited Dividends and Equities

SIR JOHN SIMON occupied two hours and ten minutes in outlining his Budget proposals on Tuesday afternoon. For the equity investor, the odd minutes contained the most important news of the day. For, in a few concluding sentences, the Chancellor sketched the rough details of legislation for limiting the size of ordinary share dividends. The possibility of such legislation had not been overlooked as a weapon in our economic war armoury. Indeed, only a fortnight ago, *The Economist* urged that stabilisation of dividends and institutional saving by the medium of company reserves should be a corollary of the present level of E.P.T., on the ground that distribution in dividends of the 40 per cent. residuum after paying E.P.T. might involve an undesirable stimulus to private consumption. The Chancellor, in rejecting Mr Keynes's proposals for deferred earnings, has, in fact, proposed a not dissimilar measure for deferment of increased company profits. It is a measure which, as Germany has shown, can be a powerful instrument of wartime financial policy, and it can be justified in a wartime context. But it introduces the most profound consequences for equity investment, which require immediate examination by ordinary shareholders.

First, it is essential to set down exactly what the Chancellor has said on the subject of dividend limitation. The Bill (it will be a separate measure, apart from the Finance Bill) will propose that a public company shall not distribute a greater dividend on ordinary shares than was distributed in any one of three pre-war years. This statement is not simple to interpret in exact terms. The market assumes that a public company will be allowed to distribute a dividend up to the highest rate paid in any of three pre-war years—including the year 1938, which is not allowable for E.P.T. purposes. And it finds support for this assumption in the further remark of the Chancellor that "a business which has been able to distribute in the past a big dividend will not be prevented from doing so again, but it cannot increase it." But if the Chancellor's words are examined more closely, they are capable of the interpretation that the dividend shall be limited to the lowest rate paid in any one of three (unspecified) pre-war years. Indeed, this is what the words mean; they forecast a prohibition, not a permission. The Chancellor did not say that companies would be allowed to distribute as much as in any one of three pre-war years, but that they would not be allowed to distribute more than in any one of those years and—as was discovered in the case of the standard dividend provisions for London Transport "C" stock—there is a great deal of difference between the positive and the negative form. If a company has distributed, say, 8 per cent. in 1936, 10 per cent. in 1937 and 5 per cent. in 1938 (assuming these to be the three pre-war years), and if it now proposes to distribute 8 per cent., could it not be said that it was "distributing a greater dividend than was distributed in any one of the three pre-war years"—i.e. in 1938? This seems to be repugnant to the main sense of the Chancellor's statement, but it is the legal meaning of his words—and Sir John is a lawyer. Clearly, the text of the Bill will have to be closely examined. There are other matters of definition still in doubt. It would seem, for example, that private companies are to retain their freedom in dividend policy. Moreover, on a strict definition of "public" companies, statutory companies, such as the railways, would also appear to be excluded.

A minimum rate of dividend will be allowed, however,

for companies which in the recent past have been unable to pay that minimum. In cases where no complications (such as participating rights) exist, the minimum will be 4 per cent. The introduction of a minimum rate into a system of dividend limitation, without any indication of a maximum rate, has perplexed many ordinary shareholders, and its implications are certainly far from clear. Since, however, provision will be made for new companies and for hard cases under a dispensing power to be exercised by the Treasury, on the advice of the Capital Issues Committee, it is to be presumed that maximum rates for hard cases will be determined on their merits. The final proposal is to prohibit the issue of bonus shares during the war, save in such exceptional circumstances as amalgamations.

The first reaction of the ordinary shareholder to these proposals might well be to ask if there is any remaining scope for equity investment for the duration of the war—and even, looking farther ahead, if dividend limitation does not introduce permanent changes in the established canons of ordinary share investment. It is clear that the proposal tends to increase the attractions of fixed-interest stocks, which responded generously on Wednesday. Broad groups of companies will fare differently under the limitation scheme. Those whose ordinary dividend payments had been steadily stepped-up in the pre-war years may find themselves already at the ceiling. Their shares will now become "fixed-interest equities" while distributable profits are maintained, and "negative equities" if profits should fall. Companies whose dividends have declined appreciably from the maximum in the early pre-war years, and whose current profits are still below the peak, may have an equity in future increases in profits (after meeting E.P.T.)—assuming that the maximum, and not the minimum, pre-war rate is to be the standard. Those companies with substantial preference arrears—they are still to be found among the textile groups—will retain an equity in recovery until their arrears are paid off, when they will presumably receive a minimum ordinary dividend standard. Finally, the position of concerns which have distributed regular scrip bonuses in the past must be given serious consideration.

In the accompanying table, a selection of important companies have been arranged in three groups, according to their dividend record—stable, rising or falling. Dividend limitation probably matters but little to shareholders in companies in the first group. They would not, in general, have expected any appreciable increase in distributions during wartime, judging from their peacetime dividend experience, though there is some slight scope for future dividend increases by Imperial Tobacco, Watney, Combe, Reid, and Imperial Chemical Industries. In the second group of companies, with rising dividends, the consequences of limitation are more plain, particularly in cases such as Dunlop Rubber and Swan, Hunter, whose recent dividends for the calendar year 1939 have indicated the directors' willingness to acknowledge the existence of a wartime equity in increased distributions. Last year does not count, presumably, as a pre-war year, so that these two companies and also Home and Colonial (subject to a special dispensation of a minimum dividend standard) will, in effect, have their recent equity gains lopped off.

It is among the falling record companies that equity possibilities will have to be sought in future. That is not to say, of course, that they will be automatically found. It would be optimistic to suppose that London Brick will

be able to restore its former 20 per cent. dividend in the near future, or that Odhams Press or Bowater's Paper Mills will experience a marked recovery in profits in wartime. On the other hand, companies like Courtaulds, Inter-

DIVIDEND RECORDS OF 21 LEADING COMPANIES

Company	Date of Accounts	Ord. Dividends paid			
		1936	1937	1938	1939
<i>Stable Record</i>					
Boots Pure Drug	Mar. 31	30 ^(a) 56	30 ^(a) 67	30 ^(a) 90	30 ^(a) 90
J. and P. Coats	Dec. 31	10	10	10	10
Imp. Tobacco	Oct. 31	25 ^(a)	25 ^(a)	25 ^(a)	25 ^(a)
J. Lyons	Mar. 31	22 ^(a)	22 ^(a)	22 ^(a)	22 ^(a)
Watney, Combe, Reid	June 30	18	19	18	18
F. W. Woolworth	Dec. 31	60 ^(a)	60	65	65
<i>Rising Record</i>					
Dunlop	Dec. 31	9	9	9	12
Home and Colonial	End-yr.	Nil	Nil	3	6
Parnall Aircraft	July 31	Nil	Nil	7½	12½ ^a
Swan, Hunter	Dec. 31	7	9	12	15
<i>Falling Record</i>					
Ass. Port. Cement	Dec. 31	22½	22½	20	15
Austin Motor	July 31	50	50	30	15 ^(b)
Bowater's Paper	Sept. 30	9	Nil	Nil	Nil
Courtaulds	Dec. 31	10½	10½	7	7
Electric and Musical	Sept. 30	10	10	5	Nil
International Tea	Apr. 30	30	16	10	10
Lon. Brick	Dec. 31	22½ ^(c)	20	20	10
Odhams Press	Dec. 31	15	12½	10	...
Prices Trust	Sept. 30	30	45	50	25
Richard Thomas	Apr. 1	12½	15	5	Nil
Turner and Newall	Sept. 30	17½	20	20	15

* On increased capital. † Tax free. (a) Final of 7½ per cent. on increased capital. (b) And scrip bonus 1 in 25. (c) And scrip bonus 1 in 9.

national Tea, Prices Trust, and Turner and Newall might well show some improvement in earnings as the war proceeds. If so, they should have some equity in the possible restoration of pre-war payments. It is, of course, a corollary of their recent profits experience that several of these latter companies have a favourable E.P.T. base.

These, however, are the broadest generalisations, to which any number of complications may be added. What is the dividend standard of companies like Distillers, British Oxygen, and Austin Motor, which have made bonus share issues since war broke out? How will the maximum permissible dividends of companies like Tate and Lyle and Crompton Parkinson, which distributed scrip bonuses some time before the war, be determined—by the maximum gross sum distributed or the maximum percentage rate? And what of the companies which have hitherto made a regular practice of making share bonus distributions each year? It has always been impossible to give any rational capital value to the expectation of regular share bonuses. What, then, is the proper value of a share like Marks and Spencer, whose earnings in the last two financial years approached 75 per cent., but whose cash dividends were limited to 42½ per cent.? British Electric Traction would provide an even more pertinent case, had the directors not decided, last December, to discontinue the issue of regular scrip bonuses in wartime. Marks and Spencer shareholders may be pardoned for feeling that they have been singled out by a hard fate. The company's growth of profits attracts heavy E.P.T., as a reward for its enterprise; it is vulnerable to the limitation of supplies of textile manufactures to retailers; it will be hit, inevitably, by the new Purchase Tax; and its shareholders must, it would seem, content themselves in future with the expectation of cash dividends not exceeding 42½ per cent. It is not surprising that the 5s. shares fell from 47s. 6d. to 43s. 9d. on Wednesday this week.

The position of textile shares also provides some interesting comparisons. Lancashire Cotton ordinary, having gone dividendless for years, received 7½ per cent. for the year to October last. In this case, presumably, a special dispensation could be successfully pleaded. British Celanese 10s. ordinary, which have recently been standing as high as 8s. 10½d. in the lively hope of dividends in the not far distant future, must also count on special treatment. Bradford Dyers, with preference arrears since 1932, and Calico Printers with preference arrears since 1935, might provide some equity interest in their defaulted preference capital but for the probability that if a recovery in earnings occurs the immediate consequence is more likely to be a refunding scheme than cash repayment.

The lot of ordinary shareholders, and their advisers, in

a regime of E.P.T. and dividend limitation, is clearly not enviable. It is true, of course, that profits retained in company reserves, instead of being paid out in dividends, do represent an effective enhancement of the ordinary shareholder's equity. But their significance in the determination of share values in wartime is bound to be restricted. The equity theory of investment, which holds that earnings, and not distributed profits, are the crucial factor for ordinary share valuation is true in its proper context—that of normal and progressive economic conditions. The capitalisation of "ploughed-back" earnings depends on the underlying assumption that the company can reinvest its profits to better advantage than the shareholder could obtain elsewhere. To the extent that these conditions are qualified in wartime, the equity theory has a diminished force, and an important sector of equity investment will accordingly be removed by dividend limitation. Exceptional far-sightedness would be required of the ordinary shareholder before he could value the possible significance of accumulating reserves in wartime in terms of future dividends or capital bonuses. The post-war period may well bring demands for replacement of capital which can only be met with the help of accumulated wartime profits. In such circumstances, reserves built up from wartime profits would protect the ordinary shareholder against capital losses, but they would not necessarily be available to augment his post-war income.

To discount accumulated wartime profits at anything like the rate which might be applicable in peacetime conditions, when the length, intensity, and outcome of hostilities are quite unknown, would therefore be hazardous. Companies whose dividends are limited will still retain an equity in profit increases, but it will be difficult to impute any rational Stock Exchange value to it. Meanwhile, the ordinary shareholder will await the precise terms of the new Bill with impatience, since, for the time being, intelligent share dealing will be virtually impossible.

THE STANDARD BANK OF SOUTH AFRICA LIMITED

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

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

BOARD OF DIRECTORS

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

Brigadier-General Sir Samuel Herbert Wilson, G.C.M.G., K.C.B., K.B.E.

General Manager in South Africa—Milton Clough

Deputy General Manager in South Africa

R. W. Normand

Assistant General Managers in South Africa

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

London Manager—Ralph Gibson

Secretary—H. Dales

Head Office: 10 CLEMENTS LANE, LOMBARD STREET

and 77 KING WILLIAM STREET, LONDON, E.C.4

Telegraphic Address: Africorum, London

London Wall Branch: 63 LONDON WALL, E.C.2

West End Branch: 9 NORTHUMBERLAND AVENUE, W.C.2

NEW YORK AGENCY: 67 WALL STREET

EXECUTOR AND TRUSTEE BUSINESS CONDUCTED

COMMERCIAL SERVICE

The Bank has over 380 Branches in Africa, and Agents and Correspondents throughout the world. The closest touch with Trade and Industrial conditions is maintained, with special attention to Commercial and Credit Intelligence. This service is available to Exporters, Importers and others wishing to develop trade with South, East and Central Africa.

The Case of Ebbw Vale

THE recent history of Richard Thomas and Company, Ltd., leading to the removal from the company's board of Sir William Firth, its chairman, under somewhat mysterious circumstances, is much more than the tale of the personal fortunes of an outstanding industrialist. It is the story of movements and trends which may cause an upheaval in the British sheet and tinplate industry, and in the steel trade at large. The removal of Sir William Firth is merely a telling symptom.

To grasp the full import of the recent development, the inquiring student must go back some centuries, to the time of the Restoration, when Yarranton and his fellow travellers brought the art of tinplating from Germany and Bohemia. Cornwall had its ancient tin mines, so that the tinplaters had to build their works in or near that region. Later, when Hanbury found that iron sheets for tinplating could be made by a simple rolling process, he had perforce to start his new mills in or near South Wales, where the local deposits of ore could be worked with native charcoal or coal fuel, close by the tin mines of Cornwall. These were the factors which led to the foundation of the South Wales tinplate and, later, the sheet industry. The district retained its pre-eminence for the best part of two centuries, long after the original factors had lost their pristine power, providing one of the clearest examples of "industrial inertia."

Towards the close of the eighteenth century Cort discovered how to roll bars through grooves in two parallel rolls. For long the whole art of iron rolling, and later of steel rolling, consisted in passing pieces of metal back and forth between two rolls, but the early metallurgists soon began to toy with the idea of passing bars from one set of rolls to another, in other words of rolling continuously. Continuous bar-rolling became a reality several generations ago, though it was left to more modern times to perfect the method. For a variety of technical reasons the rolling of thin sheets or strips by the continuous method offered greater difficulties, but by the end of last century narrow strips were being rolled continuously through sets of mills arranged in tandem; but the art of making *wide* strips of a size and gauge obtainable from the old-fashioned single-stand mills remained a problem still to be solved. Though many detailed improvements had been introduced, the South Wales sheet and tinplate industries stuck to the essentials of the age-old processes. None the less, for lack of a rival, they managed to keep their strong market position. It is true that the South Wales mills received a heavy blow through the fencing off of the United States market by the McKinley Tariff of 1890, and that the coal strike of 1926 allowed newcomers, and especially the Americans, to penetrate areas for long held as virtual monopolies of South Wales. But this did not alter the essential position, so long as the fundamental technology of the industry remained unchanged.

But a dark cloud was rising over the Welsh valleys. In the early 'twenties of this century the American steelmen began to interest themselves in earnest in perfecting the process of rolling long, wide strips of thin steel. Being able to draw on the accumulated precision experience of mechanical and electrical engineers, they at length solved the problem, and continuous wide strip rolling became a commercial undertaking, just about the time when the Americans were establishing a sound footing in export markets for flat rolled products.

With ample funds available, and urged on by keen competition, huge mills were rapidly erected in the United States, and to-day about two dozen plants are in operation. They have a capacity in finished sheets and tinplate equal to the whole ingot-producing capacity of the British steel trade. The new wide strip is turned out under extremely fine control, and is virtually a new product, quite capable, under free conditions, of driving the older-fashioned goods from the cream of their markets. Especially in the high-grade ranges, the Americans increased

their selling drive and forced a way into British home markets, right on the doorstep of the British makers. The motor car manufacturers in this country went on public record about their preference for United States material, and even threatened to build their own mills to obtain satisfactory steel.

The full effect of the powerful new market factor could not be exactly computed, but it was clear that the South Wales sheet and tinplate industries (the two branches are intimately connected) were up against a serious difficulty just when the geographical advantages which had led to their founding had almost entirely disappeared. At this point, Richard Thomas and Company, Ltd., come into the story. Under the direction of Sir William Firth, that firm, the biggest sheet and tinplate combine, decided to erect continuous wide strip mills on the American model. Casting about for a suitable site, Redbourne, in Lincolnshire, was the obvious choice. There the company already had a steelworks to provide a nucleus. More important still, Redbourne is near a coastal orefield, and ore rather than coal is now the determinant in locating iron and steel works. By this time, with the wasting of the specific local advantages, places like Ebbw Vale, in Monmouthshire, were rapidly becoming derelict. But by this time, too, the steel trade was moving into corporate organisation on a national scale and with Government help, and in siting new works it had to take account of social and industrial dislocations. An outcry was raised from Ebbw Vale, and by various means, not the least being direct pressure by members of the Government, the Richard Thomas concern was induced to abandon the Redbourne scheme and to develop an old site at Ebbw Vale. This, no doubt, prevented a great deal of social misery, but it was the beginning of the personal troubles of Sir William Firth, and it made little difference to the basic problems raised by the erection of the new mills.

In general, Ebbw Vale has few advantages as an iron and steel-making centre. The strategic advantage, important from a national and defence viewpoint, brings no commercial dividends. In detail, the site chosen was cluttered with old founds and the remains of obsolete works. For this and other reasons, the estimates of the cost of erecting the new plant were over-run by several millions. Moreover, part of the capital had been left to be found out of future profits, and the severe recession of 1938 removed both the profits and also the possibility of raising funds on the capital market. Richard Thomas and Company had to approach the banks. The banks could not refuse the needful assistance, but effective control of the company passed out of the hands of the directorate into those of a control committee of which the Governor of the Bank of England is chairman.

If the concern had stuck to the original Redbourne project, the estimates might not have been so greatly in error, and it is possible that the company would have completed the building programme without direct or large-scale bank help. In that event, the personal position of Sir William Firth would have been much stronger and he might have been able to maintain his post and ideas against the inevitable opposition. That is conjecture, though it has the elements of possible truth. The fact is that the mill, when it was completed and ready for operation, was not in the hands of an independent firm, but of a firm controlled by an outside body, some of whose members presumably represented the public interest, while others certainly represented the interests of the steel industry as a whole. This was hardly an arrangement which could be expected to lead to harmony in the management of the company, for the mere existence of the new plant creates the gravest problems for the other members of the industry. It disturbs the whole system of production quotas which has become the basis of sheet and tinplate marketing. This quota system has its advantages when the participating firms work much the same type of plant and consequently turn out much

the same quality of product at much the same cost. But it is unstable when one company can offer a new and superior product at the same price, or even less, and when that company cannot operate to full advantage save at a high working load. There is little doubt but that the new mill would attract, under free conditions, the best of the sheet and tinplate business and would achieve a fully economic rate of production. This is clearly seen in the comparative success of the American sheet and tinplate exporters and is implied in evidence presented before the Australian Tariff Board by representatives of the Richard Thomas firm. Countering a proposal to erect old-style tinplate mills in Australia, this evidence claimed that these mills would not be able to turn out material comparable with that obtainable from Britain, in effect from Ebbw Vale. Under normal conditions, the obvious cure would be for the threatened firms to get together and erect a parallel plant. This has been the traditional method by which all technological progress has been achieved. But, in present circumstances, it is hardly possible, as in the first place they would have grave difficulty in finding the funds, and, in the second, another mill might prove to be one too many, the more so since in the meantime John Summers and Sons, Ltd., have begun the erection of a new plant incorporating some of the new methods.

The problem thus posed is obviously a difficult one. If the new plant remained in independent management, the competing firms—chiefly Guest Keen Baldwin's and Lysaght's—would be hit very hard. If the quota system is maintained, they might jog along comfortably enough; but then the Ebbw Vale plant would be seriously hampered and little progress could be made in recapturing export markets. When, through financial stringency, Richard Thomas and Company was forced to submit to control from without, the form of the control clearly implied a decision to solve the problem by co-operation between the firm and its competitors.

To be the vehicle of co-operation, the banks' control committee appointed directors from affected firms to the board of Richard Thomas and Company, Limited. It might have been foreseen that the position of these outside directors would be very difficult, if not untenable. The interests of Richard Thomas necessarily ran counter in some respects to those of their own companies. In due course, the outside directors, appointed expressly to lubricate inter-company co-operation, resigned and were replaced by other men drawn from the steel industry, but not from its tinplate or sheet sections. It was widely reported at the time that the change was due to an inability of the Richard Thomas management and the "outside" directors to agree on the scale of operations, but the resignation of the outside directors was coupled with a retirement of Sir William Firth from the managing directorship.

In short, the referee, the Control Committee, called it a draw.

The new solution did not, however, get over the real difficulty, which is whether to give the new mill fairly free rein and let it attract the most desirable business, with all the disadvantages that that means for the other firms, or whether to keep a tight grip and hamper the new mill, and with it the export trade. On the surface, the position has been obscured, but its phases will show up in bold outline as soon as the end of the war ushers in more normal times. Last year the Anderson shelters rescued the sheet trade at large from a deep depression and blurred the Ebbw Vale problem. About a million tons of very ordinary sheets, which did not require the Ebbw Vale technique, were needed for their production. The war has brought along new demands to close the gap caused by the approaching end of the steel shelter orders.

The removal of Sir William Firth, however, shows that the problem, though obscured, has not disappeared. The public has not been given the material to enable it to form a judgment on the specific issue between Sir William and his colleagues. In many respects he has been personally unfortunate in his laudable design to improve the technique of the industry. He had to yield to political considerations; and the trade cycle inflicted a double blow, first by raising the cost of the new mill, and then by making it impossible to cover the cost by normal methods. But the failure of his plans was not entirely due to bad luck. There were elements in the plan of finance which carried boldness too far, and if Sir William now joins the ranks of those who have paid the penalty for taking risks, he can at least console himself that he is in eminent company.

What is much more important is the use that is now to be made of the plant at Ebbw Vale. During the war, special considerations obviously have to be borne in mind; but after the war the public interest will call for the production of steel by the most efficient and least expensive processes. If Ebbw Vale is then run at half-cock in order to reduce the damage done to other firms, the public interest will unquestionably be prejudiced. What policy will be followed by those now in control of the firm, who may, without any abuse of language, be called trustees for the cartel? Ebbw Vale will be a test case for one of the most serious economic questions this country has to face in the present generation: can a centralised, cartel-like organisation of industry, in which the interests of an individual firm are subordinated to those of the industry as a whole, be reconciled with the community's interest in the utmost speed of technical progress? We must not prejudge the actions of the Control Committee; but they should not be left in any doubt about what the public interest requires.

Finance and Banking

Money and the Budget.—From the point of view of the money market and banking situation the most striking feature of the Budget is the further advance which it marks in the direction of complete official control of the capital market. The limitation of dividends on ordinary shares and the compulsory savings which are thus to be extracted from a large number of joint-stock undertakings will canalise a substantial flow of funds to the capital market, which, as far as can be seen, will in the main seek investment in short-term gilt-edged securities. Companies which are thus compelled to accumulate undistributed profits will tend to invest them in fairly liquid form. The Government's proposal, both by its direct effect of redistributing investment demand from equities to fixed interest-bearing securities and by its later influence in causing the investment of undistributed profits, will accentuate the plethora of funds seeking short-term investment. The move must consolidate the cheap money policy of the

Government. The money and discount markets should therefore resign themselves to a maintenance of the existing conditions, with all rates so adjusted to a basic 1 per cent. short money rate that the margin of profit on running or reselling bills and on investment in very short bonds is kept down to an irreducible minimum.

* * *

The weekly tendering for Treasury bills is now reduced to a monotonous procedure, in which the only element of uncertainty is the allotment which the market syndicate will obtain at the virtually stereotyped rate of $1\frac{1}{2}$ per cent. The profit made on reselling bills obtained at this rate to the clearing banks at their buying rate of 1 per cent. is £79 for every £1,000,000 of full-dated paper. (It does not matter that the bills have to be kept for at least a

week before they can be turned over to the banks, since during this period they are run on bank money for which the rate is also 1 per cent.). Thus for every £100 which the discount market turns over it earns precisely 1½d. Fortunately there are more Treasury bills to turn over, but even with the syndicate quota enlarged to its present figure of about £50 millions and with the market obtaining between £20 millions and £30 millions of bills a week, the aggregate profits on this business can do no more than cover overhead charges, and in many cases probably fail to do that. To the continuance of this stalemate the discount market must be resigned. The results of the Bristol bills which, though of six months' maturity, went at a lower rate than the three months' Treasuries proved that. This, however, does not mean that the market as a whole is doing badly. The bonds are still there to earn the butter and even the jam to spread on the bread. There is none the less an increasing shortage of eligible shorts. The new 2 per cents. of which the market has rather more than its fair share are slightly too long to be held in the really substantial quantities which their predecessors, the 4½'s, justified. It is therefore the hope of the discount market and of the banking community in general that when the next War Loan is discussed the merits of an essentially short-term operation intended for the banks and discount houses will not be overlooked. The recent issue of War Loan will take some time to digest. The need for raising additional funds, now that the lean revenue period is upon us, will occur fairly soon, despite the £100 millions which the Chancellor had "in hand" on starting the new financial year. The banks gave little support to the War Loan. That support was fortunately not needed and was not asked for. But it would be readily forthcoming if in providing for the due distribution of debt maturities it were decided to make the next Government loan an issue of, say, three-year bonds bearing interest at 2 per cent.

The Course of Sterling.—The free sterling rate has reacted significantly to the Budget proposals. From the level of \$3.59 to which the rate had recovered in New York last week, it has gradually fallen to slightly under \$3.50. The course of military operations in Norway, which was partly responsible for the recovery last week, may have played some part in the subsequent reaction. But the main factor in the mid-week decline of the rate seems to have been the unfavourable impression caused by the Budget estimates and the gulf which they reveal between prospective revenue and expenditure. The fears of inflation which these figures conjure up have been responsible for the departure of a certain volume of funds previously held in sterling by foreign institutions. The supply of such sterling is not limited to the "pre-zero" holdings of non-residents. Although sterling has become a controlled currency a good deal of trade which does not actually touch the sterling area is still invoiced in sterling and certain large international organisations continue to accumulate sterling in the normal course of their trade. The practice of invoicing in sterling in such cases is gradually being abandoned, but traditions of long standing are often difficult to break, while in certain trades where there is competition from sterling companies, the practice has more than tradition behind it. It is these sterling assets which have been liquidated at a rather faster pace since the appearance of Sir John Simon's Budget. The market in free sterling, however, remains fairly small and there are clear signs that the recent regulations, compelling the payment for certain specified exports to be made in foreign currencies or sterling obtained from the control, have considerably curtailed its scope. Additions to the list of specified exports are likely to be made in the near future. In addition the free market in sterling is expected to be further reduced by payments agreements which are being negotiated with a number of neutral countries.

(Continued on page 779)

MONEY MARKET NOTES

STERLING opened the week in New York with a fairly firm tone, but the Budget statement was responsible for a weaker tone on Tuesday, when it closed 1½c. lower at 3.52½. The decline continued on Wednesday and Thursday. There has consequently been the usual appreciation in London in the currencies linked to the dollar. Lire fell from 68½-70 at the beginning of the week to 68-69½ on Thursday, and yen have risen from 1s. 3½d.-1s. 4½d. to 1s. 3½d.-1s. 4½d. Among officially quoted rates the only change has been in the belga, which on Thursday appreciated by 10 points to 23.75-90.

★

Conditions in the money market were not quite so comfortable at the begin-

ning of the week, although the firmer undertone was only relative and did not represent any stringency. On Monday, there was a certain amount of calling-in by some non-clearing lenders, and on Tuesday one or two of the clearing banks were non-buyers of bills. But on Wednesday and Thursday conditions had again become as easy as before, and the rates for bond money and the three months' draft are still quoted at ¾-1 and 1½ per cent., respectively.

★

The Bank of England return shows a rather unexpected transfer from bankers' to public deposits. This probably represents payments of War Loan, for which cheques had been held up in the clearing. The fall in bankers'

deposits, however, from £115.0 millions to £103.4 millions probably explains the slightly firmer conditions in the money market at the beginning of the week. The other changes in the return are unimportant. The note circulation is £400,000 lower with a corresponding increase in the reserve, and movements in the security items are only small.

★

Silver continues to fluctuate in a very narrow market. Some buying on Indian account on Monday caused a sharp rise in both cash and forward; but resales on the following day, with very little demand, brought a reaction, and the forward price remained unaltered on Wednesday and on Thursday, though cash was ¼d. higher on Wednesday.

THE MONEY MARKET

	Apr. 27, 1939	Apr. 18, 1940	Apr. 25, 1940
Bank Rate.....	2½	2½	2½
London Deposit Rate ...	1½	1½	1½
Short Loan Rates:			
Clearing Banks	1½-1¼	1-1¼	1-1¼
Others	1½-1	¾-1	¾-1
Discount Rates:			
Treasury Bills (3 mth.)	1½	1½	1½
Three months' bank bills	1½	1½	1½

† Viz., 1 per cent. for loans against Treasury bills and British Government securities; 1¼ per cent. for loans against other collateral.

THE BANK RETURN

	Apr. 26, 1939	Apr. 10, 1940	Apr. 17, 1940	Apr. 24, 1940
Issue Dept.	£ mill.	£ mill.	£ mill.	£ mill.
Gold	226.2	0.2	0.2	0.2
Value per oz. fine ...	148s. 6d.	168s. 0d.	168s. 0d.	168s. 0d.
Notes in circulation	489.1	539.4	537.5	537.1
Banking Dep.				
Reserve	38.0	41.8	43.7	44.1
Public Depts.	27.1	22.9	28.7	40.7
Bkrs' Depts.	91.4	123.9	115.0	103.4
Other Depts.	37.6	42.6	39.7	40.6
Govt. Secs.	107.2	137.2	129.4	130.6
Dis. & Ads.	6.2	5.5	4.9	4.9
Other Secs.	22.3	22.5	23.0	22.8
Proportion	24.3%	22.0%	23.8%	23.8%

THE BULLION MARKET

Date	Gold		Silver	
	Price per ounce fine*		Cash	Two Mths.
1940	s. d.		d.	d.
Apr. 19 ...	168 0		20½	20½
" 22 ...	168 0		21¼	21¼
" 23 ...	168 0		20½	20½
" 24 ...	168 0		21	20½
" 25 ...	168 0		20½	20½

* Bank of England's official price.

(Continued from page 778)

Sterling Rate in Norway.—Agreement has now been reached regarding the rates of exchange at which British and French currency are to circulate in the areas of operation of the Allied armies in Norway. The French franc is to circulate at 10 francs to the crown and sterling at 17.65 crowns to the pound. The choice of these rates reveals scrupulous, one might almost say pedantic, fairness to the Norwegian currency. The rates are approximately those that obtained before the German invasion of Norway, and therefore, while taking into account the effect on the Allied exchanges at the outbreak of the war last September, they ignore altogether the effect of Norway having been drawn into the sphere of hostilities. The arrangements made for the use of Allied currency in Norway are a temporary makeshift, and such currency will be withdrawn as soon as the issuing machinery of the Norges Bank can again be set functioning under Norwegian control.

★ ★ ★

Swedish Exchange and Gold.—The events in Scandinavia have seriously interfered with foreign exchange business between Sweden and the rest of the world. Communication between London banks and their Swedish banking correspondents can only be maintained by telegraph, and it is still possible to remit money to Sweden by telegraphic transfer. But, in view of the uncertainties in the situation, it is now the agreed practice to regard such a deal as completed only on receipt of the confirmation from Sweden. If for some reason or other that confirmation is not forthcoming, the deal is automatically cancelled. The rate of exchange between London and Stockholm has remained unchanged at Kr16.85-16.95 to the £. In New York the Swedish rate has been moving against the crown, falling over the past week from \$23.80 for Kr100 to \$23.50. The market has been somewhat disorganised and dominated by withdrawals of American banking funds from Stockholm. Meanwhile the Swedish Riksbank has been making full use of the opportunity to export the country's gold reserve provided by the recent changes in the central banking statutes. At the beginning of the war the gold reserve of the Riksbank amounted to the equivalent of £46 millions (at present rates of exchange). Since the beginning of last September the imports of gold from Sweden into the United States have amounted to the

equivalent of £36 millions. As some of the gold was already held abroad seven months ago it may be assumed that the whole of the Swedish gold reserve has now been moved to safety.

★ ★ ★

A New Bank of England Branch.—A branch office of the Bank of England will open for business at Southampton next Monday. This is the first branch of the Bank to be opened in the provinces since the Plymouth branch was established in 1834. It will bring the number of provincial branches up to eight. The latest development must not be regarded as the inception of a new phase of branch extension. Nor does it suggest a reversal of the policy by which the Bank has for many years past turned its back on a private commercial clientèle. The new branch will be concerned mainly with the transaction of Government business and with the distribution of currency. Under existing circumstances the arguments for greater decentralisation of the currency distribution machinery gain considerably in strength. But it is the growing importance of Southampton and the big increase in Government business transacted there that provides the main reason for the opening of a Bank of England branch in that town.

★ ★ ★

Union Bank of Scotland.—The accounts of the Union Bank of Scotland for the year ended April 2nd last show the tendencies common to most British banks during the past twelve months—an increase in earning assets due to the heavy armament expenditure, which has not been reflected in profits owing to the heavy A.R.P. expenses and taxation for which they have had to provide. Thus, the net profits for the Union Bank are £303,162, against £310,407, in spite of an increase in loans and advances of £511,088. There is, it is true, a decline of £724,071 in investments, but against this bills discounted are up by £1,680,634 to £2,481,098 (including £2,180,000 of Treasury bills). Cash is also up, by £695,728, so that the bank has managed to combine increased liquidity with expanding business—the balance sheet total is £43,336,646, compared with £40,359,886—and, in spite of the small fall in profits, the dividend is maintained at 18 per cent.

INSURANCE NOTES

The London Assurance.—Like the other chartered insurance corporation, the Royal Exchange Assurance, the London Assurance report and accounts for the year 1939 are distinguished by an exceedingly good underwriting profit in the accident department, the balance being considerably better than in the previous year. In the fire department, also, the profit, though smaller than in the accident department, was satisfactory and rather larger than in 1938. There was a substantial increase in the earned premiums on fire business. The figures, which include those of the associated companies, are given below:—

Earned	Fire		Accident	
	1938	1939	1938	1939
premiums	2,122,761	2,231,403	1,469,040	1,452,406
Claims				
ratio	43.2%	43.7%	57.8%	54.5%
Expenses				
ratio	50.4%	49.7%	34.4%	34.5%
U'writing				
profit	6.4%	6.6%	7.8%	11.0%

The marine department of the corporation represents an important part

of the total business. As in 1938, it again provided £50,000 for the profit and loss account. The marine fund at the end of the year increased to £1,260,653 (or 126.4 per cent. of the year's premiums of £997,660), compared with £994,358 (121.3 per cent. of the 1938 premiums of £819,876).

The transfers to the profit and loss department were as follows:—

	1938	1939
Fire	135,291	148,056
Accident	114,837	159,878
Marine	50,000	50,000
Life (from 1935 valuation)	22,500	22,500
Interest	233,571	213,496
Fees	145	124
	556,344	594,054

After allowance for the recommended dividend of 11s. 3d., less tax, per ordinary share of £2 10s. (the same as last time) and charging taxation, pensions and sundry expenses, the carry-forward from the profit and loss account was £858,092, compared with £799,572 brought forward at the beginning of the year.

In the life department, new business

declined to £2,100,256 net, against £2,679,181 in 1938. The premium income amounted to £863,496, an increase of £1,678. Earned interest was 3.58 per cent. compared with 3.73 per cent. The total assets of the corporation and associated companies amount to £21,797,700.

★

Royal Exchange Assurance.—The noteworthy feature of the Royal Exchange accounts for 1939 is the exceptionally good profit margins earned in the important fire and accident departments. Excellent results on fire business were again obtained last year, and the accident department, after a spell of less remunerative years, and in the face of many adverse factors arising from the war, more than doubled the ratio of underwriting profit obtained in 1938. The following table summarises the experience in these two departments. The accounts of subsidiary and associated companies are

(Continued on page 780)

Investment

A "Gilt-edged Budget."—The market's first reaction to the Budget was, perhaps, over-emphasised. Dividend limitation, coupled with the expected changes in sumptuary taxation, has limited the scope for equity investment. Therefore, the market immediately concluded, the Funds must necessarily benefit, and the maintenance of the standard rate of tax at 7s. 6d. as foreshadowed in last September's Budget has reinforced this conclusion. Whether the logic of a Budget which leaves so substantial an amount uncovered by taxes that voluntary savings can hardly make it good in full necessarily points in the direction of higher gilt-edged prices, is perhaps arguable, but that at least is the market's contention. There was some

STOCK EXCHANGE BUDGET REACTIONS

	Apr. 19	Apr. 23	Apr. 24	Change on Budget Announcement	Apr. 25	Change on Apr. 19
Consols 2½%	72½	72½	74	+ 1½	74½	+ 2
War Loan 3½%	99½	99½	101	+ 1½	99½	- 2
War Loan 3%	99½	99½	100	+ ½	100	+ ½
Conversion 3½%	98½	98½	100	+ 1½	100½	+ 2
L.M.S. 4% Pref.	62½	62½	65	+ 2½	66	+ 3½
Do. 4% Pref. 1923 ..	52½	52½	54	+ 1½	56	+ 3½
L.N.E. 1st Pref.	49½	49½	51½	+ 2½	54	+ 4½
Southern 5% Pref.	98½	98½	99½	+ 1	100	+ 1½
Imperial Chem. Ind.	31½	31½	31½	- 1½	31½	- 3d.
Imperial Tobacco	83½	83½	83½	...	83½	- 1½
Lyons, J.	61½	61½	61½	- 3d.	61½	- 3d.
Woolworth, F. W.	43½	42½	39½	- 2½	39½	- 3½
Boots Pure Drug	8½	8½	6½	- 2½	6½	- 2½
Brit. Celanese	74½	74½	67½	- 7½	67½	- 7½
Brit. Elec. Tr. Did.	36½	36½	34½	- 2½	35½	- 1½
Dunlop	23½	23½	20½	- 3½	21½	- 2½
Lancs Cotton	47½	47½	43½	- 4½	46½	- 1½
Marks and Spencer	35½	35½	31½	- 4½	35½	- 4½
Ashanti	13½	13½	14½	+ 1	14½	+ 1
Crown Mines	9½	9½	10½	+ 1	10½	+ 1
Sub Nigel	124½	124½	125½	+ 1	125½	+ 1
Financial News Ind.	76½	76½	76½	...	76½	...
Fixed Interest Ordy. Shares						

disposition, however, to modify these first impressions on Thursday, when gilt-edged remained firm rather than progressive, impetus slackened among home rails, and some of the dejected equities of the previous day partly recovered their spirits. Among industrial shares, the balance of advantage from the modifications of E.P.T., which the Chancellor has promised, against the limitation of dividends and the impact of the new Purchase Tax on a wide range of industrial concerns, will involve a nice calculation for each individual company. The market, however, has acted wisely, on such facts that are known, by substantially marking down Marks and Spencer and leaving Woolworth almost unchanged, and by lowering securities like Boots Pure Drug and British Electric Traction deferred, whose current values have for years been determined by the expectation, unfulfilled in the first case and recently discontinued in the second, of free capital bonuses. The various considerations which will govern the impact of dividend limitation on different companies are discussed at length in a leading article on page 774.

The substantial advance in marginal home rail stocks may be explained by two considerations. First, the companies are statutory undertakings and appear to be beyond the scope of the proposed dividend limitation. Secondly, the debate on increased fares, after the Budget Speech was defended for the Government against telling opposition. Rand mining companies, the only substantial group of companies on the Stock Exchange which are registered abroad, are presumably not affected by the dividend limitation announcement and as a result Kaffir shares received fairly considerable attention on Wednesday this week, while West African issues, for converse reasons, were dejected. The City does not lack those who argue that the Budget is a more comfortable instrument of wartime financial policy than we have the right to expect, but for the moment it is the shorter view which prevails. Sir John Simon, like Mr Chamberlain in 1937, has depressed equities and encouraged the Funds and Kaffirs, but his dividend limitation proposals will be harder to assail, in wartime, than the first version of N.D.C.

Changes in E.P.T.—The changes in the Excess Profits Tax, which the Chancellor of the Exchequer promised on Tuesday, should go far to remove the anomalies and inequities which at present exist, and which were discussed in the leading article in *The Economist* of April 13th. The changes, as Sir John Simon assured the Committee, will not consist of a list of concessions to the taxpayer. In a number of cases, in fact, the changes will make the machinery for collection of the tax more efficient and satisfactory—a reference, presumably, to the point that under existing law E.P.T. is payable within a month after the agreement of the assessment. As a result, those concerns who prolong their discussions with the taxation authorities can effectively postpone the date of payment. The substantive amendments, however, are evidently concerned with the now notorious Section 13 sub-section 7 of last year's second Finance Act. This deals with the powers conferred upon the Board of Referees to grant a substitute standard when previous profits would not constitute a reasonable basis for E.P.T. The Chancellor emphasised that this provision was never intended to provide an alternative capital standard for general application, and taxpayers will not be able to opt for such an alternative standard in future. Concessions are to be granted for depressed industries or concerns still in process of development during the standard period and—a point of major importance—the present calculation of the standard as a percentage on issued share capital is to be revised in favour of a percentage on actual trading capital.

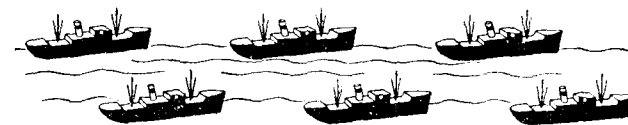
Two other tax changes, of minor actual importance to investors, though of considerable interest in taxation law, are also foreshadowed. The first, which is to secure the charging of tax on rents which are not covered by the existing charge on Schedule A, is presumably the consequence of what has become known as the "Salisbury

House Case." The second refers to "grossing up" and arises from the recent decision in Culls' case. The latter decision, in fact, enabled at least one public company to declare a dividend "without deduction of tax," and it challenged the entire basis of deduction of tax at the source. Tax evaders rightly incur the Chancellor's opprobrium, but the odd feature about Culls' case was that a long-standing and essential part of the tax-collecting machinery was found to have no legal foundation. The gap, however, has been promptly stopped.

From Gross to Net.—It was once said, in happier days, that the ideal combination for the investment analyst was a dollar rate of 5 to £ and income tax at 5s. in the £. Perhaps a dollar rate of just over 4 to the £ and a standard rate of 7s. 6d. in the £ represents the next best substitute in wartime. The new standard rate certainly facilitates the conversion of net into gross dividends by the simple multiplication of the net amount by 1.6. Conversely, net dividends can be calculated from the gross rates by multiplying by 0.625 or, more simply, by taking $\frac{5}{8}$ of the gross amount. The broader problem, however, is whether the need for such "net to gross" calculations will not narrow perceptibly in these times of high taxation. A number of companies have, in recent years, abandoned their previous practice of declaring dividends free of tax and their total is likely to increase, rather than diminish, in wartime.

Railway Charges.—The debate on Tuesday on the 10 per cent. increase in railway charges, the announcement of which last week caused remarkable perturbation in the home rail market, has thrown some diffused light on the current earnings position of the main lines. Captain Euan Wallace's statement revealed—as was suspected—that his reference last week to the Government's "liability" to reimburse to the controlled undertakings a sum approximating to £400,000 a week was merely an alternative way of expressing the proved increase in costs and the proposed increase in charges in very round terms. This sum could only be regarded as a contingent liability in the future, assuming that traffics continued at the current rate and that the full estimated increase in costs was experienced. He also disclosed that the first 32 weeks of the war, that is, to April 13th, had provided an increase in freight receipts of £13½ millions, representing 20 per cent. over the corresponding period of the previous year, and a reduction in passenger receipts of £4 millions, equivalent to 7 per cent. The net increase of £9½ millions represented an 8½ per cent. advance on the corresponding period of 1938-39. In the earlier half of the period covered by these figures, passenger receipts were affected by reduced services, while in the latter half the natural growth in goods receipts was interrupted by the severe winter. Hence, they may provide a rather tempered impression of what might be called "normal" traffics in wartime. The balance of net revenue which will result when increased costs in the current year are set against increased receipts from traffics and charges, lies in the realm of pure guesswork. So far as the market is concerned, it would seem that the rise in the marginal stocks this week has little more justification than their dejection last week.

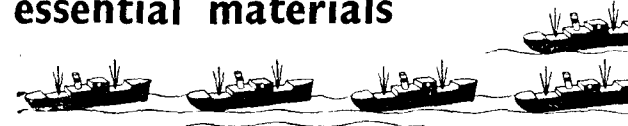
SIX SHIPS are required to import the necessary raw materials for new tyres



ONE SHIP only is required for necessary raw materials for Tyresoling an equal number of tyres



LEAVING FIVE SHIPS free to import food, munitions and essential materials



Thousands of smooth tyres are needlessly discarded every week, and thousands ruined by being run too long. Every smooth but sound tyre should be Tyresoled and given guaranteed new tyre mileage over again at half the cost of a standard new tyre.



Reduce your tyre bills by removing tyres for Tyresoing before it is too late. Every make and size can be Tyresoled. Large stocks also available for immediate fitting.



don't scrap smooth tyres — have them

TYRESOLED

TYRESOLES, LTD., WEMBLEY
Telephone - - - Wembley 3808 (6 lines)

ask your garage or local Tyresoles factory for prices

(Continued from page 779)

not included in those of the corporation.

	1938	1939	1938	1939
Fire			Accident	
£	£	£	£	£
Earned				
prems. 1,451,523	1,445,365	1,219,351	1,211,593	
Claims				
ratio 40.9%	42.4%	54.2%	51.7%	
Expenses				
ratio 48.2%	47.4%	41.3%	38.4%	
U'writing				
profit 10.9%	10.2%	4.5%	9.9%	

The remarkably good accident results provide an increase in the total transfers to profit and loss account from the various departments (after taking account of interest credited thereto)

compared with 1938. Details are given below:—

	1938	1939
TRANSFERS TO PROFIT AND LOSS		
Fire	206,052	191,907
Accident	92,091	155,087
Trustee	9,911	7,375
Life (from 1935 valuation)	42,907	42,907
Interest not credited elsewhere	104,326	90,403
Fees, etc.	344	79
	455,631	487,758

As in 1938, there was no transfer between the marine account and the profit and loss account. The premiums fell from £728,366 to £397,160 and the marine fund from £957,092 to £710,603. Evidently this resulted from

the reorganisation of the department, made some time ago, which has not yet had the beneficial effects which are expected ultimately to ensue. In the life department, net new business fell from £4,358,600 to £2,965,300, and premium income, at £1,388,033, was slightly lower than in 1938 (£1,400,255). Net interest earned fell, as a result of higher taxation, from 3.84 per cent. to 3.52 per cent.

The assets totalled £25,778,700 at the end of 1939. Stock Exchange securities being valued at or under market values. The dividend is 30 per cent. (less tax), as for 1938.

the companies and the Ministry of Transport gives only the heads of the agreement, whose full terms have yet, in fact, to be completed. Clause 10, which compresses into three lines the method by which railway charges are to be adjusted to variations in working costs, has attracted much publicity. Railway stockholders might also recall that Clause 11 provides for the possible revision of the arrangements at the end of this year.

* * *

An Undefaulted German Bond.—Hypothecated revenues do not always provide their intended security for bondholders. It is even more rare to find a case in which they have proved effective in wartime for bonds issued by an enemy. Special interest, therefore, attaches to the announcement by J. Henry Schroder and Company that, as agents for the German Potash Syndicate 7 per cent. and 6 per cent. bonds, they still have in hand funds which are estimated to suffice at current rates of exchange for the payment of the equivalent of dollar values of coupons due on May 1st and November 1st next of the 7 per cent. issue and coupons on drawn bonds due on July 1st and January 1st next of the 6 per cent. issue. These payments are limited to bondholders who were resident in the United Kingdom on September 3, 1939, and who remained resident on March 1st last. The market has always regarded the security of the bonds with special favour, and their service has been regularly provided from moneys received before the war from the German Potash Syndicate's sales outside Germany, which were remitted to London and applied in part to the bond service.

* * *

Dunlop Rubber Achievement.—Dunlop Rubber is one of the few companies since war broke out (as the Note on the company's results on page 740 of *The Economist* of April 20th indicated) to have succeeded in retaining a substantial net increase in profits after taxation, and to have made a generous increase in its ordinary dividend. Sir George Beharrell's survey this week of the company's results in 1939 indicated that they were mainly achieved through normal trade activities. Even as a proportion of the turnover of the home companies in the group, direct Government orders represented only 14 per cent., though presumably some advantage has been obtained from new orders which have resulted indirectly from defence requirements. Export and foreign business, however, accounted for over half of the increase in total profits of the company last year, and the chairman rightly emphasised the importance of increasing export and foreign sales—even if this branch of the trade, together with direct Government orders, should involve a further encroachment on supplies for the home market. As a consequence of the prudent financial policy which the company has followed in recent years, it finds itself with conservatively valued fixed assets, with investments and advances in countries with controlled economies written down to a cautious basis; and, for the group as a whole, with more than half of its total issued capital represented by surplus current assets. In view of the prolonged difficulties in Central European markets, shareholders should be well satisfied with the chairman's statement showing the broad geographical distribution of interests in subsidiaries, which stand at the very large figure of £15,546,000. Of this total, 28 per cent. is invested in the American continents, 53.6 per cent. in the British Empire (excluding Canada), 5.4 per cent. in the Far East, 12.4 per cent. in Allied or neutral

European countries, and a mere 0.6 per cent. in enemy and enemy-occupied territories. The German subsidiary, in particular, now stands in the books at £1, having been written down last year from £355,000. As for the future, Sir George wisely declined to prophesy. He emphasised the increasing proportion of output which might be required by Government demand, on which profits are closely controlled, the likelihood of shortages of labour and materials, and the future trend of prices and taxation. These, however, are conditions which apply to many other companies whose finances do not begin to rival those of the Dunlop concern. The ordinary shareholder, however, will appreciate that, measured by recent earnings, the Dunlop group is vulnerable to E.P.T., and that if the limitation of dividends to the maximum paid in pre-war years is strictly observed, the maintenance of the 12 per cent. payment for the calendar year 1939 may not be allowable. That possibility accounts for the decline in Dunlop Rubber £1 ordinary units from 36s. 6d. to 35s. between Tuesday and Thursday this week.

* * *

East Rand Proprietary.—Development in the central portion of the mine continues to be good, but this section is nearly 8,000 feet deep, and underground conditions are unsatisfactory owing to the heat. A large air-cooling plant is, therefore, being installed at the surface to improve mining conditions. In the western portion of the mine, development in 1939 was generally disappointing, while the eastern section still shows erratic results. Ore reserves fell by 87,000 tons to 10,652,000 tons, averaging 5.1 dwt., a fall of 0.1 dwt. in grade. Payable ore developed during the year averaged 4.5 dwt., which is a reduction of 0.5 dwt. over the previous year. Dividends were repeated at 3s. 6d. per share, giving a yield of 7.6 per cent. Heavy capital expenditure is likely to be incurred during the current year. This mine should have a long life, but the general development position is not wholly convincing.

* * *

Anglo-American Development Progress.—The following table provides a résumé of the latest quarterly development reports of the Anglo-American group:—

	Quarter, January-March		Compared with previous quarter		Compared with last financial year	
	Percentage of pay-ability	Inch-Dwts.	Pay-ability	Inch-Dwts.	Pay-ability	Inch-Dwts.
Brakpan	28	315	+ 11	— 76	— 9	— 83
Springs	28.5	252	— 9	— 39	— 13	— 72
W. Springs	50.9	359	— 2	— 163	No ch'ge	— 58
South African Lands	56.6	381	+ 4	+ 20	+ 1	+ 13
Daggafontein—						
Main Reef Leader	62.5	320	+ 8	— 30	+ 11	— 3
Kimberley	60.4	338	+ 38	— 55	+ 42	+ 34
East Daggafontein—						
Main Reef Leader	45.1	262	— 8	— 32	— 5	— 28
Kimberley	48.4	358	+ 1	+ 48	— 8	— 25
Western Reefs	45.8	400	No ch'ge	— 77	— 5.4	— 17

The South African Lands, Daggafontein and East Daggafontein returns are all highly satisfactory. The footage on the Kimberley Reef in the latter two mines is being increased regularly and results still continue to be good. Development on West Springs was satisfactory, but below the exceptional results obtained in the previous quarter. Both Brakpan and Springs again showed disappointing results, with a low percentage of payability, and the tendency for poorer development in each of these mines continues. Development on Western Reefs remains satisfactory.

* * *

Company Results of the Week.—During the current week 40 industrial companies' reports have been received and are analysed in the usual table on page 798. The gross profits of these companies show an increase from slightly over £5 millions to £5.4 millions, but net profits

show a decline from £3.3 millions to £3.2 millions. The reports are discussed under the heading "Shorter Comments" on page 784.

* * *

Company Meetings of the Week.—Reports of company meetings will be found from page 788 of this issue. Sir George Beharrell's speech to *Dunlop Rubber* shareholders is discussed on page 782. At the *Agricultural Mortgage Corporation* meeting Sir Harry Goschen indicated that the Corporation had cash and free investments of more than £2,000,000 and that they would welcome the rapid absorption of that amount in new loans. Addressing stockholders of *International Nickel*, Mr Robert C. Stanley declared that the contract price for the supply of electrolytic copper to the Ministry of Supply was lower than the present world price but that it was equitable and showed the desire of the company to assist the British Government. Mr H. J. Welch, at the *Rubber Plantations Invest-*

ment Trust meeting, declared that the current price of rubber was no more than sufficient to give a reasonable return on restricted production. The maintenance of an 80 per cent. quota for the whole year would doubtless produce much more rubber than the market could absorb at a reasonable level of prices, and he therefore anticipated a substantial reduction in the quota allowance during the second half of the year. At the *Moss' Empires* meeting Col. J. J. Gillespie stated that only two of the company's theatres were still closed, of which one would shortly be reopened as a cinema. Addressing *General Accident* shareholders, Sir Francis Norie-Miller referred to the extremely satisfactory profit on the fire account, and anticipated a net premium income of £1,000,000 in this branch before long. Mr John Cowley outlined to members of *Sunday Pictorial Newspapers* some of the current difficulties in newspaper production. The Hon. A. T. J. Fraser strongly criticised the expropriation of 75 per cent. of the gold premium over 150s. by the Mysore Government at the *Champion Reef* meeting.

THE STOCK EXCHANGES

London

Note: all dealings are for cash

The Budget was given a gilt-edged reception on Wednesday. A keen demand for the Funds was accompanied by sharp readjustments in the equity groups following the announcement of limited dividends. Senior home rail stocks also shared in the buoyancy of the fixed interest groups and Kaffir shares were stimulated by their presumed exclusion from the dividend limitation provisions.

*

The advance in *gilt edged* was typified by the rise in 3½ per cent. War Loan by well over a point to 101, while new War Loan reached par for the first time. The former stock went xd. on Thursday and closed firm, in keeping with the rest of the gilt-edged list, at 99½.

Some renewed interest in Brazilian funding issues was shown and Belgian bonds became firmer on the easing of political tension.

The advance in *home rails* anticipated the Budget but did not become fully effective until Wednesday, when substantial gains were recorded by L.N.E.R. first preference and L.M.S. 4 per cent. preference. Argentine railway stocks continued firm.

*

The *industrial market* was pre-occupied by the necessary adjustment of values to conform with the dividend limitation proposals, and on balance share prices moved lower. Store issues were affected by the purchase tax and in the case of Marks and Spencer by the ban on bonus issues. The fear that Lancashire Cotton ordinary, which in the current year obviously had good prospects of an increased dividend, might be subjected to the maximum rate fixed by the Capital Issues Committee, was responsible for a sharp fall in the shares and similar considerations explained the noticeable weakness of British Celanese. Falls were general among heavy industrial shares, though United Steel, which has some leeway to make up, thanks to the latest year's reduction in dividend, was rather firmer. The changes in the beer, spirits and tobacco duties had little effect upon the leading shares and had evidently been fully discounted in ad-

vance. Among the few movements not directly traceable to the Budget was the recovery in Lever and Unilever N.V. on the relaxation of tension in the Low Countries.

Oil shares improved partly on the ground that current earnings, when they are known, are likely to leave an appreciable margin before highest pre-war dividends can be restored. Trinidad Petroleum Development was an exception, however, in view of its rising profits and distribution trend in recent years. *Rubber and tea* shares showed little movement.

The *Kaffir market* was stimulated by its immunity from dividend limitation and useful gains were shown by the dividend paying issues. A further advance was recorded by diamond shares but Rhodesian copper shares remained dull.

"FINANCIAL NEWS" INDICATORS

1940	Total Bargains†	Corres. Day 1939	Security Indices	
			30 ord. shares*	20 fixed int.†
April 19...	3,935	4,870	76.4	124.2
" 22...	4,678	5,225	76.2	124.2
" 23...	3,983	4,135	76.4	124.3
" 24...	5,263	4,480	76.0	125.0
" 25...	4,749	4,740	76.3	125.4
1940 High.....	...	...	80.6 Feb. 29	126.1 Feb. 1
Low.....	...	...	74.1 Jan. 17	117.6 Jan. 2

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

New York

REPORTED sales from Holland and this country affected Wall Street's temperament on Monday, though prices, if anything, were slightly better and conditions were steady. The market later in the week found difficulty in interpreting the Scandinavian news but managed to improve on Tuesday, Bethlehem Steel being particularly strong with a rise of three points as a result of a \$9 millions order for three ships. There was a cautious turn in midweek, though the volume of turnover remained surprisingly stable. Paper stocks were lower despite the continued advance in pulp prices, and copper shares were affected by reports of a possible curtailment of produc-

tion. Steel mill activity this week is reported at 60 per cent., a decline of 1 per cent. compared with last week.

New York Prices

	Close Latest		Close Latest	
	Apr. 18, 1940	Apr. 25, 1940	Apr. 18, 1940	Apr. 25, 1940
1. Railroads			Am. Roll. Mill	15 15
Balt. & Ohio	47½ 5		Am. Smelting	50 50
G.N. Rly. Pf.	25 28½		Anaconda	30 30½
Illinois Cent.	10½ 11½		Briggs	22½ 22½
Northern Pac.	8 8½		Celanese of A.	32½ 33½
Pennsylv. R.	21½ 22½		Eastman Kdk.	156 155½
Southern Rly.	15½ 16½		Gen. Motors	53½ 53½
			Glidden	17½ 17½
2. Utilities, etc.			Nat. Dairy	17½ 18
Amer. Tel.	172½ 172½		Nat. Distillers	25½ 25½
Amer. W'wks.	9½ 10½		Sears Roebuck	85½ 85½
Col. Gas & Elx.	6¼ 6½		Shell Union	12½ 12½
Int. Tel. For.	3½ 3½		Socony Vac.	11 10½
United Corp.	2¼ 2¼		Stan. Oil N.J.	40½ 42½
Utd. Gas Imp.	12 12½		20th Cen. Fox	9½ 9½
			U.S. Steel pf.	120½ 122
3. Commercial and Industrial			West'hc Elec	111½ 112½
Amer. Metal.	21½ 22½		Woolworth	40½ 40½

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					
1940					
	Low Jan. 31	High Jan. 3	Apr. 10, 1940	Apr. 17, 1940	Apr. 24, 1940
347 Ind's ...	105.8	111.4	109.8	108.4	108.7
32 Rails ...	28.3	30.7	29.3	28.6	29.0
40 Utilities ...	(9)86.5	89.4	88.2	87.6	86.9
419 Stocks ...	90.4	94.8	93.3	92.2	92.4
Av. yield* ...	4.67%	4.30%	4.59%	4.67%	4.66%

(s) March 21, 1940. * 50 Common Stocks. (t) April 17, 1940.

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

Apr. 18	Apr. 19	Apr. 20	Apr. 22	Apr. 23	Apr. 24
116.8	116.7	117.3	117.8	118.8	118.2
1940 High: 123.7 January 3rd. Low: 116.3 January 31st.					

TOTAL DEALINGS IN NEW YORK

Stock Exchange		
1940	Shares 000's	Bonds \$000's
April 18	1,210	6,510
" 19	1,150	(a)
" 20	720	(a)
" 22	870	4,900
" 23	880	4,990
" 24	850	5,860

(a) Not stated.

FAMOUS SINCE 1795

OTARD'S
COGNAC BRANDY

Capital Issues

CAPITAL ISSUE TOTALS

Week ending	Nominal Capital	Con-versions	New Money
April 27, 1940			
To the Public	Nil	Nil	Nil
To Shareholders	100,000	100,000	100,000
By S.E. Introduction	Nil	Nil	Nil
By Permission to Deal	598,119	1,185,676	1,185,676
Savings Certs., week to			
April 20, 1940	2,050,000	2,050,000	2,050,000
3% Defence Bonds			
Exch. receipts, week to			
April 20, 1940	1,550,000	1,550,000	1,550,000
Year to date			
1940 (New Basis)	747,140,060	394,184,927	394,184,927
1939 (New Basis)	38,377,327	37,140,282	37,140,282
1940 (Old Basis)	736,602,933	383,847,900	383,847,900
1939 (Old Basis)	19,116,135	18,899,070	18,899,070

Destination
(Excluding Conversions)

Year to date	U.K.	Brit. Emp. ex U.K. Countries	Foreign
1940 (New Basis)	393,705,495	479,432	Nil
1939 (New Basis)	25,610,774	11,329,488	200,000
1940 (Old Basis)	383,705,344	142,456	Nil
1939 (Old Basis)	15,208,339	3,490,735	200,000

Nature of New Borrowing
(Excluding Conversions)

Year to date	Deb.	Pref.	Ord.
1940 (New Basis)	383,702,966	605,807	9,876,154
1939 (New Basis)	17,032,959	2,300,796	17,806,507
1940 (Old Basis)	382,979,500	77,500	740,800
1939 (Old Basis)	12,657,435	928,447	5,313,189

NOTE.—“Old Basis” includes only public issues and issues to shareholders only. “New Basis” includes all new capital in which permission to deal has been granted.

ISSUES TO SHAREHOLDERS ONLY.

Ketton Portland Cement.—Issue of 100,000 £1 ordinary shares at par, one new for every two held. Rank *pari passu* with existing ordinary from July 1, 1940.

RESULT OF TENDER

Bristol Corporation Bills.—Total amount tendered for £500,000 six months bills, £2,950,000. Amount allotted, £500,000. Tenders at £99 9s. 8d. receive about 62½ per cent.; at higher prices in full. Average rate of tenders accepted, £1 0s. 6.325d. per cent. per annum.

CONVERSIONS AND REPAYMENTS

Brownlee and Company.—£100,000 outstanding 4 per cent. mortgage debenture stock to be repaid at 105 November 11, 1940.

Shorter Comments

Company Results of the Week.—The principal industrial report of the week is that of VAN DEN BERGHS, the Lever and Unilever subsidiary, whose total profits are increased from £1,257,668 to £1,527,622, though net profits are rather lower than those of the previous year at £1,016,465. SOUTHERN AREAS ELECTRIC reports a small reduction in net profits from £31,985 to £30,042, and the dividend has been maintained at 5 per cent. In the brewery group CHARRINGTON AND COMPANY, whose trading profits were virtually maintained at £1,224,842, report a fall in net profits from £701,496 to £660,323, and the dividend is reduced by 1 per cent. to 16 per cent. The ordinary dividend of JAMES SHIPSTONE has also been reduced from 2½ per cent. to 20 per cent. Net profits of EVER READY TRUST show a slight improvement at £28,470, and the dividend is increased from 8 per cent. to 9 per cent. A further batch of rubber companies reveals a generally improving trend, although individual companies, such as SELANGOR RIVER, have not always participated in it.

Net profits of AUSTIN REED show a decline from £65,042 to £54,260, and the ordinary dividend has been reduced from 10 per cent. to 8 per cent.

MISCELLANEOUS

South-Eastern Gas Corporation.—Net revenue available for ordinary dividends on the increased capital, year to March 31, 1940, £97,540 (£107,468). To general reserve, £10,000; ordinary dividend reduced from 6 to 5½ per cent.

Central Mining and Investment Corporation.—Profit, 1939, after providing £23,200 (£12,000) for N.D.C. is £514,284. This figure is not comparable with 1938 net profit £444,921, as it does not take account of depreciation and amounts written off for which £853,085 has been provided. Ordinary dividend reduced from 10 to 5 per cent. A transfer of £100,000 is made from depreciation reserve and £500,000 is taken from reserve fund. Income tax £50,000 (£45,000).

Rio Tinto Company.—Profit on sales, 1939, £288,805 (£234,765); other income, £284,331 (£340,495); expenses, tax, etc., £345,652 (£343,025); to debenture redemption, £88,334 (£84,078); preference dividend, £81,250 (£81,250); carry forward, £509,720 (£451,819); investments, £3,179,184 (£3,101,186), of which 87 per cent. represents book value of holdings in Rhodesian copper companies; cash, £212,460 (£142,399).

North British Rubber Company, Ltd.—Trading profit, 1939, £139,268 (£69,046 plus £11,668 tax reserve, making £80,714 for 1938); directors' fees, £2,216 (£2,047); debenture interest, £18,511 (£18,511); depreciation, £31,703 (£30,000); special depreciation, £10,000 (nil); ordinary dividend, 5 per cent., against nil; carry forward, £76,167 (£54,329).

English Sewing Cotton Company, Ltd.—Net profit, 1939, £214,329 (£135,064); ordinary dividend maintained at 7½ per cent.; to pension fund, £10,000; carry forward, £119,862 (£115,533); in 1938, £50,000 was transferred from the dividend equalisation reserve.

Nchanga Consolidated Copper Mines.—Plant is to be extended to produce concentrates equal to 5,000 tons of copper per month. Additional funds of £1,500,000 to be provided by principal shareholders.

Electric Supply Corporation.—Although Treasury consent has been received for the capitalisation of £258,759 from reserves by a three for five share bonus, the directors will move at annual meeting on April 29th that the proposals be not proceeded with.

Austin Reed, Ltd.—Trading profit, year to February 20, 1940, £110,777 (£118,406); net profit, £61,761 (£77,042); dividend reduced from 10 to 8 per cent.; to income tax and N.D.C., £7,500 (£11,000); to general reserve, nil (£5,000); carry forward, £40,007 (£39,947): London trade affected by evacuation but provincial trading has improved and some substantial Government contracts have been received.

Van den Berghs and Jurgens, Ltd.—Trading profit, 1939, £1,527,622 (£1,257,668); gross charge for taxation, £565,572 (£378,942); net charge for taxation, £461,595 (£297,208); ordinary dividend 12½ per cent. tax free against 12½ per cent. less tax; to contingencies reserve, £50,000 (£50,000); to general reserve, nil (£100,000); to staff pensions, £50,000 (nil); carry forward, £200,115 (£187,963).

San Paulo (Brazilian) Railway Company.—Main line receipts, 1939, £1,638,319 (£1,674,922); operating costs, £1,211,573 (£1,174,319); net revenue, £463,349 (£464,000); ordinary dividend increased from 2 to 2½ per cent. tax free; carry forward, £112,207 (£86,445); passengers increased by 798,592 and 83,080 more tonnage was carried than in 1938.

(Continued on page 796.)

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				
Madras & S. Mahattra	2½*	...	July 1	2½*
BANKS				
Bank of Montreal	6½*	...	June 1	2
Bk. of N. S. Wales	Fr. 10*	...	May 1	Fr. 10*
Credit d'Algerie	3½*	...	May 31	3½*
Eng., Scot. & Aust.	...	...	...	2½
Ionian Bank	...	...	...	...
INSURANCE				
Guardian Assurance	6½*	11½*	May 31	11½*
London & Lancs.	10½*	20½*	May 10	20½*
Scot. Un. & Nat. A.	...	5/6	Jun 1 &	6/6a
Scot. Un. & Nat. B.	...	20/7½	Dec 2(g)	24/4½
World Auxiliary	...	12	...	7½*
TEA AND RUBBER				
Allagar Rubber	...	2½	...	Nil
Batu Caves Rubber	...	5	...	2½
Bukit Tuhah Rubber	...	6½	May 15	4½
Malayalam Plantations	4*	...	May 31	4*
Malaysia Rubber	...	6	May 22	Nil
New Dimbula Co.	4*	...	Apr. 30	4*
Pullangode Rubber	...	5	...	5
Sampang Rubber	...	4½	...	4
Strathmore Rubber	...	9	...	5
Sungei Chinchol Rub.	...	8	...	...
MINING				
Bushtick Mines	3½*	...	May 31	2½*
Central Mining, etc.	...	5	...	10
Globe and Phoenix	£10*	...	June 4	£30*
Kleinfontein Estates	20*	...	...	25*
Rhokana Corp.	25*	...	...	25*
INDUSTRIALS				
Alliance Invest.	2½*	4½	...	5
Associated Gas	2½*	5½	...	6
Bankers' Invest.	3½*	...	May 10	6*
Berger (Lewis)	6*	...	...	6*
Berisford (S. & W.)	2½*	...	May 21	2½*
British India Steam	2½*	...	May 11	2½*
Burt, etc., Haywood	2½*	...	...	10½
Calcutta Supply	4½*	...	...	5
Canada Co.	3*	...	May 16	2*
Dalgaty & Co.	11	14	...	8
Ebonite Container	...	5	...	13½
Elektrolux (Stockholm)	5½	7½	...	7½
English Sewing Ctn.	2½*	5	June 1	5
First Conv. Investm.	2½*	...	...	2½*
Horden Collieries	...	8	...	10
Howell (James)	...	10	...	7½
Nitrate Prod. Smshp.	£6½*	£10	...	£25*
McNamara & Co.	3½*	7	May 23	12*
Marconi's Wireless	3½*	...	...	Nil*
Marco Refrigerators	7½*	...	May 17	7½*
Meadows (Henry)	...	8	...	5
Met. Electric Cable	...	...	May 23	2*
P. & O. Steam	6½	10	...	10
Porter's Tractor	...	7½	...	7½
Ransome, Sims, etc.	3*	...	May 7	3*
Real. of Scotland	5*	...	June 1	7½*
Rolls Royce	...	5	Apr. 29	5
Royal Mail Lines	11½	17½	...	15
Singleton and Cole	...	u5½	...	6
S. Eastern Gas	17½*	25	...	25
Terry (Joseph)	12½*	17½	...	17½
Thompson (John)	10*	...	...	10*
Tube Investments	10*	15	May 3	17½
Wests and Moultons	6½	8½	...	10
Wickhams (C.) Barker	...	...	...	...

(a) Equal to these rates per present A and B share. (b) Payable in equal instalments. (c) Includes special tax-free payment 3 per cent. from reserves. (d) Paid on larger capital. (e) Free of income tax.

BERGER (LEWIS) AND SONS, LTD.—Ordinary interim dividend maintained at 6 per cent.

BROKEN HILL PROPRIETARY COMPANY.—Dividend 3½ per cent. half-year to March 31, 1940, payable on increased capital, against 6¼ per cent.

DALGETY AND COMPANY.—Interim ordinary dividend 3 per cent. against 2 per cent.

MARCONI'S WIRELESS TELEGRAPH.—Final ordinary dividend 3½ per cent. making 7 per cent. for 1939, against 12 per cent. plus special dividend of 3 per cent. tax free.

NATIONAL BANK OF AUSTRALASIA.—Final dividend 3 per cent. making 6 per cent. for year to March 31, 1940, as before.

PENINSULAR AND ORIENTAL STEAM NAVIGATION.—Interim dividend maintained at 2 per cent.

RHOKANA CORPORATION.—Interim dividend in respect of year to June 30, 1940, maintained at 25 per cent. Tax deduction 5s. in £ being 7s. 6d. United Kingdom standard rate less provisional Dominion income tax relief at 2s. 6d. in £.

ROAN ANTELOPE COPPER.—With regard to recent interim dividend of 6d. per unit of ordinary stock, income tax will be deducted at 4s. in £, representing standard rate 7s. 6d. in £ less 3s. 6d. for Dominion income tax relief.

ROLLS ROYCE.—Interim dividend reduced from 7½ per cent. to 5 per cent.

ROYAL MAIL LINES.—Interim dividend in respect of 1939, 5 per cent. No further dividend will be recommended. This is the same as for 1938. Report and accounts delayed, but will be issued as soon as possible.

TUBE INVESTMENTS.—Interim dividend maintained at 10 per cent.

Industry and Trade

Compensation for Requisitioned Ships.—After protracted negotiations, the Ministry of Shipping has at last reached agreement with the shipowners concerning the rates of hire to be paid for requisitioned ships during the war. The principle of the scheme is to pay rates of hire which will cover running and maintenance costs and allow 5 per cent. for depreciation and 5 per cent. for interest. While this principle will presumably be applied to all classes of vessels—tramps, cargo and passenger liners, tankers and other ships—the actual rates of hire have been calculated on different bases. Thus the basic monthly rate of hire for tramps has been fixed at 6s. per ton dead weight for an 8,000-ton tramp steamer, with allowances for different types and sizes of vessels. The rate for smaller vessels, for example, is to be slightly higher, and an additional one shilling per ton is to be paid for motor ships. In the case of cargo liners, the proposal seems to be that running costs should be covered by a flat rate of 8s. per gross ton per month, with an allowance of 10 per cent. for depreciation and interest. Detailed comment on the scheme, however, has to be deferred until the publication of the White Paper.

Cotton Trade Regulations.—There has been a considerable amount of confusion in the cotton industry as a result of the new regulations by the Cotton Controller and the statement by the President of the Board of Trade. Certain adjustments have been made in spinning margins, and on the whole spinners are not dissatisfied; but there has been a storm of opposition to the change in the regulations for agent commissions, which are now to be paid by the buyer instead of by the spinner. In Manchester, on Tuesday, there was a meeting at the Chamber of Commerce of about 150 yarn agents, when it was decided to draw up a memorandum to be submitted to the President of the Board of Trade, and Sir Andrew Duncan is being asked to receive a deputation. The opinion is held that this alteration in an old trade custom will not in any way benefit the industry as a whole nor result in any decrease in the costs of production, while at the same time there is a danger of old-established yarn agency firms being driven out of business. The decision of the President of the Board of Trade to restrict the requirements of retailers to 75 per cent. of a year ago is not likely to cause much hardship, as during the last few months the retail establishments have not been able to secure such a percentage of former supplies. But the export trade still languishes owing mainly to the very high prices in this country. Unless the Cotton Controller can bring about a fall in the level of prices at which exporters can quote to overseas buyers, no amount of propaganda will have much effect.

Raw Cotton Stocks.—Since the beginning of the war no particulars have been available of stocks of raw cotton in Great Britain, but estimates can be made from the figures of exports from the United States and of deliveries to spinners. Total supplies are equal to over eight months' consumption at the present rate of about 125,000 bales per month for Lancashire only; in American qualities, the stock is even greater than this. At the end of last week the Ministry of Shipping announced that freight space for raw cotton from the United States from May 1st would be reduced to 50,000 bales, as compared with 100,000 bales during the last few months. Of the 50,000 bales promised, only 30,000 bales will be available for the trade, as 20,000 bales will be barter cotton in exchange for rubber. Arrangements have also been made for increased imports from South America and Africa.

The Match Trade.—In the last ten years, the import of matches has about equalled the volume of home production. Total consumption has been very steady at about 18 million gross of boxes, of which some 16½ million gross contained between 20 and 50 matches. Since 1933, the home manufacturers have had a preference of 7d. per gross of boxes; the Excise duty was 4s. 2d. and the Customs duty was 4s. 9d. per gross of boxes. The Chancellor of the Exchequer expects that the doubling of these rates (with an increase in the British preferential margin from 7d. to 8d.) will result in a doubling of the total revenue, which amounted to £4.2 millions in 1938-39. He has assumed, therefore, that both demand and supply will be unaffected by a rise in the price of an ordinary match box from 1d. to 1½d. It is possible, however, that both imports and home production will be affected by the course of the war. Home output is dependent on timber, largely imported, which may not be available in the same volume as in pre-war years. Imports of matches are very largely derived from the Baltic and Scandinavian States, as the following table shows:—

BRITISH SUPPLIES OF MATCHES
(Thousand gross boxes containing more than 20 matches)

	1935	1938
Home production†	10,949	...
Imports, total	9,846	8,335
of which from		
Russia	2,865	1,504
Sweden	1,637	2,194
Finland	666	663
Norway	431	568
Belgium	3,026	3,111

† Thousand gross boxes of 50 matches.

It is possible, therefore, that more drastic measures will be necessary before long to restrict the consumption of matches. They have in the past been so cheap that economy in their use has been unnecessary, but now the spills and other match substitutes of the last war are due for revival.

Food from Scandinavia.—In *The Economist* of September 23, 1939, a table was given on page 579 of the amounts of British imports of certain commodities which were drawn from the Northern States. The main points of that table are repeated below:—

BRITISH IMPORTS FROM BALTIC AND NORTH SEA COUNTRIES IN 1938

	Bacon and Hams	Butter	Eggs in Shell	Fish, fresh and frozen	Iron Ore and Scrap	Wood and Timber	Wood Pulp
	Mil. cwt.	Mil. cwt.	Thou. dozen	Mil. cwt.	£ mil.	£ mil.	£ mil.
Baltic States	0.73	1.16	33.9	...	...	13.72	5.62
Percent. of total British imports	9.7	12.2	12.2	...	...	32.0	36.3
Scandinavia	3.65	2.68	101.5	0.94	2.94	6.54	7.25
Percent. of total British imports	48.5	28.2	36.6	57.3	27.3	15.2	45.2

Canadian supplies of bacon and hams are being steadily increased, and from an export to this country of 1½ million cwt. in 1938, the level of exports in the four months from September, 1939, reached about double that quantity. Supplies both of bacon and hams could also be drawn if necessary from the United States, whose pig population is at a

AVAILABLE TO MANUFACTURERS—
ELECTRICAL ENERGY for
POWER, HEATING AND ALL INDUSTRIAL PURPOSES.
NORTH-EASTERN ELECTRIC SUPPLY CO. Ltd.
Carlisle House, NEWCASTLE-UPON-TYNE
SITES FOR WORKS Apply to above address for particulars

record size. New supplies of butter are not so easily found, since in 1938 the principal non-European suppliers, notably New Zealand and Australia, already sent more than 90 per cent. of their total exports to this country. Butter production in these countries could be somewhat increased by a diversion of milk supplies from cheese-making or from the home market, and it is possible that some South American countries, notably Argentina, could increase exports to Great Britain. The loss in egg imports may also be difficult to replace. Nearly all the Australian, South African and Irish supplies are already consigned to this market, and the total exports of the other main exporters—the Balkan States and Argentina—were not quite equal in 1938 to the gap left by the disappearance of Danish supplies. The Norwegian fishing fleet may still be able to supply considerable quantities of fish, but attempts are also being made to develop a trade in frozen fish from Newfoundland.

* * *

Woollen Exports to Scandinavia.—Sweden, Norway and Denmark have been important buyers of wool textiles from this country. Denmark, in particular, has taken considerable quantities of woollen piece-goods, while Sweden has imported wool as well as woollen and worsted tops for her own textile mills. The table below summarises British exports of wool and woollen goods to these three countries in 1938:—

BRITISH EXPORTS OF WOOLLEN GOODS IN 1938

	Total	Sweden	Norway	Denmark
Wool (mill. lb.).....	42.4	1.3	0.4	0.3
Tops (mill. lb.).....	32.5	3.7	0.6	1.9
Yarns (mill. lb.).....	34.7	1.4	1.0	2.3
Piece-goods, woollen (mill. sq. yds.).....	58.9	0.9	0.5	3.6
Piece-goods, worsted (mill. sq. yds.).....	31.6	0.4	0.7	2.0
Carpets (mill. sq. yds.)..	5.6	...	...	0.3

This trade has now come to a standstill. Since last September a good many export houses have shipped only on the basis that payment was made before the goods left this country, but this rule has sometimes been waived in favour of Scandinavian buyers, whose credit has been excellent. There was also a fair volume of work in hand against Scandinavian orders. As, however, the industry is very busy and pressure from the War Office for supplies continues, some of it may be transferred to other uses with considerable advantage.

* * *

Whale Oil.—As a result of the adoption of mechanical warfare against whales, their number has been seriously depleted in recent years. Certain species have been virtually exterminated, while others are threatened by the same fate. In the Arctic, where the hunting season falls in the summer, the production of whale oil has long ceased to be of decisive influence on supplies, and in the past ten years approximately nine-tenths of the world's whale oil was derived from the Antarctic. Even there limitations of hunting, such as the restriction of the whaling season in the waters south of latitude 40 deg. S. from early December to early March, the prohibition of catching certain species of whales, the creation of sanctuaries and limitations in the use of "whaling factories" and land stations had to be introduced by international agreement in recent years in order to maintain whale stocks. These limitations have led to a reduction in the world's whale oil production from the record of 614,000 long tons in 1931 to between 500,000 and 575,000 tons during the past four years. Even at this reduced rate of production, however, the whale population continued to decline. Germany, who produced between 10 and 15 per cent. of the world output of whale oil before the war, is now no longer in a position to send out its factories. The Norwegian fleet, which produced between one-third and one-half of the world's whale oil in the past ten years, is now on its way back from the Antarctic and will almost certainly make the United Kingdom its base so long as Norway is partly occupied by

Germany. As this country is the second largest whale oil producer (its share is almost one-third of the world's total), between two-thirds and three-quarters of the world's whale oil supply will be under British control for the duration of the war. In the past ten years Germany has absorbed more whale oil than any other country and, although her imports have declined in the past three years as a result of increased British competition, she took nearly one-third of world production until the outbreak of the war. In addition, more than one-quarter of world supplies was absorbed by Norway, Holland and Denmark. Although Britain's consumption rose from 62,000 tons in 1929 to about 180,000 tons in 1939 and may be raised further—whale oil is mainly used for making margarine and soap—she cannot absorb anything like the tonnages that are now prevented from reaching Germany and her adjoining countries, especially as large stocks have been accumulated by the Government since 1938. The intensification of the war in Europe may thus lead to a relaxation of the war in the Antarctic.

* * *

Germany's Chemical Industry.—At the outbreak of the last war Germany was the leading producer and exporter of chemicals. Yet without the capture of some 50,000 metric tons of Chilean saltpetre in Antwerp, she would not have had time to construct the plants for the production of synthetic ammonia, which was not produced in sufficient quantities until the end of 1916. During the whole war she remained short of nitrogen for fertilisers. The total consumption of nitrogenous fertilisers decreased from 210,000 tons in 1913-14 to 92,000 tons in 1917-18. The shortage of sulphur became serious, but the chemical industry was able to supply adequate quantities by producing sulphuric acid with the aid of gypsum and from industrial gases. As the war dragged on, the shortage of fats for the manufacture of glycerine became more pronounced. Sugar had to be used as a raw material. Later, nitro-cellulose replaced nitro-glycerine. Lack of natural textile fibres rapidly led to the production of artificial fibres, and, lastly, the foundation was laid for the manufacture of synthetic rubber. Actually no far-reaching inventions were made in 1914-18. The processes for manufacturing artificial textile fibres were already in use, and the Haber-Bosch method of fixation of atmospheric nitrogen was already known before the war. Light metals, particularly aluminium and duraluminium, were produced on a larger scale during the war. After the war, Germany's chemical industry rapidly recovered and led her other industries in the process of rationalisation by the formation of the "I.G. Farben Industrie," with a capital of Rm. 1,100 millions.

* * *

When the Nazi Party came to power in 1933, Germany's chemical industry was actively engaged in manufacturing synthetic petrol. The production of artificial textile fibres was expanding, and experiments in the production of synthetic rubber were conducted on a large scale. Plastic materials, used in manufacturing crockery and electric appliances, were already familiar products. Staple fibre had made its appearance, and light metals were increasing in number. In short, the stage was set for the industrial self-sufficiency drive of the Hitler regime. During the present war Germany's chemical industry will play an even more important part than in 1914-18. The most important raw materials for a successful expansion of the industry are to be found in abundance in Germany, i.e. potash, coal, lignite and magnesite for light metals. Artificial resins have replaced natural resins. There will be no shortage of rock phosphates and pyrites so long as she can maintain her imports from neutral countries, and the output of sulphuric acids, used chiefly in the production of fertilisers and artificial textile fibres, is likely to cover requirements. On the other hand, there will again be a shortage of natural fats. Based on figures relating to the production before

the war, Germany will be able to produce during 1940 approximately the following quantities of chemicals:—

ESTIMATED OUTPUT OF CERTAIN CHEMICALS IN 1940	
	Metric Tons
Sulphuric acid	2,500,000 to 2,800,000
Synthetic petrol	2,000,000
Synthetic rubber	60,000 to 80,000
Synthetic fatty acids	40,000
Plastic materials.....	50,000
Electrolytic chlorine.....	150,000

To this list could be added a great number of other products, such as synthetic sugar from wood for feeding purposes and the new artificial fibre produced from coal and limestone called PeCe. Efforts are being made to secure an adequate supply of fertilisers for agriculture. So far as potash and nitrogen fertilisers are concerned, there will be no difficulties, but the supply of phosphates may decrease gradually. Since the beginning of the war nearly all chemical companies have increased their capital expenditure, and a new wave of amalgamation has set in, especially in the potash industry. The magnitude of Germany's chemical industry is revealed by the fact that even in 1936 the net value of its output was Rm. 2,524 millions, or 7.4 per cent. of the net value of the output of all industries. This estimate includes the cellulose and artificial textile fibre industries. In the same year the industry's employees numbered 300,783, or 3.8 per cent. of the total number of workers employed in Germany's entire industry. Since then the size of the industry has been substantially increased.

* * *

Industrial Orders in America.—Another useful series of indices has been added to the multitude of American statistics by the National Industrial Conference Board. It consists of indices relating to the value of stocks in the hands of manufacturers, to new orders

VALUE OF MANUFACTURERS' STOCKS, NEW ORDERS AND DELIVERIES (1936 = 100)

	New Orders	Deliveries	Stocks (end month)
1929—Average	134	134	127
1930— "	99	105	125
1931— "	66	71	100
1932— "	41	46	78
1933— "	47	51	70
1934— "	61	65	87
1935— "	74	79	90
1936— "	100	100	100
1937— "	100	118	133
1938— "	79	85	118
1939—January	93	97	113
February	88	97	112
1940—January	108	121	131
February	97	116	130

placed with manufacturers and to deliveries. The indices are all adjusted for seasonal variations. Although the samples are still small, they cover virtually all the leading industries. The indices are likely to be of considerable assistance in an attempt to appreciate the probable course of business activity. As will be seen from the accompanying table, for example, the value of new orders continued

to decline in February, pointing to a further contraction in industrial production; preliminary information suggests that output did, in fact, show a fall last month. The accumulation of stocks, on the other hand, appears to have been arrested in February, and this suggested the possibility that the downward movement of production might slow down. Needless to say, there are no comparable statistics for this country. The new series will in future be published with the other American statistics in the monthly Trade Supplement.

* * *

Is There Enough Oil?—There was a time, not so many years ago, when fears of a coming oil shortage were widely entertained and when even the oil companies themselves had doubts about the adequacy of their underground reserves. In view of the vital rôle played by petroleum products in the modern world—in war and in peace—it is perhaps only natural that such fears should reappear from time to time. Fortunately, however, the oil industry has in recent years discovered far more oil than it has extracted from the soil. Thus the oil industry of the United States, which supplies two-thirds of the world's output, added 2,399 million barrels to its proved reserves last year, compared with a production of only 1,264 million barrels. At 18,483 million barrels—the estimate is that of the American Petroleum Institute—the industry's proved reserves are now higher than at any time in its history. The latest figure, moreover, is in no sense an estimate of the total quantity of oil in the subsoil of the United States. It is a conservative appraisal of reserves actually proved by drilling operations and recoverable by existing methods of production; it makes no allowance for the potential reserves of areas known to be favourable, but as yet untested by the drill. Of the gross addition to reserves last year, 341 million barrels are attributable to new pools and new producing horizons discovered during 1939 and 2,058 million barrels to the development and extension of existing fields. The greatest increase (805 million barrels) was recorded in Texas, whose reserves (9,768 million barrels) amount to more than one-half the national total. As an example of what is possible even in an old oilfield, the proved reserves in Illinois rose from 41 to 382 million barrels in the past two years, notwithstanding a record production during this period. In the light of the past year's results it may be of interest to recall that in 1914 the quantity of oil "in all known and possible oil-bearing areas" of the United States—whatever method of production might be employed—was put at 6,000 million barrels. Though almost 20,000 million barrels have since been taken from the ground, the country's reserves are now estimated, on a conservative basis, at more than three times that figure. There is no reason why similarly impressive results should not be achieved in many other producing countries, the potentialities of which have been explored far less thoroughly than those of the United States. Hence, although the trend of consumption will doubtless remain upwards, there is every reason to suppose that discovery will continue to exceed production for many years to come.

COMMODITY AND INDUSTRY NEWS

GRAIN prices remained very firm in North American markets, but those for cotton, rubber and tin tended to fall during the week. In London, there has been a sharp advance in the price of Para grades of rubber and raw cotton was also dearer on the week.

Cotton (Manchester).—Trading in the market has been dominated by the several new regulations issued by the Cotton Controller and the Board of Trade. The revised margins for spinners have been much as expected.

The change in the position of yarn agents is causing much resentment and strong representations are about to be made against the alteration. More spinners and manufacturers have been prepared to sell and there has been some increase in the amount of business done, although the total sales have not been so numerous as expected. Rather more export cloth orders have been booked, especially for South America, West Africa, and the Dominions. Fairly substantial Government contracts have been arranged.

RAW COTTON delivered to Spinners

Variety ('000 bales)	Week ended		From Aug. 1 to	
	Apr. 12, 1940	Apr. 19, 1940	Apr. 21, 1939	Apr. 19, 1940
American	32.3	32.4	752	1,054
Brazilian	3.2	2.7	210	201
Peruvian, etc.	3.7	3.4	89	161
Egyptian	9.3	7.3	237	275
Sudan Sakel	2.6	1.7	101	114
East Indian	20.7	10.6	299	300
Other countries	2.0	3.0	121	105
Total	73.8	61.1	1,809	2,210

Source: Liverpool Cotton Association's Weekly Circular.

(Continued on page 793.)

COMPANY MEETINGS

DUNLOP RUBBER COMPANY, LIMITED

SUBSTANTIAL JUMP IN PROFITS

NOTABLE IMPROVEMENT OVERSEAS

SIR GEORGE BEHARRELL'S ADDRESS

The forty-first ordinary general meeting of the Dunlop Rubber Company, Limited, was held, on the 24th instant, at the Edward VII Rooms, Northumberland Avenue, London.

Sir J. George Beharrell, D.S.O., the chairman of the company, who presided, in the course of his speech, said: My lords, ladies and gentlemen, I take it that you will all have read with pleasure the satisfactory results disclosed by the directors' report and accounts for 1939.

These did not come altogether as a surprise to your board. They are the outcome of many years of spade-work and careful preparation and planning.

You will remember that when I addressed you last year I said that the underlying economic conditions were healthier than they had been at the beginning of 1938, and that the improvement in trade which had marked the last half of that year was continuing at the time at which I was speaking.

That improvement continued, in spite of the threatening international position, right up to the outbreak of war. Moreover, it was not confined to our own country, but applied practically to the whole of our world business. There seemed to be a real increase of demand and if only a peaceful solution of international problems could have been found, there is every probability that the world might have enjoyed a considerable period of genuine prosperity.

AN EXCELLENT POSITION

Your company found itself in an excellent position to benefit by these improved conditions.

You know how for many years your board has been working to improve the structure and efficiency of the world-wide Dunlop organisation.

Its basis had been broadened in two ways, first by a wider range of products and second by a greater spread of manufacturing units in well-chosen territories. As you will remember, we had acquired various businesses, now included in our rubber products division, and these have been reorganised and their profit-earning capacity increased by concentration on the most profitable lines. Years ago, companies had been allowed to acquire the Dunlop goodwill overseas. These have been purchased, reorganised and welded into the Dunlop family. Other overseas Dunlop companies had fought their way successfully through the difficulties of the years succeeding the last war, when they were trying to build up a business in highly industrialised territories. Important new factories had been established in British overseas territories in order to conserve and develop our trade there. The group had been relieved of financial burdens, and the balance-sheet position gradually strengthened; purchasing, research, manufacturing and sales policies had been carefully studied and improved, and a first-rate personnel built up by careful selection. By these means the Dunlop name had been made one of the most important and respected in the commercial world.

In these circumstances it was only reasonable to expect that, with favourable trade conditions, your company would enjoy a good year in 1939, but events have gone beyond this, and, had it not been for the war, I think I should have been able to present results even better than those now before you. In fact, everything seemed to go the right way for us. The demand for our products was good with very few exceptions, both at home and abroad, and prices remunerative; the rising price of rubber, which averaged 9d. over the whole year, as against just under 7½d. in 1938, benefited the plantations companies, and in its purchases of our main raw materials, especially rubber and cotton, your board's policy has proved a wise one.

I want to make it quite clear that this result was mainly obtained through our normal trade activities, only 7½ per cent. of the total turnover of the Dunlop group of companies for the year being due to direct Government orders. If we take the turnover of home companies alone, this business only represented 14 per cent. of the turnover. The proportion of Government business increased after the outbreak of war, and to-day is, of course, considerably higher.

We have responded promptly to all demands made upon us, demands which have involved the company in considerable capital outlay.

It is a source of great encouragement to us for the future to realise how little our success in 1939 was dependent on direct Government orders, and how much was due to export and foreign business.

THE ACCOUNTS

The net profit for the year amounted to £2,853,000, compared with £1,501,000 in 1938. A reference to the comparative results of the years 1934-39 shows at a glance how the level of profits in 1939 is far in excess of those of the preceding five years. While paying due regard to the uncertainty and difficulties which are ahead of all large undertakings, the board decided, after providing for the preference dividends, to recommend a dividend of 8 per cent. on the ordinary stock and a bonus of 4 per cent., and this dividend and bonus, if approved, will be paid on May 8. In the accounts income-tax has been deducted from this dividend and bonus at the rate of 7s. 6d. in the pound.

This recommendation was, of course, made without any knowledge of legislation affecting the dividends of public companies outlined by the Chancellor of the Exchequer in opening his Budget in the House of Commons yesterday. If a limitation is imposed by Parliament we shall be subject to it, of course, in future during the period for which the legislation operates. Incidentally, it may be worth observing that the Dunlop shares, after the huge losses incurred in the post war period, were reduced to one-third of their original nominal value, so that on the original par value the distribution is only equivalent to 4 per cent.

FINANCES STRENGTHENED

After providing for this increased distribution, the directors have been able to increase still further the financial strength of the company, and I am sure this decision will be wholeheartedly approved.

The total charge to the year 1939 for taxation on profits is £1,527,000, in addition to which there has been borne by subsidiary companies a taxation charge of £861,000, making a total for the Dunlop group of companies for the year of £2,388,000; the comparable figure for the year 1938 was £820,000.

These facts will make clear to you the great burden that industry carries in time of war. You will all, I know, agree that every company should make its fair contribution to the cost of the war, but the law regulating the Excess Profits Tax, as it stands at present, leads to many serious inequities which, in our opinion, will increase unfairly the burden falling upon companies similarly situated to ourselves. Probably the most serious is the treatment of the profits of foreign subsidiaries. The problem bristles with difficulties far too technical for discussion here. In association with others, strong representations are being made to the Chancellor of the Exchequer, and I hope his promise to amend the Act will be carried out in the very near future.

In my view, the only equitable basis is that Excess Profits Tax should be levied only on the amount of profits remitted to this country.

DUNLOP PLANTATIONS

At our meeting last year I told you that it had been decided to transfer the administration and control of the company's rubber estates to Malaya. Effect was given to this decision on April 1, 1939, when the new Malayan company, Dunlop Malayan Estates, Limited, commenced operations. Accordingly from that date Dunlop Plantations, Limited, became a holding company. The prospects for the current year, so far as dividends from the Malayan company are concerned, appear to be exceptionally bright, but taxation may absorb a very substantial part of the balance available for distribution by the Plantations Company. This is one of your

subsidiaries with an unfavourable base year for calculating Excess Profits Tax liability.

We have received excellent reports of the working of the Malayan company. The extensive budded areas are giving excellent results, and are fulfilling the high hopes entertained when this important development in rubber planting was decided upon.

HOME COMPANIES AND DIVISIONS

The Dunlop Cotton Mills were, from the beginning of the year, called upon for maximum output, and records in weekly production were achieved in both spinning and weaving departments. In spite of war difficulties, we have adequate stocks of raw materials in our warehouses, and arrivals from overseas continue satisfactorily.

TYRE DIVISION

Dealing now with the business of the tyre division, the mechanisation of our land forces entails the use of both pneumatic and solid tyres, many of which are of specialised construction. The importance of the tyre as a factor of mobility needs no emphasis, nor need I do more than refer to its importance in aerial warfare.

The sales of motor covers for the first eight months of 1939 promised a record year. This situation was entirely changed by the severe restrictions on private motoring necessitated by the outbreak of war. At the end of the year it was estimated that one million cars had been laid up by their owners, and the car manufacturing business, which had shown a splendid recovery in the first part of the year, suffered a serious reverse. Replacement sales of motor-car tyres for the complete year were below those of 1938, and sales for original equipment had to fall into line with the reduced volume of car production. The position of commercial vehicle tyres was better, as commercial transport was not interfered with to the same extent by war conditions. As a result, our total sales of commercial vehicle tyres for the year constituted a record.

We also had record sales of aero covers, due, of course, to the armament programme, and the replacement business in cycle tyres was the highest we have ever known. With the assistance of these compensating factors, the net profits of the tyre division showed a substantial increase over those of 1938, in spite of the setback in regard to motor covers, normally our most important line of business.

Our rim and wheel companies also had a successful year, the falling off in cycle and motor-cycle rims and motor-car wheels after the end of August being in some degree compensated by the high level of production in other sections.

RUBBER PRODUCTS GROUP

Turning to the rubber products group, the general rubber goods division made further progress, sales reaching a record high level, though the ratio of profits to sales fell in comparison with 1938, owing to rising costs and the increased proportion of Government business, which has a relatively low profit margin.

Our subsidiary, the India Tyre and Rubber Company, Limited, continues to operate from Inchinnan, Scotland, as a separate but co-ordinated entity. From the point of view of production, sales and profits, the year has been one of excellent progress. The board's policy of controlling an auxiliary tyre-producing unit within the British Isles had been amply justified before the outbreak of war—obviously war conditions emphasise this justification.

OVERSEAS COMPANIES

This group shows the greatest improvement. Its profits are nearly nine times greater than in the previous year, and account for over half the increase in the total profits of the company.

When I spoke to you last year I said that subject to the continuance of the improved general trading conditions in America, the outlook of the American Dunlop Company for 1939 was more promising than it had been for many years. I am glad to be able to tell you that the improvement was maintained and my hopeful forecast has been amply justified. In spite of a price war in the American tyre industry, during June and July, the company's net sales increased substantially over 1938 and a satisfactory profit was made. I expect that 1940 will also be a profitable year for the American company.

The improved position of the Dunlop Tyre and Rubber Goods Company in the Canadian market has been well maintained, and the company was able to benefit by the general improvement of Canadian business in 1939. Net sales advanced substantially and a small profit was earned. The company now holds a much more

satisfactory share of the total replacement business of the Canadian tyre industry than it did five years ago.

In spite of difficulties caused by war conditions, the Japanese Dunlop Company's sales and profits showed an improvement over 1938 and a satisfactory dividend in respect of the 1938 profits was remitted to this country.

The Irish Dunlop Company again had a good year, with an improvement in net turnover. Our status in the market is exceedingly good, and I would like to say how much we appreciate our cordial relations with the Irish Government and its officials.

There was a noteworthy expansion in the business of the two latest additions to the company's factories overseas—those in India and South Africa—and substantial profits accrued to the parent company.

EXPORT SALES PROFITS HIGHER

In export sales the company had a remarkable year, both as regards volume and turnover. In spite of the increasing restriction of markets through currency difficulties, largely increased profits were made. This is a matter of the greatest national importance at the present time, and we hope still further to improve the position in 1940.

The outbreak of hostilities found us prepared for the event, in the sense that we had taken all possible steps to safeguard the company's interests against difficulties which might otherwise have arisen. In the countries overrun or dominated by Germany and Russia in 1939 our losses have been quite insignificant.

EFFECT OF WAR CONDITIONS

The war has presented industry generally with an entirely new set of problems. Companies have found themselves suddenly called upon to meet largely increased Government demands for their products, or to undertake entirely new lines of manufacture. At the same time, shortage of materials has necessitated rationing arrangements, and caused inevitable interference with the delivery of goods to the trade, since, of course, Government requirements have to be given preference where sufficient material for all is not available.

Our customers have been most patient and considerate of the difficulties in which we are placed, and I am glad of this opportunity to thank them for their indulgence and co-operation—it is very gratifying to have such unmistakable evidence of the goodwill existing between Dunlop and the trade. The volume of supplies which will be available to the trade in future will depend upon Government demands and availability of materials. It must not be forgotten that the urgent national need for export trade, to which I have already referred, may make further encroachment on the supplies available for the home market.

PROSPECTS

This brings me to the end of my story of the year 1939. It has been a very great pleasure to me to be able to tell you such a story, and I have no doubt it has been a satisfaction to you to hear it. What can I say of the future? Had the war not come upon us, I firmly believe that we should have had an even more prosperous year in 1939 and might have looked forward to equal prosperity in 1940. The strength of our organisation and the solidity of our financial position would, I think, have justified such optimism. But as things are to-day, in this war-shaken world, you will hardly expect that degree of optimism from me—indeed, you will hardly expect me to prophesy at all. There are too many unknown and unknowable factors.

We are better fitted than we have ever been to take advantage of whatever opportunities may arise for normal trading at home and abroad, but as the war goes on, trading conditions are likely to become more and more abnormal. An increasing proportion of our output will probably be required to meet Government demands, the profits on which are closely controlled and will be below those which are usually regarded as adequate, and even necessary, for sound trading. We may have to contend with shortages of labour and materials. Profits will be dependent on prices both here and overseas, the trend of which no one can foresee with certainty. The already staggering burden of taxation may increase.

I can only say that our goodwill is more valuable all over the world than ever before; that our organisation is in better shape than at any time within my experience, to cope with any difficulties that may confront us; and that, like the rest of the country and the Empire, we face the future with determination and confidence. (Applause.)

The report and accounts were unanimously adopted.

GENERAL ACCIDENT FIRE AND LIFE ASSURANCE CORPORATION, LIMITED

A POSITION OF GREAT STRENGTH
ORDINARY DIVIDEND 70 PER CENT.

The fifty-fourth annual general meeting of this company was held, on the 24th instant, in Perth.

Sir Francis Norie-Miller, Bt., the chairman, who presided and moved the adoption of the report and accounts, first referred to the patriotic efforts of the Corporation and everyone connected with it. A contribution of £1,000 had been made to the Red Cross Fund of the Lord Mayor of London, their group had applied for £260,000 of the 3 per cent. loan and the staff had already taken up 13,484 War Savings Certificates. But what made them prouder than anything else was that more than 750 of their staff in the British Isles had volunteered for service at home and abroad; to them the company was paying the difference between their salaries and their pay and allowances in the Forces.

Dealing with the accounts, the first presented under war conditions, the chairman said that the figures demonstrated the inherent strength of their great company. In the life department they would note a saving of some £21,000 had been effected during the year. The funds of the department, as also the premium income, had doubled in amount since the affiliation of the "General Life" company with the "General Accident."

Their fire account again showed an extremely satisfactory profit. The net premium income after deducting all reinsurances was £747,243, showing an increase of some £15,000. The profit was £182,270, and there was an additional reserve of £300,000, so that the reserve on that very remunerative account was no less than around £599,000. Their fire business was on such lines that he felt confident they would, before long, have a net income of £1,000,000.

In the accident and general account the net premium showed a reduction of £190,705. Although the war had been a factor in bringing about that reduction, it was not the only factor, as conditions in the United States had tended towards a decrease in business. The net profit of £312,103 was not unsatisfactory in the circumstances, especially as ample provision had been made for unexpired risk and outstanding claims.

A WONDERFUL SHOWING

The profit and loss account must bring to all of them keen satisfaction at the magnificent position to which their company had attained. Notwithstanding the war and the difficulties to which he had referred, they were paying the same dividend, namely, 70 per cent., which was about £30,000 less than the net interest earnings. That in itself was a wonderful showing, but he would point out again that their carry-forward, which was now £860,000, was their equalisation of dividend fund and they had in addition a general reserve of £2,000,000 over and above every other reserve, after all the company's liabilities had been amply provided for. That extremely satisfactory position was the result of conservation of their funds for many years past.

With regard to the question of depreciation of investments, he rejoiced to tell them that the fund set up in previous years, to which £200,000 had been added last year, actually showed a substantial surplus in excess of what was required to provide for the difference between the book values of current assets and liabilities, and their market values at rates of exchange ruling at December 31st, while at the date of the issue of the report the investments had improved by a very large sum over the prices of December 31st last.

Mr Frederick Richardson (deputy-chairman), in seconding the motion, paid a tribute to the chairman's activities in all good works with especial appreciation of his unique achievements in the field of insurance. Their company did business in nearly every part of the British Empire, and in foreign countries, wherever there was a fair prospect, they had gone far and near to establish connections. It was a comforting thought in these days of depreciated exchange that the company possessed a flourishing business in the United States and the Dominions. They had large funds abroad in good, safe democratic countries and no commitments in places which need give them any but the slightest financial concern.

Dealing with the company's motor business, he said that though while war lasted the company was bound to suffer a reduction in premium income the falling off had not been as great as anticipated and with the return of milder weather there had been encouraging signs of renewed activity.

The report and accounts were unanimously adopted.

SUNDAY PICTORIAL NEWSPAPERS (1920), LIMITED

GRATIFYING PROFITS

The twentieth ordinary general meeting of this company was held, on the 24th instant, in London.

Mr John Cowley, who presided, said: Ladies and gentlemen, the profit for the year ended February 29, 1940, after providing for taxation, working, office and other expenses, contingencies, etc., amounted to £203,643 10s. 6d., which is £47,917 more than the profit of the previous year. The sum of £20,000 has been placed to reserve account, £25,000 to reserve for taxation, and £5,000 has been applied as a provision for pensions. During our year we paid an interim dividend of 2½ per cent. and recommend the payment of a final dividend of 7½ per cent., which will make a total of 10 per cent. on the ordinary shares. There will remain a sum of £134,540 7s. to carry forward, which is more than the amount brought in from last year by £8,644. The reserve account has been made up to £340,000 by the addition of the £20,000 I have mentioned, and we have thought it prudent to transfer £25,000 to reserve for taxation, bringing the total amount under this heading on the balance sheet to £50,000. The addition of £5,000 to the provision for pensions brings this account up to £75,000. The item creditors, surplus on sale of investments and reserve for contingencies is down roughly £9,000 at £486,550. This reflects a reduction in the amount we owed at the date of the balance sheet, the reserves included being higher than a year ago.

INVESTMENT POSITION

Investments at cost or under at £2,277,662 18s. 8d. are down by the small sum of £4,711. Since the close of the year we subscribed £25,000 to the new War Loan. You will notice a footnote on the balance sheet regarding the value of our investments. You are aware that we hold large blocks of shares in companies in the newspaper, pulp and paper-making industries. The market value of some of these holdings has fallen very considerably, and you will not be surprised to learn that the dividends we received during the year were much lower. I will, a little later, make a further reference to our large investment in Anglo-Canadian Pulp and Paper Mills, Limited. Taking debtors and cash together, these items show an increase of around £72,000, reflecting in some measure the improvement in our trading during the year.

You will understand the many difficulties of newspaper production in these days. Most of the material for paper-making has to be imported, and by a recent paper control order the amount of paper supplied by mills to customers has been drastically reduced. The price of paper has been sharply advanced, and in July we shall be paying £25 per ton, against a pre-war figure of only two-fifths of this cost. To meet the situation we have, in agreement with other newspapers, reduced the size of the *Sunday Pictorial* to 24 pages. Further reductions in the number of pages of all newspapers appear to be inevitable. This, of course, means that the space devoted to advertisements will be curtailed.

A year ago when we met I made particular reference to the position of Anglo-Canadian Pulp and Paper Mills, Limited, in which company we are largely interested. A scheme for its financial reorganisation has been prepared which, if carried out, I hope will place that company in a much sounder position. Business in the newsprint industry in Canada is improving, and we are confident as a result that the Anglo-Canadian Company will enjoy a fair measure of prosperity.

It is a pleasure to be able to tell you that during last year the net sale of the *Sunday Pictorial* greatly increased, and its advertisement revenue was well maintained. We have in the *Sunday Pictorial* a very excellent property. The profits of the past year I think were gratifying, and, without making any promise with regard to the future, I can safely say everyone in our business will continue to work whole-heartedly to obtain the best possible results. You all will appreciate that we are conducting business in wartime. Increases in cost of materials and services—and I would again emphasise the constant rise in the price of paper—difficulty of obtaining supplies of necessary materials, particularly paper, the continual readjustment of the personnel owing to people being called up for service, are matters which necessarily must be closely watched and dealt with. However, in spite of our troubles and difficulties, I think we are entitled to look forward with a good deal of confidence.

The report and accounts were unanimously adopted.

AGRICULTURAL MORTGAGE CORPORATION, LIMITED

CHANGED CONDITIONS

The eleventh ordinary general meeting of the Agricultural Mortgage Corporation, Limited, was held, on the 24th instant, in London.

Sir Harry Goschen, Bt., K.B.E. (the chairman), said that during the past year they had granted further long-term loans of £409,170, bringing the total amount advanced up to £13,298,910, secured on first mortgage of 902,102 acres of agricultural land, together with the necessary farmhouses and buildings, valued in all at £20,873,527. In addition, advances of a further £123,520 had been sanctioned, and the amounts would be paid over as soon as the necessary formalities had been completed. The total of loans granted under the Improvement of Land Acts had increased to £121,791.

Interest and capital repayments due on their loans continued as a whole to be promptly met. War conditions had created special difficulties for many of their borrowers, and they had endeavoured to afford them all reasonable assistance by allowing postponements of the dates of payments and by various other concessions granted to those who had been particularly hard hit by present conditions.

The conditions prevailing in the farming industry had changed very quickly after the outbreak of war. The plough had again been called upon to safeguard the nation's food supplies, and the task of converting the 2,000,000 acres asked for by the Government from grass to arable was nearing completion, so that they could look forward to a properly balanced agriculture being established.

From the production point of view the past year had proved reasonably satisfactory. Corn crops had been fairly up to the average, although in some districts wheat had been disappointing and showery weather had added to the difficulties of the harvest. Root crops had yielded fair returns and sugar beet had proved particularly good.

Livestock of all classes, with the exception of sheep, had met a fairly good market during the year; beef prices had been better and the good trade for dairy cows and heifers had been a prominent feature.

HELP FOR FARMERS

During the year there had been much legislation affecting agriculture and rural interests. That had been designed to enable farmers to carry out the tasks allotted to them, to pay better wages to their workers and to attract capital.

The Agricultural Development Act, 1939, contained a provision for the payment of not more than £60,000 per year for 20 years to the Corporation to enable it to continue to grant loans at its present basic rates of 4½ per cent. per annum for mortgage loans and 4 per cent. per annum for improvement loans. Much had already been done to restore faith in the farming industry, and the Prime Minister's pledge of the Government's intention to maintain a stable agriculture after the war had created an atmosphere in which the new programme of increased production could be pushed forward with every confidence.

As to the accounts, during the year they had granted new loans of £409,000, but special repayments at £389,000, in addition to normal reductions, had brought down the balance of loans outstanding to a figure some £60,000 below that of last year. They still had cash and free investments of more than £2,000,000, and they would be very glad to see that amount quickly absorbed in the granting of new loans. The advantage of borrowing at a reasonable rate of interest fixed for a long term of years should be particularly evident to farmers at present.

The profit and loss account showed a further fall in interest on loans. That was due to the increasing proportion of loans now running at the lower rates of interest, and it was to meet the consequent deficiency in revenue that a payment of £22,500 under the provisions of the Agricultural Development Act, 1939, had been made to the Corporation by the Minister of Agriculture and Fisheries. After bringing in £5,000 from general reserve, making provision for all bad and doubtful debts and setting aside a sum sufficient to cover all interest payments due from borrowers up to December 31, 1939, and not received by the end of the corporation's financial year, the amount available on profit and loss account was £14,836. Of that amount £2,664 had been transferred to special reserve and £3,333 written off discount on issue of debenture stock, leaving a balance of £8,839.

The report was unanimously adopted.

INTERNATIONAL NICKEL COMPANY OF CANADA, LIMITED

INCREASED SALES

The annual meeting of the International Nickel Company of Canada, Limited, was held, on the 24th instant, at Toronto.

Mr Robert C. Stanley (chairman and president) said that sales of nickel in all forms totalled 210,194,135 lb., an amount slightly in excess of the previous peak year 1937, in which 207,700,943 lb. of nickel were sold.

Sales of copper were 324,850,921 lb., comparable with 292,129,727 lb. in the previous year. This amount was somewhat more than their refining capacity and was accounted for by sales from stock to meet initial orders from the British Government. He wished to confirm press announcements that the company contracted with the British Ministry of Supply to deliver during the period from September 1, 1939, to September 1, 1940, approximately 80 per cent. of its output of electrolytic copper, or 240,000,000 lb. This metal was being delivered f.a.s. Canadian port and the price, in Canadian currency, approximated that ruling on the London Metal Exchange just prior to the declaration of war. While this price was less than the present world price, it was equitable and reflected the desire of the company to do its part in assisting His Majesty's Government during the present crisis.

The company was now the world's predominant producer of platinum metals. These strategic metals were of importance to the war programme, and were subject to Government control and were being dealt with in the same manner as their nickel. During the year the company sold 240,778 ounces of platinum metals, comparable with 193,195 ounces in 1938.

METAL PRICES AND TAXATION

The net profit for 1939 was \$36,847,466. Since sales of nickel, copper and platinum metals were in each instance greater in quantity than in 1937, shareholders might question why the net profit was \$13,452,158 less for 1939 than for 1937. The difference was due principally to two factors: lower realised prices for metals sold and increased taxes.

In the case of copper, for example, the average realised price in 1939 was 3.34 cents less per pound than in 1937. This difference, applied to the tonnage sold, amounted to \$10,834,870.

In the case of platinum metals, the average realised price in 1939 was \$6.30 per ounce lower than in 1937. The lower prices, applied to the respective quantities of platinum metals sold in 1939, accounted for \$2,269,686.

As to the item of taxes, we all knew that the war must be financed and that increased taxes must be levied. The increase in their composite tax rate for 1939 over that of 1937 accounted for an additional charge of \$3,099,572 against net profit. These three items accounted for \$16,204,128, thus exceeding the figure of \$13,452,158 by which the net profit for 1939 was lower than the net profit for 1937. It was therefore evident that the relative decrease in earnings in comparison with 1937 was due to uncontrollable causes.

In conclusion, the Chairman quoted from the section entitled "Outlook" in the annual report, as follows:—

"With the world at war, channels of trade are so badly disorganised that it is impossible to forecast with any certainty the immediate prospects for your company.

"It may be assumed that, whether the conflict be of short or long duration, the requirements of His Majesty's Governments in Canada and Great Britain will provide, during the war, an outlet for a substantial portion of the company's output of metals. From the long-range view-point, however, the company should not rely solely on Empire markets, but must now anticipate and consider conditions which all industry must face when the war is over.

"The most effective safeguard at that time against unemployment and paralysis of industry generally would be a firmly established export trade such as your company has always enjoyed and desires to augment.

"Your company is so well equipped with plant facilities and experienced personnel that, with Government co-operation by way of easing trade restrictions, it can reasonably hope to continue without interruption, in available markets, its essential long-range programme of developing and increasing the use of its products.

"Your company will thus not only safeguard the Canadian nickel industry, but will contribute its part in fostering the Empire's foreign trade so indispensable in establishing world peace which, to be lasting, must depend primarily upon a freer exchange of commodities between all countries."

RUBBER PLANTATIONS INVESTMENT TRUST, LIMITED

DISTRIBUTION OF 10 PER CENT. MAINTAINED

The thirty-first ordinary general meeting of the Rubber Plantations Investment Trust, Limited, was held, on the 24th instant, in London.

Mr H. J. Welch (the chairman), in the course of his speech, said:—Since our last meeting we have passed through an almost continuous period of political and financial disturbance, accompanied throughout last year by a reduction of dividends upon our investments. Having regard to these adverse conditions, you may not consider the results for the year unsatisfactory.

Our £3,192,936 of investments cover some 250 holdings, of which over 50 per cent. are within the British Empire and 48 per cent. within the Netherlands East Indies. The changes in 1939, however, have made little difference in the agricultural distribution. Over 54 per cent. of the employed capital is in rubber, over 30 per cent. in tea, 5½ per cent. in other plantation products and about 10 per cent. in the shares of leading bank, insurance, trust and other financial institutions. There has been a slight increase in the percentage of investments held in the form of ordinary shares, since at December 31st last we held a little over 96½ per cent. in equity stocks, as compared with 94 per cent. in 1938.

At December 31st last the value of our investments was in excess of their book cost by over £130,000. A valuation made within the last day or two shows a surplus over book cost.

The gross revenue of the company for the past year was £193,880, as compared with £273,480 for 1938. The directors propose to transfer £40,000 from dividend equalisation reserve to revenue account, and to pay a final dividend of 6 per cent., maintaining the distribution at 10 per cent.—the same as for the two previous years.

As to prospects, the excess profits tax must adversely affect the amount of distributable profits of a large number of companies, but at present it appears that the profits of our subsidiary company, Sumatra Tea Estates, will show an increase, and there is every indication that the income we shall receive from our other plantation investments will be considerably higher than last year.

TEA AND RUBBER

At the outbreak of war the Ministry of Food requisitioned the whole of the bonded tea stocks in this country and the subsequent arrivals in the United Kingdom. They later entered into a contract with Indian and Ceylon producers which covered Indian tea required for this country produced up to the end of 1939, and Ceylon tea required for this country shipped up to the end of 1939. The teas were taken at prices based on the level of values ruling in London public auctions during the week commencing August 21st. The Ministry of Food have agreed to take from India, Ceylon and British East Africa about 530 million lbs. of tea at prices based on the average prices of the crops for the three calendar years 1936, 1937 and 1938, subject to certain adjustments for increased costs, etc.

The current price of rubber is no more than sufficient to give a reasonable return on restricted production. The outlook for the remainder of 1940 is naturally rather obscure. In the United States, although another recession in business activity has set in, it is not generally expected to be severe. So far as rubber is concerned, the American questionnaire figures are reassuring, for they showed American consumption amounted to 155,000 tons during the first quarter. Probably there will be an increased demand for tyres for original equipment because the output of new automobiles is expected to be greater than it was last year, and although replacement demand may be less, it seems likely that the United States will use as much rubber in 1940 as in 1939. There is little sign of any serious decline in the absorption of the Allied countries or of the European neutrals, but with Germany and Poland eliminated from the market, the absorption during 1940 may prove to be substantially below that of 1939. If the percentage were to remain at 80 for the whole year, nearly 1,350,000 tons of rubber could be exported, of which about 80,000 tons would be barter rubber and about 1,270,000 tons would be available for ordinary trade purposes and additions to stock. This quantity could be produced, but it would doubtless prove to be a great deal more than the market could absorb at a reasonable level of price. A substantial reduction in the percentage during the second half of the year may therefore be expected.

The report was unanimously adopted.

CHAMPION REEF GOLD MINES OF INDIA, LIMITED

SATISFACTORY YEAR'S WORKING

DIVIDEND OF 40 PER CENT.

The ordinary general meeting of the Champion Reef Gold Mines of India, Limited, was held, on the 25th instant, in London.

The Hon. A. T. J. Fraser, D.S.O. (chairman), said that during the year the mine produced 69,058 oz. of fine gold from 161,220 tons crushed. The total income was £514,236, and total expenditure £314,480, leaving a profit of £199,755, which was £9,200 more than in the previous year. A total dividend of 40 per cent., or 4s. per unit, the same as for 1938, was being paid. Ore reserves at 543,323 tons, averaging 10.88 dwts., showed an increase of 12,000 tons, but a decrease of a quarter of a dwt. in average grade, over the previous year. That was eminently satisfactory as a smaller amount of development had been done on the high-grade Glen ore shoot, many working faces being closed down at the hottest period of the year. It had been hoped that the new air cooling plant might have been in operation by early May, but with the inevitable war delays the present estimated date of early July might be considered satisfactory.

The Board considered the expropriation by the Mysore Government of 75 per cent. of the amount by which the price of gold exceeded 150s. per ounce to be most unjustifiable. It was true that other countries had taken similar measures, but in those cases it was quite definitely as a war tax, and the South African Government, realising the unfairness of the measure, had substituted a profits tax. As regards British taxation, burdensome though it might be, they had no valid objection. The Mysore Government would in any case take a very considerable proportion of the extra value and profit represented by the 13s. 6d. per ounce that they were now swallowing wholesale. No allowance was made for the serious rise in stores and material, and the action of the Mysore State would hinder the policy of milling lower grade ore as the price of gold rose, thereby eventually shortening the life of the mine. It would also reduce the amount paid in taxation to the British Government.

MR SYDNEY E. TAYLOR'S SPEECH

Mr Sydney E. Taylor, D.S.C., said that last year he expressed the hope that the scheme for carrying the mine to greater depths would be in operation within the original estimate of four years from the time of commencement early in 1936. Unfortunately, the completion of the scheme had been held up owing to the delay in the delivery of certain parts of the new winding engine for Gifford shaft. Those parts had now reached the mine, and the erection of the winding engine was proceeding. Consequent upon this delay, the full benefit to the ventilation of the mine had not yet been obtained. The neighbouring Oregum Mine had obtained such beneficial results from the installation of an air-conditioning plant that it was decided to erect a similar plant for Champion Reef. Most of the plant had now reached the mine, and it was hoped to bring it into operation within the next few months.

Development results continued to be very satisfactory. The development of the folded ore body in the Northern section and Glen ore shoot in the Southern section continued to yield satisfactory results. On the folds a large tonnage of ore of over 6 dwts. grade had been added to the ore reserves during the year, and there was a further large tonnage of somewhat lower grade that had not been brought into the reserves which would be mined and go to the mill. The productive length of Glen ore shoot was somewhat less than it was two or three years ago, but it continued to be a most important ore body.

The working costs in 1939 were 2s. 7½d. per ton higher than in 1938, due in part to more work being done in supporting the ground in the stopes on the folds in the northern section consequent upon the expansion of work in that section and in part to the trying conditions in the hot weather which impaired efficiency and increased the cost of ventilation.

The report and accounts were 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.

MOSS' EMPIRES, LIMITED

SATISFACTORY RESULTS

The forty-first ordinary general meeting of Moss' Empires, Limited, was held, on the 19th instant, in London.

Colonel J. J. Gillespie (the chairman), in the course of his speech, said:—Reductions in debenture debts formed the only change of real importance in the balance sheet.

Contingent liabilities representing guarantees of bank advances to allied companies have been reduced from £34,000 to £4,000 since the close of the accounts. At the present time nothing is outstanding and owing on such contingent liability.

Profit from trading at £160,727 was about £13,000 less than in 1938, the decrease being wholly due to the international situation in August and the subsequent outbreak of war. Trading profit for the first seven and a half months of 1939 was substantially in excess of the corresponding period of 1938.

Only two of the theatres are still closed, one to be shortly reopened as a picture house and the other on the completion of alterations.

ations resolved upon prior to the outbreak of war but since held in abeyance.

Net profits are £15,400 less than for 1938 after providing for £6,000 of additional income tax, which result the directors regard as satisfactory considering the difficulties with which the management have been faced.

A dividend on the ordinary stock is recommended at the rate of 3 per cent., less income tax at standard rate, making 8 per cent. for the year, as against 10 per cent. for 1938.

Trading results for 1940 so far as the year has gone show an improvement over the corresponding period of 1939. I cannot say what is before us, but, so far as talent is concerned, we are standing better than we did twelve months ago. People in wartime must have relaxation, and we are doing our best to meet the public taste.

I mentioned in my speech at the last annual meeting that there were rumours about our rebuilding the London Hippodrome Theatre. That has been abandoned, and we have done our best to satisfy the Lord Chamberlain's requirements instead.

The report and accounts were unanimously adopted.

COMMODITY MARKETS

(Continued from page 787)

Metals.—The United States lead statistics, published this week, showed an advance in deliveries from 39,200 short tons in February to 46,400 tons in March; production rose from 43,300 to 48,400 short tons, so that stocks in producers' hands rose by another 2,000 tons to 74,700 tons in the course of last month. American metal prices were unchanged, in spite of some improvement in demand.

Tin.—After a setback to £252 15s. on Monday, the standard cash price for tin recovered to £254 5s. and thus showed a net loss of 15s. on the week. The backwardation narrowed from £5 10s. to £5 this week. The setback in the earlier part of the week was largely due to fears that a German invasion of Holland might lead to a breakdown of the tin scheme. Supplies in this country are still tightly held, especially as stocks in official warehouses in this country showed a further decline from 1,247 tons to 1,061 long tons in the course of last week. Ore arrivals at British smelters, however, are known to be large, so that no genuine shortage is expected. According to the International Tin Research and Development Council, international smelter stocks of tin amounted to 15,579 long tons on March 31st last against 14,803 tons a month before. The end-March figure is the highest since the middle of 1938. A further increase is likely to take place in April, the first month of the new quota period.

Grains.—North American markets remain firm, in spite of heavy deliveries. The Cereals Import Committee is now so well supplied with Canadian wheat that no more shipments are being made until June. Exports of grains from the Balkans are slowing down; most of last year's surplus has been cleared and the prospects for the coming harvest are at present very poor. Exports of wheat from the Plate are good and the low price of Argentine maize, compared both with those of American maize and of other cereals, should stimulate its shipment.

Oils and Oilseeds.—Shipments of oils and oilseeds from producing coun-

tries are well maintained. Exports of linseed from India are improving as the new crop becomes available, and prices are firm. Supplies in this country are satisfactory, though the minor users are strictly rationed. The output of margarine and cooking fats is estimated at about 7,000-8,000 tons a week.

Rubber.—In London, Para grades were marked up by 2d. per lb. to 1s. 2d. per lb. at the end of last week, but prices for standard sheet were unaltered. There was a further fall in American prices.

Export Groups.—In *The Economist* of April 6th we gave a list of industries which had organised export groups. Since then many more groups have been formed, a list of which is given below:—

EXPORT GROUPS

Bag Frame and Bag Fittings
Belt Fastener
Boilers (Water Tube)
Brassfounders
Cake and Biscuit Manufacturers
Carpet
Cement
Clock Manufacturers
Electrical Goods and Apparatus
Gas and Coke Oven Industries
Glass Manufacturers
Hearth Furniture and Art Metalware
Hollow-ware (Wrought Steel)
Hosiery
Insulated Conductors
Ironfounders (Light Castings)
Lace
Leather Cloth, Imitation Leather and Table Oilcloth
Pharmaceutical
Precision Chain
Printing and Allied Machinery
Proprietary Remedies
Radio Manufacturers
Safety Razors and Safety Razor Blades
Saw Trade
Soap
Tinware
Typewriter

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From ('000 quarters)	Week ended		From Apr. 1 to	
	Apr. 13, 1940	Apr. 20, 1940	Apr. 22, 1939	Apr. 20, 1940
Argentina	281	282	657	971
Atlantic America ..	34	36	165	86
Danube Region	55	28	220	96
S. & E. Africa	66	127	79	249
Indo-China, etc.	10	12	71	37
Total	446	485	1,192	1,439

Source: *The Corn Trade News*.

WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week ended		From Aug. 1 to	
	Apr. 13, 1940	Apr. 20, 1940	Apr. 22, 1939	Apr. 20, 1940
N. America	476	587	22,111	19,275
Argentina and Uruguay ..	536	330	7,820	15,353
Australia	...	...	9,020	13,605
Russia	130	113	4,477	114
Danube and district ..	...	...	7,402	5,340
Other countries	...	...	1,527	345
Total	1,142	1,030	52,357	44,032

* Unobtainable. † Shipments up to Jan. 31, 1940. Source: *The Corn Trade News*.

TINPLATE PRODUCTION: PERCENTAGE OF S. WALES' CAPACITY IN OPERATION

Week ending	1939	1940
March 9	59.22	68.89
" 16	58.80	71.91
" 23	56.29	72.71
" 30	51.68	70.90
April 6	59.69	72.76
" 13	56.71	73.62

RETAIL FOOD PRICES

	Average price per lb. at			Per cent. increase since Sept. 1, 1939
	Sept. 1, 1939	Mar. 1, 1940	Apr. 1, 1940	
Beef, British:—				
Ribs	1 2½	1 3½	1 3½	10
Thin flank	7½	9	9½	26
Beef, chilled or frozen:—				
Ribs	9½	1 0½	1 0½	34
Thin flank	4½	6	6	23
Mutton, British:—				
Legs	1 3½	1 5½	1 5½	13
Breast	7½	8	8	8
Mutton, frozen:—				
Legs	10½	1 0	1 0	15
Breast	4	4	4	2
Bacon	1 3	1 6½	1 6½	23
Fish	1 1½	1 1½	1 1½	34
Flour (per 7 lb.)	8½	8½	8½	3
Bread (per 4 lb.)	2 4	2 5½	2 5½	6
Tea	3	4½	4½	49
Sugar (granul'd)	6½	7	7	7
Milk (per quart)	1 1½	1 6½	1 6½	14
Butter, fresh	1 3½	1 6½	1 6½	23
Butter, salt	1 10	1 2	1 2	41
Cheese	6½	7½	7½	11
Margarine	2	2½	2½	6
Eggs (each)	6½	7½	8	22
Potatoes (per 7 lb.) ..				
Index, All foods, weighted (July, 1914 = 100)	138	161	158	14

Source: *Ministry of Labour Gazette*.

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week to April 20, 1940, total ordinary revenue was £18,777,000 against ordinary expenditure of £47,170,000 and issues to sinking funds of £70,000. Thus, including all sinking fund allocations, the deficit accrued since April 1st is £83,226,000 against £16,099,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)			
	Apr. 1, 1939	Apr. 1, 1940	Week ended Apr. 22, 1939	Week ended Apr. 20, 1940
ORDINARY REVENUE				
Income Tax	8,051	13,017	11	1,775
Sur-tax	2,980	2,770	540	580
Estate, etc., Duties	4,280	4,230	1,480	1,520
Stamps	690	270	390	390
N.D.C.	1,160	970	370	150
E.P.T.	100	40	...	10
Other Inland Revenue	17,261	21,387	2,791	4,055
Total Inland Revenue	17,261	21,387	2,791	4,055
Customs	14,417	14,467	5,914	4,739
Excise	8,700	10,500	6,790	8,710
Total Customs & Excise	23,117	24,967	12,704	13,449
Motor Duties	2,517	3,450	...	...
P.O. (Net Receipt)	1,700	1,050	1,200	850
Post Office Fund	...	...	...	...
Crown Lands	...	...	...	...
Receipts from Sundry Loans	55	48	...	...
Miscellaneous Receipts	370	719	332	423
Total Ordinary Revenue	45,020	51,621	17,027	18,777
SELF-BALANCING				
Post Office and Broadcasting	2,900	3,200	800	900
Total	47,920	54,821	17,827	19,677

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)			
	Apr. 1, 1939	Apr. 1, 1940	Week ended Apr. 22, 1939	Week ended Apr. 20, 1940
ORDINARY EXPENDITURE				
Interest and Management of Nat. Debt	23,385	23,741	1,008	5,170
Other Consoltd. Fund Services	279	277	...	...
Total	23,664	24,018	1,008	5,170
Supply Services	37,140	110,500	13,390	42,000
Total Ordinary Expenditure	60,804	134,518	14,398	47,170
Sinking funds	315	329	70	70
SELF-BALANCING				
Post Office and Broadcasting	2,900	3,200	800	900
Total	64,019	138,047	15,268	48,140

After raising Exchequer balances by £35,375 to £2,589,543, the other operations for the week (as shown below) raised the gross National Debt by £29,110,000 to about £9,028 millions.

WEEK'S CHANGES IN DEBT

DEBT INCREASES		DEBT REPAYMENT	
3% War Loan	129,280	Treasury Bills	85,978
Nat. Sav. Certs.	2,050	Other debt	342
3% Def. Bonds	1,950	Public Dept. adv.	17,450
Total	132,880	Total	103,770

OTHER ISSUES (Net) (£ thousands)	
N. Atlantic Shipping	15
Overseas Trade Gtes.	297
P.O. and Teleg.	300
Total	612

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1 to April 20, 1940, are:— (£ thousands)	
Ordinary Exp.	134,518
Misc. Iss. (net)	2,769
Inc. in balances	195
Ord. Revenue	51,621
Gross bor.	86,190
Less—	
Sinking fds.	329
Net borrowing	85,861
Total	137,482

FLOATING DEBT (£ millions)

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt	Floating Assets
	Tender	Tap	Public Depts.	Bank of England		
1939						
Apr. 22	402.0	498.0	39.1	...	939.1	537.1
Jan. 13	785.0	689.8	53.2	...	1528.0	743.0
" 20	800.0	658.1	54.7	...	1512.8	712.8
" 27	811.0	641.3	48.8	...	1501.1	690.1
Feb. 3	811.0	642.4	48.2	...	1501.6	790.6
" 10	806.0	630.1	47.6	...	1483.7	677.7
" 17	806.0	625.9	46.7	...	1478.6	672.6
" 24	801.0	621.9	53.4	...	1476.3	675.3
Mar. 2	791.0	651.0	54.1	...	1496.1	705.1
" 9	776.0	664.6	66.0	...	1506.6	730.6
" 16	761.0	673.6	56.3	...	1490.9	729.9
" 23	746.0	682.8	55.0	...	1483.8	737.8
" 30	731.0	696.7	61.5	...	1489.2	758.2
Apr. 6	716.0	706.3	55.0	...	1477.3	761.3
" 13	701.0	708.4	56.4	...	1465.8	764.8
" 20	686.0	637.5	38.9	...	1362.4	676.4

TREASURY BILLS (£ millions)

Date of Tender	Amount			Average Rate	Per Cent. Allotted
	Offered	Applied for	Allotted		
1939					
Apr. 21	30.0	66.0	30.0	26 10/35	26
Jan. 12	65.0	109.0	65.0	22 2/38	40
" 19	65.0	122.1	61.0	21 8/85	15
" 26	60.0	112.2	55.0	22 0/32	17
Feb. 2	55.0	108.7	55.0	20 9/86	36
" 9	55.0	108.7	55.0	20 6/11	48
" 16	65.0	106.9	60.0	20 6/11	47
" 23	60.0	112.1	55.0	20 5/74	32
Mar. 1	55.0	108.2	50.0	20 4/81	34
" 8	55.0	98.3	50.0	20 5/30	45
" 15	50.0	99.8	50.0	20 5/28	43
" 22	50.0	100.0	50.0	20 4/92	38
" 29	50.0	99.9	50.0	20 7/76	49
Apr. 5	50.0	94.5	50.0	20 8/33	51
" 12	50.0	90.6	50.0	20 8/16	52
" 19	50.0	111.8	50.0	20 6/87	31

On April 19th applications at £99 14s. 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 31 per cent. of the amount applied for and applications at higher prices in full £55.0 millions of Treasury bills are being offered on April 26th.

NATIONAL SAVINGS CERTIFICATES AND 3% BONDS SUBSCRIPTIONS (£ thousands)

Period	N.S.C. 3% Bds.	Total
Week to Apr. 9, 1940	2,728	1,675
Week to Apr. 16, 1940	2,362	1,583
21 weeks to Apr. 16, 1940	66,918	64,932
Total	72,000	71,190

* Revenue returns show repayment of principal amounting to £11,400,000 in the 21 weeks to April 20, 1940.

BANK OF ENGLAND RETURNS

APRIL 24, 1940

ISSUE DEPARTMENT

Notes Issued: (£ thousands)		Govt. Debt: (£ thousands)	
In circula.	537,146,086	In circula.	11,015,100
In Bank Dept.	43,090,672	Securities	565,406,044
		Other Secs.	3,069,236
		Silver Coin	509,620
		Amt. of Fid.	
		Bank res. over reqs.	580,000,000
		Gold Coin & Bullion (at 168s. per oz. fine)	236,758
		Total	580,236,758

BANKING DEPARTMENT

Props. Cap. (£ thousands)		Govt. Secs. (£ thousands)	
Rest	14,553,000	Discs, etc.	130,619,068
Public Depts.	3,138,301	Securities	4,860,028
	40,702,521		22,822,654
Other Depts.	103,447,153	Notes	27,682,682
Other Accts.	40,560,876	Gold & Silver Coin	41,090,672
	144,008,029		979,429
	202,401,851		202,401,851

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

THE WEEK'S CHANGES (£ thousands)

Both Departments		Compared with	
	Apr. 24, 1940	Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	537,146	331	48,066
Deposits: Public	40,703	12,048	13,746
Bankers'	103,447	11,511	12,022
Others	40,561	825	2,971
Total outside liabilities	721,857	1,031	76,805
Capital and rest	17,691	19	18
COMBINED ASSETS			
Govt. debt and securities	707,060	1,166	301,430
Discounts and advances	4,860	87	1,311
Other securities	25,890	88	2,872
Silver coin in issue dept.	510	1	330
Gold coin and bullion	1,216	59	225,873
Reserves			
Res. of notes and coin in banking department	44,070	390	6,061
Proportion of reserve to outside liabilities—Bankg. dept. ("proportion")	23.8%	Nil	0.5%

COMPARATIVE ANALYSIS (£ millions)

Issue Dept.	1939					1940				
	Apr. 26	Apr. 3	Apr. 10	Apr. 17	Apr. 24	Apr. 26	Apr. 3	Apr. 10	Apr. 17	Apr. 24
Notes in circ.	489.1	542.4	539.4	537.5	537.1					
Notes in bankg. dept.	37.1	37.8	40.8	42.8	43.1					
Govt. debt and securities	298.5	576.3	576.3	576.5	575.4					
Other sec.	0.7	3.2	3.2	3.0	3.1					
Silver coin	0.8	0.5	0.5	0.5	0.5					
Gold, valued at s. per f. oz.	226.2	0.2	0.2	0.2	0.2					
Deposits:										
Public	27.0	22.4	22.9	28.7	40.7					
Bankers'	91.4	120.8	123.9	115.0	103.4					
Others	37.6	41.4	42.6	39.7	40.6					
Total	156.0	184.6	189.4	183.4	184.7					
Bkg. Dept. Secs.	107.2	137.6	137.2	129.4	130.6					
Discounts, etc.	6.2	3.2	5.5	4.9	4.9					
Other	22.3	23.2	22.5	23.0	22.8					
Total	135.7	164.0	165.2	157.3	158.3					
Banking dept. reserve	38.0	38.8	41.8	43.7	44.1					
"Proportion"	24.3	21.0	22.0	23.8	23.8					

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

OVERSEAS BANK RETURNS

NOTE.—The latest returns of the Bank of Egypt appeared in *The Economist* of March 16th; Iran, of March 23rd; Argentine, Latvia, and Roumania, of March 30th; Estonia and Hungary, of April 6th; Greece, Norway, South Africa, and Sweden, of April 13th; Belgium, Bulgaria, Federal Reserve Reporting Members, India, International Settlements, Japan, Java, Jugoslavia, and Turkey, of April 20th.

U.S. FEDERAL RESERVE BANKS

Million \$'s		Apr. 21, 1940		Apr. 18, 1940	
12 U.S.F.R. Banks		27, 27, 17, 24, 24, 24, 24, 24, 24, 24, 24, 24			
Resources		1939 1940 1940 1940 1940 1940			
Gold certifs. on hand and due from Treas.	13,031	16,048	16,289	16,378	
Total reserves	13,429	16,428	16,886	16,777	
Total cash reserves	382	372	388	390	
Total bills discounted	3	Nil	Nil	Nil	
Bills bt. in open mkt.	4	2	2	2	
Total bills on hand	13	10	10	10	
Industrial advances	2,564	2,475	2,467	2,467	
Total U.S. Govt. sec.	2,581	2,488	2,479	2,479	
Total bills and sec.	16,697	19,779	20,048	20,018	
Total resources	16,697	19,779	20,048	20,018	
LIABILITIES					
F.R. notes in circ.	4,433	4,899	4,931	4,918	
Aggregate of excess m.	4,120	5,680	6,050	6,120	
Bank res. over reqs.	9,903	12,294	12,757	12,883	
Deposits: Member-bank reserve account	913	700	513	470	
Govt. deposits	11,332	13,802	14,032	14,126	
Total deposits	12,245	14,502	14,545	14,596	
Cap. paid in and surplus	16,697	19,779	20,048	20,018	
Total liabilities	35.1%	87.8%	88.0%	88.1%	
Reserve					
U.S.F.R. Banks	15,714	18,413	18,631	18,708	
Treasury combined:	2,849	2,990	2,992	2,997	
Resources					
Monetary gold stock	6,860	7,471	7,536	7,520	
Treas. & bk. currency	3,606	3,082	2,826	2,775	
LIABILITIES					
Money in circulation	15,714	18,413	18,631	18,708	
Treasury cash and deposits with F.R. Bks.	6,860	7,471	7,536	7,520	

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

	Apr. 27, 1939	Mar. 27, 1940	Apr. 17, 1940	Apr. 24, 1940
Total gold reserves ...	6 555-1	18 047-6	6 818-7	18 281-0
Total bills discounted	0-6	0-6	0-5	0
Bills bt. in open mkt....	0-2	Nil	Nil	Nil
Total U.S. Govt. secs.	721-9	751-5	739-5	739
Total bills and securts.	726-2	754-2	742-1	742
Deposits: Member-				
bank reserve account	7626-7	6826-8	7013-3	7073-3
Reserve	90-9	92-3	92-5	92-6

BANK CLEARINGS

PROVINCIAL

(£ thousands)

	Four weeks ended			Week ended Saturday		Aggregate from January 1 to	
	Apr. 1, 1939	Mar. 30, 1940	Change	Apr. 22, 1939	Apr. 20, 1940	Apr. 22, 1939	Apr. 20, 1940
No. of working days	24	23		6	6	94	93
BIRMINGHAM	9,106	8,329	- 777	1,851	1,851	30,363	36,897
BRADFORD	3,260	4,853	+ 1,593	708	1,303	13,688	21,939
BRISTOL	4,972	7,022	+ 2,050	1,409	1,751	20,767	26,507
HULL	3,005	3,289	+ 284	766	719	13,241	13,994
LEICESTER	3,038	2,899	- 139	626	690	11,814	12,597
LIVERPOOL	19,937	24,227	+ 4,290	5,363	8,145	95,728	155,771
MANCHESTER	37,439	48,257	+ 10,818	10,848	15,771	183,492	238,003
NEWCASTLE	6,152	8,889	+ 2,737	1,429	1,242	25,099	23,803
NOTTINGHAM	1,887	1,573	- 314	386	362	8,133	7,304
Total: 9 Towns	88,796	101,336	+ 12,540	21,014	24,122	369,321	422,261
DUBLIN	26,421	22,165	- 4,256	5,661	5,880	103,677	100,004
SHEFFIELD†	...	...	...	998	547	17,863	11,342

* Allowing for different number of working days.
† Clearing of suburban cheques through local clearing discontinued from September 7, 1939.

MONEY RATES

LONDON

	Apr. 18, 1940	Apr. 19, 1940	Apr. 20, 1940	Apr. 22, 1940	Apr. 23, 1940	Apr. 24, 1940	Apr. 25, 1940
Bank rate (changed from 3% Oct. 26, 1939)	2	2	2	2	2	2	2
Market rates of discount							
60 days' bills	11/2	11/2	11/2	11/2	11/2	11/2	11/2
3 months' do.	11/2	11/2	11/2	11/2	11/2	11/2	11/2
4 months' do.	11/2	11/2	11/2	11/2	11/2	11/2	11/2
6 months' do.	11/2	11/2	11/2	11/2	11/2	11/2	11/2
Discount Treasury Bills							
2 months'	1-11/2	1-11/2	1-11/2	1-11/2	1-11/2	1-11/2	1-11/2
3 months'	1-11/2	1-11/2	1-11/2	1-11/2	1-11/2	1-11/2	1-11/2
Loans—Day-to-day	3-11/4	3-11/4	3-11/4	3-11/4	3-11/4	3-11/4	3-11/4
Short	1-11/4	1-11/4	1-11/4	1-11/4	1-11/4	1-11/4	1-11/4
Deposit advances: Bk.	1/2	1/2	1/2	1/2	1/2	1/2	1/2
Discount houses at call	1/2	1/2	1/2	1/2	1/2	1/2	1/2
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	Aggregate Gross Receipts April 19, 1940 (£'000)			Aggregate Gross Receipts 16 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down—						
1939	1-8	0-4	2-2	28-8	6-8	35-6
1940	2-4	0-4	2-8	35-7	7-6	43-3
Great Northern—						
1939	8-5	11-1	19-6	142-9	160-9	303-8
1940	9-4	13-0	22-4	158-3	180-6	338-9
Great Southern—						
1939	30-3	45-7	76-0	473-4	658-7	1,132-1
1940	28-5	52-4	80-9	479-6	691-0	1,170-6

MONTHLY TRANSPORT RETURNS

Company	Months	Ending	Receipts for Month		Aggregate Receipts	
			1940	+ or -	1940	+ or -
Brazilian	3	Mar. 31	Gross \$2,990,633	- 296,516	8,851,929	- 822,970
Canadian	3	31	Net \$1,511,421	- 155,581	4,480,611	- 518,773
National	3	31	Gross \$18,049,624	- 3,416,963	47,936,154	- 4,448,775
Mexican L. and Pwr.	1	Jan. 31	Net \$2,002,976	- 2,397,376	5,437,960	- 7,727,898
			Gross \$629,345	- 25,160	...	...
			Net \$141,398	- 8,550	...	...

SHORTER COMMENTS

(Continued from page 784)

Charrington and Company, Ltd.—Trading profit, 1939, £1,224,842 (£1,220,320); to taxation, £250,000 (£175,000); to sinking fund 4 per cent. debenture stock, £45,000 (nil); to proper-

ties rebuilding reserve, £50,000 (£100,000); to reserve, £150,000 (£200,000); written off goodwill account, nil (£25,000); ordinary dividend reduced from 17 to 16 per cent.; carry forward, £280,277 (£247,951).

Ford Motor.—Dividend 1 per cent. against 5 per cent.

Comparison with previous weeks

	Short Loans	Bank Bills			Trade Bills		
		3 Months	4 Months	6 Months	3 Months	4 Months	6 Months
1940							
Mar. 28	1-11/4	11/2	11/2	11/2	21/2	21/2	3-31/2
Apr. 4	1-11/4	11/2	11/2	11/2	21/2	21/2	3-31/2
11	1-11/4	11/2	11/2	11/2	21/2	21/2	3-31/2
18	1-11/4	11/2	11/2	11/2	21/2	21/2	3-31/2
25	1-11/4	11/2	11/2	11/2	21/2	21/2	3-31/2

NEW YORK

The Irving Trust Company cables the following money and exchange rates in New York:—						
	Apr. 26, 1939	Mar. 27, 1940	Apr. 3, 1940	Apr. 10, 1940	Apr. 17, 1940	Apr. 24, 1940
Call money	11/2	11/2	11/2	11/2	11/2	11/2
Time money (90 days' mixed coll.)	11/2	11/2	11/2	11/2	11/2	11/2
Bank acceptances:—						
Members—eligible, 90 days	11/2	11/2	11/2	11/2	11/2	11/2
Non-mem.—eligible, 90 days	11/2	11/2	11/2	11/2	11/2	11/2
Commercial accept., 90 days	11/2	11/2	11/2	11/2	11/2	11/2

New York on	Apr. 18, 1940	Apr. 19, 1940	Apr. 20, 1940	Apr. 22, 1940	Apr. 23, 1940	Apr. 24, 1940
London:—						
Cables	3511/2	3511/2	3523/4	3533/4	3521/4	3503/4
Demand	3511/4	3511/4	3521/2	3531/4	3513/4	3493/8
Paris, Fr.	1-99	1-99 1/4	2-00 1/8	2-00 1/2	1-99 3/4	1-98 1/2
Brussels, Bel.	16 7/4	16 7/4	16 7/8	16 7/8	16 7/8	16 7/8
Switzerland, Fr.	22 42/2	22 42/2	22 42/2	22 42/2	22 42/2	22 42/2
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	53-09	53-09	53-09	53-09
Copenhagen, Kr.	Unq'd	Unq'd	Unq'd	Unq'd	Unq'd	Unq'd
Oslo, Kr.	Unq'd	Unq'd	Unq'd	Unq'd	Unq'd	Unq'd
Stockholm, Kr.	23-80	23-75	23-70 1/2	23-70 1/2	23-60	23-60
Athens, Dr.	Unq'd	Unq'd	Unq'd	Unq'd	Unq'd	Unq'd
Montreal, Can. \$	85-500	84-375	85-000	84-750	84-250	84-250
Shanghai, Yen	23-48	23-48	23-48	23-48	23-48	23-48
Aires, Pso. (mkt. rate)	6-15	6-10	6-10	6-12	6-05	6-05
Brazil, Milreis	23-10 1/2	23-00 1/2	23-05 1/2	23-05 1/2	23-10 1/2	23-10 1/2
	5-10	5-10	5-10	5-10	5-10	5-10

† Offered. ‡ Official buying rate 29-78.

Official Buying Rates for Bank Notes:

The following rates were fixed on April 25, 1940:—
New York, \$1-11; Montreal, \$1-54; Paris, 178-96; Brussels, 21-25b.; Amsterdam, 7-68fl.; Switzerland, 18-10fl.; Stockholm, 17-40kr.; Buenos Aires, 17-85 paper pesos; Java, 7-75c.

OVERSEAS WEEKLY TRAFFIC RECEIPTS

INDIAN

Name	Weeks Ending	Gross Receipts for Week		Aggregate Gross Receipts	
		1940	+ or -	1940	+ or -
Bengal & N. Western	26 Mar. 31	Rs. 1,71,449	- 34,138	Rs. 1,94,09,350	- 2,36,075
Bengal-Nagpur	52	1,15,92,000	- 5,83,555	10,91,79,945	- 1,48,99,500
Bombay, Bar. & C.I.	1 Apr. 10	36,14,000	- 1,72,000	...	...
Madras & S. Malabar	52 Mar. 31	30,27,000	- 6,75,748	7,89,38,014	- 34,93,178
S. Indian	52	18,26,566	- 55,947	5,50,40,681	- 3,66,271

CANADIAN

	1940	1940	1940	1940
Canadian National	16 Apr. 21	\$ 4,070,488	\$ 712,054	\$ 65,419,429
Canadian Pacific	16	2,598,000	313,000	43,712,000

SOUTH & CENTRAL AMERICAN

Antofagasta	1940	Receipts for Month		Aggregate Receipts	
		1940	+ or -	1940	+ or -
Argentine N.B.	16 Apr. 21	\$21,100	- 7,560	312,240	- 92,010
B.A. and Pacific	42	1,146,600	- 47,000	6,360,400	- 250,100
B.A. Gr. Southern	42	1,555,000	- 220,000	58,794,000	- 1,856,000
B.A. Western	41	2,440,000	- 120,000	98,225,000	- 1,049,000
Central Argentina	41	1,880,000	- 78,000	32,513,000	- 2,114,000
Central Uruguay	42	1,660,250	- 469,450	74,642,550	- 6,503,600
Leopoldina	15	1,168,337	- 15,825	7,146,698	- 308,226
Nitrate	15	1,222,656	- 3,271	875,313	- 136,000
United of Havana	15	1,197,733	- 2,801	335,878	- 27,901
	15	1,562,627	- 504	335,960	- 17,842
	15	1,413,333	- 8,396	1,018,634	- 15,301

† Receipts in Argentine pesos. ‡ Fortnight. (a) Converted at official rate. (d) Receipts in Uruguayan currency. (c) Converted at "controlled rate."

Amalgamated Metal Corporation.

Dividends transferred to corporation from constituent companies, 1939, £367,562 (£358,781); ordinary dividend 7 per cent., as before; carry forward, £32,015 (£31,127); the carry forward of the whole undertaking is £320,216; the reserve for contingencies, £240,000; and general reserve, £646,000.

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.

above par. The yield on ordinary stocks and shares is calculated on the basis of 100.																								
Prices, Year 1939		Prices, Jan. 1 to Apr. 24, 1940		Name of Security	Price, Apr. 24, 1940	Ch'ge since Apr. 17	Yield, Apr. 24, 1940	Prices, Jan. 1 to Apr. 24, 1940		Last two Dividends		Name of Security	Price, Apr. 24, 1940	Ch'ge since Apr. 17	Yield, Apr. 24, 1940									
High	Low	High	Low					High	Low	(a)	(b)					(c)								
British Funds																								
71 1/8	61	74 3/4	68 1/4	Consols 2 1/2%	74	2	3	7	4	493	476 1/2	11	a	14	b	Alliance Trust	490	...	5	2	0			
107 1/8	98	100 1/2	103 1/8	Do. 4% (aft. 1957)	108 1/4	1	3	7	11 1/2	187	184	8	b	3 1/2	a	Anglo-Am. Deb.	185	...	6	1	0			
96 3/4	90 1/4	100 1/2	95 1/2	Conv. 2 1/2% 1944-49	97 3/4	2	2	16	0	188	155	4	a	6	b	Debenture Corp. Stk.	185	...	5	8	1			
99 1/8	92 7/8	103	97 3/4	Do. 3% 1948-53	100 1/2	2	3	10	1/2	90	84	21 1/2	a	4 1/2	b	Guardian Investment...	85 1/2	...	8	3	0			
99 1/8	87	100 1/4	94	Do. 3 1/2% after 1950	102	2	3	10	1/2	199	177	10	b	4	a	Ind. and Gen. Ord.	185	...	7	3	0 1/2			
104 1/4	100 3/4	102	101 1/8	Do. 4 1/2% after 1950	100 1/2	1	2	15	9	186	168	8	b	5	a	Invest. Trust Def.	192 1/2	...	7	14	3			
112 1/8	103 3/4	112 1/2	107 7/8	Do. 5% 1944-46	108 1/4	1	2	15	9	195	174	3 1/2	a	4	a	Merchants' Trust Ord.	82 1/4	...	8	9	9			
87 1/4	79 3/4	92 3/4	86 3/8	Fund. 2 1/2% 1956-61	90 3/4	1	3	2	5	175	170	5	a	7	b	Metropolitan Trust	174 1/2	...	6	17	6			
93 1/4	87 3/4	98 1/2	92 3/4	Fund. 2 1/2% 1952-57	97	1	3	3	6	165 1/2	139	7	b	3	a	Trustees Corp. Ord.	163 1/2	...	6	2	4			
95 1/4	87 1/2	99 1/2	92 3/4	Fund. 3% 1959-69	96 3/4	1	3	3	6	175	140 1/2	4	a	6	b	United States Deb.	172 1/2	...	5	15	11			
109 1/2	100 1/2	113 1/4	106 3/8	Fund. 4% 1960-80	110	1	2	10	4 1/2	22 1/2	18	10 1/2	8 1/2	c	8 1/2	c	Financial Trusts, & C.	20	6	2	0			
99 1/4	94 1/2	102	98 1/8	Nat. D. 2 1/2% 1944-48	100 1/2	1	14	3	0	0	22 1/2	18	10 1/2	8 1/2	c	8 1/2	c	Brit. S. Afr. 15% fy. pd.	115	...	6	2	0	
96 7/8	91 1/2	101 3/4	95 1/8	Do. 3% 1945-58	109	2	3	7	10 1/2	120	90	3	b	3	c	3	b	Dalgely £20, £5 pd.	26	3	3	d		
108 3/8	102	110 7/8	105 13/16	Do. 3 1/2% 1955-59	100	7	3	0	0	26 1/2	22	9	10	c	(a) 3 1/2	(p) 2 1/2	9	3	3	d				
98 7/8	86	100 1/8	93 1/8	War L. 3 1/2% af. 1952	100 7/8	1	12	3	0	0	26 1/2	22	9	10	c	(a) 3 1/2	(p) 2 1/2	9	3	3	d			
93 7/8	86 3/4	98 1/2	90 1/4	Local Loans 3%	86 1/2	1	12	3	0	0	35 1/2	30	9	10	c	(a) 3 1/2	(p) 2 1/2	9	3	3	d			
99	91	100	97 1/2	Austria 3% 1933-53	98 1/2	1	12	3	13	1	17	14	9	10	c	(a) 3 1/2	(p) 2 1/2	9	3	3	d			
64	55 1/2	71 1/4	59 3/4	India 2 1/2%	64 1/2	1	14	2	0	17 1/2	14	9	10	c	(a) 3 1/2	(p) 2 1/2	9	3	3	d				
90	78	97 1/4	82 1/4	Do. 4 1/2% 1958-58	91 3/4	1	3	8	0	125 1/2	112	120	15	a	15	a	Sudan Plant. £1	32	...	6	19	6		
115 1/4	104 1/2	115	105 1/4	Do. 4 1/2% 1958-58	114 1/2	1	3	8	0	57 1/2	52 1/2	9	10	c	(a) 3 1/2	(p) 2 1/2	9	3	3	d				
British & Col. Govts.																								
106 1/4	95	107 1/2	100 1/2	Austr. 5% 1945-75	104 1/2	...	4	4	3	70 3/4	63 1/2	14	11	b	6 1/4	a	Barclay Perkins £1	15	6	d	7	14	0	
103 1/2	98	102 1/4	100 1/2	Canada 4% 1940-60	100 1/2	...	3	19	9	83 1/2	72 3/4	14	11	b	6 1/4	a	Bas. Ratcliff Ord. £1	123 1/2	...	9	d	6	0 1/2	
112 1/2	103	110 7/8	107	Nigeria 5% 1950-60	110	...	3	17	6	68 1/2	68 1/2	14	11	b	6 1/4	a	Courage Ord. £1	77	...	1	3	4	0	
103 1/2	92	105 7/8	101	S. Zealand 5% 1946	104 1/2	...	3	17	6	73 1/2	65 1/8	16	11	b	6 1/4	a	Guinness Ord. £1	78	...	6	8	0		
110	102	108 1/2	105 1/2	S. Africa 5% 1945-75	107	...	3	13	0	52 1/2	46 1/2	12	11	b	6 1/4	a	Ind. Corp. & Af. £1	71 1/2	...	6	8	0		
Corporations																								
106 1/4	95	107 1/2	100 1/2	Arg. 4 1/2% Stg. Bds.	108	...	3	11	0	6	5	10	10	c	10	c	Mitchells & Butlers £1	69 1/2	...	2	6	0	0	
103 1/2	98	102 1/4	100 1/2	Bicham 5% 1946-56	108	...	3	11	0	6	5	10	10	c	10	c	Watney Combe Def. £1	47	...	1	7	12	0	
112 1/2	103	110 7/8	107	L.C.C. 3%	82	...	1	3	13	3	52 3/4	43	3 1/2	a	11 1/2	b	Iron, Coal and Steel	5	3	3	d	7	12	6
102 1/2	95	103 1/2	98	Liverpool 3% 1954-64	93	...	3	9	6	34 7/8	28 1/2	14	11	b	6 1/4	a	Baldwins 4/...	50	...	7	d	6	0	0
91 1/4	85 1/2	94 1/2	87 1/2	Middx. 3 1/2% 1957-62	102	...	3	6	0	28 1/2	21 1/2	14	11	b	6 1/4	a	Bolsover Col. Ord. £1	32 1/2	...	6	d	5	9	1/2
Foreign Governments																								
102 1/2	73 3/4	92 3/4	84 3/4	Arg. 4 1/2% Stg. Bds.	91 1/2	...	4	18	4	28 1/2	22 1/2	10	10	c	10	c	Brown (1) Ord. 10/-	7	6	6	13	3	0	
65 1/2	34	58 1/2	51 1/2	Austria 4 1/2% 1945-75	52 1/2	...	3	6	9	6	75	60	16	a	11 1/2	b	Guinness Ord. £1	21 1/2	...	2	3	7	6	0
95	50	64	53 1/2	Belgium 5% 1925-50	58 1/2	...	3	7	8	0	26 11 1/2	20 1/2	13 1/2	a	12 1/2	a	Halford Ltd. £1	25	...	6	d	1	0	0
31	8	18	15 1/2	Bulgaria 7 1/2% 1925-50	16 1/2	...	15	3	0	27 1/2	23 1/2	14	11	b	6 1/4	a	Horden Collieries £1	25	...	7	d	7	0	0
23 1/2	6 1/2	35 1/2	18	Brazil 5% Fd. 1914	32	...	7	16	3	29 1/2	26	14	11	b	6 1/4	a	Powell Duffryn £1	43 1/2	...	7	d	15	6	0
55	22 1/2	45 1/4	33 1/2	Chile 6% (1929)	19	...	7	15	0	22 1/2	17 1/2	9	10	c	10	c	Sheepbridge & L. £1	31	3	3	7	13	7	
72	30	63	40	China 5% (1913)	31 1/2	...	5	20	0	50	44 1/2	10	10	c	10	c	Steeple Coal, etc. £1	50	7	7	13	7	0	
100	65	70 3/4	35	Czechoslovakia 8%	77 1/2	...	5	19	0	47 1/2	41 1/2	12 1/2	12	a	10 1/2	b	Stewarts & Lloyds £1	46 3/4	1	3	5	8	6	
86 1/4	58	79 3/4	75 3/4	Denmark 3%	10	...	5	19	0	39 1/2	32 1/2	14	11	b	6 1/4	a	Swan, Hunter £1	35	...	1	3	8	10	0
12 1/2	9	10 1/2	9 1/2	Egypt Unified 4%	7	...	7	15	0	41 1/2	3	5	10	c	10	c	Thomas (Rich) 6/8	30 3/4	2	6	6	18	0	0
44	4	7 1/2	5 1/2	French 4% (British)	6	...	7	15	0	35	30	8	10	c	10	c	Thornycroft, John £1	22 1/2	6	d	6	18	0	0
33 1/8	3	6 1/2	5 1/2	Ger. Dawes 5% 1925-50	7	...	7	15	0	35	30	8	10	c	10	c	Un. Steel Cos. Ord. £1	17 1/2	3	d	5	12	0	0
35 1/2	15	25	20	Gr. Young Ln. 4 1/2%	10	...	7	15	0	35	30	8	10	c	10	c	Vickers 10/-	17 1/2	3	d	5	12	0	0
61 1/4	33	65	57	Hungary 7 1/2%	19	...	12	5	0	24 1/2	21 1/4	16 1/4	9	10	c	6	b	Brit. Cel. Ord. 10/-	7	...	1	...	...	...
55	40	50	50	Japan 5 1/2% 1930	62	...	8	17	3/4	21 1/2	16 1/4	9	10	c	6	b	Coats, J. & P. £1	38	...	3	d	5	6	8
65	20	20	20	Peru 7 1/2% 1922	55	...	8	17	3/4	21 1/2	16 1/4	9	10	c	6	b	Courtaulds £1	37 1/2	...	1	...	...	...	
11 1/2	4 3/4	8 3/4	6	Poland 7%	20	...	1	25	6	0	38 1/2	33 1/2	5	a	5	b	English Sw. Ctn. £1	31 1/2	...	3	7	5	0	0
Public Boards																								
110 1/2	106 1/2	2 1/2	2 1/2	C. Elec. 5% 1950-70	109	...	3	18	5	43 11 1/2	37 1/2	13	9	10	c	10	c	Lancs Cotton Corp. £1	26 10 1/2	...	1	...	...	...
115	104	2 1/4	2 1/4	Lon. Pass. Transport	109 1/2	...	4	1	10	92 1/2	78 1/2	5	a	15	b	a	Linen Thread Sp. £1	58 9	...	1	3	8	1	9
65 1/4	43 1/2	Nil	1 1/2	4 1/2% "A" 1985-2023	109 1/2	...	1	3	8	2	69	59 1/2	10	10	c	10	c	Patons & Baldwins £1	11 3	...	3	...	...	...
90	81	1 1/2	1 1/2	"C" 1956 or after	87	...	1	3	9	0	20	16 1/2	7 1/2	a	5	b	Richmond Park A5/-	31 1/2	...	1	...	...	...	
110 1/2	107 1/4	2 1/2	2 1/2	Met. W. B. & F. 3%	110	...	3	18	0	33 1/2	29 1/2	10	10	c	10	c	Scottish Power £1	35 7	...	1	...	...	...	
British Railways																								
52	35 1/4	1 1/2	1 1/2	P. of Ind. 5% 1970-70	110	...	3	18	0	83	74 1/2	20	20	c	20	c	Yorkshire Electric £1	38 9	...	1	...	...	...	
80	53	Nil	5 c	G.W. Ord.	48	...	1	7	5	10	51	42 1/2	7 1/2	a	5	b	Associated Elec. £1	40	...	5	0	0	0	
60	37 1/4	Nil	4 c	LNER 5% Pref. 1955	72 1/2	...	2	6	18	0	30	24 1/2	2	a	5	b	British Insulated £1	87 1/2	...	1	...	...	...	
24	12 1/2	Nil	1 1/2	Do. 4% 1st Pf. 1955	53	...	1	6	9	0	38 3/4	33 11 1/2	3	a	5	b	Callenders £1	63 1/2	...	1	...	...	...	
60 1/2	42	Nil	4 c	L.M.S. Ord.	64	...	2	7	8	2	42 1/2	34 1/2	10 1/2	c	10 1/2	c	Crompton Park A5/-	31 1/2	...	3	...	...	...	
70 1/2	58 1/4	2 a	2 a	4% Pf. 1923	55	...	3	6	3	1	27	22	3 1/2	b	2 1/2	a	English Electric £1	80	...	5	0	0	0	
22	11 1/2	Nil	1 1/2	4 1/2% Pf.	64	...	2	7	8	2	42 1/2	34 1/2	10 1/2	c	10 1/2	c	General Electric £1	49 4 1/2	...	1	...	...	...	
104	89 1/2	2 1/2	2 1/2	Southern Def.	21 1/2	...	1	1	7	0	10	38 3/4	32 1/2	9	10	c	Johnson & Phillips £1	49 4 1/2	...	1	...	...	...	
Dorm. & Foreign Rys.																								
10	7 1/2	Nil	Nil	Do. 5% Pf. Ord.	99 1/2	...	1	5	0	6	31 1/4	26 1/2	9	10	c	10	c	Electric Light, & C.	28	...	5	0	0	0
8 1/2	5 1/2	Nil	Nil	B.A. Gt. Stn. Ord.	9	...	1	5	0	6	31 1/4	26 1/2	9	10	c									

BRITISH WHOLESALE PRICES

Prices, Jan. 1 to Apr. 24, 1940				Last two Dividends		Name of Security	Price, Apr. 24, 1940	Ch'ge since Apr. 17	Yield Apr. 24, 1940	Prices, Jan. 1 to Apr. 24, 1940		Last two Dividends		Name of Security	Price, Apr. 24, 1940	Ch'ge since Apr. 17	Yield Apr. 24, 1940		
High	Low	(a)	(b)	(c)	High					Low	(a)	(b)	(c)						
Mines																			
13/11/2	10/6	8	c	6	Miscellaneous			11/3	...	10 13 4	65/71/2	60/71/2	95	c	95	Ashanti Goldfields 4/-	63 11/2	1 3	6 0 0
9/-	8/3	10	b	Nil	Allied News, £1			8/9	...	10 13 4	11/9	8/6	25	b	25	Burma Corp. Rs. 9	9/3	3	8 10 0
62/6	43/11/2	7 1/2	a	7 1/2	Assoc. Brit. P. Cement £1			46/3	1 1/3	6 9 0	51/3	42/6	61 1/2	a	61 1/2	Cons. Glds. of S. Af. £1	48/9	1 3/4	6 14 0
44/3	37/6	5	a	5	Barker (John) £1			40/-	2/6	5 9 10	15	12 15/8	95	b	95	Crown Mines 10/-	14 1/8	1 1/2	6 14 0
8/9	7/6	28 1/2	c	13	Beccams Pills Df. 2/6			8/3	...	14 1/4 6d	81/4	5 1/2	Nil	c	Nil	De Beers (Def.) £2 1/2	81/4	1 1/2	7 5 6
44/6	38 1/2	32 1/2	a	m29	Boots Pure Drug 5/-			40/-	...	7 11/2	42/6	32/-	15	c	15	Jo'burg Cons. £1	41/3	2 6	10 18 0
56/-	48/6	4	a	8	Brit. Aluminium £1			53 11/2	...	4 12 0	41/3	32/6	11 1/4	a	11 1/4	Randfontein £1	41/3	1 1/2	10 18 0
107/6	94 1/2	4	a	8	Brit. Amer. Tob. £1			105/-	...	3 13 0	101/8	13/6	25	b	25	Rhodana Corp. £1	10	1 1/2	5 2 0
78/9	69 1/2	7	a	10	British Oxygen £1			77/6	2/6	4 7 9	16/-	13/6	5	b	10	Roan Antelope Corp. 5/-	14 6xd	1 1/2	7 10 0
61/1	54 1/2	25	c	25	British Ropes (2/6)			5/9	...	5 11 0e	101/8	91/4	75	a	75	Sub Nigel 10/-	10	5 6	8
52/6	45/-	7 1/2	a	6 1/2	Brockhouse (J.) £1			48/9	...	8 4 2	77 1/2	65/4	2/6	a	5/6 b	Union Cp. 12/6 fy. pd.	70 1/2xd	5 6	5 6 8
61/2	56	4	a	3	Cable & Wir. Hdg. £1			57 1/2xd	1	6 18 0	88/9	58/9	Nil	Nil	W. Witwatersrand 10/-	77/6	...	...	Nil
62 1/8	51/4	15	a	15	Carreras 'A' Ord. £1			51/4	1/8	5 14 6									
38/9	27/6	9	c	12	Dunlop £1			35/-	1/-	6 17 0									
10/11/2	7 7/2	5	c	Nil	Elec. & Mus. Ind. 10/-			9/3	6d	5 2 0									
27/7 1/2	25/10 1/2	15	b	15	Ever Ready Co. 5/-			26/9	...	5 12 0									
63 1/8	51/4	7 1/2	a	20	Gallaher Ltd. Ord. £1			5/8	...	5 2 0									
27/12	2/-	Nil	Nil	c	Gaumont-Brit. 10/-			2/4 1/2	...	7 12 5									
28/6	24/9	25	b	15	Gestetner (D.) 5/-			26/3	...	11 6 0o									
25/4 1/2	10/7 1/2	20	a	30	Gt. Universal Stores 5/-			11/3	5	7 0 0									
93/9	88/-	20	b	5	Harrison & Cros. Df. £1			36/3	...	5 10 4									
40/6	35/-	5	a	5	Harrods £1			31/3xd	9d	5 2 5									
53/9 1/2	29/6	3	a	5	Imp. Chem. Ord. £1			12/6	...	5 Nil									
13/9	12/-	5	c	Nil	Imp. Smelting £1			51 1/16	1/8	4 0 0†									
61 1/32	58	17 1/2	a	15 1/2	Imp. Tobacco £1			84/7	...	4 5 0									
44/9 1/2	44 1/2	22 1/2	c	20	Int. Nickel n.p.			10/-	...	5 0 0									
12/3	9/9	5	b	5	International Tea 5/-			10/-	1/3	7 6 0									
34/3	28 3/4	6	b	4 3/4	Lever & Unilever £1			23 1/2	1/3	7 6 0									
32/9	28/-	20	a	10	London Brick £1			85/-	...	4 11 0									
87/6	74 1/2	14 1/2	a	14	Lyons (J.) Ord. £1			45/-	6/-	4 11 0									
54 1/2	43 1/2	27 1/2	b	15	Marks & Spenc. 'A' 5/-			3/8	1/6	4 10 0									
41 3/8	32 1/2	12 1/2	b	6	Metal Box £1			80/-xd	1	5 0 0									
87/6	77/6	12 1/2	b	7 1/2	Murex £1 Ord.			22/-	6d	4 11 0									
23 7/12	16/3	4	a	6	Pinchin Johnson 10/-			16/6	...	5 9 0									
17/6	16/3	3	a	15	Ranks Ord. 5/-			60/-xd	1 1/3	5 9 0									
61/6	54/-	2 1/2	a	12 1/2	Spillers Ord. £1			54 1/2	7 1/2	4 10 0									
57/9	53/-	3 1/2	a	10	Tate and Lyle £1			42/6	...	4 14 0									
42/6	36/9	5	a	5	Tilling, Thos. £1			23/9	...	8 8 5									
26/3	18/3	25	c	20	Triplex Safety G. 10/-			92/6	...	5 4 0									
96/9	87/9	13 1/2	a	13	Tube Investments £1			65/-	...	4 12 4									
68/-	62/3	3 1/2	a	11 1/4	Turner & Newall £1			50/-	...	5 0 0									
52/6	43/9	7 1/2	a	7	United Dairies £1			26/3	...	5 14 3m									
28/3	25/-	22 1/2	c	28 1/2	United Molasses 6/8			61/3	2/6	5 6 0									
66/3	60/-	15	a	50	Woolworth Ord. 5/-														

UNIT TRUST PRICES									
as supplied by managers and Unit Trusts Association (Table excludes certain open and closed trusts)									
Name and Group		Apr. 24, 1940	Week's Change	Name and Group		Apr. 24, 1940	Week's Change		
Municipal & Gen. For. Govt. Bond Limited Invest.									
		10/6-11/6	9d	Keystone Gold 3rd Ser.		11 10 1/2-13 1/4	1 1/2		
		16/-16/9	3d	Keystone 2nd		10 14 1/2 bid	...		
		New British	9/7-9/10 1/2	Keystone Flex.		11 9-13/3	1 1/2		
Bank Insurance Investment Tr.									
		10/6-11/6xd*	...	Keystone Cons.		10 10 1/2-12 1/4	...		
		15/6-16/9xd*	...	Keystone Gld. Cts.		10/10 1/2-12 1/2	...		
Bank & Insur. Insurance									
		16/-17/3*	...	Allied		...	...		
		15/9-17/2	3d	Brit. Ind. 2nd		11 9-13/3	3d		
		11/19-12/9*	3d	Do. 3rd		12 3-13/9xd	...		
		20 4/8-21 41/8*	4 3d	Do. 4th		14 6-15/-	...		
		6/9-8/-	...	Elec. Ind.		14 6-15/-	...		
			...	Metals & Mins.		12-13/6	...		
Other Groups									
		13 11/2-14 11/2	1 1/2d	Rubber & Tin.		10d.-1 1xd	...		
		15 10 1/2-17 1/4	4 1/2d	Br. Emp. 1st Unit		17/- bid	...		
		13/6-15/-xd	...	Producers		6/6-7 3xd	...		
		11/9-13/3	...	Domes. 2nd Ser.		5 9-6/3	...		
		14/9-16/3	...	1st Prov. 'A' "		16 6 bid	...		
		10/3-11/6	...	Do. "B "		14 3 bid	...		
		14/4-15/4 1/4	3d	Brit. Ind. & Sins.		11 1/2-1/9	1 1/2		
		15/7/2-16/7/2	1 1/2d	Bank, Bank & Fin.		18/-19/6	...		
		10/12-11/12	1 1/2d	Lebanon Indust.		7 10 1/2-8 1 1/2	...		
			...	Orthodox		7 3-7 9	...		

(a) Interim dividend. (b) Final dividend. (c) Last two yearly dividends. (d) Yield on 18.95% basis. (e) 12 1/2% basis. (f) Including bonus of 5% free of tax. (g) Yield worked on a 22 1/2 per cent. basis. (h) 8 1/2% paid free of Income Tax. (i) For 15 months to December 31, 1939. Also cash dividend 10 per cent. out of capital reserve. * Bid and offered prices are free of Commission and Stamp Duty. † Free of Income Tax.

UNIT TRUST PRICES

as supplied by managers and Unit Trusts Association (Table excludes certain open and closed trusts)

Name and Group		Apr. 24, 1940		Week's Change		Name and Group		Apr. 24, 1940		Week's Change	
Municipal & Gen.											
For Govt. Bond		10/6-11/6		-9d		Gold 3rd Ser.		11/10-13/4 1/2		-1 1/2d	
Limited Invest.		16/-16/9		-3d		Keystone 2nd		10/4 1/2 bid		-	
New British		9/7 1/2-9/10 1/2		...		Keystone Flex.		11/9-13/3		-1 1/2d	
Bank Insurance											
Investment Tr.		10/6-11/6xd*		...		Keystone Cons.		10/10 1/2-12/4 1/2		-	
Bank & Insur.		15/6-16/9xd*		...		Keystone Gld. Cts.		10/10 1/2-12/12		-	
Insurance		16/-17/3*		...		Allied		11/9-13/3		-3d	
Bank		15/9-17/3		-3d		Brit. Ind. 2nd		12/3-13/9xd		-	
Scott. B. Tr.		11/9-12/9*		-3d		Do. 3rd		13/6-15/-		...	
Scottish deb.		20/4 1/2-21/4 1/2*		-3d		Do. 4th		14/6-15/9		...	
Cornhill def.		6/9-8/1		...		Elec. Inds.		12/-13/6		...	
National											
National D.		13/1 1/2-14/1 1/2		-1 1/2d		Other Groups		10d-1 1xd		...	
Nat. Gold		15/1 1/2-17/4 1/2		+4 1/2d		Rubber & Tin.		17/-bid		...	
Century		13/6-15/8xd		...		Brit. Emp. 1st Unit		6/6-7/3xd		+3d	
Scottish		11/9-13/3		...		Producers		5/9-6/3		-	
Universal 2nd		14/9-16/3		...		Domes. 2nd Ser.		16/6 bid		-3d	
"15 Moorgate"		10/3-11/6		...		1st Prov. "A"		11/3 bid		-1 1/2d	
Inv. Flexible		14/4 1/2-15/4 1/2		-3d		Do. "B"		10/9-11/9		...	
Inv. General		15/7 1/2-16/7 1/2		+1 1/2d		Bank, Ins. & Fin.		18/-19/6		...	
Inv. Gold		10/12-11/12		1 1/2d		British Bank Shrs.		7/10 1/2-8/1 1/2		...	
Security First						Lombard Indust.		7/3-7/9		...	
						Orthodox					

CEREALS AND MEAT

GRAIN, etc.—		Apr. 16, 1940		Apr. 23, 1940	
Wheat—		s. d.	s. d.	s. d.	s. d.
No. 1, N. Man. 496 lb. f.o.b.		32	7 1/2	33	0
Vanc.		7	1	7	1
Eng. Gaz. av. per cwt.		16	9	16	9
La Plata, 280 lb.—		22	0	22	0
Flour, per 280 lb.—		22	0	22	0
Straights, d/d London		16	9	16	9
Barley, Eng. Gaz. av. per cwt.		12	0	11	7
Oats—		15	0	14	10 1/2
Maize, La Plata, 480 lb. f.o.b.		8	3	8	3
Rice, Burma, No. 2, per cwt.		8	3	8	3

MEAT

Beef, per 8 lb.—		Apr. 16, 1940		Apr. 23, 1940	
English long sides		4	8	4	8
Imported hinds		5	4	5	4
Mutton, per 8 lb.—		4	4	4	4
English		8	0	8	0
Imported		4	4	4	4
Lamb, per 8 lb.—		6	0	6	0
Imported		8	0	8	0
Pork, English, per 8 lb.		113	6	113	6
BACON (per cwt.)—		118	6	118	6
Wiltshire cut sides		113	6	113	6

HAMS (per cwt.)—

Green	118	6	118	6
-------	-----	---	-----	---

OTHER FOODS

BUTTER (per cwt.)—					
All Grades	143	0	143	0	
HEESE (per cwt.)—					
Canadian (new)	78	0	78	0	
New Zealand	75	0	75	0	
English Cheddars	...		...		
Dutch	...		...		
OCOA (per cwt.)—					
Accra, g.f.	35	0	35	0	
Trinidad	35	6	35	6	
Trinidad	75	0	75	0	
Grenada	80	0	80	0	
Grenada	62	0	62	0	
Grenada	60	6	60	6	

THE HONGKONG & SHANGHAI BANKING CORPORATION

(Incorporated in the Colony of Hongkong. The liability of members is limited to the extent and in manner prescribed by Ordinance No. 6 of 1929 of the Colony.)

Authorised Capital	£50,000,000
Issued and Fully Paid-up	£20,000,000
Reserve Funds—Sterling	£4,500,000
Reserve Funds—Hongkong Currency	£10,000,000
Reserve Liability of Proprietors	£20,000,000

Head Office: HONGKONG

Board of Directors: H. V. WILKINSON, Chairman
Hon. Mr. J. J. PATERSON, Deputy-Chairman

J. K. BOUSFIELD, A. H. COMPTON, Hon. Mr. S. H. DODWELL, G. MISKIN,
K. S. MORRISON, Hon. Mr. T. E. PEARCE, C. C. ROBERTS, Hon. Mr. A. L. SHIELDS

Chief Manager: SIR VANDELEUR M. GRAYBURN.

Branches: Amoy, Bangkok, Batavia, Bombay, Calcutta, Canton, Chefoo, Colombo, Dairen (Dalny), Foochow, Haiphong, Hankow, Harbin, Ipoh, Johore, Kobe, Kowloon, Kuala Lumpur, London, Lyons, Malacca, Manila, Moukden, Muar, New York, Peiping (Peking), Penang, Rangoon, Saigon, San Francisco, Shanghai, Singapore, Sourabaya, Suipei Patani, Swatow, Tientsin, Tokyo, Tsingtao, Yello, Yokohama.

Committee in London: A. H. Barlow, C. A. Campbell, W. W. H. Hill-Wood,
Sir George Macdonagh, G.B.E., K.C.B., K.C.M.G.

Managers in London: O. J. Barnes, E. J. Davies.

Sub-Manager: G. M. Dalgety. Accountant: A. M. Knight.

9 GRACECHURCH STREET, LONDON, E.C.3

THE BANK OF TAIWAN, LIMITED

(Incorporated in Japan)

Established 1898, by Special Imperial Charter of the Japanese Government, with authority to issue notes in Formosa.

Head Office: TAIPEI, FORMOSA. Central Office in Japan: TOKYO

Branches.

Amoy	Hankow	Makong	Sintiku	Taito
Batavia	Heito	Mailla	Syoka	Tikao
Bombay	Hongkong	Nanto	Singapore	Tsuisui
Canton	Kagi	New York	Soerabaya	Toon
Dairen	Karenko	Osaka	Swatow	Yokohama
Foochow	Kirun	Semarang	Taiyu	
Girao	Kobe	Shanghai	Taiwan	

Correspondents in every Principal Town in the World.

The Bank transacts General Banking and Foreign Exchange Business, and acts as Business Agents for other Banks.

Deposits are received for fixed periods on terms which may be ascertained on application.

London Office: 40 & 41 Old Broad Street, E.C.2. (M. DOI, Manager)

Telegrams: Foreign—"Taiwangink, London." Telephone: London Wall 5331-3 (3 lines)

REFUGE ASSURANCE COMPANY LTD.

Chief Office: OXFORD STREET, MANCHESTER, 1

ANNUAL INCOME EXCEEDS -	£13,300,000
ASSETS EXCEED -	£72,400,000
CLAIMS PAID EXCEED -	£125,100,000

RIO TINTO COMPANY, LIMITED

NOTICE IS HEREBY GIVEN that the Sixty-Seventh Ordinary General Meeting of the Shareholders will be held at Southern House (formerly Cannon Street Hotel), Cannon Street, in the City of London, E.C., on Friday, the 3rd May, 1940, at Eleven o'clock in the forenoon, for the purpose of receiving the Directors' Report and Statement of Accounts, for the Declaration of a Dividend, for the election of Directors and for other purposes.

Holders of Share Warrants to bearer who desire to attend can receive a Ticket of Admission, on depositing their Warrants in accordance with the Articles of Association at least three days prior to the Meeting, at the Company's Offices in London.

The retiring Auditors are Messrs. Turquand, Youngs, McAuliffe and Co., who, being eligible for re-appointment, offer themselves accordingly.

The Transfer Books will be closed from Saturday, the 4th May, to Saturday, the 18th May, both days inclusive.

By Order of the Board,

J. DAVIDSON, Secretary.

Offices of the Company:
11 Old Jewry, London, E.C.2.
24th April, 1940.

OFFER TO NEW READERS

Any reader who makes his first acquaintance with this journal with this week's issue is invited to fill up the attached:

To The Publisher,
The Economist Newspaper Ltd.,
8 Bouverie Street, E.C.4.

In order to test the value of your publication I should like you to forward it to me by post for the next four weeks. If I then decide to become a subscriber, it is understood that there will be no charge for the copies thus received, but otherwise I shall be willing to pay 4s. to cover the cost.

Name.....

Address.....

INVESTORS

should
TRANSACTION THEIR BUSINESS
through a Member of
THE STOCK EXCHANGE

A list of Members who act as Brokers and the Official Scale of Commissions may be obtained on application to the Secretary, Stock Exchange, London, E.C.2.

All Contracts must be completed in accordance with the Rules and Regulations of The Stock Exchange.

Persons who advertise as Brokers or Share Dealers are not Members of The Stock Exchange or under the control of the Committee.

"The Work of The Stock Exchange" may be obtained on application to the Secretary: price one shilling post free.

GRESHAM LIFE

Established 1848

Ask for the

Plus Policy

Maximum Cover • Valuable Option

GRESHAM LIFE ASSURANCE SOCIETY LIMITED
Head Office: 188-190 Fleet Street, London, E.C.4

**TERMS OF
SUBSCRIPTION
TO
THE ECONOMIST**

	INLAND	OVERSEAS
	£ s. d.	£ s. d.
12 Months -	2 18 0	3 1 0
6 Months -	1 9 0	1 10 6

Cheques to be made payable to The Economist Newspaper Ltd.

Copies of **THE ECONOMIST** may be obtained in

THE CITY: 20 Bishopsgate, and all principal newsagents and bookstalls.

PARIS: Messageries Hachette, 111 Rue Reaumur.
W. H. Smith & Son, 248 Rue de Rivoli.
W. Dawson & Sons, 13 Rue Albouy.
Galignani Library, 224 Rue de Rivoli.

BRUSSELS: W. H. Smith & Son, 71-75 Boul. Adolphe Max

AMSTERDAM: M. V. Gelderen and Zoon, Damrak 35.

GENEVA: Agence Naville, 5 & 7 Rue Levrier.

BUDAPEST: Grill's Bookshop, Dorottya utca 2.

CAIRO: Mr. E. J. Lovegrove, 14 Chareh Maghrabi.

NEW YORK: The International News Co., 131 Varick St.
American News Co., 131 Varick St. and Branches.

CANADA: Wm. Dawson, Ltd., 70 King St. East, Toronto.

PUBLISHING OFFICE:

8 BOUVERIE STREET, LONDON, E.C.4.

Telephone: Central 8631

THE ECONOMIST

Vol. CXXXVIII

MAY 4, 1940

No. 5045

CONTENTS**LEADING ARTICLES**

The First Test	801
The Crisis of Production	802
The Balkans Next?	803
Food Stamps in America	804

NOTES OF THE WEEK

The Budget Debates	805
Labour's Financial Policy	806
Germany's War Expenditure	806
The Allied Withdrawal	806
Sweden in Danger	807
Mediterranean Counterpoint	807
The Paper Shortage	808
America and the Economic War	808
Trade Talks with Russia	808
Exposing Waste	809
War Risks Insurance Extended	809
Shorter Notes	809

THE WORLD OVERSEAS

Russo-German Trade	810
Scandinavian Balances in the	
United States	810
Economic Anomalies in Argentina	811
Canada Settles Down	811
War Finance in Australia	812
British Malaya's War Contribu-	
tion	813
Germany at War	814

THE BUSINESS WORLD**LEADING ARTICLES**

The Remnants of the Reichsmark	815
Coal in War	816

FINANCE AND BANKING

Abundance of Money	818
Empire Exchange Control	818
Direct Purchase of Empire Gold	819
German Standstill Receipts	819
Hambros Bank	819
MONEY MARKET NOTES	818

INSURANCE NOTES

Legal and General	819
London Life	820
Eagle Star	820
Atlas	820
General Accident Fire and Life	820
Scottish Union and National	820
Caledonian	821
Provident Association of London	821

INVESTMENT NOTES

Gilt-edged to the Fore	821
Dividend Limitation Explained	821
Maximum Railway Dividends	822
Non-Registered Dollar Stocks	822

COMPANY NOTES

Marks and Spencer Omit Scrip	
Bonus	822
Ford Motor Dividend Limited	822
Johnson and Phillips Dividend	
Policy	823
Morris Motors Profits	823
Canadian Pacific Prospects	824
"Sofina"	824
Higher Rubber Profits	824
Company Profits of the Week	824
Company Meetings of the Week	824
THE STOCK EXCHANGES	825
CAPITAL ISSUES	826
SHORTER COMMENTS	837

INDUSTRY AND TRADE

Unemployment and Production	826
Railway Unions Demand Higher	
Wages	826
Steel Distribution	827
North-East Coast Coal Exports	827
A New Scottish Colliery	827
American Exports of Farm Pro-	
ducts	827
Argentina's Maize	828
Rhodesian and Chilean Copper	828
COMMODITY AND INDUSTRY NEWS	828
COMPANY MEETINGS	831
CURRENT STATISTICS	838
UNIT TRUST SURVEY	

The First Test

THE events of this week, culminating in the news that the Allied troops have been withdrawn from all of Norway south of Trondheim, provide, for the British people, the first real test of the war. Those events themselves we should, of course, deplore. But that the test has come we can rejoice. Now, perhaps, it will be possible to begin fighting this war.

It is now apparent that the British public has, from the start, taken a wildly optimistic view of the strategic possibilities of the campaign in Norway. Until only a few days ago, popular discussion was still busy with the question whether the Nazis would be turned out of Norway before or after midsummer. Their rapid advance at the week-end, the realisation that, so far from leading a triumphant offensive, the Allied expeditionary force was fighting a rear-guard action, the final announcement of the evacuation—these events have followed one another so quickly and have borne an aspect so different from the popular picture of events in Norway, that they have unquestionably administered a severe shock. There are more shocks to come. The Prime Minister expressed himself as satisfied that the balance of strategic advantage lay on our side—that the occupation of Southern Norway was worth less to the Nazis than the occupation of Northern Norway and the destruction of half the German fleet was to us. In the light of history, that may well be right. But it is not the way in which the world will regard the matter now. The immediate repercussions will be all in our disfavour. A triumph will be staged in Berlin and the might of Nazi Germany will once more be paraded before the neutrals. All of them will steer a point or two closer to Hitler—the large through cupidity, the small through fear. More particularly in the Mediterranean, the political effect will tell more against us than our naval reinforcements will tell in our favour.

There will, as a matter of course, be a national inequity into the causes of the defeat—we cannot give it another name. The House of Commons is to debate the subject

next week, and in the meantime, especially until the very meagre present supply of information is supplemented, judgment must be deferred. But the deferring of judgment cannot stop the asking of questions. Could we have got to Norway sooner and in greater force? Was the expedition conceived on an inadequate scale? Is there any truth in the story, which has been repeated in public, that the Navy was forbidden to follow its intention of forcing Trondheim Fjord? The Prime Minister's statement on Thursday was the reverse of comforting. He exalted the enemy's successes; he raised all the possible bogies; he came close to saying outright that we could not spare enough troops to carry our action to success.

We can be glad that the test has come thus early in the war, for if the right things are now said and done we may still be in time to win a short war. It is greatly to the good that nobody will now be able to pretend that all is for the best in the best of all possible wars. We shall not, for a time, be told that Hitler has missed the bus. We shall not be feeling ten times more confident than we were at any time in the past. And we shall be very much better for facing the truth. We shall perhaps be able to tackle the evils of which Mr Ernest Bevin spoke on Wednesday—obstruction, lack of drive, absence of imagination and complacency—we shall be able to trace them back to their sources and root them out.

To a people like the British, setbacks early in a war act as a tonic; we cannot fight without them. The ancient courage of the race is not diminished. There has been no complaint about the burdens that the war has imposed and is imposing. The only criticism—and it can be heard on every lip—is that the burdens are not being imposed fast enough. That, we may hope, will now change. The evacuation of Southern Norway will not interfere with our ultimate victory. It will help us to remove the one thing that could defeat us—lack of courage and of resolution in the nation's leadership.

The Crisis of Production

SIR JOHN SIMON'S Budget has had no better reception than its half-heartedness deserved. In the Press and in Parliament it has been praised only by the dutiful, and criticised by the rest, and it has been particularly encouraging to observe that the strongest and most sustained attack, especially by the nominal supporters of the Government, has been delivered upon the point that is manifestly weakest. The detailed proposals of the Budget have not been severely handled, except for a general dislike of the increases in postage rates and some preliminary admissions from the Labour Party on the new Purchase Tax. The general attack has been concentrated on the right spot—the alarming inadequacy of the total expenditure provided for. Closer inspection of the White Paper giving details of expenditure under Votes of Credit makes it clear that the figure of £2,000 millions for war expenditure is not just a random guess by the Chancellor, which might have been excused as evidence of conservatism in guessing, not of timidity in planning; it is a fairly close estimate, the sum of a number of itemised figures. The £2,000 millions, in fact, is precisely what the public has spent the past week hoping it was not, a measure of the scale on which the Government plans are being laid.

A financial figure is, of course, at best an imperfect guide to the realities of the war effort. Increasing expenditure, if it were accompanied by increasing waste, might represent no greater real contribution to the war effort. Extravagance inevitably accompanies any rapid swelling of the governmental machine; but the measures that have been taken to keep it in check are numerous and must be in some degree effective. If there is a great deal of waste expenditure, then the figure of £2,000 millions is all the more inadequate. Unceasing vigilance in the cause of economy is an imperative duty of the House of Commons, which it is taking steps to discharge. But the need for economy does not lessen in the least the need for the most rapid and extensive increase in the total expenditure that can possibly be contrived.

A great deal was made in the debates in the House of Commons of the comparison between our rate of expenditure on the war in this country and the rate at which the Nazis are spending. It is a grim comparison, so disturbing that the Financial Secretary to the Treasury was driven to the lame device of suggesting that the figures of German expenditure that had been quoted were inventions of Nazi propaganda. On that subject some facts are set out in a Note on a later page. A much more valid objection to the comparison is that the expenditure of France and the Dominions should be added to our own. If the aim is to show which side is spending the more, that is correct, though even then the comparison will not be found to be unduly encouraging. But there are two good reasons why the Allies should aim at a much larger expenditure than the Nazis, that is, at a much larger effort; the first is that we have a great deal of leeway to catch up; the second is that we aim at a complete victory, not a dead-heat. And in any case, the object of any such comparison is not, by manipulation of figures, to show that one side or the other has a slight advantage—that will be tested in battle. The object is to determine whether we ourselves are making a big enough effort. To say that we are planning a rate of expenditure only one-tenth larger than at present, or to say that it is only two-thirds of the German rate, are only two ways of demonstrating that we are not doing as much as we can do. Expenditure, imperfect measure though it is, is the only measure that is available to the public, and comparisons with other countries and other periods are the only comparisons that are possible. But the thought behind all the numerical comparisons and criticisms is that voiced by Mr Amery, that "the Budget has only reflected the general outlook and limitations of His Majesty's Government in the whole field of our war effort."

It is the more necessary to insist that it is the concrete realities behind the figures that matter because the whole subject of war economics is in some danger of being con-

ceived of as a purely financial problem. There has been so much talk of inflation and of the necessity for limiting the volume of money spent by the public that we are running the risk of forgetting why this restriction is necessary. There are two sides to the problem of war economics: the restriction of the public's expenditure, so that resources of labour and capital can be set free for war purposes; and the harnessing of those liberated resources to their new tasks. Both sides must advance together; but of the two, it is the second that is the more vital; and it is the second that, on the evidence of Sir John Simon's figures, is being most woefully neglected. That the Chancellor has not faced with sufficient resolution the problem of meeting the expenditure of the State is unfortunate enough, since it bids fair to open the door to inflation. But to that danger the public is alive. The penalty of an inadequate scale of expenditure, however, is far greater. It is the losing of the war; and to that far less attention has been directed. No one who has contact with business men throughout the country can fail to have heard disquieting stories—let us put it no higher than that—of the slowness with which the supply programme is developing. Until Budget Day it was possible to hope that these were merely initial dislocations that would shortly be put right and that soon a mounting flood of supplies of all sorts would come sweeping in. But we now know that any such hopes are delusions. The flood of materials may figure in the optimistic speeches of the Minister of Supply; but the Chancellor of the Exchequer is not expecting to have to pay for them. Last week's expenditure, on war and peace alike, was at the annual rate of over £2,600 millions; Sir John Simon expects an average of £2,667 millions for the whole year. Here we are; here we look like sticking fast.

In short, the Budget, when figures are transmuted into realities, shows that we are caught in a Crisis of Production. We seem to have got as far as we can go with the present methods and the present men. It is precisely the same dilemma, reached at precisely the same stage of the war, as the shell shortage of 1915; and it must be solved in precisely the same way: by more radical methods and more energetic men.

What are the causes of the inadequacy of supply which is holding up our whole effort? The outside observer cannot base his judgment on more than the casual glimpses that he gets when one corner of the very necessary veil of secrecy is lifted. But enough can be pieced together from one source and another to suggest very strongly that the root cause of the trouble is a failure to lay plans on a complete enough scale. There has been a tendency to plan only the final stages of production, to leave the suppliers of component parts, often five or six layers deep in the subcontracting process, to get along as best they can. Even for steel, the basic raw material, a complete system of allocation by priority has only just been adopted. For the supply machine to work smoothly, every industrial process must be traced back to its first origins in mine, forest, farm or workshop, and every link in the chain must be tested and, if need be, reinforced, so that it can bear the strain of quantity production. This lesson was learnt by the Ministry of Munitions in the last war; apparently it has to be learnt again from the start by the Ministry of Supply in this war.

Behind all supply problems, however, there is one great, unresolved difficulty—labour. An observer sufficiently detached to have no interest in the issue of this war could afford to laugh at the extraordinarily illogical way in which we go about the business of mobilising for war. Everyone is agreed that this war will be won in the workshop rather than in the field, that the fighting forces are only the cutting edge of a gigantic instrument, that the men in uniform are only a fraction of the man-power that is needed. For this fraction we employ an elaborate technique of compulsory and progressive calling-up, we distribute man-power to the points where it is wanted, and we provide training, at the expense of the State, for the tasks that have

to be done. But for the greater numbers needed in the industrial machine we provide a Minister of Labour who makes complacent speeches; we undertake to train the magnificent number of 40,000 men a year, provided they will accept the status and living standards of the unemployed; we make vague references to the need in industry of a million women workers; and beyond that we do nothing at all. The only reason that seems to be given is that there is still an unemployment register of over a million. Everybody knows that the unemployed who are capable of absorption will disappear in a month or two, and that there will then be a crucial shortage of labour. But nobody, apparently, will move in advance of that happening. It is as if we refused to recruit for the army so long as the Nazis had not set foot in England.

It is too much, in this country, to suggest that the problem of industrial man-power should be tackled on exactly the same lines as the problem of military man-power—though that is the solution adopted both by our

enemies and by our allies. But is there any over-riding reason why we should not recruit a large industrial army by purely voluntary methods? It could be recruited from all, men and women, who are ineligible for the armed forces. Recruits would be promised training and maintenance at the public expense if thereafter they would work at the task for which they have been trained. There is nothing in the declarations of the trade unions that would lead one to suppose they would be opposed to such a scheme, provided their reasonable requirements in the matters of collective bargaining, maintenance of standards and post-war demobilisation were met. But whether or not some such scheme as this could be carried out by agreement, it is not until we have something like it that we shall be able to feel confident that we are mobilising our greatest asset, those resources of man-power that provide us in time of peace with our higher standard of living and in time of war with our greater potential production of all the munitions of war.

The Balkans Next?

THERE are signs that a decisive point has been reached in the struggle for the Balkans. So far the campaign has been carried on purely in the economic sphere, and during the first six months of the war, although our blockade in the South-East cannot be said to have been more than moderately effective, our counter-measures were still sufficient to give the Nazis food for thought. Turkey had been withdrawn from the German trade orbit to such good effect that whereas Germany accounted for 50 per cent. of Turkey's exports in February, 1939, the corresponding figure for 1940 had fallen to 2 per cent. Greece, too, was breaking the German stranglehold with Allied help. Further north, the Allies' achievement was not so striking and less was bought of a wide range of commodities than had been the case before war broke out. Yet even here, France and Britain overhauled and sometimes outstripped Germany as purchasers of Yugoslav horses, lead, copper and timber, Roumanian wheat and Hungarian beans, flax and oakum, while winter transport difficulties made it possible for the Allies to secure a larger share of Roumania's oil than Germany (in January and February, whereas 38,746 tons of oil went to Germany, Britain's share was 194,000 tons).

Thus, even in the first unsatisfactory six months, Germany could not prevent our trade offensive from having a limited success. The Nazis had, therefore, every reason to reconsider their grand strategy when the advent of the Reynaud government, the recalling of our Balkan envoys to London to report, and the creation of the United Kingdom Commercial Corporation all combined to give the impression of a new determination and a new energy in our conduct of the economic war.

The last few weeks have given various indications of the nature of Hitler's new plans. It is still possible that he does not wish to spread the war, for his immediate answer to the evidence of a new energy behind the Allied blockade—his demand to police the Danube—is a project which he can still hope to realise by "peaceful means." Only if he fails to secure the control of the Danube and if at the same time, by favourable war agreements or other means, the Allies encroach still further on his Balkan preserves, will Hitler resort to war. The flood of tourists, the suspicious troop movements in Carinthia and Slovakia, the repeated infringements of Yugoslavia's air by German planes serve a double purpose. On the one hand, they bring pressure to bear on the Balkan States in order to induce them to collaborate in Germany's economic plans; on the other, they prepare the strategic ground for an invasion, should an invasion become necessary. Warnings to the Press, complaints of Allied intrigues in the Balkans and threats that if France and Britain are planning a Balkan coup "Germany will know how to defend herself and will not allow herself to be surprised" likewise serve the double purpose of alarming the Balkan States into acquiescence and of providing the excuse for aggression if acquiescence is not

secured. For the time being, therefore, the possibility of war appears to depend more on the reactions of the Balkan States than on Hitler's intentions towards them.

During the last weeks a notable stiffening in their attitude towards self-defence has undoubtedly taken place. Germany's onslaught on Norway coincided not only with movements of troops and tourists, but also with a sudden increase of subversive activity to the South-East. The government in Hungary suddenly came under fire (the German candidate, M. Imrédy, had returned from Berlin a significantly short time before the attack was launched); King Carol faced a recrudescence of the old propaganda against himself and the National Renaissance Movement; the Croats were flooded with rumours of Belgrade's "Great Serb" policy, while the Serbs were called upon (in a leaflet raid carried out in broad daylight) to make peace with Germany and avoid the fate of the Czechs and Poles.

The reaction of the governments concerned was the contrary of that which the Germans must have hoped to excite. In Hungary, Count Teleki's ministry stood firm, responsible Croat leaders reaffirmed their loyalty to the Yugoslav State, and in Rumania King Carol carried the process of internal consolidation a step further by issuing another amnesty to political offenders and by inviting the one-time National Peasant leader, M. Ion Michalache—the leader of the real, though informal, Opposition to the King's government—to join the Royal Council. The unhappy warning of Norway led to a violent attack upon foreign spies and Quislings. The "tourists" began to be bundled unceremoniously home, permits for foreign residents were strictly limited, the Yugoslavs (whose territory had suffered the worst tourist invasion) put under arrest men as distinguished and highly placed as M. Stoyadinovitch and M. Atchimovitch, Prime Minister and Minister of the Interior in the former government. Even in the sphere of economics a new independence was discernible, for Dr Clodius left Bucharest after a six-weeks stay with only very moderate concessions, and the Yugoslavs were reported to be asking for free currency in return for a wide range of their products.

Germany's most serious setback was, however, the refusal of the Danubian States to accept her demand, put forward about April 10th, that she should participate in the policing of the Danube. Their riposte was rapid and cleverly conceived. Within a fortnight it was announced that the International Danube Commission (on which the Allies as well as the riverain States are represented) had decided to counter the possibility of sabotage or hostilities along the Danube by enforcing a number of regulations (including the prohibition of armed vessels) and by entrusting the policing of the river to the riverain States themselves. Of all the setbacks encountered by Germany in the last four weeks, this was probably the most disturbing to her time-table of aggression.

Were this the whole of the picture, the Balkan front might be regarded as comparatively reassuring. Unfortunately, it is not. However magnificent the determination of each individual State to resist, its efforts are predestined to failure so long as it stands alone; the whole security and independence of the Balkan States depend on their willingness to co-operate in face of a common danger. To-day that willingness is as far off as ever. The hopes raised after the Balkan Conference in February that a common defence policy would be completed by the adherence of Hungary and Bulgaria came rapidly to nothing. It is true that both countries have declared their intention of leaving open all questions of territorial readjustment until the end of the war and that the Bulgarian Foreign Minister pledged Bulgaria's loyalty to "the common Balkan family" in a recent speech. But such assurances cannot carry much weight unless they are accompanied by specific guarantees, such, for example, as Bulgaria's willingness to come to the aid of Yugoslavia, were she attacked, or at least to authorise the passage of Turkish troops. There is no evidence that such guarantees have been given, and the State members of the Balkan Entente must be permitted to regard it as an unhappy omen that Germany's demand to police the Danube was made public simultaneously in Hungary and Bulgaria.

This internal lack of cohesion plays into the hands of the predatory Great Powers. Although there is still no evidence that Germany's plan to divide the Balkans into spheres of influence with Italy and Russia has come to anything, Hitler's two partners are only second to him in keeping the Balkan States in a damaging atmosphere of fear and suspense. Russia's relations with Turkey are better, with Roumania much more uncertain and both Turkey and Roumania have reason to fear that Russia is playing her pan-Slav card in Bulgaria and Yugoslavia, a policy which, if successful, might force Roumania into dangerous isolation. That Russia is not, however, co-operating with Berlin is suggested by Prince Paul's sudden announcement of the opening of trade talks with Russia at the moment when the German pressure of the last few weeks was at its height.

Italy's attitude is even more ambiguous. Since the war began she has made a great show of encouraging cordial relations between Budapest and Belgrade, which the Roumanians look on suspiciously as an Axis manoeuvre to isolate their country. On the other hand, in the last few weeks the focus of attention has shifted from Roumania to Yugoslavia, and Italy, who as recently as March was ex-

changing cordial telegrams on the anniversary of the Italo-Yugoslav Pact of Friendship, has been more active than Germany in working up a threat of hostilities. It may be, of course, that she has no serious intention of entering the war and is merely helping her Axis partner to extort more economic concessions (Yugoslavia alone among Germany's Balkan neighbours has been exporting less to her than in previous years.) On the other hand, Hitler, in shifting his attentions to Yugoslavia, may have done so simply in order to force intervention on a hesitant Duce. Italy could hardly permit Germany to take possession of Italy's Adriatic neighbour without securing some of the spoils. Both prestige and self-defence would forbid it.

The possibility of war brings us to a final weakness in the Balkan position. The Great Powers who have declared their intention of supporting Balkan independence, who have given guarantees to Roumania and Greece and are in close alliance with Turkey, are geographically remote and have so far cut a poor figure as defenders of small peoples. When Germany threatens the Balkan States with the fate of Czecho-Slovakia and Poland, she is on strong ground. If Norway is added to the list, the ground will be even stronger. We cannot console ourselves with the thought that since (as Mr Chamberlain has pointed out) peace is our aim in the Balkans, doubts about our military efficacy are not immediately important. Long before the question of war arises, the amount of military support we could supply in an emergency has a profound effect upon the success of our economic policy. We want peace in the Balkans provided always that Hitler cannot use the lull to reinforce his economic predominance. Peace is what we want provided our trade offensive succeeds. Peace is what Hitler wants provided it does not. We cannot, therefore, hope for much success in ousting Germany unless we are fully prepared for the military consequences. That is the lesson of Norway. It must be learnt.

There can be no question in the Balkans of our having been "taken by surprise." Every permutation and combination of aggression has been considered. Any blow ought, therefore, to be parried in a way which proves our prescience and our strategic grasp of the situation. The Balkan peninsula, perhaps more than any other region, challenges us to remember M. Reynaud's watchword, "Lucidity and daring." We must be lucid in our assessments of the strategic possibilities, daring in their execution if and when the moment comes.

Food Stamps in America

SO many plans for curing modern economic ills have been propounded in the United States that when one survives the discussion period and is actually put into force it deserves attention on that ground alone. And when it succeeds in reconciling both agricultural and consumer interests, it becomes a phenomenon of more than domestic news value.

Such is the Food Stamp Plan. Operated by the Federal Surplus Commodities Corporation, it is directed primarily towards farm surpluses arising from lack of domestic purchasing power rather than from contraction of world markets; and it aims at reducing them by the obvious—but unusual—method of increasing the consumption of food by the poorest section of the population. Recent studies of family expenditure at various income levels in the United States have thrown light on the malnutrition of families with low incomes. In 1935 some 29,400,000 families spent \$13,700 millions on food, but as many as 4,200,000 families, or 14 per cent. of the total, accounted for only \$848 millions of the whole food bill. These families, with an average annual income of \$312, spend about \$1 on food in a week for each member of the family, which works out at about 5 cents per person per meal. The family with an income of \$1,000 to \$1,500 a year spends about twice as much. And, divided into kinds of food, the difference means that under \$500 families are buying 41.6 per cent. less vegetables, 61.7 per cent. less fruit, 57.1 per cent. less dairy produce and 54.4 per cent. less meat than their far from wealthy neighbours.

Under the Stamp Plan families receiving some form of public assistance may buy, with the funds supplied by public agencies, from \$1 to \$1.50 worth of orange stamps in a week for each member. These stamps can be used to purchase any kind of food at any grocery store, and represent the average food purchase made by families on relief without the Plan. Then, for each dollar's worth of orange stamps bought, the family receives, free, an additional 50 cents of blue stamps. The blue stamps can also be used to buy food, but only food of which the Secretary of Agriculture decides there is a surplus. The list of surplus foods is inclined to vary with the season. First on it, when the Plan was put into effect last May, were butter, eggs, wheat and wholewheat flour, corn meal, prunes, oranges and grapefruit, and dry beans. In July, oranges and grapefruit were temporarily dropped, and fresh peaches and pears were added, together with rice and various vegetables; other changes were made in October and December. In this way families on relief are provided with additional food to eat. The apparent complication of orange and blue stamps is necessary to ensure that the consumption of surplus commodities is *additional* and not merely substituted for previous food consumption. No family can consume "blue stamp" foods until it has spent its usual amount on "orange stamp" foods.

The Government's part in the operation of the Plan is, therefore, to see that the food stamps are available to eligible families, to determine what commodities are in surplus and to redeem the stamps with which they are

purchased. (The food bought with the orange stamps is, of course, paid for out of the ordinary relief funds; the blue stamps are redeemed in part from an earmarked proportion of the gross annual Customs receipts and in part from an appropriation made by Congress.) In the rest of the mechanism the Government does not interfere. The ordinary private channels of the food trades are exclusively relied upon to procure the foods from the producers and distribute them through the retailers; and the latter cash the stamps they receive either with their banks or with their wholesalers, who in turn cash them with the contributing public agencies, or with the Federal Surplus Commodities Corporation itself.

The Plan caught on from the very beginning. Inaugurated in Rochester, New York, on May 16, 1939, it had been extended to thirty-five other cities by March 1st this year and will cover about a hundred by July. Up to March the redemption of blue stamps amounted to \$5½ millions, February alone accounting for \$1,738,000; and the number of families using them in the thirty-six cities was 303,525. Even more significant of the Plan's popularity, perhaps, is the fact that the Senate recently voted by 79 to 0 in favour of an \$85 millions appropriation requested for its operation during the coming year.

Judged solely from the American standpoint it has several merits. Probably no Government programme of the last decade proved more unpopular than the cotton plough-up and pig slaughter of 1933. Both schemes were in force for a few weeks only, but the death of the little pigs—made near and dear, perhaps, by the production of Walt Disney's *Three Little Pigs* in the same summer—has for seven years remained fresh in the memory of the non-farm population. The competitive, individualist basis of American farming causes farm commodities to be produced whether or not there is a market for them, and dumped milk and rotting fruit and vegetables in the midst of near-starvation provided direct evidence of social and administrative incompetence. Under the Stamp Plan, families on relief are being given an opportunity to "eat the surplus"—or at all events part of it—and the urban response to this policy of distribution has been as enthusiastic as it was negative in the policy of reducing production. For the producers the increased sales of the surplus commodities have made prices firmer; the food trades have profited from a bigger volume of business; and persons on relief have had 7½ cents' worth of food per meal instead of 5 cents—it is worth noting that the blue stamps are an additional form of relief and not a substitute. And though the Plan is open to abuse—it was widely held at the discussion stage that the blue stamps would be traded not for food but for alcohol and tobacco—very few abuses have, in fact, been reported.

Outside the United States the Plan has points of interest for both peace and war. It is too early to form any definite opinion on an improvement in nutrition; but in a test taken in five widely separated cities during the winter it was found that, out of every blue stamp dollar, 17 cents on an average were spent on butter, another 17 cents on eggs, another 17 cents on fresh and dried fruits, and 23 cents on pork; that is, just over half went on dairy produce and fruit, in which the diets of poor families, in England as in the United States, are notoriously deficient, nearly a quarter on pork and the remainder on cereals and vegetables. Before pork was added, butter and eggs were each taking a quarter of the blue stamp's purchasing power. So far it has not been possible to determine how far sales of agricultural commodities have been increased; but in one city there was an increase in food sales in the poorer districts of 16 per cent. per week during the first twelve weeks of the Plan compared with the six weeks before it was put into operation. In the city as a whole the increase was only 5 per cent., so that 11 per cent. may be attributed to factors other than a general improvement in the food industry. But it appears that only half of the net increase was directly attributable to the use of food stamps; the rest was probably an indirect result, for it is possible that the advertising of listed foods influenced consumers, of low incomes but outside the scope of relief, to increase their purchases.

It should be emphasised that the Food Stamp Plan is not primarily an experiment in social services. The fact that it is operated by the Federal Surplus Commodities Corporation of the Department of Agriculture is evidence enough that the real interests at heart are those of the farmers. Moreover, even if it is extended to a hundred and fifty cities—the maximum which can be covered by available funds—it will only have touched the fringe of the twenty million families certified as eligible for some form of public assistance. And it relies too much, perhaps, on the good sense of the local traders, which, allied with the competition between them, has so far kept the prices of the listed commodities at reasonable levels. Nevertheless, it teaches the vital lesson that the right way to solve agricultural problems is to start at the consumer's end, and in improving the diet of the poorer section of the community it leaves far behind our own half-hearted scheme for supplying milk to schoolchildren. It has, too, a more topical importance. For though it is essentially a peacetime measure, adopted by a country suffering from an abundance of food, it provides a country at war, possessing all the machinery of price fixing and food control, with a technique by which the policy of reducing food consumption in general could be combined with increased consumption for those who are already ill-nourished.

NOTES OF THE WEEK

The Budget Debates.—The reception of the Budget in the House of Commons has been the opposite of that which has become customary in recent years. There have been plenty of criticisms of its general structure and very few complaints against its specific details. In the general debates last week, Members from both sides of the House took a highly critical line and even those who supported the Chancellor seemed to have the air of excusing rather than defending his figures. Two of the outstanding speeches were those of Mr Amery and Mr Clement Davies, both of them nominal supporters of the Government, and more than one Member must have been compelled to reflect on the change that would come over the whole appearance of the Government's war effort if these powerful arguments on the place of finance in modern war could come from the mouths, not of bank-benchers, but of a Chancellor of the Exchequer and of a Financial Secretary to the Treasury. In the detailed discussion of the Budget Resolutions, one by one, there has been surprisingly little criticism or complaint—the beer and spirits duties went through without discussion and the tobacco duty without opposition. The debates, in short, have been little more than a series of

further elucidations of his proposals by the Chancellor of the Exchequer. Three topics excited particular attention. The first was the proposal to limit dividends, which is fully discussed in the Investment section of this week's issue of *The Economist*. The second was a discussion between the Chancellor and Mr Pethick-Lawrence on the subject of direct taxation, in the course of which Sir John Simon took the opportunity of removing any illusion there may be that a standard rate of income tax of 7s. 6d. in the £ represents the limit or that increases in direct taxation can be confined to the rich. "If in future years of this war we are to ask for a great additional amount of money by the imposition of income tax, it has got to be on a curve which . . . is bound to cut deeply into the incomes which are at the lower end of the scale."

The third and most interesting topic was the new Purchase Tax. The Chancellor was not able to give the House a great deal of additional information. In particular, the time of imposition is not to be revealed in advance, and the rate of tax is undetermined—though the Chancellor

emphasised that it could not be small. The tax is to be imposed by a separate Bill, and the details are apparently still unsettled. But Sir John held out very few hopes of exempting any further classes of goods from its operation—he specifically refused to exempt clothes—and he was not encouraging on the possibility of applying lighter rates of tax to necessities than to luxuries—a refinement that would obviously add enormously to the administrative complications of the tax. Sir John did not attempt to meet the argument (similar to one which he himself used against Mr Keynes's proposals) that any increase in prices due to the tax would inevitably lead to demands for increased wages and so give another twist to the "vicious spiral."

Labour's Financial Policy.—The Labour Party has published a pamphlet entitled "Paying for the War," by Mr Douglas Jay, which, since it presumably embodies the considered policy of the Party, deserves widespread attention. The greater part of the pamphlet is an admirably simple exposition of the fundamental realities of war economics—the necessity for a reduction in the consumption of the people and the inadvisability of achieving that reduction by the method of inflation. It is the more regrettable that the pamphlet should show a consistent tendency to discuss the whole matter in terms of class conflict and even to ignore manifest facts in so doing. It is stated, for example, that as a result of the methods employed in the last war (i.e. too much inflationary borrowing), "far too much of Britain's national income has been going to rich property-owners ever since." But the effect of the finance of the last war was to *reduce* the share of property in the national income. According to Mr Colin Clark's estimates, profits, interests and rents took 44.9 per cent. of the national income in 1911, 32.5 per cent. in 1924 and 31.6 per cent. in 1929. It is true that inflation increases the share going to those property-owners who make large profits while the inflation is going on; but they are the minority of property-owners, and the majority are hurt by inflation worse than any other class of the community. The point is very important, since the whole of the Labour Party's case, as exemplified by this pamphlet, and by the advocacy of a heavy annual tax on all forms of property, seems to be built up on the belief that war finance brings benefits to property-owners *as a class*, so that it is legitimate to put discriminating taxes on them *as a class*. The truth is, in fact, the opposite. The redistribution of property by means of taxation is a perfectly legitimate object of advocacy. But if it has not been accepted in peacetime, there is nothing in the changed circumstances of wartime to enhance its appeal.

Germany's War Expenditure.—The measurement of Germany's current war effort is by no means so difficult and obscure a subject as the statements of Ministers would seem to imply, even though the absence of complete figures makes some element of estimation inevitable. The most important figures for an estimate are in existence; for example, we know the pre-war yield of taxation, and the volume of borrowing is still published. At the beginning of the financial year of 1939-40 tax revenue for the year was estimated at Rm. 22 milliards. The rates of taxation were increased at the outbreak of war with the avowed intention of at least offsetting any declining yield due to war dislocation, and the results of the December quarter seem to indicate that there has, in fact, been a net increase in the yield of taxation. It is probable that in a full year the present level of taxes will bring in between Rm. 24 and Rm. 26 milliards. To arrive at a figure of *war* expenditure, the civil expenditure, including net payments to local authorities, must be deducted; but, on the other hand, certain sources of funds which are not included in tax revenue must be added. These are the surpluses of the unemployment and other social insurance funds, the profits from State enterprises, the levy on the Jews, and so forth. The effect of these adjustments is to give a figure for the total resources available to the Reich for war expenditure from sources other than borrowing of Rm. 20-24 milliards. As for borrowing, the published figures of the Reich debt,

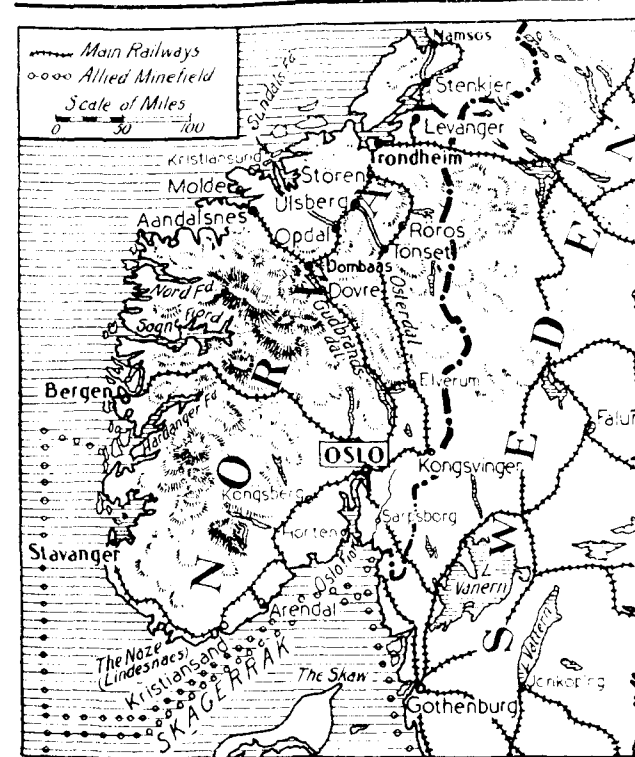
which certainly do not overstate the amount of borrowing, have shown an average increase in recent months of rather over Rm. 2 milliards a month. Adding borrowing to revenue, we reach a final figure of expenditure on the war of between Rm. 44 and Rm. 48 milliards.

This Reichsmark figure has now to be converted into a sterling equivalent. As an article on page 815 of this issue of *The Economist* shows, various species of Reichsmark are now being quoted on the world markets at rates ranging between Rm. 8½ and Rm. 80 to the £. But, for this purpose, the rates of exchange quoted on the world markets are of no use whatever. The only way of putting an intelligible sterling equivalent upon the German expenditure of, say, Rm. 45 milliards is to attempt a direct comparison between the purchasing power of the Reichsmark in Germany and the pound in Great Britain over the particular varieties of goods and services that are, in fact, needed for war. A comparison of the rates of pay in the fighting forces (including dependants' allowances) indicates that, for this purpose, the £ is worth no more than Rm. 7-9. The Reichsmark has a somewhat smaller purchasing power in industrial labour—say, between Rm. 11 and 12 to the £. The same figure could be taken for the cost of those raw materials which are in more or less adequate supply in Germany. In materials which have to be procured from abroad by devious routes at very high prices, and in *ersatz* materials which have to be produced at a very high cost in labour and raw materials, the real purchasing power of the Reichsmark is much lower, and its value in these uses may be no more than Rm. 25 or Rm. 30 to the £. A rough attempt to strike an average between these varying values of the Reichsmark suggests that a rate of exchange of Rm. 15 = £1 is not likely to overstate the value of the Reichsmark or consequently to give an exaggerated notion of the real scope of Germany's war effort. An expenditure of Rm. 45 milliards, converted at this rate, produces the figure of £3,000 millions, which has appeared in the columns of *The Economist* on several occasions and is now becoming the subject of public controversy. As is apparent, the figure is not exact and is open to a substantial margin of error. But it is more likely to be too low than too high.

The Allied Withdrawal.—From the Prime Minister's statement to the Commons on May 2nd something of the serious setback which has befallen our campaign in Southern Norway can be inferred. Germany's initial advantage in seizing the principal harbours and gaining control of all the existing airfields before an Allied expeditionary force could begin even to attempt a landing meant that once the landings began they took place under conditions of hideous difficulty. Our troops were submitted to constant bombing, it was impossible to land effective counter weapons and the men had to be hurried forward to the assistance of the Norwegians inadequately equipped to meet the kind of attack Germany was in a position to launch—a motorised attack, fully supported by constant aerial bombardment. The German columns, advancing rapidly up the Gudbrandsdal and the Osterdal, made use of difficult mountain roads to bring mechanised units into play in the Dombaas-Stören sector even before the main body of their advance had reached the head of the Gudbrandsdal. The Allied troops in this sector were thus faced with the alternative of captivity, annihilation or evacuation, and so long as evacuation by way of Andalsnes was still possible, it is difficult to question the wisdom of the decision to evacuate. Now the withdrawal has taken place. The Nazis have achieved the desired junction between their Oslo and Trondheim forces. Their control of Southern Norway is therefore virtually complete. For the rest, we are in the dark. The Prime Minister suggested that we shall dig ourselves in north of Trondheim and hold Namsos. Narvik was not mentioned, yet surely control in this area is absolutely vital if we are to prevent the Norwegian campaign from degenerating into complete disaster. In a very few weeks the ice in the Gulf of Bothnia will have broken up. The Germans will be in a position to reach the iron port of Lulea, and it is at least possible that they will press

Sweden to allow the passage of German troops up the Lulea-Kiruna railway to go to the assistance of their beleaguered countrymen across the frontier. Sweden would probably refuse, but her problem would be far less embarrassing if we had first ensured that there were no "fellow-countrymen" to assist.

The chief feature of the campaign has been to establish once and for all the overwhelming importance of the air arm in modern warfare. Our landing and our operations were harassed out of all semblance of efficiency by constant and gruelling air attacks, and it is possible that naval operations in the long land-locked fjords were also rendered impossible by Germany's mastery of the air. One of the most important elements in our counter offensive has thus been the heavy bombing of German air bases at Stavanger,



Aalborg and Fornebu, and although it is difficult to gain any certain information about the results of these raids, the damage done in the course of bombing attacks lasting from twilight to dawn must have been considerable. It could not, however, offset our inability to send fighter planes into action, and could not, given our bombers' distance from their bases, be sufficiently sustained to interfere seriously with Germany's aerial timetable. Now that the lesson of the aeroplane has been driven home in this particularly painful fashion, we must at least have the wisdom and elasticity to learn it. Our need is a vastly increased output of aeroplanes. It is unfortunately not yet a question of superiority in the air. We have first to draw level with our formidable adversary. Nothing short of a total effort on the side of production must content us now. There must be no more Norways.

Sweden in Danger.—Sweden's May Day celebrations were designed to advertise her unity and her fighting spirit. All the democratic parties took part in a "Citizens' March," and the Prime Minister, Hr. Hansson, made a stirring speech, in which he repeated Sweden's determination "to assert and defend her neutrality with all the means" in her power. Further measures have been taken against foreigners this week, a number of new areas have come under special regulations, the country's defence system is manned, Sweden will fight to the last man if her soil is invaded. It is, however, possible that the threat to Sweden is not that of invasion or military force. Finland, after a gallant and solitary combat, is no longer in

a position to resist any form of Soviet pressure. The fate of Norway, though ultimately secure, is sufficiently desperate for the next months. Germany is in occupation in South Norway, hence her troops are in a position to dominate the whole of the undefended Swedish-Norwegian frontier. What assurance have the Swedes that the kind of pressure which Hitler and Stalin are now in a position, jointly or separately, to exercise upon their Government may not rapidly turn to a mockery the independence which they are pledging themselves to defend? There are more ways of losing freedom than by invasion, as was perhaps illustrated by last week's incident of a British news-letter banned "at the request of a foreign Power" in a country whose press is free. Hr. Hansson no doubt expressed the feelings of the Swedes when he said: "We are deeply grieved by what has happened. But, in spite of all, we look forward to the day when the free nations of the North can together resume their peaceful work." But is this pious hope enough? Are peace and freedom to come flowing gently from the hand of Hitler? Isolated between two of the most brutal autocracies in the history of man, Sweden's position is one of the utmost jeopardy, to which determined but unaided self-defence is only half the answer.

Mediterranean Counterpoint.—Our relations with Italy mirror a double preoccupation—on the one hand to spare no effort to secure her continued neutrality, on the other to have our preparations in good order should the situation deteriorate. "Cordial and informative" talks have taken place between Lord Halifax and the Italian Ambassador, a further attempt is being made to resume trade talks not in a general setting, but on the basis of particular commodities and particular orders (a method already followed with some success by the French), and we are trying to work our contraband control with as little provocation as possible to Italian feelings sensitive on the issue of *Mare Nostrum*. On the other hand, the British Government has issued an order diverting our merchant ships from the Mediterranean, and this has been followed by reports of extensive defence measures in Egypt. It is only to be hoped that the two sides of our policy do not cancel each other and that our readiness to go far to meet Italy's wishes in the matter of trade talks and important orders will not lead the Italian Government to interpret our decision to close the Mediterranean to our shipping as a sign of fear, not determination. That interpretation has already made its appearance in the Italian Press, which continues to blackguard the Allies with a very far from non-belligerent energy. Doubts about the effects of our friendly overtures are felt and expressed in this country simply because of the reception conciliatory gestures on our part, including M. Reynaud's most recent offer, have received in the past. The Allies are, on the whole, indifferent to the attacks launched on themselves and their policy by such distinguished politicians as Count

Every facility for
BANKING
business on
SWEDEN

**SKANDINAVISKA
BANKEN**

Central Offices at Göteborg, Stockholm
and Malmö

CABLES (FOR ALL OFFICES AND BRANCHES)
SKANDINAVBANK

THE WORLD OVERSEAS

Russo-German Trade

(By a Correspondent)

THE Soviet's share in Germany's total imports was only 0.4 per cent. in the first six months of 1939. Since Russia's total exports have recently been equivalent to from 12 to 19 per cent. of Germany's total imports, even a complete monopoly by the Reich of Russian trade would not make good the loss, amounting to more than half Germany's imports, inflicted by the blockade.

The Russo-German Agreement of last August stipulated that Russia was to send to Germany 1 million tons of fodder grain, while she obtained credit facilities at the rate of 200 million marks for the purchase of German industrial goods. Up to the present, however, only a very small part of the cereals has arrived in Germany and the total volume of Russia's export to the Reich seems still to be small. This may be due, to a certain extent, to the war conditions of the last few months, but even if full allowance is made for this the results of a half-year's German-Russian trade co-operation are by no means encouraging to the Germans.

The Nazis seem to realise that something more than a trade agreement is required if Russia is to be a valuable economic asset to the Reich during the war. Significantly, the two countries have now concluded what they call an "Economic Agreement" and one of its first aims will probably be to help the Russians to increase their output for export and to improve their system of communication.

Before the Nazis came to power a comparatively large number of German technical experts were working in Russia and it has occurred to the present German rulers that this practice might now be resumed. The dispatch of a number of highly qualified German experts to the Russian factories, railways and oilfields would probably be appreciated by the Soviets, who are always encouraging the introduction of new methods of production. It is difficult for the Germans, however, to spare an adequate number of technical specialists, as they are badly needed in the Reich itself, and it will be practically impossible to accompany them by German skilled workers.

Another important help that an industrial country might give to the Soviet Union is the sale or loan of first-class machinery, but here again the Germans are facing serious difficulties. Though Germany has certainly huge plants for machinery production, she is hampered by the lack of labour and raw materials and by the necessity of concentrating on the production of arms and ammunition. The recent Leipzig International Spring Fair has revealed to foreign buyers how few first-class goods the German industrialists are able to offer at present.

One important example of the existing obstacles to Russo-German trade is provided by the position of the Russian railways, where foreign assistance would be specially welcome in the interest of both the Russians and their German trading partners. While Germany's locomotive and railway industries have a very great capacity they are fully occupied for the next year or two with the overhaul of that country's own railway system as well as with the reconstruction of the Polish railways; it is difficult to see how, in these circumstances, they could give any substantial assistance to the Soviets. Nor is Germany able, in view of her shortage of gold and foreign currency, to give Soviet Russia the necessary credit facilities. Much parade has been made of the so-called credit for the purchase of industrial goods which was promised to the Russians at the beginning of the war. In actual fact, however, as it was stipulated in the same agreement that the Soviets should immediately provide the Reich with foodstuffs and raw materials, it was they who sold on credit to the Nazis; the Germans would only eventually repay by delivering industrial products.

Bureaucratic Hindrances

The assistance that Germany will give to the Russians is limited in every direction. Moreover, even if Germany were

in a position to part with more engineers and larger quantities of machinery than she actually is, it would still be doubtful if any profound change in the Russian economic situation would result from her action. Bureaucracy hampers the efficiency of the Soviet economy and causes much waste of every kind of material. The difficulties which arise out of the attempt to direct the distribution of products from one single centre are partly reflected in the fact that though the standard of living is still comparatively low, the exportable surplus of goods produced in the Soviet Union is much smaller now than before the drive for an increasing production started in 1928.

It is almost certain that the Bolshevik leaders do not contemplate at the present moment the reintroduction of a more elastic system of production. On the contrary, the present tendency seems to be in the opposite direction. It is perhaps significant that recently the farmers were expropriated from their smallholdings which had hitherto allowed them to do at least a little gardening on their own account.

The Germans are not likely to recognise the real cause of the Soviet economic problem, much less to be able to alter it. The proposed Nazi-Soviet economic co-operation is the first of its kind to be practised between two totalitarian Great Powers. An economic collaboration such as that between Britain and France means that each partner delegates part of its own economic-political power to some sort of joint body. A political sacrifice of this kind is obviously much less acceptable to an authoritarian than to a democratic regime; the very omnipotence of the State which on the surface appears as an advantage of totalitarianism turns out to be a serious setback if it is desired to increase economic strength by the joint action of two or more countries. The position will be especially difficult in the case of Germany and Russia, whose governing political parties differ so widely in their outlook.

Soviet Russia has a vast output of many valuable raw materials, and her potential resources are practically unlimited, but her present contribution to Germany's economic war effort could not possibly make up for the losses endured by the Reich as a result of the blockade, nor is this position likely to be altered in the course of the present war.

April 20th.

Scandinavian Balances in United States

[FROM OUR NEW YORK CORRESPONDENT]

THE Treasury has established a "control" or "protectorate" over dollar balances of nationals of Denmark and Norway. The initial description as "freezing" these balances appears to have been inaccurate. The Executive Order requires the assembling of data of the accounts of nationals of the two countries, but authorises withdrawals or transfers under licence. The Press gave a variety of interpretations, none of which could be regarded as official, but whose general purport was that, as this country continued to recognise the previous *de jure* status of Denmark and Norway, it wished to ensure that the status of private property in this country of nationals of Denmark and Norway would not be altered by the *de facto* situation. It is possible that the Order was of a precautionary nature, for there has been no report of a refusal to grant the requisite licence to withdraw or transfer. Although the Order was issued under legislative Acts of long standing, there are no operating precedents, as no such action was taken on the occasion of the occupation of Austria,

Czecho-Slovakia, or Poland. Credits opened by the Export-Import Bank to Denmark, Norway, Iceland, and Sweden have been held in suspense pending clarification of the situation.

On April 16th the Treasury announced that for purposes of customs valuation only the official rate of \$4.03½ for the pound sterling would be recognised, even though the goods invoiced had been purchased with "free sterling," on that day quoted at about \$3.50. This action came as a surprise, as it had been repeatedly affirmed in official quarters that there had been no complaints from interested parties; and this statement was reaffirmed at the time the announcement was made. The same ruling is applied to Dominion imports, and presumably to those of France.

War Boom Subsidies

The production index fell from 109 in February to 103 in March on the adjusted basis. The unadjusted index fell only from 110 to 106. Construction contracts (unadjusted) rose from 54 to 63 and department store sales from 71 to 87. The following table illustrates a curious feature of the production statistics:—

PRODUCTION OF MANUFACTURES (Adjusted for seasonal variations) (1923-25 = 100)		
	Durable goods	Non-durable goods
1939—		
January	88	110
February	84	109
March	80	110
April	76	106
May	71	108
June	82	110
July	88	110
August	92	115
September	103	117
October	123	119
November	130	118
December	141	120
1940—		
January	122	114
February	103	111
March	93	107

The rise in durable goods production was almost exactly 100 per cent. from April to December, and the subsequent decline has erased about five-sevenths of the rise, leaving the March index somewhat above a year ago. The rise in non-durable goods was scarcely more than 10 per cent., and that has been entirely lost. This indicates how completely last autumn's boomlet was a function of war—not that the demands of the belligerents caused it, but that domestic demand was stamped by recollections of the super-heated export trade of 1915-16. At the present time the index of durable goods somewhat exaggerates the level of domestic demand, since it is largely influenced by steel production, and export demand figures more heavily than usual in steel output.

April 18th.

Economic Anomalies in Argentina

[FROM OUR BUENOS AIRES CORRESPONDENT]

THE Central Bank of the Argentine Republic in its report observed that war conditions had removed the disequilibrium in the balance of payments which had existed for many months. It drew attention, however, to the fact that the cost of imports as a result of the war had actually risen by 36 per cent., while the prices realised by Argentine exports showed an average rise of only 18 per cent. For this reason the bank recommended prudence in granting credit.

On March 15th an agreement was concluded with Japan under which Japan will buy from Argentina products to the value of 30 million yen in 1940. The agreement specifically mentions 6,000 tons of wool, 4,000 tons of frozen and preserved beef, and 4,000 tons of casein. Argentina undertakes to grant permits for the importation of Japanese goods within the limits imposed by the interests of the local textile industry and the participation of various countries in the supply of the Argentine textile market.

Perhaps the strangest anomaly caused by the war to Argentina has been in the foreign exchange market. Owing

to the decline of sterling in New York, the free market rate in Buenos Aires is around 15.9 pesos to the pound, while the Argentine authorities are maintaining the official import rate for the great majority of imports at 17 pesos to the pound. Thus, foreign exchange control, originally introduced to prevent too great a depreciation of the currency, is now maintained to keep its value from recovering.

Loss of Customers Abroad

There is much annoyance caused to Argentine producers, especially stockbreeders, because the policy of the Allied Governments not only prevents Argentina selling to Germany, but by the "navicert" system reduces their sales to countries contiguous to Germany, while at the same time the volume of Allied purchases and still more the prices paid for Argentine products are considered insufficient to compensate for the customers lost. The Argentine position is difficult because it is well-nigh impossible to replace Great Britain as a customer, especially since the breakdown of trade negotiations with the United States.

The greatest obstacle to British exports to Argentina is that British prices are very high. The result of this has been to stimulate enormously Argentine domestic industry, which has made extraordinary progress in six months of war. The United States, too, has benefited considerably, since she is the only country relatively unaffected by the war and capable of replacing Great Britain in nearly every line.

Another problem confronting the Argentine Government is that of disposing of a large maize crop when foreign demand is slack, prices are very low and shipping space is scarce. Maize, indeed, is one of the very few Argentine products which have fallen in value as compared with this time last year. Taking average prices in the first two months of 1939 and 1940, maize has fallen 11.1 per cent., preserved meat 10.7 per cent., butter 8.9 per cent., and quebracho logs 7.1 per cent. All other important products have risen in value, the most important increases of price being casein, which is up 135.8 per cent., washed wool 53.5 per cent., frozen meat continental type 43.3 per cent., salted ox-hides 40.4 per cent., wheat 39 per cent., and linseed 26.3 per cent. As this year's wheat and linseed crops were extremely poor, the benefit from higher prices is less than appears.

Canada Settles Down

[FROM OUR OTTAWA CORRESPONDENT]

THE decisive result of the recent general election has produced a state of complete tranquillity in the Canadian political world and it is not likely to be seriously disturbed, as the Opposition forces have been further enfeebled by the defeat of most of the leading members of the Conservative front bench and of some able and experienced figures in the Leftist groups.

Meanwhile, Premier Mackenzie King, before leaving for a holiday in Virginia, announced that he had used authority given by Parliament to create a new Department of Munitions and Supply which will assume all the functions and duties hitherto performed by the War Supply Board. The new department has for the time being been placed under the charge of Mr C. D. Howe, the Minister of Transport, who had been responsible for the Board. The members of the War Supply Board, with the exception of the Chairman, Mr Wallace Campbell, will form an advisory committee to assist Mr Howe, but otherwise the department will function in the same way as other departments.

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 \$40,265,700

TOTAL ASSETS IN EXCESS OF \$1,025,000,000

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 Dods, C. W. Spinnery, 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 Offices: 47 Threadneedle Street, E.C.2 (Edward Pope, Manager)

9 Waterloo Place, Pall Mall, S.W.1 (J. H. Pangman, Manager)

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

In some quarters apprehensions are voiced that political patronage and favouritism, which were supposed to have been eliminated under the regime of the War Supply Board, will now get fresh scope with a Minister assuming direct responsibility for war contracts, and some criticism is being directed at the allocation of two departments to a single Minister, but Mr King hinted that this arrangement might only be temporary.

It was recently disclosed that the British Munitions Mission had since its arrival placed in Canada contracts for munitions and war materials of an aggregate value of 70 millions dollars and is on the verge of placing an additional 17 million dollars' worth of orders. According to a statement issued by the Canadian Bureau of Information the British Government has appropriated a total sum of 445 million dollars for purchases in Canada during the first year of the war; a large proportion of this sum is being spent on foodstuffs, raw materials, aircraft, supplies and manufactured products of various kinds apart from munitions. The preliminary preparations for the Commonwealth air-training scheme have been making good progress, and with the advent of spring the construction of new aerodromes and other establishments required for it is being pushed ahead.

Effect of Scandinavian War

The German seizure of Denmark and invasion of Norway promises to have a considerable effect upon the economic fortunes of Canada. For one thing it will deprive her of substantial markets for her grain and aggravate the problem of the disposal of her huge surplus of wheat, which on March 31st had, according to the Bureau of Statistics, reached a total of 371 million bushels. On the other hand, although the Canadian Bacon Board has announced that no enlargement of the present monthly quota for exports of Canadian bacon to Britain is contemplated until reserve stocks now in Britain are more or less used up, it is regarded as inevitable that Canada will have to be drawn upon to make good the deficiencies created by the cutting off of the large supplies of bacon, butter and eggs which have been procured from Denmark, and that Canadian farmers will benefit as a result. And it is being suggested that Canada, who has been making steady efforts to raise the standards of her export of foodstuffs, may have to sacrifice quality in the interest of quantity.

The Canadian producers of pulp and paper products, who have been profiting since the outbreak of war by the curtailment of the competition of the Baltic countries in the American market, expect that for some time to come this competition will be reduced almost to vanishing point and that they will be able to command almost their own prices from American consumers, at least for certain of the more specialised types of pulp. The price of newsprint, however, is being maintained without any advance for the third quarter of 1940, but those of various kinds of pulp are rising.

Winter has taken its departure, except in the upland regions where there is still a considerable carpet of snow, and the cultivation of the land has begun. During March there was some recession in the general level of business, and a provisional survey of the Bureau of Statistics placed the index for the month's physical volume of business at 122 as compared with 131 in March, 1939. Below are data about the weekly economic index:—

Week ending—	Car-loadings	Wholesale Prices	Bank Clearings	Weekly Index
March 30, 1940	71.3	83.2	90.8	101.6
April 6, 1940	80.8	83.2	89.5	103.5
April 15, 1939	68.0	73.3	97.3	102.4
April 13, 1940	82.0	83.2	98.1	105.6

The setback experienced in March is expected to be only temporary, as underlying conditions are satisfactory.
April 19th.

The OCEAN

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

FOR ALL CLASSES OF INSURANCE

War Finance in Australia

[FROM OUR MELBOURNE CORRESPONDENT]

FOR some time it has been increasingly evident that the Central Bank is endeavouring to exercise very careful control over the Australian market for Government securities with the object of reducing the rate of interest. A review of the Australian gilt-edged market during the past eighteen months indicates that this attempt has met with a considerable degree of success. As international tension grew increasingly acute, control became more difficult, and the redemption yield on Government stocks rose steadily during the first nine months of 1939 until it stood at £4 1s. 8d. per cent. in September. Since war broke out and direct control measures were imposed under the National Defence (Finance) Regulations, the authorities have been placed in a much stronger position to influence the rate of interest. Central Bank purchases of securities to prepare the market for new loan flotations have been supplemented by the Defence Regulations preventing the export of capital, restricting imports and exercising direct supervision over most forms of public and private investment.

Since September, when interest rates reached their highest point for some time, there has been a steady reduction in the yield on Government stocks. On March 1st the first Australian War Loan was opened for subscription and bore the interest rates of £3 7s. 6d. per cent. for five years and £3 12s. 6d. per cent. for ten years. The average yield on Government securities was £3 10s. 4d. per cent. on the day the new loan opened, but when it closed the yield on existing previous issues was £3 9s. 11d. per cent. Although the gilt-edged yield rose slightly during the following days it had fallen to £3 8s. per cent. on April 2nd. Since then it has fallen still further, reaching £3 1s. 7d. per cent. during the week ended April 12th.

Another influence in the direction of lower rates of interest has been the considerable increase in investible funds. The latest Australian banking statistics show that the improvement which was evident last November is continuing:

NINE TRADING BANKS

Liabilities and Assets within Australia

	Feb., 1939	Sept., 1939	Feb., 1940
	£A mil.	£A mil.	£A mil.
Deposits:—			
Total deposits	322.3	314.6	350.5
Advances	284.3	295.8	277.1
Ratios:—			
Cash to deposits %	10.95	10.36	13.13
Advances to deposits %	88.21	94.02	79.05

In February, 1940, total deposits of the nine trading banks had risen by £A28 millions, compared with a year before, and by £A35 millions, compared with September, 1939. At the same time advances showed a decided fall of £A7 millions from the figure in February 1939 and £A19 millions from September last. The ratio of advances to deposits dropped rapidly from the high figure of 94 per cent. in September, 1939, to 79 per cent. in February, 1940. This compares favourably with the ratio of 88.21 per cent. in February, 1939. The ratio of cash to deposits rose to 13.13 per cent., against 10.95 per cent. in February, 1939, and 10.36 per cent. in September last. The figures reflect the increased returns from exports and the earlier export receipts due to the Imperial Purchase Scheme. Exporters' incomes have accumulated and the volume of funds available for investment has markedly increased.

There are, in addition, certain technical factors which have helped to force down the yield on Government securities. The wartime methods of financing exports have tended to divert overseas funds to the Central Bank. The result is that trading banks' deposits with the Central Bank in Australia have risen, and a proportion of these deposits is available for investment in suitable short-term securities and Treasury bills. Further, the terms of the War Loan do not include the clause exempting holders from liability to pay Federal income tax at a rate higher than that ruling in 1930. The Treasurer has also announced that this exemption will not be included in future war loans. A premium has thus been placed on existing loans which do carry tax concessions, and the demand for previous issues by large investors to whom the tax redemption would represent an appreciable benefit has been a factor tending to force up prices.

Existing conditions seem to be favourable for the flotation of additional war loans at low rates of interest. Uncertainty

about the possible future course of interest rates is, however, a deterrent to investors at present. Subscribers to the March loan numbered only 14,000. This suggests that many investors have refrained from subscribing for fear that rising interest rates might later cause a fall in prices involving them in a capital loss. The recent course of interest yields might help to dispel this fear, and the announcement of further restrictions on imports indicates that the authorities will continue to reduce the field open to private investment. If the Government can pursue this policy and give adequate proof of its determination to maintain low interest rates, it will have done much to ensure the success of its war finance.

April 15th.

British Malaya's War Contribution

[BY A CORRESPONDENT]

BRITISH MALAYA is solidly behind Great Britain. During the last war the rulers and peoples of the Federated Malay States presented the battleship H.M.S. *Malaya* to the British Government as well as a number of aeroplanes. And in the last twenty years Malaya has contributed more than £20 millions towards Imperial defence, of which £15 millions has taken the form of cash grants, no mean achievement for a territory populated by less than six million inhabitants. Last year the Straits Settlements alone paid \$15.6 millions for defence—a tremendous sum when it is recalled that the Colony's total revenue was only about \$40 millions.

Penang is no longer the "open town" it was when the *Emden* paid her memorable visit during the last war. Before the naval base at Singapore was constructed in 1938, at a cost of £9,735,000, the nearest docking and repair base for heavy ships was at Malta, nearly 6,000 miles from the Straits of Malacca. To-day the King George VI Dock is capable of accommodating the largest warships afloat. Its situation on the southern side of the Straits of Johore and northern part of the Singapore Island makes it impervious to direct bombardment from the sea. The naval base as well as the city of Singapore is defended by fortified positions along the coast and on the islands guarding the entrance to the harbour and the Straits of Johore. The R.A.F. station at Seletar is continuously expanding; it has flying boats that possess a patrolling range as far as Darwin in Northern Australia and several squadrons of torpedo bombers.

In addition to cash contributions the Straits Settlements, Federated Malay States, Johore and Kedah maintain efficient volunteer forces, and all the States of Malaya combine with the Colony and the F.M.S. in bearing the cost of equipping and maintaining a Royal Naval Volunteer Reserve and a Volunteer Air Force. The Federated Malay States, moreover, by virtue of treaty obligations, defray the cost of a battalion of infantry of the Indian Army stationed at Taiping, and have in addition raised and equipped a Malay regular regiment, which is now an integral part of the defence system of Malaya. Johore, too, maintains a regular military force, which is at the disposal of the Imperial Government in wartime.

Moreover, Malaya is a valuable source of supply of foreign exchange, particularly American dollars, to the Empire. Last year Malayan sales to the United States exceeded purchases from her by at least 12 million United States dollars monthly, and in wartime this figure should be greatly exceeded, thereby contributing materially towards cash payment for British war purchases in the United States. Malaya's trade in merchandise for 1937 to 1939 has been:—

	Exports	Imports
	£	£
1937	104,664,000	84,323,000
1938	66,419,000	63,771,000
1939	85,922,000	72,404,000

The buoyant condition of trade has enabled the F.M.S. Government to wipe off the bulk of an anticipated deficit for the current year, despite \$2.3 millions spent on unemployment relief works at the beginning of 1939 and \$4 millions grant to the Imperial Government for defence. This year large sums are being allocated for irrigation to extend the area under rice. The tin smelting industry has benefited by the closing down of the Arnhem smelter, and most of the Dutch concentrate is smelted in the Straits Settlements.

April 10th.

THE IDEAL INVESTMENT FOR
THOSE WHO ALREADY HAVE THE
MAXIMUM HOLDING OF 500
NATIONAL SAVINGS CERTIFICATES

3%

DEFENCE
BONDS

PRICE OF ISSUE £100
PER CENT

Can be bought in sums of
£5 and multiples of £5

Bonds begin to earn interest
from date of purchase. Repay-
able at par after 7 years with
a premium of £1 on every
£100.

Income Tax not deducted at
source.

May be cashed at any time
on six months notice at par,
plus interest to date. In case
of special emergency, arrange-
ments can be made for
immediate repayment. Maxi-
mum individual holding—
£1,000.

When you buy Defence Bonds
you become an active partner
with the Fighting Forces.

Obtainable at all Post Offices
and Banks.

The
Investment
that
Cannot
Depreciate

LEND TO DEFEND THE RIGHT TO BE FREE

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.)

FROM time to time the newspapers redefine the character of Germany's war economy. The first view during the transition to a complete war economy was that Germany had begun to realise economic socialism pure and simple. Recently the *Voelkische Beobachter* termed the whole process a transformation of private capital into social capital. In a real sense of the word there is nothing left that can be called private. Prices formerly settled by private industrialists are now regulated by the Price Commissar. The principles of book-keeping are laid down uniformly for each industry. New inventions are exchanged between industries under the control of the State. Economic control boards require regular returns about stocks. The nature and quantities of raw materials to be used in factories are settled by the control boards; and wages and working conditions are regulated by the Trustees of Labour, who have power to change individual agreements between manufacturers and workers. The private office of a works manager, once the headquarters for all matters concerning the factory, has become the "executive organ" of the economic as well as the social policy of the State; the private capitalist or industrialist is now the vassal of the State and the community. Private individuals exist no longer in Germany; every German belongs to some organisation, i.e. the Party, semi-party organisations, or economic organisations.

The economic organisations largely responsible for Germany's State-controlled economy have now developed central and regional forms, and the so-called self-governing economic organisations have lost the last vestige of their freedom. Wartime economic organisation centres in the Reich Economic Boards, established by extending the peacetime Boards responsible for the control of foreign trade and the exchanges (*Reichswirtschaftsamt*), with regional branches, the district economic boards (*Bezirkswirtschaftsaemter*). The former self-governing organisations, i.e. *Reichswirtschaftskammer*, industrial groups, the commercial organisations, and the groups of independent artisans have been reduced to being simply advisory bodies. The Reich Economic Board has become a kind of planning centre, and the actual distribution of all industrial orders is carried out with the assistance of the district economic boards. The Reich Economic Board is, in fact, a modern statistical centre, where a census of productive capacity, labour resources, stocks and orders is kept up to date.

A new concentration of industrial activity in the war sector proper of industry and trade has begun. There are more complaints that small industries are overlooked when armament orders are distributed. With the appointment of Dr Todt as Minister of Munitions and the opening of a more active phase of the war, the closing-down of civilian industries has increased.

* * *

Coins and Metals.—The minting of coins is of some interest because of the withdrawal of nickel and copper coins to be gradually replaced by aluminium and zinc coins. Minting during the period January-March, 1940, ran as follows:—

	(Rm. thousands)				
	Minted	Previously minted	Total	With-drawn	Remaining Total
Silver, Rm. 5.00	...	1,089,498	1,089,498	292	1,089,206
" " 2.00	...	252,707	252,707	22	252,685
Nickel, Rm. 1.00	...	419,394	419,394	91	419,303
" " 0.50	...	117,017	117,017	136	116,881
Aluminium, Rm. 0.50	50,924	11,800	62,724	0.5	62,724
" " " 0.10	297	106,035	106,332	116	106,216
" " " 0.05	...	44,660	44,660	25	44,635
Copper, Rm. 0.02	670	9,175	9,845	9	9,836
" " " 0.01	531	12,709	13,240	5	13,235
" " " 0.01	...	...	...	...	2,066,634
" " " 0.01	...	...	...	...	2,091,793
Total, Jan.-Mar., 1940	52,423	...	...	...	2,114,721

The actual increase in the total value of metal coins is thus not considerable, whereas the rise in notes of the denominations of Rm. 2.00 and Rm. 5.00 has been very substantial. The figures show that the withdrawal of nickel coins is a slow process. The withdrawal of copper coins had not begun at the end of March. It may also be seen from these figures that the metal derived from withdrawn nickel and copper coins is negligible compared with the war demands.

The non-ferrous metal collection which ended on April 19th has again concentrated interest on Germany's metal supplies. It was part of Germany's war preparation to increase the output of aluminium in order to substitute it for copper, for which Germany is almost totally dependent on foreign sources.

A recent American estimate shows aluminium production as follows:—

	(Thousands of tons)					
	1937	Per cent. of total	1938	Per cent. of total	1939	Per cent. of total
WORLD	490.6	100	579.9	100	625.0	100
Germany	131.2	26.7	165.6	28.6	185.5	29.7
U.S.A.	132.8	27.1	130.1	22.5	144.2	23.1
Great Britain	19.4	3.9	22.5	3.9	25.5	4.1
Canada	42.6	8.7	64.5	11.1	66.5	10.6
France	34.5	7.0	45.3	7.8	50.0	8.0
Norway	23.0	4.7	29.0	5.0	32.0	5.1
Italy	22.9	4.7	25.8	4.9	28.0	4.5
Soviet Union	45.0	9.2	48.0	8.3	60.3	9.6

(Figures for 1937 and 1938 from the report of the *Metallgesellschaft*, Frankfurt; figures for 1939 are estimates, and Germany includes Austria.)

In 1929 Germany, including Austria, produced only 36,000 tons, or 12.8 per cent. of the total world output. The cheap electric power which Germany gained by the incorporation of Austria made the increase from 1937 to 1939 possible. It is interesting to note that Hungary's exports of bauxite (for aluminium production) increased from 362,000 tons in 1938 to 570,000 tons in 1939. These additional exports were probably bought entirely by Germany to make good the losses in seaborne imports from Yugoslavia during the first months of the war. This year, Yugoslavia, Italy and the United States of America considerably expanded their capacity. Germany aims at an output of 200,000 tons in 1940, but the success of this is dependent on a steady supply of bauxite from Hungary, Italy and the Balkan countries.

* * *

The Reichsbank.—The annual report for 1939 shows another increase in the activities of Germany's Central Bank. Total turnover increased by 21 per cent. to Rm. 1,751,000 millions. The most important items of the report are as follows, in million Reichsmarks:—

	Dec. 31, 1936	Dec. 31, 1937	Dec. 31, 1938	Dec. 31, 1939
Total assets	15,824	18,653	21,223	27,147
Gold reserve	66.5	70.6	70.8	70.8
Foreign currencies, bills and cheques	114	190	197	224
Treasury bills	62	119	121	...
Other bills and cheques	5,756	5,847	7,959	11,201
Advances	74	60	45	30
Securities for note cover	221	106	565	804
Other securities	312	298	299	418
Notes in circulation	4,980	5,493	8,223	11,798
Reichsbank notes in circulation	368	391	382	957
Metal coins in circulation	1,597	1,595	1,784	1,747
Total money in circulation	6,945	7,479	10,389	14,502

* Included in Other bills and cheques.

During 1939 the bank increased the total holdings of bills, cheques, advances, and securities from Rm. 9,139 millions to Rm. 12,574 millions, or by 38 per cent., the biggest annual increase on record. Reich banknotes in circulation increased by the same amount of roughly Rm. 3,500 millions. Total money in circulation increased during 1939 by 39.6 per cent. In 1938 the increase amounted to 38.9 per cent. From 1932 to 1937 the annual increase of the total money in circulation may be termed almost normal, ranging from 1.2 per cent. in 1933 to 9 per cent. in 1936, and only 7.7 per cent. in 1937. The holdings of Treasury bills are no longer shown separately. There is, however, no doubt that they have risen considerably above the Rm. 121 millions reported at the end of 1938. Net profits increased from Rm. 40.7 millions to Rm. 117 millions. During the year several new branches were opened in the occupied territories. The dividend, which was maintained at 12 per cent. until 1937, of which 4 per cent. was paid into the loan stock, remained unchanged at 5 per cent. Rm. 97.8 millions of the net profits were delivered to the Reich Treasury.

THE BUSINESS WORLD

The Remnants of the Reichsmark

THE bewildering kaleidoscope of the German exchange market has lost none of its variety since the outbreak of the war. If there has been a change, it has been to emphasise the contrast between the rigidity of those rates of reichsmark exchange which are dictated by the Government and the violent fluctuations in those which still retain some semblance of freedom. Wherever there is freedom in the German exchange market, as, for example, in the markets for register and security marks, rates have since the beginning of the war moved violently against Germany—so violently as to put in the shade the depreciation of free sterling in which the German propaganda machine seems to find such an unending source of combined glee and self-satisfaction.

For many years past the basic characteristic of the German exchange market has been its watertight sectionalisation and its adaptation to the structure of strictly bilateral clearing agreements through which the bulk of German foreign trade is conducted. This diversification of the exchange market and the exceptionally strict and effective control that goes with it rendered the mechanism readily adaptable to war conditions. The transition from peace to war has called for no appreciable change in the German exchange control system. For eight years it was being gradually forged and perfected to meet the very conditions that arose last September.

To-day, more than ever before, the rates of exchange which count in the German economy are those applied to the clearing agreements operating with those countries with which Germany remains in commercial contact. The paucity of German foreign exchange and gold reserves has completed the dependence of the country's foreign trade on clearing and compensation agreements. The rate of exchange between the reichsmark and the other currency concerned is in each case a matter of negotiation. It is a resultant of politico-economic bargaining and not of any attempt at precise economic adjustment. The artificiality of this structure of clearing rates would be immediately apparent if the balances accumulated in the clearing accounts were in any way interchangeable. But as long as the principle of strict bilateralism obtains, the door is open to every inconsistency in the relation of these clearing rates. One interesting illustration of the process by which they are fixed is provided by the long drawn-out and as yet unresolved dispute concerning the rate to be applied between the reichsmark and the leu in the German-Roumanian clearing agreement.

These rates, it should be added, are but one of the artificial elements entering into the settlement of such barter trade. Others are the often fictitious figures at which German exports are invoiced and the degree of subsidisation which they may receive from the German authorities. The result is to make any comparison of the comparative terms of international trade impossible. There can, for example, be no exact comparison of the prices which Great Britain and Germany are paying for Roumanian oil. The clearing rates of reichsmark exchange, important as they are to German trade, provide no guide whatsoever to the economic parity of the reichsmark. Indeed, the concept of such a parity vanishes in a totalitarian economy such as Germany's, where price control, draconic rationing, selective subsidisation of exports, complete State control of essential imports and prohibition of non-essential imports, have removed every factor making for the natural adjustment of the external value of the currency to its domestic purchasing power. The only indication of gross maladjust-

ment of such clearing rates would be the abnormal accumulation of clearing balances against one or other of the two parties. But even that can be corrected without touching the exchange rate, namely, by the appropriate adjustment of the nominal price of exports from Germany and of the prices paid for imports from the clearing partner.

The danger of these clearing agreements from the point of view of Germany's commercial partners has been adequately illustrated by the fate of the balances owing by Germany to countries with which she is no longer able to trade. The Allied navies stand between Germany and the various South American republics with which a highly ingenious variety of compensation agreements had been negotiated by Germany in recent years. Most of these were based on the use of Aski marks. Although such marks were only available to finance the strictly bilateral trade between Germany and each country concerned, the mechanism differed from that of the ordinary clearing agreement in that the rate of exchange between the mark and the Brazilian milreis or Peruvian soles, or one of the other currencies concerned, remained free to fluctuate within the limits of this bilateral trade. The Aski marks due to Brazilian exporters of coffee to Germany could not, for example, be used to pay Germany for the import of machinery into Peru. There were consequently substantial discrepancies in the quotations for Aski marks in the various South American republics, and during the months preceding the outbreak of war the general drift of these rates was against Germany. The outbreak of the war found most of the South American countries large holders of Aski marks, the quotations for which have become entirely nominal. In Brazil and Chile, countries with which Germany conducted an important volume of trade, the market has ceased to quote a rate for marks. In Peru the rate has been marked down from 2.31 to 1.82 soles to the mark, but there are "sellers only" at the present figure. The "Aski" part of the German foreign exchange market has disappeared in common with the trade which Germany is now prevented from transacting owing to the Allied blockade.

What, then, remains of the German exchange market? There is, of course, that museum piece, the official rate for free reichsmarks, which retains an imposing stability but at which no business is transacted. The official rate is quoted in New York at \$40.20 for 100 reichsmark, equivalent to about 10 marks to the £ at the official sterling rate and 8.75 to the £ at the free rate. There it is likely to remain in undisturbed grandeur. But the sole function of this rate is that of providing a point of departure from which to measure the discount on those species of marks which are still dealt in on the free markets. These are the travel marks, composed of a mixture of "dego" and register marks, and "gift" or benevolent remittance marks, which consist wholly of register marks. The principal markets for travel marks are to be found in Amsterdam and Switzerland. The biggest potential supply of register marks under existing German standstill agreements is that held by American banking creditors, but the outlet for travel marks in the United States is virtually non-existent. The travel mark "cocktail" is now made up as to 25 per cent. of dego marks provided by the Gold Diskont Bank and sold at 30 per cent. of the official rate, that is, at \$12.06 per 100 marks—or about Rm. 33 to the £, taking the official sterling dollar rate, and about Rm. 28 to the £, taking the free sterling rate in New York. The other 75 per cent. of the travel mark is composed of register marks, for which the latest wholesale rate is 20

to 21 per cent. of the official rate, i.e. about \$8.04 per Rm. 100, or say Rm. 50 to the £. In order to derive a rate for travel marks from this concoction one must add the licence fee, which now amounts to \$4.50 per Rm. 100. This fee is retained for the foreign creditors and applied in gradual repayment of their claims.

Out of the sale of travel marks, the German authorities thus collect exchange only in respect of the minor proportion of dego marks which enter into the mixture. Even this, it would seem, is not providing a net equivalent *devisen* income, since the Gold Diskont Bank appears to have satisfied the demand for dego marks, in part at least, by buying up security marks in the international markets. These security marks, which are only available for long-term investment in Germany, have fallen to as little as 6 per cent. of the official free Reichsmark rate. In New York, for example, they would be quoted at about \$2.40 per Rm. 100, or, taking the official sterling equivalent, Rm. 160 to the £. As the Gold Diskont Bank resells these security marks as dego marks at 30 per cent. of the official rate, it makes a very handsome turn in terms of foreign exchange. Though the profit is not as great as it would have been if the dego marks in question had just been created, the operation serves the additional purpose of repurchasing, at a very cheap price, the remnants of foreign investments in Germany.

In the case of the gift, or benevolent remittance, mark, the position is somewhat different. The German authorities obtain no foreign exchange from the sale of these

marks. They consist wholly of register marks sold by foreign banking creditors of Germany, who at present get a rate based on the wholesale price for register marks—about 20 to 21 per cent. of the official rate, plus a licence fee of \$3.75 per 100 gift marks. Before the war there was a limit of 300 marks per month on the amounts which any individual could remit to Germany by this channel. That limit seems to have been removed as far as remittances from the United States are concerned.

In those markets for Reichsmarks which retain some kind of freedom, the position has therefore deteriorated violently against Germany—or, it would be truer to say, against the foreign banking creditors of Germany. On the basis of the data given above, it may be calculated that travel marks in terms of dollars would be quoted at \$15.12 per Rm. 100, and that of this rate \$3.12 would go to the German authorities in respect of dego marks, \$7.50 to the creditors in respect of their proportion of register marks in the mixture, and the remaining \$4.50 also to the creditors in respect of the licence fee. The rate for benevolent marks has recently ranged around \$13.75 per Rm. 100, of which \$3.75 represents the licence fee. The abysmal discounts to which these types of marks have fallen—70 per cent. in the case of dego marks, 79 to 80 per cent. for register marks, 94 per cent. in the case of security marks, and the appropriate figures for the mixtures of these ingredients, are a sufficient measure of the confidence in German currency in the markets that still have the freedom to express it.

Coal in War

THE coal-mining industry has a vital part to play in war as a source of energy for the munition factories, of foreign exchange for the import of essential commodities, and of heat and light for the population. The policy of the industry must be guided by three considerations. First, there must be a sufficient and regular supply of coal for essential purposes at home; the wheels of industry must not be allowed to slow down—as they were earlier this year—through a lack of fuel. Secondly, a special effort must be made to increase exports as much as possible. Thirdly, there must be strict economy in man-power, for not only does coal-mining employ almost exclusively male labour, but the value of the net output per person employed in the industry is still well below the average of all industries—it was £159 in 1935, against the national average of £223; in other words, the estimated requirements of coal must be produced by the smallest possible number of miners.

The first thing that must be determined is the quantity of coal that is likely to be required for domestic and export purposes. In 1937, when industrial production was at its highest level since 1929, the quantity available for home consumption was estimated by the Mines Department at 182 million tons. Owing to the immense demand for munitions it is doubtful whether consumption can be reduced below that level during the war, even if the strictest economy is practised in its use in industry and in the home. (Too severe a limitation of supplies for heating, by increasing sickness, may do more harm than good.)

Exports of coal and of the coal equivalent of coke and of manufactured fuel in 1937 were 44½ million tons; in addition 11½ million tons were shipped to bunkering stations for the use of ships engaged in foreign trade. What are the possibilities of a substantial expansion in exports? In 1937, 3.3 million tons—or 8 per cent. of our total exports of coal—went to Germany, while another 10.2 million tons—or 25 per cent. of the total—were sent to the countries bordering on the Baltic Sea. All these markets, which together absorbed no less than one-third of our total exports in 1937, have been virtually cut off, at least temporarily, as a result of the war. On the other hand, Germany (including Poland) has lost the greater part of her markets in Western Europe and overseas. In 1937 the combined exports of Germany and Poland to

Western Europe, the Mediterranean countries and North Africa, and America were 27 million tons; on balance, it is evident, there is considerable scope for an expansion in British sales. So far as Italy is concerned, the prospect is obscured by political factors. In years of active business conditions, that country imported some seven million tons from this country; but as a result of the imposition of sanctions in 1935 she turned to other sources of supply—chiefly Germany—and in 1937 and 1938 her purchases in this country averaged only 2¼ million tons. It is impossible at this stage to estimate the size of our potential exports in 1940; but a determined search for markets will be necessary if the export trade is expected to absorb the greater part of the increase of 20 million tons in total output called for by the Mines Department.

If total requirements are rightly estimated at a minimum of 260 million tons per annum, means must be found to produce this quantity. But as the programme involves an increase in production of 20 million tons over the 1937 output—the highest achieved since 1929—its realisation is by no means easy owing to the need for economising man-power. (During the last war the output of saleable coal actually declined, from 287 million tons in 1913—the highest level ever reached—to 228 million tons in 1918.) Given an unlimited supply of labour and materials, and ample time, the target figure could be attained without difficulty. But the supply of labour is not unlimited; nor can we hope to add substantially to production by the sinking of new pits, which, besides involving considerable capital expenditure, requires not months but years of preparation. Is the industry in a position to increase the rate of output to 260 million tons per annum from existing pits with the labour force employed in 1937? This is the problem which will have to be solved. It is quite true, of course, that, as a result chiefly of the industrial revolution in coal-mining during the past two decades—the quantity of coal cut by machinery, for example, rose from 8 per cent. in 1913 to 59 per cent. in 1938—a considerably smaller labour force is now required to produce a given quantity of coal than in 1914-18. Thus, in 1913 the total quantity of coal raised (as distinct from the saleable output) per person employed was 260 tons; on the assumption that 98 per cent. of the coal raised in that year was saleable (an assumption based on the experi-

ence of 1920 in respect of which figures are available both on a "raised" and on a "saleable" basis), the output of marketable coal per person employed was about 255 tons. As the corresponding figure for 1937 is 315 tons, the output per person employed in that year was no less than 23½ per cent. higher than in 1913, in spite of a reduction in working hours. Even if no allowance is made for the change in working hours, some 943,000 instead of 763,000 persons would have been required in 1913 conditions to produce 240 million tons of saleable coal raised in 1937. The mechanisation of coal-mining and the consequent saving in man-power of such magnitude which, added to the fall in demand, caused so much unemployment and social distress after 1914-18, is thus proving of considerable advantage in the present war. But the fact that the labour force of the industry has been so greatly reduced in recent years should not lead to the argument that the best way of increasing production is by increasing the labour force. As in every other form of production in wartime, so most particularly in coal-mining, the chief objective must be to save man-power. In any case, the majority of the coal miners who were thrown out of work in the years after the last war and have not yet retired have been absorbed by other industries; for example, the proportion of the total number of persons insured in the industry unemployed on March 11th was only 6 per cent.

Although the fact that coal is by no means a homogeneous product complicates the task, there is no reason why the industry should not be able to produce 20 million more tons per annum than in 1937 from existing pits and with the labour force employed in that year. There are at least three ways in which production could be speeded up: first, by maintaining output at the winter level during the summer months; secondly, by a reduction in absenteeism among miners; and, thirdly, by an increase in working hours.

The maintenance of an even flow of production would not only prevent the waste of labour and plant during the summer, but it would also enable stocks to be built up against an emergency, such as the dislocation of transport which occurred during the cold spell in January and February. The potential increase in production by this means is quite substantial; thus, if the daily output of saleable coal in 1937 had been maintained throughout the year at the level reached in December, the year's production would have been some 15-17 million tons higher than it was. An alternative way of arriving at the same result is by calculating the additional output which could have been achieved if the pits had not been idle, on the average, for 17 coal-winding days through lack of trade (in years less active than 1937 the loss of output through lack of demand has been appreciably greater). If production could be maintained throughout the year with the labour resources employed in 1937, it would therefore be possible to raise at least 255 million tons per annum. And if, in addition, avoidable absenteeism could be reduced and labour disputes eliminated, the Mines Department's figure of 260 millions could be reached. But the practical difficulties in maintaining output throughout the year are many. The chief of them is probably the problem of storage. In the first place, storage capacity is limited; secondly, merchants and consumers (many small private consumers have virtually no storage facilities) cannot be expected to lock up part of their resources in heavy stocks of coal during slack periods. But with Government assistance these difficulties could be largely overcome.

As a last resort, production could be increased by an increase in working hours. Before and during the last war the maximum hours of labour below ground were eight, compared with the present seven and a half. On the assumption that the present rate of output would be kept up during the additional half-hour, an eight-hour day in 1937 would have yielded a further 16 million tons. In practice, however, the additional output would probably have been slightly smaller.

By continuous working, a reduction in avoidable absenteeism, the elimination of trade disputes and an increase in working hours below ground from a maximum of seven and a half to eight per day, the output of saleable coal could thus be raised to 265-270 million tons per annum with the labour force employed in 1937. This

policy requires some far-reaching changes in methods and much closer collaboration between miners and employers. But the changes in method are surely justified by the war; in France and Germany working hours have already been substantially increased. The constitution of the Coal Production Council early in April with the object of speeding-up production suggests that the rate of output has hitherto been disappointing and that the Government is about to make an effort to raise it to the desired minimum level. And as the Council is composed of representatives of both coal miners and owners, with civil servants from the Ministries of Transport and Shipping and from the Mines Department as additional members, the required changes in methods should be facilitated. The failure of the Council through lack of co-operation would be inexcusable.

Lastly, the available coal must be utilised to the best advantage, with special regard to the need for economising it in domestic consumption. This requires a system of priorities and an efficient distribution machinery. Moreover, as coal is likely to be scarce during the war, its price must be controlled. The plan for the regulation of supplies and prices, which came into operation at the outbreak of the war, was discussed on page 181 of *The Economist* of July 22, 1939. It provided for the utilisation of the existing coal marketing machinery in the control of supplies, distribution and pithead prices, and for a system of priorities, supplemented by a rationing scheme. While this machinery remains in existence, the Government tightened its control of distribution in March, when the Mines Department, through its local coal officers, assumed the direction of the flow of coal from pithead to consumer; as a result of this change the Government is in a stronger position to secure the most advantageous utilisation of supplies. So far as prices are concerned, control continues to be exercised through the marketing schemes, subject to an arrangement between the Government and the Central Council of Colliery Owners by which the latter undertook not to raise the general level of pithead prices during the war, except after consultation with, and subject to the consent of, the Mines Department. Wholesale and retail prices were also stabilised at pre-war levels, subject to adjustments justified by higher pithead prices and distribution costs. In view of the rise in costs after the outbreak of the war, some increase in pithead prices was unavoidable; since last September they have risen by 16-17 per cent. In recent months, however, prices have been fairly stable, and it is understood that the colliery owners have not applied for any advance in prices to cover the increase in wages from January 1st and April 1st.

To conclude: if the coal-mining industry is to play its part in the war effectively and efficiently, it will have to depart boldly from the pre-war routine. Much has already been done in adjusting the machinery of distribution and price control to war conditions. But the biggest task will be the expansion of production and exports, with due regard to the need for economising man-power and for ensuring an uninterrupted flow of supplies to domestic and overseas consumers.

A FEDERATION 3/6 for WESTERN EUROPE net

By W. IVOR JENNINGS

Author of *Cabinet Government* and *Parliament*

A really concrete contribution to the problem of Federation. Dr. Jennings, the well-known constitutional lawyer, discusses in detail a Draft Constitution for a Federation of Western Europe which he thinks will work; he invites his readers to consider it, criticise it, and, if necessary, to improve upon it.

CAMBRIDGE UNIVERSITY PRESS

Finance and Banking

Abundance of Money.—Conditions in the money market during the past week have been easier than at any time since the outbreak of the war. The dominant factor in this plethora of loanable credit has been the payment by the Treasury of moneys due on dollar securities acquired by virtue of the second Vesting Order. Market estimates of the total represented by this second batch of dollar securities mobilised by the Treasury range between £60 millions and £70 millions. The authorities do not appear to have gone out of their way openly to neutralise the impact of these disbursements on the credit situation, though there may have been some special selling of bills to the big banks. It is only next week that the issue of Treasury bills is again exceeding maturities, so that the transfer of bills from the tap to the tender issue which has accompanied such operations as the acquisition of dollar securities by the Exchange Equalisation Account and the participation of public departments in the last War Loan must have been effected by direct sales of tap bills to the banks. The switch will become more apparent in the published figures after the time lag required to allow the bills thus sold to run off. They will then have to be renewed by bills openly issued through the tender. The transfer of funds to former holders of the dollar securities is reflected in the latest Bank Return in a fall of £20,947,000 in public deposits and a rise of £22 millions in bankers' deposits. The latter, at £125,447,000, are at a level which fully explains the abundance of funds experienced in the money market during the past week. The impact of these repayments on the short loan situation has been exceptionally direct, because the uncertainties of the war situation have induced many institutional recipients to hold their sterling in liquid form for a time at least. It has certainly been apparent that the Scottish banks, which would hold the accounts of the Scottish investment trusts so largely affected by the latest Vesting Order, have been

particularly overburdened with resources which on certain days of the week have been largely unlendable. The discount market has been induced by the superabundance of funds to resurrect its hopes of some downward adjustment in clearing bank money rates, but for the time being these hopes appear to have little justification.

* * *

Empire Exchange Control.—Canada and Australia have taken steps this week to implement their part of the Empire exchange control scheme and the mobilisation of their gold and exchange reserves. In Canada, an Order-in-Council has been issued requiring resident holders to sell their holdings of foreign exchange to the Foreign Exchange Control Board. These holdings had to be registered with the Control Board soon after the outbreak of the war, and any disposal of such holdings has had to receive the sanction of the Board. This, however, is the first requisitioning order that has been made in respect of Canadian residents' foreign currency assets. These assets are almost exclusively expressed in United States dollars. According to the Federal Reserve Board estimates, the balances of Canadian residents in the United States amounted to \$89,000,000 on the outbreak of the war. In addition there were marketable security holdings of \$125,000,000. No part of the latter has yet been mobilised. This first requisitioning Order is to apply to the Bank of Canada, and the whole of its gold and foreign exchange reserve is being transferred to the Control Board. Canada is thus following the British precedent of concentrating all the gold and exchange reserve in the exchange authority. According to the return dated April 17th, the Bank of Canada held gold and foreign exchange reserves to the tune of \$277.4 millions. In Australia, the first vesting Order for the compulsory acquisition of certain dollar securities by the Commonwealth

Treasury has been issued this week. The Order refers to twenty stocks which probably represent the majority of Australian residents' investments in the United States and Canada. The machinery proposed for the disposal of these securities differs from that applied in Great Britain. The disposal of the specified securities is left to the individuals concerned, who are merely instructed to sell half their holdings within three months and the other half within six months, and to lodge the net proceeds of their sales in the Commonwealth account in New York. This procedure is made possible, and is indeed justified, by the comparatively modest proportions of the potential selling from this source.

* * *

Direct Purchases of Empire Gold.—Arrangements have now been completed for the direct purchase of South African and Rhodesian gold during the war by the Bank of England, acting for the British Treasury. Under these agreements the Bank takes delivery of the gold in South Africa, where it pays the full official price of 168s. per ounce and takes upon itself the cost of shipping the gold to its ultimate destination. As far as South Africa is concerned, the Union Government is expected to take the whole of the benefits accruing from the agreement. Under the proposed modification in mining taxation embodied in the recent South African budget, the companies are to be allowed the official price of gold but will be debited with the full realisation charges—whether or not they are actually borne by the South African Government. As hitherto, the mines will sell their gold to the Reserve Bank for account of the Union Government. In the case of the Rhodesian gold, the cost of packing and delivery to the South African Reserve Bank will be borne by the producers who, incidentally, will continue to bear the tax on the excess of the price over 150s., which was imposed soon after the outbreak of the war. The principle of direct British Treasury purchases of South African gold is far from new. It came into operation soon after the setting up of the Exchange Equalisation Account, which, by special agreement with the South African Reserve Bank, bought the South African gold which until then had been disposed of in the open London market. During the course of 1939 the gold so purchased was in part earmarked in South Africa in order to disperse the country's gold reserve. The new feature of the recent agreement is the implication that London is no longer the centre to which newly mined gold converges and from which it is redistributed. There are cheaper ways of getting that gold to its ultimate resting place at Fort Knox, Kentucky.

* * *

German Standstill Receipts.—Although every British bank with claims under the German Standstill agreement decided on the outbreak of the war to write these off and remove them from the balance sheet, this does not by any means indicate that all revenue from this source has been abruptly stopped. In the first place, certain

moneys derived from the fees payable on pre-war sales of travel marks which had been accumulating in sterling with the paying agents in London are now being distributed to the London creditors. The amount is not large, but on an investment written down to zero it constitutes a welcome return. Once this little nest egg has been emptied, however, there will be no further revenue from this source. Certain banking creditors of Germany—both in respect of Standstill and other credits—have moreover shown a commendable resourcefulness and fighting spirit in endeavouring to recover part at least of their claims. One of the devices used has been to transfer to a trust, established in a neutral country, the claims which became repayable at call with the outbreak of war and the repudiation of the Standstill agreement. Such a trust, domiciled in Holland, has instituted proceedings for recovery from the German debtors in question who happened to have assets in that country. The necessary "stops" were immediately placed on these guilder assets and this week the matter came before an Amsterdam tribunal. Its finding was in favour of the creditors in respect of claims amounting altogether to £46,590. This is not only good business, it is excellent economic strategy.

* * *

Hambros Bank.—The course of recent events in Scandinavia and the knowledge of the intimate ties which link Hambros Bank with such countries as Denmark and Norway have caused the accounts of that bank to be studied with more than usual interest, and they have emerged with credit. The most immediate effect of the war was the complete writing off of the bank's claims under the German Standstill Agreement. The provision for these and other bad and doubtful debts has been made from contingency account, to which the whole of the £1,400,000 held in the general reserve account has been transferred for this purpose. Since the report states that the inner reserves have been maintained, it is permissible to assume that the amount in question proved fully adequate to write off these now doubtful assets. The acceptances have been reduced over the year from £11,410,000 to £3,667,000, a movement which must register a considerable reduction in earning power. The latest total, it should be noted, represents new credits granted since the outbreak of war, which have received the sanction of the authorities. On the outbreak of the war, all outstanding facilities to overseas clients had to be cancelled in accordance with the Defence Regulations. The report states that the deposits held on Norwegian and Danish accounts exceed in the aggregate the engagements of clients in those countries to the bank. The big reduction in acceptances is accompanied by a fall in deposits from £15,249,000 to £10,508,000. This last item was covered on March 31st last to the extent of about 70 per cent. by cash, bills and British Government securities. The position is thus one of the most reassuring liquidity. The lower earning power is reflected in a fall of £59,000 to £211,000 in profits. The dividend has been reduced from 18 to 12 per cent.

MONEY MARKET NOTES

ONCE again the only change among the officially quoted currencies has been shown by the belga, which on Thursday depreciated from 23.75-90 to 23.85-24.00. On Wednesday and Thursday unofficial rates tended to move against sterling in sympathy with the weaker trend of sterling in New York, where the Norwegian news has probably caused the decline in the rate. On Wednesday it closed at 3.49½, a drop of 1½c. on the day, and it opened weak on Thursday. An interesting movement on that day among the unofficially quoted currencies in London was a slump from 4½d. to 3½d. in the Chinese dollar. This was probably the result of speculation in Shanghai, for it is understood that there has been no change in the policy pursued by the Stabilisation Fund.

The extraordinary ease experienced by the money market this week is discussed in a Finance Note. As a result Greenock Corporation has been able to secure very favourable terms for £100,000 six-month bills, which were placed at an average rate of 1½ per cent. At last week's Treasury tender the discount market syndicate only obtained a 36 per cent. allotment quota, and the average rate of discount was again slightly lower at £1 0s. 4.98d. per cent. This week the amount of bills on offer—£60 millions—is greater than the maturities for the first time since the seasonal reduction of Treasury Bills began in January.

The chief movement in the Bank Return is the big increase to £125.4 millions in bankers' deposits, with a

corresponding decline in public deposits, owing to the payments for dollar securities made under the Vesting Order and also to the first-of-the-month dividend distributions. This readily explains the plethora of credit in the money market. The note circulation shows a small rise of £3.9 millions, presumably owing to end-of-month requirements.

*

Silver has had a firm week, although the market continues to be very narrow. There has been a sharp advance in Bombay, possibly due to expectations that the Silver Purchase Act will not after all be withdrawn, and London has followed the upward trend to a level which has not been reached since the beginning of February.

* * *

Legal and General.—The Legal and General is one of the most progressive of the offices writing life business. Even in 1939, when conditions were decidedly unpropitious for life assurance, its large life fund increased from £41.1 millions to £44.3 millions. New sums assured admittedly declined, but the total reached £13.67 millions, against £16.57 millions in 1938, and the major part of the decline was on decreasing term and group business, which totalled £7.24 millions against £9.27 millions. Excluding reversions, the rate of interest earned on the life and annuity fund was 4.06 per cent. net, compared with 4.13 per cent. in 1938. In view of the much larger burden of taxation, this is a particu-

INSURANCE NOTES

larly small decline, and the rate was higher than that recorded by most offices, even when calculated on the total funds, including reversions.

The following table shows that total premium income was almost as great as in 1938:—

TABLE I Premiums		
	1938	1939
Life	4,807,174	5,075,729
Annuities	1,159,350	868,853
Cap. Red.	315,341	204,791
Perm. sickness	12,304	11,730
Fire	352,639	378,740
Accident	209,293	202,538
	6,856,101	6,740,381

Both the fire and accident departments recorded excellent results. Underwriting profits were consider-

ably larger than in 1938 and amounted to 13.4 per cent. of earned premiums on the fire business and 12.5 per cent. on the accident. These are very satisfactory ratios. The company has charged a loss on realisation of investments to profit and loss account. Net transfers to that account were as follows:—

TABLE II Profit and Loss Transfers		
	1938	1939
Fire underwriting profit	32,067	50,682
Accident do.	9,874	25,280
Interest (ex. life ann. and cap. red.)	80,046	75,374
Prof. on invests.	69,404	Dr. 89,328
	191,391	52,008

Allowing for the 1938 dividend and bonus, transfer to staff pensions, and

THE MONEY MARKET

	May 4, 1939	Apr. 25, 1940	May 2, 1940
Bank Rate	2	2	2
London Deposit Rate ..	1½	1½	1½
Short Loan Rates:			
Clearing Banks	1½-1*	1-1¼†	1-1¼†
Others	3½-7½	3½-1	3½-1
Discount Rates:			
Treasury Bills (3 mth.)	1½	1½	1½
Three months' bank bills ..	1-1½	1½	1½

* Viz., 1½ per cent. for loans against Treasury bills and other approved bills and British Government securities within six months of maturity. † ¾ per cent. for loans against 1 per cent. Treasury bonds and other gilt-edged stocks within six months of maturity. ‡ 1 per cent. for loans against other collateral.

THE BANK RETURN

	May 3, 1939	Apr. 17, 1940	Apr. 24, 1940	May 1, 1940
Issue Dept. Gold	£ mill.	£ mill.	£ mill.	£ mill.
Value per oz. fine ..	226.2	0.2	0.2	0.2
Notes in circulation	148s. 5d.	168s. 0d.	168s. 0d.	168s. 0d.
Banking Dep. Reserve ..	495.5	537.5	537.1	541.0
Public Depts. Bkrs' Depts.	31.5	43.7	44.1	40.3
Other Depts. Govt. Secs.	10.5	28.7	40.7	19.8
Dis. & Ads. Other Secs.	108.2	115.0	103.4	125.4
Proportion	37.0	39.7	40.6	44.9
	111.9	129.4	130.6	139.0
	8.2	4.9	4.9	5.9
	21.9	23.0	22.8	22.6
	20.1	23.8	23.8	21.2

THE BULLION MARKET

	Gold	Silver
Date	Price per ounce fine*	Price per oz. standard
		Cash
1940		Two Mths.
Apr. 26	s. d.	d.
" 29	168 0	20½
" 30	168 0	21
May 1	168 0	21½
" 2	168 0	21½

* Bank of England's official price.

the reserve for taxation, the carry-forward is £271,996, against £353,774 brought forward at the beginning of 1938. The directors recommend a dividend of 2s. per share on July 1st next, making a total of 3s., less tax, per £1 share. This compares with 2s. per share plus a bonus of 3d. per share, both free of tax, for 1938. The assets total nearly £51 millions; there are investment and general reserves of £2 millions.

★

London Life.—This mutual office makes an annual valuation. In 1939, interest was assumed at only 3 per cent. instead of 3½ per cent. However, the bonus reserve method is used, which takes account of future bonuses at given rates, and the lowering of assumed interest earnings was rather more than offset by the reduction in these rates. In the result, the total surplus was £392,376, against £535,885 the previous year. Allocations to policyholders were lowered by about one-half in total and £315,000 was transferred to reserve, £109,358 being unappropriated (against £151,487 in 1938). New life assurance business totalled £2,010,369, against £2,700,913. The directors applied the whole of the investment fluctuation reserve of £1.4 millions to write down the value of the assets, which stood at £29.8 millions in the balance sheet. In consequence, the book value of securities was less than the market value at the end of the year. Net interest earned was 3.54 per cent. against 3.75 per cent. in 1938. The office pays no commission and therefore its expense ratio was at the low figure of 5.24 per cent. for 1939, ignoring the allocation to staff superannuation from the surplus (£15,000).

★

Eagle Star.—The Eagle Star accounts for 1939 are remarkable for an increase in underwriting profit in every department except the life department, where the incidence of valuations makes a strict comparison impossible. Total premiums also increased. The figures include those of subsidiaries:—

	1938	1939
	Earned Pre-miums	Under-writing Profit to P. & L.
Fire	812,864	54,447
Accident	100,779	12,995
Emp. Lty.	296,520	900
Motor	1,616,834	18,402
General	494,150	94,973
Marine	275,060	426,900
Life & Cap. Red.	1,367,692	*99,548
Annuities	136,417	1,301,638
Trustee, etc., fees	...	169,941
Interest (ex Life and Cap. Red.)	5,100,316	300,633
		5,156,752
	358,901	336,007
	659,534	608,326

* 1938—Shareholders' profits from "Star" fund, 1938 valuation (£53,348), from non-participating policies (£40,000), and from capital redemption profits (£1,200); 1939—Shareholders' profits from "Sceptre" fund, 1938 valuation.

There was a slight falling-off in premiums in the important motor department, no doubt resulting from the war, but a small profit was nevertheless earned. The marine department showed great expansion and made a welcome contribution to profits. Fire premiums increased and the profit ratio was 7.3 per cent.—a satisfactory figure. Life new business declined drastically, the net total of new sums assured being

£5,835,877, against £10,313,261. The sharp diminution was no doubt largely in group life assurances, but this particular type of business, in which the company specialises, has improved considerably recently.

After allowance for the 1939 dividend, certain expenses not charged to other accounts and taxation, the carry-forward from the profit and loss account was £493,365, against £402,134 brought forward.

Net interest earnings (excluding those on the life, annuity, and capital redemption funds) were sufficient, after deducting the company's preference dividends, to meet the unchanged dividend of 30 per cent., less tax, on the ordinary shares, with 9 per cent. to spare—a performance which few companies can equal. Assets totalled £28.8 millions at the end of 1939, and the investment reserve of £650,000 was more than sufficient to make good the depreciation on securities. In addition, general reserve stands at £2.5 millions.

★

Atlas.—The two most important of the non-life departments of the Atlas showed slightly less favourable results last year:—

	1938	1939	1938	1939
	Fire	Life	Employers' Liab., Accdt. and Genl.	Life
Earned prem.	1,769,500	1,745,812	650,767	663,318
Claims ratio ...	42.0	42.4	50.4	53.2
Expenses ratio ...	48.5	49.8	41.4	40.1
Underwriting profit	9.5	7.8	8.2	6.7

Total underwriting profits in both departments, which were transferred to profit and loss account, amounted to £179,707 in 1939, against £222,185 in 1938. The marine department, which showed a considerable increase in premiums from £157,061 to £186,128, contributed £30,000 to profit and loss, against £40,000 in 1938. A sum of £29,587, compared with £34,081 in 1938, was transferred to the profit and loss account from life premiums for shareholders in lieu of a part of life profits. Allowing for the interest on non-life funds credited direct to profit and loss (£107,876, compared with £120,247) and for fees received (£1,455, against £1,124), the total amount to the credit of profit and loss, including the sum of £359,572 brought forward, was £708,198 (against £744,457).

The directors have applied £75,000 of this amount towards writing off securities and property, in addition to £257,535 transferred direct from the life account for writing down investments. The dividend for 1939 is 10s. 6d., less tax, compared with 8s., free of tax, in 1938. The amount carried forward from the profit and loss account is £367,052 (compared with £359,572).

The life fund totalled £15.7 millions at the end of the year, and the year's life premiums were £1,164,038. Consideration money for annuities was £476,868. New sums assured fell from £4,042,720 to £2,999,429 and the net interest earned from 4.16 per cent. to 3.81 per cent.

Total assets of the Atlas and subsidiaries at the end of the year were £21.9 millions, the book value of Stock Exchange securities being less than the market value.

★

General Accident Fire and Life.—Most of this company's business is in accident insurance (despite

its rapid development in recent years in other classes), the United States being an important source. Thus the accounts for last year reflect the rather less favourable conditions which prevailed in American casualty insurance. The outbreak of war also had adverse effects upon accident business, especially in the motor branch. In the circumstances, it is very satisfactory that earned premiums in the accident and general account for 1939 were only slightly lower at £8,428,220 against £8,541,303. The ratio of claims to earned premiums was 58.3 per cent., compared with 56.3 per cent., and expenses also were rather higher at 38.0 per cent. against 37.1 per cent. Consequently the underwriting profit was reduced to £312,104 (3.7 per cent. of premiums), compared with £561,295 (6.6 per cent.) in 1938. Fire business brought in premiums of £741,231, an increase of £13,578, and yielded an extremely satisfactory profit of £182,270—no less than 24.6 per cent. of earned premiums. In 1938 the corresponding figure was £176,494, or 24.1 per cent. The marine account drew upon profit and loss to the extent of £10,000, but this was an improvement on 1938, when £66,000 was needed. The net transfer to profit and loss from the fire, accident and marine accounts was £484,374, against £671,789 in 1938.

There was naturally a falling-off of new life business last year, the year's total being £1,507,119, against £2,611,070 in 1938. But the life assurance fund increased by £191,898 to £5,721,723. The directors, in suspending the interim bonus until after the next valuation, have adopted the conservative course followed by some other offices. Net interest earned (excluding that received on the life and capital redemption funds and deducting the preference dividend) amounted to 114 per cent. of the cost of the dividend of 70 per cent., less tax, on the £1 ordinary shares—an outstanding achievement.

★

Scottish Union and National.—A satisfactory feature of the Scottish Union accounts is the increase in total premiums last year. This is mainly due to a sharp advance in marine premiums, presumably resulting from higher premium rates and war risk business. There was also an increase in premium income on employers' liability business. Miscellaneous premiums also expanded, and declines in fire, accident and life premiums were small.

	Premiums		Underwriting Profits to Profit and Loss	
	1938	1939	1938	1939
Fire	£ 984,600	£ 968,938	£ 86,573	£ 77,725
Accdt.	23,095	22,764	1,925	2,148
Emp. Lty.	61,682	68,818	2,460	1,709
Misc.	252,536	267,570	36,726	*2,429
Marine	405,294	494,710	...	...
Life	1,727,207	1,822,800	49,312	80,593
Annuities ...	841,146	833,982	...	...
Cap. Red. ...	58,208	45,388	...	...
	7,790	10,529	...	...
	<u>2,634,351</u>	<u>2,712,699</u>		
Interest (ex Life annuities and Cap. Red.)			134,074	130,346

* Special reserve of £100,000 extinguished.

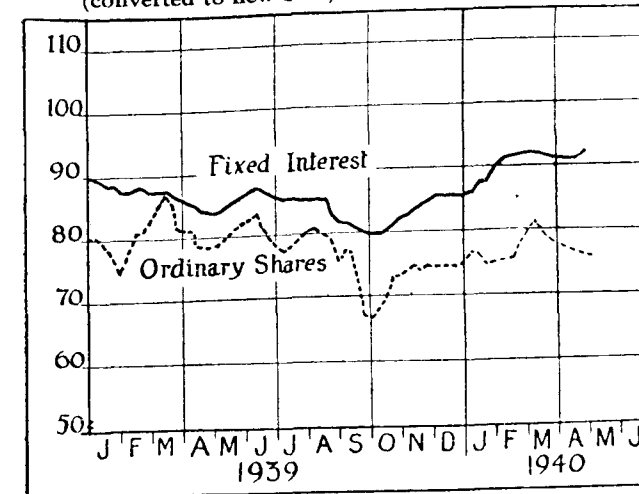
Thanks to a profit on miscellaneous business, against a large loss in the previous year, total underwriting profits rose from £49,312 to £80,593. The miscellaneous account includes advances on medical practices; these involved considerable losses in earlier

(Continued on page 821.)

Investment

Gilt-Edged to the Fore.—Nothing has illustrated the power of investment funds operating in a closed capital more strikingly than the rise in the Funds this week. The release of purchase moneys for the second requisition of dollar stocks has succeeded, against adverse news from Norway and ominous rumblings from Italy, in lifting Old War Loan by a point, compared with the end of last week, and substantial rises have occurred in other long-dated stocks. The market's reaction to the Budget—to favour gilt-edged rather than equities—has thus been powerfully reinforced. Moreover, the advance in gilt-edged has been

FIXED-INTEREST AND EQUITY SECURITY MOVEMENTS (July 1, 1935 = 100)
Financial News indices of 20 fixed-interest securities (converted to new base) and 30 ordinary shares.



concentrated on the long-dated stocks in preference to the shorter-dated issues. There are those, indeed, who argue that the traditional value of a date is no longer worth paying for on the old scale. Old War Loan, on a 3½ per

cent. basis, now compares with short-to-medium stocks on a 3 per cent. level. That is the scale which the Chancellor himself has laid down, and it has introduced a certain rigidity in the relationships of different sections of the gilt-edged market, which formerly were sensitive and plastic. By contrast, the equity market this week has moved in counterpoint to gilt-edged, thus continuing a trend which has been apparent for a month or more, as the attached chart suggests. For the time being, dividend limitation has frustrated what little incentive existed in the equity sections. The actual task of working out its implications for individual companies is giving brokers much correspondence, but little or no business. And the market has shown considerable concern regarding the possible consequences of the Purchase Tax (on which Sir John Simon shed some slight additional light this week) for such companies as Marks and Spencer and Woolworth. The success of these organisations in the past has been largely based on a rising standard of living and falling prices, and both conditions are likely to be negated during the war.

★ ★ ★

Dividend Limitation Explained.—The Budget Speech is the Chancellor of the Exchequer's most important parliamentary occasion. He expects the most careful attention, and receives it. Members and the public are entitled to feel, in return, that the Chancellor means what he says. Unfortunately, on the subject of dividend limitation, Sir John Simon said very little in detail in his Budget Speech, and even part of that little was, strictly interpreted, the reverse of his "present ideas" on the question. It is hardly surprising that the Chancellor has not been a popular figure in the equity market this week. His amplification of dividend limitation was given late on Thursday last week, after the article on "Limited Dividends and Equities" had been passed for the press, and it answers some of the questions which were then posed. Companies are, as we

(Continued from page 820.)

years, but changes effected to put it on a remunerative basis have apparently had effect, for the directors have not had to replenish the special reserve of £100,000 which was absorbed during the year. Fire yielded a rather smaller profit, but there was a slight improvement in the accident account balance, and the loss on employers' liability business was reduced. There was again no transfer to profit and loss from the marine account. New life sums assured totalled £1,365,089, against £2,539,368.

Last year the sum of £300,000 was absorbed from accumulated profits to double the shareholders' capital. The latest dividends of 5s. 3d. on the "A" shares and 20s. 7½d. on the "B" shares have thus failed to maintain the total distribution, since the 1938 dividends on the smaller capital were 13s. and 48s. 9d. respectively. Assets totalled £17.5 millions at the end of 1939.

★

Caledonian.—Taking all departments together, the earned premiums of the Caledonian Insurance Company in 1939 were higher than in the previous year, thanks to a rather surprising advance in the accident department and an even greater relative increase in marine premiums. The accident account did not, however, contribute quite so much to profit and loss as in 1938, but the transfer from the marine account was increased. The fire profit was not quite so satisfactory; the percentage to

earned premiums was 6.6 per cent. The figures are given below:—

	Earned Premiums		Underwriting Profit to Profit and Loss	
	1938	1939	1938	1939
	£	£	£	
Fire	705,969	695,456	51,782	45,989
Accident	540,983	564,550	29,501	23,767
Marine	111,187	121,847	5,000	7,500
Life, annuities and leasehold redemption	754,768	735,292	12,872*	...
	2,112,907	2,117,145	99,155	77,256
Interest (on life, annuities and leasehold redemption)			74,775	70,430

* One-third shareholders' profits at 1936 valuation.

Owing to unsettled conditions, the directors decided to postpone the valuation in the life department, which would normally have taken place at the end of the triennium 1936-39, but which need be made only at five-yearly intervals. There is, in consequence, no transfer to the profit and loss account from the life account. Life new business fell from £2,102,749 net to £1,454,772, and earned interest declined to 3.63 per cent. net (excluding reversions), compared with 3.84 per cent. in 1938.

After provision for taxation and bad debts, transferring £50,000 to general reserve and £10,000 to accident additional reserve, the carry-forward is £231,528, against £283,158 brought forward. The dividend is maintained at 15s. per £5 share, less tax.

Stock Exchange securities in the life

fund (£8.7 millions) showed a depreciation of 3½ per cent. at the date of the balance sheet, but securities included among the non-life assets (totaling £3.4 millions) recorded no depreciation.

★

Provident Association of London.—A large part of this company's assets (about 54 per cent. of the total of £15.2 millions) consists of advances on house property to its assured. It specialises in the combination of life assurance with house mortgages—the advances being mostly of moderate amounts. The company's investments on house property are naturally subject to the war risk, but it should be remarked that there is an investment reserve of £550,000 and a general reserve of £750,000. Despite last year's conditions, the amount outstanding on mortgages increased by £361,961, and the total funds by £487,669. The market value of Stock Exchange securities at the end of 1939 exceeded book values. The total credited to profit and loss from the various accounts was £179,847, which, with last year's carry-forward of £222,577, made a total of £402,425 available. The ordinary dividend is repeated at 10 per cent., free of tax, and after making a transfer of £50,000 to investment reserve, the carry-forward was £239,334. Following the annual valuation, the directors have allotted a reversionary bonus of £1 12s. per cent. in the ordinary branch, compared with £2 10s. per cent. the previous year.

presumed, to be allowed to distribute a dividend not greater than the largest distribution made in three pre-war years, which are the three accounting years ending after June 30, 1936, and before July 1, 1939. The limitation is not governed by the rate of dividend, but by the gross amount of the dividend, before deduction of tax. Hence, for companies whose dividends are shown net, after tax (whether declared gross or free of tax) the investor will have to compute the equivalent gross sum at the standard rate of tax which applies—a point which will affect Imperial Tobacco and "Shell" Transport shareholders, among others. Secondly, it transpires that when the Chancellor referred to the alternative dividend standard as a minimum of 4 per cent., he really meant maximum, at least in the lay sense, though he argued for his use of the word that it represented a minimum right to pay. But plainly it is a maximum for the only companies to which it applies—namely those whose highest dividends did not reach the equivalent of 4 per cent. in any of the standard years. Provision is to be made for new companies, and the Chancellor intends to provide for increases of capital (presumably for cash, since bonus share issues before the Budget ban do not affect current profits). Moreover, applications for a higher dividend standard will be considered in special circumstances. Finally, payment of arrears on preference capital will not, apparently, be affected, though the ordinary shares of such companies will, of course, be limited to the 4 per cent. standard. If these relatively simple details had been clearly disclosed in the Budget Speech, the ordinary share investor would have been spared much unnecessary confusion.

Maximum Railway Dividends.—This week, Sir John Simon has disclosed that main-line railway ordinary stocks are to come under the dividend limitation rules. The railways have not been spared on the grounds that they are statutory companies, and the marginal stocks have been shaken by the news. Great Western ordinary (which actually paid the maximum dividend within the standard years) fares worst, for already at Stage 2 earnings under the agreement it would be earning 4.6 per cent. At the other extreme, Southern stockholders escape, for the preferred ordinary stock (which in any case received full payment in the base years) would presumably not be strictly regarded as an equity, since its maximum dividend is limited, while the deferred stock is only entitled to 3.2 per cent. at its maximum earnings stage. This point, however, clouds the dividend possibilities of L.N.E.R. preferred ordinary, though these belong to a fairly advanced phase of Stage 3 earnings. Finally, L.M.S. ordinary would be subject to a 4 per cent. maximum before earnings reached London Transport's maximum. It may be noted that Sir John Simon's answer did not include any reference to London Transport. Presumably the Board does not rank as a public company, nor its "C" stock as ordinary capital.

Non-Registered Dollar Stocks.—The requisitioning orders taking over the dollar stocks from British holders have technically referred only to securities registered at the Bank of England. Foreign securities which should have been transferred to the Treasury under the requisitioning orders, but which, in fact, were not transferred because they were not registered at the Bank at the date of the orders, will now be subject to an additional rule in the Defence (Finance) Regulations. This empowers the Treasury to acquire such securities "at a price not less than either the original acquisition price or the current market price, whichever be the lower." The effect of the

order, which does not appear to lay any new penalty on holders who failed to register their securities at the outbreak of war under the original regulations, is apparently to discourage postponement of registration on any false hope of receiving more favourable prices than the Treasury has offered, should the market improve later.

Company Notes

Marks and Spencer Omit Scrip Bonus.—Sir John Simon's Budget statement regarding dividend limitation was clear on at least one point—that scrip bonuses would, in general, be prohibited. The directors of Marks and Spencer have immediately conformed with this rule, and have broken the long succession of 10 per cent. capital bonuses. Profits (apparently struck after depreciation and debenture interest) have increased substantially from £1,781,958 to £2,378,954, but the claims of taxation have raised the charge from £374,444 to the vast total of £1,165,745—a figure which is actually increased by tax deducted at source from shareholders' dividends, since the latter are shown gross in the accounts. The figures given in the preliminary statement suggest that ordinary share earnings have been reduced from £1,265,018 to £1,069,979, and the latter sum, if confirmed, would mean that, in the absence of dividend limitation, the maintenance of the cash dividend and the 10 per cent. scrip bonus would have been covered with only a small margin, in contrast to earlier years. In the following table, the latest profit figures are based on the preliminary statement:—

	Years to March 31st		
	1938	1939	1940
Profits, after depreciation and debenture interest	1,092,149	1,781,958	2,378,954
Debiture redemption	11,760	12,495	13,230*
Taxation	325,699	374,444	1,165,745
Staff fund	25,000	25,000	25,000
Preference divs.	105,000	105,000	105,000
Ord. and "A" ord. shares—			
Earnings	1,134,990	1,265,018	1,069,979*
Paid	742,605	816,865	898,552
Earnings " "	73.5	74.7	55.5
Paid " "	42½	42½	42½
Capital bonus " "	10	10	Nil
Properties contingency reserve	64,598	93,022	Nil
General reserve	324,730	342,203	Nil
Carried forward	85,641	98,569	269,990

* Estimated.

No allocation has been made to properties contingencies reserve nor to general reserve. The 5s. shares recovered smartly before the bonus decision was announced to 46s. 6d., but they have since reacted to 42s. 9d., at which they offer a dividend return of £4 19s. 6d. per cent., and an earnings yield of 6½ per cent. The cash return has thus been brought into line with that obtainable on other front-rank equities which have not offered regular scrip bonuses in the past.

Ford Motor Dividend Limited. Technically, the Ford Motor Company's directors were quite in order in declaring, on Thursday last week, a dividend of 7½ per cent. on the ordinary capital. At the time of their decision, the Chancellor of the Exchequer had yet to give his fuller explanation of dividend limitation. When he spoke, later in the evening, he appealed for observance of the spirit of the rules, even though they lack statutory force as yet. The Ford directors on Monday decided, in accordance with the Chancellor's wish, to conform with the amplified dividend limitation provisions. They have, therefore, revised their recommended dividend from 7½ per cent. to 6 per cent. This is the highest rate paid by the company during the financial years ending after June 30, 1936, and before July 1, 1939, and was actually distributed for 1936. The market's reaction to the change was to mark down the £1 stock units from 18s. to 17s., but they have since recovered to 18s. The Ford case obviously represents the dividing

line between uncontrolled and limited dividends. For companies which have already increased their dividends, on the recommendation of their directors and with the approval of shareholders, before dividend limitation was announced, the increased payment will presumably stand. A typical instance among the small number of companies of this sort is Dunlop Rubber, whose increased distribution of 12 per cent. will apparently hold good. But in calculating the dividend yield on the ordinary stock, it will be necessary to disregard the additional 3 per cent. over the company's uniform rate of 9 per cent., paid in the three pre-war calendar years.

Johnson and Phillips Dividend Policy.—The directors of Johnson and Phillips, in recommending a final dividend of 7½ per cent. for the calendar year 1939, appear to suggest that the company's circumstances provide a special case for which dividend limitation may be modified. They state that they had intended to recommend a final dividend of 10 per cent., making 17½ per cent. for the year, but that, in view of the Chancellor's Budget statement, they feel it their duty to recommend a final dividend at the same rate as declared for 1938. The interim payment announced last November, however, was raised from 5 per cent. to 7½ per cent., so that the total dividend for 1939 is, in fact, increased to 15 per cent., compared with payments of 12½ per cent. for the previous two years and 10 per cent. for 1936. In his amplification of the dividend limitation proposals last week, Sir John Simon specifically stated that dividends would be limited by reference to the total gross amount paid out in any one of the three standard years. For Johnson and Phillips this amount would be £100,000, compared with £120,000 which would be required by the proposed 15 per cent. dividend for 1939. In such circumstances, the view of the directors that the Chancellor would not intend to interfere with the interim dis-

tribution of last November appears to have limited relevance. It will be interesting to note whether the Johnson and Phillips decision is followed by any official action. It may also be asked whether the directors of Ideal Boilers and Radiators have observed the spirit of Sir John Simon's request. In this case, however, the report states that the dividend of 50 per cent., tax free, has "already been paid" on the £700,000 ordinary capital, which is controlled by American Radiation and Sanitary Corporation, and is not quoted on the London market. The maximum dividend paid in the standard years was 22½ per cent., tax free, for 1938.

Morris Motors Profits.—A preliminary statement indicates that the net profits of Morris Motors, Limited, for 1939 amounted to £1,992,880, compared with the net profit of £1,357,220 in the preceding year. This figure is struck after provision for repairs and depreciation, but before charging taxation. The latter factor doubtless accounts for the decision of the directors to reduce the ordinary dividend from 45 per cent., less tax, which has been regularly paid in the preceding three years, to 40 per cent. for 1939. By this decision Morris Motors ordinary shares enter the list of equities with the possibility of higher dividends under the limitation rules. Whether this will in due course be translated into an effective equity, by increased profits, is of course a different problem. But the profits figures are certainly impressive, in view of the collapse of the home market after the early months of last year. They suggest that the delays in introducing the 1938 new models owing to material shortages may have assisted the 1939 figures, while the company has doubtless largely turned over its organisation to Government work and export trade. The ordinary stock units at 26s. yield £7 13s. 9d. per cent. The market's cool reception of the profit figures suggests that it is disposed to await the full report before making any move.

GENERAL MINING & FINANCE CORPORATION, LIMITED

(Incorporated in the Union of South Africa)

ABRIDGED REPORT OF THE DIRECTORS FOR THE YEAR 1939

To be submitted at the Annual General Meeting to be held in Johannesburg on 4th June, 1940

Profit for the year ended 31st December, 1939	£162,286 13 6
Unappropriated Balance brought forward from 1938	132,582 16 8
Total available profit	£394,869 15 2
Which has been dealt with as follows:—	
Interim Dividend No. 27 of 10 per cent., equal to 2s. 6d. per share	£126,457 18 0
Proposed Final Dividend No. 28 of 15 per cent. (making a total of 25 per cent., or 5s. per share, for the year)	189,666 17 0
(since declared)	15,000 0 0
Amount provided for taxation	10,513 10 0
Provision for Directors' remuneration in accordance with Articles of Association	125,000 0 0
Amount appropriated to establish Investment Reserve	466,638 5 0
Balance of profit unappropriated at 31st December, 1939	£128,211 11 2

The Company's investments are taken into account in the Balance Sheet at £2,587,866, which represents their book value after providing for such depreciation as existed at 31st December, 1939. All investments appear in the books at or under cost, but in no case above the market price ruling at the end of the financial year. The market value of investments largely exceeds the book value shown in the Balance Sheet. In addition to the large internal reserve, £125,000 has been provided to meet future contingencies by the creation of an Investment Reserve. The principal interests of the Corporation are in the following companies: Van Ryn Gold Mines Estate Ltd., West Rand Consolidated Mines Ltd., East Rand Proprietary Mines Ltd., Durban Road-poor Deep Ltd., Phoenix Oil and Transport Co. Ltd., Metal Traders, Ltd., and Castor Lubricants, Ltd. The Corporation also holds various mining properties, real estate and leasehold property, &c.

BALANCE SHEET at 31st December, 1939

Dr.		Cr.
To Capital—		
Registered: 1,500,000 Shares of £1 each	£1,500,000 0 0	
In Reserve: 235,421 Shares of £1 each	235,421 0 0	
Issued: 1,264,579 Shares of £1 each, fully paid	£1,264,579 0 0	
Deposits (with interest accrued)	1,024,095 15 10	
Sundry Creditors, Accrued Liabilities and sundry Provisions	116,066 4 7	
Creditors for Stock Bought not yet taken up	36,426 19 1	
Unclaimed Dividends	906 19 11	
Provision for Final Dividend of 15 per cent. on 1,264,579 Shares in respect of the year 1939	189,666 17 0	
Investment Reserve Account	125,000 0 0	
General Reserve	1,000,000 0 0	
Appropriation Account—		
Balance at 31st December, 1939	128,211 11 2	
Note.—There are Contingent Liabilities in respect of uncalled Capital on Shares.		
By Stocks, Shares, British, South African and other Government and Municipal Securities, including Participations, at or below Market value at 31st December, 1939	£2,507,865 19 2	
Shares in Subsidiary Company	80,000 0 0	
Note.—The Market Value of the Corporation's Holdings in Stocks and Shares is very largely in excess of the value of £2,587,866 19s. 2d. shown above.	£2,587,865 19 2	
Mining Properties, Claim Holdings, Real Estate and House Property and other Assets, at cost, less amounts written off	64,198 7 2	
Office Furniture—		
Johannesburg and London, at cost, less amounts written off	4 0	
Sundry Debtors (including advances to Mining Companies)	585,847 13 1	
Advances due by Subsidiary Company	1,137 8 5	
Advances against Securities (including Stocks and Shares taken in)	18,565 7 7	
Cash at Banks and in Hand	364,388 8 2	
	£3,894,973 7 7	

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

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

Canadian Pacific Prospects.—There was little by way of new explanation of the directors' decision to omit any payment on Canadian Pacific preference stock in Sir Edward Beatty's speech at Montreal this week, save in one important respect. After stressing the current uncertainties (which would appear, from later passages in the chairman's speech, to be giving way to a clearer outlook) he emphasised that the preference capital was itself subject to prior charges on which interest must be paid, and the capital repaid or refunded on a satisfactory basis when it fell due, if the credit of the company was to be maintained. The company has, of course, certain obligations which mature next year, totalling \$17 millions, and there are \$19.3 millions of 4½ per cent. note certificates repayable finally in 1944. It may be wise to take heed of these obligations well in advance, but they do not appear to be of an order which demands the mobilisation of all available free resources for their repayment or replacement. Preference stockholders will welcome the chairman's reference to the net earnings for the first quarter of the year, which rose to \$5,302,489 against \$3,834,568, and also the directors' expression of hope that "conditions will soon warrant a distribution to the preference shareholders." At the moment, there appears to be some lack of moisture in the prairie provinces, though this can be made good by rains. Meanwhile, the company has the advantage of cross-continent timber traffic from British Columbia; passenger traffic is expected to increase; and other income, particularly from steamships, should improve. At this stage, there is no reasonable doubt that the preference dividend will again be fully earned. The value of the preference stock, which now stands at 42, depends, however, on the directors' interpretation of the word "soon," and the size of the distribution if and when it comes. Stockholders cannot infer from the past policy of the directors that they are likely to exceed in generosity in either respect.

"Sofina."—The eleventh annual report of this Belgian holding company—which includes the usual dissertation, this year on the subject of economic propaganda—shows that the parent company's income from shares and other interests amounted to 154.7 million francs, compared with 152.1 million francs last year. The balance available for dividends, after providing for "amortisations" (which absorbed 71.9 million francs) was 53.3 million francs. It is proposed to pay a 50 per cent. dividend on the ordinary shares, absorbing 55 million francs, against 88 per cent. in the preceding year, and to carry forward approximately the same amount as was brought in. The report records that several associated companies withdrew deposits from "Sofina" or applied for fresh advances to meet their commitments or extend their plant. The claim on the banking house of Mendelssohn and Company has been deducted from the cash item and appears among the debtors at a heavily reduced amount, on which no further loss is expected. The net changes in the group's current assets position are, in fact, relatively small, but they involve special charges on the profit and loss account and a reduction in the dividend. Shareholders may draw some consolation from the statement that the group's largest interests operate in countries that seem unlikely to be affected, except perhaps indirectly, by the European war.

Higher Rubber Profits.—Recent rubber company reports have reflected the substantial improvement in working conditions last year. In some cases, substantially increased profits are shown, and increased dividends are general. Yet interest in the share market has failed to broaden. The results of five leading companies are summarised in the table which appears in the next column. Profits of *Bikam* have increased to £57,223, against £31,659, while *Pataling*—another member of the *Harrisons and Crosfield* group—has shown an increase to £55,369, against £30,874. The former company pays 7½ per cent., against 5 per cent.; while the latter has increased its distribution from 7½ per cent. to 12 per cent. The maximum

dividend allowable to these companies under the dividend limitation provision is 10 per cent. for *Bikam* and 15 per cent. for *Pataling*. *Bikam's* total planted area will be 13,261 acres at the end of 1940—310 acres are to be planted up during the present year—the par capitalisation per cultivated acre being £41. Replanting is to be resumed,

Company	Crop	Price	Estate Profit	Earnings for Ordinary	Paid	Ord. Shs.*	Price	Yield
(Accounts to Dec. 31st)	'000 lbs.	d. per lb.	£	£	£			
<i>Bikam</i> —								
1937	4,687	8 50	82,940	72,894	11½	10		
1938	3,144	7 65	34,856	31,159	6	5		
1939	3,525	9 16	59,648	50,222	10½	7	1 9	8 6
<i>Cheviot</i> —								
1937	2,493	...	19,851	44,458	18½	12½		
1938	2,081	...	34,947	26,879	10½	10		
1939	2,425	9 05	43,789	34,611	13½	10	3 3	6 1
<i>Henrietta</i> —								
1937	1,588	8 22	29,303	23,714	19½	15		
1938	1,518	7 40	16,542	11,612	9½	7		
1939	1,323	7 90	24,115	15,426	12½	10	2 3	8 9
<i>Labu (F.M.S.)</i> —								
1937	2,702	...	52,613	38,060	16½	15		
1938	1,838	...	32,552	23,316	10	10		
1939	1,972	9 43	39,844	30,217	14½	10	45 -	5 7
<i>Pataling</i> —								
1937	4,139	8 24	69,470	63,740	22½	15		
1938	2,851	7 73	33,635	27,373	9½	7½		
1939	3,472	9 40	60,378	46,369	17½	12	28 -	8 6

* 2s. shares except Labu and Pataling (£1).

though the older areas are still giving fairly good yields. *Pataling's* total area under rubber is 10,059 acres—capitalised at par at the low figure of £30.3 per acre—and it has been decided gradually to replant 966 acres. Both companies have sold forward substantial amounts of their current year's crops at excellent prices.

Among companies which have maintained their dividends were *Cheviot* and *Labu*. Both of these concerns paid 10 per cent. for 1939. *Cheviot's* profits amount to £43,831, against £35,451, while *Labu's* are £40,617, against £34,680. Although both companies offer smaller yields than those of *Pataling* and *Bikam*, they have scope for increased payments under the dividend limitation scheme. *Cheviot's* maximum is 12½ per cent. and *Labu's* 15 per cent. They are, of course, among the most progressive in Malaya, and both have large areas of young rubber. *Henrietta Rubber Estate* fared well during 1939, profits having risen from £13,279 to £20,189, while the dividend has been raised from 7 per cent. to 10 per cent., against a maximum permissible dividend of 15 per cent. If the average quota for the current year is put at a potential 70 per cent. of standard, and if rubber prices can be maintained at their present level, the expectation of a further increase in estate profits this year should be enhanced.

Company Profits of the Week.—The usual table on page 843 analyses the results of 56 company reports received this week. They show a small reduction in total profits from £5,057,000 to £5,025,000, but net profits are actually slightly higher at £2,821,000 against £2,804,000. The results are discussed in preceding Notes and under the heading "Shorter Comments" on page 837.

Company Meetings of the Week.—Reports of this week's company meetings begin on page 831 of this issue. Sir A. Steven Bilsland, at the *Union Bank of Scotland* meeting, discussed the considerable increase in loans and advances which the Bank has achieved in the fourth successive year and pointed out that the heavy industries in Scotland had been working at high pressure since the outbreak of war. The insurance chairmen at this week's insurance meetings paid particular attention to wartime problems. At the 220th Annual General Court of *Royal Exchange Assurance*, Lord Bicester pointed out that the Royal Exchange has decided for the present to cover the

enemy air risk for approved civilian lives at the normal rate of premium. Sir Edmund Mountain, at the *Eagle Star* meeting, pointed out that the investment reserve of £650,000 more than provided for the difference between the book and market values of the securities at the end of the year. At the *Caledonian Insurance* meeting, Mr W. J. Fraser disclosed that the depreciation on the company's investment portfolio at the end of last year had largely disappeared by the middle of last month. Sir Dennis Herbert frankly warned shareholders of *Equity and Law Life Assurance* that investment depreciation may affect the dividend and bonus rates when the triennial valuation is made at the end of this year. Mr J. K. Wiseman informed members of the *Royal London Mutual* of the scheme for covering war risks on new policies. Some 50 per cent. of the full sum assured is allowed on participating policies issued at ordinary rates to civilians in the event of death due to war. At the *Alliance Trust* meeting, Mr James Prain discussed the effect of requisitionings of the Trust's dollar securities and emphasised that their sale to the Government would involve a loss in earnings. Addressing members of the *Institute of Chartered Accountants* at the annual meeting, Mr C. J. G. Palmour raised an interesting point, arising out of the Prices of Goods Act, whether materials

should be included in cost estimates at their original or replacement cost. Mr John Cowley, at the *Daily Mirror Newspapers* meeting, referred to the difficult newsprint position and to the steps which have been taken by curtailing the number of pages to meet it. Mr F. K. Kielberg disclosed at the *United Molasses* meeting that the agency remuneration due to the company from the Ministry of Supply from January 1st to the present date represents less than 20 per cent. of the company's estimated total earnings for the period. Mr W. W. Parish declared to *River Plate Trust Loan and Agency* shareholders that, while Argentina should derive some advantage from the needs of the Allies, the view that the history of twenty-five years ago would be repeated needed careful weighing. Mr Oliver Bury gave figures to stockholders of *San Paulo (Brazilian) Railway* showing the trend of traffics during the first four months of this year which reflected the increased rates introduced last October and the improvement in the exchange. The Hon. A. T. J. Fraser criticised the taxation demands of the Mysore Government at the *Ooregum Gold Mining* meeting. Mr R. Olaf Hambro, addressing the *London Assurance* meeting, referred to the additional rate of 10s. per cent. to cover war risks on civilian lives in this country.

THE STOCK EXCHANGES

London

Note: all dealings are for cash

GILT-EDGED have led the way this week with consistent advances each day. The market refused to be deflected by adverse reports from Norway and thunder from the Mediterranean, and gave instead a striking display of the strength which free investment funds, resulting from the re-investment of purchase moneys for dollar securities and dividends, can exert in a closed capital market. The industrial markets, on the other hand, felt the week's news more keenly and business shrank to abnormally low proportions owing to the great difficulty of the market in working out the implications of dividend limitation for individual companies.

The rise in gilt-edged continued to such effect on Tuesday that both Old and New War Loans were quoted above par. On Thursday the rise continued, 3½ per cent. War Loan rose further to 100½, while the New War Loan closed at 100½. Funding issues were also well supported. The spectacular movements were concentrated on the undated stocks.

European bonds were naturally affected by political nervousness and Japanese loans became weak. The home railway market, which had been unsettled owing to doubts whether dividend limitation would apply learned the hard truth on Wednesday and prices reacted further, Great Western ordinary being particularly depressed since it has the most to lose under the limitation rules.

In the industrial market Ford Motor fell on the revised dividend decision and store shares were throughout a weak feature on fears regarding the Purchase Tax. The heavy industrial group remained dull and tobacco shares, after a slight improvement on Tuesday, resumed their decline. A rise in Raleigh Cycle was the only outstanding feature of the miscellaneous market.

Oil shares remained weak and rubber shares, despite the appearance of satis-

factory company reports, showed no response. Trading in Kaffirs was restricted but West African shares showed some rallying power.

"FINANCIAL NEWS" INDICATORS

1940	Total Bargains†	Corres. Day 1939	Security Indices	
			30 ord. shares*	20 fixed int.†
April 26..	4,496	5,055	76 0	125 4
" 29..	5,075	5,055	75 6	125 6
" 30..	4,078	4,265	75 6	125 7
May 1..	3,818	4,960	75 2	125 8
" 2..	4,055	4,890	75 2	126 1
1940 High.....	...	...	80 6	126 1
Low.....	...	...	74 1	117 6
Jan. 17	...	...	74 1	117 6

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

New York

TURNOVER on Wall Street has remained low throughout the week, and although the trend at the opening promised to be slightly firmer stocks have subsequently reacted and moderate falls have been recorded in quiet trading. Shipbuilding shares have shown an occasional improvement, but there has been little animation in the market as a whole. Steel mill activity is estimated by *Iron Age* at 63 per cent. of capacity, against 62 last week.

New York Prices

Close Latest		Close Latest	
Apr. 25, 1940	Apr. 25, 1940	Apr. 25, 1940	Apr. 25, 1940
1. Railroads	Am. Roll. Mill 154 14½	Am. Smelting 50 49½	Anaconda 30½ 29½
Balt. & Ohio 28½ 26½	Illinois Cent. 11 10½	Briggs 22½ 22½	Celanese of A. 34½ 34½
G.N. Ry. Pf. 28½ 26½	Northern Pac. 8½ 8½	Pennsylv. R. 22 21½	Eastman Kdk. 155 156½
Illinois Cent. 11 10½	Southern Ry. 16½ 15½	Gen. Motors 53¼ 54	Glidden 174 173½
2. Utilities, etc.	Amer. Tel. 172½ 172½	Nat. Dairy 18 17½	Nat. Distillers 25½ 24½
Amer. Wks. 10½ 9½	Col. Gas & El. 6¼ 6¼	Int. Tel. For. 3¼ 3¼	Socony Vac. 11 10½
United Corp. 2½ 2½	Utd. Gas Imp. 12½ 12½	Stan. Oil N.J. 42½ 42	20th Cen. Fox 9 8½
3. Commercial and Industrial	Amer. Metal. 21½ 21½	West'ase Elec 113 113½	Woolworth 40¼ 39½

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

	1940		Apr. 17, 1940	Apr. 24, 1940	May 1, 1940
	Low Jan. 31	High Jan. 3			
347 Ind'ls ...	105.8	111.4	108.4	108.7	107.3
32 Rails	28.3	30.7	28.6	29.0	28.4
40 Utilities ..	(s)86.5	89.4	87.6	86.9	87.1
419 Stocks ...	90.4	94.8	92.2	92.4	91.3
Av. yield* ...	4.67%	4.30%	4.67%	4.66%	4.72%
(s) March 21, 1940. * 50 Common Stocks. (t) April 17, 1940.					

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

	Apr. 25	Apr. 26	Apr. 27	Apr. 29	Apr. 30	May 1
118.3	117.2	117.3	117.6	118.2	116.6	
1940 High: 123.7 January 3rd. Low: 116.3 January 31st.						

TOTAL DEALINGS IN NEW YORK

1940	Stock Exchange	
	Shares 000's	Bonds \$000's
April 25	820	5,340
" 26	850	(a)
" 27	350	2,720
" 29	570	(a)
" 30	590	(a)
May 1	810	(a)

(a) Not stated.

Canada

THE Canadian stock markets have remained dull during the past month. Trading was still at a low ebb and prices fluctuated within a narrow range, though with a falling trend. Following the German invasion of Norway and Denmark, pulp and paper stocks rose on the belief that curtailment of supplies from the Baltic countries would provide increased business for the Canadian companies, but the rise was checked by apprehension about the effects of hostilities on a wide scale in Europe. In terms of earnings, many stocks now seem cheap, but speculators

(Continued on page 826.)

Industry and Trade

Unemployment and Production.—The output of munitions is being held up by the lack of equipment and the shortage of skilled labour. This difficulty is due very largely to the absence of foresight and preparation on the part of the Government. Before the war only nine ord-

nance factories, for example, were in operation. Even now less than twenty appear to have reached the production stage. The construction of these elaborate workshops naturally takes much time; but this only goes to show that preparations should have been made long before the war. So far as labour is concerned we are faced with acute shortages in essential industries and a good deal of unemployment in others. The accompanying table shows the changes in unemployment in the principal industries between August, 1939, and March, 1940, together with the percentage of the insured persons without work on March 11th. The labour shortage could have been considerably mitigated if steps had been taken immediately before and after the outbreak of war to retrain the unemployed. (Germany is reported to have retrained no less than 500,000 workers during the first five months of the war.) There is no more time for leisurely discussion and the pre-war routine must now be discarded in favour of a bolder policy.

Railway Unions Demand Higher Wages.—The railway unions are certainly losing no time; they have intensified their pressure for higher wages since the announcement of the decision to raise railway fares and charges by 10 per cent. on May 1st. Last October they obtained concessions by the award of the independent tribunal, but it was then clearly stated that these were

justified by the improvement in the railways' financial position before the war. Subsequently the unions put forward a claim for an additional 10s. per week for the traffic grades and £20 per year for the clerical staffs. These demands were met in part on January 1st by an increase of 4s. per week in the wages of the traffic grades and of £10 a year in those of the clerical section; the shopmen obtained an advance of 5s. per week. The annual cost of these wage increases is likely to reach £6,000,000. The unions made it quite plain at the time that they regarded these concessions merely as instalments, and they are now pressing for the remaining 6s. per week for the traffic grades and for an additional £15 per year for the clerical section. Allowing for a corresponding advance in the wages of shopmen, these claims would cost something like £9,000,000 per year. The new demands were discussed on Friday last week by representatives of the Railway Executive Committee and of the three unions—the National Union of Railwaymen, the Associated Society of Locomotive Engineers and Firemen, and the Railway Clerks' Association—who justified them by reference to the rise in the cost of living. By the agreement between the railways and the Government, advances in costs are to be passed on to the users. So why not milk the cow? The time has clearly come for the application of a national wages policy. Quite apart from the inequalities arising from the present position, when those unions who can bring the strongest pressure to bear on the employers are most successful in extracting concessions, the resistance of employers to claims for higher wages is much smaller than in peacetime because the Government, whose payments are based largely on costs of production, is now the principal buyer in many industries.

and Northumberland; thus, in 1938, Durham produced 31,553,000 tons and Northumberland 13,437,000 tons of saleable coal. In view of the urgency of an increase in the production of coal, there should be no difficulty in finding alternative outlets for the loss of the Scandinavian markets. Anything but a very temporary dislocation of production in the two districts would be inexcusable. Owing to the pressure for supplies from other consumers, Scotland, which normally also exports substantial quantities of coal to Scandinavia, has been scarcely affected by the loss of these markets.

A New Scottish Colliery.—In Scotland one of the most important developments of the past few years has been the recent opening of a new coalfield by the Fife Coal Company. It measures approximately 6,000 acres and lies on the boundaries of Fife, Kinrosshire and Clackmannanshire. This coal belongs to the mountain limestone series of the carboniferous system and contains good steam and household fuel. The new colliery is expected to be opened in July, and when fully in production will be one of the largest, if not the largest, in this country. An output of 4,000 tons per day is aimed at. Fourteen seams were exposed during the boring operations, and the company intend to work seven. The colliery will probably be the most modern in Great Britain. American practice will be adopted in regard to the underground haulage system, use being made of large cars and locomotives on the main level in association with skip winding. The achievement of the output aimed at will, however, depend largely on the availability of the necessary labour supply.

UNEMPLOYMENT IN AUGUST, 1939, AND IN MARCH, 1940
Principal Industries)

	No. Unemployed August, 1939	March, 1940	Unemployment in March as % of Total No. Insured
Agriculture	28,110	49,442	7.0
Coal mining	103,247	50,600	6.0
Pottery, earthenware	12,217	10,474	14.3
Chemicals	11,975	9,209	3.6
Metal manufacture	26,487	23,300	6.7
Engineering	41,796	24,298	2.7
Vehicles and aircraft	18,035	14,406	2.7
Shipbuilding	32,732	13,826	7.9
Other metal industries	44,707	35,151	4.7
Textiles	119,586	63,204	5.7
Clothing	57,782	35,565	5.6
Food, drink, tobacco	41,105	42,505	7.1
Woodworking	22,985	24,775	10.0
Paper, publishing	22,871	33,501	7.4
Building, contracting	221,878	212,886	15.2
Transport	95,130	80,147	9.0
Distributive trades	150,493	149,141	7.1
Entertainments	20,764	25,236	16.1
Hotels, public-houses, etc.	56,282	81,055	16.0
All industries in U.K.	1,310,528	1,160,552	7.7

(Continued from page 825.)

are timorous, and investors prefer the security of bonds. The mining market has followed the trend of industrials. A steady demand for high-grade bonds has been maintained at improving prices.

	Apr. 1940	May 1940		Apr. 1940	May 1940
Bell Tel.	165	162	Int. Petrol.....	223 ¹	201 ¹
Can. Car.	14	11 ¹	Brazil Trac....	94 ¹	91 ¹
Powr Corp.	103 ¹	10	Brit. Col.	283 ¹	281 ¹
Dome Mines	254 ¹	234 ¹	Power "A" ..	283 ¹	281 ¹
Hollinger	144 ¹	14	Do. "B"	3	2 ¹
McIntyre	50	48	Can. Cement ..	63 ¹	61 ¹
B. of Mont.	206	207	Massey Harris ..	305 ¹	304 ¹
Bk. of Nova	307 ¹	302	Montreal L.T.	303 ¹	301 ¹
Scotia	307 ¹	302	Shawinigan ..	218 ¹	221 ¹
R. Bk. of Can.	182	175	Water	78	78 ¹
C. Bk. Com.	172	170	Steel Co. of ..	78	78 ¹
Can. Pac.	71 ¹	71 ¹	Canada	78	78 ¹
Cock. Plow	71 ¹	71 ¹			

Foreign Bourses

Paris.—The German invasion of Denmark and Norway restrained dealings and prices were marked down in most sections, though falls were generally small. Operators adopted a cautious attitude until the political situation became somewhat clarified by news of the naval successes of the Allies in the early days of the Norwegian campaign. In the latter part of the month sharp rises were seen in most sections, led by Rentes, which throughout the month had continued to find some support. Industrial stocks, after a fairly sharp fall, recovered their ground and were marked higher at the close than in the opening days of the month.

	Apr. 3, 1940	May 1, 1940		Apr. 3, 1940	May 1, 1940
3% Rentes.	75.50	74.70	Chargeurs		
4% Rts. '17	80.25	80.90	Reunis....	1,040	1,334
Banque de			Rio Tinto...	3,098	2,735
France ...	8,575	7,915	Mex. Eagle	70.00	68.00
Suez Canal.	16,810	15,130	Chartered	213.50	198.50
Wag. Lits...	45.50	43.75	Ford	76.00	96.00
			Johnnies...	386.00	377.00

Berlin.—The spectacular wartime advance of equity prices was halted at

the beginning of the month, and a general reaction has occurred, for which official intervention to equalise price levels in different industrial groups is partly responsible. Turnover decreased continually until the market reached a standstill later in the month. Reduced earnings in civil industries and renewed uncertainty about the future taxation policy of the Government are undoubtedly influencing the market. The reduction of Bank rate from 4 per cent. to 3½ per cent. encouraged a continued demand for fixed-interest securities in contrast to equities. Actual turnover, however, remained very small.

	Mar. 30, 1940	Apr. 27, 1940		Mar. 30, 1940	Apr. 27, 1940
Dresdner Bank ...	113.00	115.37	Rheinmetall	136.75	150.50
Harpener Bergbau Verein.	176.00	158.25	Metall- ges.	134.25	133.00
Stahlw.	113.12	113.87	A.E.G. .. Farben	142.25	141.62
			Indus. ..	185.00	184.50

Amsterdam.—Those investors who had awaited an improvement in the Dutch political position before taking advantage of favourable company reports found their opportunity early in April, when a general improvement occurred. The advance, however, was short-lived, and the German invasion of Denmark and Norway created sharp falls in all sections. The bond market, in fact, fell to the lowest level recorded since the outbreak of war. The new 4 per cent. Dutch bonds fell to a 5 per cent. basis in mid-April, and the bonds of some companies returned 5½ per cent. Some demand for American securities was attributed to threatening political danger, and the month closed with prices at their lowest levels.

	Apr. 3, 1940	May 1, 1940		Apr. 3, 1940	May 1, 1940
2½% Dutch .	62½	58¼	Ford Motor...	319	313
Philips Lp..	119¼	112½	Ryl. Dutch ...	225¼	193¼
Lever Bros.			Hand. Am. ...	380	326
& Unilever...	91½	82¼			

Capital Issues

Week ending May 4, 1940	Nominal Capital £	Conversions £	New Money £
To the Public	Nil	Nil	Nil
To Shareholders	53,333	Nil	145,832
By S.B. Introduction.	Nil	Nil	Nil
By Permission to Deal	21,788	Nil	21,788
Savings Certs., week to April 27, 1940	1,500,000	Nil	1,500,000
3% Defence Bonds	1,500,000	Nil	1,500,000
Exch. receipts, week to April 27, 1940	1,500,000	Nil	1,500,000

Year to date	Including Conversions £	Excluding Conversions £
1940 (New Basis)	750,357,680	397,402,547
1939 (New Basis)	38,221,327	36,990,262
1940 (Old Basis)	739,798,765	387,043,632
1939 (Old Basis)	18,960,135	18,749,070

Year to date	U.K. £	Brit. Imp. Foreign ex U.K. Countries £
1940 (New Basis)	396,923,115	479,432
1939 (New Basis)	25,460,774	11,329,488
1940 (Old Basis)	386,901,176	142,456
1939 (Old Basis)	15,058,339	3,490,735

Nature of New Borrowing (Excluding Conversions)

Year to date	Deb. £	Pref. £	Ord. £
1940 (New Basis)	386,752,966	627,595	10,021,986
1939 (New Basis)	16,982,959	2,300,796	17,806,507
1940 (Old Basis)	386,029,500	77,500	886,632
1939 (Old Basis)	12,507,435	928,447	5,313,188

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
Donaldson Line, Ltd.—Issued capital, 556,855 £1 ordinary shares and 556,855 5 per cent. cumulative £1 preference shares. Owns entire ordinary share capital of Donaldson South American Line, Ltd. (625,000 £1 ordinary shares), also 289,284 £1 shares in Donaldson Atlantic Line, Ltd. Total assets, December 31, 1939, £1,692,227.

(Continued on page 837.)

Steel Distribution.—The apprehensions that the new system of allocating and distributing steel supplies (discussed on page 688 of *The Economist* of April 13th), while sound in principle, would not be easy to operate, at least to begin with, do not seem to have been fanciful. In order to allow more time for the change-over, it had been decided to suspend the operation of the new scheme until April 29th for orders placed on and after April 8th (the date of the new Order) and until May 31st for contracts arranged before April 8th. Special meetings have been held in the iron and steel centres to smooth the path of the change-over. Reports suggest, however, that a number of consumers have failed to acquaint themselves with the formalities of the new scheme. Unless these laggards can be brought into line, there is some danger of dislocation, for they will not be able to obtain deliveries from the producers without compliance to the new regulations. Any hold-up in the industry at this stage, due to the unwillingness of certain consumers to comply with the new regulations, would be deplorable, to say the least.

North-East Coast Coal Exports.—Representatives of coalowners and of miners in Durham and Northumberland, as in other districts, have been discussing ways and means of increasing the production of coal. But the chief immediate problem of these districts—especially in Northumberland—is to find alternative markets for Scandinavia. As the following table shows, more than one-half of the United Kingdom's coal exports to Denmark, Norway and Sweden came from the North-East Coast in 1938:—

	North-East Coast Tons	U.K. Tons
Denmark	1,100,000	2,997,000
Norway	812,000	1,366,000
Sweden	1,695,000	2,655,000
Total	3,607,000	7,018,000

These exports, however, represent only a comparatively small proportion of the total production of Durham

American Exports of Farm Produce.—In 1938, exports of agricultural products supplied 27 per cent. by value of the total exports of the United States. Cotton, tobacco, grains, fruit (both fresh and preserved), meat and animal fats were the main farm exports. The table below shows how the first five months of the European war affected the American export trade in these products:—

U.S. EXPORTS: SEPTEMBER-JANUARY	Unit	1938-9	1939-40
Pork	Million lb.	41.5	69.0
Lard	" lb.	103.6	116.4
Wheat and flour	" bushels	37.5	19.6
Tobacco, leaf.	" lb.	271.9	158.9
Cotton (ex linters)	" lb.	1,053.5	2,088.0
Apples, fresh	" bushels	8.1	2.3
Pears, fresh	" lb.	127.1	71.9

The suspension of British purchases of tobacco has brought a drastic fall in American exports, in a year when the crop of flue-cured tobacco was of record size and the end-of-season stocks the second largest in history. Arrangements

THE BANK AS EXECUTOR

This is one of the many services which

BARCLAYS BANK

LIMITED

tenders to its customers.

Full particulars may be obtained from any Branch or from

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

were made by the Agricultural Adjustment Administration and the Commodity Credit Corporation in October to finance the purchase, for storing, of tobacco of the usual exports grades at certain minimum prices. Exports of raw cotton nearly doubled in these five months, compared with the corresponding period in the previous year. The greater part of this increase was caused by the huge buying of the Allies, but various European countries have also been laying in stocks for future use. Since the early part of the year, however, the flow of exports has slackened considerably. Exports of fresh fruits, of which Britain has been a good buyer, have fallen heavily, and the expectation of a small harvest in 1940 is also partly responsible for the smaller exports of wheat. Exports of pork and lard were up, but, in view of the record pig production in the autumn and the low prices for pork and lard on American markets, the increase in exports was not larger than could normally have been expected.

Argentina's Maize.—The Argentine maize crop which is now being harvested is officially estimated at 50.6 million quarters, compared with an average yield of 37.2 million quarters over the previous five years. Argentina's own consumption of maize may be estimated at 6.7 million quarters, leaving a surplus available for export of more than 40 million quarters. Only once, in 1936-37, did Argentina in fact export more than this amount and then Austria, Czecho-Slovakia, Denmark and Germany (whose imports of maize were then exceptionally large) took 14.6 million quarters of Argentine maize. Those markets are now lost, and the principal buyers are restricted to Britain, France and the Low Countries, who bought in 1937 not quite 30 million quarters from the Plate. Such a level of purchases is not likely to be reached in wartime. Freights from the Plate to Europe have, indeed, fallen considerably in the last few weeks, and prices

for Plate maize have fallen sharply from nearly 24s. per quarter early in the year to less than 15s. at the present time. At these levels Plate maize is a cheaper feeding grain than wheat or other cereals, but the volume of sales will be influenced not so much by the price level as by the amount of shipping available and by the amount of foreign exchange the Allies are willing to expend on animal foods. A considerable proportion of this huge crop will therefore have necessarily to be carried over in the hope of eventual disposal in 1941.

Rhodesian and Chilean Copper.—The Nchanga Consolidated Copper Mines, Ltd., has announced that its pilot plant has begun trial smeltings, and that the capacity of the plant is to be enlarged immediately to 60,000 tons per annum. Full operations may be begun early next year, when the total Rhodesian output of copper will reach about 400,000 tons a year; potential output is, of course, considerably greater. The expansion in the copper production in Rhodesia in the last ten years has enabled the British Government to rely completely on Empire supplies, while in the last war the Allied copper imports came largely from Chile. The Chilean export trade has been severely hit by the transference of British purchases of copper since last November to Rhodesia and Canada; Chilean exports of copper fell from 349,320 metric tons in 1938 to 312,245 tons in 1939, and her exports to this country from 126,272 tons to 60,515 tons. Exports to the United States were increased in the last months of 1939, but the rate of expansion has now slackened; most of the American imports were destined for re-export in some form of copper or of copper manufactures, and a substantial tonnage appears to have been unsold at the end of last year. The outlook for the Chilean copper industry is therefore not encouraging; more than half of the total value of Chile's exports is normally provided by the sale of copper concentrates.

COMMODITY AND INDUSTRY NEWS

ALL grain prices are lower in North America than a week ago, due partly to rain in the wheat belt and partly to the knowledge that the British Cereals Import Committee is well supplied for the next few weeks. Other prices, both in Britain and America, are little changed.

Cotton.—Although numerous spinners are very busy on Government work, the total of new Government and export orders is considerably smaller than current output. Export business is very disappointing owing to the high level of prices and is not sufficient to compensate for the restriction on home sales. Yarn agents have sent a memorandum of protest against the change in the commission regulations to the President of the Board of Trade and to the Cotton Controller.

RAW COTTON delivered to Spinners				
Variety ('000 bales)	Week ended Apr. 19, 1940	Apr. 26, 1940	Apr. 28, 1939	Apr. 26, 1940
American	32.4	30.0	772	1,084
Brazilian	2.7	3.3	227	205
Peruvian, etc.	3.4	4.2	95	165
Egyptian	7.3	12.3	255	287
Sudan Sakel	1.7	1.6	106	116
East Indian	10.6	6.6	311	307
Other countries	3.0	6.4	138	111
Total	61.1	64.4	1,904	2,275

Source: Liverpool Cotton Association's Weekly Circular.

Metals.—British maximum prices for copper, lead and spelter remained unchanged and deliveries are adequate to meet the huge armament requirements. The United States markets were very quiet this week, but official quotations were maintained at last

week's levels. Customs smelters, however, are once again offering copper at 11.25 cents per lb., against the producers' price of 11.50 cents. Russia has been trying to re-sell in the United States 10,000 tons of copper bought during the Finnish campaign at a price of about 13.50 cents per lb.

Tin.—While the price of standard cash tin lost £1 2s. 6d. this week to close at £253 2s. 6d. per ton, the three months' price closed 10s. up at £249 15s. The backwardation, therefore, has narrowed from £5 to £3 7s. 6d. this week, due partly to the check to the decline in home warehouse stocks, which increased during the week by 315 tons to 1,376 tons. It was announced this week that the International Tin Committee will meet on May 27th to decide on the quota for the September quarter of this year. World production and consumption of tin in the first quarter of this year are estimated by the International Tin Research and Development Council at 52,600 tons and 62,400 tons, respectively.

TINPLATE PRODUCTION: PERCENTAGE OF S. WALES' CAPACITY IN OPERATION

Week ending	1939	1940
March 16	58.80	71.91
" 23	56.29	72.71
" 30	51.68	70.90
April 6	59.69	72.76
" 13	56.71	73.62
" 20	56.96	72.93

Grains.—Considerable rains in the American wheat belt and the

absence of British buying of near wheat led to some reaction in prices this week in North America. In Argentina, continued large sales of a rapidly diminishing wheat surplus brought a rise in wheat futures. The reduction in Argentine-European freight rates during the past few weeks has stimulated Argentine trade in both wheat and maize; maize prices were also

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL				
From ('000 quarters)	Week ended Apr. 20, 1940	Apr. 27, 1940	From Apr. 19, 1939	Apr. 27, 1940
Argentina	282	405	999	1,376
Atlantic America	36	30	213	116
Danube Region	28	22	311	118
S. & E. Africa	127	75	133	324
Indo-China, etc.	12	15	99	52
Total	485	547	1,755	1,986

Source: The Corn Trade News.

WORLD SHIPMENTS OF WHEAT AND FLOUR				
From ('000 quarters)	Week ended Apr. 20, 1940	Apr. 27, 1940	From Apr. 19, 1939	Apr. 27, 1940
N. America	587	568	22,579	19,843
Argentina and Uruguay	330	374	8,356	15,727
Australia	...	...	9,280	14,546
Russia	...	...	4,488	114
Danube and district	113	137	7,549	5,477
Other countries	...	...	1,555	345
Total	1,030	1,079	53,807	46,052

* Unobtainable. † Shipments up to Jan. 31, 1940. Source: The Corn Trade News.

lower than a week ago. American maize prices are still too high to be competitive with the Plate surplus and the prospects of the South African maize harvest are distinctly poor.

Oils and Oilseeds.—The new schedule of maximum prices is unchanged except for a rise in the price

FORTNIGHTLY INDEX OF WHOLESALE PRICES IN U.K. AND U.S.A.

(1927 = 100)						
	Mar. 31, 1937	May 3, 1939	Aug. 30, 1939	Apr. 16, 1940	Apr. 30, 1940	
The Economist Index (U.K.):						
Cereals and meat	93.0	71.1	66.9	86.8	86.0	
Other foods	70.4	62.9	61.1	80.4	80.4	
Textiles	74.2	53.3	54.3	87.6	88.0	
Minerals	113.2	90.8	95.4	115.9	115.9	
Miscellaneous	87.0	74.2	77.6	99.2	99.3	
Complete Index	87.2	70.2	70.3	93.8	93.7	
1913 = 100	119.9	96.6	96.8	129.0	129.0	
Irving-Fisher Index (U.S.A.)	100.4	85.0	83.4	89.5*	...	

* This figure relates to March 30th. † Highest level reached during 1932-7 recovery.

REGISTRATIONS OF NEW MOTOR VEHICLES IN GREAT BRITAIN

	Private Cars	Goods Vehicles	% change from previous year	% change from previous year
No.	No.	No.		
1939—January	27,326	6,538	+ 9.9	— 9.9
Feb.	23,509	4,617	+23.5	—11.9
March	39,267	7,304	+10.7	— 7.2
April	25,645	4,517	— 0.0	—14.3
May	28,268	5,430	+15.0	— 0.5
June	26,502	5,375	+17.0	— 0.8
July	23,967	5,726	+15.2	+ 1.8
August	(a)	(a)	(a)	(a)
Sept.	(a)	(a)	(a)	(a)
October	(a)	(a)	(a)	(a)
Nov.	3,549	3,334	—85.0	—33.7
Dec.	4,668	2,844	—82.1	—48.3
1940—January	5,657	2,990	—79.3	—54.3
Feb.	3,849	2,259	—83.6	—51.1
March	6,611	2,909	—83.2	—60.2

(a) Not available. Source: Ministry of Transport.

VALUE OF WHOLESALE TRADE IN TEXTILES IN GREAT BRITAIN

(1937 = 100)			
	Home	Export	Total
1935	96	83	96
1936	99	90	99
1937	100	100	100
1938	94	82	93
1939	105	82	104
1939—January	53	75	54
February	75	74	75
March	118	84	116
1940—January	80	83	80
February	113	78	112
March	156	93	152

Indices calculated by Wholesale Textile Association in collaboration with Bank of England.

Source: Board of Trade Journal.

SOCIÉTÉ FINANCIÈRE DE TRANSPORTS ET D'ENTREPRISES INDUSTRIELLES, S.A. (SOFINA)

EXTRACTS FROM DIRECTORS' REPORT TO THE SHAREHOLDERS PRESENTED AT THE ORDINARY GENERAL MEETING OF APRIL 25, 1940

Following our usual practice, we examine this year an economic problem which, although it does not specifically concern our undertakings, affects their interests and consequently those of our shareholders. In anxious times like these, when war is focusing attention on graver subjects, the topic we have chosen—Economic Propaganda—may seem of negligible importance and perhaps even inopportune. International trade is obstructed on every side; on a number of internal markets, private consumption is restricted to bare necessities; it may well be asked whether in these conditions economic propaganda can serve any purpose other than to preach abstinence.

We believe it can. We see in it a means of promoting a more efficient economic system for the days when peace has been restored, and of helping to establish that peace on a more solid foundation; and we are convinced that, now as ever, it can give valuable guidance to producers and consumers, and contribute towards harmony between supply and demand. Hence we feel that an examination of its methods and uses is timely.

REMARKABLE PROGRESS OF TECHNICAL PROCESSES

From 1920 onwards the technical processes applicable to market research and to commercial publicity have made remarkable progress. These developments, however, are still little known outside the United States and Great Britain, and even in those countries the new methods are inadequately applied.

It has become a commonplace that, while the machine age has seen a vast expansion in the power to produce, it has failed to raise consumption correspondingly. Certainly it cannot be denied that periodically in the course of the past century there was a disproportion between potential supply and actual demand. Some maladjustment obtained in 1914, on the eve of the War; up to the Armistice, and subsequently under the impulse of policies aiming at national self-sufficiency, it was accentuated by abnormal extensions of equipment and by fresh hindrances to the flow of trade. The cause of this disequilibrium, however, is not to be found, as some imagine, in defective distribution of purchasing power. In a previous report we indicated the various contributory factors; our present study stresses one of the most important, namely, insufficient knowledge on the part of potential consumers of the existence, quantities, and merits of the goods and services on offer, coupled

with an equal lack of information among potential suppliers regarding the nature, quality, and amount of things demanded.

For an up-to-date undertaking—whether it supplies manufactured goods or electricity—the expansion of its sales is a matter of no less concern than the lowering of its costs by improved production.

As the market expanded, producers were increasingly obliged to appeal to a clientèle with whom they had no direct contact; and as suppliers specialised and consumers' requirements became more varied, the necessity developed of advising prospective customers both of the places where they could find articles answering their requirements, and of the specific features of the goods offered for their choice. At the same time free competition—which tends to be restricted by protection, though not so severely as by the old-time trade and craft monopolies—has made it profitable for buyers and indispensable for sellers to be acquainted with rival offers.

Commercial information, developing from trade signs to small trade notices, and then to trade cards, handbills, price-lists and illustrated advertisements, has continually expanded since the end of the sixteenth century. To-day, official and private information bureaux and a vast number of newspapers, reviews, and trade magazines place at the disposal of sellers and buyers a profusion of statistics and other data relating to market conditions. Yet there are still numerous gaps in this information, partly because many of those who could help to complete it refrain from doing so; they do not realise what a valuable service they would be performing or else they are afraid lest their contribution might in some way be used to their own disadvantage.

Studies on the business outlook in general or on the prospects of a particular trade are published in superabundance; but usually they are based on data that are too fragmentary or too unreliable to fulfil the purpose of such forecasts, which is to reduce the risks of producing, buying, or selling.

In addition, the market for each article—and indeed each section of that market—requires special study. This is where the modern research technique to which we have alluded comes into play.

NEW PROCESSES OF "MARKET ANALYSIS"

The new processes of "market analysis" make possible a methodical preparation of commercial propaganda. They bring

THE ALLIANCE TRUST COMPANY, LIMITED

SUCCESSFUL RESULTS DESPITE YEAR'S DIFFICULTIES

EFFECT OF REQUISITIONING OF AMERICAN SECURITIES

MR JAMES PRAIN'S ADDRESS

The annual ordinary general meeting of the Alliance Trust Company, Limited, was held in the company's registered office, Meadow House, 64 Reform Street, Dundee, on the 26th ultimo.

The chair was taken by Mr James Prain, and after formal evidence of the proper calling of the meeting had been submitted, the Secretary, Mr Alan L. Brown, read the auditors' report to the shareholders.

The Chairman, in moving the adoption of the annual report, said:—

REVENUE AND DIVIDEND

It is now my duty to submit for your approval the directors' report and accounts for the past year.

The revenue from our investments amounts to £668,000, as compared with £676,000 a year ago, a result which may be regarded as quite satisfactory in the circumstances. Following the outbreak of war a number of companies in which we are interested, although continuing to enjoy active trading conditions, found it advisable to modify their dividend policies in view of the uncertain outlook and the calls made upon them by the Supplementary Budget. As is mentioned in our report, however, the gaps in revenue account have been filled by the improved exchange value of our dollar income.

Although somewhat below the results of our peak year of 1937-38, when we raised our dividend to 25 per cent., revenue as a whole still shows an excellent return on the funds employed and enables us not only to maintain that rate of dividend but, what is equally important, to set aside once again a substantial sum to contingency reserve. After making these appropriations the amount to be carried forward is £59,000, the surplus for the year being greater than that of a year ago by some £27,000. That it should be greater, notwithstanding the small decline in gross income, is due, of course, to the incidence of taxation from which the company has gained a temporary benefit in the year under review.

BALANCE SHEET ITEMS

Turning to the balance sheet, you will observe that the special taxation reserve no longer appears in the accounts. This reserve, you may remember, was set up following a decision of the Inland Revenue to make an alteration on our basis of taxation. The necessary adjustments are now completed, and the balance of the income tax reserve, amounting to £35,900, which is no longer required, has been transferred to contingency reserve.

The valuation of the investments at January 31st showed a small depreciation of 2.81 per cent. on the book value. Our investments, as a matter of fact, could not be replaced at anything like that figure, and the whole matter appears to me relatively unimportant at the present time. With a reserve fund of £2,100,000, the balance sheet shows the company to be in a strong position to withstand those repercussions on our business which we are bound to expect from the stresses and strains of the present conflict.

The march of great events, in which so much is at stake, so fills the eye and imagination that the mind is little attuned to a recital of the many day-to-day difficulties which beset the management of an investment trust, but I know that you will appreciate that these have much increased and will continue to increase. I shall content myself, therefore, with assuring you that in dealing with these problems we are constantly devoting our attention to your interests.

AMERICAN INVESTMENTS

There is one matter, however, to which I must make reference, if only for the purposes of record. Our investments in the United States were placed at the disposal of the Treasury at the outbreak of war, in accordance with the provisions of the Defence Acts.

As and when dollars are required to meet national requirements these securities will be taken from us. So far, two requisitions have been made, the company receiving the sterling equivalent of the market prices of the stocks taken over. We must anticipate a continuation of this process and envisage a time when all, or nearly all, our American bonds and stocks will have been taken from us. That, briefly, is a situation which is well known and no doubt familiar to you. No one will challenge the right of the Government to acquire assets which can contribute so materially to the national effort, and few will criticise the procedure hitherto adopted or the terms of the requisitions. But so far as our domestic affairs are concerned, it is right that you should realise that in parting with our American securities we have made a contribution which involves some sacrifice. We have a large and varied portfolio of dollar bonds and stocks representing over 20 per cent. of our total funds. This has not been acquired in a day or in any haphazard manner, but is the result of many years' work of an experienced management whose efforts have been directed towards building up a sound investment in that field yielding a satisfactory income and not without potentialities. To a going concern, therefore, the liquidation of a large part of its earning assets cannot but be unwelcome and unprofitable, and will tend towards a reduction in the earning power of the company. It may suggest itself to you that we, together with other similar institutions, who have acquired in the course of time valuable holdings in the United States, are being penalised rather than rewarded for our initiative in that field. That may be so. I see no satisfactory alternative, however, and I think we must accept this war measure as inevitable.

EXCESS PROFITS TAX

There are other war measures which, if applied without consideration and understanding, will tend to bear unfairly in some directions, and which I see no reason to accept as inevitable. I refer more particularly to the Excess Profits Tax. There are innumerable concerns which appear to be liable to an amount of this tax out of all proportion to the source and nature of their profits—companies which in recent years by enterprise and expansion, or for other reasons quite unconnected with war expenditure, have improved their position. Under the existing Finance Acts these companies will be penalised for their energy and efficiency, while those which have enjoyed a steady level of prosperity throughout are untouched. It is regrettable to my mind that companies suffering hardship should have to seek relief from a Board of Referees instead of from the terms of the Statute itself. No one will take exception to the main purpose of the tax, but that this purpose will be achieved in an equitable way by the arbitrary selection of standard years I venture to doubt. I am glad to note, however, that the attention of the Chancellor of the Exchequer has been directed to the injustices involved, and I trust that adequate provision will be made in this year's Finance Act.

THE NEW FINANCE ACT

It would be premature to comment on the various provisions of the new Finance Act which was introduced by the Chancellor this week, as the full implications of that measure have as yet to be examined in detail. One must acknowledge, however, the obvious desire and intention to spread the burden in an equitable manner and the instinctive urge to criticise, should the shoe happen to pinch too tightly here and there, must be tempered by the knowledge of the issues at stake and the difficulties involved in the collection of such vast sums. There is one proposal in the Chancellor's speech to which I might refer as it will have a direct bearing on our affairs here—the limitation of the rate of dividends to be declared by public companies. That, of course, will have some effect on our income as naturally we have a number of investments which were purchased

to light definite information regarding the requirements and purchasing power of the potential clientele and the extent to which its demand is already satisfied. Once these facts are established it becomes comparatively easy to find means of meeting the demand. Propaganda then steps in with a view to convincing the prospective customers that the article offered answers their requirements and is worth the money.

Sellers have always had to use persuasion; but the art of attracting and holding the attention, and then of inducing to buy, has been brought to such a pitch as to become a veritable science. Its scope is increased by additional media for appeals and more striking means of presenting them—illuminated signs, moving pictures, broadcasting—to say nothing of the progress made in photography and printing.

Advertising is to-day an important part of the mechanism of distribution. It tends to stimulate trade and to stabilise markets.

Up to a point, the extension of the use of brands to an increasing variety of goods encourages standardisation and mass production; furthermore, it provides a safeguard for consumers, since producers or groups of producers who attach their name to a particular variety of goods make themselves more clearly responsible for the quality of their products.

Unfortunately, the classes of goods for which the bulk of advertising is carried on are still too few. Abuses, now fast disappearing, have discredited publicity, and many firms are still afraid that by resorting to it they might damage their reputation. In most countries, however, the authorities, supported by associations of suppliers, advertising agents, and even consumers, are increasing their endeavours to eliminate wilful deception from commercial publicity.

WIDER USE OF ADVERTISING RECOMMENDED

A much wider use of advertising would be in the general interests. As it is, the community is already greatly indebted to advertisers, not only because by attaining their immediate purpose they have promoted the output and consumption of goods, but also because they have, incidentally, spread valuable notions of hygiene and comfort and a desire for more diversified satisfactions, such as travel.

Moreover, advertising provides the daily and periodical Press with a measure of income without which newspapers and magazines would have to be sold at much higher prices.

Other forms of economic propaganda may be noted. Governmental and academic institutions seek to diffuse better production and sales methods; and some of the major industries, as well as associations of agricultural producers, are beginning to realise how important it is for their undertakings that the public should know of the ways in which they are furthering the interests of the community, and of the obstacles that hinder them from doing better. This is a new kind of publicity that deserves to be more extensively applied.

Public opinion is, indeed, very badly informed on economic prin-

ciples and facts. Misunderstandings between social classes and between nations arise largely from ignorance of the mutual services that might be rendered, and even of those which are in fact being rendered. At the present time, governments are conducting intense propaganda in order to justify their policies in the eyes of their people and of the world. It is to be hoped that after this war they will apply the same energy and perhaps a little more method to disseminating economic truths. Yet in this field, as in so many others, it is private initiative, conscious of its strength and of its worth, that could and should take the lead.

Such are, in substance, our comments on the art of spreading knowledge and understanding—comments set out more fully in the essay which forms the supplement to our report and which purports merely to be a modest effort at economic propaganda in favour of that very propaganda.

During the past year several of our associated companies withdrew part of the deposits placed with us, or applied to us for fresh advances, with a view to discharging commitments, extending plant, increasing their holdings of securities, or making other investments. On the other hand, our claim on the banking house of Mendelssohn and Company, Amsterdam, has been eliminated from our "cash at banks" account and transferred to "debtors" account, where it is entered at a heavily reduced amount on which no loss may be expected. The net total of our cash and claims on debtors, after deduction of our liabilities to third parties, is only 4 per cent. less than the corresponding sum shown by our preceding balance sheet.

After amortisations, our security holdings stand at 16 million francs less than a year ago, the value of new acquisitions having practically offset that of items sold and amounts paid off. A valuation based on stock exchange quotations at the close of the past year would give a higher total than that shown in the balance sheet.

The income for 1939 exceeded that for the preceding year, but the amounts written off in respect of the above-mentioned debt and of our security holdings reduce the balance of the profit and loss account to 64½ million francs. This will allow the distribution of a dividend of 250 francs net on the ordinary shares.

As shown by the details given later in this report, practically all the undertakings in which our company has interests have made satisfactory progress during the past year. For some of them the disturbed conditions resulting from the war are rendering remittances abroad more difficult, while at the same time tax burdens have increased. However, those companies in which we hold our largest participations operate in countries that seem unlikely to be affected, except perhaps indirectly, by the European conflict.

Other sections of the report deal with developments in the field of electricity during the past twenty years, and give the usual particulars regarding the undertakings in which the company has its principal interests.

BALANCE SHEET AS AT DECEMBER 31, 1939

LIABILITIES		ASSETS	
Capital: Liabilities to the Shareholders.	Fr.	Fr.	Fr.
40,000 Preference Shares of Fr.500 each.....	20,000,000-00	Buildings and Furniture.....	1 00
200,000 Ordinary Shares of Fr.500 each.....	100,000,000-00	Realisable Assets.....	
		Holdings in Public Funds and Participations.....	1,366,520,592-50
Legal Reserve.....	120,000,000-00	Deduct: Payments remaining to be received on Shares and Participations.....	36,020,592-50
Special unavailability Account (Premium on 1929 Issue).....	20,000,000-00	Cash in hand and at Bankers.....	1,330,500,000-00
Special Account: for adjustment of cash in hand, credit balances and liabilities, to the new gold parity of the Belga (Currency Act of March 30, 1935).....	1,508,000,000-00	Associated Companies and other Debtors.....	692,194,794-55
		Deposits and Qualifications.....	104,170,680-12
Liabilities to Others.....	170,971,412-25	Per contra Account.....	796,365,474-67
Associated Companies, other Creditors and Provisions for Sundry Contingencies.....	241,525,235-96	Deposits and Qualifications.....	Not valued
Unpaid coupons.....	1,769,622-65	Profit and Loss.....	
Per contra Account.....	243,294,858-61		
Deposits and Qualifications.....	Not valued		
Balance.....	64,599,204-81		
Total.....	Fr.2,126,865,475-67	Total.....	Fr.2,126,865,475-67

PROFIT AND LOSS ACCOUNT AS AT DECEMBER 31, 1939

DEBIT		CREDIT	
General and Administration Charges.....	Fr.	Brought forward from 1938.....	Fr.
Staff's Participation in the Profits, and Allocations to the Pensions Fund.....	26,549,191-75	Income from Shares and Participations, Interest, Commissions, and Sundries.....	11,324,094-63
Amortisations.....	2,994,603-60		
Balance to be distributed.....	71,930,296-86		
	64,599,204-81		
Total.....	Fr.166,073,297-02	Total.....	Fr.166,073,297-02

DISTRIBUTION

5 per cent. per annum on the Preference Shares: Fr.25 gross on 40,000 shares.....	Fr.
First dividend of 5 per cent. per annum on the Ordinary Shares: Fr.25 net on 200,000 shares.....	1,000,000-00
To be carried forward.....	
Directors' and Supervisors' fixed remuneration.....	5,000,000-00
Fr.225 net on the 200,000 Ordinary Shares.....	11,349,204-81
	2,250,000-00
	45,000,000-00
Total.....	Fr.64,599,204-81

Translations of the full Report and Supplement can be obtained from:—The Electric and Railway Finance Corporation, Ltd., 10 Mayfair Place, London, W.1, and The Midland Bank Limited, Poultry, London, E.C.2.

and continue to be held in the expectation of increasing returns. The proposal, as broadly stated by the Chancellor, would have undesirable and inequitable results in many cases, but I have no doubt he will make an effort to meet such cases in the course of adjusting the exact provisions of the Bill.

I need not exaggerate the effect of this and the other matters I have referred to on our revenue account for the current year. That effect is bound to be adverse, but it is at present a question of degree. We have a large surplus over our dividend requirements, and I have every hope of being in a position a year hence to submit a reasonably satisfactory result.

Before moving the adoption of the Directors' report and accounts, I must once again express my appreciation of the services rendered by our staff here and by our agents in America during the past year.

I now beg formally to move that the directors' report and accounts be adopted and that final dividends be declared as therein recommended, viz.:—On £700,000 preference stock at the preferential rate of 4½ per cent. per annum; on £650,000 preference stock at the preferential rate of 4 per cent. per annum; on £750,000 preference stock at the preferential rate of 5 per cent. per annum; on £100,000 "A" preference stock at the preferential rate of 4 per cent. per annum; and on £1,050,000 ordinary stock at the rate of 14 per cent. actual, making 25 per cent. for the year, all subject to deduction of income tax.

The report and accounts were adopted and resolutions declaring dividends, re-electing the retiring director and appointing auditors were unanimously passed.

OOREGUM GOLD MINING COMPANY OF INDIA, LIMITED

INCREASED PROFIT AND DIVIDEND

The ordinary general meeting of the Ooregum Gold Mining Company of India, Limited, was held, on the 26th ultimo, at Southern House, Cannon Street, London, the Hon. A. T. J. Fraser, D.S.O. (the chairman), presiding.

The chairman, in the course of his speech, said that there was a gratifying increase in the annual profit which had been reflected in an increased rate of dividend. The cause of that increase lay partly in a slightly higher grade of ore having been milled and partly in increased price of gold.

The profit, at £103,826, showed an increase of £47,084. The directors recommended a final dividend of 9d. per share on both preference and ordinary, thus making 2s. 3d. per share, or 22½ per cent. on the preference and 1s. 3d., or 12½ per cent., on the ordinary shares.

The ore reserves stood at 304,700 tons of an average grade of 10.08 dwts., a gratifying increase of more than 44,000 tons, the grade to all intents and purposes being the same.

Development had been pushed ahead well, thanks to improved air conditions, and the results had been satisfactory but not sensational. It was unfortunate that the revival in the fortunes and increase in the dividend-earning capacity of the mine should have coincided with the difficult financial times that were being experienced. It was impossible to forecast what the effects of these would be on the future dividends of the company.

ARBITRARY DEMANDS OF MYSORE GOVERNMENT

With regard to the British Government's demands, although they were grievous, at least they were fully justified, but the demands of the Mysore Government were by no means easy to bear with equanimity. When shareholders considered the enormous benefits which, over a period of fifty years, that Government had received both directly in revenue and indirectly in employment for their workmen, traders and cultivators from the Kolar Gold Field, they must come to the conclusion that the direct appropriation of some 13s. 6d. for every ounce of gold won, while gold stood at its present figure, was an arbitrary act which was very difficult to justify.

It was the more unfortunate in the case of Ooregum, because that mine had, as they all knew, just come through a very lean period. For some years ordinary shareholders had had to be content with a meagre 3d. and 6d. as dividend, and even that dividend had only been made possible by the most careful husbanding of resources.

The report and accounts were unanimously adopted.

THE UNION BANK OF SCOTLAND, LIMITED

SATISFACTORY RESULTS

The annual meeting of shareholders of The Union Bank of Scotland, Limited, was held, on the 1st instant, Sir A. Steven Bilsland, Bt., M.C., chairman of the bank, in the chair.

The chairman, in submitting the directors' report, said that with reference to the balance sheet, it would be observed that deposits amounted to £36,000,000, which showed an increase of £2,784,000 as compared with last year. Deposits, of course, varied within moderate limits from day to day, but it was interesting to note that this year's figure was the highest yet recorded at April 2nd, and this also applied to the balance sheet total of over £43,000,000. The removal of the Central Clearing House from London had caused some delay in the normal clearing of cheques, and this, in turn, had the effect of expanding all bank deposits to some extent. Acceptances by the bank showed little change, but, following upon increased trade activity, net circulation at £2,933,000 showed a substantial increase of £285,000.

On the assets side, cash and money at call and short notice, which showed an increase of £1,600,000, amounted to £9,074,000. This represented over 23 per cent. of the liability on deposits plus notes in circulation. Taking into account their holding of rather more than two millions of Treasury Bills, it would be seen that the bank's position was an extremely strong and liquid one. In addition, they had investments amounting to £19,325,000 available, a moderate decrease of £724,000 on last year. Although there had been many ups and downs in values during the past twelve months, the market value of these investments, in the aggregate, showed a substantial surplus over the book values.

For the fourth successive year they were glad to be able to report a considerable increase in loans and advances, which were £511,000 up as compared with last year. The total of £11,000,000 compared with £7,700,000 at April, 1936, and this increase in advances, which were numerous and well spread, was a very welcome one from the point of view of beneficial and remunerative employment of their funds.

YEAR'S PROFIT

Their profit, which was arrived at after making full provision for every known liability, amounted to £303,000, a reduction of approximately £7,000 compared with last year's figure. They would agree that, in view of rising costs, increased taxation and other expenditure arising out of the war, the results of the year must be regarded as most satisfactory.

When addressing the shareholders a year ago, he had referred to the anxious times through which they were passing. Unfortunately, in spite of all the efforts of our Government to preserve peace, we, in conjunction with our French allies, had for eight months been involved in war with Germany, for the second time in twenty-five years. The country and the Empire had never been more united than they were to-day. They were firmly resolved to carry the war through to a successful conclusion.

The heavy industries, comprising iron and steel, shipbuilding and engineering, in which Scotland—particularly the Western district—was so greatly interested, had been busy before the outbreak of war in connection with the re-armament programme, and since last August they and the textile industry had been working at the highest pressure.

Last week the Chancellor of the Exchequer had presented his Budget, which increased the already drastic taxation rendered necessary by the vital struggle in which the nation was engaged. Nobody liked high taxation, but the burden would no doubt be borne cheerfully. The need for personal economy, restriction in the consumption of commodities and saving in order to lend to the nation, could not be over-emphasised. He had no doubt that they must accept much more severe restriction in several directions in the near future. Reference had frequently been made at the bank's annual meeting to the need for increased exports; that was doubly necessary to-day so that we might be able thereby to pay for as large a proportion as possible of the vast imports required to carry the war to a successful conclusion. The amount of gold and foreign investments available which could be used to pay for such imports was definitely limited. They must not only achieve a very great increase in exports but they must also drastically curtail non-essential imports.

The report was unanimously adopted and a dividend at the rate of 18 per cent. per annum declared.

THE LONDON ASSURANCE

PROGRESS IN A DIFFICULT YEAR

The annual general Court of the London Assurance was held, on the 1st instant, at 1 King William Street, London.

Mr R. Olaf Hambro (the Governor), after saying that they were majority shareholders of a German insurance company, the Securitas, concerning the trading of which they were without knowledge since the outbreak of war, and that their income situation was not likely to be very much affected by events in Scandinavia, proceeded to deal with the life department, in which, he said, there was a drop in the volume of business transacted. Right up to the early days of September last there had been every prospect that their new business production figures would at least reach an amount equal to the previous year, and, in fact, they had given promise of producing a record, but on the outbreak of hostilities new business had seriously diminished. Since the beginning of the current year new business production was moving along reasonably satisfactorily.

Their total net new business expressed in sums assured for 1939 amounted to £2,100,256, a decrease of £578,925 compared with 1938, a fall of some 22 per cent., and, when regard was had to the fact that quite a substantial volume of new life business was invariably transacted in the closing period of the year, the fall was not unduly large.

ABNORMAL RISKS

In these difficult times the "London" maintained its tradition of service. They were desirous that life assurance should still be available on an equitable basis, and, while it was beyond their capacity to say what was adequate in the way of extra premiums for additional abnormal risks, they were anxious that those seeking life assurance with them should obtain it. Their additional rate for new assurances on civilian lives to include war risks in this country was but 10s. per cent. per annum of the sum assured, and they were granting cover where the hazards were greater by virtue of actual service and at moderate extra premiums. Policies issued prior to the war were unconditional and worldwide.

FIRE AND ACCIDENT RESULTS

Once again the fire and accident departments exhibited progress, showing together an increase in premium income amounting to £26,000. The fire department's increase amounted to £68,514, bringing the income to £2,201,186. The transfer to profit and loss was £148,057, being 6.7 per cent. of the premium income. The total fund amounted to £880,474. The accident income was £1,458,942, a decline of £42,374, but the amount transferred to profit and loss account was £159,878, being 11 per cent. of the premium income as against 7.6 per cent. in the previous year, representing an increase of £45,040.

They had had an exceptionally good year in the accident department, making substantial progress both geographically and sectionally, and each of the associated companies had made contribution to the excellent results. Motor business had been seriously affected by increased taxation and petrol rationing, and there had been a heavier incidence of claims on account of black-out conditions and otherwise, which were abnormal when related to the volume of income.

The marine premiums amounted to £977,660, an increase of £177,783. Losses represented 54.2 per cent., against 69.3 per cent. They were making a transfer to profit and loss account of £50,000, the same as last year, leaving a marine fund of £1,260,653, being 126.4 per cent. of the premium income as against 121.3 per cent. in the previous year.

The total brought into the profit and loss account was £1,393,626, and the dividends paid had been within their interest-earning capacity, calling for no contribution from underwriting profits. The balance carried forward of £858,092 was £57,054 in excess of the amount brought in, and was a free reserve in addition to their general reserve fund of £3,000,000. The market value of their investments showed a surplus of just over £200,000 above book values. Their total premium income for the year for all departments was £5,541,542, and their total assets stood at £21,797,712.

The report and accounts were unanimously adopted.

The formal business was duly transacted and the proceedings terminated with hearty votes of thanks to the Governor, directors, management and staff.

EQUITY AND LAW LIFE ASSURANCE SOCIETY

EFFECTS OF THE WAR

The annual general meeting of Equity and Law Life Assurance Society was held, on the 30th ultimo, at 20 Lincoln's Inn Fields, London.

The Rt. Hon. Sir Dennis Herbert (the chairman), in the course of his speech, said:—The consequences so far as the society is concerned of the abnormal conditions of the last twelve months have been a sharp decline in new business done, and further depreciation in investments.

Our net rate of interest earned last year was £3 16s. 3d. per cent. As in the case of most offices, this is less than that of the preceding year, largely on account of the increase in income tax. Our mortality experience during the year was very satisfactory; the favourable mortality in respect of life assurances, even when compared with up-to-date mortality tables, indicates a careful selection of lives.

Turning to the published accounts, you will observe that we have added £400,000 to the £100,000 investment reserve which we now call the mortgage and investment reserve, making a total of £500,000. In recent years we have carried forward a surplus of profits without placing any of it to any reserve fund; but in these uncertain and difficult times your directors have thought it well definitely to earmark this amount as a reserve.

STOCK EXCHANGE INVESTMENTS

As regards stocks, bonds and shares which for convenience I may term our "Stock Exchange investments," there is little which calls for comment, except the depreciation which is larger than last year. On December 31st last the depreciation was nearly £1,900,000—as compared with nearly £1,150,000 at the end of 1938—and this increase may, I think, be fairly put down to the war and conditions immediately preceding the outbreak of war. I am happy to be able to tell you that according to a valuation made about a fortnight ago, the depreciation was then reduced by about £500,000 to £1,400,000. A sum of £100,000 has been placed to a special reserve against the investment in the shares of the Freehold Building and Land Development Company.

I think it will be generally admitted that the Stock Exchange quotations or market values of investments under present conditions are to some extent meaningless, and in many cases the values thus arrived at only mean that there is no free market. None the less, as the next triennial valuation of the society is due to be made at the end of this year, and as it will then be necessary to adopt suitable measures to deal with any depreciation that may then be existing, your directors feel it right that I should call your attention now to the possible effect on the rate of dividend, and rates of bonuses to be declared at the end of this triennium.

In these times it is difficult to see even a short way ahead into the future, and it would be more than rash to hazard any opinion as to the conditions which may be existing at the end of this year. But assuming that no great change for the better has taken place in the international situation, prudence may well lead your directors to carry forward, or carry to some reserve, the whole of what would otherwise be surplus available for distribution or to use it in writing down values of our assets. This would mean a substantial reduction in the rate of dividend on the society's shares, and the temporary suspension of bonuses allotted to the with-profits policies.

Continuing, he said that, following the retirement of Mr Thorne last September, Mr Kirton had been appointed general manager and the executive staff had been reconstructed. The directors also had under consideration a reconstruction of the society's board. The directors proposed that their fees should in future be paid free of income tax at 5s. 6d. in the £ only instead of free of all income tax.

The directors had now decided that under new policies the society would cover civilian war risks (except while flying) within Great Britain and Northern Ireland.

New and attractive schemes had also been devised to suit the particular circumstances of the present time and it was hoped that these would enable the society to obtain its full share of new business.

The report and accounts were unanimously adopted.

ROYAL EXCHANGE ASSURANCE

220th ANNUAL GENERAL COURT

The two hundred and twentieth annual general Court of the Royal Exchange Assurance was held, on the 1st instant, at the Royal Exchange, London.

Lord Bicester (the Governor), in the course of his speech, said: In the life department total sums assured during the year amounted to £3,399,000, a figure which, after deduction of reinsurances, stands at £2,965,000. The premium income of the department was £1,388,000. The claims paid and outstanding amounted to £926,000, an increase of £82,000. The life assurance fund now amounts to £14,571,000, an increase of nearly £615,000 for the year.

Few of us would have cared to hazard a guess at the possible extent of casualties among the civilian population from air attack in the event of the outbreak of a major European war. As far as I know, general opinion would have placed them at a high figure. It seemed at first sight, therefore, that a risk of such potential magnitude, while included under the terms of life policies already issued, could not be included in new policies that would be taken out after war commenced, without some additional premium being added. While we appreciate that it is a decision that must be subject to review from time to time, the Royal Exchange has decided for the present to include this risk for approved civilian lives at the normal rate of premium, and in so doing has, I think, extended a facility of great service to the general public.

FIRE DEPARTMENT

The results of our fire department show a total underwriting profit for the year of £147,000. With the addition of £44,000, being net interest received, there has been transferred to the general profit and loss account £192,000. Throughout the whole of the year, and certainly after the outbreak of hostilities, fire insurance business was confronted with questions of the utmost importance.

While the likelihood of extensive damage to property by hostile aircraft naturally led to a demand for insurance facilities to cover this risk, I think it can hardly be questioned that the possibilities of such damage were potentially so great that the matter became one for Government consideration alone. The Weir Committee was set up to review the problem in all its aspects. Side by side with this demand there was the necessity for some form of insurance cover against war risk to commodities and stocks. In this matter the insurance companies acted as agents of the Board of Trade in helping to administer the War Risks (Commodities) Insurance Fund, and the Corporation took their share in this work. Although the results of our home business were excellent, in the foreign field we could hardly expect to escape some repercussion from war conditions.

ACCIDENT DEPARTMENT

Despite a slightly lower premium income, the underwriting profit of the accident department was £120,000—a record figure for this department—against £55,000 for the previous year. Together with net interest, the amount transferred to profit and loss account is £155,000. The Corporation has for some time been concentrating on improving the quality of our overseas and foreign accident business, and the result of these efforts has coincided with a good year in the home markets.

The decrease in the premium income is in some respects due to a pruning of the account, but it also foreshadows a falling off of motor car insurance owing to cars being laid up, because of the rationing of petrol, the increased taxation, and through general war conditions. Claims in respect of motor car business are likely to show some increase due to the larger number of accidents which have unfortunately occurred during the black-out.

The group as a whole has again experienced a very excellent year's trading, and we have, I feel, every cause for satisfaction in the steady progress that is being maintained throughout our organisation, and at the continually mounting figure of our assets which in a combined total for the Royal Exchange Group now exceeds thirty-three and a quarter million pounds. In any normal year I would be prepared to suggest that we might look forward to this steady arithmetical progress. But we are meeting here to-day under no ordinary conditions. Our country is again at war, against the same relentless, but, if possible, more unscrupulous foe. The future, therefore, must of necessity hold many uncertainties for us, and in many ways our business progress may for a time be impeded.

The report was adopted.

EAGLE STAR INSURANCE COMPANY, LIMITED

HIGHLY SUCCESSFUL YEAR

PROFITS FROM ALL DEPARTMENTS

Presiding at the annual general meeting of the Eagle Star Insurance Company, Limited, held, on the 29th ultimo, in London, Sir Edward Mountain, Bart., said that during the year 2,324 new life policies were issued for £5,891,684 gross (£5,835,877 net), practically the whole of which was transacted in the United Kingdom. The combined life and annuity funds now stood at £15,330,878, showing an advance of over £218,000 during the year.

FIRE DEPARTMENT

The premium income was £841,682, an increase of £33,218, and from this there emerged a profit of £60,842.

ACCIDENT DEPARTMENT

The premium income from ordinary personal accident and sickness insurance amounted to £82,450. Owing to the cancellation of newspaper insurance contracts during the year, there had been a considerable reduction in the premiums under this heading. Claims payments were £41,420, and after providing for outstanding claims and reserving 40 per cent. for unexpired liability, there was a profit of £18,077 to transfer to profit and loss account.

GENERAL INSURANCE

In the general insurance account, dealing with the various miscellaneous classes of accident business, the premium income again showed an increase and now stood at £511,509. A profit of £100,234 was carried to profit and loss account.

MOTOR DEPARTMENT

Petrol restrictions and increased cost of car taxation were responsible for a decrease in the income of that department from £1,607,231 in 1938 to £1,573,584 in 1939. Claims paid and outstanding amounted to £887,555, and a profit of £19,882 had been transferred to profit and loss account.

MARINE DEPARTMENT

In that account £318,108 was brought forward, while the net premiums amounted to £426,899, making a total of £745,007, against which they had settled claims for the year 1939 and previous years amounting to £174,184. Expenses of management, including taxes, amounted to £64,029. After having transferred £25,000 to the profit and loss account, the marine fund stood at £481,793, or 112.85 per cent. of the premium income.

PROFIT AND LOSS ACCOUNT

The amount brought forward last year was £402,134. Interest earnings, plus fixed fees and credits from various departments, amounted to £608,327, together producing a total on the credit side of £1,010,461. After providing for the dividends, expenses of management not charged to other accounts, taxes, including N.D.C., office equipment, bad debts, and writing off fully an item of £41,748, expenses in connection with air raid precautions, the balance carried forward was £493,364. The carry forward in profit and loss during the last two years had been increased by approximately £200,000. The interest earnings alone more than cover the total dividend.

INVESTMENT RESERVE

In order to provide for the depreciation which occurred during the year in the values of securities held by the company, they had transferred £350,000 from their contingencies account to investment reserve, which now stood at £650,000 and was more than sufficient to provide for the difference between the values at which those securities stood in their books and the market values at the end of the year. The heavy depreciation which had occurred during the last three years had been fully provided for each year without touching their general reserve of two and half million pounds.

The report and accounts were unanimously adopted.

CALEDONIAN INSURANCE COMPANY

SATISFACTORY RESULTS DESPITE YEAR'S DIFFICULTIES

The one hundred and thirty-fifth annual general meeting of this company was held, on the 2nd instant, in Edinburgh.

The chairman, Mr William Henry Fraser, W.S., in moving the adoption of the report, said: The net new life assurances granted during 1939 amounted to £1,454,772, the premiums thereon being £50,197, including £10,695 by single payments. The net new sums assured compare with £2,102,749 for the previous year. But for the outbreak of war, I have no reason to doubt that our new business figures for 1939 would have shown little variation from those for the previous year.

The death claims for the year 1939 were £267,739 compared with £239,171 in the previous year, but are still within the amount expected under the mortality table used in the valuation. Surrenders amounted to £57,278 against £67,350 in 1938. The total net premium income for 1939 was £610,603 compared with £614,489 in 1938.

The expenses for the year 1939, excluding those applicable to annuities, showed a ratio of 16.5 per cent. compared with 16.4 per cent. in 1938.

The average rate of interest on the combined life assurance and annuity fund (excluding reversions purchased) was £3 12s. 8d. per cent. after deduction of income tax, against £3 16s. 9d. per cent. for the previous year, the reduction being mainly accounted for by the increase in the rate of income tax from 5s. 6d. to 7s. in the £.

The valuation of our Stock Exchange securities as at December 31st last showed that, in the aggregate, the market values at that time were less, by about 3½ per cent., than the values appearing in the balance sheet. I may add, however, that this depreciation had to a large extent disappeared when we made a further calculation of the market values as at the 15th of last month.

I would draw your attention to the statement in the annual report that it had been decided to allot an interim bonus of £1 per cent. per annum on ordinary participating whole life, endowment and double endowment assurances becoming claims by death or maturity in 1940, and that the bonus would be allotted in respect of each year's premium due and paid since the last triennial investigation at December 31, 1936.

FIRE DEPARTMENT

The premium income for the year 1939 was £684,680 against £711,621 in 1938, and the profit was £45,989 compared with £51,782. The total fire fund at December 31, 1939, amounted to 113 per cent. of the premium income for the year.

ACCIDENT DEPARTMENT

The combined account shows that the total premium income for 1939 was £568,358 against £558,839 for 1938. The profit was £23,767 compared with £29,501 for the previous year. The total accident fund at December 31, 1939, amounted to 84 per cent. of the premium income for the year, after including the transfer of £10,000 from profit and loss account for additional reserve.

MARINE DEPARTMENT

The premium income for 1939 was £121,847 against £111,187 for 1938. The first year's claims in 1939 were £24,381, being 20 per cent. of the premium income.

After a transfer of £7,500 to the profit and loss account, the marine fund at December 31st last amounted to £208,236, representing 171 per cent. of the premium income for the year.

GENERAL RESERVE FUND

This fund, which is additional to the departmental funds previously mentioned, has been increased from £600,000 to £650,000 by a transfer of £50,000 from the profit and loss account at December 31, 1939.

PROFIT AND LOSS ACCOUNT

The balance at credit of profit and loss account at December 31, 1939, including the sum brought forward from the previous year, amounted to £231,528. Out of this sum the directors recommend that £20,000 be carried to the staff pension fund as at January 1, 1940, and that a dividend be declared at the rate of 15s. per share, subject to deduction of income tax, to be paid by equal half-yearly instalments on May 15th and November 11th next.

The report and accounts were unanimously adopted.

THE ROYAL LONDON MUTUAL INSURANCE SOCIETY LIMITED

SUBSTANTIAL PROGRESS

TOTAL ASSETS £46,000,000

The seventy-ninth annual general meeting of this company was held, on the 30th ultimo, in London.

After the secretary (Mr J. J. Pipe) had read the directors' report and auditors' certificate,

Mr J. K. Wiseman, joint managing director, who presided, said: Ladies and gentlemen, the directors have great pleasure in again reporting substantial progress.

The combined premium income of all branches for the year amounted to £7,355,796, an increase of £181,871 over the previous year. The total income for the year amounted to £9,178,891, an increase of £267,549. The total claims paid during the year, including annuities and surrenders, amounted to £3,860,674, bringing the total of claims paid by the society since its foundation to £53,643,000. The total assets amount to £46,017,825, an increase of £1,884,505.

The market value of investments at the end of the year, after taking investment reserve and contingency funds into account, exceeds the book values, as set forth in the balance sheet.

ORDINARY LIFE BRANCH

The premium income in the ordinary life branch for the year (including consideration for annuities granted, amounted to £1,949,333, an increase of £20,346 over the previous year. The total amount paid in respect of claims by death or maturity, annuities and surrenders amounted to £1,349,829, an increase of £337,254.

As regards war risk on new policies, it has been our object to provide a high degree of cover for civilians, although active service risks, of course, have had to be excluded. We have, therefore, introduced a scheme under which 50 per cent. of the full sum assured will be allowed on with-profit policies issued at the ordinary rate of premium should death occur in consequence of war or hostilities while the life assured is a civilian. Air raid cover is therefore provided without an additional premium being charged, service in any form of A.R.P. being included. Full cover may be secured on payment of a small extra premium. In the case of men serving in the mercantile marine, the war risk benefit on with-profit policies issued at the ordinary rate of premium will be 25 per cent. of the full sum assured.

INDUSTRIAL LIFE BRANCH

In the industrial life branch the premium income for the year amounted to £5,303,610, which is an increase of £156,185 over the previous year. The amount paid in respect of claims by death or maturity and surrenders amounted to £2,510,846, an increase of £190,131.

As regards war risks on new policies, we have adopted a similar scheme to that in the ordinary branch.

BALANCE SHEET

The balance sheet shows that the assets total £46,017,825, an increase of £1,884,505 over the previous year. Stock Exchange securities represent 75.5 per cent. of the total, the remainder consisting mainly of mortgages, loans on public rates, freehold and leasehold properties and ground rents.

British Government securities represent 18.9 per cent. of the total assets, loans on parochial rates and municipal and county securities 17.5 per cent., the aggregate of these two groups representing 36.4 per cent.

Of the Stock Exchange securities 95.9 per cent. are made up of investments within the British Empire.

I now beg to move the adoption of the directors' report, statement of accounts and balance sheet for the year ended December 31, 1939. I will ask Mr J. H. Skinner, joint managing director, to second the motion.

The report and accounts were 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.

INSTITUTE OF CHARTERED ACCOUNTANTS

FINANCIAL PROBLEMS OF THE FUTURE

MR C. J. G. PALMOUR'S ADDRESS

Mr C. J. G. Palmour, President of the Institute of Chartered Accountants in England and Wales, in the course of his address to the members of the Institute at the annual general meeting, held on the 2nd instant in London, said: Reference has been made in many quarters to the flood of legislation arising out of the war and much of this concerns us professionally. The most important from our standpoint is, I think, the E.P.T. introduced by the Chancellor in the second Finance Act of 1939. Few people will disagree in principle with a tax on excess profits in wartime and where controversy usually arises is in regard to the standard by reference to which excess profits are to be measured. This was especially so in the case of the 1939 Act. It is very essential, with taxation at its present high level, that the tax-paying community should be convinced of the general fairness of the provisions under which taxes are levied and I therefore hope that inequities and anomalies will be rectified by the 1940 Act.

WARTIME REGULATIONS

The power to buy goods abroad is one of this country's most important assets in time of war. The need for mobilising that power and using it to the best advantage has necessitated the imposition of currency regulations, the prohibition of certain classes of imports except under licence and the compulsory acquisition of many classes of dollar securities held by persons resident in this country. Whilst we cannot be expected to have a detailed knowledge of all these currency, import and security regulations, we must be in a position to advise our clients generally in regard to them and to furnish the certificates that are required by the Bank of England in connection with applications for permits to pay sums due to foreign creditors. Thus our field of study is further enlarged.

The Government have rightly resolved to check profiteering in wartime and many of our members are serving on the committees set up under the Prices of Goods Act. As time goes on I think that there will be many calls on us from our clients for reports and certificates to substantiate increases in their selling prices. These will give rise to many problems, one of the most important of which will be whether materials should be included in cost statements at original or at replacement cost. In view of the difference of opinion which exists on this subject, I refrain from giving any definite ruling, but I conceive that there are many instances in which replacement cost is justifiable under present circumstances. We must, however, indicate clearly in our reports or certificates which basis has been adopted. These remarks must, of course, be read in regard to their context and imply no suggestion of writing up stocks from cost for balance sheet purposes.

QUESTION OF COMPULSORY SAVING

In my view the rates of direct taxation, with the possible exception of E.P.T., have reached their productive limit and whilst further indirect taxes have recently been imposed, the primary object of these and any subsequent increases is probably to curtail consumption rather than largely to increase revenue. In any event, the cost of modern warfare is so great that further heavy borrowing is inevitable and whether the balance over the yield from taxes is to be raised wholly by way of voluntary loans or in part by a scheme of compulsory saving is a matter which can only be decided by the Government. I trust it will not be thought necessary to resort to the latter basis, but if it so be I am convinced that it will be loyally accepted by the whole community and that it will not be made the subject of acute political controversy. On this question of saving I know there are varying views of the way in which we should respond to the exhortations of the Chancellor of the Exchequer and others. My view is that we should all modify our expenditure, whether of an essential or non-essential nature, to the greatest degree compatible with our mode of living, but at the same time endeavour to maintain such a standard as will assist in ensuring employment and thus bring continued happiness and contentment to our fellows.

The report was unanimously adopted.

DAILY MIRROR NEWSPAPERS, LIMITED

LARGE INCREASE IN NET SALES

MR JOHN COWLEY'S REVIEW

The twentieth ordinary general meeting of the Daily Mirror Newspapers, Limited, was held, on the 26th ultimo, at the Memorial Hall, Farringdon Street, London, E.C.4. Mr John Cowley (chairman of the company) presided.

The Chairman, in the course of his speech, said:—The profit amounted to £300,508 11s. This is about £13,000 less than a year ago, but out of our profits this year we have had to make a very substantial provision for excess profits tax. We recommend the payment of a final dividend of 10 per cent. on the ordinary shares, making a total of 15 per cent. for the year.

EXCESS PROFITS TAX BURDEN

During the year the *Daily Mirror* made a very successful appeal to the vast newspaper reading public. For the first half of our year—that is, to the end of August, practically up to the outbreak of war—our trading showed very good results indeed, and we were looking forward to a period of real prosperity. The second half was also very good, all things considered, but owing to the necessity of providing £80,000 for Excess Profits Tax the net result falls below that of last year. It is a paradox that we should be liable for such a sum by way of this special taxation, which applies in our case to a company in no way benefiting from war conditions, but rather the reverse. I may mention here that at a meeting of the debenture stockholders of this company held last month resolutions were passed sanctioning an arrangement under which we shall receive common shares in exchange for the debentures we at present hold in Anglo-Canadian Pulp and Paper Mills, Limited.

In my address to you last year I went fully into the position of that company and foreshadowed a possibility of reconstruction. When the scheme of financial reorganisation has been carried out, we hope that company will be placed on a sounder footing. We are indebted to two of your directors—Mr C. H. King and Mr A. S. Fuller—who visited Canada in connection with this matter.

The board unreservedly recommended the acceptance of the scheme. We are, as you know, holders of preference and common shares as well as debentures in the Anglo-Canadian company.

You will no doubt be aware that by a recent paper control order the amount of paper supplied by mills to customers has been drastically reduced and the price has been sharply advanced. In July we shall be paying £25 a ton, against a pre-war figure of only two-fifths of this cost. The shortage of paper and the greatly increased price of that commodity have given us many problems.

SHORTAGE OF PAPER-MAKING MATERIAL

The shortage applies not only to paper, but to all articles manufactured from wood pulp. The bulk of the raw material comes in normal times from Norway, Finland, Sweden and Estonia. You all will realise how much the war has affected the trade of these countries, for shipping from Baltic and Norwegian ports has almost ceased. The home paper mills, therefore, are confronted with a difficult situation, for stocks of raw material for papermaking are not large. Steps are being taken to procure from Canada and Newfoundland supplies of paper and pulp, the Paper Controller and the Newspaper Proprietors' Association being interested in this matter, which involves the important question of shipping.

The difficulty has been partly met by decreasing the number of pages in our paper. This in turn means a very severe curtailment in the space devoted to advertisements and consequent loss of revenue. In view of the very large increase in the net sale of the *Daily Mirror*, which is now over 1,750,000 copies a day, we are justified in making an adjustment in our advertisement rates, apart from any increase caused through the advance in price of newsprint. We have, at any rate for the time being, set our faces against any increase in the price of our paper to the public, and I hope, whether in Penzance or Aberdeen, you will continue to be able to purchase the *Daily Mirror* for one penny.

The question of arranging to print the *Daily Mirror* outside London should occasion arise has received full consideration, and complete plans made to produce our paper in various centres in case of need. This is a costly proceeding, but you will understand how necessary it is for us to maintain continuity of production.

The report and accounts were unanimously adopted.

SAN PAULO (BRAZILIAN) RAILWAY COMPANY, LIMITED

SATISFACTORY YEAR

The ordinary general meeting of this company was held, on the 30th ultimo, in London.

Mr Oliver R. H. Bury, M.I.C.E. (the chairman), said that the immediate effect of the commencement of hostilities in Europe appeared to have been some revival in their important traffic in coffee, which was apparent up to the end of November. During that period, there was also an appreciable improvement in exchange and, towards the end of the year, equal to 11½ per cent. On October 1st last an increase in rates was granted, designed to give them an increase of 13,800 contos of reis on a normal year's traffic.

The results for the year on the whole could be regarded as satisfactory. The net profit was £347,000, compared with £344,000 in the year 1938. They proposed a dividend of 2½ per cent., free of income tax, on the ordinary stock.

The volume of both passengers and goods was again in excess of any previous year, and that in spite of considerable diversion of goods traffic to the Sorocabana Railway, due to the operation of their Mayrink to Santos Extension.

It would be noted that among the assets they showed 26,760 contos cash in Brazil or £341,769 as at December 31st last. Since that date they had made a deposit of 18,330 contos of reis with the Bank of Brazil with a view to taking exchange in respect of profits and dividends as such exchange became available.

With regard to the prospects for the current year, the coffee crop 1940-41 was estimated at 14,000,000 bags, compared with 15,000,000 bags in 1939-40. The cotton area under cultivation should equal, if it did not exceed, that of last year, and the outlook generally in relation to production was encouraging.

So far their traffic returns to April 21, 1940, showed that the gross receipts in currency to that date were 41,760 contos of reis, compared with 39,849 contos of reis in the year 1939. The sterling equivalent was £536,268 in the present year, compared with £465,735 last year. The receipts reflected both the effect of the higher rates and an improving tendency in exchange.

The report was unanimously adopted.

RIVER PLATE TRUST, LOAN AND AGENCY COMPANY, LIMITED

OUTLOOK IN ARGENTINA

The meeting of the River Plate Trust, Loan and Agency Company, Limited, was held, on the 29th ultimo, in London.

Mr Walter Woodbine Parish, the chairman, who presided, said that the result of the year could be summarised as follows. The revenue, at £315,892, was under £25,000 less than that of 1938. That reduction was accounted for in the main by an exceptional amount of interest, some £20,000, having fallen in during 1938, as the result of the closing up of a long outstanding mortgage transaction. With the exception of interest on mortgage loans, every other source of income showed an increase. The net result was an available profit of £187,140, which enabled the board to recommend a final distribution of 9 per cent. and 3 per cent. on the "A" and "B" shares respectively, thus maintaining the dividends

(Continued from page 826.)

Combined profits, before taxes and depreciation: 1937, £213,182; 1938, £245,006; 1939, £249,996.

BY TENDER

West Hampshire Water Company.—Sale by tender, £12,000 4 per cent. perpetual debenture stock at minimum price par, also 3,500 4½ per cent. £10 preference shares at minimum price par. Closing date for tenders, May 7th.

ISSUE TO SHAREHOLDERS ONLY

Laporte (B.)—Issue of 58,333 £1 ordinary shares at £2 10s., two new for every nine held. Treasury consent has been obtained.

Shorter Comments

Company Results of the Week.—This week's company results include a number of important rubber company reports, a selection of which is discussed on an earlier page. The reports show a general recovery in profits and an appreciable increase in dividends. Among industrial companies, a further reduction in net profits of AULT AND WIBORG from £41,552 to £28,120 has been accompanied by a reduction in the dividend from 14 per cent. to 7½ per cent. The net profits of CALCUTTA ELECTRIC are moderately reduced from £353,246 to £340,029, but the dividend has been cut from 10 per cent. to 8 per cent. LONDON ELECTRIC WIRE profits show their usual stability; net profits in the latest year amount to £112,508, and the dividend is maintained at 7½ per cent.

Net profits of SCHWEPES are slightly lower at £136,021, and the dividends are maintained. The net revenue of SOUTH EASTERN GAS has shown a reduction of approximately £10,000 to £152,632, and in this case the dividend is reduced from 6 per cent. to 5½ per cent. Two subsidiaries of the Distillers Company have published their reports. That of W. P. LOWRIE shows a reduction in net profits but has maintained ordinary dividend, while JOHN WALKER AND SONS reports a substantial increase in net profits from £463,077 to £561,449, and in the ordinary dividend from 42½ per cent. to 50 per cent.

MISCELLANEOUS

British Match Corporation.—Ordinary dividend maintained at 7½ per cent. for year to April 30, 1940. Net profit, after tax, £451,269 (£447,371).

(Continued on page 841.)

of 14 per cent. on the "A" shares and 4 per cent. on the "B" shares, less tax, carrying forward £110,726.

No one would expect any forecast as to what the year 1940 would show. The greater part of the company's income to-day was represented by investment income, and in considering that, a sub-division of their investments showed that 14.70 per cent. were in dated British Government stocks; 28.39 per cent. were in debentures; 32.91 per cent. were in preference shares or stocks, and 24 per cent. were in ordinary shares or stocks. From those figures they would realise that the investment income stood to be less affected by the stress of war than might be the case if the holdings of equity shares and stocks were greater.

He was loth to think that they would not see in the future some improvement, even though slight, in mortgage income, but it was difficult to be optimistic in regard to the immediate future.

It was not difficult to visualise Argentina deriving some measure of advantage from the needs of the Allies, but the view that the history of twenty-five years ago would be repeated in similar form needed to be carefully thought over.

The report and accounts were unanimously adopted.

UNITED MOLASSES COMPANY, LIMITED

FAVOURABLE OUTLOOK

The fourteenth annual general meeting of this company was held, on the 26th ultimo, in London.

Mr F. K. Kielberg (chairman and managing director) said: All the company's tankers are safe and continue to render invaluable services under the direction of the Ministry of Shipping.

Final agreements have not yet been reached with the Ministry of Supply and Ministry of Shipping. I am satisfied, however, that the amounts included in the accounts as being due from the two Ministries will prove substantially correct and err, if anything, on the conservative side.

In spite of the many handicaps and uncertainties facing the company in consequence of the war, the present outlook, taking the company's activities as a whole, does not appear unfavourable.

In regard to the prospects for the latter part of the current year, it would be foolhardy to attempt to prophesy, but estimates of trading results since January 1st show that present earnings are at a rate which, if maintained, will amply cover the established annual rate of dividend on the ordinary capital.

It may interest stockholders to know that the agency remuneration due to the company from the Ministry of Supply for the period from January 1st to the present date represents less than 20 per cent. of the company's estimated total earnings for this period. Expressed as a percentage, the remuneration amounts to less than 5 per cent. per annum of the value represented by the capital assets and the stocks of molasses taken over by the Ministry.

At a time when the country is fighting for its very life, it is distasteful to have to discuss profits arising out of dealings for and on behalf of the Government, and I mention these figures merely to put on record how modest the remuneration is that the company is receiving for the services rendered to, and the large and world-wide facilities placed at the disposal of, the Ministry.

The report was unanimously adopted, and the final dividend of 5½ per cent., less tax, as well as a cash distribution of 10 per cent., free of income tax, was approved.

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week to April 27, 1940, total ordinary revenue was £10,553,000 against ordinary expenditure of £46,440,000. Thus, including all sinking fund allocations, the deficit accrued since April 1st is £119,113,000 against £34,965,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)			
	Apr. 1, 1939	Apr. 1, 1940	Week ended Apr. 27, 1939	Week ended Apr. 27, 1940
ORDINARY REVENUE	8,062	13,026	11	9
Income Tax	3,580	3,250	600	480
Sur-tax	5,180	6,190	900	1,960
Stamp duties, etc., Duties	1,200	270	510	350
N.D.C.	1,520	1,320	360	40
E.P.T.	130	50	...	10
Other Inland Revenue	100	50	...	...
Total Inland Revenue	19,642	24,236	2,381	2,849
Customs	19,593	20,178	5,176	5,711
Excise	9,678	11,498	978	998
Total Customs & Excise	29,271	31,676	6,154	6,709
Motor Duties	3,010	4,055	493	605
P.O. (Net Receipt)	2,180	1,050	480	...
Post Office Fund	200	160	200	160
Crown Lands	58	179	3	131
Receipts from Sundry Loans	668	818	298	99
Miscellaneous Receipts	55,029	62,174	10,009	10,553
Total Ordinary Revenue	55,029	62,174	10,009	10,553
SELF-BALANCING				
Post Office and Broadcasting	4,920	5,300	2,020	2,100
Total	59,949	67,474	12,029	12,653

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)			
	Apr. 1, 1939	Apr. 1, 1940	Week ended Apr. 27, 1939	Week ended Apr. 27, 1940
ORDINARY EXPENDITURE	23,883	24,318	498	577
Interest and Management of Natl. Debt	278	296	277	296
Payments to N. Ireland	303	283	24	26
Other Consoltd. Fund Services	24,464	24,897	799	879
Total	65,216	156,061	28,076	45,561
Total Ordinary Expenditure	89,680	180,958	28,875	46,440
SELF-BALANCING				
Post Office and Broadcasting	4,920	5,300	2,020	2,100
Total	94,600	186,258	30,895	48,540

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)			
	Apr. 1, 1939	Apr. 1, 1940	Week ended Apr. 27, 1939	Week ended Apr. 27, 1940
ORDINARY EXPENDITURE	23,883	24,318	498	577
Interest and Management of Natl. Debt	278	296	277	296
Payments to N. Ireland	303	283	24	26
Other Consoltd. Fund Services	24,464	24,897	799	879
Total	65,216	156,061	28,076	45,561
Total Ordinary Expenditure	89,680	180,958	28,875	46,440
SELF-BALANCING				
Post Office and Broadcasting	4,920	5,300	2,020	2,100
Total	94,600	186,258	30,895	48,540

After raising Exchequer balances by £270,647 to £2,860,190, the other operations for the week (as shown below) raised the gross National Debt by £36,687,000 to about £9,065 millions.

WEEK'S CHANGES IN DEBT

DEBT INCREASES (£ thousands)	
3% War Loan	500
National Savings Certificates	1,500
3% Defence Bonds	25,622
Treasury Bills	115
Other debt	7,400
Public Department Advances	36,687

OTHER ISSUES (Net) (£ thousands)	
North Atlantic Shipping	52
Overseas Trade Guarantees	53
P.O. and Telegraph	300
Anglo-Turkish Arms	144
	529

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1 to April 27, 1940, are:—

(£ thousands)	
Ordinary Exp. ...	180,958
Ord. Revenue ...	62,174
Misc. Iss. (net) ...	3,298
Inc. in balances ...	466
Sinking fds. ...	329
Net borrowing ...	122,548
	184,722
	184,722

FLOATING DEBT

(£ millions)						
Date	Treasury Bills		Ways and Means Advances		Total Floating Debt	Floating Assets
	Tender	Tap	Public Depts.	Bank of England		
1939						
Apr. 29 1940	409.0	498.7	50.8	...	958.5	549.5
Jan. 20	800.0	658.1	54.7	...	1512.8	712.8
Feb. 27	811.0	641.3	48.8	...	1501.1	690.1
Mar. 3	811.0	642.4	48.2	...	1501.6	790.6
Mar. 10	806.0	630.1	47.6	...	1483.7	677.7
Mar. 17	806.0	625.9	46.7	...	1478.6	672.6
Mar. 24	801.0	621.9	53.4	...	1476.3	675.3
Mar. 2	791.0	651.0	54.1	...	1496.1	705.1
Mar. 9	776.0	664.6	66.0	...	1506.6	730.6
Mar. 16	761.0	673.6	56.3	...	1490.9	729.9
Mar. 23	746.0	682.8	55.0	...	1483.8	737.8
Mar. 31	731.0	696.7	61.5	...	1489.2	758.2
Apr. 6	716.0	706.3	55.0	...	1477.3	761.3
Apr. 13	701.0	708.4	56.4	...	1465.8	764.8
Apr. 20	686.0	637.5	38.9	...	1362.4	676.4
Apr. 27	675.0	674.1	46.3	...	1395.4	720.4

TREASURY BILLS

(£ millions)						
Date of Tender	Amount			Average Rate %	Per Cent. Allotted at Minimum Rate	
	Offered	Applied for	Allotted			
1939						
Apr. 28 1940	30.0	63.5	30.0	24	3.67	31
Jan. 19 26	65.0	122.1	61.0	21	8.85	15
Feb. 2 9	60.0	112.2	55.0	22	0.32	17
Feb. 9 16	55.0	108.7	50.0	20	9.86	36
Feb. 23 16	55.0	106.9	50.0	20	6.11	48
Mar. 1 23	60.0	112.1	55.0	20	6.15	47
Mar. 1 8	55.0	108.2	50.0	20	4.81	34
Mar. 8 15	55.0	98.3	50.0	20	5.30	45
Mar. 15 21	50.0	99.8	50.0	20	5.28	43
Mar. 21 29	50.0	100.0	50.0	20	4.92	38
Apr. 5 12	50.0	99.9	50.0	20	7.46	49
Apr. 12 19	50.0	94.5	50.0	20	8.33	51
Apr. 19 26	50.0	90.6	50.0	20	8.16	52
Apr. 26 1	50.0	111.8	50.0	20	6.87	31
Apr. 26 8	55.0	115.7	55.0	20	4.98	36

On April 26th applications at £99 14s. 11d. per cent. for bills to be paid for on Monday and Tuesday following week were accepted in full. Applications at £99 14s. 10d. for bills to be paid for on Wednesday, Thursday and Friday were accepted as to about 36 per cent. of the amount applied for and applications at higher prices in full on Saturday were accepted in full. £60.0 millions of Treasury bills are being offered on May 3rd.

NATIONAL SAVINGS CERTIFICATES AND 3% BONDS SUBSCRIPTIONS

(£ thousands)			
Period	N.S.C.*	3% Bds.	Total
Week to Apr. 16, 1940.....	2,362	1,583	4,945
Week to Apr. 23, 1940.....	2,227	1,443	3,670
22 weeks to Apr. 23, 1940	69,145	66,374	135,519

* Revenue returns show repayment of principal amounting to £11,900,000 in the 22 weeks to April 27, 1940.

BANK OF ENGLAND RETURNS

MAY 1, 1940

ISSUE DEPARTMENT

(£ thousands)	
Notes Issued:	
In Circulation	541,041,944
In Banking	39,194,814
Dept.	
Govt. Debt	11,075,100
Other Govt. Securities	565,121,709
Other Secs.	3,354,245
Silver Coin	508,946
Amt. of Fid. Issue	580,000,000
Gold Coin & Bullion (at 168s. per oz. fine)	236,758
	580,236,758

BANKING DEPARTMENT

(£ thousands)	
Props. capital	14,553,000
Rest	3,151,201
Public Depts.*	19,754,929
Other Depts.:	
Bankers	125,447,212
Other Accts.	44,886,222
	170,333,434
	207,792,564
Govt. Secs.	138,977,838
Other Secs.:	
Discs., etc.	5,931,427
Securities	22,577,898
Notes	28,509,325
Gold & Silver Coin	39,194,814
	1,110,587
	207,792,564

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

THE WEEK'S CHANGES

(£ thousands)			
Both Departments	Amt. May 1, 1940	Compared with	
		Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	541,042	3,896	45,586
Deposits: Public	19,755	20,948	9,266
Bankers'	125,447	22,000	17,233
Others	44,886	4,325	7,845
Total outside liabilities..	731,130	+ 9,274	79,930
Capital and rest	17,704	13	29
COMBINED ASSETS			
Govt. debt and securities	715,115	+ 8,044	304,543
Discounts and advances	5,931	+ 1,072	2,244
Other securities	25,932	+ 40	3,519
Silver coin in issue dept.	509	—	355
Gold coin and bullion	1,347	+ 131	225,562
RESERVES			
Res. of notes and coin in banking department...	40,305	— 3,765	8,852
Proportion of reserve to outside liabilities— Bank, dept. ("pro- portion")	21.2%	— 2.6%	1.1%

COMPARATIVE ANALYSIS*

	(£ millions)				
	1939	1940			
	May 3	Apr. 10	Apr. 17	Apr. 24	May 1
<i>Issue Dept. :</i>					
Notes in circ.	495.5	539.4	537.5	537.1	541.0
Notes in banking dept.	30.7	40.8	42.8	43.1	39.2
Govt. debt and securities	298.7	576.3	576.5	575.4	576.2
Other secs.	0.5	3.2	3.0	3.1	3.4
Silver coin	0.9	0.5	0.5	0.5	0.5
Gold, valued at s. per f. oz.	226.2	0.2	0.2	0.2	0.2
	148.42	168.00	168.00	168.00	168.00
<i>Deposits :</i>					
Public :					
Bankers	10.5	22.9	28.7	40.7	19.8
Others	108.2	123.9	115.0	103.4	125.0
Total	37.0	42.6	43.7	40.6	44.9
Bkg. Dept. Secs.	155.7	189.4	183.4	184.7	190.1
Government :					
Discounts, etc.	111.9	137.2	129.4	130.6	139.0
Other	8.2	5.5	4.9	4.9	5.6
Total	21.9	22.5	23.0	22.8	22.2
Banking dept. reserve	142.0	165.2	157.3	158.3	167.7
	31.4	41.8	43.7	44.1	40.0
%	%	%	%	%	%
"Proportion"	20.1	22.0	23.8	23.8	21.1

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

OVERSEAS BANK RETURNS

NOTE.—The latest returns of the Bank of Egypt appeared in The Economist of March 16th; Banque Mellie Iran, of March 23rd; Argentine, of March 30th; Norway and Sweden, of April 13th; Bulgaria, International Settlements, Japan, Java, and Turkey, of April 20th; Australia, Canada, Denmark, Germany, Lithuania, Netherlands, New Zealand, Portugal, Prague and Switzerland, of April 27th.

U.S. FEDERAL RESERVE BANKS

Million \$'s	
12 U.S.F.R. BANKS	May 1, 1940
Gold certifi. on hand and due from Treas.	13,120
Total reserves	13,491
Total cash reserves	364
Total bills discounted	4
Bills bt. in open mkt.	4
Total bills on hand	13
Industrial advances	2,564
Total U.S. Govt. sec.	2,581
Total bills and sec.	16,795
Total resources	16,795
LIABILITIES	
F.R. notes in circ.	4,465
Aggregate of excess mr. bank res. over reqts.	4,080
Deposits: Member bank reserve account	9,872
Govt. deposits	936
Total deposits	11,362
Cap. paid in and surplus	311
Total liabilities	16,795
Reserve	85.2%
U.S.F.R. BANKS AND TREASURY COMBINED:	
RESOURCES	
Monetary gold stock	15,801
Treas. & bk. currency	2,851
LIABILITIES	
Money in circulation	6,915
Treasury cash and deposits with F.R. Bks.	3,627

NEW YORK FEDERAL RESERVE BANK—Million \$'s

Million \$'s	
May 1, 1940	Apr. 1, 1940
Total gold reserves	6,555
Total bills discounted	1
Bills bt. in open mkt.	0
Total U.S. Govt. sec.	721.9
Total bills and sec.	726.4
Deposits: Member bank reserve account	5,344
Reserve	90.9%

FEDERAL RESERVE REPORTING MEMBER BANKS—Million \$'s

Million \$'s	
Apr. 1, 1940	Mar. 1, 1940
ASSETS	
Loans, total	8,164
Investments	13,470
Reserve with Federal Reserve banks	7,668
Due from domestic bks.	2,615
LIABILITIES	
Deposits: Demand	16,072
Time	5,215
U.S. Govt. Inter-bank	6,615

EXCHANGE RATES

(a) Rates fixed by Bank of England

Par of Exchange per £	
London on	Apr. 26, 1940
New York, \$	4.0212
do. do.	4.0344
do. do.	4.4744
Paris, Fr.	176.3
Brussels, Bel.	35.00(a)
Amst'dm, Fl.	12.107
Batavia, Fl.	12.111
do. do.	25.2212
Switzerl'd, Fr.	18.159
Stockh'lm, Kr.	11.45
P. Pesos	17.324
do. do.	17.324

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	
Apr. 26, 1940	Apr. 27, 1940
New York, cents	34p-Par
Montreal, cents	34p-Par
Paris, francs	12p-Par
Brussels, cents	12p-Par
Amsterdam, cents	12p-Par
Zurich, cents	3p-Par
Stockholm, ore	21p-Par
Java, cents	21p-Par

p = Premium. d = Discount.

BANK OF FRANCE—Million francs

	Apr. 27, 1939	Mar. 28, 1940	Apr. 18, 1941	Apr. 25, 1942
ASSETS				
Gold	92,267	84,614	84,614	84,614
Bills: Commercial	11,331	14,147	14,156	14,818
Bought abroad	726	46	46	
Advances on securities	3,362	3,376	3,425	3,425
Thirty-day advances	127	320	304	304
Loans to State without interest	10,000	10,000	10,000	10,000
Neg. Treas Bonds		30,000	30,000	30,000
Prov. adv to State	20,577	20,550	20,900	20,900
S.F. bds., & other assets	9,935	11,419	11,419	11,419
LIABILITIES				
Notes in circulation	124,666	156,032	156,443	156,211
Deposits: Public	3,755	15,154	1,182	1,181
Private	17,069	14,004	13,815	14,444
Other liabilities	2,835	3,272	4,161	4,162
Gold to sight liabilities	63-3-3	49-4-4	49-3-3	49-2-2

BANK CLEARINGS

PROVINCIAL

(£ thousands)

Four weeks ended			Week ended Saturday		Aggregate from January 1 to	
Apr. 29, 1939	Apr. 27, 1940	Change	Apr. 29, 1939	Apr. 27, 1940	Apr. 29, 1939	Apr. 27, 1940
No. of working days	22	24	6	6	100	99
BIRMINGHAM	8,078	8,271	6-2	1,918	1,607	41,311
BRISTOL	3,146	3,563	62-7	886	2,634	14,574
BURTON	4,709	5,995	12-2	1,345	1,269	22,112
HULL	3,171	2,863	12-5	590	635	13,579
LEICESTER	2,559	3,143	12-5	590	635	13,579
LIVERPOOL	18,699	21,284	4-3	4,622	5,144	86,067
MANCHESTER	36,201	45,883	16-2	8,673	10,274	164,444
NEWCASTLE	5,206	5,201	9-2	1,367	1,174	26,467
NOTTINGHAM	1,792	1,621	11-7	440	313	8,573
Total: 9 Towns	83,564	99,824	9-6	20,600	23,665	389,906
DUBLIN	23,120	24,024	2-9	5,154	5,279	108,831
SHEFFIELD	1,792	1,621	11-7	440	313	8,573

* Allowing for different number of working days.
† Clearing of suburban cheques through local clearing discontinued from September 7, 1939.

MONEY RATES
LONDON

	Apr. 25, 1940	Apr. 26, 1940	Apr. 27, 1940	Apr. 28, 1940	Apr. 29, 1940	May 1, 1940	May 2, 1940
Bank rate (changed from 3% Oct. 26, 1939)	2	2	2	2	2	2	2
Market rates of discount							
60 days' bills, drafts	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2
3 months' do.	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2
4 months' do.	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2
6 months' do.	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	1 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 1/4	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4	3 1/4
Short	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4	1 1/4
Deposit allwncs.: Bk.	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
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 £ on February 29, 1940.
Colombia.*	Sight selling rate on New York was 175.15 pesos per 100 U.S. dollars on March 18, 1940. This rate applies to holders of permits buying in the "open" market.
Ecuador.	Sight selling rate on New York was 15.14 sucres per U.S. dollar on March 14, 1940.
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 71.10 Paraguayan pesos per Argentine "free" paper peso on March 15, 1940.
El Salvador.	Sight selling rate on New York was 2.50 colones per U.S. dollar on March 15, 1940.
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	2 3/4
Athens ... Jan. 4, '37	7 3/4
Basel ... Jan. 14, '37	4 3/4
Belgrade ... Feb. 1, '35	6 1/2
Berlin ... Sept. 22, '32	5 1/4
Brussels ... Jan. 25, '40	2 1/2
Bucharest ... May 5, '38	4 1/2
Budapest ... Aug. 28, '35	4 1/2
Calcutta ... Nov. 28, '35	3 1/2
Copenhagen ... Oct. 9, '39	4 1/2
Helsinki ... Dec. 3, '34	4 1/2
Kovno ... May 14, '39	5 1/2
Lisbon ... May 11, '36	5 1/2
New York Fed. Reserve ... Aug. 26, '37	1 1/2
Madrid ... July 15, '35	5 1/2
Montreal ... Mar. 11, '35	5 1/2
Oslo ... Sept. 22, '39	3 1/2
Paris ... Jan. 3, '39	2 1/2
Pretoria ... May 15, '33	4 1/2
Tallinn ... Oct. 1, '35	4 1/2
Riga ... Feb. 17, '40	4 1/2
Rio de Janeiro ... May 31, '35	5 1/2
Rome ... May 18, '36	5 1/2
Sofia ... Aug. 15, '35	7 1/2
Stockholm ... Dec. 14, '39	2 1/2
Zurich ... Nov. 25, '36	2 1/2
Tokyo ... Mar. 11, '38	3 1/2
Wellington ... Nov. 22, '38	2 1/2
Irish ... Sept. 28, '39	5 1/2

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

Comparison with previous weeks

	Bank Bills			Trade Bills		
	3 Months	4 Months	6 Months	3 Months	4 Months	6 Months
1940						
Apr. 4	1-1 1/4	1 1/2	1 1/2-1 1/4	2 1/2-3	2 3/4-3	3-3 1/2
" 11	1-1 1/4	1 1/2	1 1/2-1 1/4	2 1/2-3	2 3/4-3	3-3 1/2
" 18	1-1 1/4	1 1/2	1 1/2-1 1/4	2 1/2-3	2 3/4-3	3-3 1/2
" 25	1-1 1/4	1 1/2	1 1/2-1 1/4	2 1/2-3	2 3/4-3	3-3 1/2
May 2	1-1 1/4	1 1/2	1 1/2-1 1/4	2 1/2-3	2 3/4-3	3-3 1/2

NEW YORK

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

	May 3, 1939	Apr. 3, 1940	Apr. 10, 1940	Apr. 17, 1940	Apr. 24, 1940	May 1, 1940
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

New York on	Apr. 25, 1940	Apr. 26, 1940	Apr. 27, 1940	Apr. 28, 1940	Apr. 30, 1940	May 1, 1940
London:—						
Cables	351 1/8	351	350 7/8	351 1/8	351 1/8	351 1/8
Demand	350 3/4	350 1/2	350 3/8	351 1/8	351 1/8	351 1/8
Paris, Fr.	1-99	1-99	1-99	2-00 1/4	1-99 3/4	1-98 3/4
Brussels, Bel.	16-85	16-89	16-90	16-89 1/2	16-85 3/4	16-84
Switzerland, Fr.	22-42 1/2	22-42 1/2	22-42 1/2	22-42 1/2	22-42 1/2	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	53-10	53-10	53-09 1/2	53-09	53-09
Stockholm, Kr.	23-45*	23-55	23-65	23-65	23-75	23-80
Athens, Dr.	Unq'd	Unq'd	Unq'd	Unq'd	Unq'd	Unq'd
Montreal, Can. \$	84-375	84-875	85-125	84-750	84-750	84-750
Japan, Yen	23-48	23-48	23-48	23-48	23-48	23-48
Shanghai, \$	6-05	6-05	6-10	6-10	6-10	6-04
B. Aires, Pso. (mkt. rate)	23-00†	23-00†	23-00†	23-10†	23-05†	22-95†
Brazil, Milreis.	5-10	5-10	5-10	5-10	5-10	5-10

* Quoted. † Official buying rate 29.78.

Official Buying Rates for Bank Notes:

The following rates were fixed on May 2, 1940:—
New York, \$4-11; Montreal, \$4-54; Paris, 178-1/2; Brussels, 24-25b.; Amsterdam, 7-68f.; Switzerland, 18-10f.; Stockholm, 17-40kr.; Buenos Aires, 17-85 paper pesos; Java, 7-75c.

AUSTRALIA AND NEW ZEALAND

London on Australia and New Zealand*				Australia and New Zealand on London*			
Buying		Selling		Buying		Selling	
Australia	New Zealand	Australia (any mail)	New Zealand (any mail)	Australia	New Zealand	Australia (any mail)	New Zealand
T.T.	(+) (+) (+) (+)	125	124 1/2	125	124 1/2	125 1/2	125
Ord. Mail	126 1/2	126 1/2	126 1/2	126 1/2	126 1/2	126 1/2	126 1/2
30 days	127 1/2	127 1/2	127 1/2	127 1/2	127 1/2	127 1/2	127 1/2
60 days	128 1/2	128 1/2	128 1/2	128 1/2	128 1/2	128 1/2	128 1/2
90 days	129 1/2	129 1/2	129 1/2	129 1/2	129 1/2	129 1/2	129 1/2

* 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. d. 100 5 0	£ s. d. 101 1 3	£ s. d. 101 9 0	£ s. d. 101 17 0
S. Africa	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	£ s. d. 99 15 0
S. Africa	100 5 0	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	Aggregate Gross Receipts April 26, 1940 (£'000)			Aggregate Gross Receipts 17 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down—1939	1-7	0-5	2-2	30-6	7-2	37-8
1940	2-4	0-4	2-8	38-1	8-1	46-2
Great Northern—1939	7-9	12-1	20-0	150-8	173-0	323-8
1940	9-2	13-4	22-6	167-5	194-0	361-5
Great Southern—1939	20-9	47-6	77-5	503-3	706-4	1,209-7
1940	28-3	53-0	81-3	507-9	744-0	1,251-9

CANADIAN

(For heading, see Overseas Traffic in second column.)

Company	1940	1939	1938	1937	1936	1935
Canadian National	16	21	4,070,488	712,054	65,419,429	130,771,528
Canadian Pacific	16	21	2,598,000	313,000	43,712,000	7,150,000

OVERSEAS WEEKLY TRAFFIC RECEIPTS
INDIAN

Name	Weeks	Ending	Gross Receipts for Week		Aggregate Gross Receipts	
			1940	+ or -	1940	+ or -
Bengal & N. Western	1	Apr. 10	Rs. 11,54,539	-	Rs. 1,53,203	-
Bengal-Nagpur	1	10	32,65,000	-	3,10,847	-
Bombay, Bar. & C.I.	3	20	38,62,000	-	3,00,000	-
Madras & S. Mahatras	1	10	24,84,000	-	1,41,079	-
S. Indian	32	Mar. 31	18,26,366	-	55,947	-
		† 11 days.			5,50,40,681	-
					3,66,271	-

SOUTH & CENTRAL AMERICAN

Name	Weeks	Ending	Gross Receipts for Week		Aggregate Gross Receipts	
			1940	+ or -	1940	+ or -
Antofagasta	17	Apr. 28	£ 19,950	-	5,200	-
Argentine N.E.	43	27	144,300	-	6,504,700	-
B.A. and Pacific	42	20	1,555,000	-	58,794,000	-
B.A. Gt. Southern	42	20	2,213,000	-	397,000	-
B.A. Western	42	20	934,000	-	108,000	-
Central Argentine	43	27	1,740,400	-	343,500	-
Central Uruguay	42	20	1,453,305	-	31,707	-
Leopoldina	16	20	1,414,000	-	138,000	-
Nitrate	15	15	20,267	-	5,690	-
United of Havana	43	27	34,989	-	4,720	-

† Receipts in Argentine pesos. ‡ Fortnight. (a) Converted at official rate. (d) Receipts in Uruguayan currency. (e) Converted at "controlled rate."

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					
INSURANCE																			
Commercial Union ...	3 1/2†	6 1/2	...	8 1/2	City Lond. Real Prop.	2 1/2†	4	...	4	Stuart (David)	5 1/2†	7 1/2	...	15					
Lon. and Manchester	...	8 9/10†	...	10 1/4†	Colman (J. and J.) ...	1†	16	May 18	16	Third Scot. Nat. Tst.	...	3	...	5					
Planet Assurance	...	15	June 5	15	Compton (J. & Sons, etc.	12 1/2†	17 7/8	...	17 7/8	Tob. Securities Tst...	7 1/2*	...	May 24	3*					
Sun Insurance	30†	55	July 1	55	Cont. Union Trust	4 1/2†	6	May 25	6	Trinidad Leaseholds...	4†	5†	...	7 1/2*					
TEA AND RUBBER																			
Banawan Estates	8†	10	...	Nil	Crosse and Blackwell	2 1/2*	2 1/2	July 1	2 1/2*	Walker (John)	9 1/2†	12 1/2	...	42					
Ceylon Prop. Tea	5†	7 1/2	...	9	Dancer and Harner ...	...	7 1/2	...	10	Williams Ltd.	5†	6 1/2	...	61 1/2					
Deviturai Rbr.	4 1/2†	...	...	3 1/2	Derbyshire Stone	...	7 1/2	...	2 1/2	Wilson (H. J.)	5†	7 1/2	...	7 1/2					
Ellawatte Tea	5†	7	...	6 1/2	East London Rbr.	...	4	...	5	Yorks Amal. Colls. ...	...	...	May 1	(t)					
Golconda Rbr.	...	6	...	5	Ever Ready Co. (G.B.)	25†	40	May 7	30	UNIT TRUSTS									
Grand Cent. Rubber	...	5	...	3	Ford Motor	...	6	...	5	Investors Gas, etc. ...	(s)	...	...	...					
Hanipha Tea	5†	7 1/2	...	7 1/2	Gen. Steam Navgn.	...	15	...	5†	(a) Paid on larger capital. (s) 1-9/425d. net.									
Heawood Rbr.	...	7 1/2	...	4	Glenfield & Kennedy	12 1/2†	17 1/2	...	20	(t) 2-4705d. net. (v) 15 months. ‡ Free of income									
Do.	2 1/2*	4 1/2	...	Nil*	Goodlass Wal.	...	7	...	7	ax.									
Hewdown Rbr.	...	4 1/2	...	Nil*	Greef-Chemicals	3 1/2*	May 15	...	2 1/2	BRITISH DRUG HOUSES.—Ordinary dividend									
Lok Kawi Rbr.	...	6	May 24	Nil*	Guildford Stores	...	5	...	15	1939, 8 per cent. against 6 per cent. 1938.									
Maruda Rbr.	...	12	...	7	Hornal Buildings, etc.	...	4 1/2	...	15	CANADIAN EAGLE OIL COMPANY.—Divi-									
Nuwara Eliya Tea ...	8†	11	...	11	Home & Foreign Invest	10†	15	...	15	dend of 4s. 2-4d. each ten first preference shares.									
St. George Rbr.	...	7 1/2	...	7	Ideal Boiler	50†	50	22 1/2†	4†	COMMERCIAL UNION ASSURANCE.—Final									
United Patani Rubber	...	5	June 1	4	Independent Invest. ...	7 1/2†	15	...	Nil	dividend 17 1/2 per cent., making 32 1/2 per cent. for 1939,									
MINING															against 40 per cent. for 1938.				
Anglo-Burma Tin ...	10*	May 15	...	Nil*	Lon. Elec. Wire	5 1/2†	5 1/2	May 21	7 1/2	MEXICAN EAGLE OIL.—Canadian Eagle Oil									
Broken Hill South ...	45*	June 15	...	45*	Makin Tiles	2 1/2†	7 1/2	May 31	10	will pay 2s. 9-6d. for each ten 7 per cent. first pre-									
Cons. African Select...	...	...	...	7 1/2*	Marconi Marine	2 1/2†	7 1/2	May 31	10	ference shares of Mexican Eagle Oil.									
Daffo Tin	...	48	...	45*	Marks and Spencer ...	a 27 1/2†	42 1/2	...	42 1/2	MITCHELLS AND BUTLERS.—Ordinary									
Emperor Mines	5*	May 31	...	5*	Mellows and Co.	15†	25	...	30	interim dividend on account of year to September 30,									
Mason and Barry	5*	...	...	10*	Metal Agencies	15†	22 1/2	May 21	30	1940, 8 per cent., as before, to be paid May 21, 1940.									
Petalung Tin	20*	May 11	...	5*	Mitchells and Butlers	8*	...	...	8*	RANKS LIMITED.—Interim ordinary dividend									
Rhodesian Anglo-Am.	5 1/2*	June 3	...	5 1/2*	Montevideo Gas	4†	40	...	5*	maintained at 3 per cent.									
Sungei Kinta Tin	...	8 3/4	May 22	2 1/2	Morgans Brewery	5*	...	...	45	RHODESIAN ANGLO-AMERICAN.—Interim									
INDUSTRIALS															dividend maintained at 5 1/2 per cent. less tax 7s. 6d.				
Anglo-Amer. Deb. ...	8 1/2†	120	...	120	Morris Motors	5*	...	...	33 1/2*	in £ less 2s. 5 1/2d. Dominion relief.									
Anglo-French Textile	(a) 3 3/4*	...	May 11	5*	Moss Gear	...	4	...	31 1/2*	TOBACCO SECURITIES TRUST.—Interim									
Anti-Attrition Metal	4†	...	...	14	Ocean Salvage	...	5	...	2 1/2	ordinary dividend 5 per cent. as before.									
Ault and Wiborg	20†	...	...	20*	Parkgate Iron	17 1/2†	27 1/2	...	27 1/2	UNION-CASTLE MAIL STEAMSHIP.—Six									
Bentley's Engine	4†	...	...	14	Pressed Steel	3†	...	...	3†	months dividend to end 1939 on 6 per cent. "A"									
Brampton Brewery ...	7 1/2†	10	...	10	Ranks, Ltd.	7 1/2†	22 1/2	May 18	22 1/2†	preference. In December, 1939, the directors									
Bristol Brew (George's)	6†	...	May 22	6*	Reckitt and Sons	5*	...	...	18 1/4	deferred payment of this dividend, although the full									
British Benzol	5*	...	May 24	5*	Redfearn Bros.	...	14 5/8	...	9 1/2	payment was made on the 4 1/2 per cent. preference									
Brit. Cotton Growing	...	4 1/2	...	6	Roithmans	6†	9 1/2	...	Nil	shares.									
British Drug Houses	...	6 7/8	May 18	7 1/2†	Scott, Port. & Trust ..	...	5	May 16	2 1/2										
British Match	5†	...	...	10	Shaw and Marvin	2†	...	...	3 1/2*										
Carlton Water Col.	...	10	...	10	Simms Motor	7 1/2*	...	...	7 1/2*										
					Strand Hotel (Pref.) ...	...	...	...	...										
					Stroud Brewery	...	...	...	...										

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, Year 1939		Prices, Jan. 1 to May 1, 1940		Name of Security		Price, May 1, 1940		Ch'ge since Apr. 24		Yield May 1, 1940		Prices, Jan. 1 to May 1, 1940		Last two Dividends		Name of Security		Price, May 1, 1940		Ch'ge since Apr. 24		Yield May 1, 1940	
High	Low	High	Low									High	Low	(a)	(b)	(c)							
71 1/2	61	75	68 1/2	Consols 2 1/2%	73	1	3	8	7			497	476 1/2	11	a	14	Investment Trusts	490	...	5	2	0	
107 1/2	98	109 1/2	103 1/2	Do. 4% (aft. 1957)	109 1/2	+1 1/4	3	6	1 1/4			184	185	4	a	6	Alliance Amer. Deb.	185	...	5	6	4	
96 1/2	90 1/2	100 1/2	95 1/2	Conv. 2 1/2% 1944-49	98	+1 1/4	2	15	3			187 1/2	184	3 1/2	c	8 1/2	Debenure Corp. Stk.	187 1/2	...	5	8	5	
99 1/2	92 1/2	103	97 1/2	Do. 3% 1948-53	101 1/2	+1 1/4	2	17	2			188	155	4	a	6	Guardian Invest. Corp.	185	...	5	8	3	
99 1/2	87	101 1/2	94	Do. 3 1/2% after 1961	101 1/2	+1 1/4	3	9	3/9			90	84	2 1/2	a	4 1/2	Ind. and Gen. Ord.	85 1/2	...	6	3	0	
104 1/2	100 3/4	102	101 1/2	Do. 4 1/2% (Disent.) 1940-44	102	...	?		?			199	177	10	b	4	Invest. Trust Def.	195	...	7	0	6	
112 1/2	103 1/2	112	105 1/2	Do. 5% 1944-64	108 1/2	+3/8	2	15	0			168	163	3 1/2	a	5	Mercantile Inv.	192 1/2	...	5	14	3	
87 1/4	79 1/4	92 1/4	86 1/4	Fund. 2 1/2% 1952-57	97 1/2	+1 1/4	2	19	8			80 1/2	175	3	a	7 1/2	Merchants Trust Ord.	184 1/2	-1	8	11	4	
93 1/2	87 1/2	98 1/2	92	Fund. 3% 1959-69	98	+1 1/4	3	2	2			165	139	7	b	3	Metropolitan Trust	171	...	6	17	6	
95 1/2	87 1/2	99 1/2	92 1/2	Fund. 4% 1960-90	111 1/2	+1 1/2	3	4	1			175	140 1/2	4	a	6	Trustees Corp. Ord.	163 1/2	...	5	6	2	
109 1/2	100 1/2	113 1/4	106 1/2	Nat. D. 2 1/2% 1944-48	101	+1 1/2	2	10	9 1/2			22 1/3	18/10 1/2	8 1/2	c	8 1/2	United States Deb.	172 1/2	...	5	5	11 1/2	
99 1/2	94 1/2	102	98 1/2	Do. 3% 1954-58	101	+1 1/2	2	19	0			22/3	90	3	b	3	Financial Tr. & C.	20/6	...	6	2	0	
94 1/2	87 1/2	101 1/2	105 1/2	Victory Bonds 4%	110 1/4	+1 1/4	3	0	0			120 1/2	90 1/2	4	b	3	Brit. S. Afr. 15/- fy. pd.	115/-xd	+3/-	5	4	0	
108 1/2	102	103 1/2	100 1/2	Do. 4 1/2% 1955-59	100	+1 1/4	3	0	0			26 1/2	22 1/2	4	b	3	Dalgety £20, £5 pd.	25/9	-6d	3	0	0	
98 1/2	86	101	93 1/2	War L. 3 1/2% af. 1952	100 1/2xd	+1 1/8	3	9	8			26 1/2	20 1/2	10	3 1/2c	(p) 2 1/2c	Forestal Land £1	21/-	-2d	5	8	0	
83 1/8	73	87 1/2	80 1/4	Local Loans 3%	87	+1 1/2	3	9	1			35/6	30/3	(c)	3 1/2c	(p) 2 1/2c	Hudson's Bay Co. £1.	30/7 1/2	-1 1/4	5	4	3	
99	91	100	97 1/2	Austria 3% 1933-53	99	+1 1/2	3	3	1								Sudan Plant. £1						
64	55 1/2	71 1/4	59 1/4	India 2 1/2%	95	+1 1/2	3	12	7			17/6	14/9	4	b	1 1/2 a							
90	78	97 1/4	82 1/4	Do. 3 1/2%	95	+1 1/2	3	13	9			125/6	112/-	+2 1/2	a	1 1/2 a	Breweries, &c.	15/6	...	7	14	0	
115 1/2	104 1/2	115	105 1/4	Do. 4 1/2%	113 1/2xd	+1 1/4	3	9	5			57/6	52/9	6	a	11	Barclay Perkins £1	123/9	...	4	0	0	

Prices, Jan. 1 to May 1, 1940		Last two Dividends		Name of Security	Price, May 1, 1940	Ch'ge since Apr. 24	Yield May 1 1940		
High	Low	(a)	(b)					(c)	(d)
Public Boards									
110½	106½	% 2½	% 2½	C. Elec. 5% 1950-70	109	...	£ s. d.		
115	104	2¼	2¼	Lon. Pass. Transport	109½	...	4 1 10		
65¼	43½	Nil b	1½ a	4½ "C" 1956 or after	44	...	3 8 2		
90	81	1½	1½	Met. W. B. "B" 3%	88	+1	3 8 0		
110½	107½	2½	2½	P. of Lon. 5% 50-70...	108½d	+½	4 10 2		
British Railways									
52	35½	1½ c	3½ c	G.W. Ord.	45	-3	7 15 7		
80	53	Nil c	5½ c	LNER 5% Pref. 1955	73	+½	6 17 0		
60	37¼	Nil c	1½ c	Do. 4% 1st Pf.	52	...	7 13 10		
24	12½	Nil c	1½ c	L.M.S. Ord.	21¼	-2	7 1 2		
60½	42	Nil c	4 c	4% Pf. 1923	54	...	7 1 2		
70½	58¼	2 a	2 a	4% Pf.	65	...	6 3 1		
22	11½	Nil c	1½ c	Southern Def.	20½	-1	6 1 11		
79	64	1 a	4 b	Do. 5% Pf. Ord.	71	...	7 0 10		
104	89½	2½ a	2½ b	Do. 5% Pf.	100½	+1	5 0 0		
Dom. & Foreign Ry.									
10	7½	Nil	Nil	B.A. Gt. Stn. Ord.	8½	-½	Nil		
8½	5½	Nil	Nil	B.A. West Ord.	7½	...	Nil		
8½	6½	Nil	Nil	C. Arg. Ord.	7½	...	Nil		
9½	6½	Nil	Nil	Can. Pac. Com. 525	8½	...	Nil		
Banks and Discount									
67/9	60/-	7½ a	10 b	Alexanders £2, £1 pd.	67/6	...	5 3 9		
7½	69½	3½ a	4½ b	Bk. of Aust. £5	7½	+½	5 8 6		
342½	312½	6 a	6 b	Bk. of Eng. £2	339	+2½	3 15 3		
47½	43½	6 a	6 b	Bk. of Mont. \$100	£47½d	+½	3 18 0		
30/9	25/6	5 b	5 b	Bk. of N. Zealand £1	67/-	+2/6	3 18 0		
73/3	62/-	7 a	7 a	Barclay B. £1	67/-	...	5 8 6		
40/6	35/-	3 a	3½ b	Barcl. (n.c.o.) A £1	38/-	...	4 3 9		
9½	8¼	5 a	5 a	Chrd. of India £5	9½	+½	5 3 3		
51/9	45/6	3½ a	3½ a	Comb. Bk. of Aust. 10/-	11/3	...	6 0 7½		
11/9	10/-	5 a	5 a	District B. £1 fy. pd.	51/3	...	3 18 1		
49½	48½	6½ a	6½ a	Hong. & S. \$125	£92½	+½	5 8 1		
54/6	48½	7½ a	7½ b	Lloyds £5, £1 pd.	51/-	-6d	4 14 0		
8½	75½	7½ b	7½ b	Martins £20, £2½ pd.	81½	+½	4 10 9		
85/-	73/6	8 a	8 b	Midland £2½	81½	...	3 18 6		
58½	51½	5 a	5 a	Nat. Dis. £2½ fy. pd.	81½	...	4 12 0		
28½	24½	4 a	4 a	Nat. of Egypt £10...	24½	+½	5 14 0		
32½	28	8 a	8 b	N. of Ind. £2½, £12½pd	32½	...	1 6 5 0		
69/9	58/9	7½ a	7½ a	N. Prov. £5, £1 pd.	64/-	+1/-	6 5 0		
44½	418	8½ b	8½ b	Roy. Bk. of Scotland...	435	...	3 18 0		
14	11¼	10 b	10 b	St. of S.A. £20, £5 pd.	13½	...	5 3 9		
48/6	41/3	3½ a	6¼ a	Union Dis. £1	46/3	+1/3	4 6 6		
85/-	73/-	9 a	9 a	West. £4, £1 pd.	78/-	+1/-	4 12 0		
Insurance									
24½	21	40 a	50 b	Alliance £1, fully pd.	23½	...	3 17 6		
13½	11	4/6a	6/-b	Atlas £5, £1¼ pd.	11½	+½	4 9 0		
80/6	70/6	1/6a	2/-b	Gen. Acc. £1, 5/- pd.	75/-	...	4 13 4		
26½	23½	25 a	25 b	Lon. & Lanc. £5, £2 pd	25	+3/9	4 0 0		
16½	8½	3½ a	3½ b	N. Brit. & Mer. £1¼ pf.	9¼	+½	4 0 0		
15½	13¼	6½ a	6½ b	Pearl (£1), fy. pd.	15	+½	3 7 0		
28½	22½	184-075 c	184-075 c	Phoenix (L.), fy. pd.	13½	...	4 8 9		
79/9	67/6	½ c	½ c	Prudential £1 A	25½	+½	3 6 0		
8¼	7½	11 a	19 b	Do. £1 with 4% pd.	76½	+1/3	2 13 0		
78½	7½	3/3 a	3/3 b	Royal £1, 12/6 pd.	78	+½	3 16 0		
78/7½	69/6	1/3 a	1/6 b	Sun In. £1 with 5/- pd.	72/6	+½	4 2 0		
7	6	½ a	½ b	Sun Lf. Ass. £1 fy. pd.	6½	...	3 16 0		
Coats, J. & P. £1									
37/6	3d	5 b	5 b	Coats, J. & P. £1	37/6	...	5 8		
37/9	3d	5 b	5 b	Courtauld £1	37/9	...	5 8		
31/3xd	4½	7½ c	7½ c	English Sew. Ctn. £1	31/3xd	...	4 16 0		
19/-	17½	3 a	3 b	Linen Cotton Corp. £1	19/-	...	8 0 0		
27/6	17½d	4 b	4 b	Patons & Bates Stk. £1	27/6	...	4 6 9		
58/-	9d	3 b	3 b	Whitworth & Mils. £1	58/-	...	3 8 9		
13/9	6d	2½ a	2½ a	Electrical Manufg.	13/9	...	2 5 0		
Associated Elec. £1									
40/-	5 0 0	10 c	10 c	British Insulated £1...	40/-	...	5 0 0		
88/9	1/3	5 a	5 b	Callenders £1	88/9	...	4 10 0		
63/9	...	5 a	5 b	Crompton Park. A5/-	63/9	...	4 14 3		
17/6	...	12½ b	12½ b	English Electric £1	17/6	...	5 14 3		
31/3	...	20 c	20 c	General Electric £1	31/3	...	6 8 0		
80/-	...	7½ a	7½ a	Johnson & Phillips £1	80/-	...	5 0 0		
48/9	7½d	7½ a	7½ a	Electric Light, & C.	48/9	...	6 6 4		
British Power & Light. £1									
28/-	...	5 b	5 b	Clyde Valley Elec. £1	28/-	...	5 0 0		
36/10½	...	10½ c	10½ c	Co. of London £1	36/10½	...	4 6 10		
36/3	...	2½ a	2½ a	Edmundsons £1	36/3	...	5 16 0		
22/6	...	2½ a	2½ a	Lancashire Elec. £1	22/6	...	4 16 0		
31/3	...	7 c	7 c	London Ass. Elec. £1	31/3	...	5 11 3		
20/-	1/3	4 b	4 b	Midland Counties £1	20/-	...	4 8 3		
29/-	...	4 a	4 a	North-East Elec. £1	29/-	...	4 16 0		
36/10½	...	2½ a	2½ a	Northmet Power £1...	36/10½	...	5 8 0		
35/7½	...	5½ b	5½ b	Scottish Power £1	35/7½	...	4 9 6		
38/9	...	3 a	3 a	Yorkshire Electric £1	38/9	...	4 2 3		
Gas									
16/6	...	2½ a	2½ a	Gas L. & C. £1	16/6	...	4 11 0		
69½	5	2½ a	2½ a	Imp. Cont. Stk.	69½	...	11 10 3		
20/3	3	2½ a	2½ a	Newc.-on-Tyne £1	20/3	...	4 18 6		
70½	...	2 b	2 b	S. Metropolitan Stk.	70½	...	6 7 8		
Motors and Cycle									
15/7½	...	15 c	15 c	Austin 5/-	15/7½	...	4 16 0		
23/6	1½/6	5 c	5 c	Birm. Sml. Arms £1	23/6	...	5 1 1		
18½	7½d	12½ b	12½ b	Ford Motors £1	18½	...	6 16 2		
57/6	...	25 c	25 c	Laurie, J. (L.)	57/6	...	5 4 4		
72/6	...	45 c	45 c	Leyland Motors £1	72/6	...	5 10 4		
25½/7½	...	17½ b	17½ b	Morris Motors 5/- Ord.	25½/7½	...	8 8 5		
4½xd	...	22½ c	22½ c	Rolls-Royce £1...	4½xd	...	5 8 0		
12/-	3d	25 c	25 c	Standard Motor 5/-	12/-	...	10 8 0		
Aircraft									
14/6	3d	12½ c	12½ c	Bristol Aero. 10/-	14/6	...	8 0 0		
33/9	7½d	11½ c	11½ c	De Havilland Air. £1	33/9	...	7 8 0		
15/-	3d	11½ c	11½ c	Fairey Aviation 10/-	15/-	...	8 6 9		
13/4	...	15 a	15 a	Hawker Siddeley (5/-)	13/4	...	12 4 0		
Shipping									
18/-	1/6	5 c	5 c	Furness Withy £1	18/-	...	4 8 0		
21/6xd	+5d	4 b	4 b	P. & O. Def. £1	21/6xd	...	5 0 0		
18/-	6d	Nil c	Nil c	Royal Mail Lines £1	18/-	...	6 10 0		
8/6	...	Nil c	Nil c	Union Castle, £1.	8/6	...	Nil		
Tea and Rubber									
13/-	6 3 3	6 c	6 c	Allied Sumatra £1	13/-	...	6 3 3		
20/9	9d	3 b	3 b	Anglo-Dutch £1	20/9	...	4 16 0		
32/6	...	2½ a	2½ a	Jokai (Assam) £1	32/6	...	6 13 0		
3/0	...	4 a	4 a	London Asiatic 2/-	3/0	...	6 13 3		
28/6	1/6	9 c	9 c	Robur Trust £1	28/6	...	7 0 0		
2/6	...	9 c	9 c	United Sredang 2/-	2/6	...	4 0 0		
Oil									
51/3	3/9	15 b	15 b	Anglo-Indian £1	51/3	...	7 16 3		
5/6	...	12½ a	12½ a	Apec (Trinidad) 5/-	5/6	...	5 8 6		
70/-	2/6	16 b	16 b	Burmah Oil £1	70/-	...	2 6 0		
6/3	...	10d ps	10d ps	Mexican Eagle M. \$4.	6/3	...	...		
72/6	2½	11d ps	11d ps	Shell Transport £1	72/6	...	4 17 0		

(a) Interim dividend (b) Final dividend

(a) Interim dividend. (b) Final dividend. (c) Last two yearly dividends. (d) Yield worked on 12% basis. (e) Yield worked on 10% basis. (f) Yield worked on 8% basis. (g) Yield worked on 6% basis. (h) Yield worked on 4% basis. (i) Yield worked on 3% basis. (j) Yield worked on 2% basis. (k) Yield worked on 1% basis. (l) Yield worked on 0.5% basis. (m) Yield worked on 0.25% basis. (n) Yield worked on 0.125% basis. (o) Yield worked on 0.0625% basis. (p) Yield worked on 0.03125% basis. (q) Yield worked on 0.015625% basis. (r) Yield worked on 0.0078125% basis. (s) Yield worked on 0.00390625% basis. (t) Yield worked on 0.001953125% basis. (u) Yield worked on 0.0009765625% basis. (v) Yield worked on 0.00048828125% basis. (w) Yield worked on 0.000244140625% basis. (x) Yield worked on 0.0001220703125% basis. (y) Yield worked on 0.00006103515625% basis. (z) Yield worked on 0.000030517578125% basis. (aa) Yield worked on 0.0000152587890625% basis. (ab) Yield worked on 0.00000762939453125% basis. (ac) Yield worked on 0.000003814697265625% basis. (ad) Yield worked on 0.0000019073486328125% basis. (ae) Yield worked on 0.00000095367431640625% basis. (af) Yield worked on 0.000000476837158203125% basis. (ag) Yield worked on 0.0000002384185791015625% basis. (ah) Yield worked on 0.00000011920928955078125% basis. (ai) Yield worked on 0.000000059604644775390625% basis. (aj) Yield worked on 0.0000000298023223876953125% basis. (ak) Yield worked on 0.00000001490116119384765625% basis. (al) Yield worked on 0.000000007450580596923828125% basis. (am) Yield worked on 0.0000000037252902984619140625% basis. (an) Yield worked on 0.00000000186264514923095703125% basis. (ao) Yield worked on 0.000000000931322574615478515625% basis. (ap) Yield worked on 0.0000000004656612873077392578125% basis. (aq) Yield worked on 0.00000000023283064365386962890625% basis. (ar) Yield worked on 0.000000000116415321826934814453125% basis. (as) Yield worked on 0.0000000000582076609134674072265625% basis. (at) Yield worked on 0.00000000002910383045673370361328125% basis. (au) Yield worked on 0.000000000014551915228366851806640625% basis. (av) Yield worked on 0.0000000000072759576141834259033203125% basis. (aw) Yield worked on 0.00000000000363797880709171295166015625% basis. (ax) Yield worked on 0.000000000001818989403545856475780078125% basis. (ay) Yield worked on 0.0000000000009094947017729282378900390625% basis. (az) Yield worked on 0.0000000000004547473508864641195015453125% basis. (ba) Yield worked on 0.00000000000022737367544323205975227265625% basis. (bb) Yield worked on 0.0000000000001136868377216160298761328125% basis. (bc) Yield worked on 0.0000000000000568434188608014943806640625% basis. (bd) Yield worked on 0.00000000000002842170943040074719033203125% basis. (be) Yield worked on 0.000000000000014210854715200373595166015625% basis. (bf) Yield worked on 0.0000000000000071054273576001867975780078125% basis. (bg) Yield worked on 0.00000000000000355271367880009339878900390625% basis. (bh) Yield worked on 0.000000000000001776356839400046699395015453125% basis. (bi) Yield worked on 0.0000000000000008881784197000233496975227265625% basis. (bj) Yield worked on 0.000000000000000444089209850011674848761328125% basis. (bk) Yield worked on 0.0000000000000002220446049250058374243806640625% basis. (bl) Yield worked on 0.00000000000000011102230246250029187219033203125% basis. (bm) Yield worked on 0.0000000000000000555111512312500145935015453125% basis. (bn) Yield worked on 0.000000000000000027755575615625000729675227265625% basis. (bo) Yield worked on 0.00000000000000001387778780781250003648761328125% basis. (bp) Yield worked on 0.0000000000000000069388939039062500018243806640625% basis. (bq) Yield worked on 0.000000000000000003469446951953125000091219033203125% basis. (br) Yield worked on 0.0000000000000000017347234759765625000045609395166015625% basis. (bs) Yield worked on 0.000000000000000000867361737988281250000228046975227265625% basis. (bt) Yield worked on 0.0000000000000000004336808689940625000011402348761328125% basis. (bu) Yield worked on 0.00000000000000000021684043449703125000057011743806640625% basis. (bv) Yield worked on 0.00000000000000000010842021724851562500002850589033203125% basis. (bw) Yield worked on 0.0000000000000000000542101086242578125000014252945166015625% basis. (bx) Yield worked on 0.000000000000000000027105054312139062

BRITISH WHOLESALE PRICES

CEREALS AND MEAT	Apr. 23, 1940		Apr. 30, 1940	
	s.	d.	s.	d.
GRAIN, etc.—				
Wheat—				
No. 1, N. Man. 496 lb. f.o.b.	33	0	7	1
Vanc. Eng. Gaz. av., per cwt.	11	7	11	8
La Plata, per qtr.	14	10½	14	3
Flour, per 280 lb.—				
Straights, d/d London	22	0	22	0
Barley, Eng. Gaz., av., per cwt.	16	9	16	6
Oats, La Plata, 480 lb., f.o.b.	11	7	11	8
Rice, Burma, No. 2, per cwt.	8	3	8	3

MEAT—				
Beef, per 8 lb.—				
English long sides	4	8	4	8
Imported hinds	5	4	5	4
Mutton, per 8 lb.—				
English	4	4	4	4
Imported	4	4	4	4
Lamb, per 8 lb.—				
Imported	6	0	6	0
Pork, English, per 8 lb.	8	0	8	0
BACON (per cwt.)—				
Wiltshire cut sides	113	6	113	6
HAMS (per cwt.)—				
Green	118	6	118	6

OTHER FOODS				
BUTTER (per cwt.)—				
All Grades	143	0	143	0
CHEESE (per cwt.)—				
Canad. (new)	78	0	78	0
New Zealand	75	0	75	0
English Cheddars	...	...	...	...
Dutch	...	...	...	...
COCOA (per cwt.)—				
Accra, g.f.	35	0	35	0
Trinidad	75	0	74	0
Grenada	60	0	60	0
Grenada	62	6	62	6

COFFEE (per cwt.)—				
Santos sup. c. & f.	43	0	43	0
Costa Rica, medium to good	110	0	110	0
Kenya, medium	70	0	70	0
Kenya, medium	95	0	95	0
EGGS (per 120)—				
English (standard)	19	6	19	6
FRUIT—				
Oranges, Jaffa	15	6	17	3
" Spanish	18	6	18	0
" (Navels)	12	0	10	0
Lemons, Messina	12	6	10	0
Apples, B. Columbian	15	0	11	0
Onions, Egypt	18	0	15	0
Onions, Egypt	26	0	25	0
Onions, Egypt	28	0	27	0

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

PEPPER (per lb.)—				
Black Lampong (in Bond)	0	3½	0	3½
White Muntok (f.a.o.) (in Bond)	0	4½	0	4½
" (Duty paid)	0	5½	0	5½

POTATOES (per cwt.)—				
English, King Edward, Siltland	8	3	8	0
Wisbech, King Edw. (per ton)	110	0	110	0

SUGAR (per cwt.)—				
Centrifugals, 96, prpt. shipm.	7	6	7	6
c.f. U.K./Cont.	...	...	...	...
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	36	9	36	9

TOBACCO (per lb.)—				
Virginia, stemmed and un-	...	...	...	...
stemmed, common to fine	1	0	1	0
Rhodesian, stemmed and un-	2	6	2	6
stemmed	...	...	...	...

TOBACCO—continued				
Nyasaland, stemmed and un-	...	...	...	...
stemmed	...	...	...	...
East Indian	...	...	...	...
Unstemmed	...	...	...	...

TEXTILES				
COTTON (per lb.)—				
Raw, Mid-American	8-11	8-11	8-11	8-11
Giza, F.G.F.	10-61	10-49	10-49	10-49
Yarns, 32's Twist	15-24	15-22	15-22	15-22
" 40's Twist	16-49	16-47	16-47	16-47
" 60's Twist (Egyptian)	25-35	25-35	25-35	25-35
Cloth, 32 in. Printers, 116 yds.	...	...	...	...
" 16 x 16, 32's & 50's	25	9	25	9
" 36 in. Shirtings, 75 yds.	37	0	37	0
" 19 x 19, 32's & 40's	...	...	...	...
" 38 in. ditto, 38 yds.	14	4	14	4
" 18 x 16, 10 lb.	13	4	13	4
" 39 in. ditto, 37½ yds.	...	...	...	...
" 16 x 15, 8½ lb.	...	...	...	...

FLAX (per ton)—				
Livonian ZK	155	0	155	0
Pernau HD	150	0	150	0

HEMP (per ton)—				
Italian PC	Nom.	Nom.	Nom.	Nom.
Manilla, spot "J2"	26/0/0	26/0/0	26/0/0	26/0/0

JUTE (per ton)—				
Native lat mks., c.f. London	35/0/0	36/0/0	36/0/0	36/0/0
Apr.-May	33/0/0	34/0/0	34/0/0	34/0/0
Dundee, Apr.-May	33/0/0	34/0/0	34/0/0	34/0/0

Sisal (per ton)—				
African, May-July	26	0	26	0
No. 1	25	0	25	0
No. 2	24	0	24	0
No. 3	24	0	24	0

SILK (per lb.)—				
Japan	16	0	16	0
China fl	16	9	17	0
China fl	16	9	17	0

WOOL (per lb.)—				
Lincoln wethers, washed	19	19	19	19
Selected Kent wethers, greasy	16½	16½	16½	16½
" blackfaced, greasy	14	14	14	14
Australian scrd. fleece, 70's	35½	35½	35½	35½
Cape scrd. average snow white	28½	28½	28½	28½
N.Z. scrd. 2nd pieces, 50-56's	23	23	23	23

Wool (per lb.)—				
64's warp	42½	42½	42½	42½
56's super carded	36½	36½	36½	36½
48's average carded	29½	29½	29½	29½
44's prepared	28	28	28	28

MINERALS

COAL (per ton)—				
Welsh, best Admiralty	27	3	27	3
Durham, best gas, f.o.b. Tyne	22	6	22	6

IRON AND STEEL (per ton)—				
Pig, Cleveland No. 3, d/d	111	0	111	0
Bars, Middlesbrough	282	6	282	6
Steel rails, heavy	223	0	223	0
Timplates (home, i.e. 14 x 20)	24	9	24	9

NON-FERROUS METALS (per ton)—				
Copper (d)—				
Electrolytic	62/0/0	62/0/0	62/0/0	62/0/0
Tin—				
Standard cash	253/10/0	253/5/0	253/10/0	253/5/0
Three months	249/0/0	248/15/0	249/0/0	248/15/0
Lead (e)—				
Soft foreign, cash	25/0/0	25/0/0	25/0/0	25/0/0
Spelter (e)—				
G.O.B., spot	25/15/0	25/15/0	25/15/0	25/15/0
Aluminium, ingots and bars	110/0/0	100/0/0	110/0/0	100/0/0
Nickel, home delivery	190/0/0	190/0/0	190/0/0	190/0/0
Antimony, Chinese	98/0/0	98/0/0	98/0/0	98/0/0
Antimony, Chinese	99/0/0	99/0/0	99/0/0	99/0/0
Wolfram, Chinese	9/10/0	9/10/0	9/10/0	9/10/0
Platinum, refined	£50/0/0	£50/0/0	£50/0/0	£50/0/0
Quicksilver	51/0/0	51/0/0	51/0/0	51/0/0

GOLD, per fine ounce	168	0	168	0
-----------------------------	-----	---	-----	---

SILVER (per ounce)—				
Cash	18½/6	19½/6	18½/6	19½/6

MISCELLANEOUS

CEMENT, best Eng. Portland, d/d site, London area				
in paper bags 20 to ton (free, non-returnable)	45	0	45	0
4-ton loads and upwards per ton	45	0	45	0

CHEMICALS—				
Acid, citric, per lb., less 5%	Nom.	Nom.	Nom.	Nom.
" Nitric	60/0/0	60/0/0	60/0/0	60/0/0
" Oxalic, net	61/2	61/2	61/2	61/2
" Tartaric, English, less 5%	32/0/0	32/0/0	32/0/0	32/0/0
Ammonia, carb.	9/6/0	9/6/0	9/6/0	9/6/0
" Sulphate	...	...	...	...
Borax, gran.	18	0	18	0
Nitrate of soda	9/10/0	9/10/0	9/10/0	9/10/0
Potash, Chlorate, net	11/18/0	11/18/0	11/18/0	11/18/0
" Sulphate	10/15/0	10/15/0	10/15/0	10/15/0
Soda Bicarb.	11/0/0	11/0/0	11/0/0	11/0/0
Crystals	5/10/0	5/10/0	5/10/0	5/10/0
Sulphate of copper	26/15/0	26/15/0	26/15/0	26/15/0

COPRA (per ton)—				
S.D. Straits, c.f.	13/10/0	13/10/0	13/10/0	13/10/0

HIDES (per lb.)—				
Wet salted Australia	0	4½	0	4½
Manilla, Queensland	0	5¼	0	5¼
West Indian	0	5¼	0	5¼
Cape, Jo'burg Ord.	0	7½	0	7½
Dry Capes	0	9½	0	9½
Drysalted Capes	0	9½	0	9½
English & Welsh Market Hides	0	7	0	7
Best heavy ox and heifer	0	8½	0	8½
Best calf	0	7	0	7

INDIGO (per lb.)—				
Bengal, gd. red-vio. to fine	5	6	5	6

LEATHER (per lb.)—				
Sole Bends, 8/12 lb.	2	10	2	10
Bark-Tanned Sole	4	0	4	0
Shoulders from D.S. Hides	1	5	1	5
" Eng. or WS do.	2	0	2	0
Bellies from DS do.	1	2	1	2
" Eng. or WS do.	1	5	1	5
Dressing Hides	2	4	2	4
Ro. Eng. Calf, 20/35 lb. per doz.	5	3	5	3

PETROLEUM PRODUCTS (per gall.)—				
Motor Spirit, England & Wales	1	6½	1	6½
(c) Kerosene, Burning Oil	0	9¼	0	9¼
" Vapourising Oil	0	9¼	0	9¼
(c) Automatic gas oil, in bulk, ex road tank wagons	1	3½	1	3½
Fuel oil, in bulk, ex instal.	...	...	...	...
Thames	...	...	...	...
Furnace	0	6¼	0	6¼
Diesel	0	7	0	7

ROSIN (per ton)—				
American	25/0/0	25/0/0	25/0/0	25/0/0
RUBBER (per lb.)—				
St. ribbed smoked sheet	0	10½/6	0	11
Fine hard Para	1	2	1	2

SHELLAC (per cwt.)—				
TN Orange	80	0	78	0
TN Orange	83	0	81	0

TALLOW (per cwt.)—				
London Town	22	10	22	10

TIMBER—				
Swedish u/s 3 x 8	25/17/6	25/17/6	25/17/6	25/17/6
" 2½ x 7	25/2/6	25/2/6	25/2/6	25/2/6
" 2 x 4	24/2/6	24/2/6	24/2/6	24/2/6
Canadian Spruce, Deals	28/10/0	28/10/0	28/10/0	28/10/0
Pitchpine	33/0/0	33/0/0	33/0/0	33/0/0
Rio Deals	50/0/0	50/0/0	50/0/0	50/0/0

VEGETABLE OILS (per ton net)—				
Linseed, raw	42/10/0	42/10/0	42/10/0	42/10/0
Rape, crude	44/5/0	44/5/0	44/5/0	44/5/0
Cotton-seed, crude	31/2/6	31/2/6	31/2/6	31/2/6
Coconut, crude	28/2/0	28/2/0	28/2/0	28/2/0
Palm	18/15/0	18/15/0	18/15/0	18/15/0
Oil Cakes, Linseed, Indian	8/2/0	8/5/0	8/2/0	8/5/0
Oil Seeds, Linseed—				
La Plata	17/3/9	18/2/6	17/3/9	18/2/6
Calcutta	18/10/0	20/5/0	18/10/0	20/5/0
Turpentine (per cwt.)	53	0	53	0

SHORTER COMMENTS

(Continued from page 841)

East London Rubber Company, Ltd.—Dividend 5 per cent. on ordinary for year to February 29, 1940. Net profit, before charging income tax or appropriations, is £50

THE BANK OF NOVA SCOTIA

(Incorporated in Canada with Limited Liability)

Established 1832

General Office: Toronto, Canada

Paid Up Capital	...	...	\$12,000,000
Reserve Fund	...	...	\$24,000,000
Total Assets over	...	...	\$300,000,000

Special facilities are available to the public through the Branches of this Bank for the transaction of business with Canada, Newfoundland, Cuba, Puerto Rico, Dominican Republic, Jamaica, and the United States at Boston and New York.

Address enquiries to

London Branch:
108 OLD BROAD STREET, E.C.2
E. C. MACLEOD, Manager

NATIONAL BANK OF EGYPT

Incorporated in Egypt
Liability of Members is limited

Head Office - - - CAIRO

Commercial Register No. 1, Cairo

FULLY PAID CAPITAL	-	-	£3,000,000
RESERVE FUND	-	-	£3,000,000

London Agency:

6 & 7 King William Street, E.C.4
Branches in all the Principal Towns in EGYPT and the SUDAN

THE MITSUBISHI BANK, LIMITED

(Incorporated in Japan)

SUBSCRIBED CAPITAL	...	...	YEN 100,000,000
PAID-UP CAPITAL	...	...	YEN 62,500,000
RESERVE FUND	...	...	YEN 68,211,463 (June 1939)

GENERAL BANKING AND FOREIGN EXCHANGE BUSINESS
DEPOSIT RATES ON APPLICATION

Head Office: TOKYO

Branches: TOKYO (15), OSAKA (5), KOBE (3), KYOTO, NAGOYA (2), OTARU, KOKURA, SHANGHAI, DAIREN, NEW YORK, LONDON

London Office: 3 BIRCHIN LANE, CORNHILL, E.C.3

Telephone: MANSION HOUSE 5531-5532

Telegraphic Address: Inland, "IWASAKIBAK, STOCK, LONDON."

Foreign: "IWASAKIBAK, LONDON."

THE HONGKONG & SHANGHAI BANKING CORPORATION

(Incorporated in the Colony of Hongkong. The liability of members is limited to the extent and in manner prescribed by Ordinance No. 6 of 1929 of the Colony.)

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

Head Office: HONGKONG

Board of Directors: H. V. WILKINSON, Chairman

Hon. Mr. J. J. PATERSON, Deputy-Chairman

J. K. BOUSFIELD, A. H. COMPTON, Hon. Mr. S. H. DODWELL, G. MISKIN, K. S. MORRISON, Hon. Mr. T. E. PEARCE, C. C. ROBERTS, Hon. Mr. A. L. SHIELDS

Chief Manager: SIR VANDELEUR M. GRAYBURN

Branches: Amoy, Bangkok, Batavia, Bombay, Calcutta, Canton, Chefoo, Colombo, Dairen (Dalny), Foochow, Haiphong, Hankow, Harbin, Ipoh, Johore, Kobe, Kowloon, Kuala Lumpur, London, Lyons, Malacca, Manila, Moukden, Muar, New York, Penang, Rangoon, Saigon, San Francisco, Shanghai, Singapore, Sourabaya, Swatow, Tientsin, Tokyo, Tsingtao, Yioho, Yokohama.

Committee in London: A. H. Barlow, C. A. Campbell, W. H. Hill-Wood, Sir George Macdonogh, G.B.E., K.C.B., K.C.M.G.

Managers in London: O. J. Barnes, E. J. Davies, Sub-Manager: G. M. Dalgety, Accountant: A. M. Knight.

9 GRACECHURCH STREET, LONDON, E.C.3

LONDON AND MANCHESTER ASSURANCE CO., LTD.

Life, Annuity, Accident, Fire, Motor, Burglary

Chief Office: Finsbury Square, LONDON, E.C.2

REFUGE ASSURANCE COMPANY LTD.

Chief Office: OXFORD STREET, MANCHESTER, 1

ANNUAL INCOME EXCEEDS	-	-	£13,300,000
ASSETS EXCEED	-	-	£72,400,000
CLAIMS PAID EXCEED	-	-	£125,100,000

THE SUMITOMO BANK, LIMITED

(Incorporated in Japan)

Head Office: OSAKA, JAPAN

Capital Subscribed	...	...	Yen 70,000,000.00
Capital Paid-up	...	...	Yen 50,000,000.00
Reserve Fund	...	...	Yen 52,000,000.00

HOME OFFICES:—Amagasaki, Fukuoka (2), Hiroshima (3), Kobe (3), Kokura, Kumamoto, Kure, Kurume (2), Kyoto (3), Moji, Nagoya (2), Niihama, Okayama, Onomichi, Osaka (30), Shimonoeki, Tokyo (20), Wakamatsu, Wakayama, Yanai and Yokohama.

FOREIGN OFFICES:—Dairen, Shanghai, London, New York, San Francisco, Los Angeles, Seattle, Sacramento and Honolulu.

OFFICES IN PACIFIC LINERS:—M.S. "Asama Maru," M.S. "Kamakura Maru" and M.S. "Tatuta Maru."

Correspondents in all important places at Home and Abroad

London Office: 67 BISHOPSGATE, E.C.2

Telephone: London Wall 4955 (2 lines).

M. MAYE, Manager.

THE SOCIETY OF INCORPORATED ACCOUNTANTS AND AUDITORS

EXAMINATIONS

The next Examinations will be held at Taunton School, Somerset, and Sedburgh School, Yorkshire, and also at Glasgow, Dublin and Belfast, as follows:—

Preliminary Examination, July 31st and August 1st, 1940.

Intermediate Examination, August 1st and 2nd, 1940.

Final Examination, July 31st and August 1st and 2nd, 1940.

Applications on the appropriate forms must be lodged on or before May 21st, 1940, with the undersigned.

A. A. GARRETT, Secretary.

Incorporated Accountants' Hall,
Victoria Embankment,
London, W.C.2.

GOUVERNEMENT IMPERIAL DU JAPON

EMPRUNT 4 PER CENT. DE 1910

FRANCS 450,000,000

NOTICE IS HEREBY GIVEN that the COUPONS due 15th May, 1940, will be PAID on and after that date (Saturdays excepted), between the hours of 11 and 2, at The Yokohama Specie Bank, Limited, where lists may be obtained.

Coupons, which must be left three clear days for examination prior to their payment, will be paid at the rate of exchange on Paris ruling at the time of their presentation.

For THE YOKOHAMA SPECIE BANK, LIMITED,

7 Bishopsgate, London, E.C.2.
30th April, 1940.

H. KANO, Manager.

SUEZ CANAL COMPANY

NOTICE IS HEREBY GIVEN that the General Meeting of shareholders will be held at the Salle d'Iena, 10 Avenue d'Iena, Paris, on Monday, 3rd June, 1940, at 2 p.m.

Holders of not less than twenty-five shares who are desirous of being present or represented at the Meeting must prove at the Head Office of the Company, 1 Rue d'Astorg, Paris, before 2 p.m. on the 20th May, 1940, that they have deposited their shares with the Company or with any of the Company's appointed Agents.

Shares may be deposited in London with Messrs N. M. Rothschild and Sons, who will in due course deliver a card of admission for the meeting.

DOMINION OF CANADA

THREE AND A QUARTER PER CENT. REGISTERED STOCK, 1958-63.

For the purpose of preparing the Interest Warrants due 1st July 1940, the BALANCES will be STRUCK on the evening of the 1st June, 1940, after which date the Stock will be transferred ex-dividend.

For BANK OF MONTREAL, Financial Agents of the Government of the Dominion of Canada, in London.

47 Threadneedle Street, E.C.2.
1st May, 1940.

EDWARD POPE, Manager.

PROVINCE OF ONTARIO

THREE AND A HALF PER CENT. REGISTERED STOCK, 1940, AND FOUR AND A HALF PER CENT. REGISTERED STOCK, 1945-65.

For the purpose of preparing the Interest Warrants due 1st July 1940, the BALANCES will be STRUCK on the evening of the 1st June, 1940, after which date the Stock will be transferred ex-dividend.

For BANK OF MONTREAL,

47 Threadneedle Street, E.C.2.
1st May, 1940.

EDWARD POPE, Manager.

THE ECONOMIST

Vol. CXXXVIII

MAY 11, 1940

No. 5046

CONTENTS

LEADING ARTICLES

National Inquest	847
The Lesson of Norway	848
Under the Million	849
Publicans and Tax Gatherers	850

NOTES OF THE WEEK

Non- and Pre-Belligerency	851
The Low Countries Prepare	852
Aircraft in War	852
Free Sterling	852
The Campaign in the North	853
Neutrality in Action	853
Balkan Third Degree	853
The War Effort	854
Costs and Prices	854
Ebbw Vale and Sir William Firth	854
War Trade Policy	854
Stocks and Shares of Food	855
Shorter Notes	855

THE WORLD OVERSEAS

British Guiana's Possibilities	856
Defending China's Currency	856
Wartime Finance and Trade in Greece	857
Headway in Hongkong	857
Portugal's Sound Position	858
Germany at War	859

THE BUSINESS WORLD

LEADING ARTICLES

Chain Store Shares	860
Currency in the Colonial Empire	861

FINANCE AND BANKING

Uneven Money Conditions	863
Free Sterling Weakens	863
French Exchange Regulations	863
Chinese Dollar Control Weakens	863
Mr Morgenthau on Gold	864
Clearing Bank Figures	864
Building Societies in Wartime	864
MONEY MARKET NOTES	864

INSURANCE NOTES

Alliance	865
Guardian	865
Scottish Life	865
Yorkshire	865
Northern	866

INVESTMENT NOTES

The Paradox of Gilt-Edged	866
Dividend Limitation and Tax-free Dividends	866
Lever and Unilever Dividends	866

INVESTMENT NOTES—cont.

Stewarts and Lloyds Report	867
Morris Motors Advance	867
Ford Motor Report	868
J. and P. Coats Report	868
Boots Pure Drug Distribution	868
Two Shipbuilding Reports	868
General and Central Mining Reports	869
Rio Tinto Outlook	869
Palmietkuil	869
Company Profits of the Week	869
Company Meetings of the Week	869
THE STOCK EXCHANGES	870
CAPITAL ISSUES	871
SHORTER COMMENTS	871

INDUSTRY AND TRADE

Unemployment below a Million	872
Dearer Coal	872
Steel Supplies and Scrap Prices	872
Difficulties in the Cotton Trade	872
Slump in World Petrol Prices	873
Molybdenum in War	873
Norway's Water Power	873
COMMODITY AND INDUSTRY NEWS	873

COMPANY MEETINGS

CURRENT STATISTICS

National Inquest

THIS week's great debate in the House of Commons has indeed turned out to be a national inquest. It seems likely to have done what even a week ago was inconceivable; it has brought Mr Chamberlain's Government down. Never can there have been a clearer demonstration that the House of Commons is ultimately sovereign in Britain or that sincere oratory is still the most potent democratic weapon. The Government went into the debate on Tuesday afternoon confident and secure; they emerged on Wednesday night shaken to their roots.

The verdict followed the merits of the debate. The attack was brilliant, insistent, unanswerable; it came from every quarter. The defence was lame and apologetic. The Prime Minister's speech was itself the clearest revelation of his greatest weakness: his inability to see that sincerity and devotion to duty—two qualities that nobody would wish to deny him—are not in themselves enough. He appealed for unity in the face of danger—without a shadow of realisation that he has made himself an obstacle to unity. He declared that the public did not appreciate the magnitude of the emergency—when the burden of the public's complaint against him is that he himself has refused to act with the vigour that is called for by the urgency of the peril we are in. Mr Chamberlain has many great qualities, which will be fully recorded in the history of England; but democratic leadership is not among them.

The other spokesmen for the Government were hardly more convincing. Mr Stanley and Sir Samuel Hoare could not rise above the departmental and Mr Winston Churchill added to the evidence for the prosecution on the major issue by defending it on the minor, since the reason he gave for the Norwegian disaster was the failure in times past to maintain air parity, a failure of which he himself has been the sternest critic. Back-benchers in support of the Government were few and their interventions ineffec-

tive. Against them was a coruscation of invective—Mr Atlee and Mr Morrison from the Labour Party, Sir Archibald Sinclair from the Liberals, Mr Amery, Mr Duff Cooper, Lord Winterton from the Conservative benches. But by common consent the two outstanding speeches were from Admiral of the Fleet Sir Roger Keyes, who told how he had offered to take Trondheim and been rebuffed, and from Mr Lloyd George, whose wholly devastating speech ended with the blunt statement that Mr Chamberlain owed the country the sacrifice of resigning. Plain speech, such as this and Mr Amery's quotation from Cromwell ("in the name of God, go"), is very rarely heard in Parliament. To survive an attack such as this, a Government needs a large and freely-given majority. But it could only muster a majority of 81; 42 nominal supporters voted with the Opposition, more than 100 abstained, and many of those who gave their votes to Mr Chamberlain did so with the most obvious reluctance.

The cause of this most unexpected defeat was not primarily the events in Norway. Indeed, the debate contributed little save corroborative detail to the public's knowledge of that ill-fated campaign. There was little criticism either of the decision to go to Norway's help or of the decision to withdraw the Allied troops when their position was seen to be hopeless. The mystery of the naval attack on Trondheim is still unresolved. We know that it was planned, and then abandoned when it was thought that the military attack had a greater prospect of success; but it is still to be explained why such a disastrous error of judgment was made, or why the plan was not taken up again when the military attack ended in failure. But the campaign in Norway was only the match to the train of dissatisfaction with the general conduct of the war by the present Cabinet. The main theme of the debate was the need for vigour, for foresight in laying plans and

ruthlessness in carrying them out, for imagination, for courage—the heads of the indictment have been drawn up so often in *The Economist* that it is unnecessary to recall them. With the most brutal frankness, the House of Commons told Mr Neville Chamberlain, Sir John Simon and Sir Samuel Hoare that it did not believe in their capacity to win the war.

What now? Mr Chamberlain has, it appears, promised a radical reconstruction of the Government, and nothing that did not include his Conservative opponents and the Labour and Liberal Parties will meet the needs of the moment. But after the bitter things that have been said this week, it is inconceivable that any of these would take office under Mr Chamberlain. So his resignation seems most probable, and some one else must be left to build a truly national administration. Who that will be, we do not yet know; but it is clear, when it comes to the point, that the argument, so often repeated in recent months by apologetic Conservatives, that there is no alternative to Mr Chamberlain is simply not true. Mr Churchill, Lord Halifax or Mr Eden from the Government, Mr Amery from the rebels, Mr Lloyd George, Mr Morrison, Mr Atlee from the Opposition—no one of these may be a perfect Prime Minister,

but each one, in present circumstances, can command more support than Mr. Chamberlain.

A change in the Government can hardly fail to be for the good. The hour is admittedly grave; but its very gravity is an argument for a quick and decisive change, for, as an Italian newspaper has observed, "Mr Chamberlain in power is a guarantee that the conduct of the war on the British and French side will remain weak, tardy and inconclusive." But certain conditions must be fulfilled if the full benefit is to be drawn from the opportunity. The new Cabinet must, for example, be made up of persons, not of party places. The choice of persons implies a choice of policies; but their mere enunciation in the Cabinet room will not be enough. Swift and thorough execution of policies is almost more important than their first adoption. What is needed is a new spirit of brisk resolution running through the whole machinery of government, penetrating to its utmost corners, stinging Whitehall into new activity, goading into intelligence the members of all the innumerable committees, substituting courage for docility in politicians and imaginative vigour for critical detachment in civil servants. We desperately need a New Deal of energy and courage; pray God we get it.

The Lesson of Norway

THE immediate and obvious losses of the Norwegian campaign are serious enough. The Baltic is closed to us; our trade with the Scandinavian countries will presumably come to an end. Sweden, encircled by Germany, has, even without an invasion, little alternative but to fulfil Germany's requirements, however drastic. Unless we bring the Narvik campaign to a surprisingly successful conclusion, Hitler's chances of getting Swedish iron ore have not been materially diminished as a result of his adventure. The long coastline of Norway provides innumerable hide-outs for German submarines; the airfields of Denmark and Norway offer new bases for an attack upon the north of Britain. Even when we set against these disquieting facts Germany's own difficulties, the damage to her fleet, the usage of war material, the lengthening of her front, the addition to her "empire" of two more unwilling subject peoples, there is still no reason to suppose that Hitler is not satisfied with the Norwegian balance sheet or that he is unduly worried about having "missed the bus."

The damage done to us by the Norwegian affair is not, however, confined to our commercial and strategic reverses in Scandinavia. There is a general context in which the disastrous Norwegian campaign must be set, the context of European and world opinion. In most countries—all of those whose immediate decisions are important—nothing is allowed to speak for itself, every important event filters its way to the public through a haze of propaganda, so much so that the interpretation of events is as important as the events themselves. Perhaps we do not sufficiently realise the comprehensiveness of Nazi propaganda, its adaptability, its drive, its fiendishly accurate flair for timing. The Norwegian campaign is a poor advertisement for our capacities even as it stands, but we must not suppose that it is being allowed simply to stand. Like skilful advertisers, the Nazis have been writing us up for years. Their word picture of us is already complete. Norway has simply been fitted into its appropriate place.

The view of the Allies which the Nazis are "selling" to world opinion is designed in the first place to disparage our strength. Since Abyssinia, they argue, the West has been in steady retreat. Since 1938 the retreat has become a rout. Our intervention could not save Czecho-Slovakia; our alliance could not save Poland; our offer of help could not save Finland; the actual presence of our troops on Norwegian soil could not save Norway. How is it, the argument continues, that the two richest Empires in the world are so strikingly ineffectual in action? Because riches are no substitute for energy and virility; because the Allies are old races, worn out in the imperial struggles of earlier years, decadent empires clinging, without plan or hope of development, to the vast resources of which they are no

longer capable of making effective use. At once grasping and cowardly, rich and spent, obstructing others and betraying themselves, they wait on the brink of dissolution for a *coup de grâce* delivered by the young, rising and aggressive nations.

However little we may recognise this unflattering picture, the Nazis have been spreading it for years with that energy and insistence we must allow their propaganda. Norway is simply added as an embellishment. Our confident speeches about ridding Norwegian soil within a measurable time of "the Nazi pollution" made all the more devastating the impression of weakness created by our decision to withdraw our troops after a week in the fighting line. The tales of our lack of equipment, our failure to give the Navy an effective rôle in our plans for Trondheim, the news that the Norwegians were fighting on in the Osterdal while the last Allied troopship sailed away from Namsos—all were ably assembled by the Nazis to form a devastating chronicle of inefficiency and cowardice. Sweden's bitter comment that small peoples from henceforth must depend upon their own strength only, and Italy's ironic amusement at the work of the Allied "amateurs" are two typical reactions to our very unsuccessful campaigning.

We might perhaps have blunted the edge of criticism if we could have said that the Norway coup caught us before our war machine was properly forged, that our relative lack of essential equipment was simply due to Germany's long lead in the armaments race, a lead we were steadily overhauling. Unfortunately the Budget, coming in the middle of the Norwegian campaign, suggested that a war machine forged at this snail's pace would continue to be ineffective for many years to come. The Budget played fairly and squarely into the hands of the propagandists. Here was the richest empire in the world fixing her expenditure below that of "starved, encircled" Germany; Norway proved that Britain could not fight for victory, the Budget that she could not even spend for it.

The effect on the larger Powers of our failures and of the Nazis' exploitation of them is naturally to make them sceptical of our ability to defeat Germany. They have therefore to consider what their attitude would be should Germany receive the reversion of the Allies' possessions. It is not simply a question of coming to terms with the victor. If the terms are concluded early enough in the campaign, there is at least a chance of securing some share in the redistribution of the spoils. Italy has not yet decided on intervention, but since the chief deterrent is her anxiety to be certain of a German victory before risking war, success in Norway has surely strengthened Germany's chances of forcing her in. The same may possibly be

true of Spain with *terra irredenta* in Gibraltar and Tangier. If those who interpret Stalin's German policy as a desire to come to terms with the strongest Power in Europe, Russia's neutrality will not become less benevolent to Hitler on account of Norway. If, on the contrary, Russia's game is to hold the balance of advantage steady until both combatants are exhausted, her recent overtures to Britain are a fair commentary on her estimate of the Allies' comparative strength.

It is, however, with the smaller Powers that Germany can make the most of the Norwegian disaster. The example of Norway may have helped them, by their purge of Quislings, to ward off one of Germany's weapons, treachery, but the other, the suddenness of the invasion and the slowness of the counter-stroke, may well be repeated in every small European country, with the possible exception of Holland and Belgium. Germany asks her small neighbours why they wish to risk becoming the battlefield of a lost cause when a little compliance on this score of economics or that score of strategy will give them not only peace but security within the German orbit. We may protest that such compliance is slavery; they may prefer slavery to annihilation. When our Government spokesmen complain that our help is ineffectual because we are not

called in until after the blow has fallen, the small neutrals retort that the complaint does not come well from men who bear a heavy responsibility for the destruction of collective security.

The lesson of Norway is obvious and straightforward. Since we were outmanoeuvred in strategy, surpassed in material equipment and driven to withdraw very largely because we could not afford to risk a serious dispersal of our forces, it follows that no small nation will have particular faith in our guarantees until we have achieved a more energetic and far-seeing leadership, until we have thrown aside our financial cowardice and set ourselves to forging a war machine capable of defending not only our own but other people's interests, until we are in a position to issue the challenge on whatever field we choose. We have to rid ourselves of the complacency and incompetence of recent years. We have to realise that offers of help backed by a half-hearted and glaringly deficient war effort create not confidence but contempt. It is not too late to restore our damaged prestige. It is not too late to renew faith in our cause. It is not too late to throw off senility, cowardice and cupidity and fight in earnest for the defence of freedom and the rule of law. But to do so we need other measures and other men.

Under the Million

IT is striking and melancholy evidence of the difficulty that the public mind has in adjusting itself to thinking in terms of the war economy that the fall of the unemployment total to the lowest figure since 1920 should be greeted as if it were an unqualified boon. It is, of course, pleasant to know that less than a million people are now idle; it is gratifying that the level of activity is rising so rapidly. But the speed with which the reserve of employable man-power is being exhausted should also be taken as a warning. The structure of our social order and of our unemployment insurance system being what they are, a total lack of employable labour might well be combined with an unemployment register of half a million or even three-quarters of a million. At the present rate, then, we are within two months of an extreme labour shortage, when, in default of some drastic action being taken, it will be impossible to secure any further general expansion in the production of arms.

The fall of the unemployment figure below a million should therefore be taken as a sign that we are courting disaster if we continue for a day longer with our present aimless planlessness in this vital matter of industrial man-power. That there would certainly be a very serious shortage of industrial man-power in wartime is the most obvious prophecy that could have been, and was, made years ago. That unless some means were found to relieve this shortage all other plans for doubling the war effort would come to naught, was no less obvious. That methods of increasing the supply of labour—especially of skilled labour—cannot be improvised and carried to fruition in a day or two is another self-evident fact. Yet with the problem, in its acutest form, on top of us, the few little gestures towards a solution that have been made are so derisory that they look like a bad joke.

The responsible authorities are not yet even properly informed of the dimensions of the problem. There may be estimates available of the numbers and varieties of labour that will be needed to carry out the various programmes of supply. But there is no estimate of where the labour is to come from or where it might be looked for. Except for the partial and embryonic census that was taken in a handful of industries last month, there is not even any precise knowledge of the number of people employed. Dilution has been put forward as the subject of a series of debates between representatives of the employers' and workers' organisations; but the debaters have been allowed to spend their time on such points as the proper rates of pay for women. The intake of new workers has so far been negligible and, if allowance is made for the time necessary to train them, they will have no influence at all on the rate of output before the autumn at the earliest. As for training in general, the position is ludicrous. According to a re-

cent statement in the German Press, the Nazi Labour Front has 16,000 full-time instructors and every factory has its quota of trainees. In Great Britain, so far from having 16,000 *instructors*, we have less than half that number of *pupils* at the Training Centres. Yet a contrast of this kind is apparently not of a nature to shatter the monumental calm of the Minister of Labour.

Meanwhile, the labour market is becoming chaotic. The Government has combined with its protestations against automatic rises in wage-rates a collection of the most varied inducements to employers to offer higher wages. Supply contractors are pressed for prompt delivery and they are paid on a system which, whatever may be its theory, is in fact "cost plus." What more natural than that they should offer ever higher inducements to get labour? Every employer knows what is happening as a result; men are being tempted away and the labour force is being shifted round without any consideration of the relative urgency or importance or even skill of different jobs. There is an Act on the Statute Book, the Control of Employment Act, which was designed specifically to prevent exactly what is happening every day in every industrial centre in the country; it has remained a dead letter. It is as if we organised the army by permitting the colonels of different regiments to promise higher pay, or more overtime, in order to get recruits—the colonels of battalions in reserve being allowed to induce men to leave the firing line. (The metaphor is not so exaggerated; cases have been quoted of skilled men in aircraft production or export industry leaving to undertake less skilled but better paid work in less important industries.) The net result of our present lack of system is not merely to promote an inefficient and haphazard distribution of man-power, but to give a powerful impetus to the vicious spiral, which the Government, in another sphere of its activities, is also urging on through its policy of forcing up transport costs.

The failure to take Trondheim can be dramatised into the material for a political crisis. But in the long run the failure to organise the supply of industrial man-power is much more culpable, and there is no Minister against whom the charge of lack of foresight and courage can be more forcefully pressed home than Mr Ernest Brown. Two excuses are sometimes offered for inaction. One is that nothing can be done without the trade unions; the other is that it is impossible to lay plans for re-training labour while there is still a large unemployment register. Both excuses are singularly unconvincing. There is no good reason for believing that the unions will shirk such an obvious issue if it is responsibly and imaginatively put to them and if their obvious preoccupations in such matters as collective bargaining and post-war demobilisation are met. As for the

unemployment register, it is becoming more irrelevant as each day passes. The unemployed are within a few weeks of ceasing to be a source of additional labour; the manpower that the munitions industries need is not to be found in sufficient numbers in their ranks. It is the unoccupied population and those who are now employed in unessential trades who form the raw material for a manpower policy, and neither category, in present conditions, frequents the employment exchanges.

The main outlines of the remedy are obvious; the needs

must be surveyed; the men and women must be recruited with the vigour that went into Kitchener's Army twenty-five years ago; they must be trained at the public expense and every factory in the country must take its share in training them; and they must be used to reinforce the productive machine of the country where it is weakest, not where the highest wages can be offered. These are the obvious main outlines; the working out of the details is a task for Mr Ernest Brown and the Ministry of Labour—or for another Minister and another Ministry.

Publicans and Tax Gatherers

“THE proposals I make are to add to the existing duties on beer, spirits, tobacco and matches.” Sir John Simon's recourse to drinking and smoking for more war revenue was not unexpected; for the tax-gatherer has found the habits of publicans and sinners especially lucrative. *Autre temps, autres mœurs*. “They have in England no taxes on wines and beer and other necessities of life, as we have in all parts of Italy,” wrote a Venetian Ambassador regretfully in 1557, and a generation later Queen Elizabeth straitly refused to tax beer. “Peacocks, Hops and Heresie came into England at one and the same time,” it was commonly said, and the only duties on drink were levied on wines from abroad—a Royal right.

It was the soberer statesmen of the Commonwealth period who first tapped the rich stream of revenue from alcoholic drinks—6d. a barrel on beer and 2d. a gallon on spirits. And the Restoration did not restore the Ambassador's envy, tax-free drinking. A beer tax, a malt tax, a hops tax, a spirits tax, licence duties—they mounted up for two hundred years until, throughout last century, between one-third and two-fifths of the entire tax revenue came from the trade in liquor. “Through your agency (the Chairman of the Board of Inland Revenue told the Brewers' Society in 1897) I am enabled to extract from the pockets of the people a considerable sum of money—without their knowing anything about it at all.”

The people's pockets have remained open, though the share of total tax revenue derived from liquor had fallen to a fifth in 1929-30 and a seventh in 1935-36; £100 millions from liquor taxes and licence duties in 1935 compared with £10 millions in 1801, £20 millions in 1860, £30 millions in 1873 and £40 millions in 1900; a peak of £200 millions in 1921; and nearly all (always well over 90 per cent.) from the sale and manufacture of beer and spirits, not wines. It is over two centuries since the Methuen Treaty with Portugal shut out the light French wines and confined wine-drinking to a “small coterie” of port and sherry drinkers. “After the thunderous heroism of the epic Latour 1869 the Margaux of 1871 comes in with the dainty sweetness of lyric poetry”: it was an Englishman who wrote this tribute to the wines of France; but, as Mr George B. Wilson, staunch temperance advocate and encyclopædist *extraordinaire* to the liquor trade,* puts it, “the *non-illuminati* among the coarser palated Northern nations have preferred to drink beer and spirits.” The quantity of wines imported into England in 1850 was only twice the quantity imported in 1700, despite a three-fold increase in population. And even in 1935, when the population had gone up sevenfold, barely three times more wine was imported than 235 years before.

In 1800, three-quarters of a proof gallon of spirits per head of the population were drunk, less than half a gallon of wine and 33 gallons of beer; since then the trend of drinking, unlike the course of revenue from drinking, has been generally downward.

It is the marked fall in the consumption per head of spirits and beer in the last two generations or so that

* “Alcohol and the Nation.” By George B. Wilson. Nicholson and Watson. 456 pages. 63s. A remarkable social study and compendium of all the facts and figures about the history of the trade in liquor, from which the information in this article, as necessarily in every such article, is mainly derived. With Shakespeare Mr Wilson says “O thou invisible spirit of wine, if thou hast no name to be called by, let us call thee devil”; but he knows all about alcohol in these islands since Ireland's first usquebaugh.

	LIQUOR CONSUMPTION PER HEAD		
	Spirits Proof gallons†	Wine Gallons	Beer Standard gallons
1830	1.17	0.27	22.0
1860	0.93	0.23	25.0
1880	1.07	0.45	31.5
1900	1.12	0.38	31.6
1910	0.65	0.28	26.3
1920	0.47	0.32	20.8
1930*	0.24	0.30	15.7
1935*	0.19	0.31	13.3

* 1930 and 1935 figures for Great Britain and N. Ireland only, others for United Kingdom including all Ireland.

† Spirits for drinking in G.B. are retailed “under proof” so that the number of *proof* gallons consumed is less than the actual liquid consumption—in 1935, for instance, 100 gallons of spirits were actually consumed for every 70 proof gallons recorded.

stands out most in the social annals of drinking. The historiographer of drink himself, Mr Wilson, calculates, comparing the periods 1871-75 and 1931-35, that the *per capita* consumption of spirits fell 83 per cent. and of beer 61 per cent.; and in the 60 years—though mainly after 1914—beer had become 20 per cent. weaker in alcoholic strength. Moreover—a point of importance in the early stages of the second great war of our generation—that fall was speeded up before and after 1914-18. In 1918, the consumption per head of beer and spirits was the lowest ever recorded before or since—a third of a proof gallon of spirits and a mere ten gallons of beer.

During the last war, in fact, drinking habits were transformed—in defence of the realm. Hours of sale were reduced from 19½, 17 or 16 a day to 5½; closing time at night became 9 p.m. instead of 10, 11, 12 or 12.30 (a.m.); treating and the sale of liquor on credit were forbidden; all spirits were diluted; and these restrictions, imposed under the Defence of the Realm Act of 1915 and administered by a Central Control Board, were, after first applying only to proclaimed military, naval or munitions areas, extended to cover 38½ out of the 41 million inhabitants of Great Britain. Fear of drunkenness weakening the war effort was a first motive in the programme of control; but shortage of shipping and the possibility of food shortage became potent influences. Beer output was cut down in order to save raw materials from 36 million standard barrels to 12½ millions; imports of spirits and wine were at one point cut down by half by regulation.

The liberal drinking of before 1914 was never restored. The restriction imposed by only brief permitted hours of sale remained—though there was some relaxation. The beer duty which was 7s. 9d. a barrel in 1900 became 23s. in 1914, 24s. in 1916, 25s. in 1917, 50s. in 1918, 70s. in 1919, 100s. in 1920, 103s. in 1930 and 134s. in 1931. In 1933 the basis of charge was altered to 24s. per *bulk* barrel (of a gravity of 1.027°); now, in the latest Budget, it is 65s. The spirits duty, which was 14s. 9d. a proof gallon in 1909, became 30s. in 1918, 50s. in 1919 and 72s. 6d. in 1920; it is now 97s. 6d. These are remarkable increases in tax; and the fact that revenue from liquor taxes was halved between 1920 and 1935, despite the high rate of taxation, underlines the sharp post-war fall in drinking.

Even so, it would be a distinct over-simplification to put that fall down exclusively to increased taxes and higher prices—though it is significant that “the reduction in spirit duty in 1823 and in the wine duties after 1860 and in beer duty in 1933 were all followed by increased consumption.” Nevertheless, the money available among working- and

middle-class people for spending, over and above the purchase of necessities, has on the average steadily increased since 1871-75—though it has fluctuated steeply with each trade cycle. And the fact that a smaller and smaller share of spending has gone on drink—at present expenditure on alcohol amounts to 7 or 8 per cent. of the national income—is accounted for, apart from price and taxes, by the decline in facilities for drinking and the increase in facilities for other amusements. The number of on-licences for the sale of liquor fell from 102,000 in 1855 to 75,000 in 1935, a fall of more than a quarter;* and in the same period expanded and cheapened transport facilities, the rise of the modern entertainments industry, improved housing conditions and the spread of popular education brought into being a host of alternative ways of passing spare time.

The public-house has more competitors nowadays than it had in Queen Victoria's reign, and there are fewer public-houses. There are, it is true, more “potential” drinkers now than there were 60 years ago, not only because the population has gone up by a third, but also in addition because, relative to the population as a whole, there are many more people of “drinking ages”; and drinking has lately spread among new classes of women. But public-houses are much less visited, and much less liquor is drunk in them by their frequenters than was the case.

So far, the story, told with every available historical and statistical detail by Mr Wilson, reads like the tale of a declining industry. Falling consumption, mounting taxation, growing restrictions, stringent war control—all these suggest insuperable obstacles for manufacturers. Actually something very like the reverse has been the case. “We are not here (said Dr Johnson at the sale of Thrall's brewery to Messrs Barclay in 1783) to sell a parcel of boilers and vats, but the potentiality of growing rich beyond the dreams of avarice.” That was putting the prospects rather high; but, by a steady process of amalgamation, by the creation of larger units of manufacture and distribution, by consequent economies in expenses and overhead charges—in short, by rationalisation, the liquor trade has more than weathered all the storms of the last century or so. A Select

* It is worth noting, on the other hand, that the number of clubs where intoxicants can be sold rose from 2,000 in 1887 to 16,000 in 1935.

NOTES OF THE WEEK

Non- and Pre-Belligerency

A fog still hangs over Italy's intentions, and in spite of the adoption of the new terminology of “pre-belligerency” it is still not certain that it is a fog of war. Germany is obviously doing everything she can, short of a brutal command, to bring her ally into the conflict. The Nazi propaganda machine has been particularly busy in the last few days propagating rumours designed to prove the Allies' aggressive intentions in the Mediterranean area. Reports of a mythical Reynaud-Chamberlain telephone conversation during the course of which Mr Chamberlain demanded to know how soon General Weygand would be ready for action were followed by the rumour, tacked on to the British Ambassador's routine visit to the Duce, that Britain had requested a clarification of Italy's position before May 15th—the day which, for one reason or another, the Nazis are putting round as the zero hour of a great Allied offensive. The rumours and reports are so fantastically transparent that one wonders why the Nazis are at such pains to propagate them. Germany can hardly hope to justify her next aggression by rehearsing the Norwegian excuse of “Allied plans of intervention”; indeed, Hitler needs no justification, since it is the successful use of violence and not successful moralising that has given him his present pre-eminence. Again, it is not Germany's moral case that is of interest to Signor Mussolini, but the chances of success which would attend a joint Axis “knock-out blow” in the next week or so. These chances are as difficult to assess as ever. Although the Norwegian campaign dealt a hard knock to Allied prestige, the results are not over-illuminating from the military standpoint, especially when examined from the Italian angle. Hence the Nazis' enthusiastic propagation of the theory that Norway proves once for all the superiority

Committee on the Alleged High Price of Beer and Its Inferior Quality referred as early as 1818 to the “ring” of the eleven great London brewers. In 1835-39, there were 45,000 brewers in the United Kingdom; in 1935-36 there were just over 1,000; and the average quantity of malt used annually per brewer had risen from 248 to 7,838 cwt. The publican-brewer and small local brewer have mainly fallen by the wayside. A movement to limit the number of public-houses by means of the old-established licensing system was brought under way towards the end of the eighteenth century; and, since the number of retail outlets was thus restricted, there was a drive among large brewers to buy up or control public-houses. By 1890, 70 per cent. of the on-licences in existence were for tied houses; and the steady elimination of “redundant” licences more recently intensified the process of concentration.

So far from the last war, with all its taxes and restrictions, ruining the trade, it gave the trade a new life. Between the '80s and the war brewing had run into trouble; reckless flotations had inflated the industry's capital; and in the years before 1914 there was a slump. The ordinary share capital of one leading brewery company was written down in 1905 from £3,185,000 to £796,000; and in 1913 its market value was £44,000. “Then came the war, and out of its holocaust of horrors the brewing trade rose phoenix-like to hitherto undreamed of heights of wealth.” In 1930, the above-mentioned brewery company's ordinary shares were worth £9,875,000. Brewery profits, as returned to the Inland Revenue, were £10 millions in 1913-14, £30 millions in 1918-19, £25 millions in 1929-30 and £31 millions in 1937-38.

It is a strange picture. The place of drink in national life has shrunk remarkably. Drunkenness has fallen steeply away; the number of persons found guilty of drunkenness per 10,000 of the population was 60 in 1870-74, 70 in 1875-79, 60 in 1900-04, 55 in 1905-09, and 50 in 1910-14, but only 21 in 1915-19, 16 in 1925-29 and 11 in 1930-35. There has been something like a revolution in this corner of social behaviour. But the manufacture of drink is still a paying and profitable trade, with the memory of one stringent war well weathered to steel the drink-makers against the growing rigours of this one; and the tax revenue from drinking is still in high esteem at 11 Downing Street.

★

The closing of the Mediterranean to British shipping and the return of part of our Mediterranean fleet to the Eastern Mediterranean have had, on the whole, a calming effect. After threatening intervention for a week, Italy greeted our counter-measures with round-eyed and innocent amazement and made acid comments on our “provocation.” There are two ways in which the arrival of the Fleet may help to keep Italy out of the war. It may, in a straightforward military sense, discourage her from adventures by a show of strength. Alternatively, the fact that newspaper agitation and a few provocative broadcasts in Italy can (as was revealed in this week's debate, notably in Sir Roger Keyes's indictment) prejudice a major Allied naval operation elsewhere and lead to timidity in the use of Britain's naval striking power allows the Duce to argue that “non-belligerency” is sufficiently served by an Italian war of words and a few carefully calculated troop movements whenever Germany and the Allies are involved on a new front. In this way, Italy does not risk an unpopular war, Germany is spared support which might rapidly become a military liability, and the Allies are seriously embarrassed in

their conduct of the campaign. There is, however, another possibility, that the reinforcement of our fleet will deepen the sense of frustrate claustrophobia and lead to an explosion. Such, at least, appears to be the view, discussed in another Note, of the Roosevelt administration. In Italy, the last week has seen new activity in the Pope's efforts for peace. He has on three different occasions prayed publicly for peace and on one at least openly condemned "unbridled ambition and lust for power." The visit paid him by the Prince of Piedmont has also some significance, if only because of the Italian people's firm conviction that the House of Savoy will in the last analysis refuse to declare war. The unpopularity of the war shows no sign of waning. The Pope's appeal for peace in S. Maria sopra Minerva was cheered to the echo by a large congregation. Unfortunately neither unpopularity among the masses nor opposition in the highest quarters can finally determine the issue. The decision rests with Berlin.

* * *

The Low Countries Prepare

The sudden cancellation of military leave and the introduction of fresh defence precautions in Holland have come as a surprise only to those who have not been following the general strategy of the war. Once Hitler's control on most of Norway was complete, it was almost inevitable that he should try in some new military sphere to profit by the momentum of his previous success, and the rumours on the immediate likelihood of a *Blitzkrieg* against the British Isles are too widespread and too well-documented to be disregarded. Germany's chief hope of victory lies in an attempt to smash the Allies while their political leadership is uncertain and their war effort far from fully deployed. Everything, therefore, suggests sudden action in the near future. But sudden action against Britain is only conceivable once the neutrality of Holland and possibly Belgium has been annihilated and the flat fields and convenient harbours of the Low Countries are available for aerial and naval bases against our coasts. Thus a threat to Holland is an inevitable preliminary to a threat to Britain, and the Dutch are to be congratulated that they have anticipated the possibility of a German ultimatum and have put themselves in a state of preparedness to meet any attack the Nazis may see fit to launch. The forbidding of ships to enter certain areas is an especially wise precaution in view of the number of German ships in Norwegian harbours which, when the blow fell, turned out to contain the shock troops of the invasion. Belgium, too, is alive to the danger, and, after a special Cabinet meeting, 50,000 more men have been called to the colours. It is difficult to suppose that Hitler can count on a walk-over in the Low Countries or hope now to catch them unprepared and undefended. Both Belgium and Holland have given solid proof of their determination to stand firm, and, if they stand together, they are backed by the fighting forces of France and Britain, which this time, at least, can be thrown into battle under no crippling strategic handicaps. If Hitler risks the invasion, it is clear beyond all doubt that he cannot afford a long war.

* * *

Aircraft in War

The experience of the first eight months of the war, and especially the campaign in Norway, has decisively answered some of the controversial questions concerning the scope and function of the air weapon in the present war. First, it has proved that the bomber is no match for the fast and heavily armed shore-based fighter; secondly, the bomber has little chance of hitting a small and moving target (such as is presented by a vessel) if it can be prevented from coming down low by concentrated anti-aircraft and machine-gun fire. On the other hand, the bomber has been shown to be a devastating weapon against all except small, moving and armed targets if unopposed by fighters. Stationary targets, even if heavily protected by guns, cannot escape serious damage from the air, though precision bombing during the night is considerably more difficult. The lessons are obvious. First, daylight bombing attacks on this country can be met by an adequate supply of fighters; enemy losses are likely to be very heavy, even if the bombers are accompanied by long-range fighters. During the night, or on clouded days, however, indiscriminate bombing cannot easily be countered, either by means of fighters or anti-aircraft fire. Secondly, the movement of troops, unprotected by fighters, within reach of enemy aircraft is virtually impossible. The same holds good for warships, not on the high seas, but in the vicinity of enemy bases from which they can be attacked by large numbers of bombers. On the high seas, where ships can manoeuvre and are not likely to encounter concentrated and

repeated attacks, they can hold their own against the bomber.

*

The necessity of gaining superiority in the air is absolutely vital, especially as the Allies, unlike Germany, are compelled to disperse their aircraft over a wide field. In this week's debate the Government spokesmen admitted that we are still far from having reached superiority. Sir Samuel Hoare said that the one thing he thought about day and night was how to expand production. Unfortunately, there is reason to believe that production has not been increased in recent months as fast as should have been possible. But this is surely not the time for protracted argument by the experts. It is generally agreed that the quality of British aircraft is superior to that of the American, and that, in any case, American manufacturers cannot supply large quantities this year. We must therefore rely largely on our own resources. The production of fighters, as weapons of defence, must be increased as rapidly as possible. In addition, it will be necessary to speed up the output of long-range fighters to support distant operations and to develop and produce improved types of short-range machines for use against the latest enemy fighters in France, for example, and of bombers. If time is not wasted by controversy over types, there is no reason why, with our bigger resources, we should not be able to attain superiority in the air within a fairly short time. The recruitment of Sir Charles Craven to the Air Ministry last month is a welcome indication that a more determined effort is at last to be made to expand production. Other signs of a more vigorous policy are the appointment of Brigadier-General Jones as Controller of Light Alloys and the decision to reorganise and speed-up the training of personnel. But time is of the essence.

* * *

Free Sterling

All this week sterling has been slumping in the free market in New York; it touched \$3.32 on Wednesday. The official policy of His Majesty's Government is still that no harm is done by fluctuations of the free rate, and that nobody in London need concern himself about the price at which one foreigner chooses to sell his pounds to another foreigner. As was pointed out in a full examination of the whole question in *The Economist* of April 6th, this could be made to be true. If we took steps to ensure that neither our imports nor our exports were financed through the market, and that the rates of exchange in none of our clearing agreements were affected by fluctuations in the free rate, then it would not matter to us what the free rate was; the only thing that would then matter would be the volume of business transacted in the free market, since every sale of free sterling is, of course, a loss of gold or foreign exchange to us. But as things are the story is very different. Many of our imports and of our exports are still financed in free sterling or at rates that fluctuate with it; the effect of a fall in the rate is to ensure that we get less foreign exchange for our exports and pay more for our imports. Moreover, the size of the market is growing—and the size of the market is the same thing as the leakage of our reserves.

*

The policy of the Chancellor of the Exchequer, it need hardly be said, is to leave matters as they are—but that can hardly be tolerated any longer. Of the two alternative courses of action, that of cutting off the supply of free sterling by blocking foreigners' balances has been ruled out. We are, therefore, left with the second: that of cutting off the demand for free sterling by making all British exports payable in foreign currencies. This would have the disadvantage of driving the free rate down to nothing, but it would have the advantage of reducing the size of the market—if it were put into complete effect. Perhaps best of all would be the suggestion put forward by the *Financial News* that two free markets should be recognised, one for sales of sterling arising out of current trading, the other for sales arising out of capital balances held in this country by foreigners. It would then be possible for the authorities to escape from their present dilemma: if they intervene to push the free rate up, they confer a bonus on those who are taking their capital out of the country; if they let the free rate fall, it turns the terms of trade against us. If the free market were split in two, the "current trade" section of it could be kept up to, or nearly to, the official rate, while the "capital" section could cheerfully be left to go to the devil—if it is really thought to be more healthy to a banker's reputation to let his clients withdraw their money at a bankrupt rate than to offer a standstill. But in any case, the position cannot be allowed to drift any longer if our foreign exchange assets—one of the scarcest of all the raw materials of war—are not to be squandered.

The Campaign in the North

The news from the North is still very confused. From this week's debate we know that the Narvik aerodrome is in Allied hands, which is encouraging news, for it may after all be possible to see our fighters in action in Norway in spite of the setbacks of the first four weeks. Snowstorms, however, still hamper operations, and beyond the fact that Narvik itself, and most of the hinterland, is still in German hands, it is impossible, on the basis of existing reports, to establish the position of the opposed forces. German communiqués speak of air attacks on naval units in Narvik Fjord and of a determined drive north by light units from the Trondheim area. The Allies appear to have made fresh landings and to have shelled the town of Narvik during the course of the week, but there is still not much evidence of air activity. Further south, the Norwegians report that the German advance has been held up short of Mosjøen and Mo, which can well be believed if the configuration of the country and the lack of roads are taken into account. In the south, although fully organised Norwegian resistance is coming to an end, guerilla warfare continues in many districts and many indomitable Norwegian fighting men must have been encouraged by news of King Haakon's declaration that he and the legitimate Government of Norway are determined to hold out until the end. This continued resistance, however, can be at the most an embarrassment to the Germans. Their hold on south and central Norway is virtually complete. Sweden is thus faced with an incredibly delicate situation. However much she may be prepared to defend her neutrality against invasion (and the recent calling up of more men in spite of the possibility of damage to the harvest suggests that she is in bitter earnest) invasion is perhaps the danger which she has least to fear now that she is trapped in the Baltic and shares miles of undefended frontier with Germany's new "colony." The exchange of letters between King Gustav and Hitler has exactly the value that can usually be attached to Hitler's written or spoken word except that, in this contest, he can probably secure his ends without resort to force. Sweden's future relations with the U.S.S.R. will be interesting to watch. Russia is the only power in a geographical position to counterbalance the extension of German influence, and it appears that Stalin has already intervened in Berlin to ensure Sweden's continued neutrality. For the time being he holds the balance both in the Baltic and the Balkans, and there is reason to suppose that Hitler finds him a quite infuriating ally.

* * *

Neutrality in Action

Within the strict but benevolent limits of its neutrality, the United States has done the Allies notable service during the last week. At a moment which may well have been crucial, the American Ambassador in Rome conferred twice with the Duce himself, and the White House allowed it to be known that the interview had been concerned with the United States' desire to prevent any spreading of the war. Italy has an especial interest in American goodwill, for not only does a large proportion of certain key commodities (among them oil and cotton) come from the United States, but Italian and American bottoms are responsible (so it has been reported) for 90 per cent. of Italy's sea-borne trade, and in the event of war the extension of the "combat zone" to the Mediterranean would prevent the arrival of American ships, and the Allied blockade would presumably prevent Italian sailings. In the Far East, America has of her own accord put a stop to the excessive shipments of certain war materials destined for Vladivostok and thence to Germany, while in the delicate problem of Japan's attitude to the *status quo*, America's intervention has been decisive, since the Allies are at a strategic disadvantage when it comes to the concentration of military and naval forces in the Pacific. Japan's policy, for all her declarations of "non-involvement" (a new type of non-belligerency?) is bound to be that of fishing in troubled waters, and a German invasion of Holland would be a very large stone flung into the comparatively calm seas of the Pacific. Some weeks ago Mr Arita's provocative communiqué on Japan's "interest" in the status of the Dutch East Indies caused such a stir that the Japanese are now at great pains to write it off as a "contribution to the stabilisation of Eastern Asia." Whether they would have been so anxious to do so without a stern hint from Washington is open to question. Mr Cordell Hull's immediate reminder of the United States' interest in the peace and security of every area in the Pacific has now been backed by the significant decision to leave the American fleet at Hawaii in order "to continue further manoeuvres and tests." Coming as it does on top of renewed rumours of a Nazi threat to the Low Countries, the moment is well chosen, and offers a useful reminder that, however strong the desire of the United

States for isolation, there are certain areas in which immediate and vital American interests are at stake.

* * *

Balkan Third Degree

The Balkans are passing through another period of tension. Two weeks ago it was "tourists," and, having dealt faithfully with them, the Balkan states face a new menace in the shape of extensive troop concentrations on Germany's south-eastern frontiers. S.S. *Verfügungstruppen*, who were the advance guard of the lightning attack on Poland, are said to be 50,000 strong, and, for the first time, definite news of their distribution and of the arrival of fresh reinforcements in Galicia have been allowed to leak through. It is quite impossible to say whether Germany seriously intends an immediate invasion. The Balkan preparations may be part of the scheme for a *Blitzkrieg* on every front in a ferocious effort to break the Allies before the autumn, and Germany's activity on every front from Trondheim to Klagenfurt does give the impression of a great beast crouching and quivering on the verge of a tremendous spring. Yet all through the winter the tactics of troop concentrations and rumour campaigns have been employed with no more purpose apparently than to keep Germany's small neighbours in a reasonably docile frame of mind. Thus it is perhaps insufficient docility on their part rather than immediately aggressive intentions on Germany's that accounts for the present activity. In the last few weeks, Germany has suffered some severe setbacks, of which the latest is Dr Ciolău's departure from Sofia, leaving the German-Bulgarian trade agreement in its present unsatisfactory state, with a German debt to Bulgaria of £7 millions and Bulgarian business circles frantic at the delays in German deliveries. Another matter for Nazi pre-occupation is the steadily improving tone of Bulgaro-Turkish relations. The Nazis are doing all in their power to revive the old feelings of distrust and hostility, but the sensible settlement of recent frontier incidents testifies to a much greater spirit of mutual confidence which the British Ambassador to Turkey, who is on visit to the British Minister in Sofia, is no doubt doing all he can to foster. The situation is altogether too calm for Germany's liking. Hence troop concentrations, rumours, misleading press reports and all the other normal instruments of the Nazis' "Third Degree."

THE NEW YORK TRUST COMPANY

Capital Funds . . \$37,500,000



COMPLETE
INTERNATIONAL
BANKING
FACILITIES

100 BROADWAY

CABLE ADDRESS
NYTRUSTCO

MEMBER OF THE FEDERAL DEPOSIT INSURANCE CORPORATION

The War Effort

The culminating clash between Mr Chamberlain's administration and its critics did not start with the Norway debate. It began with the Budget, and the long-delayed success of years of criticism in bringing its points fairly home came, not in Wednesday night's division, but in the forced admission from Sir John Simon that his financial measure of the nation's war effort was still low. In Committee last week he spoke of further severe direct taxation to come. In an address to a National Savings gathering this week he said outright that there was "no limit to war expenditure," and laid stress upon the fact, which he had apparently denied in his Budget speech, that he "would not shrink" from Mr Keynes's compulsory saving scheme if the need arose. Sir Robert Kindersley had earlier complained that the Keynes proposals had damaged voluntary saving, but the voluntary method, the Chancellor said, was on trial. Meanwhile, Supply Service expenditure last week was £3 millions below the weekly average for the first quarter of the year. A single week is no criterion, and the year-end rush of spending in March inflated last quarter's figures. But it is abundantly clear and, at last, generally agreed that to avoid defeat our expenditure and the flow of war supplies must mount steeply in the testing months before us.

Costs and Prices

The rise in coal prices, justified though it may be by the rise in costs, is deplorable. Like the 10 per cent. increase in railway charges on May 1st, which was one of the causes of the advance in coal prices, it is likely to bring in its train a series of demands for higher prices by other industries, such as iron and steel, cement, gas, electricity—and the railways themselves. If conceded, these, in turn, will raise the costs of a multitude of other industries. Indeed, there are indications that the spectacle of costs chasing prices is about to begin, unless the Government is prepared to take immediate and drastic action. The cause of this tendency is to be found chiefly in the successful pressure for higher wages by the trade unions. It is useless, however, to blame the unions, for they are doing only what they are paid for. The real cause of

the trouble is the Government's failure, after the initial wage advances last year due to the rise in the prices of imported commodities, to curb the trade unions' pressure by the adoption of a national wages policy and by the application of the Control of Employment Act. The growing scarcity of labour is likely to strengthen still further the unions' bargaining power, and they will certainly use it unless the Government chooses to adopt a bolder policy. On the other hand, there is no reason to believe that the unions would not accept a limitation of their powers to press for higher wages if they are regulated on a national basis.

Ebbw Vale and Sir William Firth

A demand has been raised in several quarters for a public inquiry into the circumstances of the dismissal of Sir William Firth from the chairmanship of Richard Thomas and Company, Ltd., which was discussed in an article in *The Economist* of April 27th under the heading "The Case of Ebbw Vale." That the machinery of public inquiry should be set on foot to examine whether or not a particular individual was treated justly by the committee of bankers and competitors who now control his business is doubtless an exaggerated suggestion. But there is nevertheless a strong case for an inquiry—not into Sir William Firth's dismissal but into the state of affairs at Ebbw Vale. Are the competitors of Richard Thomas, either in their individual capacities or in their corporate state as the British Iron and Steel Federation, the appropriate people to entrust with the task of seeing that the technical progress embodied in the new mill at Ebbw Vale is used for the community's benefit, without fear or favour? And if the insatiable demand for steel prevents any policy of deliberate restriction in wartime, will the same hold good after the war? These are the real questions, to which nobody has yet given the answers.

War Trade Policy

A political crisis has come without the secret session on economic warfare, promised and then put off because of the war in the North, having been held. Nevertheless, the

undertones of this postponed debate were loud among the sounds that shook Jericho's walls on Wednesday, and the first guarantees of more effective Government policy in the future will be sought in the economic field. Mr Churchill himself has laid bare the crisis in aircraft production; and the crucial issue of trained industrial man-power is discussed in a leading article on page 849 of this number of *The Economist*. The easy faith in a war won by sea-power and rough blockade has gone, and subtle questions of trade policy in wartime, questions upon which despised experts have voiced advice for months and years, have become pressing and urgent. An article in the current *Banker* on "Commodity Control in Wartime" restates tellingly the case for special wartime devices. The aim of trade in war is to maximise the Allies' purchases of indispensable supplies and materials; or, in other words, to maximise the proceeds in foreign exchange from the sale of exports in order to buy those essentials. In the agenda of ways and means the sale of the Empire's primary products, gold, rubber and tin, bulks large, and there are two alternative ways of maximising exchange receipts from these. One is to raise prices, which is not possible when the price has already been brought to a peak by control schemes, when the market is not largely dominated by British production or when the market's ruling price, as in the case of gold, is fixed by a large neutral buyer. The other is to increase production by every means, even at the expense of future output. These points are A B C, but since September they have not always been readily seen in official circles, where for a time the view was even canvassed that the price of all essential basic commodities should be kept as low as possible. An energetic, clear-sighted and comprehensive trade policy is needed more than ever now, when, against Germany's undoubted economic losses in Scandinavia (despite large immediate gains), we must set the need to make up our own temporary losses of special steels, ferro-alloys and calcium carbide normally got from Norway and iron ore from Sweden.

Stocks and Shares of Food

The speeches of the new Minister of Food are both candid and stimulating. Addressing the Liverpool Chamber of Commerce last week, Lord Woolton pointed out the danger to food supplies which might result from a temporary breakdown of transport under intensified air attacks, and emphasised his determination to create and maintain adequate and well-distributed reserves, even if their creation involved some reduction in the amount available for immediate consumption. Lord Woolton referred in particular to a possible cut in the weekly sugar ration, which has remained unchanged at 3 lb. per head since it was first introduced. Three-quarters of our sugar supplies are normally imported; the yield of the home crop, which is lifted in the late autumn, is erratic owing to the vagaries of the climate; this season uncertainty about labour supplies has, it is believed, counteracted the Government's appeals for an increase in the area sown to beet. If imports of sugar have to make way for more urgent traffic, it is comforting to know that Lord Woolton will reduce the ration rather than the stocks. He was confident, he declared, that the public would not mind a certain amount of stringency if it felt that the stringency was being intelligently imposed. It is a pity that Lord Woolton cannot convince other members of the Government of the truth of his belief.

Shorter Notes

Sir John Anderson has now announced the measures he is taking to tighten up the Defence Regulations, but he has made it clear that the new regulations had been carefully drawn to avoid penalising mere expression of opinion and that there is no question of repressing honestly held minority views. At the same time, power is given to deal with mischievous activities directed towards impeding the war effort, and anyone concerned in systematic publication of matter likely to foment opposition to the successful prosecution of the war will, after being warned, be liable to penal servitude for seven years or a fine of £500 or both. A Bill has also been introduced which makes death the penalty for serious cases of spying or sabotage.

The new Proclamation signed by the King on Thursday extends the liability to be called up for military service to all men aged 19 to 36 inclusive. About 2,500,000 will be included in the nine new age groups involved, compared with 2,000,000 under the earlier Proclamations.

The apparent slowing down of Germany's submarine campaign, which has been noticed in recent weeks, is illustrated by the latest Admiralty figures of merchant shipping losses. (These are now given out some ten days after the week to which they refer in order to avoid disclosing information of value to the enemy, and details such as the names of the ships and the place of the sinkings are withheld.) In the week ended April 28th four British ships of a total tonnage of 6,689 were sunk, one Allied ship of 1,458 tons, and two neutral ships of 298 tons. This brings the total tonnage of British losses in April to 18,249, which is the smallest monthly total since the beginning of the war. On the other hand, the German losses of merchant shipping in April were 300,000 tons, almost all of which was sunk during the Norwegian campaign.

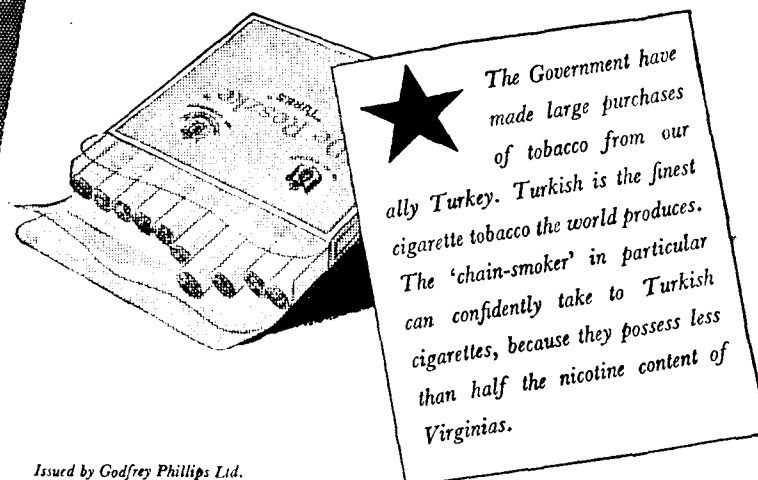
Since the beginning of the war Great Britain has lost some 720,000 tons of merchant shipping and Germany 600,000 tons. But British shipping will now be reinforced by the greater part of the Norwegian and Danish fleets, together amounting to about 6,000,000 tons. Of the Norwegian tonnage, 4,500,000 was away from Norway at the time of the invasion; the whole of this has been requisitioned by the Royal Norwegian Government, and will be placed under the control of the Norwegian Shipping and Trade Mission which has been established in this country.

Almost exactly a year after the dismissal of M. Litvinov it is announced from Moscow that Marshal Voroshilov, Soviet Defence Commissar for fifteen years, has been relieved of his duties and appointed to a higher but less important post as deputy to M. Molotov. No reason has, naturally, been given for the removal of the man who was responsible for the creation of the Red Army, but it is possible that it is the outcome of the bad impression of that Army's strength and effectiveness which the Finnish War gave to the world at large. He has been succeeded as Defence Commissar by Marshal Timoshenko, Commander of the Kiev military district.

Portugal's neutrality is being further emphasised by the conversion of all her external debt, amounting to about £27 millions, into an internal loan. That she has been able to do this is another tribute to the wise financial and economic policy of Dr Salazar, who celebrated the twelfth anniversary of his assumption of the office of Minister of Finance on the day the lists opened for the new loan.

The new stage in the two-year-old Mexican oil dispute, opened a few weeks ago by the United States Government's offer of arbitration, has been concluded with the Mexican Government's refusal to accept the offer. In the Note announcing its decision the Mexican Government emphasised that the controversy was a purely domestic one, and was in any case nearing solution by agreements between itself and the American companies concerned.

You help Turkey to help us
when you help yourself to
Turkish* cigarettes



The Government have made large purchases of tobacco from our ally Turkey. Turkish is the finest cigarette tobacco the world produces. The 'chain-smoker' in particular can confidently take to Turkish cigarettes, because they possess less than half the nicotine content of Virginias.

ASK FOR
De Reszke
TURKS
10 for 8½d

20 FOR 1/5

Issued by Godfrey Phillips Ltd.

Small Accounts

By tradition as well as by deliberate policy, the Westminster Bank has always aimed at fostering the 'small' account. Moreover, there is no sharper line of demarcation between 'big' and 'small' than between 'white' and 'black'; there are many greys between, and it has always been good business for the Bank to encourage the smaller account, with confidence in its growth later on.

Those, therefore, who may have felt that their means hardly warrant a banking account are invited to consult the Manager of any branch and to find that their hesitation may have been groundless.

WESTMINSTER BANK
LIMITED

Head Office: 41, Lothbury, London, E.C.2

THE WORLD OVERSEAS

British Guiana's Possibilities

(From our Georgetown Correspondent)

By any of the standards customarily applied to years since 1931, last year was satisfactory for British Guiana's trade and finance. Exports were \$14,505,552, as compared with \$13,065,606 for 1938, while imports totalled \$10,724,671 as against \$10,610,262. The Colonial Treasury's statement of revenue shows that the colonial income for 1939 (\$6,229,625) was higher than at any time since 1920.

The business community has settled down to war conditions and there has been remarkably little disturbance. As the official journal of the Chamber of Commerce of the City of Georgetown remarks: "It is a fortunate circumstance for British Guiana that in its war economy a strong sense of the Colony's duty to the Empire will not conflict with the Colony's self-interest."

This statement is illustrated by the expansion of the bauxite industry. In a long war British Guiana's bauxite exports, which amounted to \$136,364 in 1920, may easily increase to more than \$5,000,000. They were close on \$3,000,000 last year and the rate of expansion for the first three months of 1940 is already very promising. This is distinctly helpful to the revenue, since the Government levy an export tax on every ton, and the "aluminium steamers" which take the bauxite to Canada contribute handsomely to harbour dues.

No Loan for Woodpulp?

The development of the mineral and forest industries of the hinterland is indeed the great hope of British Guiana. There have been in city and country the warmest expressions of praise and gratitude over the Royal Commission's recommendations. The psychological change among the masses of workers and unemployed has been complete and instantaneous. Similar reports have been received from all the West Indian capitals.

Regret is, however, being expressed here that in cabled summaries of the Commission's report there should have been no specific recommendation for loan assistance to establish a wallaba woodpulp industry. British Guiana's forests, which occupy 86 per cent. of its area, contain the only commercial source of greenheart in the world. The pulp potentiality of an area of 367 square miles, which is excellently situated for starting the industry, has been conservatively estimated at 200,000 tons a year. The pulp and the paper which has been produced from it have been considered by reputable experts to be of an exceedingly high standard, the paper being of the class of the more expensively manufactured papers made from esparto grass. The pulp can be delivered c.i.f. New York for not more than \$28.80 per ton and is of the quality of Poplar Soda Pulp currently priced at \$51 per ton c.i.f. New York. Exports of 200,000 tons would in peacetime amount to \$12 millions per annum and the Colony's export trade would thus be practically doubled. Greenheart, the best timber in the world for piling and other marine constructive work, and mora, which for use as railway sleepers, outlasts without creosoting other woods now in general use, would be more easily extracted from the forest, given a parent industry like wallaba pulping, which would make clear-felling of the greenheart and mora possible.

There is no doubt whatever of the part this industry must play in opening up the hinterland; there is equally no doubt of the part a developed British Guiana can in turn play in solving the economic difficulties of the West Indian islands. And it is to be assumed that the United Kingdom Government will neglect no opportunity of reducing the extent of public assistance which the United Kingdom taxpayer is being asked to provide for British Guiana and the West Indian colonies as a whole.

Since the visit of Lord Halifax (then Mr Wood) in 1922, it has been a principle of policy, if not among West Indian Governments at least among West Indian editors, that a developed British Guiana is the natural outlet for the surplus

population of the West Indies, and there is no doubt that the poverty which the Royal Commission deplores is to a large extent due to the maldistribution of population among the seven colonies.

Coast Drainage Problem

In its references to British Guiana, the cabled summary of the Royal Commission's recommendations lays emphasis on reforms in the financing of drainage works and on "steps for the relief of the public indebtedness." Both the age-old problem of drainage and the \$80-a-head public debt are due entirely to the low-lying rainy coastland which has to be simultaneously protected from the Atlantic, with an expensive sea wall, and from flood-waters, with an elaborate but still incomplete system of canals and pumps. The equally serious need for State irrigation schemes, a need rendered all the more acute by the growing importance of the rice industry, has had to be all but neglected. It has long been believed that if the other two geographical areas into which the country is sharply divided could be developed by providing communications and capital assistance to new industries, the financial troubles of the coast would disappear.

April 15th.

Defending China's Currency

[FROM OUR SHANGHAI CORRESPONDENT]

THE recent decline of the China dollar's exchange value and the operations, in this connection, of the Hongkong Anglo-Chinese Stabilisation Fund had world-wide repercussions entirely unintended and unforeseen. More than once during the past few weeks sterling sales on behalf of Shanghai dominated the New York market for sterling, and comparatively unsubstantial selling or buying orders from Shanghai would move the New York quotation for sterling up or down by several points.

Shanghai exchange selling rates for spot delivery against Chinese dollars in the eleven-week period from February 1st to April 20, 1940, declined from almost 5d. to 4½d. on London, and from 8c. to 6c. on New York. During the latter half of this period the Hongkong Fund maintained the 4½d. rate unaltered, but only by means of continuous sales of sterling. After running almost out of exchange last summer the Fund replenished its exchange holdings throughout the four months following the outbreak of war, which coincided with a re-affirmation of the Chinese dollar's exchange value. By January 31, 1940, the Fund again held £7 millions in exchange, which sum through intervention sales has been reduced since to some £3 millions.

At the present level of Shanghai exchange requirements, the Fund would be sold out within two or three months if the quotation of 4½d. were to be continuously defended. The Fund's managers apparently hoped to tide over until June, when the new Chinese crops of silk, tea, cotton and food-stuffs would begin to be available. It was expected also that the increasing monetary tightness in Shanghai would compel speculators to reduce or discontinue forward buying of exchange. The Fund is selling against cash only, and every sale of £1,000,000 reduces the cash supply in Japanese-occupied China by 3 per cent. Interest rates for cash have sharply increased in Shanghai, but speculators continue to borrow for monthly change overs at rates up to 40 per cent. per annum.

No Outside Assistance

The Shanghai business world expects, therefore, that the Fund will either have soon to let the Chinese dollar drop below 4½d., possibly to the vicinity of 3½d., or to run entirely out of exchange and then let the dollar find its "natural" level. Even in the latter case the Fund would not end its existence. It holds the equivalent in Chinese currency of the exchange sold, and will be able to buy back exchange at any favourable opportunity. But each time the Fund sells out, or almost out, and replenishes afterwards, replenishment is effected at lower exchange rates than the previous sales, and thus the Fund's total exchange capacity, and with it its influence upon the general exchange situation in China, steadily declines.

There seems to be no chance that either the Hongkong and Shanghai Banking Corporation, the Chartered Bank of India, Australia and China, or the Chinese National Government in Chungking, will put up the capital necessary to refill the Fund from outside. There is a new prospect that additional currency assistance may be rendered China by the United States, but this assistance is unlikely to take the form of a participation by the United States in the Fund. The Chungking Government seems rather inclined to discontinue exchange spendings upon Shanghai, Tientsin and the Japanese-occupied areas, but so far has been reluctant to do so, chiefly owing to political considerations.

The four State banks of the Chungking Government continue to hold abroad, besides their investment in the Hongkong Fund, substantial amounts of foreign exchange, though these may be partly mortgaged. No public account of them has been given. They are considered a sort of last reserve or final war fund. The total circulation of national currency in all China, for the beginning of this year, was officially stated as slightly above \$C3,000 millions. Its actual extent at the present time is being estimated, in Shanghai banking circles, at about \$C4,000 millions. This is about £69 millions at current Shanghai exchange rates. It is obvious from this sum that no very large new exchange loan or credit would be needed by China to back up present exchange rates for a long time to come. If present prospects of American assistance, to be rendered within the discretionary powers of President Roosevelt, and independent of the Hongkong Fund's weakening activities, should quickly materialise, Shanghai exchange speculation may be severely punished, and sterling sales on account of Shanghai may be stopped altogether.

April 20th.

Wartime Finance and Trade in Greece

[FROM OUR ATHENS CORRESPONDENT]

THE public finances of Greece have inevitably been affected by the war. The original estimates for 1939-40 anticipated a deficit of Drs. 655 millions. In the course of the year, however, the international crisis, while affecting the receipts from certain taxes, necessitated an additional expenditure of Drs. 1,437 millions, of which no less than Drs. 1,167 millions represented extraordinary military expenses. Equilibrium was rapidly restored, nevertheless, by economies. Borrowing and an increase in taxation, so that the final deficit is now put at Drs. 547 millions only, against which may be offset the surpluses left by previous years, thus leaving a net deficit of Drs. 54 millions.

Budget estimates for the new year, April, 1940-March, 1941, are as follows: Revenue, Drs. 14,851 millions (of which Drs. 817 millions are proceeds of loans); expenditure, Drs. 15,514 millions; deficit, Drs. 663 millions. In comparison with the previous year, expenditure shows a decrease of Drs. 427 millions, which, the Finance Minister stated, testifies to the effort made to restrict all unnecessary outlays. This effort, he said, did not interfere with national defence or general welfare. Military expenditure is estimated at Drs. 4,112 millions—Drs. 2,958 millions ordinary and Drs. 1,154 millions extraordinary—while a sum of Drs. 355 millions is set aside as a reserve for additional credits, if required.

The impact of the war is also noticeable in the foreign trade of Greece. For the first eight months of 1939 its volume was larger in comparison with the corresponding period of the previous year, though the value was smaller. Since September, 1939, however, and up to January last, the volume as well as the value of both imports and exports

declined. In February, while the volume continued to decrease, an increase in value took place, as compared with February, 1939—the result of rising international prices. The import surplus in 1939 was appreciably smaller than in the previous year (Drs. 3,076 millions as against Drs. 4,612 millions), and that for the first two months of the current year amounted to only Drs. 190,000, as compared with Drs. 90 millions in the corresponding two months of 1939.

Imports from Germany slightly increased in 1939, but exports to it declined appreciably. Inversely, imports from Great Britain and the United States were a little lower, but exports show an important expansion. Again, for the first two months of the current year total trade with Germany, the United States and Russia shows a contraction, in comparison with the corresponding months of 1938, while that with Great Britain and, to a lesser extent, with Italy and France has increased.

April 20th.

Headway in Hongkong

[FROM OUR HONGKONG CORRESPONDENT]

"THE Statement of Policy on Colonial Development and Welfare" does not seem to have made much impression here, outside the higher ranks of the Civil Service. It is obvious that the Statement is a landmark in the history of the British Colonial Empire and foreshadows closer attention to Colonial affairs on the part of Parliament. The shock given to public opinion at home by the events of recent years in the West Indies has awakened a sense of responsibility towards the Crown Colonies which even the urgency of the present war may fail to subdue.

The failure of the promise of enlightened interest and possible material assistance to evoke response on the part of the inhabitants of this far-off but by no means obscure fragment of the Empire may be attributed to various reasons. Primarily, Hongkong has managed to pay its way so far and its public debt is very small. It has never been a "problem" since it got over its growing pains and ceased to be regarded as a white man's grave. The Chinese and British races who have built up the fortunes of the Colony are strongly individualistic and have fought shy of Government interference. And as, until recently, there was little expression of public opinion, a new departure in the policy of the Imperial Government towards the Colonies can very easily escape observation.

Growth of Social Consciousness

As Hongkong approaches its centenary, however—to be celebrated next year—there is a perceptible growth of political consciousness. Until comparatively recent years the bulk of the population possessed a dual nationality and looked to China as its mother country. The Japanese invasion has driven hundreds of thousands into this city of refuge and has cut the bonds between many permanent residents and their native land. There is now growing up a generation which is Hongkong born and bred, and is becoming strongly susceptible to Western ideas in education, sport and good citizenship. There is developing a keen sense of social duty which has already produced a large number of Chinese welfare workers who, in co-operation with Government officials and European voluntary helpers, have done much to relieve the appalling distress which has ensued from the

* Cmd. 6175.

THE COMMERCIAL BANK OF SCOTLAND LIMITED

Incorporated by Royal Charter and Act of Parliament

PAID-UP CAPITAL - - - £2,250,000

RESERVE FUND - - - £3,150,000

ESTABLISHED 1810

influx of refugees. The problems of public health are now being brought home to the educated Chinese resident, but it will require many years of propaganda work and expenditure beyond the present means of the Colony before the standard of Western countries is approached. Nevertheless, progress is being made and no doubt the Hongkong Government will not lose sight of the Colony's claims to a grant from the new Colonial Fund for financing health and housing reforms.

There are, of course, other grounds on which Hongkong could base a strong claim to assistance from the Colonial Development Fund. Education is one, and although it might be contended that schools should receive first consideration, if the revenue of the Colony earmarked for education can be supplemented, it is generally felt that the University has prior claim. This institution has battled with adversity for most of its twenty-eight years' life, and can never expand until the authorities at home recognise their responsibility for what is, undoubtedly, not a local but an Imperial charge. The University has never been of greater value than it is at present, as the academic centre to which the refugee scholars of China look for encouragement and guidance.

A further realisation of the value of the imperial connection is also apparent in the sphere of commerce. While Hongkong remains predominantly an *entrepôt* of trade the steady progress of industrialisation during the past ten years has received a tremendous stimulus from the demand for wearing apparel, electric torches and batteries, and rubber footwear for the markets of Great Britain. When the Ottawa Regulations were drawn up it is doubtful whether the authors visualised the rapid growth of manufacturing industry in a Crown Colony such as this. The main object of the regulations was, presumably, to encourage the development of agricultural and mineral production in the Colonies in order to provide the Mother Country and the Dominions with raw material for their industries.

The advantages of Imperial preference soon convinced the manufacturers of Hongkong that it paid to specialise in the export trade, for under a preferential tariff Hongkong goods could enter the Crown Colony markets and compete against Japanese goods. A few years ago local exporters began to test the markets of Great Britain, but except in the case of rubber footwear and electric torches little progress was made. The outbreak of war, however, brought a flood of enquiries for which the black-out was partly responsible. The disappearance of Czecho-Slovakia and Poland and the rising cost of production in Japan left the way open to Hongkong as a source of supply for cheap wearing apparel.

Unfortunately, home manufacturers have been alarmed by the appearance of a new, although actually a substitute, competitor, and the Board of Trade has intervened. At present exporters here are in the dark as to the Board of Trade's intentions and serious dislocation of local industry has resulted through shipments being held up or manufacture suspended because import licences are being withheld. It is not only the Board of Trade which is holding up business, but also the Customs authorities, who appear to be under the impression that Hongkong articles are really Japanese goods which have been sent here to be re-packed and disguised as British. This suspicion is entirely unwarranted, for full reliance can be placed upon the factory costings drawn up by qualified accountants to show the required percentage of Empire content, and Hongkong Government inspectors are particularly zealous in ensuring that manufacturers of articles for export

under preference regulations do not indulge in malpractice. Despite these safeguards the United Kingdom Customs, without any legislative authority so far as can be discovered, demand that Hongkong textiles shall be composed of cotton grown as well as spun in the British Empire. This demand appears to have overlooked the fact that Lancashire spun yarn is usually composed of cotton grown in America, but so far the representations made to the home authorities by the Hongkong Chamber of Commerce as well as by the Government do not appear to have been accepted.

April 27th.

Portugal's Sound Position

[FROM OUR LISBON CORRESPONDENT]

WITH imports down by 239,000 contos and exports up by 197,000 contos, the final figures for 1939 trade compare favourably with those of 1938. Imports of foodstuffs at 268,000 contos are almost halved, yet Portugal is not starving herself, for exports of food, which represent the controlled surplus after home needs have been met, have risen from 591,000 contos in 1938 to 703,000 contos for 1939. Machinery, tools, ship materials, and vehicles were imported on an average level comparable with the 1937 and 1938 purchases, 353,000 contos as against 381,000 contos in 1938. Exports are up except for pit props, turpentine, pine-apples, and vegetables. Compared with 1938, oil exports are up by 47 per cent., rosin by 42 per cent., sardines, etc., in oil by 31.7 per cent., and minerals by 31 per cent. Increases are also shown by wine, almonds, and cork.

With prices steady, production satisfactory, and the supply of needed raw materials reasonably well assured, Portugal's commercial and financial outlook is highly satisfactory. Confirmation of this statement is to be found in the success of the recent scheme for the conversion of the external debt into internal bonds at 4 per cent. Though optional, the proposal has met with general acceptance, and 88 per cent. of the holders have accepted the new terms.

April 23rd.

Books Received

- Oxford Pamphlets on World Affairs*. No. 29. The Life and Growth of the British Empire. By J. A. Williamson. (Oxford) Clarendon Press. 32 pages. 3d. net.
- A Federation for Western Europe*. By W. Ivor Jennings. (London) Cambridge University Press. 196 pages. 3s. 6d. net.
- Siam in Transition*. By K. P. Landon. (London) H. Milford. 328 pages. 10s. 6d. net.
- The Protection of American Export Trade. Green Foundation Lectures, 1939*. By F. B. Sayre. (London) Cambridge University Press. 93 pages. 9s. net.
- Seasonal Variations in the Economic Activities of Japan*. By W. A. Spurr. (Lincoln, Nebraska) Department of Business Research, University of Nebraska. 129 pages. 7s. 6d. or \$1.50.
- Man and Society in an Age of Reconstruction*. By K. Mannheim. (London) Kegan Paul, Trench, Trubner and Co., Ltd. 469 pages. 16s. 6d. net.
- Central Banking in the British Dominions*. By A. F. W. Plumptre. (Toronto) University Press. 462 pages. \$4.00.
- The Agricultural Industries*. By D. W. Malott and B. E. Martin. (London) McGraw-Hill Publishing Co., Ltd. 483 pages. 26s. net.
- Government and Business. Second Edition*. By F. P. Hall. (London) McGraw-Hill Publishing Co., Ltd. 455 pages. 26s. net.
- Stock Exchanges, London and Provincial, Ten-Year Record of Prices and Dividends, 1930-1939*. (London) Frederic C. Mathieson and Sons. 594 pages. No price stated.
- L'Industrie et le Marché Britannique du Charbon*. By J. Lajugie. (Paris) Librairie Générale de Droit et de Jurisprudence. 566 pages. No price stated.
- Britain Awake*. By Junius. (London) Collins. 140 pages. 6d. net.
- Where Stands Democracy?* By Members of the Fabian Society. (London) Macmillan. 152 pages. 3s. 6d. net.
- Mines and Minerals of Brazil*. By J. Leao. (Rio de Janeiro) Centro de Estudos Economicos. 243 pages. \$1.00.

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 recent reduction in Bank rate from 4 to 3½ per cent. has now been followed up by a general reduction of the interest rates of all other banking institutions. The reduction has been made compulsory by an agreement concluded by the Reich Credit Control Board (*Reichsaufsichtsamt fuer das Kreditwesen*) and the Reich Credit Group (*Reichswirtschaftsgruppe Kreditwesen*). The latter organisation is the federation of bankers. As in other sections of the economy, these two organisations, the State Control Board and the former Employers' Federation, as it were, represent the means for "steering" this particular section of the economy; and the financial section of Germany's economy is now being "steered" towards a cheap money policy. At present cautious preparations are being made for a general conversion of loans, similar to the Schacht conversions in 1935.

One reason for the reduction in interest rates is the war-time liquidity. But the main reason is the necessity for adjustments in methods of war financing. It seems to be a growing view that the actual as well as the psychological limit of increased taxation has been reached. This is interesting because, so far, the chief defence against inflation has been a remarkably rigorous taxation policy. If this is to be changed, then to avoid inflation *indirect compulsion*, forced savings, rationing and so on, will become the main means. At any rate, the financial demands of State and industry, particularly the coal, electricity and iron and steel industries, are steadily increasing, and the State wants credit as cheaply as possible. Discussions have shown that even the old idea of "breaking interest slavery" has been revived by the proposal to abolish all interest on short-term deposits. The actual reduction may best be seen from the following table:

	Former interest rate Per cent.	New rate Per cent.
Daily maturing liabilities	1	1
Savings deposits	3	2½
Deposits—1 to 3 months	2½	1½
do. 3 to 6 months	3	2½
do. 6 to 12 months	3½	2
do. over 12 months	3½	3½

The banks were anxious to retain the rate of 1 per cent. on daily maturing liabilities in order to prevent their withdrawal. The daily maturing liabilities of three leading Berlin banks increased during 1939 by Rm. 713 millions against an increase in long-term deposits of only Rm. 260 millions. Formerly debtors to banks were charged on the average 6½ per cent. interest, including a premium. From now on the average rate will be 6 per cent.

The direct result to the banks will be lower earnings, and they have therefore been advised to save costs by further rationalisation. Some concern is felt about the effects of lower interest rates on the saving public at a time when increased savings are of paramount importance; and it is clear from past experience that the development of savings deposits is very susceptible to changes in interest rates. It is, however, hoped that wartime increases in total earnings, together with the general rationing of consumption goods, will maintain the present upward trend of savings deposits.

The recent boom in the capital market has already gone very far to prepare the market for a general conversion of loans. The price of 4½ per cent. Treasury Bonds, issued at 98½, has risen to 101½. Five per cent. industrial debentures have risen to 105. The actual interest rate on Reich loans is now roughly 4 per cent., whereas the interest rate on short-term Reich loans is 3 per cent. The significance of the reduction of Germany's rate of interest from the extraordinarily high level during the post Great War years becomes clearer when the enormous overhead costs of Germany's agricultural, as well as of the substitute industries, are taken into consideration. Every step taken to "steer" the financial sector of Germany's economy is influenced by the great fear of inflation. A 100 per cent. taxation of all wartime increases in incomes, German papers argue, would defeat its own purpose by killing all initiative. The Reich must thus revert to issuing war loans, and the Government is determined to get loans as cheaply as possible. But it is still all-important to force savings to the required level.

Unemployment and Training.—Opening a new Labour Exchange in Berlin, the Minister for Labour, Dr Seldte, spoke about unemployment in Germany since the beginning of the war. He gave the following figures, relating to Greater Germany:—

September, 1939	120,000
December, 1939	128,000
January, 1940	256,000
March, 1940	137,000
April 10, 1940	105,000

In default of any precise information about short-time work, these figures are merely nominal. The large-scale importation of foreign labour proves that there is an acute shortage of labour. And the re-training of workers from civilian industries for work in war industries is still the most interesting feature of Germany's war economy. Recently however there was a curious reaction to the rationalisation drive in war industries affecting the skilled workers. Highly rationalised work, it was said, makes the skilled worker almost superfluous. This opinion is hotly contested by the Labour Front, and the organisation is now redoubling its efforts to get every boy into an industrial apprenticeship. The point is that re-training workers is largely concentrated on unskilled workers, who are trained for semi-skilled work. A great number of skilled jobs, particularly in the metallurgical industries, have, on the other hand, been simplified in such a manner that semi-skilled workers are now quite sufficient for them.

But there are still great difficulties in the long-term training of highly skilled workers. Too many shops of independent artisans, formerly the most important training shops for highly skilled workers, have been closed down. The compulsory technical schools for boys and girls complain of a shortage of instructors and teachers; and boys after leaving school find semi-skilled jobs with earlier wages obviously more attractive than long apprenticeships. New regulations have been issued to secure an adequate number of apprentices for highly skilled jobs. Soldiers at the front are at the same time being interested in maintaining their technical knowledge.

Industrial Policy.—The Compulsory Cartel Law plays an important part in the control of Germany's industry. Since 1934, for instance, the expansion of existing capacity or the building of new capacity has been prohibited in a number of industries. Under war conditions new capacity problems have arisen, and the latest decree (relating to the iron and steel and metal manufacturing industries) extends control measures, hitherto dealing mainly with marketing regulations, to direct control of capacity. A decree empowers the industrial group for iron and metal manufacturing industries to decide whether new capacity may be built or whether closed-down capacity may be reopened.

BARCLAYS BANK (DOMINION, COLONIAL AND OVERSEAS)

OVER 500 BRANCHES IN
THE UNION OF SOUTH AFRICA
KENYA - TANGANYIKA - UGANDA - NYASALAND
NORTHERN & SOUTHERN RHODESIA - EGYPT
SUDAN - PALESTINE - PORTUGUESE EAST AFRICA
SOUTH-WEST AFRICA - BRITISH WEST AFRICA
BRITISH WEST INDIES - BRITISH GUIANA
GIBRALTAR - MALTA - CYPRUS - MAURITIUS

LONDON - LIVERPOOL - MANCHESTER
AGENCY: NEW YORK

HEAD OFFICE:
54 LOMBARD STREET, LONDON, E.C.3

BARCLAYS BANK (CANADA)
MONTREAL & TORONTO

KANSALLIS - OSAKE - PANKKI

(NATIONAL JOINT STOCK BANK)
ESTABLISHED 1889

PAID-UP CAPITAL AND RESERVES - - - - - FMK 545,000,000
DEPOSITS AND CREDIT BALANCES December, 1938 4,436,000,000

Head Office: HELSINKI (Helsingfors) FINLAND

Our large network of branches, comprising 203 BRANCHES, ensures prompt and efficient execution of your collections and payment orders

Telegraphic Address: KANSALLISPANKKI

THE BUSINESS WORLD

Chain Store Shares

HOW far is the war likely to check the phenomenal progress of the chain store companies? Their geometric development was the most striking feature in retail trading history in the twenty years preceding the present war, just as the rise of the department store was the most interesting evolutionary change in the two decades before the last war. The progress of companies like F. W. Woolworth and Marks and Spencer has been based on simple basic ideas. Limitation of trading to low price ranges is not a new conception itself—Marks and Spencer had reached this stage in the rudimentary "Penny Bazaar" days. The distinctive feature of the chain stores' success is the wedding of efficient merchandising with the control of production from the retail end.

F. W. Woolworth became a public company only nine years ago, while investors have had a share in the fortunes of Marks and Spencer only for the last fourteen years. Gross profit figures of the two companies are available for the last eleven years and their showing must be unparalleled by any other group of trades. The figures are shown below, with data illustrating the economic background against which the companies achieved their progress:—

CHAIN STORE PROFITS, REAL WAGES AND PRIVATE CARS LICENSED

Years	Gross Profits				Index of Real Wages in British Industry (1929=100)	No. of Private Cars Licensed	
	F. W. Woolworth		Marks & Spencer (a)			Total (000)	1929 = 100
	Amount (£000)	1929 = 100	Amount (£000)	1929 = 100			
1929 ...	3,326	100	438	100	100	981	100
1930 ...	3,684	111	624	142	104	1,056	108
1931 ...	4,394	132	862	196	108	1,083	110
1932 ...	4,672	141	1,041	238	109	1,128	115
1933 ...	4,734	142	1,258	287	111	1,203	123
1934 ...	5,109	153	1,389	317	111	1,308	133
1935 ...	5,548	167	1,612	367	111	1,477	151
1936 ...	6,127	184	1,868	426	110	1,642	167
1937 ...	6,781	204	2,107	480	109	1,798	183
1938 ...	7,276	219	2,381	543	113	1,944	198
1939 ...	7,957	239	...	...	112	...	...

(a) Twelve months ended March 31st of following year throughout.

Since the customers of the chain stores are drawn mainly from the wage-earning and lower salary-earning classes, the trend of real wages must obviously be one of the most important of the factors outside the companies' control. In the years preceding the outbreak of the war, this trend was almost uniformly favourable. Despite severe unemployment in the early nineteen-thirties, real wages were steadily rising. Later, the rise of real wages was checked, but total employment increased, and chain store profits showed uninterrupted progress. The growth of popular spending power is indicated by the number of private motor cars licensed, whose growth closely fits the trend of F. W. Woolworth's profits.

Contrasts in the individual achievements of the two companies suggest, however, that internal policy has also played a considerable part; under less favourable general conditions, progress might have been slower, but it would still have been considerable. In 1929, Marks and Spencer had reached a much less advanced stage than Woolworth and in the subsequent decade its relative progress was much the more rapid. By 1937, Woolworth had doubled its profits, but Marks and Spencer did so within a couple

of years, and its 1937 earnings were nearly five times those of 1929. Both companies have fully maintained their average rate of growth up to their latest financial year, which includes four months of war for Woolworth and seven months for Marks and Spencer. The differences in the position and policies of the two companies deserve examination in greater detail, in the light of the figures given in the next table:—

WOOLWORTH AND MARKS AND SPENCER: SOME COMPARISONS
(Calendar years for Woolworth: To March 31st of following year for M. & S.)

	1934	1935	1936	1937	1938	1939
Rate of annual profit increase (%) (a):—						
Woolworth	7.8	8.7	10.5	10.8	7.2	9.4
Marks and Spencer	11.4	16.1	16.0	12.7	13.0	...
Number of branches:—						
Woolworth	597	637	677	711	737	759
Marks and Spencer	202	209	218	228	234	...
Profits per branch (£'000):—						
Woolworth	8.57	8.72	9.05	9.54	9.87	10.49
Marks and Spencer	6.87	7.71	8.57	9.25	10.17	...
Stock-in-trade per branch (£):—						
Woolworth	4.23	4.01	4.65	4.67	4.41	5.47
Marks and Spencer	3.75	4.33	5.41	6.61	7.01	...
Ord. dividends per cent.:—						
Woolworth { Cash	80	100	75½	60	65	65
Woolworth { Scrip	...	...	100	...	...	...
Marks & Spencer { Cash	35	40	40	42½	42½	42½
Marks & Spencer { Scrip	10	10	10	10	10	Nil
Ord. earnings per cent.:—						
Woolworth	122.5	135.3	76.4	81.2	86.7	89.2
Marks and Spencer	74.1	77.3	75.3	73.5	74.7	55.5d
Distribution of earnings (f):—						
Woolworth:—						
Paid in ord. divs. (£'000)	2,325	2,906	3,431	3,375	3,534	3,253
Retained in business (£'000)	1,235	1,027	938	1,193	1,177	1,214
Marks and Spencer:—						
Paid in ord. divs. (£'000)	435	574	634	743	817	899d
Retained in business (£'000)	376	408	420	392	448	171d

(a) Percentage increase in gross profits: each year compared with preceding year. (b) Equivalent to 120 per cent. on capital before scrip bonus. (c) Equivalent to 152.8 per cent. on old capital. (d) Estimated. (f) After taxation provision.

During the years covered by the table, the profits of both companies were "geometric" in the true sense. The average ratio of increase was about 9 to 9½ per cent. per annum for Woolworth and 12 to 13 per cent. for Marks and Spencer. But these excellent results were based on a policy of physical development which, broadly speaking, was extensive for Woolworth and intensive for Marks and Spencer. Between 1934 and 1938, Woolworth opened 140 new branches, and Marks and Spencer only 32. In the latter year, Woolworth had more than three times as many branches in its chain as Marks and Spencer. Both companies invested large amounts of new capital (obtained mainly from profits) in their businesses, but Marks and Spencer broadly used them to extend existing stores, while Woolworth employed a larger proportion in establishing new points of contact with customers. That both policies "paid" is evident; for the profits per branch rose consistently, in each case, during this period. But whereas in 1934 Marks and Spencer's profits per branch were 20 per cent. less than those of Woolworth, by 1938 they had begun appreciably to exceed them. And while stocks carried in

the average Woolworth store have risen only slowly, and not very consistently, in recent years, the average Marks and Spencer establishment doubled its stocks between 1934 and 1938.

The differences between the two organisations, in fact, lie much deeper, and suggest that the two businesses are essentially complementary rather than competitive. Woolworth, with its low price limit, carries a wide variety of lines, for customers who are not particularly discriminating. This, in practice, has involved a considerable concentration on hardware and similar goods which have a relatively slow "stock turn," and a proportionately high "mark-up." Marks and Spencer, with its higher price range and more discriminating clientele, carries far more seasonal drapery goods, whose successful handling involves exceptional care for quality and price, a relatively low "mark-up" and a fairly rapid "stock turn." On the financial side, however, the policy followed by the two concerns has been fundamentally the same. Both have relied mainly on their own profits to provide new capital. In the six years 1934-39 inclusive, Woolworth ploughed back no less than £6,784,000 into its business—an amount equal to nearly twice the nominal value of its ordinary capital in 1934. In the five years 1934-38, Marks and Spencer put back £2,044,000, representing much the same proportion of its equity capital in the earlier year. Both companies have readjusted their capital periodically by issuing scrip dividends, but Woolworth have declared big capital bonuses at infrequent intervals (the last being 100 per cent. in 1936), while Marks and Spencer have favoured regular annual distributions of 10 per cent. Under a regime of wartime dividend limitation, Woolworth consequently comes off the better. The Chancellor, in effect, has insisted on Woolworth's continuing, for the duration, the practice it was already following. In Marks and Spencer's case, however, the ban on bonus issues deprives the shares of a selling point among investors, particularly surtax payers, whose effect could never be precisely measured, but was always appreciable.

The effect of the last two Budgets on shareholders in these companies is, in fact, somewhat complex, and the Purchase Tax will introduce further complications, though it is difficult to see why chain stores should suffer more severely than other retail traders. In the first place, E.P.T. will take 60 per cent. of the fruits of the companies' geometric development since 1936-37—which, as the first table shows, is a fairly serious matter. In the second place, dividend limitations will deny Marks and Spencer shareholders the dividends of (presumably) 42½ per cent. or thereabouts, on the 10 per cent. annual capital increments which are ruled out during the war. Thirdly, both companies should accumulate resources throughout the war

representing (a) the difference between earnings and dividends in the standard years for E.P.T. and dividend limitation, plus (b) 40 per cent. on any excess profits—the whole, less (c) income tax at increased wartime rates. Neither concern has, in the past, held large reserves outside its own business. But opportunities for the extension of both businesses will be severely limited in wartime. The decision of Woolworth to go beyond the sixpenny price limit for its wares is a defensive measure, to maintain the largest possible range of stocks following the wartime rise of prices. It is entirely different from the proposal which was considered, but not proceeded with, three years ago, to raise the limit in order to increase the company's range. Hence, the enforced piling up of resources during the war is unlikely to bring more than a modest "gilt-edged" return, though both companies should be in a good position for further expansion when the war is over.

For this reason, a higher dividend yield is appropriate on chain store shares in war than in peacetime. Market quotations have always allowed something for the bird in the bush as well as the bird in hand, but the bush is now further away. Present prices, however, appear already to have discounted that factor, as the following table (which includes two more recent entrants to the chain store business) suggests:—

SHARE PRICES AND YIELDS

	Woolworth	Marks & Spencer	British Home Stores	Great Universal Stores
Shares { Designation				
Denomination				
Ordinary	5/-	Ordinary 5/-	Ordinary 1/-	Ordinary 5/-
Current price	57.9	40.6	5/-	10/-
Yield { On last dividend				
On last earnings				
	5.6	5.3	5.0	12.5
	7.7	6.9	9.2	19.6

A dividend yield of 5 to 5½ per cent. on the shares of the leading store companies (the main interests of Great Universal Stores are largely in mail order business) is not far removed from the average of 5.98 per cent. on industrial equities as a whole, shown by the Actuaries' Index. On that basis, the shares appear reasonably valued, for companies should be able to maintain their dividends during the war, even if the growth of earnings is checked. Though a wartime environment is not, naturally, the most favourable to any form of retail business, the tactical and geographical position of the chain stores is stronger than that of most other retailers. And now competition from other quarters is likely to be put into cold storage until the war is over. Efficiency, in the last analysis, has been the secret of chain store progress, and efficiency is an asset whose value does not depreciate in wartime.

Currency in the Colonial Empire

THE currency systems of the Colonial Empire are as varied as the dependencies themselves. In the Far East, there is the Hongkong dollar, formerly on a silver standard but now regulated by an Exchange Fund; and further west the Straits dollar and the rupee of Ceylon. In the West Indies, American currency circulates with British currency. The notes of the banks operating in the islands (whose head offices are in London or Montreal) are accepted, and are sometimes legal tender, along with Government notes. In some islands, there is a local coinage, and in others the American or British coinage has been adopted. The groat, or silver fourpenny piece, is a picturesque survival in British Guiana.

In tropical Africa, the cultivation of export crops and the opening up of foreign trade naturally led to the introduction of western currencies to take the place of barter. The new currencies did not at first percolate far, and even to-day the price of a bride may vary from a head of cattle to a pinch of tobacco; nevertheless, her value is generally measured in terms of pounds, shillings or pence. It was in British West Africa that the first attempt was made to introduce a uniform currency system, exclusively for the

territories concerned, but regulated from London; and the principle adopted, that of a Currency Board, has since become sufficiently widespread to deserve special examination.

In West Africa, before the last war, the currencies circulating and accepted as legal tender included French, Spanish and American gold and silver coins, as well as coinage of the United Kingdom. But the chief reason for the introduction of a special West African currency was the danger inherent in the fact that the British silver coinage issued for circulation in West Africa in 1909 and 1910 exceeded the amount issued at home. The possibility that a trade setback would lead to a return of large quantities of silver coin from the colonies, which would upset the regulation of the silver currency in the United Kingdom, outweighed the consideration that the Colonial Governments themselves might benefit from the large profits made on issuing currency in the colonies.

By the establishment of the Currency Board both these objectives were gained. A special silver currency for the West African colonies was issued against a reserve of gold and securities, and the Board was authorised to pay

contributions out of its profits to the revenues of the West African Governments when its financial position justified them. It was also authorised to issue currency in West Africa against prepayment in sterling to the Board in London, and similarly to issue drafts or telegraphic transfers on London in exchange for currency tendered for redemption in West Africa, with the right to charge a premium for such issue or redemption within a limit which should not exceed the actual cost of transferring specie from the United Kingdom to West Africa or *vice versa*. In this way the exchange value of the new currency with sterling, which was fixed at par, was to be maintained.

The West African Currency Board was appointed at the end of 1912, and war broke out at the beginning of its second year of operations. In the first few months of the war, the cessation of normal trade made a large part of the currency in circulation redundant; but the enormous demand for oilseeds which arose later caused a correspondingly big increase in the demand for currency, and the net increases in the war years were £1,048,225 in 1915-16; £985,806 in 1916-17; and £1,396,221 in 1917-18. Another abnormal factor was the rise in the cost of transporting specie, which at one time in 1917 was as high as £6 10s. per cent., so that the Board was compelled to increase the premium charged on the issue of currency from 15s. to 25s. per cent. The redemption premium had already been raised from 15s. to 30s. at the beginning of the war in order to discourage the return of currency.

Several other Currency Boards have since been modelled on the West African Currency Board, but the one set up to give a uniform currency system to the East African dependencies did not have the same success. The East African Currency Board, which was appointed at the end of 1919, had an unfortunate start; for, besides inheriting an excess of liabilities over assets amounting to £246,000, it was subject to considerable confusion for which it was not altogether to blame. It was understood that the Indian rupee, which was then circulating in East Africa, was to be stabilised in India at about 2s. 9d., and it was decided to replace it by a local rupee issue which would be stabilised at 2s. After rupee coins and notes had been minted and printed, it was decided that the new coinage should be expressed in terms of florins instead of rupees, and later still that the shilling should be the standard coin in order to facilitate wage reductions, in view of the depressed state of trade. The expense caused by this triplication of currency was bad enough, but worse was to come when the Indian rupee was eventually stabilised at 1s. 6d. For the 263,19,630 Indian rupees repatriated to India the Board paid out 2s. each, or £2,631,963, and realised for them in India £1,715,653, making a loss of £916,310. Further losses of £610,024 and £57,920 were made on the redemption of German rupees and subsidiary coinage in Tanganyika. And, in addition, in preparation for the issue of its own currency, the Board bought, at an average price of 4s. 5d., over 2,900,000 ounces of silver, which depreciated rapidly.

Besides these losses on the issue of the new currency, the Board had to face heavy redemptions from 1925 onwards. Normally colonial trade is seasonal; and demands for sterling at one time can be offset against demands for the local currency during the period when the crops are marketed. Thus it is not necessary for the Currency Boards always to realise their investments to meet demands for sterling, as if it is a seasonal demand they meet it out of their cash resources or by temporary loans. The East African Currency Board, however, had to face persistent redemptions of currency, which from 1925-26 to 1931-32 inclusive amounted to £2,157,000 net. In 1931 the premium was raised from 20s. to 30s. per cent. to discourage further redemptions; but on June 30, 1932, the currency reserve fund was reduced to the low figure of £356,032. Instead of assuming responsibility for the maintenance of the exchange value of the currency, the Imperial Government authorised the three East African Governments to borrow sterling funds amounting to £1,500,000 and place them at the disposal of the Board. The interest and repayment charges on these loans would have added to the burden of territories already suffering from an acute depression. Fortunately, the loans were never raised, as the

low money rates in London checked the return of funds and the rise in commodity prices turned the balance of trade well in East Africa's favour; and net issues of currency from 1932 to 1939 amounted to £2,715,000, exclusive of issues in Zanzibar, where the East African currency system was adopted in 1936. With the sterling thus accumulated the Board's investments had risen to £2,733,540 by June 30, 1939; but the currency in circulation and other liabilities still exceeded the actual assets of the Board by £2,897,216, or by £1,397,216 if the potential asset represented by the power to call on the three Colonial Governments for £1,500,000 is taken into account.

The West African Currency Board, on the other hand, had a surplus of £1,038,613 in the same year and the Palestine Currency Board one of £623,377. Nor has the East African Currency Board contributed anything to the revenues of the Colonial Governments, whereas the West African Currency Board has paid out £4,900,000—last year being the first since 1920 in which its financial position did not justify any payment—and the Palestine Currency Board, which has only been operating since 1927, £810,000. And though the redemption premium charged by the East African Board is back to 1 per cent., this compares with $\frac{1}{2}$ per cent. for West Africa and $\frac{1}{8}$ per cent. for T.T. redemptions from Palestine, drafts on London from Palestine being issued at par.

The currency in circulation per head of the population was roughly 9s. for West Africa and 10s. 6d. for East Africa (including Zanzibar) on June 30, 1939, and £5 for Palestine on March 31st. The accounting date for the African Boards is in the middle of the off season; and the trade depression experienced by their territories in the last two or three years has considerably reduced the circulation, whereas in Palestine this factor has been offset by currency hoarding in view of the international situation. Nevertheless, the low purchasing power of the African native is illustrated by these figures and is one of the justifications of having a currency system which can meet the special requirements of the colonies. In his report last year on labour conditions in the West Indies, Major Orde-Browne pointed out the great disadvantage to the islands that their domestic transactions are generally carried out in the coinage of one of two wealthy countries, Great Britain or the United States. The fact that the halfpenny or the cent is the smallest coin prevents the middleman from passing on small reductions in price. In East Africa, on the other hand, the shilling is divided, not into twelve pennies, but into 100 cents, and in West Africa the nickel-bronze coinage, which includes a tenth of a penny, is growing in popularity. The wider use of coinage, however, is not altogether an unmixed blessing; for the West African native is an unusually keen forger, and the alloy coinage, which was issued to replace the original West African silver coinage, is counterfeited to an extent that constitutes a perfect nuisance for officials, traders and banks alike. To pleas that better ingredients should be used the Board might reply that it would encourage hoarding. But as the African native always tends to hoard coins in a period of good trade, just as he produces them, along with a motley collection of manillas, brass rods and wires, and cowries, when trade is bad and money scarce, the excuse would be hardly adequate.

But imperfections such as this should not be allowed to obscure the undoubted advantages of the Currency Board principle, which are becoming widely recognised. Mauritius now has its rupee notes issued by Commissioners with much the same duties and powers as the Currency Boards, and a Currency Board was recently established in the self-governing colony of Southern Rhodesia. The chief disadvantage is illustrated in the history of the East African Currency Board—that a persistent trade depression may exhaust the Board's reserves if the exchange value of the local currency with sterling is to be maintained at its ordained level. It is to be hoped, therefore, that under the new colonial policy, which will be inaugurated by the Colonial Development and Welfare Bill, the financial responsibility in such an event will be assumed by the Imperial Government and not left to be borne by territories already qualifying for the status of distressed areas.

Finance and Banking

Uneven Money Conditions

The position in the money market remains one of exceptional ease. The superabundance of the previous week due to the Treasury payments for requisitioned dollar securities has, however, largely disappeared. The latest Bank return shows a reduction of £17,322,000 in bankers' deposits, bringing them down to £108,125,000. Most of this has gone into Government deposits which are £13,389,000 higher on the week, while an increase of £2,911,000 in the circulation accounts for the bulk of the balance. Although there has been a fully adequate supply of money, it has been apparent that the abundance of loanable resources has been concentrated with certain of the banks. They have been very ready buyers of bills and have made it possible for the market to take up its larger allotment of bills without the slightest difficulty. The explanation appears to be that some banks with particularly intensive representation in the industrial Midlands and North have benefited more than others from the acceleration of payments on Government contracts noticeable in the recent past. The rhythm in these Government disbursements is becoming an increasingly important factor in the money market situation. Another is the huge scale of Government operations in the foreign exchange and gilt-edged market which are reflected in the distribution of "tap" and "tender" Treasury bills. Over the three weeks to last Saturday the volume of tap bills fell from £708,400,000 to £637,100,000 and then recovered to £707,900,000. The sudden fall in this item was probably connected with the help given by public departments to the War Loan and to the absorption by the Exchange Equalisation Account of recently purchased dollar securities. The subsequent recovery in the total of tap bills probably represents the converse of these operations—moderate sales of gilt-edged in the exceptionally resilient market of the past fortnight, foreign exchange payments to the United States and, in addition, the steady accumulation of money by extra budgetary funds. Among these the Unemployment Insurance Fund must rank high with the unemployment total again under the million mark.

Free Sterling Weakens

The Allied withdrawals from Southern and Central Norway and the resulting slump in British and French prestige in neutral countries have been reflected in the markets for sterling and French francs in the free neutral centres. In New York the sterling rate depreciated to 3.32, which is lower than any level touched since the outbreak of war, and, measured in terms of gold, lower than any depths previously plumbed by sterling. The French franc has moved step by step with its Allied currency. These movements have answered so closely the day-to-day changes in the political and military situations that the presence of speculative operations must be strongly suggested. It is evident that such speculation has, in fact, taken place, though not on a serious scale, since at no time during the past few weeks has the market been sufficiently large to accommodate more than a modest volume of transactions. Much of the apparent speculation taking place in markets such as New York and Amsterdam is, in fact, justifiable hedging either against receipts of sterling due at some future date or against the holding of sterling assets which for one reason or another it is not desired to liquidate at the moment. But over and above such hedging some outright speculation is also proceeding, and in this category of operations the Far Eastern markets are still taking an exceptionally important part. In this respect it would pay the authorities in this country to scrutinise with rather greater care the sterling facilities which the London market makes available to banks operating in such centres as Shanghai. The bulk of these may be of *bona fide* commercial character, but it would be surprising if a part were not used for outright speculation in sterling. The downward movement in the free sterling rate has also been helped by the revival of rumours in New York that the list of commodities exported from the sterling area for which payment is to be made in specified foreign currencies or, which is the same thing, in sterling obtained from the control, is to be enlarged in the near future. The commodities mentioned are textile articles, cocoa and man-ganese. If the list is extended and nothing is done to limit

the potential offerings of sterling in the free market, it stands to reason that a further depreciation in the free rate must be expected.

French Exchange Regulations

The French *Journal Officiel* of May 2nd publishes the text of the new regulations on the export of capital, exchange and gold operations which recently came into force in France. The main effect of the new decrees is to restrict gold and exchange operations arising from the repatriation of French capital to the Bank of France and other banks authorised by it to deal in foreign exchange. This means that French nationals repatriating capital previously invested in foreign currencies will no longer enjoy the attractive facilities of the free market for their operations. The new decrees do not, however, introduce any compulsion on French nationals to repatriate their foreign assets. These have had to be registered with the Bank of France, and it is now forbidden for any French national to switch from one foreign asset into another. The only such operation which is authorised is the investment of cash resources into short-dated securities expressed in the same currency having no more than two years to run. The new decree also defines more clearly than has hitherto been done what is meant by an export of capital and, in particular, specifies such devices as holding in foreign currency the proceeds of export trade or payments for services tendered as forbidden under the regulations. These regulations tighten the French exchange control measures, but still leave them appreciably more lenient than those applied in the United Kingdom.

Chinese Dollar Control Weakens

The break in the rate for the Chinese national dollar from 4½d. to 3½d. which occurred towards the end of last week has been followed by a period of great uncertainty and difficulty in this market. The rate, apparently left to its own devices by the Chinese Stabilisation Fund, has drifted downwards, and the market has narrowed to a point at which business has become exceptionally restricted. The abandonment of the rate by the Stabilisation Fund has had its precedents in the past fourteen months of the Fund's existence. It need not be regarded as an indication that its resources are exhausted. They must be considerably lower than the £10,000,000 with which the Fund began its operations in March, 1939, but reports from Shanghai and Hongkong suggest that the reserves have recently been fortified from Chinese quarters and that adequate funds remain for continuing the control. But apparently the measure of support required to keep the rate at 4½d. had become unexpectedly large in recent weeks and the authorities decided, as they have done under similar circumstances in the past, to withdraw their support and allow the rate to find a new natural resistance level before re-entering the market as supporters of the national currency. The pressure on the local dollar may in part have been due to speculative activities resulting from the renewal of the Japanese offensive in Honan and Hupeh.

Despite this further weakening in the exchange value of the national dollar, all reports from China suggest that as a domestic currency it is successfully resisting the encroachments of the various puppet currencies. Moreover, some kind of "deal" seems to have been made between the National Government and the Japanese authorities in control of the Treaty ports, making it possible for such important crops as tea to be exported and for a substantial part of the exchange proceeds of this trade to find its way into the coffers of the Chungking Government. It is from this foreign exchange income that the Stabilisation Fund is still being replenished. The point must, however, arise fairly soon at which replenishment will have to come from an external source if the Government is to be able to continue its struggle against Japan. From the Japanese point of view the further depreciation of the Chinese dollar has come as an unwelcome development, since the yen, which now follows the movements of the United States dollar in relation to free sterling, has been appreciating strongly in terms of sterling, and even more,

therefore, in terms of the Chinese currency. This movement militates against the puppet currencies, tied as they are to the yen, in their competition against the money of the Chungking Government.

* * *

Mr Morgenthau on Gold

Mr Morgenthau, speaking at the end of last week to the Institute of Government for Democratic Women, had some very reassuring things to say about the gold policy of the United States. (Can one imagine a British counterpart to this function—Sir John Simon unburdening himself of his doubts on the future of sterling to a meeting of the Women's Advisory Committee of the Conservative Party?) The burden of his remarks was that the United States would continue to accept gold in the normal course of its trading operations, and would do nothing artificial, such as reducing the dollar price of gold, to arrest the inflow of the metal. If such a cut were moderate, he said, it would be ineffective; if it were big enough to reduce the inflow of gold, it would introduce the same conditions that would follow a total prohibition of gold imports, i.e. it would decrease United States trade and increase unemployment. The huge reserve of gold that was being built up would be available to help repair the world-wide economic ravages of the European war after peace had been restored. In any case, it constituted a reserve from which future demands on the monetary system of the United States could be met without shock to the domestic economy. The only threat he saw to the value of gold was the emergence of one or two dictatorships ruling most of the world. He did not fear that such an event would happen. Meanwhile the United States will continue to help friendly Powers by supplying the materials of war against their gold. "I prefer gold pieces to foreign paper," said Mr Morgenthau, adding, "We do not want to repeat the experiment of war debts."

* * *

Clearing Bank Figures

The clearing bank statements for April provide several surprises. It had generally been expected that the £300 million War Loan operation would dominate these statements, in which it was for the first time reflected to the full,

that deposits would be well down, mainly at the expense of cash and bills, and that the banks' own participation in the issue would be seen in an appreciable increase in investments, while advances would also show some increase following the special accommodation given to clients to help their subscriptions to the issue. In almost every respect these anticipations are falsified. Deposits are down, it is true, but the drop of £9,321,000 is much more than explained by a reduction of £12,762,000 in cheques in transit. The investments are slightly over £6,000,000 up on balance, but one would be erring seriously to regard this movement as being even primarily connected with the banks' participation in the War Loan issue. Advances provide the main surprise of all, by a fall of nearly £23 millions. This is apparently the result of repayments of loans by big industrial customers and must in all probability be connected with the acceleration of payments to Government contractors to which reference has been

(In £ millions)

	Apr. 1939	Dec. 1939	Jan. 1940	Feb. 1940	Mar. 1940	Apr. 1940
Capital and reserves	138.8	138.8	139.3	139.3	139.3	139.3
Acceptances, etc.	126.2	116.2	119.8	117.5	119.2	120.1
Notes in circulation	1.4	1.4	1.4	1.4	1.4	1.4
Current, deposit and other accounts	2,154.8	2,440.9	2,409.5	2,365.6	2,363.3	2,353.9
Total liabilities	2,421.2	2,697.3	2,670.0	2,623.8	2,621.2	2,614.7
Cash	229.0	274.2	241.5	247.3	248.6	253.9
Cheques, balances, & items in transit	65.0	118.8	91.2	80.2	92.5	79.6
Money at call	145.2	174.4	154.0	149.1	141.5	153.4
Discounts	184.4	333.9	387.8	353.1	335.7	338.4
Investments	610.5	609.3	610.3	608.6	611.2	617.6
Loans and advances	992.5	1,002.0	997.2	999.8	1,006.2	983.4
Investments in affiliated banks	24.1	24.3	23.5	23.5	23.5	23.5
Cover for acceptances, premises, &c.	170.5	160.4	164.5	162.2	164.0	164.9
Total assets	2,421.2	2,697.3	2,670.0	2,623.8	2,621.2	2,614.7

made in an earlier Note. The portfolio of bills discounted has increased slightly despite the continued fall in the total of "tender" bills over the month of April. Any close correlation between the bills issued through the tender and the banks' holdings can hardly be expected now that direct dealings in bills between the banks and the authorities have reached such considerable proportions.

MONEY MARKET NOTES

Most of the interest in the foreign exchange market has centred in the unofficially quoted currencies which have been adjusting themselves to the heavy fall of sterling in New York. Lire on Thursday were quoted at 64½-66½, compared with 67½-69 at the beginning of the week, and the Latin American currencies have also appreciated against the pound. In addition there has been a slump in the Chinese dollar which is discussed in a Finance Note. On Thursday the rate improved slightly to 3½d. Sterling opened in New York on that day a little bit firmer at 3.34, compared with a close of 3.33½ on Wednesday. Officially-quoted rates in London continue to be unaltered, except for the belga which, owing to fears of an invasion of Belgium, weakened again on Thursday by 10 points to 23.95-24.10.

No reflection of the military and political situation is apparent in the money market, where conditions remain very easy, although payments for new bills have this week exceeded maturities for the first time for many weeks. At last week's Treasury tender applications for the higher amount on offer, £60 millions, totalled £113.2 millions. The average rate of discount was slightly lower at £1 0s. 4.81d. per cent., but the discount market succeeded in obtaining the better allotment quota of 45 per cent. compared with 36 per cent. in the preceding week. In spite of this the market has not been able to satisfy all of the clearing banks' demand for bills. Bond money has been readily obtainable at ½ per cent.

The Bank Return shows another increase of about £3 millions in the note circulation owing to the approach of the

Whitsun holiday. The only other noticeable movement is a reversal of last week's switch-over from public to bankers' deposits. It is unlikely that all of the money paid out by the Treasury under the recent Vesting Order has been re-invested, and the fall of £17.3 millions in bankers' deposits with a rise of £13.3 millions in public deposits is probably due to the incidence of Treasury Bill payments and maturities.

The silver market was nervous at the end of last week, as it was announced that the Townsend Bill to repeal the Silver Purchase Act was to come before the Senate on Monday. By Thursday there was still no news as to the reception it had been given, but confidence that it would be greatly modified was being restored and the price for both spot and forward recovered by ½d.

THE MONEY MARKET

	May 11, 1939	May 2, 1940	May 9, 1940
Bank Rate	2	2	2
London Deposit Rate	1½	1½	1½
Short Loan Rates:			
Clearing Banks	1½-1*	1-1½†	1-1½†
Others	5½-3½	3½-1	3½-1
Discount Rates:			
Treasury Bills (3 mth.)	5½	1½	1½
Three months' bank bills	5½	1½	1½

* Viz., ½ per cent. for loans against Treasury bills and other approved bills and British Government securities within six months of maturity. ¾ per cent. for loans against 1 per cent. Treasury bonds and other gilt-edged stocks within six months of maturity. 1 per cent. for loans against other collateral. † Viz., 1 per cent. for loans against Treasury bills and British Government securities; 1½ per cent. for loans against other collateral.

THE BANK RETURN

	May 10, 1939	Apr. 24, 1940	May 1, 1940	May 8, 1940
Issue Dept. Gold	£ mill.	£ mill.	£ mill.	£ mill.
Value per oz. fine	148s. 5d.	168s. 0d.	168s. 0d.	168s. 0d.
Notes in circulation	495.9	537.1	541.0	541.0
Banking Dep. Reserve	31.0	44.1	40.3	37.5
Public Deps.	19.1	40.7	19.8	33.1
Banks' Deps.	101.4	103.4	125.4	108.1
Other Deps.	36.3	40.6	44.9	45.0
Govt. Secs.	114.1	130.6	139.0	139.1
Dis. & Ads.	8.1	4.9	5.9	4.5
Other Secs.	21.2	22.8	22.6	23.9
Proportion	19.7%	23.8%	21.2%	20.1%

THE BULLION MARKET

	Gold	Silver
Date	Price per ounce fine*	Price per oz. standard
1940		
May 3	168 0	21½ 6
" 6	168 0	21½ 6
" 7	168 0	21
" 8	168 0	20½ 6
" 9	168 0	20½ 6

* Bank of England's official price.

INSURANCE NOTES

The remaining securities, included among the non-life assets, stood in the books at or below middle market prices.

*

Alliance.—The Alliance accounts are always conspicuous for the excellence of the fire results. Year after year, extremely good profits are shown and the annual increase in premiums is of long standing. Last year, despite the difficulties impeding fire insurance operations in the foreign field, this excellent record continued. The underwriting profit transferred to profit and loss account was £325,763, representing no less than 14.8 per cent. of earned premiums, and was struck after placing £100,000 to additional reserve. Premium income again increased, though in the circumstances the advance was moderate. The transfer to profit and loss account was slightly larger than in the previous year, when after placing £100,000 to additional reserve, £322,224 (14.7 per cent.) was transferred. The 1939 claims ratio was only 33.6 per cent. and the expenses ratio 47.1 per cent.

The large accident account yielded satisfactory profits which were only fractionally less than in 1938, despite the war. Premiums fell only slightly. There was a marked increase in marine premiums but the amount transferred to profit and loss declined. The figures below include those of the subsidiaries:—

	Premiums		Underwriting Balances to Profit and Loss	
	1938	1939	1938	1939
	£	£	£	£
Fire	2,197,192	2,202,346	322,224	325,763
Accds. & Misc.....	1,452,419	1,414,567	112,161	108,252
Marine ...	405,711	582,572	37,649	17,661
	4,055,322	4,199,485		
Life	1,529,651	1,486,050	* 57,806	* 57,806
Annuities	213,173	165,752		
Cap. Red.	118,507	107,918	† 14,763	† 14,763
	5,916,653	5,959,205		
Interest (ex life, annuities and cap. red.)			367,415	337,684
Trustee and other fees			15,229	11,709
			927,247	873,638

* One-fifth of members' life profits from previous valuations.
† One-fifth of capital redemption transfer to members' account.

In the life department, new business declined, in keeping with the general experience. New sums assured amounted to £2,794,227 net, compared with £4,205,415 in 1938, and, largely as a result of this decline, premiums were rather lower. The rate of interest earned on the life funds was 3.13 per cent. against 3.50 per cent., but the low interest earnings are partly offset by the very economical working of the department, the expense ratio being only 9.8 per cent. of premiums. Consideration money received on annuity business was rather less and premiums in the capital redemption department fell off slightly. In the conditions prevailing last year, the company would hardly have desired any pronounced increase of annuity and sinking fund contracts, having regard to the limited investment possibilities.

Together with the carry-forward from 1938 (£1,206,967), the year's profit of £873,638 provided a total of £2,080,605. Provision has been made for expenses not charged to other accounts, taxation, staff pensions and widows' fund, while premises were written down by £23,744 and £50,000 was applied to the general reserve. The latter now stands at £1.9 millions. After meeting the dividend of 18s. per share (unchanged), the balance carried forward is reduced slightly to £1,150,943.

Total assets stand at £42.6 millions, of which £26.2 millions applies to the life business. The book value of securities among the life assets exceeded the middle market values by less than 2 per cent.

Guardian.—The premium income of the Guardian has been seriously affected by the war, for the Albingia, a German subsidiary acquired in 1932, previously contributed a fair part of the total business. The 1939 accounts show the effects most noticeably in the accident department, where there was a reduction in earned premiums from £1,312,103 to £848,095, despite a practically stable income outside Germany. Fire premiums declined from £1,096,800 to £948,460—again owing to the loss of the German business. The movement of premiums gives no indication, however, of the underwriting margins, at least in the accident account. Every branch of accident insurance was profitable and the total transfer to profit and loss (including approximately £30,000, representing a special reserve no longer required) was £123,577, against only £48,491 in 1938. Thanks to this substantial increase, the total transfers of underwriting balances to profit and loss plus non-life interest and fees rose slightly, despite the inevitable decline in interest caused by higher taxation and the exclusion of the Albingia business. The figures include those of the other associated companies:—

	Premiums		Underwriting Profit to P. & L.	
	1938	1939	1938	1939
	£	£	£	£
Fire	1,096,800	948,460	171,642	114,849
Accident and general	1,312,103	848,095	48,491	123,577
Marine	323,885	308,326	Dr. 10,887	5,000
	2,732,788	2,104,881		
Life	685,343	705,139	} 18,545	} 12,102
Annuities	101,234	76,867		
Cap. red.	49,405	40,882		
	3,568,770	2,927,769		
Interest (ex. life, annuities and cap. red.)			183,922	138,357
Fees			74	98

* One-fifth shareholders' profits at 1934 valuation = £18,545; at 1939 valuation = £12,102.

The quinquennial valuation in the life department at the end of 1939 was based on the new A1924/29 table with interest at only 2½ per cent., compared with 3 per cent. five years ago. In addition to the actuarial reserves thus created, a special war reserve of £150,000 was set up. The resultant surplus was £702,817, of which £605,112 is distributed, nine-tenths to policyholders and one-tenth to shareholders (spread over the next five years). Bringing in £103,824 carried forward last time, this leaves £121,529 to be carried forward to the next valuation, after applying £80,000 to investment reserve. The rate of bonus on with-profits policies is 1 per cent. per annum compound on most classes of contracts, a reduction compared with the last bonus, which, however, was allotted on a special plan which is not exactly comparable. But the company has maintained its fine record—difficult enough in the conditions of December, 1939—of never having passed a bonus. New sums assured last year were £1,362,953, compared with £1,719,379, and the net rate of interest, excluding reversions, was 3.53 per cent., compared with 3.70 per cent.

After charging, with other items, the dividends for 1939 (11s., less tax, was declared on the £3 ordinary shares, as for 1938) the carry-forward from the profit and loss account was £117,188, compared with £109,175 brought forward.

The assets total £16.7 millions. Securities stood in the balance sheet at less than the market value at the end of 1939 and properties had been written down substantially. Nothing was included among

the assets in respect of the holding in the Albingia. The general reserve stands at £1,875,000.

*

Scottish Life.—The life fund increased by £163,785 to £9,038,762 during 1939. The increase was less than usual, owing to a fall of 26 per cent. in new sums assured, which totalled £1,722,638 net, and to rather higher payments on maturity of endowments (£384,409 against £302,457). The year's net premium income was £654,433, compared with £658,483, and £62,376 against £54,660 was received as consideration money for annuities. Higher taxation accounted for a fall in net interest earnings from 4.11 per cent. to 3.94 per cent. The dividend for 1939 was 5s. 6d. per £5 share, less tax (unchanged), and the usual interim dividend of 2s. 9d. per share, less tax, will be paid in September next on account of 1940. Following the conservative course adopted by a number of the life offices, the directors have reduced the interim bonus from 40s. to 10s. per cent. per annum for claims occurring by death during 1940. Securities and fixed assets have been taken in the balance sheet at or under the actual values at the last valuation in 1935, and at or under cost in the case of investments made subsequently. Market values of securities at the end of 1940 were not stated.

*

Yorkshire.—The profit balance earned by the Yorkshire on its fire business last year was £98,602. Though this was smaller than in 1938 (£120,702) it represented the satisfactory ratio of 10.9 per cent. of premiums. In the important accident department, underwriting profit increased from £80,343 to £94,502 (6.4 per cent. of premium income), a good result in a difficult year. A larger marine income provided a transfer of £10,000 to profit and loss account, against nil in the previous year. Adding to these profit balances one-fifth of the shareholders' portion of the life surplus, allotted at the 1938 valuation (£19,300), together with one-fifth of the profit (£8,950) realised on reversions, total trading profits were £231,354. Interest on non-life funds was £92,507, so that a total of £323,861 was credited to profit and loss account, compared with £326,100 in 1938. The figures include those of the fully-owned subsidiaries:—

	Premiums		Underwriting Profits to P. & L.	
	1938	1939	1938	1939
	£	£		
Fire	879,478	904,733	120,702	98,602
Accident and general	1,472,471	1,470,520	80,343	94,502
Marine.....	437,201	494,067	...	10,000
	2,789,150	2,869,320		
Life	905,952	885,856		
Annuities.....	162,861	150,084	*13,570	*19,300
Cap. red.	117,708	96,961	...	...
	3,975,671	4,002,221		
Reversions			18,950	18,950
Int. (ex life annuities and cap. red.)			102,535	92,507

* One-fifth of shareholders' profits at 1933 valuation = £13,570; at 1938 valuation = £19,300.
† One-fifth of profits of reversions.

The sum brought forward was £75,393, giving a credit total of £399,254. The company has changed its dividend from a tax free basis to a less tax basis, the 1939 interim dividend being 3s. 6d. per £1 of paid-up capital tax free, and the final dividend 8s. less tax. The gross dividend is slightly in excess of the gross equivalent of the 1938 dividend (9s. 6d. per £1 of paid-up capital, tax free). After charging the 1939 dividend, sundry expenses, provision for taxation and contribution to superannuation fund, and applying £36,000 towards writing down

(Continued on page 866)

Investment

The Paradox of Gilt-Edged

The behaviour of the gilt-edged market this week has hardly conformed to Ministerial warnings that the country is faced with the most serious situation since the Great War. Its isolation from the political battle at Westminster, and from the public sense of a serious reverse in Norway, has indeed been splendid. The apologists for the gilt-edged market after the Budget could hardly have expected their prognostications to hold good in such a week. Yet Old War Loan achieved a new war record of 101½, and the advance among other undated stocks was even more spectacular, at least until mid-week. And even on Thursday, when the market's spirits were at first chastened, gilt-edged managed to close with gains on the day. It is hardly surprising that both among investors and dealers the feeling is growing that gilt-edged are "better than they ought to be." Dealing has lost touch with normal considerations. The closed economy has revealed its potency as a pressure-pump for gilt-edged. Even the relatively small amount of business passing this week has impacted on a market short of stock. The reinvestment of funds from dollar securities taken over by the Treasury is of necessity first directed towards the gilt-edged market. But some of its force has filtered through to other high-grade investment stocks, and on Thursday there were signs, for the first time since the Budget, that investment ordinary shares were sharing its benefits. The interim conclusion, after a remarkable week, is that gilt-edged and equity values have been forced too far apart. The "closed economy" argument surely applies, at second remove, to equity shares. They alone have borne the brunt of this week's political forces.

Dividend Limitation and Tax Free Dividends

The change in the basis of the Boots Pure Drug tax-free bonus (discussed on a later page) and the decision of the British United Shoe Machinery Company to amend its tax free distribution from 19 per cent. to 17½ per cent. have

Share (and price)	Stand- ard Div. tax free	Year ending	Equi- valent gross for year	Latest div. t.f.	Equi- valent gross at 7½ in £	Gross yield on stand- ard	Gross yield on latest div.
Bass Ratcliff & G. (122/9)	25	Sept. '38	34.5	25	40	5.6	6.5
Brit. Am. Tobacco (51g)	21½	Sept. '37	28.4	19.17	30.7	5.5	6.0
Fairey Aviation (15/3)	15	Sept. '38	20.7	12½	20	13.9	13.1
Guest, Keen & N. (22.4½)	7½	Mar. '38	10	6	9.6	9.0	8.6
"Shell" Transport (68/9)	20	Dec. '38	27.6	20	32	8.0	9.3
Staveley Coal & Iron (51/3)	12½	June '37	16.7	10	16	6.5	6.2
Woolcombers (61½g)	26½	Dec. '36	34.4	21½	34	9.9	9.8

drawn attention to the incidence of limitation rules upon tax-free dividends. The outline of the Chancellor's intentions regarding tax-free dividends was given on page 821 of *The Economist* last week. For companies whose dividends

(Continued from page 865)
properties in the balance sheet, £76,633 is carried forward, against £75,393 brought in.

New sums assured in the life department totalled £2,841,074. The fall compared with 1938 was £188,667, which is relatively less than that recorded by the majority of offices. The life funds earned 3.90 per cent. net compared with 4.15 per cent. in 1938. At the end of 1939 there was no depreciation in the total assets, valued at £18.3 millions in the balance sheet. There is a general reserve of £1.5 millions.

Northern.—Premium income in all departments increased in 1939. There was, however, a sharp decline in the fire profit and the accident underwriting balance was slightly smaller. Fire claims rose from 41.3 per cent. to 44.6 per cent. of premiums so that, despite a small but welcome fall in expenses from 51.0 per cent. to 50.6 per cent., the margin of profit was only 4.8 per cent. (£95,035), compared with 7.7 per cent. (£148,989). Accident business contributed profits of

£146,247 (8.0 per cent.) against £149,404 (8.2 per cent.) in 1938. In view of the effects of the war in motor business, this decline is much smaller than might have been expected. The substantial increase in marine premiums doubtless resulted from a larger volume of war risk business and higher rates. As in 1938, however, there was no transfer to profit and loss account.

The comparative experience is given in the following table. The figures include those of the six subsidiaries:—

	Premiums		Underwriting	
	1938	1939	Profit to P. & L.	
	£	£	1938	1939
Fire	1,940,428	1,966,326	148,989	95,035
Accident	1,831,525	1,838,114	149,404	146,247
Marine	829,742	886,892	...	...
	4,601,695	4,691,332		
Life & annuities cap. red.	1,096,488	1,108,653		
	5,698,183	5,799,985		
Interest (ex life, annuities & cap. red.) ...			238,780	221,255
Fees			129	114
			537,302	462,651

are declared free of tax, the standard dividend will be determined by the maximum equivalent gross sum in any one of the three accounting years falling between June 30, 1936, and July 1, 1939. In the accompanying table examples have been calculated to show the effects of this proposal. It sets out the maximum gross equivalent of tax-free dividends paid in any year during the standard period by seven leading companies. This rate is compared with the equivalent gross rate, taking tax at 7s. 6d. in the £, if the tax-free dividend for the latest year had been maintained. It is somewhat remarkable that for the majority of companies shown, the maximum gross return permitted under the dividend limitation rules is, in fact, slightly higher than the gross equivalent of the latest dividend. This is true, for example, of Fairey Aviation, Guest, Keen and Nettlefolds, Staveley Coal and Iron, and Woolcombers. Moreover, British American Tobacco is not greatly affected by the restriction of its maximum gross dividend to the equivalent of 28.4 per cent. For Bass, Ratcliff and Gretton and "Shell" Transport the difference is more substantial, and in such cases shareholders must recalculate their current returns on the basis of the permitted maximum, and not on the gross equivalent of the latest dividends.

Lever and Unilever Dividends

Ordinary shareholders of Lever Brothers and Unilever Limited, like shareholders in Ford Motor and British United Shoe Machinery Company, have already felt the effects of the dividend limitation proposals. The directors of the twin companies, "Limited" and "N.V.," announced at the end of last week that they had intended to maintain the total dividend of the Dutch company for 1939 at 7½ per cent. In that event, the corresponding payment on the ordinary shares of "Limited," under the equalisation agreement between the two companies, would have been 12 per cent. The maximum dividend under the limitation rules, however, is 10 per cent., and the directors of "Limited" have decided to limit the total distribution to that rate. Hence the dividend equalisation agreement will involve a reduction in the intended rate on "N.V." ordinary shares from 7½ to 6½ per cent. It is evident from the terms of the directors' announcement that the Lever and Unilever group has earned satisfactory profits in 1939, although the figures will not be available until next month. A year ago the chairman forecast net profits for the group at approximately £12 millions, making the necessary reservations regarding politics. This sum, divided between the two companies, could have provided comfortably for the maintenance of the "N.V." rate of dividend at 7½ per cent. and the corresponding increase in the "Limited" dividend to 12 per cent. For the duration of the war, however, any prospect of increased distributions for "Limited" is necessarily ruled out. "Limited" ordinary shares now stand at 27s. 9d., compared with a high level this year of 34s. 3d.; while "N.V." shares have been particularly depressed owing to political uncertainties in Holland and now stand at 24s., compared

with their highest level of 32s. "Limited's" yield of £7 9s. 6d. per cent. is not unsatisfactory in relation to their investment standing.

New life business of the Northern and subsidiary companies amounted to £2,645,930, against £3,369,581, a decline about equal to the average. Adding the amount brought forward (£1,194,444) to the departmental profits shown in the foregoing table (£462,651), the total amount to the credit of the profit and loss account was £1,657,095, and the balance available, after meeting interest on debentures, interim dividends and charges, was £1,350,993. The final payment for 1939 of 8s., less tax, on the £10 ordinary shares will bring the total dividend to 15s., less tax. A further 5s. 4.477d. per share, less tax, is to be paid on the £7 10s. participating preference shares in addition to the fixed dividend of 9s., less tax. These distributions are the same as for 1938. After allowing for dividends and for a transfer to staff pensions, the carry-forward is £1,217,839 (compared with £1,194,444).

The assets totalled £26.9 millions at the end of 1939: the market value of the securities exceeded book values after deducting investment and contingency reserves.

with their highest level of 32s. "Limited's" yield of £7 9s. 6d. per cent. is not unsatisfactory in relation to their investment standing.

Stewarts and Lloyds Report

The payment of a 12½ per cent. dividend by Stewarts and Lloyds was announced more than a month ago. The full report which has been issued this week shows that the distribution is again conservative, for earnings for the deferred stock were equivalent to 22.1 per cent. compared with 23.3 per cent. for the previous year. The directors have disclosed the latest profits after charging an unstated amount for taxation. Consequently, the apparent decline in profits from £2,049,991 to £1,991,562, after taxation and A.R.P. expenditure, may mask increased trading profits and an increased taxation provision, which in the previous year absorbed £600,000. The report reflects the acquisition of the preference and ordinary stock of Stanton Ironworks. An interim dividend of 10 per cent. has been received on the ordinary shares of Stanton Ironworks, whose financial year does not end until March 31st. This interim distribution, however, is equal to the total paid in the preceding year and represents the maximum which the company would have been entitled, as a public company, to pay under the dividend limitation rules. The latest figures are summarised in the following table:—

	1937	1938	1939
Profit, after taxation	1,956,882*	2,049,791*	1,991,562
Stock reserve	300,000	75,000	...
Depreciation	623,581	508,388	539,790
Employees' funds and fees	76,487	132,669	20,532†
Debiture service	127,500	127,500	127,500
Preference divs.	100,443	107,300	144,856
Deferred and liaison shares:—			
Earned	728,871	1,098,934	1,158,884
Paid	579,468	589,549	656,619
Earned %	15.7	23.3	22.1
Paid %	12½	12½	12½
Contingencies	150,000	500,000‡	500,000
Carried forward	170,159	179,544	181,809

* Tax provisions £550,000 and £600,000, respectively.
† After crediting £90,000 from employees' benefit reserve.
‡ Export trade reserve.

In 1939, it will be recalled, the directors provided £500,000 as an export trade reserve. For the latest year they have made a provision to contingencies account of £500,000, and the balance carried forward is slightly increased. Big changes are shown in the balance sheet, reflecting the Stanton Ironworks acquisition. Shares in subsidiary companies, less amounts written off, have increased from £1,464,243 to £5,451,733, and the parent company has substantially increased its advances to subsidiaries on current account. A large rise in debtors and advances to allied companies from £1,921,956 to £3,082,348 is also recorded, and the cash balance is in consequence sharply reduced. In normal times the export trade in tubes is a key factor affecting the company's profits, and while the war has doubtless increased the demand for home and military purposes, maintenance of a satisfactory export turnover is still probably not a negligible factor in its business. For this purpose, the company is well endowed with financial resources, and so far as war conditions permit, it may be expected to contribute to a much-needed expansion in export trade generally. Meanwhile, the deferred stock units at 44s. 9d. yield £5 11s. 9d. per cent., a lower return than that obtainable on many other steel shares, though it is satisfactory in view of the proved investment qualities of the deferred stock.

Morris Motors Advance

Impressive progress is recorded by Morris Motors for 1939. Gross trading profits, including income from subsidiaries, have advanced from £1,751,181 to £2,385,122, and earnings before tax showed a comparable increase from £1,355,852 to £1,991,947. The taxation charge was naturally higher at £628,721, compared with £470,497; but since the 1939 figures, satisfactory though they are, are not superior to those of 1936, the company does not appear to be liable for E.P.T., and the taxation provision, in fact, covers normal income tax and N.D.C. Certain special provisions for investment depreciation (£85,644), Air Raid Precautions (£119,967),

and provision for post-war production and war contingencies (£100,000 each) have been charged against the latest year's profits, and as a result the improvement in ordinary share earnings from £660,355 to £732,615 is relatively moderate. As the following table shows, the 40 per cent. dividend, compared with 45 per cent. paid in each of the preceding three years, represents a conservative decision, for earnings would have sufficed to pay 44.2 per cent. after charging the special appropriations set out above, or 68.8 per cent. before allowing for these charges:—

	YEARS ENDED DECEMBER 31ST		
	1937	1938	1939
Gross profit	2,168,530	1,751,695	2,385,568
Maintenance	323,341	342,782	313,696
Depreciation	186,392	209,851	238,980
Total surplus*	1,819,962	1,355,852	1,991,947
Taxation	529,483	470,497	628,721
Special Appropriation	...	...	405,611
Preference divs.	225,000	225,000	225,000
Ordinary shares:—			
Earned	1,065,479	660,355	732,615
Paid	864,563	864,562	662,500
Earned %	55.5	34.4	44.2
Paid %	45	45	40
To reserves	£200,000 Dr. 100,000‡		75,000‡
Special provisions	Cr. 1,700	Cr. 81,531	Cr. 933
Carry forward	275,078	252,402	248,450

* Including other income, after charging staff fund allocation.
‡ Dividend equalisation. † From div. equalisation.

The directors' report does not review these trading results in detail, though it naturally refers to the serious effect on trading of the last four months in 1939. The company has acquired from Lord Nuffield the undertaking now known as Mechanisations and Aero, Limited, the share capital of which consists of 110,000 £1 shares. This concern is undertaking Government work, but since its accounts have not been com-

THE BALTIMORE AND OHIO RAILROAD CO.

SUMMARY OF ANNUAL REPORT FOR THE YEAR 1939

The Company's annual report of its operations and affairs for the year 1939 is being mailed to stockholders. The following presents a CONDENSED COMPARATIVE STATEMENT OF OPERATING RESULTS

	1939	1938	Increase 1939 over 1938
	\$	\$	%
Total Railway Operating Revenues	161,030,252	134,722,330	26,307,922 19.53
Total Railway Operating Expenses	119,901,075	104,984,021	14,917,054 14.21
Net Railway Operating Revenue	41,129,177	29,738,309	11,390,868 38.30
Railway Tax Accruals	10,767,991	10,412,774	355,217 3.41
Equipment and Joint Facility	4,836,086	4,473,741	362,345 8.10
Rents	28,525,100	14,851,794	10,673,306 71.87
Net Railway Operating Income	4,647,564	4,207,959	439,605 10.45
Income from Investments, etc. (Net)	30,172,664	19,059,753	11,112,911 58.31
Income available for Fixed Charges	20,421,656	32,184,284	
Interest and other charges remaining Fixed under the Plan (referred to below)	9,751,008		
Income Available for Other Purposes	7,111,820		
Other Interest Accrued but not paid—	4,261,395		
Secured Contingent Interest	11,373,215		
Unsecured Contingent Interest			
Total Contingent Interest Accrued	1,622,207	13,124,530	
Net amount by which total interest charges were not earned			

Net Income Available for Interest and Other Charges for 1939 is \$30,172,664, compared with \$19,059,753 for 1938, an increase of \$11,112,911 or 58.31 per cent., and shows income for the year only \$1,622,207 short of covering entire interest charges. From the Net Income Available there was deducted \$20,421,656 for interest and other charges remaining fixed under the Plan, leaving Available Net Income for other purposes of \$9,751,008.

Pursuant to the provisions of the Plan, the President and Board of Directors, in the exercise of the discretion vested in them, determined to apply \$2,000,000 of the Available Net Income to Capital Fund, and the remaining \$7,751,008 to increase Net Working Capital. By reason of these appropriations, no contingent interest is payable on May 1, 1940, out of income of 1939.

The contingent interest accrued in 1939 and not paid is \$11,373,215, and that for 1938 \$883,337, a total of \$12,256,552, which is carried to Deferred Liabilities in the balance sheet.

The Plan herein referred to is that for the Modification of Interest Charges and Maturities, dated August 15, 1938, which, after being accepted by the holders of \$76,489,928, or 87.79 per cent. of the \$87,810,628 of securities affected, was submitted to and, after hearing, was approved by the District Court of the United States for the District of Maryland on November 8, 1939, acting under Chapter XV of the Bankruptcy Act, entitled "Railroad Adjustments."

Under the Plan \$166,270,421 of near-by maturities were extended for a period of from five to ten years, and fixed interest charges of the Company and its subsidiaries, which had been \$31,421,742, were modified so that \$19,644,679 remains fixed and the payment of \$11,376,435, for the period of eight years, becomes contingent on earnings as ascertained and applicable pursuant to the Plan. The deferred charges continue as an obligation of the Company and are payable at or before the maturity of the respective obligations.

During 1939 the total interest-bearing obligations of the Company were reduced by \$6,654,249, largely through the payment of equipment trust certificates.

DANIEL WILLARD, President.

pleted, owing to delays connected with contract terms, the acquisition of the share capital is not shown in the latest balance sheet. The loan account of £775,500, however, has been taken over by Morris Motors, Limited. The company's balance sheet shows a fall in stocks and work in progress from £1,520,091 to £1,324,372, which suggests that the collapse of normal motor production has not yet been made entirely good by special wartime production. Even the consolidated statement shows that for the group as a whole stocks are very little higher than in 1938, though there is a significant increase in debtors from £609,946 to £851,443. Plant and buildings required by Government contracts are represented by a new assets item of £47,583 in the consolidated balance sheet which is to be amortised. The directors' decision to pay 40 per cent. in respect of 1939 will leave a margin of 5 per cent. under the dividend limitation rules, by which the distribution may be increased in subsequent years, if profits suffice. The prospects of such an increase may be clarified by Lord Nuffield at the meeting on May 24th. For the time being, however, the accounts suggest the possibility that the group has yet fully to transfer its immense resources to special wartime production. The 5s. ordinary stock units stand at 26s. 6d. to yield £8 3s. 3d. per cent.

Ford Motor Report

The full report of Ford Motor Company shows that shareholders' expectations have been more severely affected by dividend limitation than the revision of the original dividend suggested. Trading profits last year reached a new record of £2,728,996, compared with £1,416,627 in 1938. A rise of this order has naturally involved a painful increase in taxation provision from £231,979 to £1,113,000, but even so the amount earned for the ordinary shares has jumped from £169,006 to £605,787. The latter sum would have sufficed to pay a dividend of 10.8 per cent. The directors, in keeping with Sir John Simon's request, have revised their original proposal to pay 7½ per cent. to one of 6 per cent. The past year's impressive profits figures are analysed below:

	Years to December 31		
	1937	1938	1939
Gross profits, less directors' fees	1,565,465	1,388,744	2,744,417
Depreciation	815,065	863,723	845,222
Taxation	229,641	231,979	1,110,000
Employees' funds and A.R.P.	145,296	†122,593	†171,643
Exchange differences	Cr. 176	1,453	11,765
Loan interest	574	Nil	Nil
Ordinary shares:—			
Earned	375,065	169,006	605,787
Paid	326,250	326,250	337,500
Earned (%)	5.7	2.6	10.8
Paid (%)	5	5	6
Carry forward	912,994	755,750	*1,044,037

* Includes £20,000 reserve against Spanish company not now required. † A.R.P.: 1938, £2,241; 1939, £50,000.

The surplus earnings are not appropriated, but are simply carried forward. No income (as in recent years) was received from subsidiary companies, which now stand in the balance sheet at £1,632,123, compared with £2,988,676 in the preceding year. The reduction is, of course, due to the transfer of the Luxembourg holding company to Guernsey, which resulted in a substantial increase in the cash holdings of the Ford Motor Company from £1,567,596 to £2,935,774. The past year's profits are largely due to a substantial improvement in business for the first eight months of the year both in home and export trade. Indeed, trading profits for that period were much greater than for the whole of 1938, and, despite a certain reduction in home and export turnover during the last four months of 1939, the year's total business exceeded that of 1938. The directors' report also mentions that "several contracts" have been received from

Government Departments and accounted for approximately 15 per cent. of total turnover. No estimate is provided in the report regarding trade for the current year, to which presumably Lord Perry will devote some attention at the meeting on May 16th. Home trade, however, must obviously be listed among the war victims, and while some compensating increase in export trade should be achieved, the company will presumably have to look to Government orders to a far greater extent than last year if the impressive results for 1939 are to be repeated. The 6 per cent. dividend, however, should be satisfactorily covered, and on this basis the £1 shares at 17s. 9d. x d yield £6 15s. 3d. per cent.

J. and P. Coats' Report

The fiftieth annual report of J. and P. Coats adds little to the information provided by the preliminary profits statement, which was discussed in *The Economist* of April 20th. The report offers no comment on the substantial recovery in profits and investment income, after provision for depreciation and taxation, from £1,452,619 to £2,132,100, which provides an advance in net profits from £1,535,297 to £2,187,797. Nor is any real light to be gained from the balance sheet, which is drawn up, as usual, on rather uninformative lines, since interests in subsidiary companies and other investments account for over £32 millions out of a balance sheet total of £36,850,625. The 10 per cent. dividend, which is the maximum payable under the limitation rules, was comfortably covered by last year's profits, for earnings represented 14.2 per cent., and the transfer of £500,000 to exchange and contingencies reserve was largely provided out of surplus profits of the year. The report, however, gives the stockholder no assistance in striking a balance between improved conditions in the home market and any further disturbance in the company's overseas interests due to the war. The current yield of £5 8s. which the ordinary stock offers at 37s. is not unduly exciting in relation to the static character of profits in earlier years, and to the restriction of dividends to a 10 per cent. maximum.

Boots Pure Drug Distribution

For many years Boots Pure Drug shareholders have accepted a low dividend yield in the expectation, which has been consistently disappointed, of a large scrip bonus. Such expectations must now be postponed for the duration. The latest profits figures for the year to March, 1940, show a satisfactory improvement in net profits of £6,175 to £782,467. The company has hitherto distributed gross quarterly dividends totalling 24 per cent. and a tax-free bonus of 5 per cent. which, for 1938-39, were together equivalent to a total distribution of 30.9 per cent. gross. This basis has been changed to conform with the dividend limitation rules, and the bonus recommended is 4.1379d. per 5s. ordinary share, which represents the maximum payable in accordance with the dividend limitation rules, being equivalent to the preceding year's grossed-up bonus of 6.9 per cent. The 5s. shares have recently been a dull market and have declined since April 23rd from 43s. 1½d. to 38s. 3d. In addition to disappointed bonus expectations, the market is also far from clear how the company may be affected by the new purchase tax. Out of an estimated total of £960 millions for retail sales to be covered by the tax, drugs and fancy goods account for £148 millions, and a substantial rate of tax might have appreciable consequences for Boots' turnover. Since, however, the company is both wholesale manufacturer and retailer, and will therefore be governed by special considerations, which Sir John Simon outlined in last week's debate, the possible effects of the tax upon the group's earning power cannot yet be estimated. The 5s. ordinary shares yield £4 0s. 6d. per cent.

Two Shipbuilding Reports

Reports have been published by two companies interested in naval and mercantile shipbuilding during the past week. Babcock and Wilcox, Ltd., the boiler-making concern, has reduced its total distribution for 1939 from 12½ per cent. to 11 per cent. by a cut in the cash bonus from 2½ per cent. to 1 per cent. After providing £124,936 for war losses, the company shows a profit, before tax, of £756,663, compared with a corresponding figure of £848,694 earned in 1938. This is a point of some importance, since the present dividend rate leaves a margin of 1½ per cent. below the maximum distribution of 12½ per cent. under dividend limitation.

The subsidiaries most seriously affected by war are the German Babcock and Wilcox company, and the Polish company, Zieleniewski Fitzner Gamper Company, in which Babcock and Wilcox, Ltd., held a 49 per cent. interest. These holdings account for some £97,319 of the war losses against which the directors have provided. The company has also considerable interests in the Far East. At the current market price of 42s. 6d., Babcock and Wilcox £1 ordinary shares yield £5 3s. 7d. per cent. For the first time the Harland and Wolff "B" ordinary stock, now quoted at 12s. 6d., offers a yield of £6 8s. per cent. This stock is to receive a 4 per cent. dividend, while the "A" ordinary stock, which ranks for 4 per cent. non-cumulative and an additional 2 per cent. *pari passu*, receives 6 per cent. The company's capital reconstruction in 1937 was well timed, for it has since received important contracts for naval ships. Trading profits at £817,151 show a considerable improvement on the 1938 figure of £638,815, though that figure itself represented a marked increase on the profits of £26,727 earned in 1937. Harland and Wolff have greatly strengthened their financial position during the past three years, and "B" ordinary stockholders may feel some disappointment that dividend limitation has robbed them of the full fruits. But war, with its naval and mercantile shipbuilding materials, should enhance the company's financial improvement.

General and Central Mining Reports

The reduction in the profits of *General Mining and Finance Corporation* from £526,578 to £462,287 in a difficult year for share dealing must be regarded as moderate. Hence the dividend of 25 per cent., as for 1938, is again well covered, for the earnings percentage is still as high as 36.5 per cent., against 41.6 per cent. in 1938. The sum of £125,000 has been transferred to open an investment reserve, against securities with a book value of £2,587,866. This, however, is a precautionary move, for the securities are, in fact, shown in the books after providing for such depreciation as existed at December 31st last year, and, in the aggregate, book values are largely exceeded by market values. The portfolio position thus shows considerable strength, and in addition to the investment reserve there is a general reserve of £1,000,000, while the cash position has been substantially enhanced. The Corporation's record in paying 25 per cent. dividends in each of the last four years, despite difficult conditions in the mining share market, justifies the present quotation of 82s. 6d. for the £1 shares. The *Central Mining and Investment Corporation* report for 1939 shows that the total income of £587,964 is not comparable with the figure of £506,538 for 1938 nor with earlier profits, since the latest profits did not take into account any provision for depreciation on the investment portfolio. For this purpose, a total of £853,085 has been provided, of which £500,000 comes from general reserve, £100,000 from the depreciation reserve (which is now exhausted) and £253,085 from the latest year's profits. It is evident from the report that this large provision arises mainly from the reduced market prices of shares in developing mines and certain holdings have, in fact, been written down to a nominal figure. It would also seem that profits owed little, if any, benefit to share dealings, for which limited market opportunities were offered. The adverse conditions of the past year fully explain the decision to cut the dividend from 10 per cent. to 5 per cent., and shareholders may hope that, in the current year, profits will not be required to provide for investment depreciation on last year's scale. The £8 ordinary shares stand at £12 15s.

Rio Tinto Outlook

There is little evidence in the Rio Tinto Company's accounts for 1939 or in Sir Auckland Geddes's speech at last week's meeting to justify the current price of £12 10s. for the £5 ordinary shares. Regarding the Spanish interests, which are still the company's most important asset, the chairman frankly admitted that earning capacity in the past year had been prejudiced not only by continued dislocation in Spain, but also by the outbreak of war with Germany. Owing to the cessation of ore shipments to Germany, formerly the largest single customer, and to transport difficulties, the quantity of ore shipped in 1939 fell to 819,927 tons, compared with 1,282,972 tons in 1938 and 1,424,998 tons in 1937. The rise in prices in Spain has, however, increased the company's expenses in Spain, though these have been met from blocked peseta balances. These balances on various accounts rose from Ptas. 6,315,416 in 1936 to a high level of

Ptas. 36,275,071 in 1938, and were reduced during 1939 to Ptas. 33,716,481. Since blocked pesetas stand in the company's accounts at a nominal figure of £1, the sterling sum of £64,610 16s. 10d., arising from the release of Ptas. 2,558,590 last year, has been credited to revenue. On the basis of this conversion, which corresponds to a rate of approximately Ptas. 40 to the £, it appears that Rio Tinto still has the equivalent of some £900,000 locked up in blocked pesetas. The proceeds of the liquidated balances have raised the trading profit of the company to £288,805, for sales of produce alone amounted to no more than £224,194, compared with £234,765 in 1938. Income from dividends, to which the company's Rhodesian interests make the most important contribution, was reduced from £340,464 in 1938 to £284,299. It is doubtful if any immediate recovery in this source of income is likely, for Rio Tinto will have, in effect, to bear a double liability for E.P.T. on its Rhodesian income. In view of current trade problems, the liquidation of peseta balances appears to be the main hope for Rio Tinto shareholders, but it is surely generously valued by the market.

Palmietkuil

The annual report of Palmietkuil discloses little new information. Ore reserves amount to 2,070,000 tons, averaging 4.9 dwt., and mainly situated in the southern portion of the property. Development from the northern shaft was suspended at the end of 1938, in order to conserve funds to carry on development in the more promising southern section. It had been hoped to raise new capital for the erection of a reduction plant, but market conditions last year made this impossible, and the Union Government has not come to the company's assistance. Consequently, all work has ceased, the mine has been allowed to flood, and all perishable equipment has been removed. The future of Palmietkuil must remain obscure for the present. Taken as a whole, development results have not been inspiring and difficulty may be experienced in obtaining further capital. Possibly the mine may eventually be absorbed by the adjoining Grootvlei, for the underground workings in the southern sections of the two mines are separated by only about 7,000 feet.

Company Profits of the Week

The usual table on page 886 analyses the reports of 53 companies received this week. These show an increase both in total profits and in net profits from £13,220,000 to £15,619,000, and from £6,974,000 to £7,973,000 respectively. For the 861 companies whose reports have been received this year to date, total profits have increased by approximately £11½ millions to £175 millions, while net profits are slowly gaining the previous year's figure, the total to date of £95.4 millions being only £1.8 millions lower than the corresponding figures for 1939. The week's results are discussed in preceding notes and under the heading "Shorter Comments" on page 871.

Company Meetings of the Week

Reports of company meetings begin on page 874 of this issue. The contribution made by insurance companies to the war economy was discussed by Sir Frederick Pascoe Rutter at the *London and Lancashire Insurance* meeting. Sir Frederick emphasised the importance of facilitating insurance business so that it could contribute most fully to invisible exports. Mr Erskine Jackson, speaking at the *Scottish Union National Insurance* meeting, drew attention to the need for vigilance in the choice of business in the accident section, where black-out conditions were increasing the number of claims. At the meeting of *Legal and General Insurance*, Mr Ernest E. Bird drew attention to the fact that

A REASONABLE PRECAUTION

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

NATIONAL PROVIDENT INSTITUTION

for
MUTUAL LIFE ASSURANCE

ESTABLISHED 1835
48 Gracechurch Street, London, E.C.3

NORANDA MINES, LIMITED

DIVIDEND NOTICE

Notice is hereby given that an interim dividend of \$1.00 per share, payable in Canadian funds, has been declared by the Directors of NORANDA MINES, LIMITED, payable June 15th, 1940, to shareholders of record at the close of business May 20th, 1940.

By order of the Board.
Toronto, April 19th, 1940.

J. R. BRADFIELD,
Secretary.

of the total of £14,409,077 net new sums assured during 1939, £13,671,288, were life insurance contracts. The *Guardian Assurance*, as Col. Lionel H. Hanbury pointed out at the meeting, had suffered by the loss of its holdings in the Albingia Insurance Company of Hamburg, which have been completely written off, and by the discontinuance of other German business. Lt.-Col. J. Beaumont Neilson congratulated the shareholders of the *Midland Employers' Mutual Assurance* on the moderate increase in claims during a year of rising employment, but he warned his audience that proposed legislation might add as much as 20 per cent. to the cost of workmen's compensation claims. Sir Auckland Geddes's review at the *Rio Tinto* meeting is discussed on page 869. Sir Malcolm A. Robertson assured shareholders of *Spillers* that the appropriate relations between the company and Government Departments under war conditions were being effected with all possible zeal. Mr. Henry Gardner disclosed that the *Amalgamated Metal Corporation's* metal stocks were handed to the Ministry of

Supply practically at pre-war prices. Hence, the company now held a far higher proportion of cash and short-dated Government securities than before the war. The chairman of *London Asiatic Rubber*, Mr. H. J. Welch, reported that the price obtained for rubber last year was the highest since 1928, but rising costs left the company with a profit of less than 1d. per lb. Mr. John Ismay at the meeting of *F. Francis and Sons* reported that the company had secured a large increase in turnover in the first four months of 1940 compared with the previous year. Mr. W. J. Terry, at the meeting of the *London Electric Wire Company and Smiths*, emphasised the value of securing stocks of non-ferrous raw materials to assist war production and exports. The replanting of a considerable area of old rubber was announced by Mr. H. Eric Miller to shareholders of *Pataling Rubber Estates*. Addressing *North British and Mercantile Insurance* shareholders, the Hon. Robert H. Brand reported that a decline in life department business in the first four months of the war had been more than compensated by excellent results early in the year.

THE STOCK EXCHANGES

London

Note: all dealings are for cash

The gilt-edged market this week has shown an almost magnificent disregard of the political crisis. This has been due rather to the operation of modest re-investment buying in a closed market short of stock, from which direct political factors have been insulated. The rise in prices has been spectacular in relation to the volume of business and even on Thursday, when the market opened under the shadow of the previous day's pungent debate, with losses of up to half a point, the market nevertheless managed to close higher on the day.

The opening gains in *gilt-edged* were led by Local Loans, with other long-dated issues, like Old Consols and War Loan, closely in company. Anticipations of the debate on Norway did not affect this progress and Local Loans and Old Consols on Tuesday rose $\frac{3}{4}$ of a point while a smaller gain in Old War Loan raised the price to 101 $\frac{1}{4}$, a new wartime record, which was temporarily supplanted on Wednesday when War Loan rose at one time to 101 $\frac{1}{4}$. Other investment stocks were strong in sympathy with these movements and the scarcity of home corporation and Dominion Government issues was reflected in useful rises in prices.

In the *foreign bond market*, Japanese issues have fallen throughout the week. They opened with falls of up to two points and stocks fell further on Wednesday and Thursday on nervous selling owing to fears regarding the Dutch East Indies situation.

Home rail marginal stocks have been consistently weak. Great Western being no better than 44 $\frac{1}{2}$ in midweek, while other equity issues were similarly depressed. The guaranteed and debenture stocks were, however, supported by the movement in *gilt-edged*. Some minor losses were recorded among Argentine debentures but Canadian Pacific preference rose rather smartly.

The influence of dividend limitation has been generally discounted in the equity market, but *industrial shares*, unlike *gilt-edged*, were exposed throughout the week to political factors and falls have been steady and general. Brewery and tobacco shares continued to fall. Losses were recorded by Guinness, Mitchells and Butlers and Ind Coope and Allsopp. Imperial Tobacco, Godfrey Phillips, Carreras and other leading issues. Heavy industrials were dull and the gains recorded early in the week by Harland and Wolff and Tube Investments were not maintained. Renewed declines were recorded in the stores group. Among textiles J. and P. Coats held up against the trend.

Oil shares have remained weak and Mexican Eagles lost ground on the news

of Mexico's refusal to accept arbitration. Little support was forthcoming for *rubber shares*. Interest in *Kaffirs* revived on Wednesday, when a number of dividend-paying shares rallied slightly. Tin shares improved on Thursday.

"FINANCIAL NEWS" INDICATORS

1940	Total Bargains†	Corres. Day 1939	Security Indices	
			30 ord. shares*	20 fixed int.†
May 3...	4,390	5,300	75.0	126.1
" 6...	4,931	6,050	74.5	126.2
" 7...	4,200	6,445	74.5	126.4
" 8...	4,234	6,610	74.1	126.4
" 9...	4,319	6,320	74.2	126.5
1940 High.....	...	...	80.6	126.5
Low.....	...	...	74.1	117.6
			May 8	Jan. 2

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

ACTUARIES' INVESTMENT INDEX

The fixed interest and ordinary share indices and yields comprised in Actuaries' Index fully reflected the influence of the Budget on *gilt-edged* and equity securities last month. The *gilt-edged* and debenture indices show a general upward movement compared with the end-March figures. In the ordinary share market, almost every section lost ground. The combined index of 158 industrials fell from 59.3 to 58.0. The biggest setback was recorded in coal shares, where the upward trend of the past few months was sharply reversed with a fall from 100.2 to 94.5. Home Rails lost three points to 56.9 and the Stores and Catering Section touched 42.5, the lowest level since the beginning of the year, on a combination of factors such as restricted supplies, limited dividends, and the new Purchase Tax.

Group (and No. of securities)	Prices (Dec. 31, 1928 = 100)		
	Apr. 25, 1939	Mar. 26, 1940	Apr. 30, 1940
Fixed Interest:			
2½% Consols.....	117.1	128.9	132.2
Prod. ind. debts. (21).....	107.4	109.2	109.3
Prod. ind. pref. (53).....	97.7	103.5	103.1
Ordinary Shares:			
Insurance (10).....	106.8	98.7	96.2
Aircraft mfg. (5).....	77.2	57.4	55.9
Coal (8).....	76.9	100.2	94.5
Electrical mfg. (13).....	116.5	121.2	118.6
Home Rails (4).....	34.1	50.9	56.9
Stores (17).....	52.5	44.7	42.5
Breweries (20).....	106.6	103.4	101.9

Group	Yields (%)		
	Apr. 25, 1939	Mar. 26, 1940	Apr. 30, 1940
Fixed Interest:			
2½% Consols.....	3.81	3.46	3.37
Prod. ind. debts.....	4.51	4.42	4.41
Prod. ind. pref.....	4.69	4.60	4.63
Ordinary Shares:			
Insurance.....	4.02	4.23	4.33
Aircraft mfg.....	10.20	10.48	10.73
Coal.....	7.62	5.74	6.06
Electrical mfg.....	6.04	5.15	5.28
Home Rails.....	0.50	5.00	5.21
Stores.....	6.19	6.86	6.49
Breweries.....	6.21	6.23	6.30

New York

TRADING on Wall Street, which opened dull and irregular at the beginning of the week under the influence of political events in Europe, received a further setback from the news of the Supreme Court's decision to uphold the Government in the anti-trust case. Later the market reacted favourably to reports of reduced crude oil output and fractional gains were general. The *Iron Age* estimate of steel mill activity shows an increase from 63 per cent. of capacity a week ago to 66.5 per cent.

New York Prices

Close Latest	May 2, 1940	Close Latest	May 2, 1940
1. Railroads			
Balt. & Ohio.....	47 $\frac{3}{4}$	43 $\frac{1}{4}$	43 $\frac{1}{4}$
G.N. Ry. Pf. 26 $\frac{1}{8}$	26 $\frac{1}{8}$	26 $\frac{1}{8}$	26 $\frac{1}{8}$
Illinois Cent. 10 $\frac{1}{4}$	10 $\frac{1}{4}$	10 $\frac{1}{4}$	10 $\frac{1}{4}$
Northern Pac. 8 $\frac{1}{4}$	8 $\frac{1}{4}$	8 $\frac{1}{4}$	8 $\frac{1}{4}$
Pennsylv. R. 21 $\frac{1}{2}$	21 $\frac{1}{2}$	21 $\frac{1}{2}$	21 $\frac{1}{2}$
Southern Ry. 15 $\frac{1}{4}$	15 $\frac{1}{4}$	15 $\frac{1}{4}$	15 $\frac{1}{4}$
2. Utilities, etc.			
Amer. Tel. 173 $\frac{1}{2}$	173 $\frac{1}{2}$	173 $\frac{1}{2}$	173 $\frac{1}{2}$
Amer. Wks. 93 $\frac{1}{2}$	93 $\frac{1}{2}$	93 $\frac{1}{2}$	93 $\frac{1}{2}$
Col. Gas & El. 61 $\frac{1}{2}$	61 $\frac{1}{2}$	61 $\frac{1}{2}$	61 $\frac{1}{2}$
Int. Tel. For. 31 $\frac{1}{2}$	31 $\frac{1}{2}$	31 $\frac{1}{2}$	31 $\frac{1}{2}$
United Corp. 21 $\frac{1}{2}$	21 $\frac{1}{2}$	21 $\frac{1}{2}$	21 $\frac{1}{2}$
Utd. Gas Imp. 12 $\frac{1}{2}$	12 $\frac{1}{2}$	12 $\frac{1}{2}$	12 $\frac{1}{2}$
3. Commercial and Industrial			
Amer. Metal. 21 $\frac{1}{4}$	21 $\frac{1}{4}$	21 $\frac{1}{4}$	21 $\frac{1}{4}$
Am. Roll. Mill 14 $\frac{1}{4}$	14 $\frac{1}{4}$	14 $\frac{1}{4}$	14 $\frac{1}{4}$
Am. Smelting 48 $\frac{1}{2}$	48 $\frac{1}{2}$	48 $\frac{1}{2}$	48 $\frac{1}{2}$
Anaconda 29 $\frac{1}{2}$	29 $\frac{1}{2}$	29 $\frac{1}{2}$	29 $\frac{1}{2}$
Briggs 22 $\frac{1}{2}$	22 $\frac{1}{2}$	22 $\frac{1}{2}$	22 $\frac{1}{2}$
Calumet of A. 35 $\frac{1}{2}$	35 $\frac{1}{2}$	35 $\frac{1}{2}$	35 $\frac{1}{2}$
Eastman Kd. 156 $\frac{1}{2}$	156 $\frac{1}{2}$	156 $\frac{1}{2}$	156 $\frac{1}{2}$
Gen. Motors 53 $\frac{1}{2}$	53 $\frac{1}{2}$	53 $\frac{1}{2}$	53 $\frac{1}{2}$
Glidden 17 $\frac{1}{2}$	17 $\frac{1}{2}$	17 $\frac{1}{2}$	17 $\frac{1}{2}$
Nat. Dairy 17 $\frac{1}{2}$	17 $\frac{1}{2}$	17 $\frac{1}{2}$	17 $\frac{1}{2}$
Nat. Distillers 24 $\frac{1}{2}$	24 $\frac{1}{2}$	24 $\frac{1}{2}$	24 $\frac{1}{2}$
Sears Roebuck 85 $\frac{1}{2}$	85 $\frac{1}{2}$	85 $\frac{1}{2}$	85 $\frac{1}{2}$
Shell Union 12 $\frac{1}{2}$	12 $\frac{1}{2}$	12 $\frac{1}{2}$	12 $\frac{1}{2}$
Socony Vac. 11 $\frac{1}{2}$	11 $\frac{1}{2}$	11 $\frac{1}{2}$	11 $\frac{1}{2}$
Stan. Oil N.J. 42 $\frac{1}{2}$	42 $\frac{1}{2}$	42 $\frac{1}{2}$	42 $\frac{1}{2}$
20th Cen. Fox 81 $\frac{1}{2}$	81 $\frac{1}{2}$	81 $\frac{1}{2}$	81 $\frac{1}{2}$
U.S. Steel pt. 123 $\frac{1}{2}$	123 $\frac{1}{2}$	123 $\frac{1}{2}$	123 $\frac{1}{2}$
West. Elec. 111 $\frac{1}{2}$	111 $\frac{1}{2}$	111 $\frac{1}{2}$	111 $\frac{1}{2}$
Woolworth 39 $\frac{1}{2}$	39 $\frac{1}{2}$	39 $\frac{1}{2}$	39 $\frac{1}{2}$

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

WEEKLY AVERAGES	1940				
	Low Jan. 31	High Jan. 31	Apr. 24, 1940	May 8, 1940	May 8, 1940
347 Ind'l's.....	105.8	111.4	108.7	107.3	107.6
32 Rails.....	28.3	30.7	29.0	28.4	28.6
40 Utilities.....	98.6	89.4	86.9	87.1	87.1
419 Stocks.....	90.4	94.8	92.4	91.3	91.5
Av. yield*.....	4.67%	4.30%	4.66%	4.72%	4.69%
	High	Low			

(*) March 21, 1940. * 50 Common Stocks. (†) April 17, 1940.

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

May 2	May 3	May 4	May 6	May 7	May 8
117.3	117.5	117.1	116.9	117.3	117.5

1940 High: 123.7 January 3rd. Low: 116.3 January 31st.

TOTAL DEALINGS IN NEW YORK

1940	Stock Exchange	
	Shares 000's	Bonds 000's
May 2.....	650	(a)
" 3.....	1,070	(a)
" 4.....	320	(a)
" 6.....	530	(a)
" 7.....	580	(a)
" 8.....	690	(a)

(a) Not stated.

Foreign Bond Movements

THE German invasion of Denmark and Norway caused depression throughout the foreign bond market. The "Municipal and General" index of foreign bonds showed a fall compared with March in every section except South American provincial bonds. The European index slumped by nearly six points from 46.5 to 40.9, a new low level since the outbreak of war which compares with 46.3 for September, 1939. The complete index of 106 bonds fell from 60.6 in March to 57.9. That this figure is still higher than the levels of the first three months of the war is due to the substantial recovery in South American issues.

AVERAGE JANUARY-JUNE, 1934 = 100.

End of Month	Near and Far East			South and Central America			Egypt
	States	Provinces	Total	States	Provinces	Total	
1939	(31)	(35)	(11)	(46)	(4)		
April.....	59.1	54.2	41.4	45.8	74.0		
September.....	40.6	49.0	36.3	45.6	68.6		
December.....	52.1	73.0	49.4	66.5	79.6		
1940							
January.....	58.4	74.5	49.3	67.5	80.0		
February.....	54.5	77.5	49.7	69.7	81.7		
March.....	53.5	70.0	57.6	73.2	80.9		
April.....	52.2	77.2	57.7	72.1	80.8		

End of Month	Europe	Complete Index	Under-allocated Bonds	De-allocated Bonds
1939	(25)	(106)	(46)	(60)
April.....	63.4	56.8	63.4	52.1
September.....	46.3	45.2	48.5	41.4
December.....	48.3	58.1	56.9	55.2
1940				
January.....	48.5	60.6	57.2	58.3
February.....	48.4	60.2	57.8	57.5
March.....	46.5	60.6	57.1	58.3
April.....	40.9	57.9	55.1	55.5

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

Capital Issues

CAPITAL ISSUE TOTALS

Week ending May 11, 1940	Nominal Capital	Conversions	New Money
To the Public.....	Nil	Nil	Nil
To Shareholders.....	Nil	Nil	Nil
By S.E. Introduction.....	656,855	Nil	608,080
By Permission to Deal.....	Nil	Nil	Nil
Savings Certs., week to May 4, 1940.....	2,400,000	Nil	2,400,000
3% Defence Bonds Exch. receipts, week to May 4, 1940.....	2,075,000	Nil	2,075,000

Year to date	Including Conversions		Excluding Conversions	
	£	£	£	£
1940 (New Basis).....	755,440,760	402,485,627	342,955,133	342,955,133
1939 (New Basis).....	38,732,013	37,500,948	37,500,948	37,500,948
1940 (Old Basis).....	744,273,765	391,518,632	391,518,632	391,518,632
1939 (Old Basis).....	18,922,635	18,711,570	18,711,570	18,711,570

Destination (Excluding Conversions)

Year to date	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1940 (New Basis).....	402,006,195	479,432	Nil
1939 (New Basis).....	25,851,460	11,329,488	320,000
1940 (Old Basis).....	391,376,176	142,456	Nil
1939 (Old Basis).....	14,900,835	3,490,735	320,000

Nature of New Borrowing (Excluding Conversions)

Year to date	Deb.	Pref.	Ord.
1940 (New Basis).....	391,327,966	1,135,675	10,021,986
1939 (New Basis).....	16,756,145	2,300,796	18,444,007
1940 (Old Basis).....	390,504,500	77,500	886,632
1939 (Old Basis).....	12,207,435	928,447	5,375,688

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.

RESULT OF TENDER

West Hampshire Water Company.—The 4 per cent. debenture stock realised £12,626 9s. 7d., average price £105 4s. 4.9d. £55,140 applied for; lowest tender accepted £105 1s.; tenders ranged from minimum price to 107; issue of 4 $\frac{1}{2}$ per cent. preference shares, resulted in average price £11 8s. 7.07d.; total applied for 13,079; allotted 3,000; tenders ranged from minimum to £11 11s. per share; lowest tender accepted £11 8s.

Shorter Comments

Company Results of the Week.—An impressive rise in the total profits of PRESSED STEEL COMPANY is reported from £387,780 to £653,427, but net profits are actually slightly lower and the dividend is unchanged at 27 $\frac{1}{2}$ per cent. A further batch of rubber company reports shows consistent improvement in estate profits, distributable earnings and dividends. In the tea group, NUWARA ELIYA, which is one of the highest grade growers, shows an increase in total profits from £52,731 to £57,673. Net profits after depreciation are slightly lower, but the dividend has been maintained at 11 per cent. Among industrial companies BRITISH MATCH CORPORATION reports rather lower net profits at £341,269, though trading profits and the 7 $\frac{1}{2}$ per cent. dividend have been maintained.

Industry and Trade

Unemployment Below a Million

Between March 11th and April 15th the number of registered unemployed in Great Britain fell from 1,121,000 to 973,000; this is the lowest level reached since 1920. As in March, the decline exceeded the normal seasonal movement, and *The Economist's* index of unemployment, given in the table on page 880, fell from 54.7 (1935 = 100) to 48.1. The reduction in unemployment was fairly widespread; it affected all the administrative divisions and the majority of industries. But, as the following table shows, it was most marked in the industries not directly engaged in the manufacture of munitions, though engineering and metal goods manufacture also registered further declines:—

FALL IN UNEMPLOYMENT BETWEEN MARCH 11TH AND APRIL 15TH
(Industries chiefly affected)

	Number
Building	31,965
Distributive trades	19,422
Agriculture, horticulture, etc.	16,717
Hotel, boarding-house, etc., service ..	9,323
Public works contracting	7,895
Coal mining	6,294
Local government service	5,006
Entertainments, sport, etc.	3,864
Metal goods manufacture	3,520
Furniture making	3,455
Dock, harbour, etc., service	2,823
Engineering, etc.	2,786
Printing and bookbinding	2,569
Road transport	2,492
Brick and tile making	2,362
Dressmaking and millinery	2,361
Tailoring	2,176

Despite the sharp decline since February, however, the number of registered unemployed on April 15th was only 259,000 smaller than on August 14, 1939. Since then, on Mr Ernest Brown's own showing, 1,700,000 men have been registered for calling-up or for reservation, while more than 300,000 have joined the Colours as volunteers. In sum, in spite of the reduction in the number of registered unemployed, the number of persons actually at work on the home front is still appreciably smaller than before the war.

Dearer Coal

Since the outbreak of the war the central selling bodies of the coal-mining industry have been periodically authorised by the Mines Department to revise their price schedules to meet the rising cost of production. The most important revision took place last November, when, mainly to meet the cost of a war wage advance of 8d. per shift to adults and 4d. per shift to boys, prices were increased by 1s. per ton in England and North Wales and by 1s. 4d. per ton in South Wales. At the same time, prices for long period inland supply contracts containing no war clause were raised by 1s. per ton. Two instalments since January 1st this year brought the war wage increases up to 1s. 5d. per shift for adults and 8½d. for boys. Moreover, stores and materials have become dearer, particularly pitwood. In the South Wales coalfield the cost of timber is regulated by a local regional organisation and supplies are derived almost exclusively from France and Portugal. Owing to the closing of the Baltic, the English and Scottish coalfields have been compelled to rely to an increasing extent on Canada and Newfoundland, and the heavy freight cost is met from a pool to which the English and Scottish colliery owners contribute a levy of about 5d. per

ton of coal produced. Further, since May 1st the delivered and f.o.b. prices of coal have had to bear the burden of the 10 per cent. increase in railway charges. To meet these additional costs the Mines Department authorised increases of 8d. per ton for inland supply and 1s. per ton for export from May 2nd, and for the first time the principle of differentiation between different grades of coal was applied. Thus, the price of South Wales anthracite has been increased by 1s. per ton for inland delivery and by 2s. per ton for shipment. The ascertained under the district wage agreements have not been published since the war, but there is reason to believe that during the March quarter the pithead proceeds per ton were about 2s. higher than at the outbreak of the war; while the Board of Trade index of coal prices for March was 14.3 per cent. higher than in August, 1939. It is noteworthy that the increase in prices took place at a time when they are normally reduced in order to encourage the accumulation of stocks during the summer, which is now vital as a precaution against a recurrence of a shortage of supplies in winter. In any case, the maintenance of coal production during the summer at the winter level is vital if the total output is to be increased without an addition to the industry's labour force. Rumour has it that Lord Portal, the chairman of the Coal Production Council, has come to the conclusion that a substantial increase in the industry's labour force will be required in order to expand output. In view of the need to economise man-power, nothing but a complete lack of imagination could suggest this way out, except as a last resort.

Steel Supplies and Scrap Prices

The latest reports from producing centres suggest that the supplies of raw materials for steel-making and of imported semi-finished steel have shown some improvement. As a result of the extension of the war to Scandinavia, the exports formerly made to these countries can now be diverted to the home market, at least temporarily. In 1938, our combined exports of iron and steel to Finland, Sweden, Norway and Denmark amounted to 137,000 tons, valued at £2,261,000. This reduction, however, can scarcely be entered on the credit side, for it reduces our supplies of foreign exchange. On the other hand, Belgium and Luxemburg, who, in 1937, exported 458,000 tons of iron and steel to Finland, Norway, Sweden and Denmark, should be in a position to send larger quantities to this country as a result of the partial loss of their Scandinavian markets. Meanwhile, costs of production in this country were increased further by the 10 per cent. advance in railway freight rates on May 1st and by the rise in coal prices on May 2nd. The price of steel scrap has already been raised (on May 6th) by 6d.-1s. 6d. per ton in consequence of the increase in railway charges. And, needless to say, the pressure for a general upward revision of steel prices has recently been growing.

Difficulties in the Cotton Trade

The month's embargo on sales of cotton piece-goods to the home market expires on May 17th, and much speculation exists in Lancashire on the question of its extension. The Cotton Controller has called for a return of all outstanding orders placed with spinners, of stocks of cotton and waste yarn, and of orders held by weavers and merchants for rayon and cotton piece-goods. These details were to be supplied by May 10th, but it is doubtful if the returns can be completed in so short a time. If the embargo is to be extended, there may be a considerable amount of machinery standing idle, as the total of Government orders and the diminished export trade are not sufficient to occupy all capacity. It is understood that the Controller is considering schemes for the standardisation of certain types of cotton cloth in the hope of stimulating exports. A reduction of prices is urgently needed if sales of textile goods abroad are to be increased, but the tendency in costs and prices is still upward. Operatives in the textile finishing trades have just obtained a further increase in wages, amounting to 2s. 6d. per week for men and 1s. 6d. per week for women; this increase covers some 80,000 workpeople engaged in the dyeing, bleaching and printing of cotton and woollen goods.

Slump in World Petrol Prices

After many months of poor trade, petrol prices on the Gulf export market last week suffered a sharp decline. The price of 68 octane petrol of a representative specific gravity, for example, fell from 5.50-6.25 to 4.625 cents per gallon, the lowest level for twelve months; and for some specifications the fall was even greater. Thus the whole of the rise that took place immediately after the outbreak of war has been lost, and prices are now lower than they were a year ago. The causes of the slump, which, incidentally, was forecast on page 394 of *The Economist* of March 2nd, are not far to seek. So far from increasing, as most refiners had been led to expect, export demand for American petrol has fallen below the previous year's level since the outbreak of the war. Thus, in September-February, the latest period for which statistics are available, shipments, at 75,725,000 barrels, were 7 per cent. smaller than in the same months of 1938/39. Output, on the other hand, has been maintained at a high level throughout the winter—partly in consequence of an unprecedented demand for heating oils, which has forced many refiners to increase their crude oil intake. As an inevitable consequence, stocks of petrol in the United States have been steadily mounting and, at the record level of 102 million barrels, are now some 16 million barrels higher than at this time last year. Though domestic demand has been good, the weakness of the export market is thus readily explained. Nor is there much prospect of an early improvement; for both crude oil production and refinery operations remain excessive. For the Allies, the prospect of the continuance of low petrol prices is, of course, satisfactory. Though there is reason to believe that the British and French Governments have reduced their purchases of American petrol to a minimum, in order to conserve their dollar resources, contracts for the supply of petroleum products are almost invariably based on the Gulf export price, so that any reduction there brings an immediate advantage to the importer from other countries. Last week's price reduction may also benefit the British motorist, for a fall of one cent per gallon at the Gulf is almost exactly equivalent to a decline of ½d. in the British import price. Assuming, therefore, that the current price on the British market is sufficient to provide the Petroleum Board with a profit margin, the decline in the world market price should justify a reduction of ½d. per gallon in the price of "pool" petrol in this country.

Molybdenum in War

Although molybdenum has been known as a metal since 1782, its use was confined until the Great War to parts of electric lamps and electric furnaces. During the war Germany used the limited Norwegian supplies as a substitute for tung-

sten in steel alloys, and this practice was widely followed after the discovery of the huge deposits in Colorado. In 1937, the United States produced about 438,000 cwts. of molybdenum (in terms of metal); Norway's production amounted to some 11,000 cwts., and small amounts were also produced in Mexico, French Morocco and Peru. The American output fell noticeably in 1939, as operations were restricted from April to September, in order to check the steady increase of stocks, but since the war both output and sales have again been increased. Exports of molybdenum (in terms of ore and concentrates) in 1939—the first year in which this item was separately distinguished in the American trade returns—amounted to 389,000 cwts., valued at more than 14 million dollars, but no details are given as to the destination of these exports. In 1937, Britain and Russia were the main importers of molybdenum ore, while Belgium had a considerable export from imported ore. Molybdenum has been included among those commodities whose export from the United States to aggressive countries is subject to a moral embargo, but consumption both by the United States and by the Allies is likely to be sufficiently large to make good any loss in other markets.

Norway's Water Power

The total useful water power resources of Norway are reckoned at 12 million kilowatts, or almost half of the hydro-electric power of the United States. At the beginning of 1938, Norway had 2,715 power plants with a rating of nearly 2 million kw.; 36 of these plants accounted for two-thirds of the power capacity. More than 80 per cent. of the total developed water power is situated in the districts south of Ramsdalen and Dombaas, which are now in German occupation, and further extensions were being made. It was proposed to erect five new sets of 25,000 kilowatts each which were to supply more power for Norwegian industries and also to provide power by two lines from Southern Norway via Denmark to Northern Germany. This additional power could be of great assistance to the overburdened German electrical system, but such an undertaking would require many months for construction. Norway's electric power has been developed partly by the State and by private companies, but local authorities account for about one-third of the power already available. The biggest individual producer (and consumer) of electricity was the chemical combine, Norsk Hydro, operating six plants aggregating 348,000 kw. State-owned plants provided about 250,000 kw., but one of these plants was also partly owned by the Oslo municipality. The disruption of the transmission system in the battlefields of southern and central Norway must seriously affect the efficiency of local industries.

COMMODITY AND INDUSTRY NEWS

THE tension in the Mediterranean brought a rise in the prices of various commodities, notably rubber, tin and linseed. Cotton prices are lower both in Britain and the United States, as shipments between these two countries have fallen off.

Cotton (Manchester).—Raw cotton is slightly cheaper, after considerable fluctuations in its price. Trade is generally uncertain and supplies of yarn are still hard to find. The sale of piece-goods has been very difficult. The embargo on home sales for a month has brought some fall in the prices of certain cloths. The export trade is still most unsatisfactory; prices remain excessive and the system of priority certificates is working very irregularly.

RAW COTTON delivered to Spinners				
Variety ('000 bales)	Week ended		From Aug. 1 to	
	Apr. 26, 1940	May 3, 1940	May 5, 1939	May 3, 1940
American	30.0	29.5	793	1,125
Brazilian	3.3	2.6	233	220
Peruvian, etc.	4.2	4.6	97	173
Egyptian	12.3	16.0	262	306
Sudan Sakel	1.6	3.0	108	119
East Indian	6.6	10.7	336	327
Other countries	6.4	1.7	144	131
Total	64.4	68.1	1,973	2,401

Source: Liverpool Cotton Association's Weekly Circular.

Metals.—The United States price for lead declined by 10 points to 4.85 cents per lb. this week; buying is now well below the country's production, which is slightly below 50,000 tons per month. Other prices were not altered in spite of easier conditions.

Tin.—In London, the price of standard cash tin improved by £2 to close at £255 per ton, while the backwardation continued to contract. At times there was very heavy demand on both sides of the Atlantic, a direct result of the improved American consumption and of the tension in the Mediterranean. British warehouse stocks rose from 1,376 tons to 1,977 tons this week, so that stocks have nearly doubled within a fortnight, a direct proof of high smelter activity.

TINPLATE PRODUCTION: PERCENTAGE OF S. WALES' CAPACITY IN OPERATION

Week ending	1939		1940
	Apr. 27, 1940	May 4, 1940	
March 23	56.29	72.71	
" 30	51.68	70.90	
April 6	59.69	72.76	
" 13	56.71	73.62	
" 20	56.96	72.93	
" 27	53.97	63.17	

Grains.—Good conditions in the American spring wheat area and somewhat better reports of the winter wheat

(Continued on page 880)

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From ('000 quarters)	Week ended		From Apr. 1 to	
	Apr. 27, 1940	May 4, 1940	May 6, 1939	May 4, 1940
Argentina	405	328	1,560	1,704
Atlantic America	30	21	272	137
Danube Region	22	59	386	177
S. & E. Africa	75	155	139	479
Indo-China, etc.	15	11	137	63
Total	547	574	2,494	2,540

Source: The Corn Trade News.

WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week ended		From Aug. 1 to	
	Apr. 27, 1940	May 4, 1940	May 6, 1939	May 4, 1940
N. America	568	616	23,109	20,459
Argentina and Uruguay	374	535	8,831	16,262
Australia	...	...	9,509	14,546
Russia	...	...	4,488	114
Danube and district	137	154	7,665	5,631
Other countries	...	...	1,578	345
Total	1,079	1,305	55,180	47,357

* Unobtainable. † Shipments up to Jan. 31, 1940. Source: The Corn Trade News.

FAMOUS SINCE 1795

OTARD'S

COGNAC BRANDY

COMPANY MEETINGS

LONDON AND LANCASHIRE INSURANCE COMPANY, LIMITED

GRATIFYING RESULTS OF A DIFFICULT YEAR

WAR RISK PROBLEM

SIR FREDERICK PASCOE RUTTER'S REVIEW

The seventy-eighth ordinary general meeting of shareholders of the London and Lancashire Insurance Company, Limited, was held, on the 8th instant, at the company's chief administration offices, London.

Sir Frederick Pascoe Rutter, Governor and chairman, presided.

Mr G. Albert Rutter, secretary, read the notice convening the meeting and the auditors' report.

Sir Frederick, in his speech, said: How does the war, in which we are again fighting to the death, not only for the continued existence of our Empire, but for the root and basic principle of democracy, affect this company? It has naturally had its influence upon us, with constant anxieties and puzzling questions, constituting a severe task upon our officers, who have had to consider, often in conjunction with the Government, what steps we should wisely take; whether, for instance, any scheme could be devised which would provide protection for buildings and property against war risks. It was quite impossible for companies to contemplate with equanimity such a liability which might in any 24 hours have become so tremendous that scarcely any company could have survived. The Government looked at the matter very much in the same light, and whilst the enormous possible liability could not be ignored it has so far been held in suspense.

The other aspect of the war risk problem on land relates to commodities. In the Government scheme for their insurance against war risks the insurance companies willingly undertook to act as Government agents without remuneration on other than out of pocket expenses, and the premium rate of 5s. per cent. per month is entirely the concern of the Government, as to which we are not consulted. The correct rate for war risks is quite speculative and dependent upon varying circumstances.

INSURANCE AND THE NATION

There arises the larger question of the place of insurance in our national economy. The need for an increase in our export trade has been more and more realised; it is a paramount necessity. A war of such magnitude must cause a vast increase in our imports which can only be paid for by exports or by drawing on our overseas capital. The importance of our invisible exports in the national balance sheet is thus emphasised and enhanced. The question is not only the profits we earn on our world-wide business but also the volume of our foreign investments and the interest earned on them, and the encouragement and help given to British trade overseas by the security of British insurance. The Government may rely on the initiative and enterprise of insurance companies to maintain and increase this national asset, and I welcome the ready and sympathetic help we have experienced from them, indicated particularly by the specific statement of the Chancellor of the Exchequer that the fullest arrangements have been made to enable British insurance companies to carry on their overseas business without impediment and to meet claims by Allied neutral or British claimants, whether expressed in sterling or in foreign currency. I have no doubt we may count on the Government's continued cordial co-operation.

UNITED STATES

A word about the United States, which is every year a predominant consideration. So far as fire and accident business were concerned, the outcome was not satisfactory, for contrary to our general experience in America it was a year when several factors intervened to diminish its prosperity. But our marine business very nobly maintained its usual high standard. As I have so often reminded you, the strength of British insurance has been fortified and helped by our association with the United States. It stands to-day as a valuable buttress to our international stability.

FIRE AND MARINE DEPARTMENTS

The fire department has again demonstrated the high quality of our underwriting. At home and throughout the general foreign field, excluding U.S.A., our result was quite up to the standard. The accident department showed a welcome improvement all over the world, again excluding U.S.A. Neither from motor cars nor workmen's compensation do we expect high ratios of profit, and with the liabilities placed on motorists to-day it is only by careful selection we come out on the right side in this department. Workmen's compensation insurance, always conducted on a narrow margin, showed an improvement.

In the marine department the premiums show an increase of £233,615—entirely accounted for by war risk premiums. Naturally on the outbreak of war the demand for this protection was intensified. That demand has been met by the various Government war risks schemes and by the marine market, so far with reasonably satisfactory results. On the other hand ordinary marine business has been rendered more difficult during the year because of war conditions, to meet which some increase in rates for both hulls and cargoes has been obtained. Under present circumstances we cannot look for more than very moderate profits on our normal marine account.

GRATIFYING RESULTS

Summarising our actual underwriting results I am glad to say the total has turned out in such a year better than I had anticipated. There is an increase in our fire income premiums mainly from our Empire of £88,681. On the other hand, there has been a reduction in our accident accounts of £90,468, approximately half due to motor cars, and the other half to our U.S.A. business.

The profit accruing from these three departments is respectively £267,695 for the fire; £104,711 for the accident; and £140,628 for the marine. Taking all the figures in the aggregate we showed an increase of premium income of £231,828; a profit of £513,034 as compared with £434,257 in the previous year; and after deducting income tax and N.D.C. a net underwriting surplus of £341,924 as compared with £286,574.

I may be wrong, but I think we are entitled to regard this result in the abnormal circumstances through which we have been passing as quite a satisfactory contribution to that record which this company has built up. (Applause.)

The interest for the year, less income tax, is £439,095 against £481,363 last year. This reduction is, of course, explicable by the heavily increased income tax, which we do not grudge, recognising the necessity for all of us to contribute our share to financing the war. The dividend on the other hand, whilst remaining at the same figure at which it has stood for a number of years past, costs the company less because, conversely, of the greater income tax.

LARGE INCREASE IN BALANCE CARRIED FORWARD

The net result, therefore, is that whilst the balance brought forward from 1938 was £2,880,128, the balance now carried forward is £3,127,938—eloquent evidence that 1939, with all its trials, has yet substantially enhanced the financial strength of the company. At this moment the value of our investments as compared with the figures which passed through our books is much larger than it was last year, taking into account the present value of our American investments consequent upon the rise in the value of the dollar.

I wish to bear testimony to the willing and loyal manner in which the staff have responded to the special calls made upon them to assist the company and their country, and to the excellent supervision and guidance evidenced by their officers, who have tactfully met the difficult circumstances and worked with the great body of our employees as one man. (Applause.)

The report was adopted.

SCOTTISH UNION AND NATIONAL INSURANCE COMPANY

OPERATIONS IN WARTIME

DEPARTMENTAL RESULTS

MR ERSKINE JACKSON'S REVIEW

Mr G. Erskine Jackson, O.B.E., M.C., chairman, presided at the one hundred and fifteenth annual general meeting of the shareholders of the Scottish Union and National Insurance Company, held at Edinburgh, on the 8th instant.

In moving the adoption of the report and accounts for the year 1939, he stated:—

LIFE DEPARTMENT

The gross life business in sums assured was £1,459,391, against £2,921,386, the net figures being £1,365,089 and £2,539,368 respectively. The number of new policies was 2,489 against 3,622. The decrease in sums assured is due partly to a change in the procedure in this company and partly to circumstances affecting life offices. In common with a number of other offices, our life premium rates were increased in consequence of the imposition of higher income tax involving a lower net interest yield on new investments. The higher rates of income tax in the April Budget and lower interest yields have involved still further revision of our non-profit premium rates.

Life premiums at £833,982 are down by £7,164. Premium income, however, was very well maintained up to the outbreak of war, but after that date began to decline owing to the increasing number of surrenders and the falling away of new business.

The premiums under new policies amounted to £50,396, showing a reduction of 27 per cent. as against reduction of 31 per cent. in the new net sums assured. The average premium of the 939 new business was £3 13s. 10d. per cent. compared with £3 9s. 3d. per cent. in 1938. These figures show the result of the higher percentage of the more solid business which is now being transacted.

FURTHER REDUCTION IN CLAIMS

Following a reduction of £38,263 in 1938, the year 1939 showed a further reduction of £18,207 in the claims by death, which amounted to £394,410. It may be mentioned that there were no claims which had occurred as a consequence of the war. Matured endowments reached a total of £504,324, being an increase of £131,973. Full provision had, of course, been made for the whole amount. The fact that the increase in the life fund is only £53,000 is partly due to the maturing of this large volume of endowment assurance effected in the peak life assurance years 1919 and 1920, following the close of the last war. Considerations for annuities at £45,388 were down by £12,820. The net annuity payments were down by £4,449.

The net life interest is £409,829, which is £32,665 less than the 1938 figure and represents a yield of £3 9s. 2d. per cent. net and £4 10s. 7d. per cent. gross. The item of commission amounting to £39,146 is lower by £7,783. Expenses at £90,121, or 15.5 per cent. of the life premiums, are lower than in 1938 by £22,028.

FIRE DEPARTMENT

I have now to report upon the fire account, from which you will notice that the premiums for the year are less by some £15,612. This drop in fire income has in a large measure been due to the falling-off of revenue from America, the causes being very similar to those which ruled some twelve months ago. The fire loss experience in this part of the world has been consistently good for a number of years and we believe that this has been the experience of most offices. This feature, however, becomes one of the causes for premium concessions resulting in a drop for which new premiums have not been able fully to compensate. The loss experience at home and overseas was generally satisfactory, there being a slight improvement in the loss ratio at 44.02.

In our 1938 account, American losses were swelled by claims arising out of the serious tornado which did such extensive damage on the New England coasts, but, fortunately, no comparable occurrence took place in 1939. Although our American losses consequently showed a reduction when compared with those of 1938, the diminution in premiums has had the effect of making our loss

ratio for North American business somewhat higher than in the years immediately preceding 1938.

ACCIDENT DEPARTMENT

In the accident department, the results as a whole can be considered more satisfactory than those of a year ago. The small loss in the employers' liability account is negligible, and it is a pity that the picture could not have been completed, as it will be noticed that the other accounts are now showing profits. Particular reference is made to the miscellaneous account in which is embodied the medical indemnity section. It was suggested last year that we might consider setting aside one sum for the future of this business. Having the experience of another year before us, with a further substantial reduction in liability, it is considered that in combining the miscellaneous account special reserve with the sum regularly set aside for outstanding claims, we have made ample provision in all the present circumstances.

In regard to the motor section, we have made a profit on our home business, but we have suffered somewhat of a setback from our overseas trading. This position has our attention and will be righted during the course of the current year. Apart from this, there is a tendency towards steadily increasing motor claims due to war conditions. Although increasing vigilance in the selection of our business is being exercised, it is extremely difficult to combat losses due to war conditions, particularly with regard to the "black-out." During the earlier part of the year much was done towards the reorganisation of our accident department, but these efforts have been retarded to some extent by the state of affairs which has prevailed since September 3rd. We are doing everything possible under the circumstances as they exist to improve this account.

MARINE DEPARTMENT

The trading of our marine department has been conducted most efficiently under very trying conditions. New problems of marine underwriting are of almost daily occurrence and demand the utmost skill in solution. The year 1938 gives promise of satisfactory results, and we hope that 1939 will yield a reasonable profit. Premium income shows an increase of £89,500, and claims are about £1,000 more. Expenses of management, including foreign taxation, are nearly £800 higher. The underwriting fund increased to £519,521. No transfer to profit and loss is made this year, as it is considered advisable to increase the marine fund. Such profits as have been made are included in the above figure.

PROFIT AND LOSS ACCOUNT

Referring now to the profit and loss account, there is a small increase in interest dividends and rents at £71,400, while the departmental profits, less the loss of £141 on the employers' liability account, total £139,539. Allowing £300,000 for the transfer to shareholders' capital, £68,198 for imperial and foreign taxes, and £40,808 for expenses not charged to other accounts, there is a balance of £284,372. Since the outbreak of war the Government has taken steps in the national cause to maintain interest rates at a low level. In this and in other directions this company will have to bear its share of sacrifice in the struggle to produce order in international relationships. The present circumstances warrant a policy of caution, and it is therefore proposed to pay dividend at the reduced rate of 5s. 6d. per "A" share and 20s. 7½d. per "B" share.

BALANCE SHEET

Examination of the balance sheet figures shows that the total assets of the company at £17,522,948 have increased during the year by £191,620. The market value of the stock exchange securities as at December 31, 1939, is in the aggregate in excess of the balance sheet figures.

The report and accounts were adopted.

THE MIDLAND EMPLOYERS' MUTUAL ASSURANCE LIMITED

CONTINUED PROGRESS

ASSETS EXCEED £2,000,000

Presiding on the 3rd instant, at the forty-first annual general meeting in Birmingham, the chairman, Lieut.-Colonel J. Beaumont Neilson, C.M.G., D.S.O., C.A., said: The accounts of the year 1939 are not directly comparable with the previous accounts in that the latter covered a period of fifteen months. The following points, however, are worthy of comment.

The premium income, less reinsurances, for the year 1939 amounted to £1,281,760, and showed a satisfactory increase over the corresponding twelve months of 1938. The expenses of management at £139,070, and commission at £64,932, remain substantially the same in relation to premium income at approximately 11 per cent. and 5 per cent. respectively.

Expenditure in connection with claims amounted to £1,001,137 during the year. The cost of lump sum settlements has continued to increase, more particularly in common law cases. In estimating the liability in respect of outstanding cases as at December 31, 1939, this factor has been borne in mind. Since these estimates were prepared, however, the question of compensation to workmen has been materially affected by proposed legislation. One of the proposals is that the supplementation of compensation shall not be limited to cases of accident occurring after the proposed legislation comes into force.

The revenue account of the year 1939, after crediting net income from investments, shows a surplus of £35,553. This compares with the surplus for the fifteen months to December 31, 1938, of £47,116. The surplus for the year, together with the amount brought forward from last year of £3,295, gives a total of £38,848. From this total there has been deducted expenditure on air raid precautions, £1,621; an amount in respect of leasehold buildings, etc., £7,836; and the sum of £6,000 which has been transferred to investment reserve. There remains a balance of £23,391, and out of this there is recommended a dividend of 10 per cent. per annum, free of income tax, in respect of the year ended December 31, 1939. The dividend will absorb £859, and leave the sum of £22,532 to be carried forward to 1940, subject to excess profits tax (if any).

In recommending the dividend the directors have not lost sight of the appeal by the Chancellor of the Exchequer regarding voluntary restriction pending the passing of the Finance Act. The work of preparing the warrants for dispatch to-day was well in hand before the Chancellor's announcement, and it is thought that any violation of his wishes is a technical one only, having regard to the small amount involved.

BALANCE SHEET

In considering the assets of the company as at December 31, 1939, there is little variation as compared with a year earlier, with the exception of the increase in investments of some £94,000.

The insurance fund now stands at £1,633,235, which is £69,029 over the previous year's total. In this connection it is encouraging to note that, during a period of increasing employment with consequently more accidents, the number of outstanding claims at the close of the year showed a relatively small rise. This is due to the fact that a large number of old claims was terminated during the year under review.

When dealing with the results I referred to the contemplated new legislation. It is not possible, until fuller details are known, to express a considered opinion on the probable increase in cost to the company in respect of the current year cases, but some authorities put it as not less than 20 per cent. on compensation paid. Some general rating increases will be necessary, but they will be in accordance with the desire of the company to provide for its members insurance at minimum rates by the application of mutual principles.

During the year protection for the staff has been provided on lines laid down by the authorities. The cost has been met out of the revenue balance of the year.

During recent weeks a war savings scheme has been inaugurated for the encouragement of the purchase of War Savings Certificates by members of the staff. This scheme is working well.

I should like to thank the management and the staff for their continued good work in difficult circumstances.

The accounts were unanimously adopted.

NORTH BRITISH AND MERCANTILE INSURANCE COMPANY, LIMITED

SATISFACTORY RESULTS

RECORD LIFE BUSINESS

The one hundred and thirtieth annual general meeting of this company was held, on the 9th instant, in Edinburgh.

The Hon. Robert H. Brand, C.M.G., D.C.L. (deputy chairman), said that at December 31, 1939, the market value of their investments showed a surplus over the figure at which they were taken into their balance sheet, and in the four months since that date there had been a substantial appreciation in market values.

LIFE DEPARTMENT

In the life department the extra rates of premium and the various restrictions necessitated by the existence of a state of war had resulted in a general falling away of new business, but the company had been able to secure one or two exceptionally large blocks of business early in 1939, which more than compensated for the falling off in the closing four months and enabled them to finish with net new sums assured amounting to £5,889,172, the highest figure for new business they had ever recorded. An investigation into the position of the life business had been made as at December 31, 1939, and a satisfactory surplus resulted on the stringent basis employed in the valuation.

Out of that surplus a bonus was recommended at the rate of £1 per cent. per annum for each of the four years covered by the investigation. A large surplus still remained after providing for the cost of the bonus now recommended. In respect of policies which might become claims after December 31, 1939, and before another investigation was made, the directors recommended that an interim bonus be paid at the same rate and on the same principle as that now declared for the past four years, namely, £1 per cent. per annum calculated upon the sum assured and existing bonuses.

FIRE AND MARINE

In the fire department they had experienced a small decline in premium income of rather over 2 per cent., the bulk of which was in respect of business in the U.S.A. and Canada, but their results from all sections of the field were again satisfactory, and whilst not quite so good as in the previous year, they felt that in present circumstances an underwriting profit of £303,207 was one with which they could be well pleased.

All their casualty insurance business was transacted through their allied company, the Railway Passengers Assurance Company, whose accounts exhibited a position which in the present state of affairs might be considered highly satisfactory. The underwriting profit, after making full provision for unsettled claims and unexpired liability, totalled £150,853 as compared with £171,118 last year.

The premium income of the marine department, which was administered by the "Ocean Marine" Company, amounted to £397,574, a figure nearly £100,000 in excess of the income for the previous year. This increase reflected both the higher rates which had been obtained on Hull business during the year, and the greater volume of war risk premiums received during the closing months. They were transferring to profit and loss account £40,000 from the profit of past years which were now closed, and they were satisfied that the reserve for 1938 and previous years was amply sufficient to provide for all outstanding claims in respect of these years.

Following a long series of favourable years, culminating in a record profit in 1938, the "Fine Art and General" produced in 1939 less satisfactory results than those which they had become accustomed to expect from it. Premium income was well maintained at £357,109 compared with £360,055 in the previous year, but claims in the fire, motor car and workmen's compensation departments were unusually heavy, with the result that the profit emerging was restricted to £22,328, being 6.25 per cent. of the premium income.

The aggregate balance carried forward, subject to dividend, was increased by £123,744, to £7,102,811. The directors recommended a dividend of 6s. 3d. per share, less income tax, one-half payable on May 15th, and the other one-half on November 11th. On the whole, the trading results for the year could be regarded with satisfaction.

The reports and accounts were unanimously adopted.

GUARDIAN Assurance Company Ltd.

ANNUAL GENERAL MEETING—

6th MAY, 1940

Extracts from

COLONEL LIONEL H. HANBURY'S Speech

LIFE DEPARTMENT
QUINQUENNIAL VALUATION

After strengthening valuation bases and setting aside special contingencies reserve of £150,000, proposed to distribute out of the profits of the Quinquennium £605,000, of which proprietors' share is £60,500, the balance being divisible amongst with-profit policyholders by way of reversionary bonuses at a minimum rate of one per cent. per annum calculated on sums assured and existing bonuses and at somewhat higher rates in certain groups to keep in line with method of distribution previously employed. Balance of profit carried forward, £121,000.

FIRE DEPARTMENT

After provision for unexpired risk on basis of 50 per cent. of premium income, surplus in the Account £114,000, which had been transferred to Profit and Loss Account.

ACCIDENT AND GENERAL DEPARTMENT

Surplus on the Account transferred to Profit and Loss, including a special reserve of approximately £30,000 no longer required, amounted to £123,000.

MARINE DEPARTMENT

Profit in respect of 1938 Account of £14,000. After the settlement of claims and expenses in 1939 and the transfer of £5,000 to Profit and Loss, the fund stood at £572,000, equal to 185 per cent. of the premium income for the year.

The premium revenue in the Fire, Accident and General and Marine Departments considerably affected by the non-inclusion of the accounts of the Albingia Insurance Company, of Hamburg, and the discontinuance of other German business.

VALUE OF INVESTMENTS

Value of stock exchange securities at middle market prices at 31st December last, less accrued interest, exceeded the amount at which they stood in the Balance Sheet. The value of holding in the "Albingia" had been completely written off.

PROFIT AND LOSS ACCOUNT AND APPROPRIATION

£25,000 had been transferred to the Staff Pensions Fund, £17,000 to write off certain securities, and £61,000 to General Reserve, which stood at £1,875,000.

A dividend was declared of 11s. on each Ordinary share, leaving a balance to be carried forward of £117,000, as compared with £109,000 at the end of the previous year.

ALL THE PRINCIPAL CLASSES OF INSURANCE
TRANSACTIONED

ALSO

TRUSTEE & EXECUTORSHIP BUSINESS

Head Office:

68 King William Street
LONDON, E.C.4

LEGAL & GENERAL ASSURANCE SOCIETY LTD

ESTABLISHED 1836

LIFE AND SINKING FUND POLICIES
FOR SUMS ASSURED OF OVER

£15,000,000

WERE EFFECTED DURING 1939

At the Annual General Meeting held on May 7, the Chairman, Mr. Ernest E. Bird, gave the following details from the Report:

NEW LIFE POLICIES ISSUED	16,557
TOTAL NET NEW SUMS ASSURED	£14,409,077
NET NEW LIFE SUMS ASSURED	£13,671,288
AMOUNT RECEIVED by way of CONSIDERATION for IMMEDIATE ANNUITIES	£868,853
NEW DEFERRED ANNUITIES EFFECTED	£644,195 per annum
NET NEW LIFE PREMIUM INCOME	£735,136
NET FIRE AND ACCIDENT PREMIUMS	£582,101
TOTAL INCOME FROM ALL SOURCES	£8,477,411

ASSETS NOW EXCEED
£50,000,000

A copy of the Annual Report and Accounts for the year ending 31st December, 1939, will be sent on request.

Chief Administration:

188 FLEET STREET, LONDON, E.C.4

Branches and Agencies throughout the World.

General Manager: VERNON E. BOYS

AMALGAMATED METAL CORPORATION, LIMITED

POSITION UNDER WARTIME CONDITIONS

MR HENRY GARDNER'S STATEMENT

The eleventh ordinary general meeting of Amalgamated Metal Corporation, Limited, was held, on the 1st instant, in London, Mr Henry Gardner (deputy chairman) presiding.

The Chairman, in the course of his speech, said:—"The directors' report gives you full information regarding investments, profits and the proposed distribution, with comparative figures for the previous year. At that time we had stocks instead of cash. In 1939, after the outbreak of the war, we handed over our metal stocks to the Ministry of Supply at practically pre-war prices, and in consequence we held at the end of the year a considerable proportion of our assets in cash or Government securities.

The note on the German securities in the directors' report gives all the information which we think is advisable at this stage. I can only add to it by saying that the contract under which these shares are deliverable to the Swiss company was entered into in 1930 and was expressly designed to cover the possibility of a war in which Germany and England were opposing belligerents.

I must recall to you that the British Metal Corporation was formed immediately after the last war at the suggestion of the then Government, and that the Government still has the right to appoint a director to the board. It was therefore no surprise that at the outbreak of war Captain Oliver Lyttelton was appointed Controller of Non-Ferrous Metals, under the Ministry of Supply, who also took over the whole organisation of the British Metal Corporation.

EMPIRE'S NATIONAL CONTRIBUTION

The overseas Empire has made a great contribution to the national effort by supplying this country with the whole of her needs in time of war of non-ferrous metals. When I tell you that these supplies have been secured at fixed prices which are approximately equivalent to those ruling in August, 1939, you will realise what a debt of gratitude is owed to the Empire producers. The saving to the nation compared with the last war amounts to a stupendous sum.

Your two constituent companies, who are closely connected with a great many of these producing interests in the Empire, played a useful part.

The British Metal Corporation did not trade after September 1st on its own account, and consequently made no profits for the last third of the year; whilst, of course, in common with the experience of other members of the Metal Exchange, our trade in metals, other than tin, done by Henry Gardner and Company, was reduced to practically nothing.

The British Metal Corporation also received no allowance from the Government on account of its expenses and for its services in running the Non-Ferrous Metals Control. When these payments are made, the revenues of the company in 1940 will receive an additional benefit from payments made on account of expenses incurred and disbursed during the last four months of 1939.

RUBBER

The London rubber market has been free of any control, and it is hoped that this will continue.

Soon after hostilities commenced shipments were disorganised and heavy inroads into stocks for war purposes resulted in some mal-distribution of exports, and for a short time the value of rubber for near delivery went to a premium. The highest price paid was 1s. 1½d. The rate of release of exports in the Far East, however, has been raised to an 80 per cent. basis, and, provided no serious interruptions occur to cargoes on the high seas, the general situation should be considerably eased in the near future.

World consumption is probably running at a level which will necessitate the continuance of the present rate of release of exports, and it is reasonable to expect that the price will not fluctuate very much from its present level of 11d.

I now beg to move:—"That the directors' report, balance sheet, and profit and loss account for the year to March 31, 1940, as now presented, be and are hereby approved and adopted, and that a dividend of 7 per cent., payable less tax in respect of the year to March 31, 1940, upon the ordinary shares of the corporation, be and is hereby declared payable on May 15, 1940, to the members now on the register."

Colonel the Hon. R. M. P. Preston, D.S.O., seconded the motion and it was carried unanimously.

SPILLERS LIMITED

SATISFACTORY TRADING RESULTS

POSITION UNDER GOVERNMENT CONTROL

The Rt. Hon. Sir Malcolm A. Robertson, chairman of Spillers Limited, presided at the annual general meeting of the company, on the 8th instant, at the Hotel Victoria, Northumberland Avenue, London, W.C.2.

He informed the stockholders that the directors were unable to lay before them the accounts of the company for the financial year ended on January 31, 1940, owing to circumstances arising out of the war, and in particular by the imposition of a large measure of Government control on the business of the company and its subsidiary and associated undertakings.

EFFECT OF THE WAR ON THE INDUSTRY

Immediately upon the outbreak of war orders were issued by the Government that as from that date the import of all wheat and grain to the United Kingdom would be undertaken by the Government and that the manufacture of all flour other than that coming within certain special categories should conform to a common standard as laid down by the Government; and, further, that the selling prices of all flours and animal foods should be in accordance with those laid down by the Government from time to time. Those regulations were of the most far-reaching character and represented in effect the complete control of the greater part of the company's business.

The effecting of appropriate arrangements between the milling industry and the Government, whereby the position and earning power of an industry so essential to the national needs should be safeguarded, was a question of first importance and one of great anxiety to the directors. In that connection negotiations were still proceeding and it would not be proper for him to make any further reference to the matter beyond saying that a special committee of the industry on which the company was represented was prosecuting the matter with the utmost zeal, and the stockholders could rest assured that everything possible would be done to safeguard their interests.

DIVIDENDS MAINTAINED

The trading results of the company from the commencement of the financial year to the outbreak of war were wholly satisfactory, but owing to the impossibility of preparing final figures in respect of the period between the outbreak of the war and the close of the financial year, it would be necessary to adjourn the meeting *sine die* for the future reception of the accounts. The directors were, however, satisfied that the results for the year as a whole had been sufficiently favourable to enable them to recommend the payment of dividends in respect of the year ended January 31, 1940, at the same rates as those for the previous year. Every effort would be made to expedite the production of the final accounts, but that, of course, would be dependent upon the time which it took to conclude the negotiations with the Government. In those circumstances it might be necessary to summon an extraordinary general meeting in order to alter the company's articles of association, under which, if the accounts were made up to January 31st, they must be laid before the stockholders within six months of that date.

It would be wise to postpone any remarks in relation to the detailed conduct and position of the company's business until the stockholders were in possession of the final accounts.

In the meantime it would be realised that the abnormal conditions at present ruling made the conduct of any business, particularly one subject to Government control, fraught with anxiety and difficulty. Insofar as it was possible, however, the company's position was being well maintained and its resources conserved.

TWO DIRECTORS' GOVERNMENT POSTS

Sir Norman Vernon, who had been intimately concerned for a considerable time before the war with the Food Defence Plans being made by the Government against possible emergency, was now fully engaged in a high capacity at the Ministry of Food, where he was a member of the Cereals Control Board and Vice-Chairman of the Flour Mills Control Committee.

Mr A. F. Forbes had been entrusted by the Air Ministry with the highly important and responsible post of Director of Capital Finance, but it had been possible to arrange for his part-time and highly valuable services to be retained by the company.

The Company might be proud that two of their directors had been chosen for important posts for which they were eminently well equipped.

TRIBUTE TO STAFF

A high tribute should be paid to the staff of the company and its subsidiaries for the manner in which they had performed duties always arduous, but now heavily increased as a result of the exigencies and dislocations of war and control conditions. Their task had been made even heavier on account of depletions caused by the loss of 562 employees of the parent company and its subsidiaries who were now serving with H.M. Forces. In that connection it was often overlooked that those who remained engaged in an essential industry were performing services which were equally indispensable to the community. There were many employees of the company, both staff and workpeople, who were anxious to bear arms, but by reason of the wisdom of the regulations concerning industrial reservations, they had been called upon to remain in their present posts. They could be assured that they were serving their country in the manner best adapted to their capacities.

The directors' report was adopted.

RIO TINTO COMPANY, LIMITED

DIFFICULT TRADING YEAR

The sixty-seventh ordinary general meeting of this company was held, on the 3rd instant, in London.

Sir Francis L. Joseph, K.B.E., presided in the absence of Sir Auckland Geddes, the chairman, and read the speech which Sir Auckland had prepared. In the course of his speech, he said:—"In my speech last year I told you that the year 1938 had been an extremely difficult one for the company. It is true to say that 1939 has been even more difficult, for we have had, added to our difficulties in Spain, the effects of the European war.

After dealing with the difficult conditions in Spain, the Chairman said:—"In these days one cannot make any forecast for the future, but at the moment work is proceeding quite normally at Rio Tinto, although in respect of export ore, on a reduced scale. Our shipments of ore for the past year were only 820,000 tons, as against 1,283,000 tons in 1938. This falling off was chiefly due to the fact that, since May, 1939, we have made no shipments of ore to Germany, normally our largest customer, nor to any of those countries which she has overrun and subjugated. No copper produced at Rio Tinto has been exported to any country during the year under review because it was all required in Spain.

I hope that this precise statement, added to previous denials, will stop the circulation of the falsehood that Rio Tinto was supplying the Nazis with 35,000 tons of copper ore per month. This lie was presumably designed to suggest that the directors of the Rio Tinto Company are so lost to all sense of decency that they would help the mortal enemy of their nation.

The balance carried to the appropriation account is £227,000, which is some £5,000 less than last year, and I hope you will consider this not unsatisfactory.

As the final preference dividend now recommended by your directors represents once again a division not of trading profits but of investment income it carries the rate of Dominion income tax relief received thereon. As this could not be calculated at the time of the payment of the interim dividend, it is accumulated in the final dividend and amounts to 4s. 7d. in the £.

The report and accounts were 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.

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 Bouverie Street, E.C.4.

LONDON ELECTRIC WIRE COMPANY AND SMITHS, LIMITED

EXPORTS AND COPPER SUPPLIES

The thirty-first annual general meeting of the London Electric Wire Company and Smiths, Limited, was held, on the 9th instant, at the Hotel Victoria, London.

Mr W. J. Terry (the chairman), in the course of his speech, said:—"An outstanding feature of the balance sheet is that the company's total current liabilities amount to £338,517, as against current assets of £1,219,076 and total assets of £2,034,890.

All of your company's factories are working under great pressure in an effort to meet the heavy demands of the various Services and practically the whole of the company's output is now either directly or indirectly connected with the provision of armaments.

The company is taking an active part in the formation of Export Groups connected with our section of the industry as required by the export drive recently initiated by the Government. It must be clearly understood, however, that this country's exports cannot be divorced from imports, and it is imperative that plentiful supplies of raw material are made available to give effect to this export movement in order to maintain and extend our position in world markets and to obtain the required currencies.

Trade agreements and export credit guarantees should be extended as far as possible, but these must be supported by an adequate supply of non-ferrous raw materials, otherwise the exports of the electrical industry will be seriously handicapped.

It is essential that key men are retained in industry to supply the needs of the Services and it cannot be over-emphasised that there must be ample supplies of non-ferrous raw materials to meet both home and export demands. Buffer stocks of such materials which would constitute an unshrinkable national asset could be secured at a relatively small cost when compared with the enormous total sum expended daily for armaments purchased from overseas. A copper reserve is as essential as a gold reserve.

The report and accounts were unanimously adopted.

F. FRANCIS AND SONS, LIMITED

ENCOURAGING CURRENT BUSINESS

The thirty-ninth ordinary general meeting of F. Francis and Sons, Limited, was held, on the 7th instant, at Southern House, Cannon Street, London.

Mr John Ismay, the chairman of the company, who presided, said:—"With your permission we will take the report and accounts as read. (Agreed.) The large expansion in our profits is due primarily to the satisfactory completion of the building extensions and installation of additional plant referred to at our last annual meeting, which has enabled the company to handle a greatly increased turnover. This increase in volume was continuous throughout the year, and any acceleration during the latter end, subsequent to the outbreak of war, so far as it benefited your company was to a great extent offset by the dislocation which took place during that period to enable us to execute urgent orders of national importance.

Whilst we propose increasing the dividend to the same rate as that paid for the period ended December 31, 1936, being our most favourable pre-war period under the proposed war standard by the Chancellor of the Exchequer, the amount we are distributing is still less than we could have paid for the previous financial year. This conforms to the interpretation which the directors place upon what the Chancellor has said about his proposed new Bill.

After making full provision for tax and other contingencies and bringing up our general reserve to the round figure of £25,000, by transferring to it the sum of £3,551 11s. 8d., we carry forward £16,529 5s., against £14,746 12s. brought in.

With regard to the future, whilst it is dangerous to prophesy what is going to happen, we are pleased to state that our works for the first four months of the present year again show a large increase in turnover over the corresponding period of the previous year, and, unless anything very untoward happens, we can look forward to the results of the present year with every confidence.

The report and accounts were unanimously adopted in the absence of question or comment, and the recommendation of a final dividend of 8½ per cent., making 12½ per cent. for the year, was approved.

A hearty vote of thanks to the chairman, directors and staff closed the meeting.

LONDON ASIATIC RUBBER AND
PRODUCE COMPANY, LIMITED

DIVIDEND OF 10 PER CENT.

At the annual general meeting of the London Asiatic Rubber and Produce Company, Limited, held on the 6th instant, the Chairman, Mr H. J. Welch, said:—

The sale price was the highest obtained since 1928 and was 2d. higher than in the previous year. As, however, the costs were increased by 3d. per lb. and we spent about 1½d. per lb. on purchase of export rights the net increase in profit per lb. was just under 1d. After paying the dividend and making the other allocations proposed to-day, the issued capital will represent £30 13s. 7d. per planted acre, and if you deduct from the capital the net surplus liquid assets amounting to £305,286, you get a net cost per planted acre of £20 12s. 2d. without taking into account the value of our 15,882 acres of reserve lands. The net cost per planted acre is the lowest on record for this company and compares with £41 in 1919.

From the net credit balance of £139,335 the company has paid an interim dividend of 4 per cent. It now proposes to pay a further 6 per cent., to make 10 per cent. for the year, and will carry forward £82,701—a sum slightly larger than that brought in.

This year the heavy amount of £57,500 has had to be reserved to provide for income tax payable in respect of profits made prior to the end of 1939.

Other allocations include £20,000 to general reserve, £1,500 (and a special grant of £778) to the employees' staff retirement fund and £200 to the subordinate staff reserve.

We are replanting 600 acres of old rubber and planting 634 acres of new rubber adjacent to our estates. When this has been done our immature areas will amount to about 4,300 acres, or only 14 per cent. of our total planted acreage. We have made forward sales for 1940 of about 2,000 tons at 10.85d. London equivalent and 9½d. net. Under the dividends limitations proposals of the Budget our maximum distribution permitted during any year will be 12½ per cent.

The report was adopted.

PATALING RUBBER ESTATES,
LIMITED

DIVIDEND 12 PER CENT.

The twentieth ordinary general meeting of the Pataling Rubber Estates, Limited, was held, on the 10th instant, at 19 Fenchurch Street, London.

Mr H. Eric Miller (the chairman) said in the course of his speech: The periodical reports made on our properties by the visiting agents all indicate that the estates are in their usual sound agricultural condition and that the special cultivation programme to which I have made reference on more than one occasion at our annual meetings is thoroughly justifying itself. That special cultivation is being continued, but your board does not feel that by itself it is sufficient to keep Pataling in the front rank of rubber producing companies. Approximately 18 per cent. of our rubber is now 30 or more years old. This rubber is still an economic proposition under present conditions, but it is definitely past its prime, and by comparison with modern high yielding trees is inevitably losing competitive value.

It has therefore been decided gradually to replant the whole of Bukit Blimbing Estate over a period of years and the replanting of some of the older areas on our other estates is under consideration.

The credit balance for 1939 was £55,369, or 18 per cent. on the issued capital. It is necessary to reserve £9,000 to cover the estimated liability for income tax. It is proposed to raise the reserve for cultivation and replacement to £30,000 and to pay a final dividend of 8 per cent., making 12 per cent. for the year. As to the outlook for the current year, it seems certain that the present rate of release will have to be reduced, but even so we shall no doubt account for a larger crop. We have protected the position by entering into forward sales for delivery during 1940 of 1,592,640 lbs. at an average price of over 10½d. per lb. London terms. Costs, I trust, will not be unduly increased. The company is in a sound position and we look forward to presenting a good account a year hence.

The report was adopted.

COMMODITY MARKETS

(Continued from page 873)

crop brought a slight fall in wheat prices in North American markets early in the week, but some of the loss was recovered later. The St. Lawrence is now open to shipping and wheat stored at eastern centres is being moved. The prospects for the European crops has been improved by warm weather, but both acreage sown and winter survival have been diminished by the severe cold. Argentine maize prices are steady, but there is little international trade in barley or oats.

Oils and Oilseeds.—The diversion of British shipping from the Mediterranean is likely to increase the cost of Indian linseed in this country. The new schedule of maximum prices, valid for May, is unchanged except for linseed and linseed oil; the price of the latter was raised by £5 to £47 10s. per ton naked ex mill for large lots. The Ministry of Food is contemplating some control of the prices of English lard.

Rubber.—With the closing of the Mediterranean and the consequent delay in shipping, prices were firmer than in the past few weeks. Standard spot sheet recovered to 11½d. per lb. in London and to 20½ cents per lb. in New York; near futures were advanced even further.

Furs.—The London spring sales, which were held during last week and the beginning of this week, have proved a success. Supplies were better than was expected; demand was keen and offerings were fully absorbed. Most prices were considerably higher than those paid in January, 1940; fox prices were up by 20 to 75 per cent. and those of mink by more than a third.

Export Groups.—The formation of the following export groups has been announced since we last published a list

in *The Economist* of April 27th:—

EXPORT GROUPS

Engineers' Tools.
Gramophone and Gramophone Records.
Heavy Chemical.
Locomotive Industry.
Refrigerating Machinery.
Silo Machinery.
Textile Machinery.

Weighing Machine and Testing Machine Manufacturers.
Woodworking Machinery.
Metallic Bedstead.
Paper Machine Wire.
Photographic Goods.
Pin and Allied Trades.
Railway Brakes and Signalling.
Ships' Bronze Propellers.
Steel Pen.

AVERAGE DAILY VALUE OF RETAIL
SALES AND OF STOCKS IN GREAT
BRITAIN COMPARED WITH A YEAR AGO

	Average Daily Sales			Stocks (at cost) end Mar.
	1940			
	Jan.	Feb.	Mar.	
(a) By Commodities				
Non-Food Merchandise —	%	%	%	%
Piece-goods	+15.3	+20.9	+22.6	+26.8
Women's wear	+5.9	+7.9	+24.1	+19.5
Men's and boys' wear	+0.9	+5.7	+16.8	+25.0
Boots and shoes	+2.6	+5.4	+28.2	+11.2
Furnishing departments	+9.6	+7.4	+2.2	+17.9
Hardware	+4.1	+3.1	+8.3	+15.0
Fancy departments	+5.0	+13.0	+21.6	+23.6
Sports and travel	+12.3	+3.5	+15.5	+12.9
Miscellaneous	+0.5	+4.9	+5.8	+29.7
Total — Non-Food Merchandise	+2.1	+4.7	+17.1	+19.6
Food & Perishables	+5.4	+3.9	+10.0	+31.0
Total — All Departments	+3.8	+4.2	+12.8	+20.4
(b) By Districts				
Scotland	+8.6	+10.9	+12.1	+26.0
North-East	+6.8	+4.8	+11.7	+25.2
North-West	+5.8	+6.6	+12.0	+31.4
Midland & S. Wales	+8.9	+3.5	+10.6	+27.5
South England	+11.5	+12.6	+16.8	+29.2
Central & West End London	+10.9	+10.4	+9.8	+4.9
Suburban London	+1.4	+0.1	+5.4	+15.0

Source: Board of Trade Journal.

UNEMPLOYMENT IN GREAT BRITAIN

Registered unemployed aged 14 and over (incl. agriculture)					Percentage of insured persons (aged 16-64) unem- ployed (incl. agriculture)
Date of Return	Total		Of whom wholly unem- ployed		
	Number	Index, adjusted for seasonal variations			
1939	'000	1935 = 100	'000	%	
Apr. 17	1,644	81.5	1,343	11.1	
May 15	1,492	74.7	1,234	10.1	
June 12	1,350	67.6	1,099	9.2	
July 10	1,256	62.2	1,014	8.4	
Aug. 14	1,232	60.7	968	8.2	
Sept. 11	1,330	65.9	1,052	8.6	
Oct. 16	1,431	70.8	1,222	9.1	
Nov. 13	1,403	69.1	1,213	9.0	
Dec. 11	1,362	68.4	1,171	8.7	
1940					
Jan. 15	1,519	68.8	1,220	9.9	
Feb. 12	1,504	69.4	1,141	10.0	
Mar. 11	1,121	54.7	966	7.4	
Apr. 15	973	48.1	840	...	

Publication of estimates of number of insured persons aged 16-64 in employment in Great Britain suspended in September, 1939; number employed on August 14, 1939, was 12,100,000.

Source: Ministry of Labour.

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week to May 4, 1940, total ordinary revenue was £15,591,000, against ordinary expenditure of £17,040,000 and issues to sinking funds of £250,000. Thus, including all sinking fund allocations, the deficit accrued since April 1st is £160,812,000, against £54,364,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING
REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)			
	Apr. 1, 1939, to May 6, 1939	Apr. 1, 1940, to May 4, 1940	Week ended May 6, 1939	Week ended May 4, 1940
ORDINARY REVENUE				
Income Tax	10,158	16,778	2,096	3,752
Sur-tax	4,080	3,900	500	650
Estate, etc., Duties	7,540	7,800	2,360	1,610
Stamps	1,230	700	40	430
N.D.C.	1,990	1,720	470	400
E.P.T.	170	50	70	...
Other Inland Revenue	...	...	...	...
Total Inland Revenue	25,178	31,138	5,536	6,902
Customs	24,167	25,745	4,574	5,567
Excise	10,362	12,438	684	960
Total Customs & Excise	34,529	38,203	5,258	6,527
Motor Duties	3,872	4,614	862	589
P.O. (Net Receipt)	3,780	2,600	1,660	1,550
Post Office Fund	...	...	...	...
Crown Lands	200	160	...	...
Receipts from Sundry Loans	267	182	208	3
Miscellaneous Receipts	689	838	22	20
Total Ordinary Revenue	68,515	77,765	13,486	15,591
SELF-BALANCING				
Post Office and Broadcasting	5,870	6,200	950	900
Total	74,385	83,965	14,436	16,491

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)			
	Apr. 1, 1939, to May 6, 1939	Apr. 1, 1940, to May 4, 1940	Week ended May 6, 1939	Week ended May 4, 1940
ORDINARY EXPENDITURE				
Interest and Management of Nat. Debt	38,442	38,911	14,559	14,594
Payments to N. Ireland	555	592	277	296
Other Consoltd. Fund Services	357	284	54	...
Total	39,354	39,787	14,890	14,890
Supply Services	82,966	198,211	17,750	42,150
Total Ordinary Expenditure	122,320	237,998	32,640	57,040
SELF-BALANCING				
Post Office and Broadcasting	5,870	6,200	950	900
Total	128,190	244,198	33,590	57,940

After reducing Exchequer balances by £360,672 to £2,499,518, the other operations for the week (as shown below) raised the gross National debt by £41,664,000 to about £9,107 millions.

WEEK'S CHANGES IN DEBT

NET INCREASES (£ thousands)	
War Loan	150
National Savings Certificates	2,400
Defence Bonds	2,075
Treasury Bills	33,793
Other debt	306
Public Department Advances	2,940
Total	41,664

OTHER ISSUES (NET) (£ thousands)	
North Atlantic Shipping	15
Overseas Trade Guarantees	51
P.O. and Telegraph	359
Anglo-Turkish Arms	10
Total	432

OTHER RECEIPTS (NET) (£ thousands)	
Title Act	105
Total	105

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1 to May 4, 1940, are:—

(£ thousands)	
Ordinary Exp.	237,998
Misc. Iss. (net)	3,625
Inc. in balances	105
Ord. Revenue	77,765
Gross borrs.	154,542
Less—	
Sinking fds.	579
Net borrowing	163,963
Total	241,728

FLOATING DEBT

FLOATING DEBT						
(£ millions)						
Date	Treasury Bills		Ways and Means Advances		Total Floating Debt	Floating Assets
	Tender	Tap	Public Depts.	Bank of England		
1939						
May 6	419.0	513.0	42.1	4.5	978.6	555.1
1940						
Jan. 27	811.0	611.3	48.8	...	1501.1	690.1
Feb. 3	811.0	612.4	48.2	...	1501.6	790.6
" 10	806.0	630.1	47.6	...	1483.7	677.7
" 17	803.0	625.9	46.7	...	1478.6	672.6
" 24	801.0	621.9	53.4	...	1476.3	675.3
Mar. 2	791.0	651.0	54.1	...	1496.1	705.1
" 9	776.0	661.6	66.0	...	1506.6	733.6
" 16	761.0	673.6	56.3	...	1590.9	729.9
" 23	746.0	682.8	55.0	...	1583.8	737.8
" 31	731.0	696.7	61.5	...	1439.2	758.2
Apr. 6	716.0	706.3	55.0	...	1477.3	761.3
" 13	701.0	708.4	56.4	...	1365.8	764.8
" 20	686.0	637.5	38.9	...	1362.4	676.4
" 27	675.0	674.1	46.3	...	1395.4	720.4
May 4	675.0	707.9	49.3	...	1432.2	757.2

TREASURY BILLS

(£ millions)						
Date of Tender	Amount			Average Rate %	Per Cent. Allotted	
	Offered	Applied for	Allotted		Minimum Rate	
1939				s.	d.	
May 5	30.0	60.7	30.0	15	11.77	37
1940						
Jan. 26	60.0	112.2	55.0	22	0.32	17
Feb. 2	55.0	108.0	50.0	22	9.86	36
Feb. 9	55.0	108.7	55.0	20	6.11	48
" 16	65.0	106.9	60.0	20	6.15	47
" 23	60.0	112.1	55.0	20	5.74	32
Mar. 1	55.0	108.2	50.0	20	4.81	34
" 8	55.0	98.3	50.0	20	5.30	45
" 15	50.0	99.8	50.0	20	5.28	43
" 22	50.0	100.0	50.0	20	4.92	38
" 29	50.0	99.9	50.0	20	7.76	49
Apr. 5	50.0	94.5	50.0	20	8.33	51
" 12	50.0	90.6	50.0	20	8.16	52
" 19	50.0	111.8	50.0	20	6.87	31
" 26	55.0	115.7	55.0	20	4.98	36
May 3	60.0	113.2	60.0	20	4.81	45

On May 3rd applications at £99 14s. 10d. per cent. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted at to about 45 per cent. of the amount applied for and applications at higher prices in full. Applications at £99 14s. 11d. for bills to be paid for on Saturday were accepted in full. £65.0 millions of Treasury bills are being offered on May 10th.

NATIONAL SAVINGS
CERTIFICATES AND 3% BONDS
SUBSCRIPTIONS

(£ thousands)	
Period	N.S.C. 3% Bds. Total
Week to Apr. 23, 1940	2,227 1,143 3,670
Week to Apr. 30, 1940	2,913 2,142 5,055
23 weeks to Apr. 30, 1940	72,058 68,516 140,574

* Revenue returns show repayment of principal amounting to £12,500,000 in the 23 weeks to April 30, 1940.

BANK OF ENGLAND
RETURNS

MAY 8, 1940

ISSUE DEPARTMENT

(£ thousands)	
Notes Issued:	
In Circul.	543,953,213
In Banking	36,283,515
Dept.	...
Govt. Debt	11,075,100
Other Govt.	...
Securities	565,384,087
Other Secs.	3,090,594
Silver Coin	510,219
Amt. of Fid. Issue	580,000,000
Gold Coin & Bullion (at 168s. per oz. fine)	236,758
Total	580,236,758

BANKING DEPARTMENT

(£ thousands)	
Props. capital	14,553,000
Rest	3,165,871
Public Depts.	33,144,359
Govt. Secs.	139,077,838
Other Secs.	4,520,265
Securities	2

Hield Brothers, Ltd.—Trading profit year to March 31, 1940, £112,379

Investment

TRANSPORT RECEIPTS

British Railways and London Transport Board
Publication of Weekly Traffic Returns is now Suspended.

IRISH RAILWAY TRAFFICS

Company	Aggregate Gross Receipts May 3, 1940 (£'000)			Aggregate Gross Receipts, 18 weeks (£'000)		
	Pass.	Goods	Total	Pass.	Goods	Total
Belfast & Co. Down— 1939	1.9	0.5	2.4	32.5	7.8	40.3
1940	2.6	0.5	3.1	40.7	8.6	49.3
Great Northern— 1939	9.3	10.6	19.9	160.1	183.6	343.7
1940	11.0	12.6	23.6	178.5	206.7	385.2
Great Southern— 1939	36.0	48.8	84.8	539.3	755.2	1,294.5
1940	35.5	51.4	86.9	543.5	795.4	1,338.9

CANADIAN

(For heading, see Overseas Traffic in second column.)

Company	1940	Apr. 30	1939		1940	Apr. 30	1939	
			£	\$			£	\$
Canadian National ...	17	Apr. 30	\$5,620,850	141,337.8	71,040,279	1,539,053.6		
Canadian Pacific	17	Apr. 30	\$3,970,000	107,300.0	47,682,000	8,223,000.0		

† 9 days.

TRANSVAAL GOLD OUTPUT

Statistics for April, 1940 (on basis of £7 10s. 0d. per fine ounce)

Name of Mine and Group	Tons Milled	Output Fine ozs.	Net Estimated Value	Working Costs	Profit	Working Costs Per Fine oz.
Anglo-American Corporation			£	£	£	s. d.
Brakpan Mines	135,000	...	248,898	153,297	95,601	92 5.3
Daggafontein Mines	160,000	...	339,454	156,357	183,097	89 1.6
East Daggafontein	67,000	...	129,703	93,195	36,508	107 10.2
S. African Land and Exploration	107,000	...	221,026	107,815	113,211	73 2.5
Spring Mines	160,000	...	332,450	166,148	166,302	75 0.5
West Springs	91,000	...	151,553	99,237	52,296	98 3.8
Central Mining—Rand Mines			£	£	£	s. d.
City Deep	102,000	23,865	...	45,906	112 1	
Cons. Main Reef	205,000	33,631	...	60,675	114 3	
Crown Mines	328,000	84,015	...	255,095	89 8	
Durban Road, Deep	180,000	34,107	...	65,261	112 3	
East Rand Prop.	220,000	46,353	...	97,014	103 9	
Geldenhuis Deep	68,000	9,362	...	16,102	116 1	
Glyn's Lydenburg	9,800	2,881	...	6,130	107 9	
Modderfontein B. ...	90,000	14,429	...	46,262	86 9	
Modderfontein East	131,000	22,328	...	60,047	96 7	
New Modderfontein	197,000	30,763	...	86,648	94 5	
Rose Deep	82,000	15,968	...	24,615	119 5	
Norose Deep	82,000	13,010	...	18,962	121 2	
Transvaal Gd. Mining	28,100	5,177	...	4,248	131 10	
General Mining			£	£	£	s. d.
Van Ryn Gold	61,000	...	52,431	...	5,002	139 9
West Rand Cons.	230,000	...	317,372	...	128,876	92 2

DIVIDEND ANNOUNCEMENTS

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

Company	*Int. or Final	Total	Payable	Prev. Year	Company	*Int. or Final	Total	Payable	Prev. Year	Company	*Int. or Final	Total	Payable	Prev. Year
RAILWAYS					Associated Equipment	21/2*	May 24	22/2*		Lever and Unilever...	5 1/2	10	...	10
South Indian	21/4*	...	...	2*	Barry and Staines	7 1/2	12/2	12/2		London Trust	9 1/4	14	...	14
BANKS					Bass Ratchiff	15 1/2	May 23	15*		Manbre and Garton	5*	...	...	7 1/2*
Royal of Scotland	17p.a.	...	June 22	17p.a.	Bassett (Geo.)	15 1/2	20	20		Maroc	10*	May 22	14 1/2	
INSURANCE					Benglers Food	7 1/2	20	7 1/2		Melbourne Hart	8 1/2	11	...	11 1/2
Ecclesiastical Insurance	20†	32 1/2	...	32 1/2	Benskin's Brewery	6*	...	6*		Mid-European Cpn.	2 1/2	June 30	24*	
Economic Insurance	20†	...	...	20†	Boots Pure Drug	2 1/2	June 30	24*		Nelson Fincl. Trust	2 1/2	June 14	7 1/2	
TEA AND RUBBER					British Borneo Pet.	10†	...	10†		New River Co.	2 1/2	...	12 1/2	
Bekoh Rubber	...	5	...	3	British Drug Houses	10*	...	10*		Oriental Telephone	7 1/2†	...	11 1/2	
Cheras Rubber	...	8	June 19	...	Brooke Tool	10*	...	10*		Quicktho	4 1/2	...	4 1/2	
Dangan Rubber	2 1/2†	...	...	...	Butler (W.) and Co.	10†	June 1	10†		Radio Rentals	2*	June 1	3*	
Dangua Ihar Tea	...	8	May 28	...	Cellon	10†	...	10†		Raleigh Cycle Hlts.	5*	June 15	5*	
Deafening Co.	...	5	May 28	...	Kelani Valley Rubber	10	...	10		Rio Improvements	5 1/2†	...	5 1/2†	
Do	...	10	...	...	Kepong (Malay) Rub.	7 1/2†	11 1/2	...	4 1/2	River Plate Electy.	5 1/2†	...	5 1/2†	
Do	...	6	...	...	Lawas Rubber	...	...	...	2 1/2	Sec. Merc. Trust	5 1/2†	...	5 1/2†	
Do	...	4	...	...	Nirmala Rubber	...	...	...	2 1/2	Sudan Salt	3 1/2	May 18	3 1/2	
Do	...	5*	May 22	Nil*	Rassak Rubber	...	...	...	5*	Sunam Salt	3 1/2	...	3 1/2	
Do	...	10	May 23	...	Sino Rubber	...	...	...	10	Tabaco (Joshua)	10†	...	10†	
Do	...	10	...	...	Snagbrook Rubber	...	...	...	20	Victoria Wine	12	...	12	
Do	...	20	...	Nil*	Standard Tea	10†	...	...	20	White (J.) Samuel	4*	...	4*	
Do	...	5*	...	...	Tenom Rubber	5*	...	...	Nil*	Wymann and Sons	4	...	4	
MINING					ASHANTI GOLD FIELDS	22 1/2*	June 12	22 1/2*		UNIT TRUSTS	Pence	...	...	Pence
Ashanti Goldfields	22 1/2*	...	June 12	22 1/2*	Mount Lyell	3 1/4*	...	...	...	Brit. Industries (3rd)	4 1/2	May 10	4 1/2	
Do	...	10*	...	...	Scot. Aust. Mining	...	...	...	...	Rubber and Tin	11 1/2†	May 15	11 1/2†	
Do	...	20†	...	...	Sons of Gwalia	10*	June 22	10*	...					
Do	...	10*	June 22	10*	INDUSTRIALS	...	...	...	...					
Do	...	5*	...	...	Adelaide Electric	5*	...	...	5*					
Do	...	5*	...	...	Andersons' Rubber	...	...	...	Nil					
Do	...	2†	July 1	3	Assoc. Biscuit	2†	...	...	...					

* Free of Income Tax.

(v) Also bonus 4-13/9d. per 5s. share less tax.
(w) Also bonus 3d. per 5s. share free of income tax.
(r) Per 50 units.

RALEIGH CYCLE HOLDINGS.—Ordinary interim dividend maintained at 5 per cent.

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, Year 1939			Jan. 1 to May 8, 1940		Name of Security	Price, May 8, 1940	Ch'ge since May 1	Yield May 8, 1940	Jan. 1 to May 8, 1940		Last two Dividends			Name of Security	Price, May 8, 1940	Ch'ge since May 1	Yield May 8, 1940	
High	Low	High	Low	High					Low	(a)	(b)	(c)						
British Funds																		
71 1/8	61	76 1/4	68 1/8		Consols 2 1/2%	76 1/4	+ 2	3 5/8	498	476 1/2	11 1/2	1 1/2	Investment Trusts					
107 1/8	98	110 1/8	103 1/8		Do. 4% (aft. 1937)	110 1/8	+ 1	3 1/2	187 1/2	180	3 1/2	8 1/2	Alliance Trust	490	...	8 8/8 d.		
96 1/8	90 1/8	100 1/2	95 1/2		Conv. 2 1/2% 1944-49	102	+ 1 1/2	2 15/8	188	155	4 1/2	6 1/2	Anglo-Am. Deb. ...	180 1/2	- 3 1/2	6 13/8		
99 1/8	92 1/8	103	97 3/4		Do. 3% 1948-53	102	+ 3 1/2	3 9/8	90	84	2 1/2	4 1/2	Debenture Corp. Stk.	185	...	5 8/8		
99 1/8	87	102 1/4	94		Do. 4 1/2% Dissented	102	...	?	199	177	10 1/2	4 1/2	Guardian Investment...	85 1/2	...	8 3/8		
104 1/4	100 3/4	102 1/4	101 1/8		Do. 4 1/2% Assented	100 3/4	+ 1 1/2	?	187	168	8 1/2	5 1/2	Ind. and Gen. Ord. ...	195	...	6 3/8		
112 1/8	103 1/2	107 1/8	99 1/2		Do. 5% 1944-64	108 1/2	+ 1 1/2	2 12/8	195	174	3 1/2	7 1/2	Invest. Trust Def. ...	185	...	7 0/8		
87 1/4	79 3/4	92 1/4	86 1/8		Fund. 2 1/2% 1956-61	92	- 1	3 0/8	84	80 1/2	3 1/2	7 1/2	Mercantile Inv. ...	192 1/2	...	5 14/8		
93 1/8	87 1/4	98 1/2	92		Fund. 2 1/2% 1952-57	98	- 1 1/2	2 19/8	165 1/2	139	7 1/2	6 1/2	Mercantile Trust Ord.	82 1/2	...	6 17/8		
95 1/8	87 1/4	98 1/2	92 3/4		Fund. 3% 1959-69	98	- 1 1/2	3 2 1/8	175	170	5 1/2	4 1/2	Metropolitan Trust...	174 1/2	...	6 17/8		
109 1/2	100 1/2	113 1/4	106 5/8		Fund. 4% 1960-64	100 1/2	- 1 1/2	2 9/8	22/3	18 10 1/2	8 1/2	8 1/2	Trustees Corp. Ord...	163 1/2	...	6 2 1/2		
96 1/4	94 1/4	102	98 9/16		Nat. D. 2 1/2% 1954-58	101 1/2	- 1 1/2	2 18/8	6	4/9	10	10	United States Deb. ...	172 1/2	...	5 15 1/8		
96 1/4	91 1/2	101 1/4	95 1/8		Do. 3% 1954-58	101 1/2	- 1 1/2	2 18/8	6	4/9	10	10	Financial Trusts, &c.					
108 1/8	102	111 1/2	105 1 1/2		Victory Bonds 4%	111 1/2	+ 1 1/4	3 5/8	120 1/2	90 1/2	3 1/2	3 1/2	Brit. S. Afr. 15-1/2% pd.	20 6	...	6 2 0		
...	...	...	...		War L. 3% 1955-59	100 1/8	+ 1 1/2	2 19/8	26 9	22 6	3 1/2	3 1/2	Dalgely £20, £5 pd.	115 1/2	...	4 4 0		
...	...	...	...		War L. 3 1/2% af. 1952	101 1/8	+ 1 1/2	3 8/8	26 3	20 1/2	(s) 3 1/2	(p) 2 1/2	Forestal Land £1	26 3	...	7 4 0		
...	...	...	...		Local Loans 3%	89	+ 2	3 7/8	35 6	29 9	10	10	Hudson's Bay Co. £1	21 3	...	2 19 0		
...	...	...	...		Austria 3% 1933-53	70	- 1	3 12/8	0	17/6	14/9	4 1/2	Sudan Plant. £1	30	...	5 6 9		
...	...	...	...		India 2 1/2%	95 1/2	+ 1 1/2	3 13/8	0	125 6	112 1/2	120 1/2	Breweries, &c.					
...	...	...	...		Do. 3 1/2% 1958-68	113 1/2	...	3 9 5	5	57 6	52 9	6 1/2	Barclay Perkins £1	15 9	...	7 0 0		
...	...	...	...		Dom. & Col. Govts.								Rass Ratchiff Ord. £1	123 1/2	...	4 2 0		
...	...	...	...		Austr. 5% 1945-75	105 1/2	...	4 3 9	70 3	64 3	15 1/2	6 1/2	Coarage Ord. £1	34 6	...	6 4 0		
...	...	...	...		Canada 4% 1940-60	100 1/2	...	3 19 9	83 1/2	72 3	14 1/2	11 1/2	Distillers Ord. £1	65 9	...	4 10 0		
...	...	...	...		Nigeria 5% 1950-60	110	...	3 17 4	76 6	68 1/2	16 1/2	16 1/2	Guinness Ord. £1	78	...	6 10 0		
...	...	...	...		N. Zealand 5% 1946	104 1/2	...	4 6	73 9	65 6	13 1/2	8 1/2	Ind. Coy. & S. Afr. £1	70 9	...	6 10 0		
...	...	...	...		S. Africa 5% 1945-75	107	...	3 13 0	52 9	46 9	12 1/2	6 1/2	Michells & Butlers £1	70 1/2	...	6 0 0		
...	...	...	...		Corporation Stocks								Iron, Coal and Steel					
...	...	...	...		Birmingham 5% 1946-56	108 1/2	- 1 1/2	3 10 6	6 6	4/9	10	10	Baldwins 4%	5	...	8 0 0		
...	...	...	...		L.C.C. 3% 1954-64	84 1/2	- 1 1/2	3 11 0	52 3	43 3	3 1/2	3 1/2	Bolover Col. Ord. £1	50	...	6 0 0		
...	...	...	...		Liverpool 3% 1957-62	94	- 1	3 8 6	34 7 1/2	28 6	112 1/2	15 1/2	Brown (J.) Ord. 10†	30	...	5 17 0		
...	...	...	...		Middx. 3 1/2% 1954-64	103	- 1	3 4 6	8 9	6 10 1/2	4	6 1/2	Cammell Laird 5%	7	...	7 2 9		
...	...	...	...		Foreign Governments								Colvilles Ord. £1	22 6	...	7 6 0		
...	...	...	...		Arg. 4 1/2% Sig. Bds.	91 1/2	...	4 18 4	28 1 1/2	22 1/2	10	10	Corman Long Ord. £1	22 6	...	7 6 0		
...	...	...	...		Austria 4 1/2% 1934-59	52 1/2	...	6 9 9	26 11 1/2	20 9	16 1/2	11 1/2	Firth Brown £1	22 6	...	8 16 0		
...	...	...	...		Belgian 4% (36) 1970	14 1/2	...	17 4 6	26 11 1/2	20 9	16 1/2	11 1/2	Hafslund 10%	22 6	...	8 16 0		
...	...	...	...		Bulgaria 7%	28	...	2 8 18 7/8	29 14 1/2	26 1/2	7 1/2	2 1/2	Harden Collieries £1	27 6	...	8 17 0		
...	...	...	...		Brazil 5% (1929)	19	...	7 15 0	22 7 1/2	17 9	4 1/2	2 1/2	Horden Collieries £1	27 6	...	8 17 0		
...	...	...	...		Chile 6% (1929)	30 1/2	...	4	50	44 6	17 1/2	14	2	Powell Duffryn £1	20 9	...	5 15 0	
...	...	...	...		China 5% (1913)	30 1/2	...	4	50	44 6	17 1/2	14	2	Sheepbridge C. & L. £1	48 9	...	4 14 0	
...	...	...	...		Czechoslovakia 8%	30 1/2	...	20 0 0	34 6	30 1/2	10	12	S. Durham Ord. £1	31 3	...	7 13 7		
...	...	...	...		Denmark 3%	35	...	8 11 5	54 9	47 9	17 1/2	12 1/2	Staveley Coal, etc. £1	50 7 1/2	...	3 19 0		
...	...	...	...		Egypt Unified 4%	71 1/2	...	2 5 11 11	47 6	41 9	12 1/2	12 1/2	Stewarts & Lloyds £1	44 1/2	...	5 12 0		
...	...	...	...		French 4% (British)	10	...	5 19 0	33 3	32 3	4 1/2	4 1/2	Ston. House £1	34 1/2	...	8 14 0		
...	...	...	...		Ger. Dawes Ln. 5%	7	...	...	35	27 6	8	10	Thornycroft, John £1	28 9	...	1 3 7		
...	...	...	...		Do. Young Ln. 4 1/2%	6	...	...	31 2	21 1/2	5 1/2	2 1/2	Un. Steel Cos. Ord. £1	23 6	...	6 18 0		
...	...	...	...		Greek 6% Stab. Ln.	17	...	2 13 5 0	21 10 1/2	16 9	4	6 1/2	Vickers 10%	17	...	5 19 0		
...	...	...	...		Hungary	20	...	22 10 11 6	39 10 1/2	34 6	Nil	Nil	Textiles					
...	...	...	...		Japan 5 1/2% 1930	57 1/2	...	2 19 11 6	8 10 1/2	5 6	5	5	Brit. Cel. Ord. 10†	6	...	6d	Nil	
...	...	...	...		Peru 7 1/2% 1922	55	...	7 5 6	38 6	33 1/2	5	5	Coats, J. & P. £1	37	...	6d	5	
...	...	...	...		Poland 7%	20	...	?	39 10 1/2	34 6	21 1/2	5	English Sew. Ctn. £1	31 3	...	3d	3 15 0	
...	...	...	...		Roun. 4% Con. 1922	6 1/2	...	25 6 0	24 1/2	18 1/2	Nil	7 1/2	English Sew. Ctn. £1	31 3	...	3d	4 16 0	
...	...	...	...						28 3	25 6	3	3	Lancs Cotton Corp. £1	18 3	...	9d	8 4 0	
...	...	...	...						61 3	55 9	110	10	Linen Thread Stk. £1	27 6	...	6d	4 6 9	
...	...	...	...						15 6	12 6	11 1/2	2 1/2	Patons & Baldwins £1	12 6	...	1 3	2 8 0	
...	...	...	...										Whitworth & Mit. £1	12 6	...	1 3	2 8 0	
...	...	...	...										Electrical Manufact.					
...	...	...	...										Associated Elec. £1	40	...	5 0	0	
...	...	...	...										British Insulated £1	88 9	...	4 10	0	
...	...	...	...										Calenders	63 9	...	4 14	0	
...	...	...	...										Chrompan Park, A5/-	17 6	...	5 14	3	
...	...	...	...										English Electric £1	31 3	...	6 8	0	
...	...	...	...										General Electric £1	80	...	5 0	0	
...	...	...	...										Johnson & Phillips £1	46 3/4d	...	1 1/2	6 8	
...	...	...	...										Electric Light, &c.					
...	...	...	...										British Pow. & Lt. £1	28	...	5 0	0	
...	...	...	...										Glyde Vale Elec. £1	36 10 1/2	...	4 6	10	
...	...	...	...										Edmundsons £1	36 3	...	4 16	0	
...	...	...	...										Edmundsons £1	36 3	...	4 16	0	
...	...	...	...										Lancashire Elec. £1	31 3	...	4 16	0	
...	...	...	...										London Ass. Elec. £1	20	...	5 11	3	
...	...	...	...										Midland Counties £1	36 3	...	4 8	3	
...	...	...	...										North-East Elec. £1	20	...	4 16	0	
...	...	...	...										North-East Elec. £1	20	...	4 16	0	
...	...	...	...										Scottish Power £1	36 10 1/2	...	5 0	0	
...	...	...	...										Yorkshire Electric £1	38 9	...	4 2		
...	...	...	...										Gas					
...	...	...	...										Gas L. & C. £1	16 3	...	3d	4 12	0
...	...	...	...										Imp. Cont. Stk.	67 1/2	...	2	11 16	0
...	...	...	...										Newc.-on-Tyne £1	20 3	...	4 18	6	
...	...	...	...										S. Metropolitan Stk.	69 1/2	...	1	6 10	0
...	...	...	...										Motors and Cycle					
...	...	...	...										Austin	15 7 1/2	...	4 16	0	
...	...	...	...										Armstrong Sm. Arms £1	23	...	6d	5 4	0
...	...	...	...										Ford Motors £1	18	...	1 1/2	6 13 3	
...	...	...	...										Lucas, J. (£1)	57 6	...	5 4	4	
...	...	...	...										Leyland Motors £1	71 3	...	1 1/3	5 12	0
...	...	...	...										Morris Motors 5/- Ord.	25 7 1/2	...	8 8	5	
...	...	...	...										Rolls-Royce £1	41 8	...	5 8	8	
...	...	...	...										Standard Motor 5/-	12	...	10	8	
...	...	...	...										Aircraft					
...	...	...	...										Bristol Aerop. £1	14 6	...	8 0	0	
...	...	...	...										De Havilland Air. £1	33 9	...	7 8	0	

BRITISH WHOLESALE PRICES

	Apr. 30, 1940		May 7, 1940	
	1940	1940	1940	1940
MISCELLANEOUS				
CEMENT, best Eng. Portland, d/d site, London area in paper bags 20 to ton (free, non-returnable) (b)	45 0	48 6		
4-ton loads and upwards per ton	45 0	48 6		
CHEMICALS				
Acid, citric, per lb., less 5%	Nom.	Nom.		
" Nitric per ton	0 2 0	0 2 0		
" Oxalic, net per ton	60 0 0	60 0 0		
" Tartaric, English, less 5%	1 6 12	1 6 12		
Ammonia, carb. per ton	32 0 0	32 0 0		
" Sulphate per ton	9 6 0	9 6 0		
Borax, gran. per cwt.	18 0	18 0		
" powder per ton	19 6	19 6		
Nitrate of soda per ton	9 10 0	9 10 0		
Potash, Chlorate, net ... per lb.	0 10	0 10		
" Sulphate per ton	11 18 0	11 18 0		
Soda Bicarb. per ton	11 0 0	11 0 0		
Crystals per ton	5 10 0	5 10 0		
Sulphate of copper per ton	26 15 0	26 15 0		
COPRA (per ton)				
S.D. Straits, c.i.f.	13 10 0	13 10 0		
HIDES (per lb.)				
Wet salted Australia 40/50 lb.	0 6 7 1/2	0 6 7 1/2		
Wet Indian per lb.	0 4 1/2	0 4 1/2		
Cape, Jo'burg Ord.	0 7 1/2	0 7 1/2		
Dry Capes 18/20 lb.	0 9 1/2	0 9 1/2		
Dry salted Capes 30/40 lb.	0 9 1/2	0 9 1/2		
English & Welsh Market Hides	0 7 0 7	0 7 0 7		
Best heavy ox and heifer	0 8 3/4	0 8 3/4		
Best calf	0 7 0 7	0 7 0 7		
INDIGO (per lb.)	5 6 5 6	5 6 5 6		
Bengal, gd. red-vio. to fine	5 6 5 6	5 6 5 6		
LEATHER (per lb.)				
Sole Bends, 8/12 lb.	1 10 1 10	1 10 1 10		
Bark-Tanned Sole	4 0 4 0	4 0 4 0		
Grenada	1 2 1 2	1 2 1 2		
Shoulders from D.S. Hides	1 5 1 5	1 5 1 5		
" Eng. or WS do.	1 0 1 0	1 0 1 0		
Bellies from DS do.	1 2 1 2	1 2 1 2		
" Eng. or WS do.	1 5 1 5	1 5 1 5		
Dressing Hides	2 4 2 4	2 4 2 4		
Ro. Eng. Calf, 20/35 lb. per doz.	5 3 5 3	5 3 5 3		
PETROLEUM PRODUCTS (per gall.)				
Motor Spirit, England & Wales	1 6 1/4	1 6 1/4		
(c) Kerosene, Burning Oil	0 9 1/4	0 9 1/4		
" Vapourising Oil	0 9 1/2	0 9 1/2		
(c) Automatic gas oil, in bulk, ex road tank waggons	1 3 3/4	1 3 3/4		
Fuel oil, in bulk, ex instal.	0 6 1/2	0 6 1/2		
Thames	0 7 0 7	0 7 0 7		
Diesel	0 7 0 7	0 7 0 7		
ROBIN (per ton)				
American	25 0 0	25 0 0		
RUBBER (per lb.)	8 1 8 1	8 1 8 1		
St. ribbed smoked sheet	0 11 0 11 1/2	0 11 0 11 1/2		
Fine hard Para	1 2 1 2	1 2 1 2		
SHELLAC (per cwt.)				
TN Orange	78 0	80 0		
Tin	81 0	83 0		
TALLOW (per cwt.)				
London Town	22 10	22 10		
TIMBER				
Swedish u/s 3 x 8 ... per std.	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 per load	33 0 0	33 0 0		
Rio Deals per std.	50 0 0	50 0 0		
VEGETABLE OILS (per ton net)				
Linseed, raw	42 10 0	47 10 0		
Rape, crude	44 5 0	44 5 0		
Cotton-seed, crude	31 2 6	31 2 6		
Coconut, crude	28 2 6	28 2 6		
Palm	18 15 0	18 15 0		
Oil Cakes, Linseed, Indian	8 5 0	10 12 6		
Oil Seeds, Linseed—				
La Plata	18 2 6	18 2 6		
Calcutta	20 5 0	20 7 6		
Turpentine (per cwt.)	53 0	53 0		

CEREALS AND MEAT

	Apr. 30, 1940		May 7, 1940	
	1940	1940	1940	1940
GRAIN, etc.				
Wheat—				
No. 1, N. Man. 496 lb. f.o.b.	7 1	7 1		
Vanc.				
Eng. Gaz. av., per cwt.	22 0	22 0		
Flour, per 280 lb.	16 6	16 8		
Straights, d/d London	11 8	11 7		
Barley, Eng. Gaz. av., per cwt.	14 3	14 1 1/2		
Oats	8 3			
Maize, La Plata, 480 lb. f.o.b.				
Rice, Burma, No. 2, per cwt.				

	Apr. 30, 1940		May 7, 1940	
	1940	1940	1940	1940
MEAT				
Beef, per 8 lb.—				
English long sides	4 8	4 8		
Imported hinds	5 4	5 4		
Mutton, per 8 lb.—				
English	4 4	4 4		
Imported	4 4	4 4		
Lamb, per 8 lb.—				
Imported	6 0	6 0		
Pork, English, per 8 lb.	8 0	8 0		

	Apr. 30, 1940		May 7, 1940	
	1940	1940	1940	1940
BACON (per cwt.)				
Whitshire cut sides	113 6	113 6		
HAMS (per cwt.)				
Green	118 0	118 6		

OTHER FOODS

	Apr. 30, 1940		May 7, 1940	
	1940	1940	1940	1940
BUTTER (per cwt.)				
All Grades	143 0	143 0		
JEEREE (per cwt.)				
New Zealand	78 0	78 0		
English Cheddars	75 0	75 0		
Dutch				
COCOA (per cwt.)				
Accra, g.f.	35 0	35 0		
Trinidad	80 0	80 0		
Grenada	62 0	65 0		
COFFEE (per cwt.)				
Santos sup. c. & f.	43 0	43 0		
Costa Rica, medium to good	76 0	72 0		
Kenya, medium	110 0	68 0		
English (standard)	19 6	19 6		

FRUIT

	Apr. 30, 1940		May 7, 1940	
	1940	1940	1940	1940
Oranges, Jaffa				
boxes	17 3	17 3		
" Spanish	21 0	21 0		
" (Navels)	27 0	27 0		
Lemons, Messina				
boxes	10 0	10 0		
Apples, B. Columbian	11 0	11 0		
Onions, Egypt	25 0	25 0		
LEAD (per cwt.)				
Best, finest bladders	46 0	46 0		
Imported	42 6	42 6		

PEPPER (per lb.)

	Apr. 30, 1940		May 7, 1940	
	1940	1940	1940	1940
Black Lampong (in Bond)				
(Duty paid)	0 39 1/2	0 31 1/2		
White Muntok (i.a.q.) (in Bond)	0 41 1/2	0 41 1/2		
" (Duty paid)	0 51 1/2	0 51 1/2		

POTATOES (per cwt.)

	Apr. 30, 1940		May 7, 1940	
	1940	1940	1940	1940
English, King Edward, Siltland				
Wishbech, King Edw. (per ton) (f)	110 0	110 0		
Wishbech, King Edw. (per ton) (f)	120 0	120 0		

SUGAR (per cwt.)

	Apr. 30, 1940		May 7, 1940	
	1940	1940	1940	1940
Centrifugals, 96%, prpt. shipm.				
C.i.f. U.K./Cont.	7 6	7 6		
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	37 9	37 9		

TOBACCO (per lb.)

	Apr. 30, 1940		May 7, 1940	
	1940	1940	1940	1940
Virginia, stemmed and un-				
stemmed, common to fine	1 0	1 0		
Rhodesian, stemmed and un-	2 6	2 6		
stemmed				

GRAINS (per bushel)

	Apr. 30, 1940		May 7, 1940	
	1940	1940	1940	1940
Wheat, Chicago, May				
Winnipeg, May	88 1/4	88 1/4		
Maize, Chicago, May	64	66 1/2		
Oats, Chicago, May	40 1/8	41 7/8		
Rye, Chicago, May	65 1/2	65 1/2		
Barley, Winnipeg, May	49 1/2	47 3/4		

METALS (per lb.)

	Apr. 30, 1940		May 7, 1940	
	1940	1940	1940	1940
Copper, Connecticut				
Tin, N.Y., Straits, spot	47 25	47 62 1/2		
Lead, N.Y., spot	5 10	5 00		

AMERICAN WHOLESALE PRICES

	May 1, 1940		May 8, 1940	
	1940	1940	1940	1940
METALS (per lb.)—cont.				
Spelter, East St. Louis, spot	5 75	5 75		
MISCELLANEOUS (per lb.)				
Cocoa, N.Y., Accra, May	5 85	5 92		
Coffee, N.Y., cash—				
Rio, No. 7	5 1/2	5 1/2		
Santos, No. 4	10 96	10 67		
Cotton, N.Y., Am. mid., spot	10 93	10 72		
Cotton, Am. Mid., May	6 80	6 77		
Cotton Oil, N.Y. May	6 12 1/2	6 10		
Lord, Chicago, May				

MISCELLANEOUS (per lb.)—cont.

	May 1, 1940		May 8, 1940	
	1940	1940	1940	1940
Petroleum, Mid-cont. crude				
per barrel	102	102		
Rubber, N.Y., smk'd sheet spot	19 1/8	20 1/2		
Do.	18 1/2	20 1/4		
Sugar, N.Y., Cuban Cent.	2 85	2 80		
96 deg., N.Y., spot	1 49 1/2	1 48 1/2		
f.o.b. Cuba, July				
Moody's Index of staple com-	161 2	162 3		
modities, Dec. 31, 1931 = 100				

Prices, Jan. 1 to May 8, 1940				Last two Dividends		Name of Security	Price, May 8, 1940	Ch'ge since May 1, 1940	Yield May 8, 1940	Prices, Jan. 1 to May 8, 1940				Last two Dividends		Name of Security	Price, May 8, 1940	Ch'ge since May 1, 1940	Yield May 8, 1940
High	Low	(a)	(b)	(c)	High					Low	(a)	(b)	(c)	High	Low				
13/11/2	9	%		%		Miscellaneous										Mines			
9/6	8 1/2	8				Allied News. £1	10	-1 3	12	0	0	65/7 1/2	55 7 1/2	95	c	95	c	95	c
62/6	43/11/2	7 1/2	a			Assoc. Brit. Pic. 5/-	8/6		5	19	0	11/9	8/6	p5	b	p32 a	a		
44/3	33/11/2	5	a			Barker (John) £1	47/6	-1 3	6	14	0	51/3	42/6	6 1/4	10	15	12 1/2	b	10
8/9	7/6	28 1/2	c	28 1/2	c	Beechams Pills Df. 2/6	8/6	-3d	8	6	9	8 1/4	5 1/2	Nil	Nil	c	Nil	c	
44/6	38/11/2	m29	c	30 9/9	c	Boots Pure Drug 5/-	38/9	-1 3	3	19	9	42/6	32/-	15	c	15	c		
56/-	47/-	4	a	81 3/8	b	Brit. Aluminium £1	48 1 1/2	-2/6	5	4	0	41/3	41/6 1/2	11 1/4	a	11 1/4	b		
107/9	94/4 1/2	120	c	119 1/2	c	Brit.-Amer. Tob. £1	102 6	-3/9	3	14	0 1/2	11 1/2	8 1/2	25	b	25	a		
78/6	69/4 1/2	7	a	10	b	British Oxygen £1	73/9	-1 3	4	12	0	16/-	13/6	5	b	10	a		
117/11/2	104/10 1/2	25	a	25	a	British Rocks (2/6)	5/5	-3d	3	19	0	10 1/4	9 1/4	75	a	75	b		
52/6	45/6	4	7 1/2	a	12 1/2	Brookhouse (J & J)	48/9		8	4	2	7 11/16	6 1/4	2/6	a	5/6	b		
65 1/2	53 1/2	4				Cable & Wir. Ltd.	54 1/2	-3	6	9	0	88/9	58/9	Nil	Nil	Nil	Nil		
6 1/8	4 1/2	15	a	15	a	Carreras & Ord. £1	4 1/2	-3/8	6	9	0								
38/9	27/6	9	c	12	c	Dunlop £1	33/-	+6d	5	9	0 9/8								
10/11/2	7 7/12	5	c	Nil	c	Elec. & Mus. Ind. 10/-	8/9	-3d	Nil										
28/3	25/10/2	15	a	25	b	Ever Ready Co. 5/-	26	-4d	-3d	7	14	0							
2 1/2	4/8	7 1/2	a	20	b	Gallahar Ltd. Ord. £1	47 1/8	-1 1/4	5	12	0								
61/2	48	Nil	Nil	Nil	Nil	Gaumont-Brit. 10/-	2 1/2		Nil										
28/6	22/9	25	b	15	a	Gestetner (D.) 5/-	25 7/12	-7 1/2	7	16	0								
25/4 1/2	9/10 1/2	20	b	30	a	Gl. Universal Stores £1	10 3/4	-3d	12	16	0 1/2								
93/9	88/-	20	b	5	a	Harrison & Cross. Df. £1	92/6		5	7	0								
40/6	32/9	5	a	5	b	Harrods £1	35/-	-1 1/3	5	14	0								
33/9 3/4	29/6	3	a	5	b	Imp. Chem. Ord. £1	31/9	+3d	5	1	0								
13/9	12/-	5	a	Nil	c	Imp. Smelting £1	12/6		Nil										
61 1/2	5 1/2	17 1/2	a	115 1/2	b	Imp. Tobacco £1	5 1/2	-1 1/4	4	3	3 1/2								
34/3	33/9 1/2	\$2 25/6	c	\$2 00/-	c	Inter. Nickel and	\$4 1/2	-8 1/2	4	14	0								
12 1/3	27/-	5	4 1/2	a		International Tea	24 1/2	+3d	11	3	0								
32/9	28/-	20	b	10	c	Lever Unilever £1	27/6	-1 3/4	7	5	0								
87/6	74/4 1/2	14 1/6	a	5	a	London Brick £1	30/-	+7 1/2	6	13	3								
54/4 1/2	38/9	15	a	27 1/2	b	Lyons (J.) Ord. £1	85/-		4	11	0								
4 1/2	31 3/32	12 1/2	b	5	a	Metal Box & Spen. *A 5/-	38/9 x d	-3/7 1/2	5	9	3								
87/6	77/6	12 1/2	b	7 1/2	a	Murex £1 Ord.	78/9	-1 1/3	5	0	0								
17/6	16 1/3	15	b	6	b	National Johnson 10/-	21 1/6	-6d	5	12	0								
61/6	54/-	21 1/2	a	12 1/2	b	Ranks Ord. 5/-	60/-		5	0	0								
57/9	53/-	31 1/2	a	10	b	Spillers Ord. £1	53/9		5	17	6								
45/6	36/9	5	a	5	a	Tate and Lyle £1	41/10 1/2		4	15	6								
26/3	18/3	25	c	20	c	Tilling, Thos. £1	21/3		9	8	3								
96/9	87/9	13 1/4	b	10 1/4	b	Triplex Safety G. 10/-	41/3 x d	+1 1/4	5	3	0								
68/6	63/6	11 1/4	a	11 1/4	a	Tube Investments £1	50 1/2	+7 1/2	5	11	3								
43/9	37/6	28 1/2	a	28 1/2	a	United Dairies £1	93/-		5	14	3 1/2								
26/3	25/-	22 1/2	c	22 1/2	c	United Molasses 6/8	26/3		5	14	3 1/2								
68/3	56 1/2	15	a	5	b	Woolworth Ord. 5/-	57/6	-2/6	5	12	0								

UNIT TRUST PRICES									
as supplied by managers and Unit Trusts Association (Table excludes certain open and closed trusts)									
Name and Group		May 8, 1940	Week's Change	Name and Group		May 8, 1940	Week's Change		
Municipal & Gen.				Keystone					
For. Govt. Bond	9/3-10/3	-9d		Gold 3rd Ser.	11/10 1/2-13/4 1/2	-11 1/2			
Limited Invest.	15/9-16/6	-3d		Keystone 2nd	10/9-12/3 x d	-3d			
New British	9/3-9/6 x d			Keystone Flex.	10/9-12/3	-6d			
Bank-Insurance	10/6-11/6 x d*			Keystone Gld. Cts.	11/-12/3				
Government Tr.	15/9-17/7	*		Allied					
Bank & Insur.	15/9-17/7	*		Brit. Ind. 2nd	11/3-12/9				
Insurance	15/9-17/7	-6d		Do. 3rd	12/3-13/6 x d				
Bank	15/9-17/7	-3d		Do. 4th	13/6-15/7				
Scot. B.I.I.T.	11/9-12/9	*		Elec. Inds.	14/6-15/9				
Cornhill deb.	20/4-21/2 1/4*			Metals & Mines	11/3-13/- x d				
Cornhill def.	7/-8/3	-3d		Other Groups					
National D.	12/7 1/2-13/7 1/2	-1 1/2		Rubber & Tin.	10 1/2-11				
Nat. Gold	16/-17/6	+1 1/2		Br. Emp. 1st Unit	16/-x d bid				
Century	13/3-14/9	-3d		Producers	6/6-7/3 x d				
Scottish	11/9-13/3 x d			Domes. 2nd Ser.	16/10-16/10 bid				
Universal 2nd	14/6-16/-	-1 1/2		1st Prov. A.	11/11-12				
"Is Mortgage"				Do. "B"	11/11-12				
Inv. Flexible	10/3-11/6			Bank, Ins. & Fin.	10/9-12/- x d				
Inv. General	14/11/2-15/11 x	-1 1/2		British Bank Shrs.	18/-19/6				
Inv. Gold	15/7 1/2-16/7 1/2			Lombard Indust.	7/7 1/2-8/7 1/2				
Security First	10/11/2-11/11/2	-3d		Orthodox	7/3-7/9				

political situation. The personnel of the War Cabinet is perhaps the best illustration of this fact. Ideally, it should be a group of men best fitted to give the whole machine of Government its supreme direction; if its members have to be selected from the different parties, they should be selected for their personal qualities rather than for their party rank. But it can hardly be said that these are the criteria that have chosen the four men who, with the Prime Minister himself, make up the War Cabinet. Mr Chamberlain and Lord Halifax, Mr Attlee and Mr Greenwood—are these the most competent, or merely the most eminent, men in their parties? In form, the War Cabinet is what the Government's critics have been asking for, a supreme directorate with a majority of members unencumbered by departmental duties. In fact, it is hardly more like Mr Lloyd George's War Cabinet than Mr Chamberlain's. The new Prime Minister has himself given a hint of a limitation on its scope by creating himself Minister of Defence. Final judgment must necessarily be suspended. Mr Chamberlain has the reputation of an excellent committee chairman and Mr Attlee and Mr Greenwood may rise to the height of their opportunity. If drive comes from elsewhere, the War Cabinet may provide the essential element of balance. But at first sight it looks more like a political formula than a weapon of action.

If judgment be thus reserved on the War Cabinet itself, it must be said that the departmental appointments—with one crying exception—are good and that some of them are excellent. The trio of Service Ministers—Mr Alexander at the Admiralty, Mr Eden at the War Office and Sir Archibald Sinclair at the Air Ministry—will provide vigour and courage and yet work well under the Prime Minister's direction. The two crucial Ministries for the economic mobilisation of the country—Labour and Supply—have been put in charge of two of Labour's strongest characters, Mr Ernest Bevin and Mr Herbert Morrison. Mr Bevin stands as a guarantee of fair treatment for the workers, and he has promised to call on them to "work like hell" provided only they are not working for war profiteers. Two more of the new wartime Ministries, Information and Economic Warfare, have been given new chiefs of strong personality and driving force in Mr Duff Cooper and Mr Hugh Dalton. A new Ministry of Aircraft Production has been created and filled with all the dynamic energy of Lord Beaverbrook—certainly the most novel and not the least excellent of Mr Churchill's choices.

Certain of the other appointments are more questionable. The energy and abilities of Lord Lloyd and Mr Amery are rightly enlisted; but they could be better employed than at the Colonial Office and the India Office. The choice of members of the last Government to stay and of those to go is, in some cases, peculiar. Is Lord Caldecote preferable to Mr Oliver Stanley, Mr Cross to Mr Elliot? But some criticisms of this sort are inevitable in the very delicate business of Government making and if it were not for one downright bad appointment, the conclusion might be that the various Ministries have been well filled and the political balance kept without any interference with administrative efficiency. This exception is, of course, the nomination of Sir Kingsley Wood as Chancellor of the Exchequer. The Treasury, at this moment of time, is the crucial department, not only because of the high

importance of a sound financial policy, but also because of its dominating position in the whole mechanism of Government. If the bureaucratic machine is running sluggishly, if there is delay and timidity and half-heartedness, the remedy is to be found at the Treasury as much as at 10 Downing Street. The Chancellor of the Exchequer should be a man with a broad grasp of the essential problems, with a ruthless energy, with a personality that dominates and galvanises his colleagues—such a man as Mr Lloyd George was when he was Chancellor of the Exchequer. That the post should have been given to a man who is not known to have any qualifications of technical competence or personal character for it and has always been a ringleader of the "Better-Notters" is a disaster—unrelieved by any compensating change in the Financial Secretaryship. This appointment may have been the price that had to be paid for the continued support of that section of the Conservative Party which until last week formed the Government. If so, the price is too heavy.

The change of Government is the beginning, not the end, of the house-cleaning that is necessary. New blood is wanted in the Ministries as well as in the Cabinet; dilution is nowhere more urgently needed than in Whitehall. What has hitherto hamstrung the nation's effort and turned unity into irritation, patriotism into frustration, has been the impression given that the winning of the war was regarded as private property, reserved for those who had the right qualifications of rank, opinion or training. This has been shown not only by the attitude to those members of Parliament who dared to criticise, but also by the treatment of those outside specialists who were taken into the various Ministries. The former have been ostracised and excluded from the power to assist; the latter have seen their abilities sterilised. At Westminster, a majority of the able men have been kept at bay by the insistence on unquestioning loyalty. In Whitehall, the recruited brain-power of the nation has been wasted because the established Civil Service constitutes itself a bottleneck through which all decisions must pass. The one has led to disunity, the other to inefficiency. The one has now, we may hope, been corrected; but the other is no less vital. Twenty-four years ago the formation of Mr Lloyd George's Government brought a change that was felt in every office in Whitehall, and the whole tempo and atmosphere of Government were accelerated and invigorated. On its ability to perform a similar miracle now, Mr Churchill's Government—and Britain's fate—depend.

The new Government is thus on trial. But the main point is that it is an enormous improvement on what went before, in personal competence and, above all, in the national unity of which it is at once the cause and the consequence. Even without the compelling force of a new and much graver external peril, the formation of a Government such as this would have been the signal for which millions of patriotic citizens have been waiting—the signal to give their all, for their all will now be taken and used. There is a passionate desire in all ranks of the nation to give in full measure the "blood, toil, tears and sweat" that Mr Churchill asked for. Roused by slogans such as this, not lulled by complacent sedatives, Britain can again to-day reach the highest pinnacles of her power and her greatness.

tobacco and coffee. True, sea-power has given the Allies access to these ever since September, and cut the Germans off. But now the advantage must be greater still. Belgium and Holland have been forcibly made Allies; joint currency and credit arrangements will mean that the proceeds in foreign exchange from the sale of their colonial produce will be available for the Allied purchase of raw materials, munitions, aircraft and foodstuffs elsewhere; and no foreign exchange will be needed by the Allies to obtain the vital raw materials of these Empires. The Netherlands East Indies' trade with the United States is considerable, and there is a valuable balance in dollars. A third of the world's rubber output

is in the Dutch Empire and a fifth of the world's tin. In the Belgian Congo there is copper. The Amsterdam diamond trade—with most of its diamonds—has escaped the invader; and the famous *materia medica* of the Low Countries, quinine from Java, cinchona, caffeine, aloes from Curaçao, valerian, caraway and camomile, was mostly processed in Belgium and Holland, not produced there.

Nor is this all that the Allies gain, whatever happens in the field. Belgium and especially Holland are great trading and financial nations, and the basis of their trade is shipping. Their accumulated gold and foreign exchange assets, most of which the Allies will control (perhaps £25 millions of Dutch gold may have been taken), exceed £350 millions, a remarkable addition to the buying-power of the defenders of democracy. Holland's investments in the United States amount to perhaps £250 millions, of which some £200 millions may be negotiable; Belgium's United States investments may be £35 millions. Holland's total tonnage of shipping (of 100 tons or over) is nearly 3 millions; her efficient ocean-going tonnage, 1½ millions; her efficient ocean-going tonnage; her is a seventh of our own efficient ocean-going tonnage; her tanker fleet (1,000 tons and over) exceeds half a million tons. Belgium's total tonnage is some 400,000. The greater part of these ships, as well as the German vessels lying in the Dutch East Indies and captured, will be available for Allied use. They will ease the pressure on Allied shipping space, and their services will earn foreign exchange.

These are clear gains to the Allies. They appreciably increase the grave disadvantage in trade and finance, and therefore in vital supplies, that Germany has suffered since the Nazi swoop upon Europe was first resisted last September. But it would be idle to deny that there are large gains to the Germans as well. Mostly it is mere loot that cannot be replenished, large stocks of vegetable oils (Holland's oilseed crushing industry is considerable), of rubber and oil (which the defeated Dutch forces may have destroyed in Holland), of margarine and whale oil. There are stocks of tin in Holland and of copper in Belgium.

Indeed, it is a common view that the tightening of the Allied blockade drove Hitler to his latest attack. Faced by short supplies, with the inability to last a long war, he has struck out westward, to end the war before Germany's economic weaknesses were tested; and, *en passant*, to seize the precious booty of the Netherlands stocks. In doing so he has closed the neutral corridor for transit trade that was Germany's only mainstay in the last war. In 1918, 60 per cent. of the Reich's imports came from or through Holland. This time, when, admittedly, Germany has an area of supply in the East and South-East that hostilities robbed her of in 1914-18, the Allied blockade has already been severe in the West. Germany's transit trade through Holland in 1938 was 50 million metric tons; in the first quarter of 1939 it was 11.9 million tons; in the first quarter of this year it was only 1.4 million tons. Rotterdam's position as Germany's chief trading inlet was destroyed before the Nazi bombers raided the city; and trade through Antwerp, too, which carried 2.3 million tons of goods of Belgian and foreign origin to Germany in each of the pre-war years, had been sharply cut away. Trade into Germany was blockaded, but trade into the Netherlands was not. Dutch imports in the period September, 1938, to March, 1939, were valued at 810 million guilders; in September, 1939, to March, 1940 (when, admittedly, import prices had risen), the value was 941 million guilders; and there were obvious stocks to tempt the invader.

These stocks are short-term gains, though the edible oils, vegetable oils, margarine and whale oil meet an urgent German need. The question is: What are Germany's gains from the agriculture and industry of the conquered Low Countries likely to be? In Holland farming is a major industry, and from her 2½ million head of cattle, her 650,000 sheep and her half a million pigs the Germans will again get needed supplies. But Dutch agriculture has no indigenous base. Its annual export surpluses of 200,000 tons of milk products, 120,000 tons of butter and cheese, 80,000 tons of meat products and 30,000 tons of meat (a large part of all of which already goes to Germany) is

dependent upon imported feeding stuffs, cereals and oil-seeds. Sixty per cent. of Holland's cereal requirements have normally to be imported, as well as very considerable quantities of fertilisers. The immediate gain to Germany in foodstuffs and agricultural produce should not be minimised; there are stocks of feeding stuffs and fertilisers, too. But it cannot last: neither pastoral, dairy nor arable farming can be carried on in Holland on a scale likely to aid Germany in face of a complete blockade of essential supplies by the Allies; and industrial Belgium is never able to feed herself by a very wide margin.

The position is not fundamentally dissimilar in industry, though here the German gains are perhaps more evident. Both Holland and Belgium are leading industrial countries. Both are normally self-sufficient in coal (Germany's need for which is steadily growing); Holland produced 13½ million metric tons in 1938 and Belgium 29½ million metric tons. Holland's coalfield in the Limburg district around Maastricht is now German. Belgium's coalfields around Liège and Charleroi are now in the main battle zone. Some chemicals, too, are produced by both countries. But, in the main, the industries of the Low Countries carry on by converting imported materials into manufactured goods. Their important metal industries depend upon foreign ores, nearly a sixth of Belgian imports being materials for metal manufacture. Belgium refines imported copper and zinc. Her iron and steel industry (Belgium is the sixth steel producer in the world)—situated near Liège and Charleroi and in the province (not the Grand Duchy) of Luxembourg, with an annual capacity of some 4 million tons of crude steel—is dependent on ore supplies from France and Algeria as well as from the Grand Duchy. Germany has seized the Grand Duchy, but she has not yet won the Belgian industrial areas which are now being devastated; and she herself is short of iron ore supplies. Luxembourg will give Germany over 7 million tons a year of iron ore, but it is low-grade ore like Germany's own, and the Belgian iron and steel industry, even if it were captured, could not be sufficiently fed. So, too, with textiles—a fifth of Belgium's normal imports are textile goods, but her mills and factories are dependent upon overseas supplies.

The position is the same in occupied Holland. Iron and steel, shipbuilding, engineering and electrical trades, all are dependent on imported materials. Tin smelting needs tin from the East Indies. The great Dutch oilseed refining industry must fall idle when stocks of important oilseeds are done. The industrial capacity of both Belgium and Holland, the factories, plant, mines and shipyards (Holland's 35-40 well-equipped yards are well suited to U-boat building) are undoubtedly a gain to Germany—but only if they can be used. For a time they may be fairly fully used with the raw material stocks already accumulated; but, in the long run, if the war is not ended earlier by a sudden stroke, they will fall more and more idle for lack of materials.

Economically, therefore, the Low Countries can only represent a gain to the Germans for the next few months. The Allies, on the other hand, have lasting gains—in colonial co-operation, in raw materials, in shipping and foreign exchange and in negotiable securities. But they have immediate losses as well—coal, machinery and dairy produce from Holland, coal, iron and steel, metal products and flax from Belgium, and iron and steel from Luxembourg; the French Government had agreed to take 5 million tons of coal from Belgium this year and between 1 and 1½ million tons from Holland, but it should not unduly strain Britain's coal resources to replace these. A seventh of Belgium's exports came to Britain in 1938 and over a fifth of Holland's exports. In 1938, a tenth of Britain's imports of tomatoes, a fifth of our egg imports, nearly half our imported onions and four-fifths of our tin ensure the milk came from the Netherlands.

But the foodstuffs, iron and steel and the lower grades mally bought from the Low Countries, to bring in a Germany's eventual losses from non-essential trades. wins the war very quickly, will distribute the invaluable would be tempting the gods in the most effective way while the battle is still on; two needs must be met at that the latest German resistance to disaster is to be fed economically, a sign and aircraft without which it must strength.

Gains and Losses

THE invader has overrun Luxemburg. All Holland outside of island Zeeland has fallen to his forces; and, as the battle rages, no one can tell how much of the kingdom of the Belgians will be saved from the wreckage. The occupation of all or most of the Low Countries must improve Germany's strategic position greatly. The assault upon Allied trade and shipping from the air and under water, upon ports and centres of production, will have nearer bases. Economically, in terms of essential supplies, the position is not so clear. Away from the battleground, it is the Allies, not Germany, who have gained. Holland and Belgium are Imperial Powers, with possessions rich in oil, tin, rubber, copper, sugar, oilseeds, tea,

Italy's Preparations

IS Italy ready to go to war? Her basic weaknesses, her lack of raw materials, such as oil, coal, iron ore, rubber and tin, and her dependence on imports from beyond Gibraltar and Suez, have already been demonstrated in *The Economist* (January 20th, page 99, and April 27th, page 761). They cannot be removed by policies of a purely domestic order, but only by changes abroad; yet they may incline Mussolini to war and great risks rather than peace and a stabilisation of Italy's present military-economic inferiority. A significant guide to Italy's war readiness would be the size of her stocks of imported materials.

At the outbreak of war the Italian Government imposed an almost complete black-out of statistical information. But in foreign trade there are two nations concerned, the exporter and the importer; and the trend of nearly a third of Italy's foreign trade can be followed in the publications of clients and customers; and earlier this year it was announced that production in 1939 was 14 per cent. higher than in the previous year.

Last year's great expansion of Italy's war industries has not stopped. The recently published reports of the three great concerns, Breda, Fiat and Montecatini, emphasise this. Breda are building yet another armaments factory near Rome in Italy's new industrial zone, lying roughly between Naples and Florence. Fiat are building a new factory near Florence, which can replace their dangerously situated Turin establishment in time of war; and, although their production of motor cars has fallen off, armament and aeroplane production have more than offset the decline. Montecatini report advances in almost every branch of mineral and chemical production, in which this company plays a predominant rôle. Plans are being put into execution for the hydrogenation of lignite and for new oil refineries; and under the latest plan steel production is to be raised to 4 million tons, compared with just over 2½ million tons in 1938.

As in Germany, autarky does not mean any reduction in Italy's imports of raw materials or in her need for foreign exchange to buy them. This high level of activity compels an increase in both domestic and imported supplies. Purchases from the Balkans have greatly expanded in recent months far in excess of sales. Switzerland and the Balkans have become more dependent on Italy's transit facilities and shipping. Italy has clearing agreements with nearly all European countries, and the amount of free exchange that can be gained from European trade is limited. The only extra-European countries with which Italy has clearing agreements are Japan and Manchoukuo. But Italy's trade deficit with extra-European countries has almost certainly increased since September, either as a result of bigger imports, as from the United States and the Dutch East Indies, or as a result of smaller exports, as to Egypt, Malaya and India. So far as free exchange is concerned, Italy's trade position has not improved. Even the increased balances from transit traffic and shipping cannot appreciably alter this fact; and against these favourable items on invisible account must be set the almost complete standstill of the tourist industry.

The fact is that Italy, in the throes of intense industrial activity and in need of more and more overseas materials, is suffering from an acute shortage of free exchange, and particularly of dollars. So acute has this shortage been that Italy has been compelled to draw on her published gold reserves. At the end of 1937 these amounted to 3,996 million lire. During 1938, when the year's trade deficit was 2,960 million lire, the gold reserve was depleted to the extent of 322 millions. Last year, when the trade deficit had been reduced to 1,500 million lire, this was covered by a sale of gold amounting to 974 million lire, of which nearly a third was sent to the United States in the last three months of the year. Moreover, this export of gold to the United States is still continuing, as Italian imports from the United States reach new high levels.

The increased Italian purchases from the United States

have consisted largely of cotton. Shipments of cotton to Italy from her three principal suppliers, the United States, India and Egypt, amounted to 68,655 tons in the first four months of the war, compared with 57,745 tons in the same period of 1938, and 19,745 tons in January, 1940, compared with only 7,930 tons in January, 1939. The value of petroleum products imported from the United States has been little more than it was before the war; imports of crude petroleum have, in fact, fallen off; but imports of lubricating oil, destined perhaps in part for Germany, have greatly increased. In February of this year total imports from the United States amounted to more than \$9½ millions, leaving a trade deficit of \$7 millions, of which \$5 millions was covered by the export of gold.

Total Italian imports of petroleum and petroleum products amounted, according to Italian returns, to 2,648 thousand tons in 1938 and 1,133 thousand tons in the first seven months of 1939. In the remaining months of last year the United States sent Italy 350 thousand tons, Roumania 260 thousand and Mexico, according to a private estimate, some 450 thousand tons. Thus, for these three countries alone, the five months' total was 1,060 thousand tons which, added to the Italian figures for the first seven months of the year, gives a figure of 2,780 thousand tons for the whole of 1939, and total imports from all countries must necessarily have been much greater. Moreover, the Italian figure for 1938 is an underestimate, as it is believed to exclude petroleum used by the Navy or Air Force, and therefore actual imports in 1938 may well have reached 3 million tons; in 1939 they probably exceeded 3 millions. In view of rationing and sharp increases in the price of petroleum products, Italy must have built up formidable reserves.

The coal position, crucial to Italy, is particularly hard to gauge. In 1938, 8.9 million tons came from Germany, Austria, Poland and Czecho-Slovakia, over 6 millions by sea. The Italians claim to be importing at the rate of 12 million tons a year, but even 12 million tons, about the average of annual imports in recent years, is hardly adequate to meet the requirements of industry at the present high level of activity; and it is hard to believe that, with the Allied ban on sea-borne German coal exports, this rate can be kept up for long (in 1938 10 out of 12½ million tons came by sea). The domestic output of coal was just over 3 million tons last year and is scheduled to reach 5½ million tons this year. Every effort is being made to encourage the consumption of the inferior domestic product, but technical considerations often make this impossible. The electrification of the railways has succeeded up to the point where they require directly little more than a million tons of coal a year; but it must be remembered that, at certain seasons of the year, electric power has itself to be obtained from coal. It is estimated that an irreducible minimum of 7½ million tons of foreign coal is required for electric power stations, for gas works and for certain industries that could only use domestic coal with the greatest difficulty. Stringent rationing of coal was introduced on March 1st.

Imports of tin and rubber dropped off in the general uncertainty just after the outbreak of war, but have since revived. Deliveries of rubber from the Dutch East Indies during the first four months of the war were higher than in the previous year, but not sufficiently high to compensate for the reduction of shipments from Malaya. But, already in December, Malayan shipments were reviving, and in January and February shipments from the Dutch East Indies were 3½ times what they were a year ago. Shipments of tin from the Dutch East Indies in the first six months of the war were 1,235 metric tons, compared with only 143 in the corresponding period of the previous year—more than enough to compensate for a small decline in Malayan deliveries up to last December.

In sum, so far as can be seen, during the last eight months Italy has been pressing on with her war preparations as rapidly as though she had been at war and without

the hindrance of blockade or hostilities. Unnecessary consumption and imports have been cut down. The import of essential materials from overseas has been proceeding at a great pace and in apparent disregard of the willingness of the overseas countries to take Italian goods in exchange. Gold from the reserves of the Bank of Italy

is being exported without compunction. Considerable stocks have been accumulated. It is not easy to avoid the conclusion that Italy has been hurrying to import all she can against the closing of the entrances to the Mediterranean by the British Navy in the event of her lining up with Germany.

Training War Workers

"COME, then, let us go forward together with our united strength." Mr Ernest Bevin has been made Minister of Labour, Mr Herbert Morrison, Minister of Supply. Labour's leaders have been called to carry the new Prime Minister's summons into every factory and workshop in the land, and Mr Bevin himself has described their task: "I will ask my people to work like hell to save the lives of our lads."

The hard path of production upon whose swift traversing the battle in the end may turn is not simply to break down every resistance of every kind to the full employment of men and women and plant; not simply to destroy every hesitation and barring interest; not simply to requisition or conscript (the word is used advisedly) the nation's industry and its industrial personnel. The new industrial army must be trained. It is not only numbers that are needed, but skill, capacity and trained intelligence as well.

We know that there is a shortage of skilled and experienced workers in many essential industries. We know that even highly trained industrial recruits are few. We know that the training schemes so far launched are sadly small by contrast with our large scale requirements. What can be done? What sort of training can be given in engineering and metal manufacture to very large numbers of recruits in a brief month or so? Can the demand for really skilled workers, for foremen, charge-hands, supervisors and under managers, be satisfied by any method of intensive training; or must we rely here on the slower processes of promotion and judicious up-grading and on culling out the short supply by dilution and the infusion of less skilled workers? How far can we tap reserves of skill for war work by the full mobilisation of this class of manpower and its allocation, according to an infrangible schedule of priorities, exclusively to war and export manufacture? Who is to be trained and how?

Unemployment in the metal and engineering trades is not more than 2 per cent., and a grave bottleneck in the supply of labour is imminent. The training of hundreds of thousands of semi-skilled men and women to operate single-purpose machines is imperative. In the last war, to train these was easier than now; shells and ammunition were produced on very simple machines, dividing the process into many stages, each of which could be attended by girls and women with little or no experience; workshop sense and deftness were learned on the job, and the organised training was not often needed. This time the machines are more complicated; they perform several actions simultaneously and turn out much more material than in 1914-18 with much less labour. Definite courses of instruction and learning periods cannot be dispensed with, and an added need to embark now upon large-scale training without delay springs from this. The time needed to train this semi-skill is still only short, but it cannot be missed.

In Germany, four weeks' training is given to all unskilled recruits to the metal trades—almost wholly in the actual works and on machines being used in production. The local Labour Front aids in the drafting of training schemes, and defaulting employers are denied additional skilled labour until semi-skilled workers (in this lesser sense of mere machine operators) are being adequately turned out. The slogan is "We must abolish the unskilled worker"; and it should not be hard for British industry to follow suit on a massive scale. It needs only Government leadership and command; not simply the Government's readiness (announced ten days ago) to pay the fares of unemployed men going to employers for training, valuable though that is; but its decision to pay for the maintenance and cost of training as well as for the transfer

of hundreds of thousands of workers not now in war work, whether idle or not; and its determination to enforce quite ruthlessly the maximum training of machine operators in the nation's factories.

It is possible to provide deliberate short-period training for a great force of machine operators, and the appreciable work already being done by individual employers up and down the country reinforces this confidence. The rest is up to Mr Bevin. But this is only the first task. The second and hardest is to find a sufficient supply of men with more skill than these machine operators—skilled and semi-skilled craftsmen. In Britain, promotion among industrial craftsmen is mainly by an elastic system of up-grading. A man proves his ability on the spot by "earning the rate for the job" and by showing his capacity to take responsibility in handling costly materials or in organising other workers. It is a system of trial and error, and there is extraordinarily little formal apprenticeship. The worker builds up his skill by varied practical experience, and little can be done in the really short run to increase the actual numbers of skilled and responsible workers.

The Government training centres afford an excellent example of this limitation. They provide unemployed men with "a background for craftsmanship." They could not turn out large numbers of machine operators simply because they have not got, and cannot have, the requisite range of expensive and bulky machines to train them on; that can only be done, in the main, in industry, where the machines are actually in use. What the centres do is to train semi-skilled workers in the higher sense, men who are "half a craftsman." If they are turners, they have had experience of several sorts of lathes and can read diagrams. If they are sheet-metal workers, they know something of geometry and the nature of malleable metals. If they are precision fitters, they have worked on a series of benches, learning to be familiar with diagrams and to work in different metals. They have gained generalised craftsmanship of the kind that comes in industry with the widening of experience. But it takes time. It cannot be hurried, and it is by no means certain that the recent shortening of the training period at the centres from six months to three will prove worth while. It is only the training of semi-skilled machine operators, not these semi-skilled craftsmen, that can be done *en masse* and rapidly, and this cannot be done at the centres.

Thus there is no simple and sovereign way to increase the numbers of more or less skilled craftsmen. A crucially needed step is to make the most effective use of those that there are: to use them exclusively on essential work; to comb the labour field for men ripe for speedier up-grading; and to reinforce these key men by vast numbers of swiftly trained operatives. At present the Schedule of Reserved Occupations protects from calling up men in selected occupations and the entire personnel of enterprises doing essential work. But this is useless unless the men not mobilised for war are fully mobilised and organised for work; and unless apprenticeship and the technical training of juveniles are maintained and extended to ensure the forthcoming of industry's essential labour.

The first need is training: to multiply the lower grades of workers by intensive mass instruction, to bring in a regiment of women and workers from non-essential trades. The second need is distribution; to distribute the invaluable skilled personnel of industry in the most effective way humanly possible. And these two needs must be met at once, if the free countries' resistance to disaster is to be fed with the shot and shell and aircraft without which it must crack and crumble.

NOTES OF THE WEEK

Holland Surrenders

The collapse of Dutch resistance after five days came as a surprise only to those who had under-estimated the striking force of the German war machine. An army of 400,000 men, however gallant and resolute (and the Dutch show magnificent courage) can hardly resist, virtually unaided, the invasion of the mechanised columns of a Reich 80 millions strong. And Germany used every device of violence and treachery to secure her rapid advance. The dropping of thousands of parachutists in the rear so that at the height of the attack Dutch troops had to be withdrawn from the main positions to defend the interior, helped to confuse the military situation and the organised treachery of Dutch Nazis and resident Germans created almost unbelievable conditions of suspicion and suspense behind the lines. Treachery, too, probably left the key bridges at Arnhem and Moerdijk intact so that the German motorised columns could sweep in unimpeded. But the chief factor in the Dutch Commander-in-Chief's decision to surrender appears to have been the appalling extent of the damage due to aerial bombardment and the even more appalling slaughter which every mile of the German advance entailed. In five days Holland had already lost 100,000 men, a quarter of her army. Civilian figures were probably not much less, and with the German army approaching the densely inhabited provinces round Utrecht, the Commander-in-Chief concluded that no military consideration could justify the carnage which would ensue. Thus, with a good part of their main defensive positions still intact and their greatest cities still unoccupied, the Dutch gave up the struggle and their capitulation is a striking testimony to the terrorising powers of the bomber and yet another proof of the absolutely over-riding importance of air power in modern war. The country remains at war with Germany and in the province of Zeeland resistance continues. The Dutch Navy succeeded in escaping from the Dutch ports and has joined the Allies. A certain proportion of the Dutch Army crossed the Belgian frontier and is being reorganised on Belgian soil. In the Zeeland area, the Dutch troops have been placed under the command of Rear-Admiral van der Stad and are in contact with Allied forces. They appear to form one end of the long defensive line which is developing from Antwerp to Sedan, but in the rest of Holland, Germany's occupation is proceeding rapidly and troops have entered Amsterdam and the Hague.

The Dutch East Indies Carry On

Independent Holland continues in full sovereignty in the Dutch East Indies. Many big Dutch banks and business houses are removing their offices to Batavia—among them the Netherlands Trading Society and the Rotterdam-Lloyd. The loyalty of the native populations is absolute, and the islands appear to be bracing themselves for a great effort to keep the Dutch flag flying and to assist as actively as they can in the prosecution of the war. Their contribution will, of course, be mainly economic, and here certain difficulties with Japan arise. Japan relies to a considerable extent on supplies from the Dutch East Indies. If the Indies devote all their resources to forwarding the Allied cause and in this way reduce the volume of trade with Japan, then the Japanese Government may well decide that the *status quo* which they demand, under threat of intervention, to see maintained, has in fact been violated. The extremist elements in Japan are already pressing for intervention without waiting for the excuse, and the extremist press is making great play with the Allied landing in Dutch West Indies. A similar procedure will, they declare, be adopted in the Dutch East Indies, and Japan should consider whether such a move ought not, on Nazi lines, to be "forestalled." However, the presence of the United States fleet at Hawaii and Japan's great economic dependence upon American supplies have a calming effect. Provided the Dutch East Indies' help to the Allied cause does not materially interfere with Japanese trade, we can hope for the maintenance of the *status quo*. One immediate gain to us is the fact that, together with the United States, the Dutch East Indies has been the principal supplier of the goods reaching Germany via Vladivostok; with the United States' moral embargo increasing in effect and Dutch East Indian shipments suspended, one of the most serious leaks in our blockade will have been at least partially closed without the necessity of upsetting Russian sensibilities.

A Week of Pre-Belligerency

All through the week, Italian students and schoolchildren have been marched from their classrooms to fixed points on the streets and public squares of Rome to give "spontaneous" vent to their fierce hatred of France and Britain and to their pride and delight in the exploits of their magnificent allies who have crushed out the independence of yet another small State and are attacking the mother country of the Italian Crown Princess. Signor Mussolini has given his official blessing to the demonstrations by appearing on the balcony at the Palazzo Venezia, and the demonstrators are ably seconded by the activities of the police. Anti-Allied posters plaster the town and attacks on English visitors have taken place; women and old men appear to be the favourite targets of attack—Fascist virility must have its way—and even diplomatic immunity has not shielded the Swiss Minister and his wife from gross insult. The Italian Press is jubilant over Allied defeats and German invincibility and assures the people of Italy that the Allied contraband control is at the root of Italy's (admittedly stringent) economic difficulties. The *Osservatore Romano*, whose testimony to the truth has continued unshaken throughout the crisis, is now virtually banned, and violent incidents took place where copies of the paper were still displayed. Some readers were even thrown into the public fountains. The *Osservatore's* general crime was, of course, its publication of impartial news, but the new onslaught was undoubtedly designed to prevent the Pope's message of sympathy to the sovereigns of Holland, Belgium and Luxembourg from reaching the Italian public. Yet, in spite of this frantic ebullience, it is still uncertain whether Italy has braced herself to take the plunge. Diplomatically, it would appear impossible for the Duce to withdraw from his extreme position without damaging loss of prestige. From the military standpoint, intervention now, when the Allies face the greatest crisis of their national existence, would almost certainly have considerable effect. Germany, too, may have decided that the time has come. Military missions are in Rome, the country is flooded with "tourists," German troops are massed on the Yugoslav and Swiss frontiers, the bombing by German aeroplanes of Italian ships has started again. It looks very much as though Berlin were forcing the issue.

Yet there are certain anomalies in the situation. In spite of the "strengthening of the Western fortifications" and the calling up of more classes, Italy is not fully mobilised and there is no evidence that her air force has taken up its battle station. True, her citizens are being advised to leave Turkey and Egypt and anti-Yugoslav demonstrations have started again, but Italian ships—save for the *Adriatica* line to Turkey—are sailing normally. The propaganda campaign appears to have missed fire to such an extent that in the north of Italy many arrests have been made on the grounds of insufficient Axis enthusiasm. The steady hostility of the Church to armed association with the Reich has a certain effect, and the United States continues to do what it can by diplomatic pressure to prevent the spread of the conflict. It has been suggested that the fierce anti-Allied propaganda and the insulting and molestation of Allied citizens are designed to provoke the Allies into making a hostile gesture which the Duce could "sell" to his unwilling people as a threat of attack. Alternatively, the intensification of the campaign may be aimed at giving Germany the maximum diplomatic support and at immobilising in the Mediterranean and Near East an important part of the Allies' naval and air strength. Finally, the blackmail may be designed to secure sufficient modifications of the Allied contraband control to enable Italy to compensate Germany for her loss of leaks through the Low Countries. If the two short of actual war. Nevertheless, the Allies are taking their precautions. Egypt is at the alert, towns in the Libyan frontier are being evacuated, the fleet has sailed from Alexandria on manoeuvres. We are also keeping a wary eye on Spain. No one doubts the Caudillo's sincere desire to keep war from his devastated country, but there are strong forces moving against him, not least the disguised and open German and Italian "residents" inherited from the Civil War. The Mediterranean situation is obviously critical and, in spite of the few favourable omens, we must count on the possibility of war there from day to day.

The War Within

There can be no standing on ceremony when the nation is in daily peril, and the Government's new powers to intern all enemy aliens and restrict the movement of other foreigners will be opposed by none. So far they have only been applied to 3,000 enemy aliens and 10,000 others in eastern and southern coastal counties, but there is no sound reason at all for not applying them at once to the entire country; sabotage and sedition know no local government boundaries, and among the 27,000 or so Germans and Austrians still free there must in fact be a cadre of enemies—if the bitter experience of other lands is any guide. There is no question of persecution or the setting up of penal camps on Nazi lines. It is still true that a distinguishing mark between us and the Germans is in our treatment of minorities. Probably the very large majority of the Germans and Austrians in this country are our friends and Hitler's savagest foes. If so, they will show their friendship by going willingly into restraint, comfortable but complete. We can take no chances at all now, and wholesale internment will be protective custody for the genuine refugees themselves as well as for us. Far more difficult is the problem of our own nationals. In Norway and Holland the cruellest blows were struck by Norwegians and Dutchmen. Here the worst Quislings will have British names and British ancestry, and it should not be hard to pick out the most likely saboteurs. The hardest task is to mark down the silent traitors, though enough is known about Fifth-Column publicity and enemy associations before the war to provide the material for ruthless surveillance and a large-scale combing-out. Power now exists to detain British subjects with little or no proven British association. The new Treachery Bill reinforces the age-old power to sentence traitors to death. To smell out the traitors is the next step—as always, in this country, with the use of known and established rules of law and the need for proof before a court to nail the guilt. Not until the worst happens will the drumhead come into its own.

The First Invaders

It is not only the refugees from the Reich that have now to be considered in the defence of the realm. Hundreds of thousands of refugees from the stricken Low Countries will seek succour here, and arrangements are already in train to house them. Among them are more fugitive Germans and Austrians caught in their places of exile by Hitler's advance, and all of them come from countries that have been stabbed in the back by traitors. Every sympathy is due to the latest victims of the violent and many-sided Nazi terror. Every effort to feed and clothe and shelter them is due. But here, as in the case of the refugee aliens we already have, we must frankly confess that we have carried confidence too far in the past. These new immigrants, with possible assailants hidden in their ranks, must not lightly be scattered to move freely in our towns and countryside. The generous rule that aliens should go largely unrestricted unless their *bona fides* can be questioned has been out-dated by events abroad. In self-defence they must be restricted unless they can prove their *bona fides*. It is our duty to treat them well and to make whatever restraint may seem desirable as tolerable as possible. But the duty to safeguard ourselves is greater still.

Conscience and the War

The demand for new measures to curb "propaganda deliberately designed to impede" the war effort has multiplied. It is not confined to any political section. The President of the National Union of Distributive and Allied Workers has called upon his fellow-workers to resist "stop the war" treason. The recent case in which a Communist paper was mulcted in damages for indicting the war policy of certain trade union leaders revealed the conviction with which trade unionists have refused the cry that this is an "Imperialist" war; the Labour Party Conference has overwhelmingly endorsed this. There has been no public outcry on grounds of civil liberty against the prosecution last week of several officers of the Peace Pledge Union, and no doubt exists that the vast majority of citizens are anxious to put a stop to all agitation, Communist, Fascist or Pacifist, intended to sap the nation's resolution. Events abroad have shown it to be a matter of life and death. This is not the same as saying that there is a determination to stop people with honestly-held opinions hostile to war from acting according to their convictions. In the midst of its most crucial debate for a decade the House of Commons found time to pay unanimous tribute to the late Mr George Lansbury. It was as an honest Christian Pacifist that in recent years Mr Lansbury was best known. He was always free to speak and always

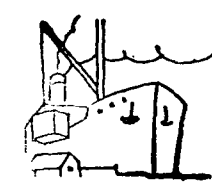
listened to with respect—and he never attempted to use his faith to undermine the loyalties and activities upon which the nation's safety rests. So it should be with all honest pacifists. It is equally for us and all conscientious objectors to realise that it is in their conscience and not in their objection that their rights and duties reside. New Defence Regulations have made propaganda to impede the war effort or reduce the Forces' allegiance heavily punishable if persisted in and if proven in Court. We can do no less for the safety of the people and the liberties that still allow pacifists to speak.

The Effect in America

The direction of the reaction in the United States to Hitler's latest aggression is clear beyond mistaking; but the extent to which it has gone is much more obscure. The combined effect of the new Government in London with the brutal onslaught on two more inoffensive neutrals has been to remove at a blow the emotional foundation for the growth of isolationist sentiment in the past eight months: it is no longer possible either to tar the Allies and Hitler with the same brush or to believe that a defeat of the Allies would not affect America's own interests or safety. As a result, all that body of opinion which was, in greater or less degree, interventionist last September, but has since become discouraged, has recovered its original position at a single bound. There has been an outpouring of opinions to the general effect that the United States is endangered and that, however gigantic the re-armament programme that is now to be adopted, much the simplest, and the only rapid, way in which American safety can be served is by giving every possible help to the Allies except the sending of troops. What is not known, and will only gradually emerge, is the extent to which that great mass of American opinion which held the opposite view last September has had its convictions shaken. Only a few weeks ago, Mr Dewey, campaigning for the Republican nomination for the Presidency, was finding that his strongest argument was pure isolationism. If that sentiment has now changed in the great stretches between the Alleghenies and the Rockies, Mr Dewey is left out on a limb and Mr Roosevelt's renomination and re-election are certain. But if the Middle West still has its head in the sand, the issue will have to be fought out at the presidential election. The next few weeks will show how strongly the wind of intervention is blowing—and its strength will be measured in Congress, not in the editorial views of Atlantic Coast newspapers.

The reaction in Latin America seems to have gone somewhat further than the official policy of the United States. Uruguay has proposed a joint protest to Berlin against breaches of neutrality, and this proposal has been accepted in Washington. An Argentine proposal that the whole Pan-American Union should collectively move from neutrality to "non-belligerency" clearly went further, and its pro-Ally intention was as manifest as its precise substance was obscure. This was rejected in Washington as being contrary to the letter and spirit of the Neutrality Act. But non-belligerency would not be an inaccurate description of the attitude of both Americas, North and South. It is even possible that the pre-belligerent stage has been reached.

Export
and
Import
Banking
on
Sweden



SKANDINAVISKA BANKEN

Towards a Swiss Offensive?

Switzerland's mobilisation is complete. Stringent measures have been taken to control the movements of foreigners. Roads are patrolled, cars are stopped, the houses of aliens are being searched for concealed arms. Switzerland's precautions are understandable. The fate of Holland and Belgium has warned the Swiss that scrupulous neutrality is less than no guarantee against attack; on the contrary, it encourages attack, since it makes certain beforehand that the small neutral State—in the interests of its neutrality—will have taken no steps to associate other Powers with the defence of its independence. Since the Swiss share frontiers with both Germany and Italy, they feel that they are an obvious prey for Hitler and his satellite, while the strategic importance to Germany of turning the Maginot Line also suggests a break through Switzerland to the French frontier in order to make possible a pincer movement, in the north from Sedan, in the south from Basle. Germany appears to be taking a number of steps calculated to increase Switzerland's anxiety. Manœuvres in the flat-bottomed boats which figured in Germany's Dutch operations have taken place on Lake Constance, all railway traffic with Germany has been cut off save for those travelling with diplomatic passports, and 25 German divisions are said to be concentrated in the Black Forest, possibly for a frontal attack on the Maginot Line, but more probably for a flanking movement through Swiss territory. The Swiss are awaiting their fate with fortitude. If and when the time comes they will fight with courage. If they fall, another blow will have been struck at the essentials of good neighbourhood and decent living.

* * *

The Balkan Front

The news of the invasion of Belgium and Holland was received with mixed feelings in the Balkans. Disgust predominated, but there was also fear—bred of the extraordinary virulence of the Nazi onslaught—and a certain relief. The optimists argued that perhaps the issue would be settled in the West after all. The pessimists could at least look forward to a few days' respite. This does not mean that vigilance has been relaxed. On the internal front, the watch on Quislings and aliens continues, and various measures against parachutists are announced. Roumania has been disturbed by rumours of barges full of German soldiers moving down the Danube. Yugoslavia has called up air force and anti-aircraft personnel. There are, however, no signs of a joint effort to meet the possibility of attack. Although Bulgaria has given a Greek trade delegation a very cordial reception and refuses to allow German propaganda to disturb her with reports of Turkish military movements directed against her, she has once again, through the mouthpiece of the Foreign Minister, declared her intention of preserving the strictest neutrality and of holding aloof from anything resembling a united Balkan front. Hungary's attitude is even more unhelpful. This week has seen important mobilisations of Hungarian troops, and an attack on Germany's puppet, Slovakia, appears to be imminent. Since Germany would hardly permit an invasion without some *quid pro quo*, the Yugoslavs and Roumanians are wondering ruefully whether the Hungarians are about to accede to a German request for the passage of troops across Hungarian territory. Germany's attitude is frankly threatening. The Balkans are being warned of Allied manœuvres just as the Low Countries were warned. May 20th is the day put about by the Nazi propagandists as the Allied zero hour, which suggests that a Nazi invasion "to forestall" the Allies will take place rather sooner. No doubt the Balkan States would like to look westwards in confident expectation of immediate help, but the fall of Norway and Holland, both accessible to the British Navy, is not encouraging.

*

They cannot look to Italy, for a German invasion would be the signal for a concerted Italian move, even if only to stake out some sort of claim to the Adriatic seaboard. There is only one other direction in which to look: towards Russia; and there are signs that the idea of calling in the greatest Slav Power to underpin the unstable security of the Balkans has crossed the minds of politicians in Sofia and Belgrade. Bulgaria made a great show of friendship last autumn, sending a trade mission and a parliamentary delegation to Moscow. The outcome of the visits was not startling, and Germany continued to account for over 60 per cent. of Bulgaria's foreign trade; but the Bulgarians could argue that Russia at that time was too pre-occupied in Finland to consider the Balkan front. Now it is the turn of Yugoslavia to look towards Moscow. The announcement of the open-

ing of trade talks coincided with the height of Germany's "tourist" invasion, and the negotiations have been conducted with such dispatch that three conventions have already been signed in Moscow. Details of the agreements have not yet been published, but the German authorities take the threat to their commercial predominance sufficiently seriously to warn their traders in Yugoslavia to increase their activity and to carry on a brisk counter campaign of purchases. The Germans are even more perturbed by the news of the proposed political mission to Moscow to discuss the setting up of diplomatic relations, the encouragement of cultural co-operation and even, it is rumoured, the need of some sort of military guarantee. Yugoslavia's interests are obvious enough. Any port—even a Soviet port—is better than running before the Nazi storm. Russia's motives are more obscure, but the Allies' difficulties in the West and the crucial nature of the struggle engaged in are giving the Kremlin food for uneasy thought. It is not in Russia's interests to see Germany triumphant throughout Europe, and there are signs that Russia's attitude towards her German friends is growing cooler. A trade mission has arrived from Sweden, the Yugoslav question is under consideration, there are rumours of Russian complaints to Germany over delays in the arrival of German supplies and an overture at least has been made to the West to open trade talks. Russia's game is, of course, essentially opportunistic; but with Germany's successes the balance of interest is shifting to our side.

* * *

Labour's Return

For nearly a decade the Labour Party has wandered in the wilderness, despite the steady electoral support of some 7 to 8 million voters. Now its leaders fill two places in the War Cabinet and hold an impressive array of other offices, notably the Admiralty, the Ministry of Supply and the Ministry of Labour. It was the failure of Mr Chamberlain's administration to inspire confidence in its conduct of the war that opened the door to Labour's return as of right. It was Hitler's attack on the Low Countries that made that return imperative, and the Labour movement responded very swiftly and with a full voice. On Friday a week ago the executive of the Parliamentary Labour Party agreed to serve as a partner under a new Prime Minister. On Sunday the Grand Council of the Trades Union Congress, the National Council of the Labour Party and the Parliamentary Party's executive, representing between them the length and breadth of the Labour movement, framed a resolution sanctioning a full share for Labour in Mr Churchill's Government; and on Monday, by a majority greater even than any recorded for the Government at any by-election during the political truce, the Labour Party's annual conference accepted the resolution. The leaders of the party have come back to govern as partners—though their followers in the Commons are still to fulfil their parliamentary function of question and criticism—and they have been given the posts that specially affect the interests of industrial workers, the Ministries of Labour, Supply and Mines. The keynote of their contribution has already been set by the appeal of Mr Bevin to "work like hell," and there can be no doubt that very large reserves of goodwill, ability, determination and hard toil have been called up by the enlistment of political and industrial Labour. If their vested interests and sectional creed can make way for the wider national interest, then there is a powerful example for every group in the community.

* * *

Controlling Prices

In June the provisions of the Prices of Goods Act, applied on January 1st to the cheaper kinds of clothing and household goods, will be extended to all clothing, boots and shoes, ironmongery, cutlery, domestic furniture, wireless sets and gramophones, bicycles, perambulators, clocks and watches, soap, candles and matches. It has long been the view that, to be effective, the machinery of price regulation should be extended to cover all articles entering into the essential equipment of individuals and households, and this frontier has now, with only small exceptions, been reached. Indeed, it might even be feared that the control looks like going too far. The paramount aim of war economic policy is to cut down consumption drastically, and there is no case on this count for making it easier for people to buy goods that are not essential. On the other hand, the fact that to permit the price of luxuries to rise unchecked might, in certain circumstances, simply discriminate in favour of luxury manufacturers' profits underlines the point that price regulation alone is not,

and cannot be, enough. Undue profits can, indeed, be taxed away. There is an excess profits tax and dividends are limited; but the direct path is to prevent luxury consumption by rationing luxury production even to the point of prohibition—at least where the materials used are imported or of war importance—as well as by curtailing civilian purchasing power. It is a mark of effectiveness in the working of the Act that the most important materials used in making the goods regulated are to be controlled in price, but as a corollary the use of important materials for the manufacture of what can only be called luxury goods must be ruthlessly limited and the retail margins fixed very carefully scrutinised. And it is the cause for some apprehension that, among the branded goods to be price-regulated in June, there are some the control of which will simply stabilise very lucrative retail margins, when the aim should rather be to restrict output and consumption very sharply. The proper scope of the Act should be a comprehensive control over the prices of a basic ration of cheap durable articles, durability being as important to poorer people as cheapness; and, outside the ration, it should be made certain by material restrictions that rising prices will be accompanied by a steep fall in purchases.

* * *

From the Skies

Parachute troops of the sort dropped in Holland clearly offer a considerable threat to a country like Britain, where few open spaces or stretches of coast are far from points of key importance—military, industrial or transport. A rough system of precautions has been devised. In some places mobile motor units on the model of the police flying squads are to patrol with arms; and in small towns and rural districts unpaid and spare-time Local Defence Volunteers, between the ages of 17 and 65, reasonably fit and with a knowledge of firearms, are to keep watch in the hours of dusk and darkness. It is true that the parachutists' inability to make contact with bodies of their own troops—unless indeed these could be successfully landed by airplane or submarine—might make their use less likely to be effective here than across the North Sea. But that they will be tried, if only for isolated acts of sabotage and to link up with Fifth Columnists, is fairly certain, and it is a little puzzling that the War Office has not accepted the British Legion's offer to put their experience and discipline at the nation's disposal. There are dangers in amateur zeal, and it is to be hoped that safe measures will be taken to avoid misguided injury to British flyers forced to land by parachute or to ordinary peaceful passers-by. It is also to be hoped that congested urban districts will be given more special defence against the floating fighters than seems, from public statements at least, to be intended so far. Swift armed and motorised patrols constantly on the move are essential, and individual men with rifles will need to act warily against well-armed raiders.

* * *

Shorter Notes

The Ministry of Food has suspended the wheat quota payments, by means of which the Wheat Commission raised funds for the subsidy to farmers. The price of flour to millers has been raised by the amount of the suspended quota. The wheat subsidy will now be provided by the Ministry of Food.

*

In view of the disappearance of Danish and Dutch eggs from the British market, egg prices have again been controlled; the maximum price for first-grade English eggs is now 2s. 6d. per dozen. Price control has also been extended to new potatoes, oranges and lard.

*

The Central Agricultural Wages Board has sent to the County Boards for their consideration a proposal that the national minimum wage for general agricultural labourers should be 42s. per week.

*

Cuts in the sugar and butter rations have been announced. With effect from May 27th, the domestic sugar ration will be reduced from 12 ounces to 8 ounces a head a week, and supplies to catering establishments will also be curtailed. The allocation of sugar for manufacturing uses will be reduced from July 1st. The partial failure of the British West Indies sugar crop and the necessity of conserving currency resources are the reasons given for these reductions. The German invasion of Denmark had already foreshadowed a reduction in the butter ration, and the invasion of Holland made it a

certainty. Lord Woolton has now announced that it will be back to its original level of 4 ounces a person a week from June 3rd. He has also prophesied an early reduction in the bacon ration.

*

No time has been lost in including Belgium in the monetary alliance which has existed since last December between Great Britain and France. It is announced that a tripartite financial agreement has been concluded, which grants reciprocal financial facilities for the settlement of their expenditure as between Belgium and France on the one hand and Belgium and the United Kingdom on the other.

*

The Allied merchant fleets will be reinforced not only by the greater part of the Belgian and Dutch fleets, but also by the 26 German ships, totalling some 145,000 tons, which have been sheltering since last September in Dutch colonial ports, and have now been seized, despite the efforts of the crews to scuttle them. In addition, another 28,000 tons of German shipping was sunk off Scandinavia between May 6th and 11th, which means that total German losses since the beginning of the war are approaching 800,000 tons and are not far below the total Allied losses of about 830,000 tons.

*

The fighting in Norway continues. Guerilla warfare in the region of Roeros has inflicted severe losses on the Germans, and they appear to have made little progress in the advance from Namsos. At Narvik parachute troops have been sent to reinforce the beleaguered garrison, but the Allies, attacking from north and south, seem to be closing in on the town. It is essential that our advantage in this region should be pressed home. Nazi control of the Swedish iron fields can be hampered and jeopardised once we have strong forces entrenched across the frontier.

*

The first step in the Government's new evacuation plan is being carried out with the medical examination of the schoolchildren in evacuation areas, where schools had to remain open for the purpose on Whit Monday. In London there are between 450,000 and 500,000 schoolchildren; but only 50,000 have been registered for evacuation under the new scheme, and the L.C.C. has decided to keep the register open in case any of the parents of 320,000 children, who did not reply, are now giving more serious consideration to the dangers of air-raids. It is, in fact, unlikely that any children will be refused, whether registered or not, so that the transport authorities will not be able to decide in advance whether to cater for tens of thousands or hundreds of thousands.

*

New billeting allowances for householders have been announced. They will be 10s. 6d. a week for each child between 10 and 14 years of age, 12s. 6d. a week for each child between 14 and 16, and 15s. a week for children of over 16. At present the allowances are 10s. 6d. a week for one child of under 14 and 8s. 6d. for each child where more than one are billeted, and 10s. 6d. a week for each child of over 14 years of age.

INSURE WITH



7, CHANCERY LANE, LONDON, W.C.2

of the total of £14,409,077 net new sums assured during 1939, £13,671,288, were life insurance contracts. The *Guardian Assurance*, as Col. Lionel H. Hanbury pointed out at the meeting, had suffered by the loss of its holdings in the Albingia Insurance Company of Hamburg, which have been completely written off, and by the discontinuance of other German business. Lt.-Col. J. Beaumont Neilson congratulated the shareholders of the *Midland Employers' Mutual Assurance* on the moderate increase in claims during a year of rising employment, but he warned his audience that proposed legislation might add as much as 20 per cent. to the cost of workmen's compensation claims. Sir Auckland Geddes's review at the *Rio Tinto* meeting is discussed on page 869. Sir Malcolm A. Robertson assured shareholders of *Spillers* that the appropriate relations between the company and Government Departments under war conditions were being effected with all possible zeal. Mr. Henry Gardner disclosed that the *Amalgamated Metal Corporation's* metal stocks were handed to the Ministry of

Supply practically at pre-war prices. Hence, the company now held a far higher proportion of cash and short-dated Government securities than before the war. The chairman of *London Asiatic Rubber*, Mr. H. J. Welch, reported that the price obtained for rubber last year was the highest since 1928, but rising costs left the company with a profit of less than 1d. per lb. Mr. John Ismay at the meeting of *F. Francis and Sons* reported that the company had secured a large increase in turnover in the first four months of 1940 compared with the previous year. Mr. W. J. Terry, at the meeting of the *London Electric Wire Company and Smiths*, emphasised the value of securing stocks of non-ferrous raw materials to assist war production and exports. The replanting of a considerable area of old rubber was announced by Mr. H. Eric Miller to shareholders of *Pataling Rubber Estates*. Addressing *North British and Mercantile Insurance* shareholders, the Hon. Robert H. Brand reported that a decline in life department business in the first four months of the war had been more than compensated by excellent results early in the year.

THE STOCK EXCHANGES

London

Note: all dealings are for cash

The gilt-edged market this week has shown an almost magnificent disregard of the political crisis. This has been due rather to the operation of modest re-investment buying in a closed market short of stock, from which direct political factors have been insulated. The rise in prices has been spectacular in relation to the volume of business and even on Thursday, when the market opened under the shadow of the previous day's pungent debate, with losses of up to half a point, the market nevertheless managed to close higher on the day.

The opening gains in *gilt-edged* were led by Local Loans, with other long-dated issues, like Old Consols and War Loan, closely in company. Anticipations of the debate on Norway did not affect this progress and Local Loans and Old Consols on Tuesday rose $\frac{3}{4}$ of a point while a smaller gain in Old War Loan raised the price to 101 $\frac{1}{4}$, a new wartime record, which was temporarily supplanted on Wednesday when War Loan rose at one time to 101 $\frac{1}{4}$. Other investment stocks were strong in sympathy with these movements and the scarcity of home corporation and Dominion Government issues was reflected in useful rises in prices.

In the *foreign bond market*, Japanese issues have fallen throughout the week. They opened with falls of up to two points and stocks fell further on Wednesday and Thursday on nervous selling owing to fears regarding the Dutch East Indies situation.

Home rail marginal stocks have been consistently weak. Great Western being no better than 44 $\frac{1}{2}$ in midweek, while other equity issues were similarly depressed. The guaranteed and debenture stocks were, however, supported by the movement in *gilt-edged*. Some minor losses were recorded among Argentine debentures but Canadian Pacific preference rose rather smartly.

The influence of dividend limitation has been generally discounted in the equity market, but *industrial shares*, unlike *gilt-edged*, were exposed throughout the week to political factors and falls have been steady and general. Brewery and tobacco shares continued to fall. Losses were recorded by Guinness, Mitchells and Butlers and Ind Coope and Allsopp. Imperial Tobacco, Godfrey Phillips, Carreras and other leading issues. Heavy industrials were dull and the gains recorded early in the week by Harland and Wolff and Tube Investments were not maintained. Renewed declines were recorded in the stores group. Among textiles J. and P. Coats held up against the trend.

Oil shares have remained weak and Mexican Eagles lost ground on the news

of Mexico's refusal to accept arbitration. Little support was forthcoming for *rubber shares*. Interest in *Kaffirs* revived on Wednesday, when a number of dividend-paying shares rallied slightly. Tin shares improved on Thursday.

"FINANCIAL NEWS" INDICATORS

1940	Total Bargains†	Corres. Day 1939	Security Indices	
			30 ord. shares*	20 fixed int.†
May 3...	4,390	5,300	75.0	126.1
" 6...	4,931	6,050	74.5	126.2
" 7...	4,200	6,445	74.5	126.4
" 8...	4,234	6,610	74.1	126.4
" 9...	4,319	6,320	74.2	126.5
1940 High.....	...	...	80.6	126.5
Low.....	...	...	74.1	117.6
			May 8	Jan. 2

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

ACTUARIES' INVESTMENT INDEX

The fixed interest and ordinary share indices and yields comprised in Actuaries' Index fully reflected the influence of the Budget on *gilt-edged* and equity securities last month. The *gilt-edged* and debenture indices show a general upward movement compared with the end-March figures. In the ordinary share market, almost every section lost ground. The combined index of 158 industrials fell from 59.3 to 58.0. The biggest setback was recorded in coal shares, where the upward trend of the past few months was sharply reversed with a fall from 100.2 to 94.5. Home Rails lost three points to 56.9 and the Stores and Catering Section touched 42.5, the lowest level since the beginning of the year, on a combination of factors such as restricted supplies, limited dividends, and the new Purchase Tax.

Group (and No. of securities)	Prices (Dec. 31, 1928 = 100)		
	Apr. 25, 1939	Mar. 26, 1940	Apr. 30, 1940
Fixed Interest:			
2½% Consols.....	117.1	128.9	132.2
Prod. ind. debts. (21).....	107.4	109.2	109.3
Prod. ind. pref. (53).....	97.7	103.5	103.1
Ordinary Shares:			
Insurance (10).....	106.8	98.7	96.2
Aircraft mfg. (5).....	77.2	57.4	55.9
Coal (8).....	76.9	100.2	94.5
Electrical mfg. (13).....	116.5	121.2	118.6
Home Rails (4).....	34.1	50.9	56.9
Stores (17).....	52.5	44.7	42.5
Breweries (20).....	106.6	103.4	101.9

Group	Yields (%)		
	Apr. 25, 1939	Mar. 26, 1940	Apr. 30, 1940
Fixed Interest:			
2½% Consols.....	3.81	3.46	3.37
Prod. ind. debts.....	4.51	4.42	4.41
Prod. ind. pref.....	4.69	4.60	4.63
Ordinary Shares:			
Insurance.....	4.02	4.23	4.33
Aircraft mfg.....	10.20	10.48	10.73
Coal.....	7.62	5.74	6.06
Electrical mfg.....	6.04	5.15	5.28
Home Rails.....	0.50	5.00	5.21
Stores.....	6.19	6.86	6.49
Breweries.....	6.21	6.23	6.30

New York

TRADING on Wall Street, which opened dull and irregular at the beginning of the week under the influence of political events in Europe, received a further setback from the news of the Supreme Court's decision to uphold the Government in the oil anti-trust case. Later the market reacted favourably to reports of reduced crude oil output and fractional gains were general. The *Iron Age* estimate of steel mill activity shows an increase from 63 per cent. of capacity a week ago to 66.5 per cent.

New York Prices

Close Latest	May 2, 1940	Close Latest	May 2, 1940
1. Railroads			
Balt. & Ohio.....	47 $\frac{3}{4}$	43 $\frac{1}{4}$	43 $\frac{1}{4}$
G.N. Ry. Pf. 26 $\frac{1}{8}$	26 $\frac{1}{8}$	26 $\frac{1}{8}$	26 $\frac{1}{8}$
Illinois Cent. 10 $\frac{1}{4}$	10 $\frac{1}{4}$	10 $\frac{1}{4}$	10 $\frac{1}{4}$
Northern Pac. 8 $\frac{1}{4}$	8 $\frac{1}{4}$	8 $\frac{1}{4}$	8 $\frac{1}{4}$
Pennsylv. R. 21 $\frac{1}{2}$	21 $\frac{1}{2}$	21 $\frac{1}{2}$	21 $\frac{1}{2}$
Southern Ry. 15 $\frac{1}{4}$	15 $\frac{1}{4}$	15 $\frac{1}{4}$	15 $\frac{1}{4}$
2. Utilities, etc.			
Amer. Tel. 173 $\frac{1}{2}$	173 $\frac{1}{2}$	173 $\frac{1}{2}$	173 $\frac{1}{2}$
Amer. Wks. 93 $\frac{1}{2}$	93 $\frac{1}{2}$	93 $\frac{1}{2}$	93 $\frac{1}{2}$
Col. Gas & El. 61 $\frac{1}{2}$	61 $\frac{1}{2}$	61 $\frac{1}{2}$	61 $\frac{1}{2}$
Int. Tel. For. 31 $\frac{1}{2}$	31 $\frac{1}{2}$	31 $\frac{1}{2}$	31 $\frac{1}{2}$
United Corp. 21 $\frac{1}{2}$	21 $\frac{1}{2}$	21 $\frac{1}{2}$	21 $\frac{1}{2}$
Utd. Gas Imp. 12 $\frac{1}{2}$	12 $\frac{1}{2}$	12 $\frac{1}{2}$	12 $\frac{1}{2}$
3. Commercial and Industrial			
Amer. Metal. 21 $\frac{1}{4}$	21 $\frac{1}{4}$	21 $\frac{1}{4}$	21 $\frac{1}{4}$
Am. Roll. Mill 14 $\frac{1}{4}$	14 $\frac{1}{4}$	14 $\frac{1}{4}$	14 $\frac{1}{4}$
Am. Smelting 48 $\frac{1}{2}$	48 $\frac{1}{2}$	48 $\frac{1}{2}$	48 $\frac{1}{2}$
Anaconda 29 $\frac{1}{2}$	29 $\frac{1}{2}$	29 $\frac{1}{2}$	29 $\frac{1}{2}$
Briggs 22 $\frac{1}{2}$	22 $\frac{1}{2}$	22 $\frac{1}{2}$	22 $\frac{1}{2}$
Calumet of A. 35 $\frac{1}{2}$	35 $\frac{1}{2}$	35 $\frac{1}{2}$	35 $\frac{1}{2}$
Eastman Kd. 156 $\frac{1}{2}$	156 $\frac{1}{2}$	156 $\frac{1}{2}$	156 $\frac{1}{2}$
Gen. Motors 53 $\frac{1}{2}$	53 $\frac{1}{2}$	53 $\frac{1}{2}$	53 $\frac{1}{2}$
Glidden 17 $\frac{1}{2}$	17 $\frac{1}{2}$	17 $\frac{1}{2}$	17 $\frac{1}{2}$
Nat. Dairy 17 $\frac{1}{2}$	17 $\frac{1}{2}$	17 $\frac{1}{2}$	17 $\frac{1}{2}$
Nat. Distillers 24 $\frac{1}{2}$	24 $\frac{1}{2}$	24 $\frac{1}{2}$	24 $\frac{1}{2}$
Sears Roebuck 85 $\frac{1}{2}$	85 $\frac{1}{2}$	85 $\frac{1}{2}$	85 $\frac{1}{2}$
Shell Union 12 $\frac{1}{2}$	12 $\frac{1}{2}$	12 $\frac{1}{2}$	12 $\frac{1}{2}$
Socony Vac. 11 $\frac{1}{2}$	11 $\frac{1}{2}$	11 $\frac{1}{2}$	11 $\frac{1}{2}$
Stan. Oil N.J. 42 $\frac{1}{2}$	42 $\frac{1}{2}$	42 $\frac{1}{2}$	42 $\frac{1}{2}$
20th Cen. Fox 8 $\frac{1}{4}$	8 $\frac{1}{4}$	8 $\frac{1}{4}$	8 $\frac{1}{4}$
U.S. Steel pt. 123 $\frac{1}{2}$	123 $\frac{1}{2}$	123 $\frac{1}{2}$	123 $\frac{1}{2}$
West. Elec. 111 $\frac{1}{2}$	111 $\frac{1}{2}$	111 $\frac{1}{2}$	111 $\frac{1}{2}$
Woolworth 39 $\frac{1}{2}$	39 $\frac{1}{2}$	39 $\frac{1}{2}$	39 $\frac{1}{2}$

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

Group	WEEKLY AVERAGES				
	Low Jan. 31	High Jan. 31	Apr. 24, 1940	May 4, 1940	May 8, 1940
347 Ind'l's	105.8	111.4	108.7	107.3	107.6
32 Rails	28.3	30.7	29.0	28.4	28.6
40 Utilities	98.6	89.4	86.9	87.1	87.1
419 Stocks	90.4	94.8	92.4	91.3	91.5
Av. yield*	4.67%	4.30%	4.66%	4.72%	4.69%
	High	Low			

(a) March 21, 1940. * 50 Common Stocks.
(c) April 17, 1940.

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

May 2	May 3	May 4	May 6	May 7	May 8
117.3	117.5	117.1	116.9	117.3	117.5
1940 High: 123.7 January 3rd. Low: 116.3 January 31st.					
TOTAL DEALINGS IN NEW YORK					
Stock Exchange					
1940					
	Shares 000's	Bonds 000's			
May 2	650	(a)			
" 3	1,070	(a)			
" 4	320	(a)			
" 6	530	(a)			
" 7	580	(a)			
" 8	690	(a)			

(a) Not stated.

Foreign Bond Movements

THE German invasion of Denmark and Norway caused depression throughout the foreign bond market. The "Municipal and General" index of foreign bonds showed a fall compared with March in every section except South American provincial bonds. The European index slumped by nearly six points from 46.5 to 40.9, a new low level since the outbreak of war which compares with 46.3 for September, 1939. The complete index of 106 bonds fell from 60.6 in March to 57.9. That this figure is still higher than the levels of the first three months of the war is due to the substantial recovery in South American issues.

AVERAGE JANUARY-JUNE, 1934 = 100.

End of Month	Near and Far East			South and Central America			Egypt
	States	Provinces	Total	States	Provinces	Total	
1939	(31)	(35)	(11)	(46)	(4)		
April	59.1	54.2	41.4	45.8	74.0		
September	40.6	49.0	36.3	45.6	68.6		
December	52.1	73.0	49.4	66.5	79.6		
1940							
January.....	58.4	74.5	49.3	67.5	80.0		
February.....	54.5	77.5	49.7	69.7	81.7		
March	53.5	70.0	57.6	73.2	80.9		
April	52.2	77.2	57.7	72.1	80.8		

End of Month	Europe	Complete Index	Under- faulted Bonds	De- faulted Bonds
1939	(25)	(106)	(46)	(60)
April	63.4	56.8	63.4	52.1
September	46.3	45.2	48.5 (31)	41.4 (75)
December	48.3	58.1	56.9 (28)	55.2 (78)
1940				
January.....	48.5	60.6	57.2	58.3
February.....	48.4	60.2	57.8	57.5
March	46.5	60.6	57.1	58.3
April	40.9	57.9	55.1	55.5

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

Capital Issues

CAPITAL ISSUE TOTALS

Week ending May 11, 1940	Nominal Capital	Con- versions	New Money
To the Public	Nil	Nil	Nil
To Shareholders	Nil	Nil	Nil
By S.E. Introduction	656,855	Nil	608,080
By Permission to Deal	Nil	Nil	Nil
Savings Certs., week to May 4, 1940	2,400,000	Nil	2,400,000
3% Defence Bonds	2,075,000	Nil	2,075,000
Exch. receipts, week to May 4, 1940	2,075,000	Nil	2,075,000
Year to date			
Including Conversions			
Excluding Conversions			
1940 (New Basis)	755,440,760	402,485,627	
1939 (New Basis)	38,732,013	37,500,948	
1940 (Old Basis)	744,273,765	391,518,632	
1939 (Old Basis)	18,922,635	18,711,570	

Destination (Excluding Conversions)

Year to date	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1940 (New Basis)	402,006,195	479,432	Nil
1939 (New Basis)	25,851,460	11,329,488	320,000
1940 (Old Basis)	391,376,176	142,456	Nil
1939 (Old Basis)	14,900,835	3,490,735	320,000

Nature of New Borrowing (Excluding Conversions)

Year to date	Deb.	Pref.	Ord.
1940 (New Basis)	391,327,966	1,135,675	10,021,986
1939 (New Basis)	16,756,145	2,300,796	18,444,007
1940 (Old Basis)	390,504,500	77,500	886,632
1939 (Old Basis)	12,207,435	928,447	5,375,688

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.

RESULT OF TENDER

West Hampshire Water Company.—The 4 per cent. debenture stock realised £12,626 9s. 7d., average price £105 4s. 4.9d. £55,140 applied for; lowest tender accepted £105 1s.; tenders ranged from minimum price to 107; issue of 4½ per cent. preference shares, resulted in average price £11 8s. 7.07d.; total applied for 13,079; allotted 3,000; tenders ranged from minimum to £11 11s. per share; lowest tender accepted £11 8s.

Shorter Comments

Company Results of the Week.—An impressive rise in the total profits of **PRESSED STEEL COMPANY** is reported from £387,780 to £653,427, but net profits are actually slightly lower and the dividend is unchanged at 27½ per cent. A further batch of rubber company reports shows consistent improvement in estate profits, distributable earnings and dividends. In the tea group, **NUWARA ELIYA**, which is one of the highest grade growers, shows an increase in total profits from £52,731 to £57,673. Net profits after depreciation are slightly lower, but the dividend has been maintained at 11 per cent. Among industrial companies **BRITISH MATCH CORPORATION** reports rather lower net profits at £341,269, though trading profits and the 7½ per cent. dividend have been maintained. **J. COMPTON AND WEBB**, the military uniform makers, report a slight increase in net profits at £91,345, and the dividend is maintained. **COURT LINE** enjoyed a more prosperous year, net profits rising from £61,902 to £83,482 after providing £40,000 for depreciation, and the dividend has been raised from 10 to 15 per cent. A substantial improvement in the **EVER READY COMPANY'S** profits from £450,556 to £620,392 covers the increased dividend of 40 per cent. (against

The Plight of Indian Jute

[FROM OUR CALCUTTA CORRESPONDENT]

THE fact that the Indian jute mills have had to resort to short working time in the seventh month of the war is an index of the fundamentally unstable position of the industry, in spite of the larger accretion of orders that has come to it as a result of the British defence programme.

In the first place the number of mills has increased enormously since 1918. The construction of new mills reached its height in the latter half of the 1930's; they were almost entirely the fruits of Indian enterprise, and in the majority of cases medium and small-sized manufacturing units were preferred. The addition of some thousands of looms to the industry's total manufacturing potential has brought in its train a number of knotty problems which have proved the harder of solution because of the industry's previously compact and conservative character. The older and larger mills, with substantial reserves, have been able to hold their own. The smaller and less economic units, both British and Indian, have felt the strain.

Speculative Market

A further difficulty with which the industry has to contend is the growth of highly speculative markets both in raw and manufactured jute. The outbreak of war caused prices of raw jute to rise rapidly, the average monthly prices for jute goods and raw jute rising to their maxima in November and December, respectively. The average prices during the first five months of the war exceeded the average 1914 prices by 5 per cent. for raw jute and 47 per cent. for manufactured jute.

The Government of Bengal stands for the retention of the futures markets as well as for a minimum price for raw jute, a prospect which the manufacturing end of the trade views with undisguised dismay. It seems likely that the wishes of the Provincial Government will prevail. So far as they have indicated their policy they have expressed a preference for the regulation rather than the abolition of the futures market in raw jute, while deferring a verdict on the hessian futures market, whose continued existence would appear to be very difficult to justify.

Growing use of Substitutes

On a long view, however, neither the question of the futures markets nor that of minimum prices is insoluble. The intrusion of substitutes into the markets hitherto exclusively served by jute manufacturers is the industry's most pressing and difficult problem. In the grain trade bulk elevators have long been reducing the demand for sacks and it seems probable that in big centres they will continue to do so. More recently, competition has been coming forward from cotton, sisal and paper interests, though the manufacture of paper bags has been largely curtailed as a result of the war. The extension of cotton substitutes has recently been noticed both in France and Italy and more persistently so in the Argentine.

National Central Savings Bank of Hungary

UNGARISCHE LANDES CENTRAL SPARKASSA

Budapest IV

Deák Ferenc-utca 7

Cable Address: MOKTAR

Foreign Department:

Phone: 342-518

ESTABLISHED 1872

Every description of Banking Business transacted. Payment of Travellers' Cheques and of Letters of Credit.

From the United States, India's greatest market for jute goods, comes news more serious because it shows that official encouragement is being given to the displacement of jute by cotton. The U.S.A. Department of Agriculture have, since last year, been subsidising the manufacture of cotton bagging for the purpose of covering raw cotton bales. It is estimated that about 70 million yards of bagging are required to cover the average annual cotton crop, and it is expected that there will be not less than about 4½ million yards of cotton fabric manufactured for the purpose this year. While it is true that this menace comes as a result of the subsidy provided by the Government, the price factor is also important, and with cotton and jute at practically the same level of price as they have recently been, there is a definite tendency to prefer cotton. It appears also there is a tendency to substitute paper and cotton whenever possible for burlap.

April 15th.

The Czech Crown under Nazi Rule

[FROM A CORRESPONDENT]

THE gradual deterioration of the Czech currency can be clearly deduced from the returns of the National Bank of Bohemia-Moravia, now controlled by the Germans.

The most striking item is the "other assets" of 5,191 million crowns on April 15, 1940, as compared with 2,672 millions before the war, on August 15, 1939. This steadily rising figure represents for the most part claims of the National Bank against the German Reichsbank. These claims already, by the middle of August, 1939, amounted to 1,000 million crowns, and had increased to about 3,900 millions by April 15, 1940. This development is bringing about radical changes in the structure of the cover which are very unfavourable for the Czech currency.

The credit items are steadily decreasing. The discounted bills and securities amounted before the war, on August 15, 1939, to 1,610 million crowns, and on April 15, 1940, to only 171 millions. This decline reflects the small requirements of business.

The Lost Gold

The gold and foreign exchange, representing the gold cover and a part of the commercial cover, were given as 1,602 million crowns in gold and 715 million crowns in foreign exchange on April 15, 1940. These figures, however, are fictitious, because almost two-thirds of the gold and nearly all the foreign exchange are blocked abroad, mainly in England. After Munich the National Bank had to deliver 480 million crowns in gold to the Reichsbank, covering 38.45 per cent. of the 1,250 million Czecho-Slovakian notes secured in the territory ceded to Germany. After March 15, 1939, the National Bank was compelled by the Germans to transfer all its gold abroad to the Reichsbank.

Up to the middle of November, 1939, about 400 million crowns were used out of the resulting gold claim against the Reichsbank for the payment of indispensable current imports and of old import obligations. From the middle of November until April 15, 1940, no more than 8 million crowns in gold and 56 million crowns in exchange were used to pay off additional old import obligations and perhaps some new ones which, however, have fallen to inconsiderable proportions because of the Allied blockade of overseas imports. The only Czech gold at the disposal of the Germans is the unused remainder of the gold claim and another 215 million crowns of effective gold which are or should be in the vaults of the National Bank.

Small Circulation

The cheque account balances are out of proportion to the requirements of trade in the Protectorate. This item of 1,054 million crowns on December 31, 1939, was nearly the same as before the war, but increased to 1,576 millions on April 15, 1940. This high figure is the more significant of the small demand for money, as free means of payments are invested more and more in cash vouchers of the National Bank. The circulation is steadily decreasing (5,280 millions on April 15th, against 6,305 millions on August 15, 1939), but it should be considerably less if it is to correspond to the changes in the credit business of the National Bank. The

principal reason why it is not is the extraordinarily high mark claim against the Reichsbank.

Against the sight liabilities of the National Bank on April 15, 1940, consisting of 5,280 million crowns of circulating bank notes, 1,576 millions of cheque account balances and 1,394 millions of cash vouchers, totalling 8,250 million crowns, there are on the assets side: gold and exchange, 2,317 millions, of which, however, about 1,750 million crowns are blocked abroad; 171 million crowns of commercial credits and 5,762 million crowns of State debt, consisting of 536 millions advances on collateral securities, 2,442 millions of State notes and coins and 2,784 million crowns out of the claim against the Reichsbank.

May 5th.

United States Exports

[FROM OUR NEW YORK CORRESPONDENT]

It is now becoming evident that our economy is being shaped by the war. Evidence of this is to be found in the merchandise trade figures, especially of exports:—

MERCHANDISE EXPORTS OF THE U.S.
(\$'000,000)

	1939	1940		1939	1940		1939	1940
Jan.	210	359	May ...	246	...	Sept. ...	284	...
Feb.	216	339	June.....	233	...	Oct. ...	323	...
March ...	265	344	July.....	227	...	Nov. ...	287	...
April.....	228	...	August...	248	...	Dec.....	357	...

In 1937 and 1938 these figures averaged \$275 and \$255 respectively. For the four months December-March the exports have been averaging about \$100 millions above the corresponding months of the previous year.

The following table is a re-arrangement of one compiled by the Federal Reserve Bank of New York in its monthly review for May:—

DOMESTIC MERCHANDISE EXPORTS OF THE U.S.

	Sep. 1939- Mar., 1940 (\$'000,000)	Percentage change com- pared with Sep. 1938- Mar. 1939	Percentage change com- pared with 1st quarter, 1939
United Kingdom	371	+ 17	+ 45
Canada	339	+ 48	+ 54
Australia	50	+ 44	+106
Union of South Africa	43	+ 2	+ 11
France	193	+134	+249
Sweden	71	+ 63	+ 34
Netherlands.....	71	+ 35	+ 24
Russia	59	+ 81	+131
Italy	53	+ 60	+104
Belgium	40	- 4	+ 3
Latin America.....	468	+ 45	+ 48
Japan	156	+ 7	+ 4
Philippine Islands	66	+ 19	+ 14
Total above countries	1,980	+ 38	+ 55
Total—all countries	2,341	+ 34	+ 51

The countries enumerated cover about 85 per cent. of our exports for the period. From the figures for trade with the belligerents it appears that exports to the United Kingdom were slow in increasing, and have increased slightly less than the average. Exports to France, ordinarily small, have increased far more than the average.

Among European neutrals the rate of increase (except for Belgium) has averaged high, but the figures are normally rather small. Three common interpretations are put on their increases: (1) That they represent a stocking programme analogous to our own hurried accumulations of last autumn, but more protracted; (2) a shift of demand by reason of inaccessibility of previous source of supply; (3) a "leak" in the Allied blockade.

The increase to Latin America approximates the average. This can be attributed largely (perhaps almost entirely) to a shift by reason of inaccessibility or anticipated inaccessibility of usual sources of supply, with our "drive" to capture the Latin-American market through the active participation of the Export-Import Bank and increased shipping services.

a secondary factor. Our exports to the Asiatic areas show much less than the average increase.

One way and another, war has brought an increase in our export trade of one-third if we base on the seven-month period and of one-half if we base on the first quarter of the year. Perhaps not all this should be attributed to war; but certainly it is the predominant influence. Ordinarily our export trade does not figure heavily in interpretations of our economy; but so sudden an increase, even if it only represents a small percentage of the national income, is notable if it is at all protracted.

The interpretation of these figures is uncertain. They include a large and concentrated non-recurring movement of cotton under the export subsidy, but the bulk of the increase was in non-agricultural commodities. There are two divergent opinions in New York—one that these large exports are temporary, the other that exports will continue large or even become larger. Two inferences, however, seem justified: first, that the appearance of a large export movement, just when an abrupt and rather severe domestic recession was in progress, did afford a partial compensating factor; second, that the export movement has neither been large enough nor protracted enough to have become a major influence on the general level of production and trade. It has, however, strongly affected specific items—machine tools, aeroplanes, pulp and paper, and steel. In fact, steel production in April has averaged about 60 per cent. of capacity; and it is said that about one-sixth of this goes abroad, a proportion well above the average. The war, in fact, has influenced the shape rather than the level of our economy.

May 2nd.

Irish Banks' Returns

[FROM OUR DUBLIN CORRESPONDENT]

THE returns for the banks operating in Eire for the March quarter, published by the Currency Commission, are as follows:—

	(£'000)				
	March Quarter, 1939	Dec. Quarter, 1939	March Quarter, 1940		
			In Eire	Else- where	Total
Liabilities:—					
Capital, reserves, etc.	17,513	17,562	10,364	7,179	17,543
Notes in circulation	8,939	9,742	5,182	4,803	9,985
Current deposit and other accounts	159,084	162,028	122,371	43,798	166,169
Other liabilities	5,353	5,693	3,196	1,769	4,847
Total	190,889	194,990	141,114	57,783	198,897
Assets:—					
Cash and balances with Lon- don agent and other banks	13,686	19,346	5,730	11,190	16,920
Money at call & short notice	8,297	8,658	2	9,177	9,179
Bills	8,221	8,274	4,569	1,096	5,665
Loans and advances	73,111	72,341	49,500	24,317	73,817
Investments:—					
(a) Government.....	69,740	68,180	5,915	68,921	74,836
(b) Other	9,837	10,071	4,337	5,987	10,324
Other assets	7,992	8,117	3,572	4,582	8,154
Total	190,889	194,990	73,625	125,272	198,897
Excess of assets outside Eire over liabilities outside Eire	63,492	65,422	...	...	6"

The figures reveal an increase in deposits whhade of the the rising trend of agricultural prices. Although the increase in the December quarter, it continues to rise. This now than in pre-war times, and the liquidity position is further strengthened by additional short notice.

No Government bills are included in the returns. The practice of the Irish 'not the practice of the Irish' but substantial quantities of Government securities are shown in other returns. The amount of Government securities held by the banks is increasing. **ROYAL INSURANCE COMPANY LIMITED** **NEEDS**



Head Offices:

LIVERPOOL LONDON
North John St. Lombard St.

THE BUSINESS WORLD

Imperial Chemical Industries

IN peacetime, wise investors did not include Imperial Chemical Industries among the obvious armament equities. The group's range of output was designed to serve a large number of essentially pacific uses, and its direct Government orders formed a relatively low proportion of its total turnover. In wartime, however, there is hardly a single branch of the company's activities which is not essential, directly or indirectly, to the nation's economic effort. And the annual report for 1939 is a discreet record of the adaptation of the group's colossal productive resources to further the war effort.

The company's preliminary statement (discussed in *The Economist* of April 6th) showed that profits, after taxation and before providing for central obsolescence fund, had reached a new record of £9,313,485. This figure, as was then suggested, is overshadowed by the trading results of the group as a whole, which are presented in the consolidated income statement. Total trading profits increased last year from £9,023,292 to £13,701,248. This most striking comparison is rivalled only by the taxation provision, which has jumped from £514,438 to £3,653,883, and must, in fact, be supplemented by tax deducted from stockholders' dividend warrants. Higher profits have also provided means for a substantial increase in obsolescence and depreciation provision, of which the central fund receives £2,000,000 against £1,500,000 in 1938.

The "break down" of the consolidated figures to the parent company's own profits is shown in the following table:—

	Years to December 31st		
	1937	1938	1939
	£	£	£
Consolidated Income:—			
Trading profits	9,023,292	13,701,248	
Total income	10,463,573	15,343,038	
Deb. interest (net)	203,321	181,238	
Taxation	514,438	3,653,883	
Obsolescence and deprn.*	2,083,682	2,733,412	
Net consol. income	7,281,742	7,678,413	
Outside interests and undist. profits	220,451	364,928	
Imperial Chemical Industries:—			
Net income	7,510,707	7,061,291	7,313,485
Preference divs.	1,663,512	1,666,081	1,666,104
Ordinary stock:—			
Earned	5,847,195	5,395,210	5,647,381
Paid	4,284,158	4,032,149	4,032,149
Earned %	12.5	11.6	12.9
Paid %	8½	8	8
General reserve	1,500,000	1,125,000	1,375,000
Dividends	172,000	172,995	180,049
Forward	556,179	621,245	681,428

* Obsolescence: £1,500,000, 1937 and 1938; £1,000,000 to war contingencies.

Business should not be accepted merely at face value. It is important to discover, for example, the true position of the company. The report, however, is on this point, but Budapest IV is most of the groups, Deák Ferenc-utca 7, Budapest. Cable Address: MOKTAR. Foreign Department: Phone: 342-518. ESTABLISHED 1872

Every description of Banking Business transacted. Payment of Travellers' Cheques and of Letters of Credit.

showed considerable advances, not infrequently to record levels of output. This recital of the company's business last year clearly shows that war has, on balance, provided increased trade—a natural conclusion since Imperial Chemical Industries, quite apart from its direct armament and explosives interests, bestrides a number of important industries and supplies essential industrial materials on the grand scale. Hence, the company has been able to switch from a civil to a wartime production basis, and substantially to increase its trading results at the same time.

But opportunities are not being ignored in the export markets, whose importance is emphasised throughout the directors' report. For two reasons, Imperial Chemical Industries is specially favoured in the export drive. It enjoys already close contacts with important overseas markets, partly by export trade and partly by local factories. Secondly, much of its output has competed with German supplies in the past, and interference with German exports has reacted to I.C.I.'s advantage. Again, the outbreak of war was a signal for intensified research and development work and by the end of last year alternative makes had been devised to replace dyestuffs and other organic chemicals previously imported from Germany. Capital expenditure last year amounted to approximately £2,484,000 compared with £3,014,000 in the previous year. Together, these two sums give an indication of the steps which I.C.I. has taken to extend its manufacturing capacity and to safeguard its supplies of raw materials in wartime.

The accounts of Britain's largest industrial undertaking are to-day among the most informative of company reports. The consolidated statements for 1938 and 1939 (which are summarised in the second table) show a steady strengthening of the group's financial position, since the steps were taken to rectify weaknesses on the investments side in 1937:

IMPERIAL CHEMICAL INDUSTRIES AND 113 SUBSIDIARIES			
Consolidated Balance Sheet			
	December 31st		
	1938	1939	
	£	£	
Capital employed:—			
7% pref. stock	23,801,482	23,801,482	
Ord. stock	50,401,861	50,401,861	
Debs. and loans (subsid. cos.)	5,724,809	4,817,932	
Outside interests in subs. cos.	3,427,270	3,446,068	
Surplus	13,281,553	14,666,249	
Total	96,636,975	97,133,592	
Fixed Assets:—			
Land, buildings, plant, etc.	58,753,709	59,620,167	
Patents, rights, goodwill, etc.*	15,726,585	15,566,699	
	74,480,294	75,186,866	
Less obsolescence and depreciation reserves	5,682,691	6,448,960	
Add interests in associated cos.	7,090,768	7,603,795	
Total	75,888,371	76,341,701	
Net Current Assets:—			
Cash and bills	5,765,769	8,517,156	
Brit. Govt. Secs.	1,000,269	1,000,269	
Marketable investments	5,753,616	2,963,528	
Unquoted investments		27,654	
Stocks	13,313,882	14,971,046	
Debtors	11,231,309	15,914,065	
	37,064,845	43,393,718	
Less current liabilities and provisions	16,316,241	22,601,824	
Total	20,748,604	20,791,894	
Total Fixed and Net Current Assets	96,636,975	97,133,592	

* The excess of share considerations over net tangible assets of subsidiary cos.

The reduction in the group's marketable investments during 1939 from £5,753,616 to £2,963,528 (disregarding the relatively small unquoted investments) follows the same policy as in 1938, when the parent company reduced its general investments by over £1½ millions. The wisdom of strengthening the group's cash resources in a period of expanding output and rising prices needs no emphasis. Moreover, the investment position, even at the end of last year, was fully protected since marketable investments appeared at less than their current values. The rise in stocks, debtors and current liabilities sets out in financial terms what is evident from the directors' report—that the company's turnover in all major branches showed a substantial increase last year. But the group's net current assets still comfortably exceed £20 millions, and cash resources have again improved.

The first phase of war has confirmed that Imperial Chemical Industries' earnings have preserved a relative stability not unlike that of pre-war depression and recovery years. Since 1934, earnings for the ordinary stock have varied from 10 per cent. in that year to 12.9 per cent. last

year and, except in 1937, the dividend has remained constant at 8 per cent. The 1937 distribution of 8½ per cent. leaves an opportunity, under the dividend limitation rules, for a ½ per cent. increase in the distribution. But this will not whet the interest of the equity hunter. Nor is there any evidence, in fact, that Imperial Chemical Industries' ordinary stock will be other than a stable dividend equity for the duration of the war. It is surely significant that the directors decided to maintain the dividend at 8 per cent. from record earnings, before the limitation rules were announced. In any well-spread list of equities, however, Imperial Chemical Industries inevitably claims a place. Its yield of £5 7s. 9d. per cent. at the current price of 29s. 9d. places it in the 5-5½ per cent. stable equity class, and its earnings position in wartime is assured. From such information as is available from the first wartime report, the transition back to normal peacetime activity should be appreciably less difficult for I.C.I. than for certain companies whose plant has been turned over to specialised war production. It is the feature of I.C.I. that it may be better placed to make the best of both war and peacetime worlds.

Finance and Banking

Sterling Stands the Strain

The events of the past week have put a considerable strain on sterling in the free markets. These have to all intents and purposes been reduced to one, namely, New York. On Friday of last week the sterling rate in New York momentarily slumped to 3.03, but it recovered rapidly from this level, and after fluctuations which have followed the fortunes of the battle in the Low Countries, it is settling down at over 3.20. The free market remains narrow. With the closing of the Dutch financial markets and the temporary blocking of Dutch sterling assets that contracting tendency will be emphasised. The guilder and belga must for the time be written off the list of "hard currencies." This has reduced their number to two: United States dollars and Swiss francs—and the latter is softening rapidly. This means that the free market in sterling is now to be regarded solely from the dollar angle—which should help in limiting the range of fluctuations, and should also make it much easier to deal with the whole problem. Other currencies—such as lire and yen—continue to follow the free rate, but during the past week the absurdly high rates quoted for them have mercifully been called "nominal." Towards the end of last week there was issued a Treasury Order adding diamonds to the list of goods which may only be exported if paid for in the specified foreign currencies or official sterling. This does not seriously restrict the demand for sterling in the free market, as such arrangements were already in operation as a result of an informal arrangement between the Treasury and the Diamond Corporation.

Immobile Bill Rates

It has been left to the London discount market to provide the perfect exhibition of British phlegm in the face of the shattering events of the past week. The open market rate of discount has not batted an eyelid. It remains firmly held at 1½ per cent., underpinned there both by an abundance of short loan money available at 1 per cent. and by the continued readiness of the clearing banks to take bills from the market also at 1 per cent. Last Friday's Treasury bill tender took place just after the receipt of the news of Germany's invasion of the Low Countries. There may have been a few doubts as to the advisability of acknowledging this development by dropping very slightly the price tendered for the bills—especially as there were £65 millions on offer as against £55 millions maturing; but these doubts quickly vanished and the bills were duly taken at the now time-honoured price of £99 14s. 10d. per £100. The position of Dutch and Belgian acceptances held by the market is causing no concern whatsoever. The amounts involved are comparatively small, the parties to the bills are in nearly all cases world institutions with large assets in this country, the Dutch and Belgian colonies, and in neutral centres. The banks and discount market hold more Dutch and Belgian money than they have commitments in the Low Countries. That also appears to be the position regarding Italian acceptances. The attitude of Italy in the recent past has necessarily

caused a drastic revision of commitments in that direction. The scrutiny has proved most reassuring, as the short-term assets of Italian banks and firms in this country would seem to be rather larger than the corresponding liabilities.

The Low Country Currencies

The German invasion of the Low Countries immediately paralysed the international markets in guilders and belgas. In the case of Holland that paralysis continues, and will do so during the German occupation of the country. The market for the guilder—all that seemed solid and assured in the world of currencies—will for a time be restricted to the clearing arrangements between the German occupier of the country and his new vassal. The market in Dutch East Indies guilders will function again normally as soon as the political and financial position in the islands has been clarified. There was a short-lived arrangement for the acceptance of sterling and French currency in Holland, the rate of exchange chosen being 7.40 guilders to the £, and the corresponding rate for francs. This arrangement will still apply to the area of Zeeland and Southern Holland in which fighting may continue. In the case of the belga, important developments took place immediately after the invasion. In the first place, the convertibility of the currency into gold was suspended. Thus departed the last definite link tying the currency to gold. The Belgian authorities decided immediately to continue dealings in sterling and dollars at the rates prevailing on the eve of the invasion. Arrangements were made for the acceptance of British and French currency in Belgium at these pre-invasion rates, and conversely Belgian refugees entering Great Britain have been given the facility of exchanging belga notes into sterling at the rate of 24.00 to the £ up to a limit of £20.

Meanwhile, an official announcement has been made of the adhesion of Belgium to the currency agreement which already links the British and French currencies. This now



**FOR ALL
INSURANCE
NEEDS**

Head Offices:
LIVERPOOL LONDON
North John St. Lombard St.

becomes a tripartite agreement "whereby reciprocal financial facilities for the settlement of their expenditure are granted as between Belgium and France on the one hand and Belgium and the United Kingdom on the other hand." The agreement will in the near future be supplemented by the announcement of fixed rates of exchange between the belga, the pound and the French franc. The problem of bringing the Dutch East Indies guilders within this fold of mutually stable Allied currencies is being considered. It offers obvious difficulties in view of the German occupation of Holland. But since the Dutch Government will continue to function from London, since Dutch shipping and colonial trade will still flourish and since the bulk of the Dutch gold reserve and the impressive holding of foreign assets are safe, there should be no insuperable difficulty in maintaining a guilder exchange—distinct from that appertaining to the German-controlled currency—which will form a valuable part of the Allied group of currencies.

★ ★ ★

Bank Holiday Cancellation

The cancellation of the Whitsun Bank Holiday created only one problem for the discount market, namely, the maturity date to apply to bills falling due on the day in question. By law the maturity of bills falling due on a Bank Holiday would be postponed to the following working day. It was decided that, despite the cancellation of the Bank Holiday, this postponement of bill maturities would be adhered to, and thus there were no maturities on Monday. This did not, of course, apply to sight drafts and cheques which were duly honoured if presented on Whit-Monday. As all houses in the market had arranged their position for the week-end on the assumption that Monday would be a Bank Holiday, the amount of work actually transacted in the market on that day was negligible.

★ ★ ★

United States and Silver

The past week has been a momentous one for the silver market, though the pressure of other events has distracted interest from this comparatively minor subject. On Friday of last week it was announced that the United States Senate had passed the Townsend Bill cancelling the authority of the United States Treasury to buy imported silver. This decision accorded with the majority findings of the Banking Committee of the Senate, but it was arrived at much more precipitately than any observers in the market expected. Before the measure becomes law it must admittedly go through the House of Representatives. But as the silver interests are much less powerfully represented in that House than in the Senate, it may be taken almost for granted that the Townsend Bill will reach the Statute book—unless more important matters monopolise the attention of Congress in the near future. The news reached London on the day of the German invasion of Belgium and Holland, and its effect on the silver market was neutralised by the inevitable Eastern buying of silver which accompanies an extension of the theatre of war. Subsequently, the price of silver, instead of falling in accordance with the imminent threat of a suspension of American purchases abroad, climbed steadily from the figure of 21d. quoted on Friday of last week to 23½d. These violent movements have taken place in an extremely narrow market, but though on Thursday the price reached the level at which the Indian Government is pre-

pared to sell from its London stocks, no such sales were necessary. It will be interesting to see if they will be made in the event of the price going any higher. Part of this rise in silver must be due to the depreciation in free sterling which has appreciably raised the theoretical export parity from London to New York. India has also been buying on rumours that the official sterling-dollar rate is about to be adjusted downward, i.e. against sterling. Any speculation opened up on this theory is likely to go sadly astray.

★ ★ ★

Building Societies in Wartime

Mr T. R. Chandler's address to the Building Societies' Association recently was naturally concerned with the two major problems which confronted the movement in 1939—the new Building Societies Act and the outbreak of war. Owing to the restrictions on new mortgage business in wartime, the provisions of the Act had naturally fallen into the background. The more cogent problem of the societies has been rather to adapt themselves to war conditions both on the mortgage and investment sides. It is satisfactory that abnormal withdrawals of shares and deposits at the outbreak of war soon reverted to normal, but Mr Chandler did not claim that repayment of mortgages has been restored to normal. Borrowing members, however, are meeting their commitments to the best of their ability and the societies have in suitable cases lightened or suspended repayments of principal. This interruption in the normal flow of "return" money has evidently presented a problem to certain societies and their need to maintain adequate total funds may explain a certain divergence of view in the movement regarding interest policy, on the mortgage and investment sides. For his part, Mr Chandler doubted whether over-all increases in mortgage rates was the proper policy, even where societies had such powers, and he suggested, alternatively, that 3½ per cent. tax free, which many societies are still paying on shares, was out of alignment with current interest rates. Such views would doubtless be echoed by many members of the Association, though building society opinion seems by no means unanimous on the advisability of maintaining mortgage rates and reducing investment rates. A lead in the latter direction has already been given by the Halifax Building Society and also by the Yorkshire Association. But some societies may still find difficulty in obtaining all the money they require even at prevailing rates for shares and deposits, and assuming an improvement in the re-flow of mortgage money, this difficulty, which now affects only a handful of societies, might conceivably be extended to others. Meanwhile, the societies are awaiting with some anxiety the announcement of the new income tax composition which was originally fixed at 1s. 8d. in the £ when the standard rate was 4s. 6d. and has been increased proportionately for the subsequent advances in the standard rate. The figure of 2s. 9½d., corresponding to a 7s. 6d. standard rate, would already be uncomfortably high, but the new arrangements will almost certainly be harder for the movement. If the societies are to operate at a profit, they must widen the margin between investment and mortgage interest rates. Individual societies, however, are left to define their policy, for the Association has no disciplinary powers and has not made any official recommendation. Possibly the readmission of many of the member societies of the National Federation of Building Societies, which is expected shortly, may assist in the formulation of a uniform policy on interest rates throughout the movement. It is certainly overdue.

INSURANCE NOTES

Equity and Law.—In recent years Equity and Law has achieved an extremely rapid expansion in its funds, which in 1933 were only one-half of the 1939 total of £27 millions. This expansion was aided by a large annual volume of annuity and single premium business. Unfortunately, these types of contracts, since they involve heavy initial investments, have hardly been the most satisfactory type with interest rates at low levels. The difficulty has been partially counteracted by an active investment policy, and the Society has placed a substantial part of its assets in ordinary stocks and in properties. In 1938 this policy was presumably largely responsible for the earned rate of interest of £4 8s. per cent., which was considerably

higher than the average for the offices. In 1939, however, the rate fell to £3 16s. 3d. per cent.—a larger fall than could be explained by higher taxation alone. The gross rate, in fact, was reduced, partly owing to the omission of certain interest due at the end of the year but not paid. The securities showed a depreciation on book values of nearly £1,900,000 at the end of 1939, compared with one of £1,150,000 a year earlier. War conditions hardly favour property investments, and mortgages, which represent 28 per cent. of total assets, would to some extent be similarly affected. Large holdings of these two types of assets also have the disadvantage, from the shareholders' and policyholders' points of view, that they lack an organised and ready market, compared

with securities, so that an element of "conventionality" is bound to enter into their valuation. Last year the Society transacted new life assurances of £2,175,608 net against £5,136,958 in 1938, while annuities (per annum) were £72,315, against £140,387. The fall is to be welcomed, in view of the investment problems created by a large inflow of new money. Hence the chairman's stress at the recent meeting on the development of two new types of policy does not, it will be hoped, mean that a substantial volume of new business is to be sought. The chairman frankly stated that, for the current quinquennium which ends this year, bonuses may suffer and that dividends for 1940 may be reduced. This (Continued on page 916)

Investment

The Stern Test

The investment markets, like the Allied Armies, are now on the defensive against the full assault of modern war. The threat is plainly at our threshold, but the market's power of resistance after a week of testing news is in no way broken, despite the cessation of Dutch resistance and fears of Italian belligerency. Dealing conditions have not been easy, but the market has continued to function smoothly, and although gilt-edged have fallen back to defensive positions, these are generally in advance of minimum prices. After a week's hammering, only a few of the shorter-dated issues, like Conversion 5 per cent. and Funding 2½ per cent., were based on minimum prices on Thursday. New War Loan improved slightly above its minimum of 98, and the long-dated issues, despite the severity of their falls, preserved an effective margin over their minimum prices. In the equity markets the reaction has brought the leaders to the lowest levels since

Stock*	May 9	May 10	May 13	May 14	May 15	May 16	Fall since May 9
3½% War Loan (95)	101½	99	99½	99	98	97½	-3½
3% War Loan (98)	100½	99	99½	99	98½	98½	-2
2½% Consols (70½)	76½	73	74	73	71½	71½	-4½
3% Local Loans (82½)	88½	86	86½	85½	84½	84½	-4½
L.M.S. Ord.	20½	19	19½	17½	16½	15½	-5½
L.N.E.R. 1st Pref.	50	47½	46½	43½	40	40½	-9½
G.W.R. Ord.	44½	43	42½	39	35	34½	-9½
Courtaulds (£1)	37½	36½	36	35½	35	33½	-4½
Marks & Spencer (5)	40½	39	40	39	38	37½	-2½
Lever & Unilever (£1)	27½	25½	25½	25½	24	24½	-3½
De Beers Def. (£2½)	7½	7½	7	6½	6½	6½	-1½
Royal Dutch (Fl. 100)	£25	£23	£23½	£23	£22½	£22	-£½
Anglo-Dutch Pltns. (£1)	21½	20½	20½	20½	20	19½	-1½
Financial News Indices :							
Ordinary Shares	74.2	72.9	73.1	72.2	70.9	70.3	-3.9
Fixed Interest	126.5	125.2	125.3	124.7	123.7	123.2	-3.3

* Minimum prices for gilt-edged are shown in brackets.

October last year. But the most profound shocks have been felt in the home railway market, for reasons described in a later Note. For the moment, the defensive mechanism of the market is functioning well, though further shocks—which are plainly probable—might conceivably bring the gilt-edged market to a standstill on the basis of minimum prices, and cause further heavy losses in equities. Such possibilities, however, are no argument for the suggestion that the "House" might be temporarily closed. The object of minimum prices is to buttress the dealing basis in gilt-edged, and they will not be made effective by closing the market. It is reassuring to know that such suggestions find no support among the authorities.

★ ★ ★

Blitzkrieg over Wall Street

The sudden outburst of war has proved too much for Wall Street, which slumped badly on Monday and broke again on Tuesday, when the Dow Jones industrial average dropped nearly 9½ points in a turnover of 3,680,000 shares. Wall Street operators, in fact, appear to fear that the war may be sharp and short, and that the wartime profits which the market had been discounting may melt away overnight. Whoever loses the war in Europe, however, it is plain that Wall Street is not fighting very bravely in its private war of nerves. The following table gives record of some of the outstanding losses during the past week:—

	May 9	May 10	May 11	May 13	May 14	May 15	Change since May 9
N.Y. Central	155½	143½	143½	123½	111½	111½	-41½
Amer. Smelting	49½	49½	50½	46	42	40½	-8½
Beth. Steel	86½	86½	88½	84½	76½	80½	-6
Chrysler	86½	81	81½	74½	66½	68½	-7½
Gen. Motors	54½	52½	52½	48½	42½	43½	-9½
Sears Roebuck	85½	83½	82½	77½	71	70½	-15½
U.S. Steel	61½	60½	61½	57½	51½	53	-8½
West'g'ise Elec.	111½	108½	119½	101½	96	110	-13½
Amer. Tel.	173½	171½	171½	164	153	155	-18½
Stan. Oil N.J.	42½	41½	42½	40½	37	37½	-5½
Dow Jones Indus.	148.17	144.77	144.85	137.63	128.27	129.09	-19.08
Average							

† Ex dividend.

Such falls are justifiable only on the assumption that the course of war threatens to imperil American security, and

Wall Street cannot reach that conclusion soberly at this stage. At a time when the President is approaching Congress for record defence appropriations, the market might reflect that armament expenditure is the most potent form of public works. If war profits are Wall Street's only support, they should not long be forthcoming.

★ ★ ★

New Dealing Regulations

The new dealing orders, which came into force on May 13th, are complex, but their main intention is clear. By making the disposal of securities in which non-residents have an interest subject to licence, the rules should frustrate any further attempts on behalf of enemy interests to sell securities in the British market. Secondly, the transfer of securities to non-residents is to be more closely regulated, particularly with the object of safeguarding our foreign exchange resources. Thirdly, restrictions are imposed upon the issue of bearer securities and the conversion of registered securities into bearer form, which appear to rob bearer bonds of their chief attribute—immediate delivery. Finally, the payment to non-residents of interest, dividends and funds arising from the sale or redemption of securities will require approval on Form E.1, like commercial payments. Transfers of registered securities by residents—a resident being defined as a person in the United Kingdom or British Dominions (except Canada, Newfoundland and Hongkong) and other British possessions—must in future be accompanied by declarations (on Form D) of non-enemy interest and residency and these declarations must be supported by the seller's and buyer's agents, being bankers or members of stock exchanges, before the transfer can be registered. For bearer securities, similar declarations are required in duplicate and before a bearer security is good delivery to the purchaser Form B, signed on behalf of the Treasury that all parties to the transaction are residents, must be attached to the security. Transfers of registered securities to non-residents will require a banker's declaration that the securities have been paid for out of monies belonging to a non-resident. For sales by non-residents a new system of licensing has been introduced. Before any sale of securities in which a non-resident has an interest is effected, a licence must first be obtained from the Bank of England or from the Share and Loan Department. The application for such a licence (Form L) must be accompanied by the registered stock certificate, or by the bearer security or by banker's certificate in the United Kingdom showing that the bond is physically held in this country or the Isle of Man. An enemy holder will obviously think twice before parting with the actual security. Further evidence that the security has been continuously in the holder's hands since September 2, 1939, is also desirable. The seller's agent, having obtained the licence, must also obtain permission to make payment to the non-resident seller on Form E.1 before passing the licence and Form D to the purchaser.

★

Such is the very broad outline of the new dealing system. In addition, the approval of the Bank of England is now required for the issue of "any security transferable by delivery" except where it has been lost, mutilated or destroyed. Bonds may not be exchanged for others of different denominations, nor will conversion of registered securities into bearer form be allowed. These restrictions, coupled with the inevitable delays for the transfer of bearer securities, even between residents, may well mean the supersession of the bearer security for the duration of the war. Dealers are, in fact, making transactions in bearer stocks only as special bargains. And Victory Bonds, hitherto dealt in in bearer form, are being transferred by deed. Such a consequence would be important for banks and money houses whose holdings of gilt-edged securities have hitherto been in bearer form. Already, however, the market's gilt-edged holdings have been largely converted to registered form, and bank nominee registrations assist their delivery. The position of certain unit trusts, some of which issue only bearer certificates, while others have bearer and registered certificates, is far from clear. The definition of residency, again, appears to cut across the definitions under the earlier Defence (Finance) Regulations, which prohibit British residents from acquiring securities in certain currencies without official sanction. Residents in Eire, for example, may acquire such securities, though in the new

regulations they are treated as residents within the sterling area. From a footnote in the explanatory notice (though not from the text of the notice itself) it would seem that members of Associated Stock Exchanges in Eire will not be entitled to support declarations of residency and non-enemy interest for Eirean investors. This responsibility, presumably, will fall at second hand on a London broker, for dealings carried out in the London market.

* * *

Dutch and Belgian Investments

The surrender of Holland and the continued fighting in Belgium directly concern many British investors with interests in these countries. Substantial British holdings in the Dutch plantations industry and the fate of the rubber and tin control schemes are involved. Lever Brothers and Unilever, Limited, is linked with the Dutch company under a dividend equalisation arrangement, which last year had the effect of reducing the dividend payable to "N.V." shareholders. If the dividend link holds good in wartime, and "N.V." earnings are cut, shareholders in the British company would suffer. But if it is held that the link has been broken by *force majeure*, British holders in Lever Brothers and Unilever, Limited, might regard their well-covered 10 per cent. dividend with assurance. The link between "Shell" Transport and the Royal Dutch Company through Bataafsche Petroleum (which controls Shell Union) and Anglo-Saxon Petroleum is of somewhat analogous character, since Royal Dutch holds 60 per cent. of the capital of these two companies, while the remainder is held by "Shell." Whether the invasion of Holland itself will jeopardise the world-wide interests of the Royal Dutch and Bataafsche companies has yet to be seen. At least, these interests are widely spread and the group's physical properties are largely on the American continent. One of the leading concerns with Belgian interests known to the British investor is Imperial Continental Gas. In recent years the company has shown great ability in realising interests in vulnerable areas of the Continent and increasing its home investments. It is possible that some steps had been taken in anticipation of the Belgian invasion. In March last year, however, the Belgian and French interests accounted for 73 per cent. of the company's assets, and the Belgian holdings yielded £315,000 towards a total revenue of £610,000.

* * *

Dividend Limitation Bill

There appear to be no surprises in the Limitation of Dividends Bill, whose terms have been clarified by parliamentary explanations on the instalment plan and by the experience of companies who have approached the authorities regarding dividend decisions. The Bill does not apply to private companies nor to any company "not having a share capital." This is a remarkably loose phrase, for many companies, Courtaulds for example, have converted their share capital into stock, though presumably they are not intended to be immune from the limitation rules. Again, it has been understood that the railways would be subject to the rules, but they have no share capital. The maximum distribution for any war dividend period after June 30, 1939, will be the highest gross amount distributed in any accounting period ending after June 30, 1936, and before July 1, 1939. For new companies formed in the war period, the maximum dividend will be 5 per cent. on the ordinary capital, and the maximum for companies in depressed circumstances in the standard years remains at 4 per cent., subject to appeal to the Treasury. Bonus shares issued since the year of maximum dividend will not be allowed as additional paid-up capital, nor will they be included in the calculation of the distribution made in the standard years. Adjustments in standard dividends will be allowed for other increases in capital. Despite occasional complexity of drafting, the Bill is a straightforward measure, and there is no obvious reason why confusion should have been created by publishing its terms piece-meal.

* * *

The Railway Market and London Fares

Home railway stocks this week have been the most detected of all sections of the market, and Great Western Ordinary and L.N.E.R. first preference have each fallen by approximately 10 points. With the threat of air bombing, the market has become exercised over the question of war damage. The financial agreement provides that such damage up to £10 millions in any year shall be chargeable to the pool. Hence, if the pool's net revenues were running at the

guaranteed minimum of £40 millions and war damage to the extent of £10 millions occurred, the minimum revenue would be made good. Assuming, however, that earnings were running at Stage 2 (£43½ millions) and war damage to the extent of £10 millions occurred, the Government would be called upon to make good £6½ millions to restore earnings to the guaranteed minimum. Any increased charge for war damage or any supplementary provision which the companies decided to make would upset the dividend basis represented by the guaranteed minimum. This possibility, which the market was inclined to ignore during the period of "twilight war," has now assumed a more lively character. Meanwhile, it is probable that the companies' costs are still increasing, and a further application to the Ministry of Transport for additional charges may be under contemplation. In the London Transport area short-distance railway and road fares have yet to be adjusted for the 10 per cent. increase recently granted by the Minister of Transport. The Railway Executive Committee proposes an increase in ordinary road or rail fares from 1d. to 1½d., while fares of 2d. or over are to be shortened by one stage, with corresponding adjustments for railway fares between 2d. and 6d. The proposals are to be considered at the public inquiry on Wednesday next. They will represent no light burden on the ordinary London traveller, but in terms of revenue it may be doubted whether they will provide an effective 10 per cent. increase, which the Minister of Transport has sanctioned.

Company Notes

Cable and Wireless

A substantial improvement in net message receipts of Cable and Wireless, Limited, from £4,318,851 to £5,344,969 is responsible, indirectly, for the maintenance of the holding company's 4 per cent. dividend. The operating company earned for dividend £1,610,369 against £1,001,205, and the 4 per cent. distribution to the old cable companies was covered with a margin of £410,369. Thus, the second year of the new agreement appears to find the operating company at the standard revenue stage, but the profit figures are, in fact, subject to provision for Excess Profits Tax, the liability for which is at present undecided. The holding company's dividend receipts from the cable companies amounted to £1,106,899 against £971,584, but an appreciable reduction in the distribution from Marconi's Wireless Telegraph resulted in a slight fall in the holding company's total revenue from £1,397,280 to £1,376,662. The 4 per cent. dividend, requiring £275,324, was covered by earnings of £296,265, as the following table shows:—

	Years to December 31,		
	1937	1938	1939
Operating Co. :—			
Net message receipts	4,745,050	4,318,851	5,344,969
Total income	5,110,206	4,645,830	5,730,929
Maintenance fees, etc.	3,603,287	3,602,958	4,120,560
Beam rental	250,000	41,667	Nil
Earned for dividend	1,256,919	1,001,205	1,610,369
Dividend	1,050,000	975,000	1,200,000
Dividend per cent.	3½	3½	4
Carried forward	1,262½	27,467	437,836
Holding Co. :—			
Gross dividends received, etc.	1,355,738	1,397,280	1,376,662
Expenses	72,579	61,655	95,415
Funded income stock service	61,512	61,513	62,820
Preference dividend	922,162	922,162	922,162
Ordinary stock :—			
Earned	299,485	351,950	296,265
Paid	275,324	275,324	275,324
Paid per cent.	4	4	4
Carried forward	199,097*	205,282*	226,223

* After £13,401 capital reduction expenses in 1937, and in 1938 £70,446 extra income stock sinking fund provision. † After £300,000 to general reserve.

It is evident that the Empire Flat Rate Scheme has stimulated traffic, but despite the restrictions on the use of codes, which may have resulted in longer messages, the normal volume of commercial traffic has suffered by the co-ordination of industries under wartime Ministries. The group's financial position, as set out in the consolidated balance sheet, is one of most impressive strength. The holding company's ordinary stock, now quoted at 51, is limited under

the dividend rules to a 4 per cent. payment, and since earnings of the operating company above the standard revenue of £1,200,000 are equally divided between employees, cable users and the company, its equity prospects were in any case limited. The current yield basis of £7 16s. 10d. per cent. is, however, satisfactory.

* * *

Marks and Spencer

Shareholders of Marks and Spencer may now complete the comparisons between the latest results of the company and those of F. W. Woolworth, which were given in last week's issue of *The Economist*. The dividend, since the issue of the report itself, has been amended, and the final dividend of 23½ per cent. makes a total of 38½ per cent. compared with 42½ per cent. as previously recommended. This reduction was not unexpected, for under the dividend limitation rules it was evident that the company would be restricted to the maximum gross sum paid out within the three specified years—which was £816,865 for 1938-39. The former amount, payable on the increased capital which resulted after the 1938-39 10 per cent. share bonus, is approximately equivalent to 38½ per cent., or 1s. 11d. per share. The balance carried forward is shown in the accounts at £269,996, but this sum will now be increased to £325,089, after transferring an additional sum of £33,000 to income tax reserve. Marks and Spencer shareholders may justifiably complain of the unnecessarily confused way in which the dividend limitation rules have become known. They have no reason, however, for complaining of the company's latest results, which show a profit before taxation, but after depreciation and stock reserves, of £2,378,954, against £1,781,958. The detailed profits figures (subject to the alteration required by the amended dividend) confirm those which were published in *The Economist* of May 4th. Certain important movements are shown in the balance-sheet figures. The rise in stocks from £1,642,629 to £2,234,043 may be partly explained by the wider range of merchandise carried in the company's stores, but it is probable that measures to safeguard supplies and rising prices account for much of the advance. The company's cash holding, also, reveals a substantial jump from £935,341 to £1,759,897, which is evidently due in part to the increase in the 4 per cent. loan from £500,000 to £1,000,000. The shares have fallen to 38s. on the amended dividend, at which the yield is £5 1s. per cent.

* * *

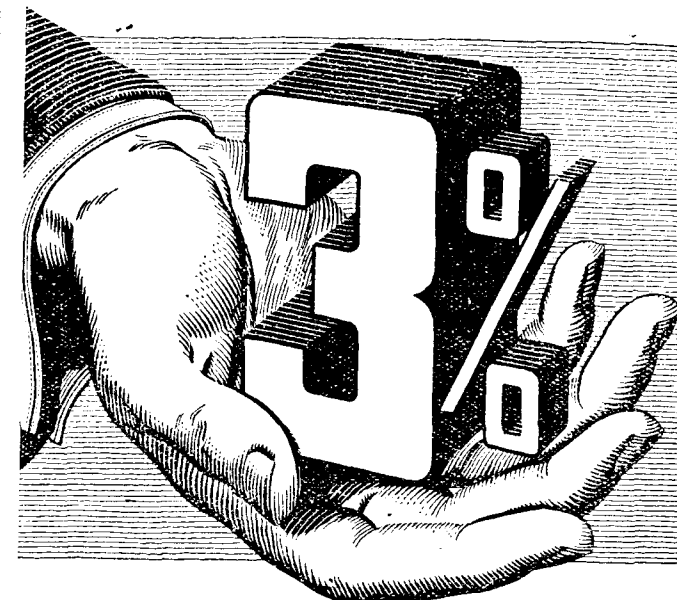
Reckitt and Colman

The second year's trading of Reckitt and Colman, Ltd., the operating company of the Reckitt-Colman merger, has provided a very satisfactory increase in trading profits from £1,580,149 for 1938 to £1,917,540 for 1939, after provision for depreciation and war contingencies. This advance, however, is due in the main to exceptional sales of certain of the company's products during the first four months of the war. Its effects are damped by a rise in the taxation provision from £451,609 to £770,000. Hence the net balance available for distribution to the constituent companies is slightly reduced to £1,068,060, compared with £1,084,835 for 1938. The total dividend distribution for 1939 is £817,500, of which Reckitt and Sons receive £535,422 and J. and J. Colman £282,078. Both constituent companies have maintained their dividends—Reckitt and Sons at 22½ and J. and J. Colman at 16 per cent. In 1939, 45½ per cent. of the company's business was in overseas markets, and, of the happily small proportion which was located in Europe, earning capacity has been severely prejudiced by the German occupation of Denmark and Norway; now of Holland and Belgium; and by labour shortage in the French factory. In these circumstances the directors have wisely increased the cash holdings from £190,200 in 1938 to £564,275 at December 31st last. The spread of hostilities lends point to the directors' warning that little hope exists of maintaining sales in the current year at the 1939 level, but export trade and war business should reach a satisfactory level.

* * *

Union Castle Report

The best that can be said of Union Castle earnings in 1939 is that they showed an improvement on the 1938 figures. That is the only consolation for the absence of a dividend on ordinary shares. On the outbreak of war the company suffered a sharp fall in passenger receipts, which had been well maintained in the first eight months of the year. This consideration has, however, little bearing on



DEFENCE BONDS

The Investment that cannot depreciate

- Defence Bonds are issued at £5 each and begin to earn interest at 3% from the date of purchase. Income Tax is not deducted at source. There are no stamp duties or other investment expenses—you simply apply for them at any Post Office or Bank.
- If you hold the Bonds for 7 years you will receive back the full capital value plus a premium at the rate of £1 on every £100.
- Defence Bonds can also be cashed meantime at six months' notice and full par value plus interest to date will be paid.
- Arrangements can always be made for immediate repayment in case of necessity.

SAFETY FOR YOUR SAVINGS

Because Defence Bonds are thus redeemable at par they are not subject to fluctuations in value. They are always worth their full face value. There is no finer security for those who wish to invest small and medium sums simply and safely—particu-

larly those who already hold the maximum 500 National Savings Certificates. The Nation needs the help of every investor. Lend all you can and keep on lending. Help to wield the powerful financial weapon which is vitally necessary for speedy and decisive victory.

LEND TO DEFEND THE RIGHT TO BE FREE

	Unit	Quarter ended March 1939		Quarter ended March 1940	
		Quantities	Thous. \$	Quantities	Thous. \$
Flax	Tons	248	246	47	91
Yarn.....	Th. lbs.	336	167	133	94
Thread	"	670	52	52	66
Plain woven	"	186	858	434	710
Woven.....	"	180	108	198	136
Damask	"	206	252	284	365
Handkerchiefs	Thousands	1,519	113	1,444	116
Towels	"	723	121	1,040	186
Napkins	"	875	154	1,251	221
Sheets and pillowcases	"	51	41	49	44
Other	Th. lbs.	421	285	195	159
Total value		...	2,397	...	2,188

There has for most items been a reduction in quantity, with the notable exceptions of towels and napkins, whose exports have shown a considerable increase. Unfortunately, the trade is at present hampered by a shortage of flax, which has been accentuated by the invasion of the Low Countries. Out of total flax imports in 1938 of 40,700 tons, 13,800 tons came from Russia and the Baltic countries and 21,700 tons from Belgium and Holland. Production in Ireland was less than 5,000 tons. This will probably be more than doubled in the coming season, but, even so, the shortage of flax will be acute.

* * *

Woollen Exports

During the seven months from September to March, British exports of woollen and worsted tissues amounted to 54.10 million square yards, compared with 54.65 million square yards in the corresponding months of the previous

season. But this relatively satisfactory development has been seriously checked by the extension of the war to Scandinavia and to the Low Countries. About 30 per cent. (by value) of British exports of woollen yarns and tissues went to these countries and to Poland and Germany, and it will not be easy to dispose of goods already in manufacture for the former neutral markets. Most of the goods produced for the North European markets are of too heavy a type to be sold in North or South America or in the Near East, and they may have to be allocated to the home trade, which can easily absorb them. The shortage of wool for civilian orders is such that some manufacturers are paying 10d. per lb. above the domestic price for fine yarns imported from France outside the rationing scheme. The shortage has been deliberately created by the Wool Control, under its wool bonus scheme, which gives priority in supplies to Government and export orders. Exporters of yarns have been promised supplies in excess of their current ration to enable them to fulfil new orders from abroad, provided the work is put in hand before the end of June.

tribute this bonus, which was approved by the Treasury in February, 1940, the company is capitalising £511,000 of contingency reserve, £168,329 of general reserve, £96,246 of balance standing to credit of profit and loss at June 30, 1940, and £40,425 out of current profits.

Shorter Comments

Company Results of the Week.—**BUCHANAN-DEWAR**, the Distillers subsidiary, reports some decline in net profits, but the dividend is increased from 30 to 32 per cent. **FORESTAL LAND** had a profitable year and the directors' report states that sales of tanning extracts remained satisfactory during the last four months of 1939. Net profits increased from £443,228 to £618,483, and the ordinary dividend has been raised from 7 to 9 per cent. A substantial recovery has occurred in the fortunes of the **NIGER COMPANY**, whose net profits amount to £1,076,784. Dividends are resumed with a 6 per cent. tax free payment. Of the many improved rubber results, **GRAND CENTRAL (CEYLON)** is outstanding with a recovery from £43,182 to £64,414, the dividend being raised from 3 to 5 per cent. **BRITISH COTTON AND WOOL DYERS** show an appreciable recovery in net profits from £25,223 to £63,591, and the dividend is doubled at 6½ per cent. Other substantial improvements in the textile section include **HIELD BROTHERS** (net profits £56,256 against £20,535) and **JOHN BRIGHT AND BROTHERS**. Investment trust revenues show a general decline, although dividends are not greatly affected. **INDUSTRIAL AND GENERAL**, however, report a fall in net revenues from £280,828 to £255,001, and the ordinary rate is cut from 14 to 12 per cent. In the industrial group, **TIMOTHY WHITES AND TAYLORS'** trading profits increased, but net profits showed a fall from £204,476 to £185,524. The 30 per cent. dividend, however, has been maintained. Little change is reported in **ODHAMS PRESS** trading profits, but the net figures, after provision for tied reserves, are reduced from £237,380 to £173,555. A dividend of 6 per cent. against 10 per cent. is payable. **SMITH'S POTATO CRISPS** profits are approximately £30,000 down at £96,060, but the dividend is maintained at 32½ per cent. and is still well covered.

MISCELLANEOUS

Odhams Press, Ltd.—Trading profit, 1939, £378,745 (£379,884). Net profit, £258,169 (£260,067). Ordinary dividend 6 per cent. (10 per cent.). General reserve, £48,351 (£29,436). Development reserve, £7,565 (£22,687). Carry forward, £86,047 (£82,103).

British Cotton and Wool Dyers.—Trading profit, March 31, 1940, £149,823 (£100,805). Ordinary dividend 6½ against 3½ per cent. Employees' fund, £5,000 (£5,000). Obsolescence, £5,000 (nil). Carry forward, £64,157 (£54,177).

Timothy Whites and Taylors.—Trading profit, 1939, £373,541 (£347,945). Taxation, £101,696 (£74,112). Net profit, £185,524 (£204,476). Ordinary dividend, 30 per cent. (same). Carry forward, £66,525 (£56,274).

Antofagasta Railway.—Net revenue balance carried forward, 1939, £176,500 (£128,780). Interest paid on debentures. No payment on 5 per cent. preference stock (arrears now 22½ per cent.).

Nitrate Railways.—Net revenue credit balance £26,506 after transfer £7,500 to contingencies. Dividend 1½ per cent. on ordinary and preferred ordinary stocks as before. Credit balance forward, £175,615.

Australian Mutual Provident Society.—Total sums assured, December 31, 1939, £375,087,711. Assets, £122,495,076 (£117,009,258). New business, £29,407,675. Income £15,450,256 (£14,641,499). Death and maturity claims, £3,223,250 and £2,832,994, respectively.

Forestal Land Timber and Railways.—Total consolidated assets, December 31, 1939, £11,352,552 (£10,437,855). Fixed assets, £5,080,601 (£5,244,442). Stocks, £2,985,840 (£2,663,934). Cash, £1,600,567 (£1,136,052). General investments, £658,774 (£387,500). Debtors, £714,196 (£738,256). Creditors, £1,068,294 (£749,781). Reserves, £3,232,741 (£2,808,552).

United Sua Betong Rubber.—Net profit, 1939, £180,343 (£152,577). To N.D.C., £6,500 (£5,000). To depreciation, £15,000 (£10,000). To estates reserve, £30,000 (£30,000). Carry forward, £51,554 (£54,710). Ordinary dividend, 12½ per cent. against 12 per cent.

British Controlled Oilfields.—Gross profit, 1939, £45,197 (£66,145). Depreciation, £106,860 (£95,750). Net loss, £61,663 (£30,605). To reserve, subsidiary companies, £4,970. Debit forward, £65,325.

Goodyear Tyre and Rubber (Great Britain).—Profit, 1939, £207,234 (£238,191). Dividend, 25 per cent. tax free against 22½ per cent. tax free. Carry forward, £273,018 (£283,785).

British Electrical Engineering Company.—Trading profit, 1939, £67,765 (£17,397). Net profit, £31,705 (£1,983), including tax credit, £1,067. Writing down patents and goodwill £11,538. Written off A.R.P. expenditure, £2,820. Carry forward, £10,888 (£691).

King Line, Ltd.—Profit, 1939, £76,692 (£205,208). Dividend, 12½ against 13 per cent. To reserve, £25,000. Carry forward, £78,927 (£71,471).

Western Telegraph Company, Ltd.—Total income, 1939, £283,100 (£242,775). Net profit, £241,848 (£204,786). Ordinary dividend, 7½ per cent. (7 per cent.).

Pease and Partners, Ltd.—Profit year to March 31, 1940, £586,227 (£469,331). Ordinary dividend, 10 per cent. (10 per cent. plus cash bonus 2½ per cent.).

(Continued on page 921.)

COMPANY MEETINGS

IONIAN BANK, LIMITED

WAR DIFFICULTIES SUCCESSFULLY SURMOUNTED

SIR JOHN STAVRIDIS ADDRESS

The annual general meeting of the Ionian Bank, Limited, was held, on the 15th instant, in London.

Sir John Stavridi (the chairman) said that so far as their institution was concerned, the initial difficulties caused by the war had been successfully surmounted and an improvement had been shown in all the fields of their activity.

ECONOMIC CONDITIONS IN GREECE

During the past year, notwithstanding the war, the economic conditions in Greece were fairly satisfactory. Owing to the war the export of tobacco had fallen, but the fall in price was even greater than the fall in quantity. It was to be hoped for the sake of the Greek national economy that the purchases of tobacco now being made by both England and France would compensate the national events and the supervening war materially influenced the foreign trade of the country; but the balance of trade had again shown an appreciable improvement. The public finances of the country had borne without disturbance the strain caused by the abnormal international situation.

INTEREST ON THE FOREIGN DEBTS

Two matters of serious import to both England and Greece had taken place within the last few months. The one was the agreement come to between Greece and the Foreign Bondholders and League Loans Committees for the temporary settlement of the interest payable on the foreign debts. The increase in the rate from 40 per cent. to 43 per cent. of the original interest had been accepted by the bondholders in this country as an earnest that Greece would, when in a position to do so, agree to an improved second was the formation in England under Government auspices and with Government support of the United Kingdom Commercial Corporation which was to purchase for cash Greek products. Greece was now hoping that this new corporation would succeed in increasing the sale in England of Greek products.

EGYPT

The drastic reduction for the season 1938-39 in the acreage permitted under cotton resulted, as anticipated, in a considerable fall in the crop. The average price, already at an uneconomic level, showed a further slight fall, but the low price enabled exports to be well maintained. As far as their own business was concerned, they handled in all 1,345,475 cantars of cotton, or 12.21 per cent. of the 1938-39 crop, and they had more than maintained their position as regards the current crop.

As to Cyprus, the unhesitating response of the Cypriots to the dangers threatening Great Britain and her Allies was the outstanding feature of the year.

The composition of the bank's accounts was better than might have been anticipated, having regard to the upheaval in all their centres caused by the war, and showed surprisingly little change. The nervousness shown throughout the Near East both in April, 1939, and again in August-September had resulted, as could but be expected, in substantial withdrawals of deposits at all their centres and in a drastic curtailment of business. All the requirements of depositors at their establishments in Egypt and Cyprus were met without the slightest difficulty out of the company's resources in London, and the requirements of their Greek depositors could also have been met in the same way, but the Bank of Greece, under the instructions of the Government, placed freely at the disposal of all banks any sums which were temporarily withdrawn by depositors, so that there was no occasion for their branches there to have recourse to London. The policy of the Government had been proved to be not only theoretically correct, but also practical in the highest degree. The comparatively speaking large sums which were withdrawn by depositors who were forbidden to export capital had long before December 31st been returned by the hoarders to the banks.

The net profits had risen from £17,473 to £19,110, and the directors felt justified in recommending a dividend of 3 per cent.

The report was unanimously adopted.

ALLIANCE ASSURANCE

GRATIFYING RESULTS

The annual general court of the Alliance Assurance Company, Limited, was held, on the 15th instant, in London.

Mr Lionel N. de Rothschild, O.B.E., the chairman, said that the war had inevitably created many new problems in their business, and the year under review had consequently been an exceptionally difficult one. In the life department there had been, as was only to be expected, a material decline in new business for the year under review. The new life business completed amounted to £2,794,227. In the year previous—1938—they had had a record year of new business, but he had pointed out last year that that had been brought about by the introduction of a very large endowment assurance pension scheme. The unsettled political outlook throughout the year had militated against the acquisition of new business, and he could not hold out hopes of any material revival during the war period.

The Life Offices Association had come to the wise decision that it would not be prudent any longer to include the war risk without the payment of an extra premium. The directors of this company had accepted that recommendation, and appropriate rates had been fixed for cases where it was desired to have the restrictive war clause deleted. The premium income in the active Alliance life account was £1,435,984, and the Alliance life and annuity funds now amounted to £22,787,036, being an addition of £278,292 for the year.

FIRE AND ACCIDENT BUSINESS

In the fire department the net premiums amounted to £2,196,409, being £14,843 less than those of the previous year, accounted for entirely by the cessation of business in Germany, Poland and Danzig as from the outbreak of war and the loss of certain fire connections in Canada following on their decision to cease writing accident business in that country. It was gratifying to be able to report that their home premium income had increased. The claims amounted to £740,048, being £29,100 less than those of 1938. The result of the year, after adjustment of reserves for unexpired risks and the inclusion of interest, less tax, amounting to £128,436 and after increasing the additional reserve once again by £100,000, was a balance of £454,199 carried to profit and loss.

In the accident department there had been a considerable fall in the premium income from £1,491,872 to £1,371,640, or £120,000 down on the previous year. The two chief causes were the laying up of motor cars and cycles owing to petrol rationing and the cessation of accident business in Canada, to which he had referred last year. The result of workmen's compensation business had been satisfactory in both Great Britain and Eire, and the premium income had been maintained. Owing to increased employment they might look for increased premiums in that section, but he was not over-sanguine that the results would improve, as the employment in trade of semi-skilled hands, which was bound to be the case in these days, tended to increase the number of accidents.

The surplus in the combined accident account for the year amounted to £108,252, to which had to be added interest, making a total of £168,082, which had been transferred to profit and loss.

MARINE UNDERWRITING

The marine premium income had increased by £176,861. To some extent that was due to higher rates on hulls, but in the main it was accounted for by war risk premium. Agreement had been come to among underwriters to increase further the rates on hulls as from the beginning of the year. The underwriting account for 1937 had now been closed, and £47,120 had been carried to profit-and-loss account, a result which they regarded as satisfactory.

The trustee department was progressing on an even keel and becoming more and more appreciated.

He hoped it would be agreed that the results of the past year, having regard to the unavoidable loss of business and the special expenditure that had had to be incurred, were very gratifying. As to the current year, owing to the calling up of many of their staff and petrol rationing, it was going to be difficult to maintain their field force, and he did not anticipate any increase in premium income, but rather the reverse. It was true that values were bound to increase, and that would partly offset lack of new business in the fire department. There would probably be a further decrease in motor-car premiums, and it was difficult to see in what other directions the accident premium income was likely to increase, save in workmen's compensation.

The report was unanimously adopted.

(Continued from page 908.)

STANDARD STATISTICS INDICES (1926=100)

WEEKLY AVERAGES

	1940		May 1, 1940	May 8, 1940	May 15, 1940
	Low Jan. 31	High Jan. 3			
347 Ind'l's ...	105.8	111.4	107.3	107.6	92.5
32 Rails	28.3	30.7	28.4	28.6	23.8
40 Utilities ..	98.6	89.7	87.1	87.1	77.0
419 Stocks ...	90.4	94.8	91.3	91.5	79.0
Av. yield* ...	5.57%	4.30%	4.72%	4.69%	5.57%
	High (r)	Low			

(s) March 21, 1940. * 50 Common Stocks.
(r) May 16, 1940.

DAILY AVERAGE 50 COMMON STOCKS

May 9	May 10	May 11	May 13	May 14	May 15
117.6	114.1	114.7	107.8	99.5	100.8

1940 High, 123.7 Jan. 3. Low, 99.5 May 16.

Capital Issues

Week ending May 18, 1940	Nominal Capital	Conversions	New Money
To the Public	£	£	£
To Shareholders	Nil	Nil	Nil
By S.E. Introduction	Nil	Nil	Nil
By Permission to Deal	690,680	...	1,978,075
Savings Certs.†	2,150,000	...	2,150,000
3% Defence Bonds†	2,350,000	...	2,350,000

† Week to May 11, 1940.

Year to date	Including Conversions	Excluding Conversions
1940 (New Basis) ...	761,918,835	408,963,702
1939 (New Basis) ...	39,703,755	37,472,650
1940 (Old Basis) ...	788,773,765	396,018,632
1939 (Old Basis) ...	19,822,635	18,611,570

Destination (Conversions Excluded)

Year to date	U.K.	Brit. Emp. ex U.K.	Foreign
1940 (New Basis) ...	408,200,690	763,012	Nil
1939 (New Basis) ...	25,823,202	11,329,488	320,000
1940 (Old Basis) ...	395,876,176	142,456	Nil
1939 (Old Basis) ...	14,800,835	3,490,735	520,000

Nature of Borrowing (Conv. Excl.)

Year to date	Deb.	Prof.	Ord.
1940 (New Basis) ...	395,870,796	1,135,675	11,957,231
1939 (New Basis) ...	16,656,145	2,300,796	18,515,769
1940 (Old Basis) ...	395,004,500	77,500	886,632
1939 (Old Basis) ...	12,107,435	928,447	5,575,688

"Old Basis" includes public issues and issues to shareholders. "New Basis" is all new capital in which permission to deal has been granted.

BY TENDER

Liverpool Corporation.—Tenders received at Bank of England, May 20th, for £1,000,000 Bills dated May 23, 1940, repayable August 23, 1940. Treasury consent obtained.

BONUS SHARES

London Express Newspaper.—Ordinary shareholders of this company have approved the distribution of a capital bonus of two new ordinary £1 shares for every ordinary share held on May 6. To dis-

THE CENTRAL MINING AND INVESTMENT CORPORATION, LIMITED

EFFECTS OF THE WAR

MR F. R. PHILLIPS ON SHARE VALUES

The thirty-fifth ordinary general meeting of The Central Mining and Investment Corporation, Limited, was held at 1 London Wall Buildings, E.C.2, on the 16th instant.

Mr F. R. Phillips, M.C., who presided, said in the course of his speech:—

The year which we have under review falls into two periods—the first, lasting eight months, of tension and growing deterioration in international relations, and the second, extending over four months, of open and declared warfare. Under such circumstances, it is not surprising that business conditions correspondingly suffered and that severe falls occurred in the market value of many classes of securities.

The profit and loss account shows a gross credit of £587,964. This represents, in the main, our revenue from dividends and interest as, in the conditions mentioned, we have been able to bring into this account only a relatively small sum from profits on share dealings. On the debit side of the profit and loss account, general expenses of £50,480 and national defence contribution of £23,200 have been charged, leaving £514,284 to be carried to appropriation account.

As mentioned in the directors' report, the credit of £587,964 is not comparable with the amount of £506,538 at the credit of the profit and loss account for the previous year, in that it does not provide, as has been our practice in past years, for the amounts required to write down stock prices, where necessary, to market prices ruling at the end of the year. At December 31st last, I regret to say, we had suffered depreciation to an extent which made it necessary to draw on our reserves. These reserves have been built up over a period of years to provide for unforeseen contingencies and for the risks inherent in our mining business, and they were therefore fortunately available to meet the situation with which we were faced at the end of the year. The amount that we have written off, totalling £853,085, is shown in the appropriation account, and the sum taken from reserves, namely, £600,000, being £500,000 from reserve fund and £100,000 from depreciation reserve account, is shown on the credit side of the account. The remaining £253,085 represents the amount of the depreciation which has been borne by the year's profits.

DEVELOPING GOLD MINES

A large part of the amount written off is in respect of our investments in gold mines in the development stage, viz. Hoffontein, Welgedacht, Palmietkuil and Rietfontein on the Far Eastern Rand and Blyvooruitzicht on the Far West Rand. Each of the four Far Eastern Rand companies which I have just mentioned was coming to the end of its financial resources during the year 1939. In circumstances of growing international tension, culminating in the outbreak of war, it was impossible to secure further funds for these enterprises. The property of the Rietfontein Company was acquired by its western neighbour, East Daggafontein Mines, in exchange for shares of that company.

Operations on the three other properties had to be discontinued, and they have been placed on a caretaking basis, and in these circumstances your board has felt that it is sound policy to write down the Corporation's holdings not only to market price but to a nominal value. In doing so, we are not expressing any opinion as to the eventual value of these shares, but are following a desirably prudent policy in regard to investments, the value of which will be determined by the course of future events which we cannot predict. The shares of the Blyvooruitzicht Company have been written down to market price. This company, of course, has funds which will enable it to carry on shaft sinking operations, and it can finance itself on the modified programme recently decided upon for some considerable time ahead. The general fall in other securities has caused us to write down certain stocks, such as base metals, while we have carefully considered the book value of our unquoted investments, and in two cases have written down these also.

We recommend a dividend for the year on the ordinary shares of 8s. per share, absorbing £170,000. After providing for the dividend on the preference shares and £50,000 for income tax there

remains a balance to be carried forward of £170,318, against £179,119 last year.

CONSERVATIVE BOOK VALUES

Turning to the balance sheet, shares, investments and interests stand at £6,012,362, as against £6,650,910, which reflects the writing off for depreciation which I have just explained. A new item on the credit side, £80,055, under the heading "Advances to Associated Companies," is mainly in respect of our proportion of loans to the Palmietkuil and Vlakfontein mining companies. The other items in the balance sheet show only normal variations from those of the year 1938, which are printed in red. You will have observed that a high degree of liquidity has been maintained and that our reserve fund still amounts to the substantial total of £1,175,000.

We are of the opinion, as we view the situation to-day, that the book value of the Corporation's portfolio is conservative. We feel, however, that this remark must be qualified, because it is impossible to envisage in these uncertain times the conditions under which we may be carrying on our business even in the near future. But with a return later to more normal trading conditions, and barring any unforeseen development, we can reasonably anticipate that we shall recover some of the depreciation for which we have now made provision. I am glad to tell you that our inner reserves, represented by the difference between book value and market value of the Corporation's holdings at December 31st last, remains very substantial.

RECORD GOLD PRODUCTION

The production of gold from the mines of the Transvaal in the year 1939 reached the highest figure in its history, and this record was attained without any departure from the method of working which has been in operation since South Africa abandoned the gold standard at the end of the year 1932. We feel sure that the true interests of the country, and of the companies' shareholders, lie in the continuation of the present mining practice, that is to say, that within narrow limits the scale of operations and the grade of ore to be mined is determined for each individual mine as best suited for that particular property.

I will now briefly review the main features of interest in the work of the gold mining industry during 1939. (In my statistics I shall not give exact figures, but shall round them off for convenience.) In the matter of the ore milled by the mines of the Witwatersrand, including Heidelberg, no less than 58,300,000 tons were treated, thus exceeding the previous year's record figure by 4,500,000 tons. The number of ounces of fine gold produced was 12,495,000, an increase of approximately 656,000 ounces. The profits of the industry totalled £35,600,000, or £3,700,000 more than in 1938. The currency value of the gold produced was £97,000,000, and was £12,600,000 greater than the previous year's record figure. The average grade of ore milled at 4.23 dwts. showed a reduction of .115 dwt. per ton and working costs increased by approximately 2d. per ton. The footage of development accomplished at 2,500,000 feet was greater by 115,000 feet. An examination of the number of employees, white and native, reveals that in December, 1939, the former numbered 43,800 and the latter 308,100, while at the same time in the previous year the figures were 41,800 and 313,400.

The recently published report of Rand Mines, Limited, in which we retain our large interest, disclosed a most satisfactory position. Increased profits were earned and the dividend was maintained at the previous level of 160 per cent., or 8s. per share.

RESULTS OF THE GROUP

I am pleased to say that the producing companies of our own group again made satisfactory progress in all directions, increasing the tonnage milled by 565,000 tons to the record figure of just over 20,000,000 tons. The grade of ore treated fell by .134 dwt. to 3.881 dwt. Working costs at 19s. 6d. per ton milled were higher by 1d. The total working profit amounted to £9,480,000, or almost half a million pounds more than in the previous year. Dividends aggregated £5,346,000, or £303,000 higher than in 1938. Consequently upon the increase in profits, taxation absorbed a larger sum, and at £3,362,000 was £201,000 greater.

The report and accounts were unanimously adopted.

THE LONDON AND MANCHESTER ASSURANCE COMPANY, LIMITED

RESULTS OF A DIFFICULT YEAR

MR A. H. DAWES'S REVIEW

The seventy-first ordinary general meeting of this company was held, on the 15th instant, in London, Mr A. H. Dawes (the chairman) presiding.

The Chairman, in the course of his speech, said:—For the first five months of the year, that is, up to the end of August, our new business figures were encouraging, and there seemed every likelihood of the year's results being at least as good as those of the preceding one. But when war broke out we shared the common experience of a marked decline in the volume of new ordinary branch business. Yet despite the obvious difficulties of the period, our combined premium income increased by £42,441 to £3,494,977, and our assets increased by £1,089,664 to £21,471,397.

Death claims due to the war up to the end of the year were, I am happy to state, relatively few. A matter of greater financial importance, however, arising out of the war was the increase in the rate of income tax. The gross interest yield was £4 15s. 8d. per cent. reckoned on the mean life funds, but income tax diminished the yield to £3 13s. 5d. net.

ORDINARY BRANCH

Turning now to the accounts in the ordinary branch, the net new sums assured amounted to £2,650,140, which represents three-quarters of the corresponding figure of the previous year. Premiums received during the year amounted to £1,471,182, an increase of £10,864. Claims by death were £200,907. Matured endowments amounted to £653,865, which is £124,902 more than in the previous year, and is the highest sum we have paid away in any year under this heading. Surrenders were lower, and annuities sold almost the same compared with the previous year.

The ordinary branch life fund increased by £609,883, and at the end of the year stood at £12,506,338.

INDUSTRIAL BRANCH

The premium income in the industrial branch amounted to £1,931,116, showing an increase of £40,154. Claims by death were higher at £810,553. Both maturities and surrenders were lower.

Again I am able to announce a further reduction in the expense ratio of this branch which, for the year under review, fell to 35.67 per cent. of the premium income.

At the end of the year the industrial branch life fund stood at £7,728,608—an increase of £376,162.

The annual valuation was again made on the same bases as a year ago, and the gross surpluses, before making any increase in the additional reserves for contingencies and before strengthening the investments reserve fund, were: Ordinary branch, £729,225; industrial branch, £395,292, including £361,868 and £143,227, respectively, brought forward from the previous year.

In the ordinary branch it has been decided to pay on participating policies which become claims by death (except policies less than one year in force) or survivorship during the year ending March 24, 1941, an interim bonus at the rate of 30s. per cent. on the sum assured in respect of the year ending March 24, 1940, postponing consideration of a vesting bonus until a later valuation. The sum of £454,225 has been carried forward in the life fund. This evidence of strength and caution should give satisfaction to all concerned.

In the industrial branch it has been decided to grant an interim bonus by applying to policies which become claims by death or survivorship before May 21, 1941, the same scales of bonus as granted a year ago.

FIRE AND GENERAL BRANCH

Up to the outbreak of war our premium income in this branch was well in advance of that for the corresponding period of the previous year, but wartime restrictions resulted in a considerable falling off in motor premiums particularly. The premium income in the branch for the year was in consequence lower by £8,496 to £89,165.

I am pleased to be able to tell you that at the close of our year the aggregate market value of our holdings of Stock Exchange securities (taken at middle market prices, less secured interest) was in excess of the value at which they appear in the balance sheet.

The report and accounts were unanimously adopted.

ENGLISH AND CALEDONIAN INVESTMENT COMPANY, LIMITED

INCREASED EMPIRE HOLDINGS

The thirteenth annual general meeting of this company was held, on the 14th instant, in London.

Mr Henry S. Loeb (the chairman), in the course of his speech, said:—It will be seen from the balance sheet that our main asset—investments—stood in at £1,010,138, or some £3,000 higher than at the end of the previous financial year. The market value of the company's investments at March 31st last was £815,110. Expressed as a percentage, the depreciation on the balance-sheet figure was 19.31 per cent., which compares with 19.20 per cent. a year ago. In view of all that has happened during the past year, I think the fact that the deterioration in the value of your investments was so slight must be regarded as being satisfactory.

The company's investments continue to be distributed on the same generous lines as in previous years. Classified denominationally, the distribution, based on book values, was as follows:—

	Per Cent.
Corporation loans, bonds, and debentures	2.62
Preference shares and unsecured notes	16.73
Ordinary and deferred shares	58.09
	77.44
Outside the Empire:—	
Loans, bonds, and debentures	7.33
Preference shares	5.61
Ordinary and deferred shares	9.62
	22.56

Geographically we have now a somewhat larger proportion of our funds invested in the Empire—namely, 77.44 per cent., against 74.23 per cent. In the early days of the war we took advantage of the premium on the dollar and sold certain of our investments in the U.S.A. and re-invested the proceeds in high-grade British equities which stood at that time at relatively low prices.

REVENUE ACCOUNT

Turning to the revenue account it will be noted that our income for the past year was £50,190, being some £3,000 less than the figure for the previous year. This reduction, you may recall, I foreshadowed in my remarks at our last meeting, and in the circumstances of the past year, which included seven months of war, was not unexpected.

On the question of taxation, it is gratifying to note from the Chancellor's recent pronouncements that some modifications of the method of computing E.P.T. are in contemplation. Although at the moment we have no details of the changes proposed, it is hoped that as regards industrial and trading companies some form of relief will be given in those cases where, after many lean years, prosperity has come at last, quite independently of trade fostered by the impetus of war, but as the result of much spade work, planning, and careful reorganisation. Coming nearer home, we are hoping that the dues of investment companies will not be overlooked, and that of the several points which call for consideration some form of relief will be given in the case of income of investment companies which has already been subjected to E.P.T. Relief in such cases is allowed in the computation of profit for the purposes of N.D.C., and it seems but elementary justice that some concession should be made in connection with E.P.T.

To return to the revenue account, the charges are much the same as before, except for bank and loan interest, which is approximately £500 higher, due to our having borrowed more from our bankers on overdraft than in the previous year. After deducting the several charges, including debenture interest, the net revenue for the year was £28,807.

An interim dividend of 1½ per cent., less tax, has already been paid on the ordinary stock, so that the amount remaining available for the ordinary stockholders, including the amount brought forward, is £13,407. Of this sum £5,000 has been transferred to general reserve, leaving £8,407, out of which it is proposed to pay a final dividend of 3½ per cent., less tax, requiring £4,593, leaving the sum of £3,814 to be carried forward.

The report was adopted.

LUNUVA (CEYLON) TEA AND RUBBER ESTATES, LIMITED

SATISFACTORY INCREASE IN PROFITS

WARTIME PROBLEMS

MR H. J. WELCH'S ADDRESS

The annual general meeting of the Lunuva (Ceylon) Tea and Rubber Estates, Limited, was held, on the 16th instant, at 19 Fechurch Street, London, E.C., Mr H. J. Welch (the chairman) presiding.

Mr J. E. Ritchie, representing the agents and secretaries (Messrs Harrison and Crosfield, Limited), having read the auditors' report,

The Chairman said:—Gentlemen,—During 1939 tea gave an increased profit of £2 1s. 7d., rubber £1 14s. 3d. and copra 14s. 9d. per acre as compared with 1938. The improved results from tea were achieved in spite of a smaller crop, an increase in the net selling price of 1d. per lb. more than compensating for the smaller crop and for the increased costs of labour, manufacture and materials.

Less rubber was produced than in 1938, but it was sold at a higher price than that obtained in any year since 1929. The cost showed a small increase but the net profit per lb. was over 2d. higher than in the previous year. The increased profit per acre I quoted includes profit derived from the sale of rubber export rights.

ESTATES AND STAFF

Our visiting agents report that on each of the company's properties estate works were carried out efficiently and economically and that agriculturally they are all in first-class order.

After paying the dividend to be declared to-day and making the other appropriations the company's net surplus liquid assets will amount to over £212,000. If these are deducted from the issued capital the balance represents a net cost of under £40 per acre planted. The company's valuable buildings, machinery and plant still stand in the balance sheet at the nominal figure of £1.

The war has brought new problems to our visiting agents and superintendents, but we are fortunate in the possession of an extremely competent and loyal staff and you doubtless will cordially approve of the increased vote of £2,500 as a special contribution this year to the staff retirement fund. The war also has given our agents and secretaries in London and Colombo much additional work, and I am glad of this opportunity of expressing the board's appreciation of the manner in which they have looked after the company's interests.

PROFITS AND DIVIDEND

The company's net earnings for 1939 amounted to £138,101. Notwithstanding that the sum charged against the profits for Ceylon taxation and N.D.C. was £48,100, or £21,150 more than in the previous year, the profits show an increase of £12,235 over the 1938 figure.

After allowing for the sum brought forward from 1938 and deducting the interim dividend of 4 per cent. paid in November last, the sum to be dealt with to-day is £193,094. The directors' proposals are set out in the report and I will now deal with them seriatim.

The transfer to taxation reserve of £43,000 provides for British income tax at 7s. 6d. in the £ on all profits earned up to December 31, 1939. The amount reserved last year was inadequate owing to the increase in the rate of tax after the issue of the accounts, but the deficiency has been made good in the sum now appropriated.

I have explained the board's policy in the matter of transfers to general reserve on previous occasions and need not go over the ground again to-day. An appropriation of £20,000 (a figure which in my opinion is not excessive for a company of this size) will increase the general reserve to £155,000. The creation of a dividend equalisation reserve is one which will, I trust, also commend itself to you. Its name explains its object and the board will not hesitate to use this reserve when need arises for the purpose for

which it is created. Maintenance of as steady a return to shareholders as is practicable is our objective and the uncertainties of the times through which we are passing emphasise the prudence of this reserve.

The final dividend recommended is 6 per cent., making 10 per cent. for the year. The average rate of tax deduction over the full 10 per cent. amounts to 4s. 4.6d. in the £, so that the dividend paid is equal to 12½ per cent., subject to tax at 7s. 6d. in the £.

PROSPECTS FOR 1940

I dealt with the general position and prospects of the tea and rubber producing industries in my recent address to the shareholders of the Rubber Plantations Investment Trust, and it has been arranged that a copy of that address shall be forwarded to you with the report of to-day's proceedings.

With regard to domestic affairs, you were informed in the directors' report that the whole of the exportable tea crop had been sold to the Ministry of Food. The selling price is one which, in the absence of a serious rise in production costs, should ensure a reasonable return. You were also informed that 907,200 lb. of rubber (which is more than the total rubber crop harvested by the company for 1939) had been sold forward for delivery in 1940 at an average net price of 9.08d. per lb., or 10.20d. London equivalent. Since the accounts were issued we have also sold forward 403,200 lb. of rubber for delivery during 1941 at a net price of 8.75d. per lb., or 9.96d. per lb. London equivalent.

STRONG FINANCIAL POSITION

It would appear probable that for 1940 the company will account for about the same tea crop and a larger rubber crop and that as far as we can at present see the company's profits this year should be greater than for 1939. There are, however, so many unpredictable factors under war conditions that this forecast must be expressed with reserve. Under the recent Budget proposals the maximum dividend which this company will be permitted to pay during the war appears to be 12 per cent. gross. This was paid for 1937 less income tax at the rate of 3s. 3d. in the £, equivalent to a cash dividend of 13.86 per cent. less tax at the then current rate of 5s. 6d. in the £, but until the Act is passed we shall not know exactly the company's position in the matter.

Our financial position is a strong one and all concerned have done what lies in their power to ensure the continued prosperity of the company. We must now wait on events, but it is gratifying to know that this company's products are all of assistance in maintaining the national and Allied war effort and that by its substantial contributions to the revenues of this country and Ceylon it should help to bring nearer an Allied victory and a just and lasting peace.

I now beg to move: "That the statement of accounts for the year ended December 31, 1939, and the directors' report and the appropriation therein mentioned be approved and adopted, and that a final dividend for that year of 6 per cent., less income tax at the rate of 4s. 7d. in the £, on the issued capital of the company be paid on May 31, 1940."

Mr H. W. Horner (vice-chairman) seconded the resolution and it was carried unanimously.

The retiring director, Mr H. W. Horner, was re-elected; and the auditors, Messrs Turquand, Youngs, McAuliffe and Company, were re-appointed, and the proceedings terminated with a vote of thanks to the agents, visiting agents and staff in the East.

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 Boulevard des Capucines, E.C.4.

LANADRON RUBBER ESTATES, LIMITED

IMPROVED RESULTS

The thirty-second ordinary general meeting of the Lanadron Rubber Estates, Limited, was held, on the 15th instant, at 1-4 Great Tower Street, E.C.

Mr Eric Macfadyen (the chairman) said that the accounts presented a much better picture than those for the previous twelve months, profits having risen from £11,299 to £19,512. They had been allowed to account for 144,000 lbs. more rubber, which had helped towards the improved results, and in addition the average sale price had come out at fully 1½d. per lb. higher. They recommended a dividend of 5 per cent., less tax.

A lower release from the current rate of 80 per cent. seemed not unlikely in the second half of the current year, but, unless it was lower than he anticipated, they would be entitled to export more than in 1939. Wages of labour had risen, but their unit costs for the larger crop which he looked for should not be any higher. They had made sales for delivery spread over the year totalling 327 tons. Those were mostly godown or c.i.f., but they could be equated to a London equivalent of, say, 10.45d. per lb. If nothing occurred to upset their calculations, he would expect to see their profits for 1940 reach their excess profits tax standard, which he estimated with the necessary reservations at approximately £21,000.

On Lanadron, of a total of 2,997 acres planted they had replanted 348 acres since 1937, and that would be brought up to 538 acres this year and further added to in the following years. He knew no estate of its age in Malaya in a generally sounder condition or able to produce more cheaply.

Dealing with the general position of the industry, he said that rubber was important in war, but the chief value of the industry to the Empire was as the producer of a commodity in demand for peace uses and a source of foreign exchange. Trade stocks, judged by the price level, seemed to be comfortable. They had good reason to be thankful for the international control regime, and in particular in that it had been long enough in existence to have had the industry well in hand when the testing time came.

The report was unanimously adopted.

LEDBURY RUBBER ESTATES, LIMITED

DIVIDEND OF 5 PER CENT.

The thirty-first ordinary general meeting of Ledbury Rubber Estates, Limited, was held, on the 15th instant, at 1-4 Great Tower Street, E.C.

Mr Eric Macfadyen (the chairman) said that the results from rubber production last year compared favourably with those for 1938, the respective profits being £6,013, as against £3,521. They had been allowed to account for a crop of 482,000 lbs., an increase of over 42,000 lbs., and, while costs per lb. were substantially the same, the sale price showed an improvement of nearly 1½d. per lb. They proposed to pay a dividend of 5 per cent. Tin receipts totalled £827.

A recent report by Mr Jenkins, the visiting agent, disclosed that the estates had received proper care, that labour was satisfactory and health excellent. A small area at Ledbury of 5 acres which had previously contained a few coconut trees was planted with rubber in terms of the planting rights granted to the company under the Regulation Scheme, and the balance of such rights was being used at Sungei Sabaling Estate, the young property in which they had a third share interest. At Kinrara the replanting programme was continued, a further 147 acres having been dealt with in 1939. Re-plantings to date were now 289 acres, and, subject to financial considerations, they proposed taking in hand about 150 acres this year and 175 acres in 1941. When that stage had been reached, roughly one-third of the Kinrara and Ledbury Estates would have been replanted with the best material available. The company had been fortunate in having the proceeds from tin mining available to meet the cost of that very necessary work. Their original estates had passed their best and a good deal of their rubber had come to be unprofitable.

They had sold forward for delivery in 1940, 181,440 lbs. at an average equivalent London landed price of approximately 10½d. per lb., and had continued the policy into 1941 by contracting to deliver over the whole of that year 80,640 lbs. at the equivalent of just over 10d. per lb.

The report was adopted.



FORD MOTOR COMPANY LIMITED ANNUAL MEETING

At the eleventh ordinary general meeting of Ford Motor Company, Limited, held, on the 16th instant, in London, the Rt. Hon. Lord Perry of Stock Harvard, K.B.E., LL.D., in the course of his speech, said:—I am glad to be able to tell you that our company has played, is playing and hopes to continue to contribute its full share in the national effort. I am particularly pleased to report that one of our extended activities, namely, the manufacture of agricultural tractors, relates to the most peaceful of all enterprises, the production of food. While our contribution in this field has been considerable, I am convinced that it will be still greater. In the principle of power farming our company has been the great pioneer in this country. Our production of Fordson Tractors from July 1, 1939, to April 30th last was practically 15,000 sold for use here at home, whilst in addition a considerable number have been exported to various countries throughout the world.

NEW AGRICULTURAL TRACTOR

A new tractor has recently been introduced to this market in very limited numbers. It was perfected last year by Mr Henry Ford in association with Mr Harry Ferguson of Belfast, and will be sold under the name "Ford Tractor-Ferguson System." As soon as the Government authorises supplies and can see its way to approve expenditure upon machine tools, jigs, etc., for its manufacture, and a satisfactory agreement with Mr Ferguson is concluded, the company will commence production. It is a lighter tractor, easy to operate, and is designed for haulage as well as for ploughing and the usual cultivating processes. I believe the eventual sales possibilities of these products, both for home and export trade, are considerable.

The production of cars and trucks for the home market has been severely affected. There is one aspect of the position, however, that I would like to mention. The service facilities which we have laboriously built up over many years, combined with the inherent good quality materials used in construction, will enable Ford vehicles to be kept in commission for an extended period.

CONTRIBUTION TO NATIONAL EFFORT

Our activities in other directions have been and are of a varied nature. Suffice it to say that all of the company's vast resources have been and are engaged in assisting the national effort. We are doing everything we can to maintain and increase exports which are so vital to the country at the present time.

The net profit for the year amounted to £1,310,787 as against £400,985 in 1938. These profits were only to a limited degree occasioned by Government contracts. Our normal business activities to the end of August were better than formerly and by the end of that month the profits earned were much greater than for the whole of the preceding year. The results were the outcome of careful previous planning and sound management.

Our revised 8-h.p. model—the "ANGLIA"—was ready for production when war commenced. Purchasers have expressed great satisfaction with it, and I am convinced that this car would have enjoyed exceptionally large sales in peace conditions.

Our export trade last year was better in all regards than in 1938. Our investments and organisation in overseas trade connections are greater than those of any other British manufacturer of products like those of our company.

DIVIDEND PAYMENT

As to the question of dividend, after careful consideration and obtaining the best advice available, the board decided on April 24th, the day after the Budget speech, to recommend a dividend of 7½ per cent. There was certain ambiguity at the time as to the Government's policy relating to dividends. The Chancellor defined his new policy in clearer terms in the House of Commons on the following day, and your directors felt it was incumbent upon them to reconsider their decision. It was therefore decided to make a recommendation of 6 per cent., which rate represented the highest dividend paid in the years 1936, 1937 and 1938.

The report was unanimously adopted.

Copies of the Chairman's Speech in full may be obtained from
FORD MOTOR COMPANY LTD.
88 REGENT STREET, LONDON, W.1, and
DAGENHAM, ESSEX

BRITISH MATCH CORPORATION, LIMITED

INCREASED DEMAND

The thirteenth ordinary general meeting of this company was held, on the 15th instant, in London.

Sir Clarence E. Bartholomew, O.B.E. (chairman and managing director), presided and said:—The outbreak of war brought an increased demand for matches, and the output of our subsidiary and associated concerns at home and abroad attained record proportions. The greatly increased duties on matches—both Excise and Customs—imposed by last month's Budget have given us considerable anxiety, and involved extensive changes in some popular lines—notably Swan Vestas and book matches. It is too early to speak with confidence of the full effect of these changes, especially in view of the possible interference during wartime with supplies from abroad.

It had been our wish to propose a small increase in the rate of dividend this year, but the ex-Chancellor has forestalled us, so we must conserve our funds in the national interest. You will observe

that we have already more than £1,000,000 invested in British Government securities. The proposal to transfer £110,000 from profits towards the writing off of our only intangible asset—goodwill rights, etc.—will, I am sure, appeal to you.

We propose, also, to transfer £150,000 from reserve account, which has been augmented by £200,000 by a special allocation from Bryant and May, Limited, this year in order to extinguish the goodwill item altogether. This does not mean that our goodwill has no real value. I believe it is more valuable than ever, but it does mean that our assets will be represented by actual investments in the industry in several parts of the world and the British Government securities above mentioned.

Wartime restrictions, heavy taxation—both here and overseas—and difficulties in obtaining some essential supplies are likely to have some effect upon our profits while wartime conditions last. It would be foolish to make prophecies or promises, but I may assure you that we look forward hopefully.

The chairman concluded by moving the adoption of the report and the payment of a final dividend of 5 per cent. on the ordinary stock, which was unanimously approved.

INSURANCE NOTES—continued from page 904

is a welcome sign of caution, which may enable the Society to add appreciably to the mortgage and investment reserve, which last year received the sum of £400,000, bringing it up to £500,000.

★

London and Lancashire.—Marine premiums were much larger last year, and a moderate increase was shown by the fire department. Hence the decline in accident premiums still left a considerably larger premium income in the three departments combined. Total underwriting balances were also larger; though fire profits did not rise with premiums, the accident margin was considerably increased, and the marine account released more to profit and loss. The figures below include those of the allied companies, notably the Law Union and Rock (which transacts life business):—

	Earned Premiums	Underwriting Balances to Profit and Loss
	1938	1939
Fire	2,762,297	2,808,735
Accid. and General	2,544,051	2,504,339
Marine	1,438,392	1,672,007
	6,744,740	6,985,081
Life	780,362	758,827
Annuities	67,071	59,652
Cap. Red.	18,697	19,100
	7,610,870	7,822,660
Interest (ex. life, annuities and cap. red.)	481,363	439,095
Fees	149	131
	934,182	961,129

* One-fifth shareholders' profits at 1934 valuation (1938) and 1939 valuation (1939).

A total of £961,129 (against £934,182) was credited to profit and loss, making, with £2,880,128 brought forward, a total of £3,841,257. After deducting the 1939 dividend, 20s. per £5 share, as for 1938, taxation provision and transfers for staff pensions and widows, the balance carried forward was £3,127,938 (against £2,880,128).

Life premiums declined slightly, and new business was down from £2,811,470 to £2,055,440 net. The Law Union and Rock valuation produced a surplus of £645,158, including interim bonuses already paid, but only a special interim bonus of £1 per cent. per annum has so far been declared for the current series. Consolidated assets totalled £30.4 millions. The chairman has stated that market values exceeded book values by a larger margin than a year ago.

Equitable.—The equitable funds increased from £12,034,776 to £12,785,815, a rather larger advance than was recorded for 1938. The decline in new business from £2,028,917 to £1,769,257 was less than the average of the offices. Interest of 3.81 per cent. net was earned on the funds compared with 4.04 per cent. in the previous year. The office is one of the few that do not pay commission; its expense ratio was in consequence only 6.8 per cent. of premiums. The Equitable has withdrawn for the duration its unique minor-profits scheme, so that all new policyholders are full profit-sharing members under the major-profits plan. Moreover, under all new policies the sum payable in the event of death during war (even if not due to hostilities) will be only a part of the total sum assured. The book value of the assets was £12.9 millions; the book values of the securities were more than the market values, but the chairman stated at the meeting that the difference, which amounted only to £83,970 and was covered by appreciation elsewhere, had since been made good. The next valuation is due at the end of this year.

Sun Insurance Office.—The conspicuous feature of the 1939 Sun Insurance accounts is the increase in both total premiums and total underwriting profits. The advance in earned premiums was shared by each of the three departments, but was most marked in marine business. The marine account also contributed £50,000 to profit and loss against nil in 1938. Fire profits rose to the extremely satisfactory level—even for the excellent Sun portfolio—of 11.9 per cent. The accident underwriting margin was rather lower than in 1938, but was still high for this class of insurance.

	Earned Premiums	Underwriting Balance to Profit and Loss
	1938	1939
Fire	2,266,241	2,282,216
Accident	1,865,305	1,915,265
Marine	586,432	652,465
	4,717,978	4,849,946
Interest	260,007	238,094
Fees and miscellaneous	3,373	1,181
	678,028	687,302

The balance brought forward was £1,502,457, making with the year's profit of £687,302 a total of £2,189,759. After deducting the 1938 dividend (paid in 1939), providing for taxation, and writing £50,000 each off investments and house property, the balance carried forward was £1,530,790. From this sum £214,125 will be deducted to meet the 1939 dividend of 2s. 9d. per £1 share, less tax (un-

changed), leaving unappropriated £1,316,665. The assets total £11.9 millions, aggregate market values being at least as high as book values.

★

Car and General; Motor Union; Provincial; World Auxiliary.—The following table summarises the underwriting results of these four companies:

Company and Year	Accid. and Fire	General	P. & L. (inc. interest)
Car and General	1938 19,673	88,273	Dr. £500,127,039
Motor Union	1938 30,377	139,170	143,979
Provincial	1938 35,524	126,647	257,014
World Auxiliary	1938 39,593	57,093	246,445
	1938 36,806	73,556	Dr. £1,000,131,680
	1938 6,540	6,646	5,865 46,113
	1938 4,878	5,100	5,906 40,118

Car and General and Motor Union are affiliated to the Royal Exchange Assurance, but their figures are not included in those of the parent corporation. Underwriting experience of the **Car and General** improved in 1939, but the **Motor Union** showed a slightly lower underwriting balance in the aggregate. The fire profits of both companies were very satisfactory, in relation to the relatively small premium incomes. On the much more important accident business (consisting largely of motor insurance) **Car and General** earned premiums were £1,570,495, and those of the **Motor Union** £1,495,507, the underwriting balance being 3.6 per cent. and 8.5 per cent., respectively. The **Car and General** carried forward £47,453 from profit and loss (against £43,711) and the **Motor Union** £134,503 (against £151,752).

The **Provincial** figures include those of the subsidiaries, the **Drapers and General** and the **Hull Underwriters' Association**. Results were not quite so good last year, largely because the marine account involved a draft upon profit and loss, but marine premiums advanced from £184,571 to £216,434. The dividend for 1939 was 2s. per 4s. ordinary share (unchanged). Against £41,480 brought in from the previous year, £23,783 is carried forward.

The **World Auxiliary** results compare favourably with those of 1938, considering the conditions obtaining. The Chairman reported at the annual general meeting that underwriting experience on 1938 account would be favourable. Owing to the time lag in marine settlements, this is not reflected in the 1939 figures above. The dividend is 12 per cent. on the £1 shares (less tax) compared with 7½ per cent. (free of tax) in 1938, the gross distribution thus being unchanged.

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week to May 11, 1940, total ordinary revenue was £12,305,000, against ordinary expenditure of £44,444,000. Thus, including all sinking fund allocations, the deficit accrued since April 1st is £192,952,000, against £59,402,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Apr. 1, 1939, to May 13, 1939	Apr. 1, 1940, to May 11, 1940	Week ended May 13, 1939	Week ended May 11, 1940
ORDINARY REVENUE				
Income Tax	10,165	17,515	7	737
Sur-tax	4,420	4,220	340	320
Estate, etc., Duties	8,220	9,010	680	1,210
Stamps	1,240	700	...	...
N.D.C.	2,190	1,910	200	190
E.P.T.	...	220	30	30
Other Inland Revenue	180	70	10	20
Total Inland Revenue	26,415	33,635	1,237	2,507
Customs	28,910	31,388	4,743	5,643
Excise	11,370	13,450	1,008	992
Total Customs & Excise	40,280	44,838	5,751	6,635
Motor Duties	4,151	5,154	279	510
P.O. (Net Receipt)	4,880	3,850	1,100	1,250
Crown Lands	200	160	...	...
Receipts from Sundry Loans	266	182	...	1,403
Miscellaneous Receipts	690	2,240	...	...
Total Ordinary Revenue	76,882	90,069	8,367	12,305
SELF-BALANCING				
Post Office and Broadcasting	6,820	7,100	950	900
Total	83,702	97,169	9,317	13,205

Expenditure	Apr. 1, 1939, to May 13, 1939	Apr. 1, 1940, to May 11, 1940	Week ended May 13, 1939	Week ended May 11, 1940
ORDINARY EXPENDITURE				
Interest and Management of Natl. Debt	39,091	40,292	619	1,381
Payments to N. Ireland	555	592	...	...
Other Consolidated Fund Services	363	347	6	63
Total	40,009	41,231	655	1,444
Supply Services	95,716	241,211	12,750	43,000
Total Ordinary Expenditure	135,725	282,442	13,405	44,444
SELF-BALANCING				
Post Office and Broadcasting	6,820	7,100	950	900
Total	142,545	289,542	14,355	45,344

After increasing Exchequer balances by £121,067 to £2,620,535, the other operations for the week (as shown below) raised the gross National debt by £32,619,000 to about £9,140 millions.

WEEK'S CHANGES IN DEBT

	NET INCREASES (£ thousands)
3% War Loan	150
National Savings Certificates	2,150
3% Defence Bonds	2,350
Treasury Bills	24,267
Other debt	2
Public Department Advances	3,700
	32,619

OTHER ISSUES (NET) (£ thousands)	
Overseas Trade Guarantees	154
P.O. and Telegraph	200
Anglo-Turkish Arms	5
	359

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1 to May 11, 1940, are:—

	(£ thousands)		(£ thousands)
Ordinary Exp.	282,442	Ord. Revenue	90,069
Misc. Iss. (net)	3,984	Gross bor.	197,162
Inc. in balances	226	Less—	
		Sinking fds	579
		Net borrowing	196,583
	286,652		286,652

FLOATING DEBT (£ millions)

Date	Ten-der	Tap	Public Depts.	Bank of Eng-land	Total Floating Debt	Float-ing Assets
1939						
May 13	429.0	510.2	44.6	...	983.8	554.8
1940						
Feb. 3	811.0	642.4	48.2	...	1501.6	790.6
" 10	806.0	635.1	47.7	...	1483.7	677.7
" 17	800.0	625.9	46.7	...	1478.6	672.6
" 24	801.0	621.9	53.4	...	1476.3	675.3
Mar. 2	791.0	651.0	54.1	...	1496.1	705.1
" 9	776.0	664.6	66.0	...	1506.6	730.6
" 16	761.0	673.6	56.3	...	1490.9	729.9
" 23	746.0	682.8	55.0	...	1483.8	737.8
" 31	731.0	696.7	61.5	...	1469.2	758.2
Apr. 6	716.0	706.3	55.0	...	1477.3	761.3
" 13	701.0	708.4	56.4	...	1465.8	764.8
" 20	686.0	697.5	58.9	...	1452.4	766.4
" 27	675.0	674.1	46.3	...	1395.4	720.4
May 4	675.0	707.9	49.3	...	1432.2	757.2
" 11	685.0	722.1	53.0	...	1460.1	775.1

TREASURY BILLS (£ millions)

Date of Tender	Offered	Applied for	Allotted	Average Rate %	Per Cent. Allotted at Minimum Rate
1939					
May 12	30.0	58.3	30.0	13	4.61
1940					
Feb. 2	55.0	108.0	50.0	20	9.86
" 9	55.0	108.7	55.0	20	6.11
" 16	65.0	106.9	60.0	20	6.15
" 23	60.0	112.1	55.0	20	5.74
Mar. 1	55.0	108.2	50.0	20	4.81
" 8	55.0	98.3	50.0	20	5.30
" 15	50.0	98.8	50.0	20	5.28
" 22	50.0	100.0	50.0	20	4.92
" 29	50.0	99.9	50.0	20	7.76
Apr. 5	50.0	94.5	50.0	20	8.33
" 12	50.0	90.6	50.0	20	8.16
" 19	50.0	111.8	50.0	20	6.87
" 26	55.0	115.7	55.0	20	4.98
May 3	60.0	113.2	60.0	20	4.81
" 10	65.0	111.6	65.0	20	4.82

On May 10th applications at £99 14s. 10d. per cent. for bills to be paid for on Tuesday, Wednesday, Thursday and Friday of following week were accepted as about 52 per cent. of the amount applied for and applications at higher prices in full. Applications at £99 14s. 11d. for bills to be paid for on Saturday were accepted in full. £65.0 millions of Treasury bills are being offered on May 17th.

NATIONAL SAVINGS CERTIFICATES AND 3% BONDS SUBSCRIPTIONS (£ thousands)

Period	N.S.C.*	3% Bds.	Total
Week to Apr. 30, 1940	2,913	2,142	5,055
Week to May 7, 1940	2,747	2,298	5,045
24 weeks to May 7, 1940	74,657	70,814	145,472

* Revenue returns show repayment of principal amounting to £13,100,000 in the 24 weeks to May 7, 1940.

BANK OF ENGLAND RETURNS

MAY 15, 1940

ISSUE DEPARTMENT

Notes Issued:	Govt. Debt...
In Circul. ... 546,414,600	11,015,100
In Banking ... 3,190,599	Other Govt. Securities ... 565,366,877
Dept. ... 33,822,158	Other Secs. ... 3,108,303
	Silver Coin ... 509,720
	Amt. of Fid. Issue ... 580,000,000
	Gold Coin & Bullion (at 168s. per oz. fine) ... 236,758
	580,236,758

BANKING DEPARTMENT

Props. capital	Govt. Secs...
14,553,000	139,092,838
Rest ... 3,190,599	Other Secs.: Discs., etc. ... 3,876,440
Public Depts. ... 33,856,110	Securities ... 22,493,006
	Other Depts.: Bankers ... 26,369,446
	Other Accts. ... 33,822,158
	Gold & Silver Coin ... 1,259,173
	200,543,615

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

THE WEEK'S CHANGES (£ thousands)

Both Departments	Amt. May 15, 1940	Compared with Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	546,415	+ 2,461	+ 52,795
Deposits: Public	3,190,599	+ 712	+ 17,053
Bankers'	106,381	- 1,744	- 933
Others	42,563	+ 2,407	+ 6,412
Total outside liabilities	729,215	+ 978	+ 75,326
Capital and rest	17,744	- 25	- 16
COMBINED ASSETS			
Govt. debt and securities	715,475	- 2	+ 30,880
Discounts and advances	3,876	- 644	- 6,200
Other securities	25,601	+ 366	+ 3,304
Silver coin in issue dept.	510	- 1	- 379
Gold coin and bullion	1,496	- 60	- 225,295
RESERVES			
Res. of notes and coin in banking department	35,081	- 2,401	- 1,910
Proportion of reserve to outside liabilities—Bank, dept. ("proportion")	19.1%	+ 1.0%	+ 1.5%

COMPARATIVE ANALYSIS* (£ millions)

	(£ millions)				
	1939		1940		
	May 17	Apr. 21	May 1	May 8	May 15
<i>Issue Dept. :</i>					
Notes in circ..	493.6	537.1	541.0	544.0	546.4
Notes in bank- ing dept.	32.5	43.1	39.2	36.3	33.8
Govt. debt and securities	298.1	575.4	576.1	576.4	576.4
Other secss.	1.0	3.1	3.4	3.1	3.1
Silver coin	0.9	0.5	0.5	0.5	0.5
Gold, valued at s. per f. oz.	226.2	0.2	0.2	0.2	0.2
<i>Deposits :</i>					
Bankers'	16.8	40.7	19.8	33.1	33.9
Others	107.3	103.4	125.4	108.1	106.4
Total	36.2	40.6	44.9	45.0	42.6
<i>Bk. Dept. Secs.</i>					
Govt.	160.3	184.7	190.1	186.2	182.9
Discounts, etc.	113.5	130.6	139.0	139.1	139.1
Other	14.1	4.9	5.9	4.5	3.9
Total	211.9	228.2	226.2	229.0	225.5
<i>Banking dept.</i>					
reserve	33.2	44.1	40.3	37.5	35.1
" Proportion "	20.6	23.8	21.2	20.1	19.1

OVERSEAS BANK RETURNS

NOTE.—The latest returns of the Banque Mellié Iran appeared in *The Economist* of March 23rd; Norway of April 13th; International Settlements, of April 20th; Australia, Canada, Denmark, Germany, Lithuania, New Zealand, Prague, of April 27th; Estonia, Greece, India, Latvia, South Africa, of May 4th; Argentina, Bulgaria, Egypt, Japan, Java, Netherlands, Portugal, Turkey and New York, of May 18th.

U.S. FEDERAL RESERVE BANKS

Million \$'s				
	May 18, 1940	May 17, 1940	May 16, 1940	May 15, 1940
12 U.S.F.R. BANKS				
RESOURCES				
Gold certifi. on hand and due from Treas.	13,223	16,289	16,497	16,692
Total reserves	13,597	16,686	16,872	17,080
Total cash reserves	365	388	366	379
Total U.S. Govt. secs.	2,584	2,467	2,467	2,474
Total bills and secs.	2,581	2,479	2,479	2,486
Total resources	16,976	20,048	20,074	20,479
LIABILITIES				
F.R. notes in circn.	4,463	4,931	4,955	4,969
Aggregate of excess m. bank res. over reqts.	4,240	6,050	6,130	6,300
Deposits: Member-bank reserve account	10,005	12,757	12,877	13,094
Govt. deposits	927	513	512	425
Total deposits	11,475	14,032	14,191	14,396
Total liabilities	16,976	20,048	20,074	20,479
Reserve	85.3%	88.0%	88.1%	88.2%
U.S.F.R. BANKS AND TREASURY COMBINED:				
RESOURCES				
Monetary gold stock	15,892	18,631	18,835	18,949
Treas. & bk. currency	2,857	2,992	3,004	3,004
LIABILITIES				
Money in circulation	6,913	7,536	7,589	7,598
Treasury cash and deposits with F.R. Bks.	3,610	2,826	2,821	2,648

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

	Apr. 26, 1939	Apr. 17, 1940	Apr. 10, 1940	Apr. 3, 1940
ASSETS				
Loans, total	8,100	8,631	8,653	8,650
Investments	13,675	14,835	14,936	14,934
Reserve with Federal				
Reserve banks	8,257	10,611	10,729	10,869
Due from domestic bks.	2,571	3,185	3,239	3,194
LIABILITIES				
Deposits: Demand	16,742	19,465	19,655	19,764
Time	5,235	5,360	5,312	5,313
U.S. Govt.	624	575	577	580
Inter-bank	6,590	9,050	9,181	9,166

EXCHANGE RATES

Rates Fixed by Bank of England

The following official exchange rates fixed by the Bank of England remained unchanged between May 9th and 16th. (Figures in brackets are par of exchange.) U.S. \$ (4.8625) 4.0212-0312; mail transfers, 4.0344 buyers. Can. \$ (4.8625) 4.43-47; mail transfers, 4.474 buyers. Fr. franc (124.20) 176-23. Sw. fcs. (25.22) 17.85-95. Sw. kr. (18.159) 16.85-95. Arg. pesos (11.45) 17.05-30; mail transfers 17.32 buyers. Latest quotations for belgas (23.95-24.10), Dutch florins (7.53-58) and Batavian florins (7.47-55; mail transfers 7.57 buyers), May 9th. None since issued.

Forward rates for one month have remained unchanged as follows: America, 84 cent pm-par. Canada, 1/2 cent pm-par. France, par. Switzerland, 3 cents pm-par. Sweden, 3 ore m-par.

Latest forward quotations on Brussels (1 pm-1 dis.), Amsterdam (1 1/2 pm-par.) and Java (2 1/2 pm-par.), May 9th. None since issued.

MARKET RATES

London on	Par of Exchange per £	May 10, 1940	May 11, 1940	May 13, 1940	May 14, 1940	May 15, 1940	May 16, 1940
Tallinn, Ekr.	18-159	135*	125*	13*	125*	125*	13*
Riga, Lats.	25-2212	17*	16*	161*	161*	161*	161*
Budapest, Pen.	27-82	181*	171*	171*	171*	171*	171*
Kovno, Lit	48-66	191*	181*	181*	181*	181*	181*
Milan, Lr.	92-46	651/2-663/4	603/4-611/2	621/2-65	61-63	61-63	62-64
Belgrade, Din.	276-32	140*	130*	130*	130*	130*	130*
Sofia, Lev.	673-66	170*(g)	160*(g)	160*(g)	160*(g)	160*(g)	160*(g)
Helsingfors, Mk	193-23	170*	170*	180*	180*	180*	180*
Alexandria, Pst	9712	973/8-58	973/8-58	973/8-58	973/8-58	973/8-58	973/8-58
Madrid, Pt.	25-2212	39-00(b)	39-00(b)	39-00(b)	39-00(b)	39-00(b)	39-00(b)
Lisbon, Esc.	110	1001/2	100-102	991/2	991/2	991/2	991/2
Istanbul, LT	110	510*	510*	510*	510*	510*	510*
Athens, Dr.	375	520(b)	520(b)	520(b)	520(b)	520(b)	520(b)
Bucharest, Lei	813-8	800*	800*	800*	800*	800*	800*
India, Rup.	118d.	1715/16	1715/16	1715/16	1715/16	1715/16	1715/16
Kobe, Yen.	124-58d.	165-17	171/2	171/2	171/2	171/2	171/2
Hongkong, \$.	143-15	143-15	143-15	143-15	143-15	143-15	143-15
Rio, Mil.	15-899d.	311/16	311/16	311/16	311/16	311/16	311/16
Valparaiso, Pes.	40	90*	90*	90*	90*	90*	90*
Lima, Sol. (c)	17-38	191-211/4	19-21	19-21	19-21	19-21	19-21
Montevideo, \$	51d.	27-29	28-30	273/4-293/4	281/4-301/4	281/4-301/4	273/4-293/4
Singapore, \$	28d.	281/16-516	281/16-516	281/16-516	281/16-516	281/16-516	281/16-516
Shanghai, \$	31-78	31-78	31-78	31-78	31-78	31-78	31-78
Bogota, Pes.	51*	51*	51*	51*	51*	51*	51*

* Sellers. † Pence per unit of local currency. (b) Official rate for payment at the Bank of England for clearing offices. (c) Voluntary rate for payment at the Bank of England. (d) 90 days. (e) Trade payments rate. (f) Nominal.

BANK OF FRANCE

Million francs.

	May 11, 1940	Apr. 11, 1940	May 2, 1940	May 9, 1940
ASSETS				
Gold	92,266	84,614	84,615	84,615
Bills: Commercial	9,804	13,971	14,706	14,861
Bought abroad	726	46	46	46
Advances on securities	3,355	3,471	3,511	3,488
Thirty-day advances	141	315	971	671
Loans to State without interest	10,000	10,000	10,000	10,000
Neg. Treas. Bonds	30,000	30,000	30,000	30,000
Prov. adv. to State	20,577	20,990	21,600	21,600
S.F. bds. & other assets	9,933	11,705	11,821	11,735
LIABILITIES				
Notes in circulation	123,744	157,250	158,944	158,770
Deposits: Public	4,000	1,183	1,139	1,085
Private	15,890	13,116	13,385	13,763
Other liabilities	3,176	4,228	4,658	4,255
Gold to sight liabilities	64-2	49-3	48-7	48-7

NATIONAL BANK OF BELGIUM

Million belgas

	May 4, 1940	Apr. 4, 1940	Apr. 25, 1940	May 1, 1940
ASSETS				
Gold and for. ex.	3,522	4,525	4,611	4,650
Bills and securities	987	1,469	1,431	1,424
Advances	147	79	69	112
LIABILITIES				
Notes in circulation	4,488	5,833	5,880	5,955
Deposits: Govt.	8	1	1	1
Other	122	181	182	180

NATIONAL BANK OF ROUMANIA

Million lei

	Apr. 22, 1940	Mar. 16, 1940	Apr. 6, 1940	Apr. 13, 1940
ASSETS				
Gold and gold exchange	18,414	20,922	20,965	20,989
Foreign exchange	1,172	3,473	3,841	4,155
Commercial bills	11,744	18,134	17,869	18,020
Treasury bills issued				
against losses on credits	4,658	4,542	4,455	4,455
Advances on sec.	4,979	4,962	4,913	4,913
State debt and adv.	5,589	5,571	5,572	5,572
Secs. and participations	2,413	2,335	2,289	2,283
LIABILITIES				
Notes in circulation	38,821	48,375	49,268	48,657
Other sight liabilities	10,881	11,368	10,471	11,109
Long-term liabilities	5,465	6,760	6,406	6,684

NATIONAL BANK OF HUNGARY

Million pengos

	Apr. 30, 1940	Mar. 31, 1940	Apr. 23, 1940	Apr. 30, 1940
ASSETS				
Metal reserve:				
Gold coin and bullion	124-1	124-1	124-1	124-1
Foreign exchange	102-2	67-4	62-8	63-2
Int. bills, wts., & sec.	512-3	564-8	513-6	539-0
Advances to Treasury	296-1	313-4	343-5	343-5
LIABILITIES				
Notes in circulation	895-6	960-9	894-2	975-8
Sight liabilities	187-0	113-3	169-3	119-7
Cash certificates	99-0	93-5	93-5	93-5

NATIONAL BANK OF JUGOSLAVIA

Million dinar

	May 8, 1940	Apr. 8, 1940	Apr. 30, 1940	May 8, 1940
ASSETS				
Gold	1,917	2,052	2,069	2,074
Other foreign exchange	508	917	870	867
Discounts and advances	1,966	1,800	1,807	1,892
Gov. adv. and credits	2,229	3,074	3,073	3,073
Def. bds. discounted		1,918	2,261	2,351
LIABILITIES				
Notes in circulation	7,389	10,395	10,764	10,879
Sight liabilities	1,627	1,888	1,777	1,815

BANK OF SWEDEN.—Million kronor

	Apr. 22, 1940	Apr. 6, 1940	Apr. 15, 1940	Apr. 23, 1940
ASSETS				
Gold reserve	597-0	737-5	736-9	755-9
Secondary cover	198-9	757-7	794-4	829-2
Swedish assets	780-0	485-1	467-9	455-2
Foreign assets				
LIABILITIES				
Notes in circulation	953-2	1,253-6	1,462-3	1,454-9
Deposits: Government	333-3	316-1	193-4	286-2
Banks & others	608-4	130-0	87-4	98-0

† Including "gold abroad not included in gold reserve."

SWISS NATIONAL BANK

Million francs

	May 6, 1940	Apr. 30, 1940	Apr. 15, 1940	May 6, 1940
ASSETS				
Gold	2471-6	2145-1	2124-0	2124-0
Foreign exchange	264-5	309-9	238-9	246-9
Discounts, etc.	172-5	171-2	269-8	272-9
Advances	32-0	63-7	82-2	82-1
Securities	93-9	83-6	85-7	86-0
LIABILITIES				
Notes in circulation	1747-8	1985-5	2031-3	2007-1
Other sight liabilities	1236-8	720-5	719-5	729-5

N.B.—Exchange Equalisation Fund and the assets representing it now stand at 533,469,958 frs.

PROVINCIAL BANK CLEARINGS (£ thousands)

	Week ended May 13, 1940	Week ended May 6, 1940	Aggregate January 1 to May 13, 1940	Week ended May 13, 1940	Week ended May 6, 1940	Aggregate January 1 to May 13, 1940
Working days	6	6	112	6	6	111
Birm'gham	2,045	1,974	46,473	43,428	Manch'str	8,632
Bradford	736	1,417	16,341	1,470	Newcastle	1,229
Bristol	1,453	1,603	25,078	31,257	Nottingham	425
Hull	672	730	15,742	16,141	Towans	20,159
Leicester	696	698	13,898	14,771	Dublin	6,936
Liverpool	4,269	5,721	95,857	111,943	Sheffield	5,526
						5,029
						122,698
						116,503
						12,997

† Suburban cheque clearing discontinued Sept. 7, 1939.

MONEY RATES, LONDON

The following rates remained unchanged between May 9th and May 16th. — Bank 1/2, 2% (changed from 3% October 23, 1939). Discount rates: Bank Bills, 60 days, 1 1/2%; 3 months, 1 3/4%; 4 months, 1 1/2%; 6 months, 1 1/4%; Treasury bills: 2 months, 1 1/2%; 3 months, 1 1/2%; Day-to-day money, 4-11 1/4%; Short 3/4%.

GOLD AND SILVER

The Bank of England's official buying price for gold remained at 168s. 0d. per fine ounce throughout the week.

In the London silver market prices per standard ounce have been as follows:—

Date	Cash	Two Months	Date	Cash	Two Months
May 10	21	201/16	May 15	211/16	221/16
" 13	213/8	211/16	" 16	231/2	231/16
" 14	221/2	221/16			

NEW YORK EXCHANGE RATES

	May 9, 1940	May 10, 1940	May 11, 1940	May 13, 1940	May 14, 1940	May 15, 1940
New York on						
London:—						
Cables	366 3/8	319(a)	321 1/4	319(a)	320	322
Demand	335 3/8	318	322 1/4	318	319	321
Paris, Fr.	1-90 1/8	1-80 1/2(b)	1-81 1/2	1-81 1/2	1-81 1/2	1-82 1/2
Brussels, Bel.	16-58	Un'q'd	Un'q'd	Un'q'd	Un'q'd	Un'q'd
Switzerland, Fr.	22-42	22-42	22-25	22-20	22-05	21-35
Italy, Lire	5-05	5-05	5-05	5-05	5-05	5-05
Berlin, Mark	40-20	40-10	Un'q'd	Un'q'd	Un'q'd	Un'q'd

EXPORTS OF PRODUCE AND MANUFACTURES OF THE UNITED KINGDOM (Value F.O.B.)

IMPORTS (Value C.I.F.)

	Month ended April 30		Four Months ended April 30			Month ended April 30		Four Months ended April 30	
	1939	1940	1939	1940		1939	1940	1939	1940
I.—Food, Drink and Tobacco—									
A. Grain and Flour	4,167,372	9,262,456	19,348,836	33,633,005	A. Grain and Flour	109,657	66,764	478,078	258,052
B. Feeding-stuffs for Animals	843,731	949,486	3,644,026	3,228,042	B. Feeding-stuffs for Animals	53,520	26,212	264,033	98,034
C. Animals, Living, for Food	659,331	855,228	2,946,142	3,464,860	C. Animals, Living, for Food	1,267	4,452	5,696	9,871
D. Meat	7,425,768	9,617,480	29,780,023	36,960,436	D. Meat	105,572	90,262	457,914	368,376
E. Dairy Produce	5,482,089	5,658,894	24,266,670	31,422,340	E. Dairy Produce	94,565	84,526	318,917	341,502
F. Fresh Fruit and Vegetables	3,784,324	3,177,152	13,007,833	12,894,825	F. Fresh Fruit and Vegetables	10,673	10,742	94,006	67,703
G. Beverages and Cocoa Pre- parations	2,779,500	4,062,258	13,571,610	16,965,586	G. Beverages and Cocoa Pre- parations	854,176	2,310,656	4,288,436	7,822,841
H. Other Food	4,351,132	7,836,516	18,509,851	28,215,737	H. Other Food	854,883	741,104	3,701,371	2,842,286
I. Tobacco	767,963	678,748	5,547,055	2,241,818	I. Tobacco	349,003	498,001	1,571,368	1,734,801
Total, Class I	30,261,210	42,098,918	130,622,046	169,026,649	Total, Class I	2,433,316	3,832,719	11,179,719	13,543,466
II.—Raw Materials and Articles Mainly Unmanufactured—									
A. Coal	835	2,279	4,617	6,355	A. Coal	2,723,222	3,093,982	11,144,497	12,235,572
B. Other Non-Metalliferous Mining and Quarry Products and the like ...	399,636	792,640	1,457,531	2,319,284	B. Other Non-Metalliferous Mining and Quarry Products and the like ...	115,729	98,685	378,646	370,604
C. Iron Ore and Scrap	627,152	1,891,303	2,030,470	5,019,586	C. Iron Ore and Scrap	31,067	3,079	227,720	13,683
D. Non-Ferrous Metalliferous Ores and Scrap	1,229,725	1,540,492	5,262,485	8,639,692	D. Non-Ferrous Metalliferous Ores and Scrap	164,997	18,987	680,585	125,390
E. Wood and Timber	1,788,569	2,686,994	8,269,346	8,622,787	E. Wood and Timber	4,251	10,503	25,796	41,073
F. Raw Cotton and Cotton Waste	2,141,334	5,480,031	8,728,016	25,965,586	F. Raw Cotton and Cotton Waste	42,996	52,492	184,809	169,861
G. Wool, Raw and Waste, and Woolen Rags	4,954,955	6,470,413	19,206,443	29,749,551	G. Wool, Raw and Waste, and Woolen Rags	346,460	448,888	2,016,117	1,416,314
H. Silk, Raw, Knubs and Noils	130,242	410,448	567,183	1,888,451	H. Silk, Raw, Knubs and Noils	115,974	42,595	452,061	345,190
I. Other Textile Materials ...	1,384,548	3,271,665	5,172,783	10,292,999	I. Other Textile Materials ...	24,054	19,967	76,752	36,070
J. Seeds and Nuts for Oil, Oils, Fats, Resins and Gums	3,329,278	6,245,225	10,424,574	17,379,745	J. Seeds and Nuts for Oil, Oils, Fats, Resins and Gums	175,241	293,525	781,213	962,048
K. Hides and Skins, Un- dressed	1,219,077	2,145,491	6,387,751	7,747,878	K. Hides and Skins, Un- dressed	73,884	131,315	438,735	695,657
L. Paper-making Materials ...	1,103,956	1,237,694	4,415,668	6,178,394	L. Paper-making Materials ...	86,076	53,595	398,097	150,278
M. Rubber	555,145	1,717,734	2,651,130	4,970,993	M. Rubber	17,046	30,833	77,065	105,370
N. Miscellaneous Raw Ma- terials and Articles mainly Unmanufactured	669,548	1,414,254	3,014,085	5,452,862	N. Miscellaneous Raw Ma- terials and Articles mainly Unmanufactured	231,192	256,610	1,007,473	932,949
Total, Class II ...	19,534,000	35,306,363	77,592,082	134,234,163	Total, Class II ...	4,152,189	4,555,056	17,889,566	17,600,059
III.—Articles Wholly or Mainly Manufactured—									
A. Coke and Manufactured Fuel	203	1,036	2,625	1,820	A. Coke and Manufactured Fuel	196,346	362,058	1,136,147	1,352,413
B. Pottery, Glass, Abrasives, etc.	510,658	186,509	2,076,100	718,468	B. Pottery, Glass, Abrasives, etc.	759,197	1,154,000	2,917,386	4,178,197
C. Iron and Steel and Manu- factures thereof	989,288	2,777,497	3,993,022	8,669,689	C. Iron and Steel and Manu- factures thereof	2,955,662	3,636,151	11,546,208	12,045,379
D. Non-Ferrous Metals and Manufactures thereof ...	3,139,540	4,889,218	12,327,938	17,291,595	D. Non-Ferrous Metals and Manufactures thereof ...	1,056,026	1,461,268	4,776,815	5,339,097
E. Cutlery, Hardware, Imple- ments and Instruments	547,840	485,368	2,140,793	1,796,115	E. Cutlery, Hardware, Imple- ments and Instruments	710,410	977,589	2,896,531	3,562,450
F. Electrical Goods and Appa- ratus	231,846	485,917	895,653	1,795,160	F. Electrical Goods and Appa- ratus	922,705	1,356,688	4,139,256	4,944,894
G. Machinery	2,140,952	3,643,033	8,075,585	11,061,085	G. Machinery	4,187,984	4,152,311	18,382,651	15,160,078
H. Manufactures of Wood and Timber	417,097	392,685	1,859,848	1,360,764	H. Manufactures of Wood and Timber	104,738	69,889	379,411	315,888
I. Cotton Yarns and Manu- factures	234,703	291,086	1,008,434	751,982	I. Cotton Yarns and Manu- factures	3,682,951	5,524,269	16,237,923	19,927,727
J. Woolen and Worsted Yarns and Manufactures	375,096	392,356	1,467,541	1,148,648	J. Woolen and Worsted Yarns and Manufactures	1,911,120	3,614,367	9,761,510	12,213,713
K. Silk Yarns and Manu- factures	347,457	181,001	1,699,999	624,023	K. Silk Yarns and Manu- factures	408,046	843,895	1,814,029	2,896,449
L. Manufactures of other Textile Materials	544,863	1,976,322	1,727,861	6,743,238	L. Manufactures of other Textile Materials	918,519	1,397,646	3,746,164	4,826,530
M. Apparel	646,771	191,561	2,754,774	512,715	M. Apparel	634,306	842,716	3,068,744	3,269,000
N. Footwear	317,155	114,798	1,160,966	688,439	N. Footwear	138,084	284,242	572,413	934,334
O. Chemicals, Drugs, Dyes and Colours	1,322,455	1,758,729	4,911,882	6,911,228	O. Chemicals, Drugs, Dyes and Colours	1,814,767	3,189,043	7,357,663	11,192,920
P. Oils, Fats and Resins, Manufactured	3,794,019	7,298,619	14,868,217	30,242,886	P. Oils, Fats and Resins, Manufactured	395,651	310,401	1,618,936	1,129,207
Q. Leather and Manufactures thereof	651,646	1,139,279	2,477,307	4,482,795	Q. Leather and Manufactures thereof	330,178	476,048	1,426,571	1,687,474
R. Paper, Cardboard, etc.	1,123,833	1,918,344	4,521,048	7,331,914	R. Paper, Cardboard, etc.	574,389	905,515	2,205,477	3,393,766
S. Vehicles (including Loco- motives, Ships and Air- craft)	320,654	2,205,107	1,783,276	3,294,962	S. Vehicles (including Loco- motives, Ships and Air- craft)	3,287,991	4,771,503	16,769,888	13,586,147
T. Rubber Manufactures ...	74,193	95,480	278,884	418,444	T. Rubber Manufactures ...	115,271	226,491	489,346	952,639
U. Miscellaneous Articles wholly or mainly Manu- factured	1,958,925	1,572,945	7,403,215	6,030,840	U. Miscellaneous Articles wholly or mainly Manu- factured	2,325,294	3,432,213	9,694,020	10,991,403
Total, Class III ...	19,689,194	31,996,890	77,434,968	111,876,144	Total, Class III ...	27,429,635	38,988,303	120,937,089	133,899,705
IV.—Animals, not for Food ...	166,761	163,993	959,547	771,144	IV.—Animals, not for Food ...	51,445	126,327	213,944	353,785
V.—Parcel Post	397,933	419,955	1,661,672	1,593,144	V.—Parcel Post	1,082,106	797,418	4,030,368	2,821,701
Total	70,049,098	109,986,119	288,270,315	417,501,244	Total	35,148,691	48,299,823	154,250,686	168,218,716

(Continued from page 910)

Transvaal Gold Output, April.—Witwatersrand, 1,140,632 fine ounces; other districts, 30,131 fine ounces; total, 1,170,763 fine ounces. March total, 1,147,382 fine ounces. Native labour employment at April 30th: Gold mines, 354,775; coal mines, 17,900; total, 372,675.

Canadian Pacific Railway.—Net receipts, April, '\$1,502,000 (\$774,000); aggregate net receipts, January to April, 1940, \$5,303,000 (\$1,468,000).

Eastern Telegraph Company, Ltd.—Total income, 1939, £735,156 (£631,989). Net profit, £645,303 (£544,927). Ordinary dividend, 11½ per cent. (9½ per cent.).

+ Net operating income

(a) Interim dividend.	(b) Final dividend.	(c) Last two yearly dividends.	(d) Worked on 9% basis.	(e) Allowed for exchange.	(f) Flat yield
(g) Worked on 22½% basis.	(h) Yield on 4½% basis.	(i) Annas per share.	(j) Yield worked to average redemption—end 1960.	(k) Based on redemption in 1939.	(l) Free of income tax
in 1946.	(l) Yield based on 78½% of coupon.	(m) Including bonus of 5% tree of tax.	(n) Yield on 1-52½ basis.	(o) For 15 months to December 31, 1939.	Also car
dividend 10 per cent. out of capital reserve.	(p) Yield based on 43% of coupon.	(q) Yield worked on a 15% basis.	(r) Yield on 2½% basis.	† Free of income tax	

TENDERS FOR LIVERPOOL CORPORATION BILLS

1. THE CORPORATION OF LIVERPOOL hereby give notice that Tenders will be received at the Chief Cashier's Office, at the Bank of England, London, on Monday, the 20th May, at One o'clock, for Liverpool Corporation Bills to be issued under the Liverpool Corporation Act, 1927, to the amount of £1,000,000 (one million pounds).
2. The Bills will be in amounts of £1,000, £5,000, or £10,000. They will be dated the 23rd day of May, 1940, and will be payable on the 23rd August, 1940.
3. The Tenders must specify the net amount per cent. (being an even multiple of one penny) which will be given for the amounts applied for; and the Tenders of private individuals must be made through a London Banker.
4. The Bills will be issued and paid at the Bank of England, London.
5. The persons whose Tenders are accepted will be informed of the same on Tuesday, the 21st May, and payment in full of the amounts of the accepted Tenders must be made to the Bank of England in London not later than 1.30 p.m. on Thursday, the 23rd May.
6. The Corporation of Liverpool reserve the right of rejecting any Tender.
7. Tenders must be made on the printed forms which can be obtained at the Town Clerk's Office, Municipal Offices, Liverpool; at the Chief Cashier's Office, Bank of England, London; and at any of the Branches of the Bank.
8. Consent of the Treasury has been obtained to this issue under Regulation 6 of the Defence (Finance) Regulations, 1939. It must be distinctly understood that in giving this consent the Treasury does not take any responsibility for the issue.

W. H. BAINES, Town Clerk.

Municipal Offices,
Dale Street, Liverpool, 2.
11th May, 1940.IMPERIAL JAPANESE GOVERNMENT
FOUR PER CENT STERLING LOAN OF 1910

NOTICE IS HEREBY GIVEN that the COUPONS due 1st June, 1940, will be PAID on that date between the hours of 11 and 12 and subsequently (Saturdays excepted) between the hours of 11 and 2 at the Yokohama Specie Bank, Limited, where lists may be obtained. Coupons must be left three clear days for examination prior to payment.

For the YOKOHAMA SPECIE BANK, Limited,

H. KANO, Manager.

7 Bishopsgate, London, E.C.2.
17th May, 1940.

UNIVERSITY OF LONDON

Applications are invited for the Leon Fellowship for Research (preferably in the fields of Economics or Education) of the value of £400 for one year for the Session 1940-41. It is not essential that candidates should be members of a University. Further particulars should be obtained from the Secretary to the Academic Registrar, University of London, 42 Gyles Park, Stanmore, Middlesex. The last day of application is 1st June, 1940.

ECONOMIST
BINDING CASES

Attractive binders to hold three months' issues of *The Economist* are still available.

These binders have no wires, clips or metal contrivances so that each issue can be bound in an instant for permanent reference.

Reading Cases to hold two issues, and made on similar lines, are also available.

Both are bound in full cloth (blue) and lettered in gilt.

The price of the Binder is 5s. 6d. post free (Overseas 6s. 6d.) and of the Reading Case 4s. post free (Overseas 4s. 6d.)

from

THE ECONOMIST
8 BOUVERIE STREET, LONDON, E.C.4

A Real Bargain
— ALL THIS ONLY 4s.

- (a) 4 issues of FINANCIAL WORLD OF AMERICA, each containing 32 pages of essential information every internationally-minded investor needs today.
- (b) Latest issue of 48-page investor's handbook, featuring our individual ratings and vital data on 1,600 American listed stocks.
- (c) "10-Year Dividend Honor Roll"—a year by year dividend record of every New York Stock Exchange common stock that paid dividends each year since 1929.
- (d) A "Low-Priced Stock Guide" gives a vast amount of information on stocks under \$15 and points out notable values.
- (e) "Outstanding Business Cycle Stocks."

Return this "Ad." and 4 Shillings today
for all the above
or £1 8 0 for 6 months' subscription

LONDON REPRESENTATIVE:

FINANCIAL WORLD OF AMERICA*

42 Wormwood Street, London, E.C.2, England

* By subscription only

TERMS OF
SUBSCRIPTION
TO
THE ECONOMIST

	INLAND	OVERSEAS
	£ s. d.	£ s. d.
12 Months	2 18 0	3 1 0
6 Months	1 9 0	1 10 6

Cheques to be made payable to The Economist Newspaper Ltd.

PUBLISHING OFFICE:

8 BOUVERIE STREET, LONDON, E.C.4.

Telephone: Central 8631

OFFER TO NEW READERS

Any reader who makes his first acquaintance with this journal with this week's issue is invited to fill up the attached:

To The Publisher, Economist Newspaper Ltd.,
8 Bouverie Street, E.C.4.

In order to test the value of your publication I should like you to forward it to me by post for the next four weeks. If I then decide to become a subscriber, it is understood that there will be no charge for the copies thus received, but otherwise I shall be willing to pay 4s. to cover their cost.

Name

Address

THE ECONOMIST

Vol. CXXXVIII

MAY 25, 1940

No. 5048

CONTENTS

LEADING ARTICLES

Lucidity and Daring	923
Mobilisation at Last	924
America's Awakening	925
Education at a Price	926

NOTES OF THE WEEK

The Nation's Government	927
The Treachery Bill	927
Pre-Belligerency Continues	928
The Balkans and Russia	928
Quislings Everywhere	928
Home Defence	929
Aliens and Enemies	929
Unity of Empire	929
The New Colonial System	929
The Exchange Position	930
Feeding Britain	930
Women's Wages	930
Shorter Notes	930

THE WORLD OVERSEAS

Russian Poland	931
War News and U.S. Markets	932
Prices and Wages in Italy	932
Egyptian Banking and Finance	933
Swiss Trade	934
Germany at War	934

BOOKS AND PUBLICATIONS 935

THE BUSINESS WORLD

LEADING ARTICLES

The Course of Profits	936
Shipping in War—I	937

FINANCE AND BANKING

Free Sterling Steadies	938
Emergency Powers Act and the Banks	938
Discount Rates Unmoved	938
The Guildler Position	938
Belga Stabilised	938
Licence for Silver Exports	939
Pan-American Banking	939

INSURANCE NOTES

Royal	939
Phoenix	939
North British and Mercantile	948
Norwich Union Fire	948

INVESTMENT NOTES

The Market's Rearguard Action	940
The Home Rail Retreat	940
Changes in E.P.T.	940

INVESTMENT NOTES—cont.

Edmundsons Electricity Results	941
"The Chairman Said"	941
Richard Thomas Chairman	941
Hudson's Bay Report	941
Newspaper Earnings	941
Beechams Pills Record Profit	942
Rand Quarterly Reports	942
THE STOCK EXCHANGES	942
CAPITAL ISSUES	958
SHORTER COMMENTS	958

INDUSTRY AND TRADE

The Vital Need for Aircraft	943
Distribution of Unemployment	943
More Wool for Export Trade	943
Dearer Petrol	943
Liverpool Cotton Market Closed	943
Diamonds in Flight	944
Pyrites in War	944
Slump in Wheat Prices	944
Fruit for Jam	944

COMMODITY AND INDUSTRY NEWS 945

COMPANY MEETINGS 949

CURRENT STATISTICS 959

MONTHLY TRADE SUPPLEMENT

Lucidity and Daring

IT is useless to disguise the extreme gravity of our situation. The advance guard of the German army is in Boulogne. Unless our counter-attacks can restore the Arras-Bapaume-St. Quentin line and prevent the consolidation of this advance whose spearhead has so far consisted of machines, not men, then the British and French armies are separated, France loses one of her most important industrial areas, and the Channel ports pass into the hands of an enemy who for the first time in the history of man is perhaps in a position to risk the invasion of an island whose navy controls the seas. The Prime Minister has warned the country. After the attack on France must come the attack on Britain, with every weapon available in the Nazis' terrifying armoury.

In a time of such tension and jeopardy it is distasteful to go back over the tale of disaster and recall our mistakes; yet it is primarily from them that we shall learn how to do better. From the very frank account given by M. Reynaud to the Senate we have the immediate causes of the débâcle on the Meuse—over-confidence in the difficulty of the terrain, maldistribution of second-class troops, incredible incompetence in the matter of destroying key bridges, confusion and panic when the unexpected happened and the German armoured columns burst through—but these immediate causes spring from something deeper than defective foresight and temporary loss of morale. To-day both Britain and France are suffering the consequences of their former misapprehension of the nature of total war. The Allied outlook was curiously compounded of complacency and timidity. We in Britain provided the complacency. We allowed ourselves to win this war by every expedient save that of accepting the sacrifices and the effort necessary to do so. First we were to win because "Germany would be torn by internal revolution," later because our blockade would bring her to her knees, even later when the fighting really began

because campaigning was using up her stocks. Now at last we face the reality of things, that Germany cannot be defeated until we meet her tank for tank and 'plane for 'plane. At last, with the Nazi armies hammering at the Channel ports, we mobilise for total war.

France did not err by complacency. Her sacrifices for the war were "total" from the first. The fault here lay in excessive reliance upon defensive strategy, an excessive belief in the fortified line. France had prepared herself for siege warfare. In a few days, Germany forced upon her the war of mobility and surprise, designed with daring and originality, organised to the last item, conducted with incredible skill. In the first clash between the two conceptions France had only a few hours in which to learn that defences could be pierced and warfare carried into the open.

Britain and France are learning their lesson. At last we are mobilised for a maximum effort, at last we have a Government capable of taking from the community the sacrifices it only asks to make. In France, radical reorganisation has given the command of the armies to General Weygand, a tried soldier and remarkable strategist, has brought Marshal Pétain, the veteran of Verdun, into the War Cabinet, transferred to M. Reynaud the responsibility of controlling the war machine and brought the vigorous personality of M. Mandel to the Ministry of the Interior. These changes are a pledge that the French are "forging themselves new hearts." It is the spirit of offence and victory which will dominate their armies, not that of security and defence.

The time is desperately short, the crisis graver than any we have yet faced. But at last we know our weakness. We have allowed complacency to fog our judgment and timidity to sap our fighting spirit. There are two qualities which we must now cultivate above all the rest—"lucidity and daring."

Mobilisation at Last

NEVER can a more far-reaching Act of Parliament have contained fewer words or been enacted so quickly as the Emergency Powers (Defence) Act which was passed through all its stages in both Houses of Parliament in less than three hours on Wednesday. Its operative clause confers upon the King in Council the power "to make such Defence Regulations making provision for requiring persons to place themselves, their services and their property at the disposal of His Majesty, as appear to him to be necessary or expedient for securing the public safety, the defence of the Realm, the maintenance of public order, or the efficient prosecution of any war in which His Majesty may be engaged, or for maintaining supplies or services essential to the life of the community." In short, the Government takes control of everybody and everything. It is the complete conscription of persons, labour and capital.

The passage of an Act which at last makes possible the complete mobilisation of all the national resources should be a proud moment for *The Economist*. Before and after the outbreak of war, in and out of season, this journal has argued, pleaded, begged and cajoled for action of this nature. Over and over again the demonstration of the Allies' overwhelming superiority in potential resources has been coupled with the warning that they must be mobilised on a scale far beyond anything hitherto contemplated if the potential is to be converted into the actual. Complacency, we venture to claim, has never crept into these columns; rather there has been a steady refusal to be content with a war effort which went only as far as it could be carried without inconvenience to anybody. But when at long last these ideas are accepted and carried into law by acclamation, pride is overlaid with anxiety lest it be too late.

This is not, however, a time for vain regrets about the past—or even for those indictments of betrayal that are now amply justified. Those who have seen this hour coming may perhaps be allowed a passing expression of astonishment that the men who have done the country such harm by their obstinate blindness can still find the courage to hold public office. But there is no time now for the pointing of obvious morals. It is a time for action, and nothing that the Government could have done would have put the country into better heart than their demonstration that they mean to act without delay, without respect for persons or institutions, without any object other than the salvation of the community. Let them continue. The only criticism they need fear is for not being drastic and ruthless enough. The powers contained in the Act are mere instrumentalities; as Mr Attlee said in the Commons, "the real force behind the Government to-day is the will and determination of a free people."

What, then, is to be done? The first task, obviously, is to speed up production, for in modern war even a *levée en masse* is helpless without its supplies. Everything necessarily waits upon the promptness with which the equipment and munitions of war can be turned out. This in turn has three aspects—plant, materials and labour—and rapid advances will have to be made in each of the three directions at once. So far as plant is concerned, the problem is one of bringing into use at once every factory and every piece of machinery that can be used to produce any form of war equipment. It is, of course, not an easy task to find work for a miscellaneous collection of varying capacities to produce; but it could be done if it were tackled on a regional basis, with the fullest use of local sub-contracting. The Government's new powers should make it possible to cut out all the delaying technicalities of contracts. When the plant and the work can be fitted together, production should begin at once, for the Government's account. The owner is assured fair compensation; the haggling can come afterwards, and the increase in the Excess Profits Tax to 100 per cent. should serve to kill most of the incentive to haggle. A business, like an individual, must henceforth be content for the duration with enough money to keep it alive. In the search for industrial plant, it goes without saying that no tenderness whatever need be shown to civi-

lian orders. It would be far better at this stage to overshoot the mark and cut down civil production further than can be permanently tolerated rather than to run the risk of hampering the war effort.

In the case of materials, the difficulty of looking for plant capacity hardly arises. Those materials that are produced in this country—chiefly coal and steel—must be forthcoming in whatever quantities are required, but the problem is more one of using existing plant more intensively than of adapting similar plant hitherto used for other purposes. There is nothing that can be converted into a coal mine or a steel furnace at a moment's notice. And the great mass of raw materials are, in any case, imported. The chief necessity under this head is to ensure that the needs of the munition industries are met promptly, and in full; they must be given an absolute priority over civil needs. The use of steel for civil buildings, or even for tube railways, can no longer be justified. Here again, it will be wise for a time to overshoot the mark, so that large stocks of materials can be built up, allocated to the essential industries and intended to ensure that production shall not have to stop for a moment because of any temporary or local shortage of materials. As sweeping an assertion of priority as this will not be easy to secure, but we can no longer do without it. To secure it, it may be necessary to control the controls. The weakness of the system of appointing controllers from the trades they control, so often emphasised by *The Economist*, will begin to show itself in a period like the present, when it is necessary for the controllers to forget about their peacetime customers and their peacetime customs, and start in dead earnest to do what they have never done before.

Labour is the most urgent problem of the three, and it is in this direction that the most rapid action is to be taken. Mr Ernest Bevin has apparently succeeded in convincing the Ministry of Labour that we are at war. There is to be a Director of Labour Supply and local organisations to assist him, and there is also to be "a bold and comprehensive scheme of training." The Government is taking powers to determine wage rates, and though Mr Attlee gave assurances that collective agreements would be fully observed and that payment would be on the basis of "the rate for the job," it is to be assumed that the auctions for skilled labour that are going on all over the country will be stopped. Labour must henceforth be found according to a logical plan. The Government's new powers must be used to take it from where it is and place it where it is needed. The scandal of men kept out of the Army by the Schedule of Reserved Occupations and yet not used on work of national importance must be ended. Lord Beaverbrook's call for volunteers among garage mechanics is an example of what is needed; but the policy should go much further. Every able man and woman must be found a job either in the armed forces or in the industrial effort of war. For this purpose intensive training will be needed. Mr Attlee mentioned the facilities for training that exist in the Ministry's training centres and in technical schools. But much more than this will be needed. Every firm should be put under an obligation to train a given proportion of men and women, and the Government should itself assume the responsibility of finding the unskilled workers to be trained. Training, however, will necessarily take time, and in the meantime we must depend on the skilled labour force already in existence. They have been called upon to work a seven-day week, and it is the most literal truth to say that these men and women will be held to be lucky above their fellows in the opportunity they have to give their toil and their sweat at once.

All this represents a terrific task for the central organisation. The result of so much effort throughout the country will merely be chaos unless it is firmly, wisely and rapidly controlled from the centre. Here is the problem which most requires the attention of Ministers, since it is under their own direct control. What is needed is nothing less than a complete change in the whole attitude of the Civil Service.

For twenty years since the last war, two insidious tendencies have been at work: on the one hand, a concentration of authority in the hands of a very small group of senior officials; on the other, the deliberate inculcation among these senior officials of a spirit of small-minded timidity. Almost any argument will be accepted in the higher ranks of the Civil Service for *not* doing anything. As a result of this spirit and the bottlenecks created by the concentration of authority and by the dominance of the Treasury (which has been allowed to extend over policy as well as over expenditure, over the appointment of persons to do tasks as well as over the creation of the positions they hold), the sluggishness of Government departments has become a national danger. Decisions that should require days take months, and then they are half-hearted. Some of the things that happen are almost unbelievable. Before the war broke out a recommendation was made by the most competent military authorities that certain essential munitions materials should be accumulated in reserve; it was not carried out because a certain high Civil Servant gave his personal assurance that there would be no war.

This state of affairs must now be altered. Civil servants who have assumed responsibility by obstructing plans for

action must pay the penalty by removing themselves to spheres where they can do no harm. In France, the Civil Servants have been instructed to settle matters by direct contact rather than by the composition of minutes and memoranda, and the same principle might well be followed here. The chief necessity is for speed in decision and action, and that can only be secured by a far-ranging devolution of the power to decide. There are plenty of able younger men both in the Civil Service and outside who are both able and willing to take the responsibility. Not the least of the sources of our wealth in the past and of our potential power to-day is our ability to breed men who can take responsibility; it can be as valuable in a governmental machine as in a fighting army, but it must be released from the chains that now bind it. The assumption of full powers by the Government is meaningless without the power to decide.

The temper of this great people is now fully roused. If the miserable betrayals of the past have left us with the means to resist the onslaught during the coming months, then we shall build, with this new spirit and the new leadership, a military machine so enormous that there will be no power on earth to stop us.

America's Awakening

NOWHERE have the events of the last two weeks had a more profound effect in opening men's minds to unpleasant truths than in the United States. Seven months of static war had misled the American people into believing that they neither wanted nor needed to become involved in Europe's war; isolationism in March was far stronger than in September. But the treble blows of April and May—first the invasion of Denmark and Norway, then the assault on Holland and Belgium and finally the realisation that the Allies are in military peril—have brought American opinion back with a jump to a position far nearer intervention than isolation.

It was suggested in *The Economist* last week that while the *direction* of the change in American sentiment was obvious, its *extent* was more doubtful. A further week has shown that the extent of the change is very considerable indeed—not quite so large as was suggested over last week-end by one or two cables which spoke of a coalition and an agreed election for the Presidency, but nevertheless almost revolutionary in its implications. The movement of American opinion has now suddenly resumed the course which was predicted by the majority of observers before the war broke out last September, a course from which it had been deflected by the unrealities of the winter. It has always been apparent that American isolationism rested on two props, of which the unwillingness to become involved in Europe's quarrels has always been less important than the belief that involvement was unnecessary since America's security was adequately protected by the European democracies. Knock away the second prop, as it has been rudely knocked away in the past fortnight, and the unwillingness to intervene disappears beneath the sudden realisation of America's own national interest. In the last few days it has been propounded from a thousand platforms, with the air of a new discovery, that the cheapest and most effective way in which America can protect her own security is by assisting the Allies.

This doctrine is now carrying all before it. In one authoritative metropolitan newspaper it has already been carried to its logical conclusion in the advocacy of a declaration of war against Germany. This is still the voice of a tiny minority, but the desire to do everything short of war to help the Allies is so nearly unanimous that Colonel Lindbergh's restatement of pure isolationism has done more harm to the Colonel's reputation than good to the cause he has sponsored. Eminent citizens in all parts of the country are forming and joining organisations whose purpose is to assist the Allies. Congress, as is inevitable, moves more slowly and its overt concern is more with the defences of the United States than with the course of the war in Europe. But it is sufficiently stirred to accept without a murmur President Roosevelt's request for a

further defence appropriation of \$1,182 millions (strangely described as "tremendous"; related to the respective National Incomes it is the rough equivalent of only about £100 millions in Great Britain), and one of the passages in his address which received the warmest applause was that in which he asked that no obstructions should be put in the way of supplies for the Allies, even for the purpose of building up America's own defences.

The total effect of these manifestations of public and Congressional sentiment is to transform the United States from a neutral into a "non-belligerent." The Neutrality Act and the Johnson Act still remain, and there is no open move to change them; indeed, if Congress adjourns for the summer without altering them, an awkward situation may develop. But such details apart, it is clear that nothing that can be shown to be necessary for the Allies' survival is likely henceforward to be refused.

This is, of course, an immense stride forward. But unfortunately changes of heart take a long time to be translated into material terms. America clearly wants to help; but it is not very easy to see how she could help in the immediate future. A resolution which was introduced into the Senate permitting the sale to the Allies of any aircraft now in the possession of the American Army and Navy was, of course, promptly rejected; but it is the only action that the United States could take that would stand a chance of affecting the issue of the battle now raging in France. The present battle will, however, be succeeded by others, and the prospect is that an immense struggle will continue all summer, yet even in a period of months there is comparatively little that America can do to help that is not already being done. The simplest gesture would, of course, be to withdraw the restrictions of "cash and carry," though the Allies are not at the moment badly short either of dollars or of shipping space for war material. The removal of the "cash" restriction might encourage the Purchasing Commissions to place orders on a more generous scale and to carry their long-range planning further. If American shipping were made available, it would be possible to increase the import into Britain and France of certain less necessary goods which will now have to give way to essential war commodities. But neither concession would make a vital difference to the events of the summer of 1940.

Perhaps the chief immediate assistance that the United States can render is in the delivery of machinery, and especially of machine tools. The American industry is already working to capacity, partly on Allied orders. Deliveries of these vital necessities to Europe could be speeded up if it were possible to give Allied orders any sort of effective priority over other exports, or even over certain classes of domestic demand. Steel, particularly

semi-finished steel, is another material that will be urgently needed, together with scrap for steelmaking in this country, and priority rights, if America is willing to grant them, might also be of assistance here. Whether any immediate increase in the supply of aircraft could be secured by the same means is more doubtful, since the American aircraft industry is already working to capacity, and Allied orders already enjoy a substantial preference.

It is in the more distant future—from 1941 onwards—that American assistance can be greatest—and its dimensions at that time are almost unlimited. But, in order to translate potential capacity into actual capacity, plans will have to be made immediately for the expansion of production in such things as special steels, machinery (especially machine tools), scientific instruments, aircraft and mechanised weapons. It is in this sphere that decisions of

policy by the American Government are needed now. The extension of plant capacity requires the investment of very large sums of capital, which may be beyond the means either of private industry or of the Allied Governments. Will the United States Government assist in the erection of munition plants, which cannot be anything but an asset to America's own defence potential, if the Allies undertake to pay for the output? What possibilities are there of agreements on specifications, so that the same factories could produce simultaneously for the Allies and for America's own needs, or change over rapidly from the one to the other? These are the questions that Americans should be asking themselves if they are in earnest in their desire to give every assistance "short of war" to a cause which they now at last recognise to be their own.

Education at a Price

EDUCATION costs money. It is the chief means by which young people can climb out of their social class to a higher one and the way in which others maintain their higher status. Both promotion and privilege are only bought at a price by parents.

State schools and State aid have not removed this. The education that promises the highest returns is still the most expensive; and, even with grants and scholarships, a majority of parents cannot afford to lose the earning power of their children by keeping them on at school after 14 years of age. Under a fifth of secondary school pupils stay on to sit for Higher Certificate. Less than a fourteenth pass on to universities, colleges and training establishments.

The vast majority of children are quite excluded from the educational establishments that claim the bulk of the well-paid and dignified offices in the land for their *alumni*. In 1927, out of 56 bishops 52 came from the handful of "public" schools; 19 out of 24 deans; 17 out of 25 judges of appeal or the High Court; 152 out of 210 home civil servants earning over £1,000 a year; 33 out of 41 English civil servants in India; 62 out of 82 directors of five banks; and 37 out of 40 directors of four railways. And "hardly less than £200 a year is required on the average to keep a boy at a 'public' boarding school from 13 to 18, and perhaps as much at a preparatory school from 8 to 13."* The inner circle, with incomes to purchase their children's future so dearly, is small; in 1935 only 4 per cent. of all personal incomes exceeded £500 a year and only 1½ per cent. were over £1,000.

There is a bottleneck. By scholarships and other financial aids some children can climb the so-called ladder from elementary school to secondary school and university. About a quarter of the undergraduates at Oxford in recent years started in elementary schools and over half those in Britain's other university institutions. But few are chosen: 40,000 in universities compares with 560,000 in secondary and 5,000,000 in elementary schools. In London an inquiry revealed one in five of elementary school pupils to be of "high" ability. One in eight was of "exceptional" ability. But only one in ten had a chance to go on to a secondary school. Over half a million children a year sit for special places in council secondary schools all over the country. One in eight gets in with reduced or remitted fees. One in 20 gets in as an ordinary fee-paying pupil.

The better the prospects afforded by any branch of education the more costly it is. This is true even of State spending. The average annual cost per child of elementary school buildings is about £35-£36; in council secondary schools it is £103. Senior schools and central schools, the only alternatives to secondary schools for children whose parents cannot afford the expensive private establishments or "public" schools, are relatively neglected. The average annual expenditure per child on school maintenance is

£30 in secondary schools, £20 in central and £15 in senior schools.

It is truer still outside the State system. The "independent" schools, day and boarding, put a high price on their goodwill. Parents pay anything from £78 to £245 for residence and tuition fees alone, with "extras" running from £30 to £70, to "purchase for their children something of the future they covet." It is a fact that the more expensive a school is the "better" it is, in the sense that its pupils are given a better chance in later life.

The cost of buying futures is heavy. To educate a child between the ages of 5 and 17 in the "independent" schools may cost anything from £450 to £750, £1,500 or even £2,500. Two extra years from 17 to 19 may add on £70, £200, £400 or £550. Then the university follows, Oxford or Cambridge, costing £250 to £350 a year. Finally, there may be further training for a profession. Including fees and maintenance while at a university or while training to qualify (but *excluding* keep at home and general expenses) a doctor will cost £770 to £1,245 in all; a barrister £670 to £1,100; an architect £520 to £630; an engineer £223 to £710; an accountant £415 to £730, and so on.†

Only a minute fraction of the population can even contemplate paying out ransom on this scale. The great bulk, with working-class or lower-middle-class incomes, find it struggle enough to secure the best advantage for their children from the cheap State facilities. After 11 the alternatives for a child are four; a secondary school with the chance of a School Certificate and entry to white-collared work; a central school with similar but much more slender chances of paper qualifications; a senior school leading largely to dead-end jobs; and immediate work. In addition, there are technical institutions, junior, senior and part-time, to aid in the struggle to rise above the unskilled and low-paid; but no effective combination of daytime technical instruction with training in actual work.

All these institutions are cheap. A senior school involves no fees and only an extra annual outlay of 10s. to £1. But to follow up with a junior technical school means forgoing perhaps £30 odd in wages and paying in fees and expenses from £4 to £9 a year. A central school and a secondary school both mean £30 odd a year forgone in wages and anything from £4 to £20 a year spent in fees and expenses.

True, winners of special places in secondary schools can get remission of all fees and maintenance of £7 a year in England up to 15 and £13 a year afterwards. But only a select few have a chance of slipping through the bottleneck—and many fewer of slipping further to university and professional training on grants and scholarships. And it is not simply merit that enables the narrow ladder to be climbed. It is conditioned always by cost. At 14 a boy can earn £30 in wages; at 15 £40; after 15 £50. Unskilled juveniles at 14 may get 16s. 4d. a week in some

† These calculations are taken, as indeed are most of the facts in this article, from *Education and the Birth Rate*, op. cit.

engineering districts or 18s. 4d. at some motor works. At 16, a navy may get 16s. more than a "learner"—which means that the "pull of wages" is not just an obstacle to higher education, but an obstacle to apprenticeship, with little or no wages, as well.

What does all this mean? To Leybourne and White, in their very noteworthy survey, it means the habit of small families among aspirant families in all classes. It means fewer children, economy in food and comforts. It means that careers are only open to the few talents that can, for one reason or another, survive in a financial struggle. And because the struggle is worth winning, because victory means the income and the decencies of "civilised" life, hosts of families are in the thick of it.

These writers probably overstate the effect of educational costs on population trends. But the likely impact of population trends upon education are more evident. If it is true (as some experts have suggested on the basis of present trends) that, by 1965, the elementary school population may have fallen from 5 to 3 millions, the secondary school population from 470,000 to 340,000 or even 280,000 and the university population from 35,000 to 29,000 or 26,000; then, unless new groups of families can be enlisted, unless the bottlenecks can be widened, the overhead burden of education's capital equipment will grow markedly.

The clearest example is the "public" boarding schools—whose demise has recently been forecast by some

even of their own pundits. Already taxation and the heavy costs are deterring parents, and without an extension of their field of recruitment their numbers may fall by a third or even a half in a generation—from 54,000 to 25,000 or 21,000.

Time is bringing in its revenges, and in war there is no time to set up new systems. But the way out for the "public" schools is clearly more cheapness—and more children. Already one in grave straits has come down to £90 a year for tuition and residence fees. More cheapness by reduced fees and by State aid (after the universities' example); more children more widely drawn; at least a partially open door if the State is to help; and the breaking down of a key social barrier—this is the road.

It is not for everyone in any scheme to obtain a formal academic education. But so long as formal academic education of a special expensive kind is the passport to social up-grading, so long will education be distorted in the struggle for success and finance remain the ruler. Schools of equal status, though differentiated in function, for everyone at equal cost; merit or ability alone to be the criterion of recruitment after the elementary stages—it will not be easy to capture and fix these aspirations. But, until we can, democratic education will remain undemocratic. And in the testing fires of war which allow no distinction between citizen and citizen this stands out more starkly than ever.

NOTES OF THE WEEK

The Nation's Government

The new Ministry is less of a compromise between the old order and the new than was expected—or feared. That Mr Chamberlain should remain leader of the Conservative Party at the request of his new Conservative chief, Mr Churchill, was inevitable in the nature of parties; though it is none the less an anomaly. That old faithfuls should be rewarded at the Exchequer and the Dominions Office was probably inevitable, too. But the compromise that was most expected, Mr Chamberlain's appointment to lead the House of Commons, did not happen. Mr Churchill himself is Leader of the House, and, fittingly enough, it was to Mr Attlee, as Deputy Leader of the House, that the introduction of the Bill mobilising all property as well as persons fell. Mr Churchill's Government is a non-party one, and its talents are drawn widely; but the key men during this eleventh hour, apart from the overriding importance of the Prime Minister himself and the quick decisiveness of Lord Beaverbrook, are Labour men. Their long-delayed chance has come at a very fateful time. It is upon Mr Morrison, the Minister of Supply, and Mr Bevin, the Minister of Labour, that the task of enlisting the nation's plant and labour in a few brief days has fallen. Mr Arthur Greenwood, Minister without Portfolio and another Labour leader, heads the new War Production Council. Labour's obligation as the Opposition to be ready to govern at the nation's call has come up suddenly for payment, and it is the measure of Mr Churchill's breadth of vision that, in an administration still based predominantly upon Conservative support, he has let nothing prevent him from calling in the freshest reserves.

★

Despite Messrs Maxton and Gallacher, there is no Opposition. The office of Leader of the Opposition has been suspended. But the formula for parliamentary vigilance has not been abandoned. Saving only that no Ministerial time at all can reasonably be wasted, question and answer will go on; and, another anomaly in view of Labour's incorporation in the Government, Mr Lees-Smith, as acting chairman of the second largest party in the House, is apparently to take over the Opposition Leader's function of arranging Commons business with the Government. In the last war it was the senior Privy Councillor who did this, and there has been some demur on the Conservative benches. Actually, the point is unimportant. Unless critical events prevent Parliament from sitting regularly, as indeed they may, the House as a whole will continue to review the Government's work. In tune with the entire people they will oppose nothing, and the Government now has full power to act. But constructive criticism, advice, helpful suggestions and information freely given will still distinguish Parliament from the Reichstag.

The Treachery Bill

Treason is not only the earliest crime to have been recognised in this country. It was also the worst; anyone guilty of it was beyond mercy, and, unlike other crimes, it was never compoundable for money. By the Statute of Treasons of 1351 it was made an act of treason to adhere to the King's enemies, aiding or comforting them, in the realm or elsewhere; and nothing is made an offence under the new Treachery Bill, which passed through all its stages in the House of Commons on Wednesday, that was not already an offence under the old Treason Acts. But, owing to their very antiquity, the Treason Laws were loosely drawn, and throughout the centuries the scope of treason has been narrowed or enlarged by the judges in interpreting the various statutes. The object of the new Bill is, therefore, to close up any legal loophole which might be found—for instance, it is not clear to whom the old Acts could be extended and whether they applied to all aliens or only those normally living within the King's jurisdiction. They might, in consequence, be held to be inapplicable to aliens coming into this country under the guise of refugees for the sole purpose of espionage or sabotage. Secondly, the crime of treason, because of its gravity, was accorded a special form of trial, and it is in order to avoid a cumbersome procedure that the new Bill is necessary, so that persons accused of treachery under Clause I can be tried in accordance with the ordinary procedure of the Courts. The third reason why new legislation was thought desirable is to make provision whereby enemy aliens can be tried in suitable cases by court-martial, though any British subject or neutral alien will retain the right to be tried by jury. Finally, in accordance with the old Treason Laws, the Treachery Bill imposes the death penalty for persons found guilty under it; and there will be few indeed, even among the great number to whom capital punishment is anathema, who will not feel

THE BRITISH LINEN BANK

Incorporated by Royal Charter, 1746

Head Office: 38 St. Andrew Square, Edinburgh

OVER 210 BRANCHES IN SCOTLAND

LONDON OFFICES:

City Office: 38 Threadneedle Street, E.C.2

West End Branch: 198 Piccadilly, W.1

* *Education and the Birth Rate*. By Grace G. Leybourne and Kenneth White. Jonathan Cape. 375 pages. 10s. 6d. A notable analysis of the cost of British education by which this article was wholly inspired.

from the experience of Norway and Holland that *salus populi* justifies this drastic measure.

* * *

Pre-belligerency Continues

Italy's capacity for not entering the war grows daily more surprising. At the week-end, with Count Ciano's speech declaring that "Italy cannot remain absent from the present terrible struggle which will forge the destinies of the world" and Signor Ansaldi's harangue to the troops stressing the imminence of the "hour of decision," Italian intervention seemed a matter of days, or even hours. Military movements pointed in the same direction. The schools were closed early, more men were called to the colours; then followed rumours of the movement of troops to Albania and the Italo-Slovene frontier and the passage of German war material across the Brenner into Italy. Yet factors suggesting the continuance of non-belligerency are not lacking. Official comments tended to tone down Count Ciano's speech, Yugoslavia and Greece have received assurances of Italy's peaceful intentions, the liner *Conte Grandi* has left for South America. Count Ciano's sudden departure to Albania can be variously interpreted. He has the reputation of certain pro-Allied sympathies, and there are, perhaps, some decisions with which he is not anxious to associate himself. On the other hand, our waiving of our rights of search when the *Rex* and the *Conte di Savoia* passed through Gibraltar last week, and the arrival of Sir Wilfred Greene in Rome to continue trade talks, suggest that the British Government, at least, refuse to believe the situation irretrievable, and are still ready to make concessions in the interests of peace.

*

The situation is, however, rather beyond the control of British diplomacy, skilful or otherwise. The two main factors are Italy's ambitions and Germany's needs. The Duce would prefer to realise his ambitions, which probably include Tunis, Corsica, Nice and a number of other acquisitions, by peaceful means. The risk of a long war is a nightmare to Italy. The possibility that the United States might become involved has been at least one of the factors in her present hesitation. Intervention is, therefore, most likely at the point at which Germany can say, "Allied resistance is cracking. Join me now and count as a belligerent or wait a week and see the war finish without you." A disaster of appalling dimensions in Northern France and the British Isles might, thus, be a signal for Italy's entry into the war. On the other hand, if Germany suffers a setback, if her drive slackens and the front in France is stabilised, then Germany's needs rather than Italy's ambitions may become the decisive factor. One of Italy's chief weaknesses is her vulnerability *vis-à-vis* Germany; she has grown politically and economically dependent upon her more powerful ally, and from the military standpoint her frontiers are no more impregnable than those of any other state. If the word to intervene comes from Berlin, it is difficult to see how Italy can retain her pre-belligerent perch. Italian intervention is therefore 90 per cent. likely. The 10 per cent. chance is that the Duce means to use the utmost pressure short of war. Even so, the point at which the utmost pressure is still compatible with avoidance of war is so delicate that even the 10 per cent. chance may be wrecked by a miscalculation.

* * *

The Balkans and Russia

Italy may just possibly reckon that an invasion of Yugoslavia on the lines of Russia's share in Poland would still be compatible with non-belligerency. The recent direction of her troop movements suggests that the idea of an invasion is at least being thoroughly explored. Moreover, it is in Yugoslavia that Germany can most easily force Italy's hand by launching an attack, in which Italy must join in order to safeguard her Dalmatian interests. There is, however, a number of reasons to suppose that Germany is seeking a general conflagration in the Balkans. Rumours that Hungary has acquiesced in the passage of German troops in return for Slovakia have increased in recent days, and that Roumania's oilfields and the Black Sea ports would be the objective of the German drive can hardly be in doubt. At this point the extraordinary complication of the Balkan situation becomes apparent. If Roumania were attacked, would Turkey go to her assistance? The present signs are that she would, and that, in doing so, she would have full Allied backing. General Chakmak, the Turkish Chief of Staff, spent last week-end in Beirut to continue Allied staff talks, and it is hard to believe that the question of the

passage of warships through the Dardanelles was not brought up. Here, however, a fresh difficulty arises in the shape of Russia's attitude. Russia has not forgotten her *terra irredenta* in Bessarabia, and she has made it abundantly clear that she regards the closing of the Dardanelles to extra-Black Sea Powers as a cardinal point in her system of security. The Treaty of Ankara leaves Turkey freedom of decision in a war in which Russia might be involved, and it is impossible to say whether Turkey is sufficiently impressed with the Allies' staying power to risk a conflict with her vast neighbour. Since the Finnish war, Turkey's confidence has undoubtedly increased. The war in the West may not be having such a heartening effect.

*

The Balkan puzzle cannot be solved without a preliminary resolution of the Russian problem. In the last weeks some people in this country have talked of Russia's change of policy, of her desire for a *rapprochement* with the West, of her fear of German hegemony, and so forth. It is probably true that, in so far as Russia has no particular sympathy for either side and is admirably placed for pursuing the policy of a balance of power, a sudden collapse in the West would disturb her security and bring her up forcibly against the problem of her vast undefended frontiers with the Reich. But there is little sign that this uncomfortable preoccupation is leading her to carry out another somersault in her diplomacy and to adopt an attitude of non-belligerency favourable to the Allies. Rather desultory attempts at trade talks continue, but since Russia resents elementary questions of security as an insult to her equality of status, there is not likely to be much progress, unless Britain is prepared to go much further to meet the Russian point of view—which is roughly that we should conclude a trade agreement as though we were not at war. In the Balkan zone, Allied and Russian interests appear even more difficult to reconcile. If Germany strikes for the oilfields, a "preventive" Russian occupation of Bessarabia and even of certain Roumanian river mouths will almost certainly take place; Russian troops are even said to be moving on the Roumanian frontier. In the event, should we accept the occupation as we did that of Eastern Poland? We are heavily engaged in the West. Turkey's intervention may depend upon Russia's exclusion from the conflict. Yet even if we accepted the *fait accompli*, it is unlikely that we should find ourselves much nearer to an understanding with Russia. She is seeking her own security, and so long as we continue to fight Germany we are making our best conceivable contribution towards that security. Since we have nothing more to offer, Russia has nothing to give.

* * *

Quislings Everywhere

In the last fortnight the question of national security has had to be reviewed in an entirely new light, the light of the German campaign in the Low Countries and Northern France. From a great variety of lessons in defence and strategy, two points emerge before all—the extent and the effectiveness of treachery, and the readiness of the Germans to land anything anywhere provided there is a reasonable chance of creating confusion in the rear, destroying military objectives, disorganising supply, or terrifying the civilian population. These lessons are being learnt. In Eire, for example, where the undefended state of the country and the existence of a fierce, armed and comparatively disciplined anti-British minority in the shape of the I.R.A. creates favourable conditions for a landing from aircraft followed by co-operation with local dissidents, the watch on the coasts has been increased and reservists are being recalled to the colours. Mr De Valera's relentless drive against the I.R.A. continues, and a recent round-up accounted for fifty or sixty armed men. Yet a danger in Southern Ireland undoubtedly exists, and it is difficult to believe that Hitler would neglect so promising a feature of his encirclement policy as an attack launched on Britain's undefended rear. Further afield, although the danger of invasion is less, the activities of Fifth Columnists are causing grave anxiety. In the United States the proposal to transfer the Bureau of Immigration and Nationalisation from the Department of Labour to the Department of Justice is only a preface to a much greater stringency in the control on foreign elements. In South America, there is hardly a State that has not to deal in one way or another with local groups favourable to the German cause. In Colombia, where German residents have increased from 500 to 2,000 since 1933, there are grave fears for the safety of the oilfields and pipe lines, which largely supply the Allies. Uruguay has arranged for a parliamentary enquiry, Mexico is endeavouring to close down secret Nazi

wireless stations, pro-German or German officials have been dismissed in Brazil, Chile and Costa Rica. The vanguard of the German advance is, in fact, already operating upon American soil. There are more ways of violating the Monroe doctrine than by a declaration of war.

* * *

Home Defence

The probability of severe attacks on this country in all elements has been faced. Evacuation plans for children have been put at the ready. More extensive schemes for evacuation in air raids are not unlikely. Nearly 500,000 men have volunteered to serve as Local Defence Volunteers. They will be enrolled as soldiers without pay and, when the initial disorder of their local organisation has been straightened out, they will watch for parachutists and sky invaders on spare-time patrols. In addition, important public buildings, utility undertakings, factories and road and rail approaches to vital centres have been placed under heavy police and military guard. London's arterial roads and the Thames are now constantly patrolled. All firearms in gunsmiths' shops have been seized, and every resident must now carry his or her identity card. It is a good beginning, and it seems certain that, under the cloak of necessary secrecy, a well-equipped system of fully military defence is being organised. As Mr Hore-Belisha said in the Commons on Wednesday, protection against invasion and the deadly Fifth Column needs far stouter defences than lightly-armed riflemen. Only soldiers and heavy arms can counter the ruthless and treacherous tactics of Nazi attack. The new vigilantes, like the police and the A.R.P. wardens, will carry out invaluable watch and ward. But the onus of stemming invasion and grave sabotage will be the Army's. Its task will be easier when sterner steps have been taken to immobilise our own British Quislings, and Thursday's police raid on the headquarters of the British Fascists and the detention of several suspects, including a Member of Parliament, made a welcome start. The Home Secretary now has powers to deal with all organisations and individuals with recorded enemy associations, and he is using them.

* * *

Aliens and Enemies

Male Germans and Austrians, aged 16-60 and not given a completely clean bill on inquiry when the war started, have been temporarily interned, in inland as well as in eastern and southern coastal areas. Enemy aliens hitherto freed from restrictions have now to report regularly, limit their movements and observe a curfew. In selected areas, all aliens have been put under similar supervision. No aliens are to possess firearms or ammunition without special permission. Certain Italian Fascists are being closely watched. Refugees from the Low Countries are to be as closely restricted as the more favoured classes of Germans and Austrians; some Belgians and Dutchmen have actually been interned on special information. The danger of alien sabotage has been quickly realised. But, even now, there is a long way to go to safety. German and Austrian women are still free, though, individually, they are being rescrutinised. There are many German and Austrian males still uninterned; and, even after the grim stories of refugees' treachery in Northern France, Belgian and Dutch immigrants are being scattered about the country. The only safe way is to put every enemy alien or refugee, male or female, who cannot prove innocence to the hilt, under close and continuous restraint. There would be no need for their durance to be vile. Most are guiltless. Most have suffered. They might be put to work of national importance, which the majority would welcome. But not a particle of risk can be taken any longer.

* * *

Unity of Empire

The new spirit aroused throughout the United Kingdom by the new Government and the presence of actual danger has spread through the Empire. In Australia, it is seen in the settlement of the coal strike, in the announcement of measures immediately accelerating the war programme, including the raising of a third division for service abroad and the appointment of a Director-General of Munitions and Supply who will be empowered to press into service civil factories in the reorganisation of munitions supply; and it has been happily marked by the arrival of a second contingent of the Australian Imperial Force in the Near East. The Prime Minister of New Zealand has announced the determination of New Zealand to speed up her war

effort and has appealed for greater production and for volunteers to work on the land. In South Africa, where the invasion of Holland has rallied many dissidents to the Government's side, General Smuts has given a stern warning to Quislings and to a section of the Press which is undermining national morale under the guise of politics. Kenya has prepared herself against Italy's entry into the war by calling out the Kenya Defence Force and by instituting a complete survey of the Colony's resources in man-power. Like Australia, Canada is to raise a third division for service overseas, and the dispatch of her second division and reinforcements for the first division will be advanced. The Ministry of Supply is to be given a separate Minister armed with special powers to speed up the output of munitions; a separate Minister for Air will be appointed; and the Government is considering sweeping measures, similar to those taken this week in Great Britain, to conscript man-power and property. These are but a few examples of the new determination which the Empire as a whole is putting into its war effort. Quite clearly does it recognise that its very existence is at stake.

* * *

The New Colonial System

No apology is needed for the fact that a Parliamentary day was given up on Tuesday to the second reading of the Colonial Development and Welfare Bill at a time when the whole Empire is facing what may prove to be the gravest crisis in its history. For though the Bill is essentially a peace-time measure, conceived long before war broke out, it serves to remind us of the 60 million people, dependent upon us, who have made our cause their own and whose fate is bound up with ours; and, as Mr MacDonald pointed out, it will give the world a sign of our faith in ultimate victory. The objects of the new Colonial Development Fund were fully set out in the White Paper published on February 20, 1940, and were discussed in *The Economist* at the time (February 24, 1940, page 328). In Tuesday's debate, therefore, Mr MacDonald added little to what was already known. But he revealed that the chairmen of the two advisory committees which will be set up—one on colonial development and welfare and the other on colonial research—will be Lord Moyne and Lord Hailey respectively, both of whom have recently had an opportunity of studying colonial problems at first hand. And he emphasised that the plans to be financed out of the new Fund will be initiated by the local governments concerned and then examined by the advisory committee, which will assist and guide but not dictate. Clearly, a committee which will review development schemes from fifty different territories will have a useful function to fulfil in advising one territory from the experience of another—though it must guard against assuming that needs are identical or that identical needs can be met by identical schemes—and in determining whether the money is being appropriately allocated between them all. But in the majority of cases the final decision will be left to the local governments, and the committee will not delay them from executing the schemes by haggling over details. In fact, the exigencies of war will be the delaying factor to begin with, for Mr MacDonald stated with regret that the maximum sum of £5 millions a year will not be reached in wartime. Meanwhile the decks are being cleared by the remission of colonial debt to a

INSURANCE

CONSULT

THE

LIVERPOOL

AND

LONDON

AND

GLOBE

INSURANCE CO., LTD.

FIRE · LIFE · MOTOR · ACCIDENT · MARINE

Head Office:
1 Dale Street, Liverpool, 2

London
(Chief Office): 1 Cornhill, E.C.

total of some £11 millions, the legacy, chiefly, of the pioneering days and the building of railways. For the rest, we must be content for the present with the realisation that the old colonial system, with its rigid principle that every colony must be a self-supporting unit, has at last been abandoned.

* * *

The Exchange Position

The financial consequences of the invasion of Holland and Belgium are strongly in our favour: not only is the Allies' war chest strongly reinforced with good dollar assets, but two large colonial empires are transferred from the list of "hard" currencies, in which we have difficulty in paying, to that of "soft" currencies, where the only difficulties are of accountancy. Nevertheless, the impact effect of the invasion was to drive the rate for free sterling to hitherto unplumbed depths, though the shocks of this week have not driven it much lower. Thus, while the need for doing something to clear up the position of free sterling has been accentuated, the possibility of doing so has simultaneously improved. There are to-day only two currencies of real 22-carat hardness, the United States dollar and the Swiss franc, and it is impossible to say how long one of the two will remain in the category. More and more, the problem of free sterling is becoming the problem of financial relations with the United States. It would be a great advantage to treat it as such; then matters which are now debated as generalities could be handled as specific problems. Would American owners of sterling balances prefer to take them out at a heavy loss or to agree to a standstill? Can Allied-American trade be financed at the official rate, irrespective of what rate applies to capital withdrawals? This would have the additional advantage of leaving us entirely free to arrange our financial affairs with the whole range of soft and semi-soft countries on rational lines, without being compelled to forgo advantages in these countries because of considerations that are applicable only to America. But if so, the greatest care will have to be seen that our creditors from "soft" countries do not register under the American flag.

* * *

Feeding Britain

It is fortunate for the public that the Select Committee on National Expenditure has construed its terms of reference to include not only detailed expenditure, but "anything which has a bearing on the efficiency or cost with which the Government policies are being pursued." In its report on the Ministry of Food*, the Committee pays tribute to the speed with which the Ministry started up and the efficiency shown in the details of its work. But the Committee makes some pertinent remarks on the financial results of the lack of a unified policy dealing with food as a whole. The method of fixing meat prices is given as an example of the sectional approach to these problems. The prices paid for British livestock were settled in agreement with the Ministry of Agriculture at the level which the latter thought would give a fair return to British farmers; the selling prices of imported meat were fixed so as to enable the Ministry to cover its costs on this transaction; the selling prices of home-killed meat were fixed so as to bring them into the normal relation with those of imported meat. The difference between the two sets of prices for British meat, representing some £16 millions a year, is a subsidy to British farmers, additional to the pre-war £4½ millions. Similarly, the loss incurred on bacon was due to the fact that the public would not buy the amount supplied by the Ministry at a price which would cover the cost; consequently, the price was reduced and the subsidy is used mainly to increase consumption among the middle classes, since the poor still cannot afford much bacon. Is it, in fact, desirable to increase the consumption of bacon, which is an expensive commodity to produce and to import, or to bribe British farmers to grow beef, when other and cheaper forms of fats and proteins might be available? The Committee also commented on the amount of time which the Ministry's officials had to spend in bargaining over trade margins. It has so far been the Ministry's aim to keep the existing peacetime structure of food distribution largely intact. Economies in transport and handling could undoubtedly be realised if the existing facilities were adapted to suit the new conditions of State control, but the process would involve the destruction of many private businesses. How far is such a disturbance justified in the national interest of cheap food? It is to these matters of food policy, rather than to details of prices and administration, that the Minister of Food must devote his energy.

* Fourth Report from the Select Committee on National Expenditure.

Women's Wages

In 1914-18 disputes about the wages to be paid to women on men's war work went on for four years. This time the same squabble has dragged on behind the scenes for several months, gravely impeding the large-scale recruitment and training of women machine operators and artisans. Now, under the stimulus of peril, the knot has been cut. By an agreement between the engineering unions and employers women temporarily brought into the engineering industry will be gradually graded up to men's pay. For eight weeks they will get the women's national schedule time rate and bonus. For the next twelve weeks they will get, in addition, a third of the difference between this and the corresponding rate and bonus for men. For the last twelve weeks of the training period their basic rate will be 75 per cent. of the men's rate and bonus. Finally, if they can then do men's work without extra supervision, they will get both the men's rate and the men's bonus. Whether the real core of the 1914-18 controversy has been cut out is not quite certain. Mr Lloyd George's judgment that "if women turn out the same quantity of work as men they should receive the same pay," was then generally reckoned to apply only to "normal" 1914 rates and not to war advances and war bonuses. This evasion should not be possible again; and the interests of the considerable numbers of women already employed in engineering should not be lost sight of in the concern for new recruits.

* * *

Shorter Notes

Australia's Budget for 1940-41 estimates her war expenditure at £79 millions, or £110 millions including expenditure overseas, compared with £46 millions in 1939-40. New taxation to be imposed includes a profits tax on companies, starting at 4 per cent. on the first 1 per cent. profit in excess of 8 per cent. on capital employed, and increasing by 4 per cent. for each excess profit of 1 per cent. until a maximum rate of tax of 60 per cent. is reached; an undistributed profits tax of 1s. in the £ on 75 per cent. of undistributed taxable income; and increases in income tax, the sales tax, the land tax, estate duty, and customs and excise. Altogether these charges will bring in £20 millions in 1940-41, leaving £50 millions of the required additional revenue to be borrowed.

*

The Germans are digging in on the Swedish frontier behind Narvik, and though the strength of the Allied Expeditionary Force has been increased, the German forces outnumber the Allies and are receiving reinforcements from aircraft troop-carriers and by parachute. They appear to have established a seaplane base somewhere on the coast, and aeroplanes are repeatedly attacking our positions and troop movements. Narvik has not yet fallen, though it may be surrounded. Rumours that Germany is pressing Sweden to allow military material to pass up from Lulea to the Norwegian frontier are officially denied and unofficially confirmed.

*

The disinterest of the world in the Dutch East Indies is phenomenal. Now Germany has joined the States who disclaim any intentions on the Dutch islands. The Japanese Foreign Minister has been informed that Germany is "not interested in the Netherland East Indies problem"; but the extremist Japanese Press interpret this as an offer of a free hand to Japan.

*

In the Middleton and Prestwich by-election the Fascist candidate only obtained 418 votes out of 32,454 votes cast and a total electorate of 60,000.

*

Under a new regulation issued under the Emergency Powers (Defence) Act, power is given to detain any person who has been a member of an organisation which, in the opinion of the Home Secretary, is subject to foreign influence or is controlled by persons in sympathy with the system of government of an enemy Power.

*

On page 891 of *The Economist* last week it was stated that Holland possessed half a million pigs. The correct figure is one and a half million. On page 909 the export of steel from Belgium and Luxemburg to France appeared in some copies as 52½ million tons. This should have been 52½ thousand tons.

THE WORLD OVERSEAS

Russian Poland

(By a Correspondent)

It is only eight months since the Russian troops marched into Poland and "freed" the peoples of Western Ukraine and Western Belorussia, including some districts in the Vholynia and Bialystok Voyevodships, inhabited entirely by a Polish population. During that short period of time a full sovietisation and adaptation of the country to the economic and social system of Communist Russia has taken place.

In a period of six months the people have twice had the opportunity of voting for representatives to the local soviets, and also to the Soviet Supreme Council. In both cases over 90 per cent. of the electorate cast their votes and elected the official candidates appointed by the only existing Communist Party.

The Polish territories occupied by Soviet Russia consisted mainly of agricultural and forest regions; some industries were, however, developed in the South-East round Lwow, Przemyśl and Stanisławów, and some in the North-East round Grodno and the Bialystok. The industries were mainly based on the rich forests and oil wells of the Western Ukraine and also on the leather and textile factories in the North.

The process of nationalisation started with the banking system and large industrial enterprises. All factories were taken over by workers' committees. In many cases the previous owners were allowed to carry on and work in the factories, provided they could produce some technical degrees and could be useful as specialists on the technical staff. The workers' committees were, after a short period of time, supplemented by officials and managers from Central Russia, and these imported supervisors became the decisive factor in each factory.

The earnings of the workers in different industries have been kept on the same low level as in pre-war years; wages, at 150-200 roubles per month, are in many cases even smaller than before. The number of workers employed has, however, greatly increased, unemployment has diminished, and all the welfare institutions established in Russia are being gradually introduced into the newly occupied country.

Land Redistributed

The nationalisation of land has also been carried out with great speed. A decree was published in November nationalising all arable land and forests, except the possessions of small farms which could be worked by the peasants and their families themselves. The peasants are for the time being pleased with the change; they have at last received access to the land for which they have longed for centuries.

The future will show how far the farmer's dreams have been realised. The value of the land which the peasants received free depends on the amount of tax the Government will require from the "independent individual" farmers. There exists a general belief that the authorities will put special heavy taxes on the independent farmers and in that way "attract" them to the formation of co-operatives and collectives.

Industrial Reorganisation

The reorganisation of trade and industry was also carried out promptly and thoroughly. The big business concerns and co-operatives were taken over immediately by specially appointed committees. The staff, except for politically unacceptable managers, remained on their jobs, key positions were taken over by officials from Central Russia and the co-operatives became the basis of the distribution of every possible commodity.

The small traders were allowed to carry on and in many cases even forced to keep their shops open and offer for sale all goods in stock. No trader, however, was allowed to replace his stocks, and when the shops were practically emptied a law was suddenly introduced substituting the rouble for the zloty as the only legal tender. Thus tradesmen who had accumulated money—mostly in zlotys—for their goods sold

to the public and to members of the Red Army discovered that they had actually been deprived of everything. The only shops open now are the co-operatives, and they sell everything; but their number is rather small and there is a scarcity of many necessities.

Disappearance of the Craftsman

Skilled workmen are now organised in "cartels." Their production is supervised by specialists who came over from Russia and are trying to speed up output. Production has been standardised and the type of artisan who relied on the skill and knowledge he acquired in his work has disappeared. Reports show that the craftsmen are not happy with the change; the new system of production has deprived them of the independence and individuality of which they were always proud.

There have been very few cases of confiscation of private belongings; people were allowed to remain in their former flats and houses and retain their furniture. In the bigger cities the housing problem became very acute because of the large number of homeless refugees. In Lwow, Bialystok and other larger towns, laws were introduced allowing a limited amount of square feet of living space per family, and many large flats were divided up and handed over to refugees and other newcomers from different parts of Russia.

All civil servants were allowed to remain in their posts, and only people who were known from their political activities to be anti-Communist were removed from their jobs. All responsible posts in the civil administration were, however, as a rule filled with people from Central Russia, and this has created dissatisfaction amongst the local population.

The special police, G.P.U., is very active in the freed Polish territories. All leaders of political parties were arrested and the parties dissolved and banned; the former Polish, Ukrainian and Jewish labour leaders were arrested and sent to prisons and concentration camps in Central Russia, though in some cases they were freed on condition that they remain in Central Russia.

Religion has not been formally banned and people are allowed to worship and to practise their religion. All property of the churches and religious organisations has, however, been confiscated and the revenue of the different religious institutions limited to voluntary subscriptions. Everything is done to discourage religion and to alienate the people from the church and clergy.

NATIONAL BANK OF GREECE

Established in 1841

The oldest and the largest of Greek Banks

Capital paid up and Reserves Drs. 1,205,000,000

Head Office in Athens
Branches and Agencies throughout Greece
Correspondents in all parts of the World

Complete international banking service of every description

War News and U.S. Markets

[FROM OUR NEW YORK CORRESPONDENT]

THE first impact of the extension of hostilities into Holland and Belgium was expressed in the Executive Order "freezing" the holdings of the nationals of the invaded countries. This appears to have followed the provisions previously covering the holdings of Danes and Norwegians, and it was announced before the opening of business on May 10th.

The second impact was reflected in the security and commodity markets. The share market opened strong and active. For this response two almost opposite reasons have been suggested: that the public expected a low, startled opening and put in buying orders "for the turn," and that the fact of an extension and intensification of active warfare was taken as promising an increased activation of the war influence.

The remainder of the session was a complete reversal of the opening opinion. Heavy selling appeared, and the share market broke badly. This was accompanied by weakness in the bond market. In the commodity market, those directly under war influence were strong, as would be expected.

It is hardly too much to say that the exchange market was demoralised. Free sterling had closed the night before a little above \$3.30; but on the morning of the tenth there seemed to be no opening bids in the market. Eventually transactions took place at \$3.00 and \$2.90, but toward the close the rate firmed to about \$3.15.

Steady Deterioration

These events of May 10th must be considered in the light of earlier developments. In the first three weeks of September, 1939, the share market rallied violently to a level slightly higher than the one from which it had fallen earlier in 1939. After the middle of September, it moved in an unusually narrow zone, in spite of a relatively satisfactory state of business and comparatively good corporate earnings. During this period, it was evident that there were shares "for sale on strength," but the selling was not pursued on weakness. But dating from the day of the invasion of Norway, more or less persistent but not strong liquidation appeared, and the market turned heavy, although contemporary business news had become more promising. Viewed in that setting, the aggressive liquidation of May 10th appears as part of a tendency that had been perceptible for a month. The extent to which this movement might be attributed to foreign liquidation is highly problematical.

Decline in Free Sterling

While May 10th was the first time one could call the market in free sterling demoralised, the events of that day likewise are but a sequence in a tendency which has been in existence for two months. In the early autumn of 1939, free sterling followed a somewhat erratic course, dropping to \$3.73 in mid-September, rallying well above \$4.00 in early October, and dropping to about \$3.77 in November. After this, it rallied and steadied. For three months it fluctuated only in the \$3.90-\$4.00 bracket. In the second week of March it broke, and since that time has moved erratically downward, until yesterday it dipped below \$3.00. While the weakness of the last two or three days has been acute, it is but an exaggeration of the tendencies accumulating over the previous two months. The official reasons for the decline in early March, that they were caused by prohibiting the use of free sterling for the purchase of six major Empire exports, seem inadequate. Our own regulations, requiring that for purposes of customs appraisal only the official rate be recognised, may have had a depressing influence, since as far as the importer was concerned they had the effect of an increase in the tariff schedule, on all merchandise not bought at the official rate. Yet, according to exchange circles, the market in free sterling is not large; and the supply of free sterling in the market quite small—merely larger than the demand, although certainly a large proportion of actual or potential British exports may be bought with free sterling. The result is that the free sterling market remains a good deal of a mystery; and its erratic gyrations have been reminiscent of the "dance of the dollar" in the early twenties.

May 11th.

Prices and Wages in Italy

[BY A CORRESPONDENT]

DURING the few years preceding the outbreak of war the Italian price level was slowly but steadily rising. This was primarily due to autarky, but strained finances and new taxation added to the upward pressure. The slump in international prices, which lasted until the end of 1938, helped to retard but could not prevent the rising level of domestic prices. The State had to resort to price and wage control of a far-reaching nature. The task was entrusted to the corporations, and the system worked best in those industries where wages were fixed by corporative contract.

In some fields the corporations were fairly successful in checking the tendency towards higher prices. The prices of a constantly increasing number of agricultural commodities were fixed, and in conjunction with the price control provision was made for additional storage. Rents have been restricted up to the end of 1940. Transport and public utility undertakings run by the State and local authorities were forced to limit their charges. Regulations were issued to control retail prices. Occasionally an increase in prices was officially ordered, but the amount was usually small and inappropriate.

Over a wide area, however, control by the corporations was a failure. This was especially so in the export trade. In practice exporters were able to recoup that part of their losses which was not covered by subsidies by raising prices to the domestic consumer. And as the State subsidies were themselves paid by the domestic consumers, Italian export commodities became particularly dear in the home market. Even more marked price rises were found among imported goods. Even when international prices were falling the endless manipulation, decrees, quotas, clearing formalities and other impediments which are inevitable when foreign trade and exchange are closely controlled exerted tremendous pressure on the domestic price level. Importers who succeeded in overcoming all obstacles had an abundance of opportunity to make clandestine sales at excessive prices.

In many parts of the industrial field it would have been impossible to stop all price rises without destroying the last remnants of private enterprise. The ever-increasing number of concerns set up under the policy of autarky were not under the control of the corporations. They receive their orders from the Supreme Autarky Council, and this body, in which the military element is strong, disregards small questions of cost when the big issue of economic independence is at stake.

From the middle of 1938 Italy, with her dependence on the import of essential supplies and with her feverish "autarkic" investment, was severely hit by the rise in international prices consequent on world-wide re-armament. For the first time since the depreciation of the lira in 1936 it became necessary at the beginning of 1939 to order a general advance of wages, and the increase varied from five to ten per cent. But this increase in wages was small compensation for the rise in prices. The cost of living index number, based on 1928, rose from 74.4 in 1934 to 103.9 at the outbreak of war, that is more than 30 per cent. The entire price level had probably risen by as much as 50 per cent., so that the record figures of the 1928 trade boom were nearly everywhere reached or surpassed. A general price increase of 20 per cent. since the outbreak of war may be considered as a not inaccurate estimate for the whole of Italy.

A New Committee

As a result of these developments, a new committee was appointed at the beginning of the year, and attached to the Ministry of Corporations under the chairmanship of the Minister. Other members are the heads of all the economic ministries, the general commissioner for war economy, and the Presidents of all employers' and workers' unions in industry, agriculture and commerce. This committee has far-reaching powers to intervene in the fixing of prices and wages. But the primary task is to watch over the hitherto decentralised control of the individual corporations and co-ordinate their intervention in the field of wage and price fixing.

The addition of representatives of other departments as well as the presidents of the unions proves that the task of wage and price fixing is no longer left to the Ministry of Corporations. The Ministry of Finance is the only economic department not represented on this new committee, although the recent large and sudden increase in prices must be attributed mainly to the new 2 per cent. turnover tax. As this tax is paid at each stage of manufacture, the consequent

increase in the retail price may average at least 8 or 10 per cent.

The preparatory work of this board of control had its first general result, when the Central Council of the Corporations met on March 9th last. At this meeting many controlled prices for industrial goods as well as wages were raised, the latter being increased as from March 25th. State transport rates were not touched by the general increase on this occasion, but local charges were raised by 15 per cent. The charges of public utility undertakings for water and power were not changed. Price limitation for a small number of important foodstuffs will be maintained at least until July 31st. At a later meeting the salaries of officials were also raised by from 10 to 20 per cent.

The speeches delivered by Signor Mussolini and by the Minister of Corporations at this meeting clearly indicated that the work so far done was only a beginning. But since price limitation necessarily involves a charge upon the State, it must ultimately result in higher taxation, and the wage earner is no better off. The finding of a way out of this vicious circle is the most important of Italy's present internal economic problems.

May 10th.

Egyptian Banking and Finance

[FROM OUR ALEXANDRIA CORRESPONDENT]

EVEN if war had not broken out the past twelve months would have gone down as one of the most eventful periods in Egyptian banking history. The outcome has been a tightening of State control over a hitherto loosely organised system.

On June 28, 1939, an extraordinary meeting approved the modification of the statutes of the National Bank of Egypt in conformity with the Government's wishes. The main innovations consisted in an Egyptian majority on the Board of

Directors; the future recruiting of personnel exclusively from Egyptians; the option of transforming bearer shares into nominative; closer co-operation with the State, including advances to the Treasury. This enabled the Government subsequently to obtain from Parliament the renewal for another forty years of the issuing privilege which was due to expire at the end of 1948. The ultimate aim of the Government is to set up a central bank.

Shortly after the outbreak of hostilities, Talaat Harb Pasha, founder and leading spirit of the Banque Misr, resigned. On March 28th, both the Chamber of Deputies and the Senate held an *in camera* session, after which the Cabinet passed resolutions to guarantee present and future deposits of the bank; and to take the necessary steps to strengthen the position of this national institution and to ensure its success.

A passage of the annual report of the Governor of the National Bank explains one of the principal causes of difficulty for the Banque Misr: "For the deposit banks to assist in the creation of industries or in the development of existing ones would, I need hardly say, lay the seeds of trouble." It is with good reason, therefore, that the Government is studying a plan for the creation of an industrial bank.

As in most agricultural countries, succeeding governments have found it necessary, since 1931, to intervene to enforce some sort of composition between creditors and land debtors. Interventions, however, have been following one another for the past ten years, and even to-day creditors are prevented from carrying out expropriations. The result is that mortgage banks are less free with their loans, to the detriment of agriculturists and of prices of agricultural produce.

The Impact of the War

Owing to the country's geographical position, the Egyptian financial world had been on its guard ever since the sanctions period, and as war came at a time of severe economic depression, its effects were not violent. No moratorium was proclaimed, neither did the markets close for a single day. Withdrawals were not excessive, reaching 20 per cent. in the case of Post Office Savings Banks.

More serious trouble threatened to develop with the financing of the cotton crop, but the difficulty was met by the

COFFEE AND TURKS



You may have to cut out
the '65 brandy in these times of stress.
But you can still revel in the
matchless aroma of fine Turkish
cigarettes, and pay no more
than the price of ordinary Virginias,
if you ask for

De Reszke TURKS

THINGS YOU OUGHT TO KNOW.
Turkish tobacco, of which the British Government have made large purchases from our ally Turkey, is the finest cigarette tobacco the world produces. The 'chain smoker' can confidently take to Turkish, which have less than half the nicotine content of Virginia cigarettes.



establishment of an exchange control; this incidentally helped to check the flight of local capital which had been a feature of the Egyptian economy during the year or two that preceded the war. Despite the growing cost of the defence services, the State has succeeded up to now in avoiding borrowing.

In normal years the note circulation is closely related to cotton movements, swiftly increasing in the autumn and decreasing slowly after winter. This time, despite lower cotton prices early in the season and a smaller crop than last year, the war naturally caused a much larger expansion than usual. After the turn of the year, however, quite a substantial contraction was recorded. The physical amount of gold held by the National Bank has remained unchanged for several years and the steady outflow which has been going on for a number of years has originated from sales by private holders.

May 11th.

Swiss Trade

[FROM A CORRESPONDENT]

SWISS trade continues very active in spite of the war. Exports, during the first three months of 1940, at 331 mil-

lion francs, were a million francs higher than during the corresponding period of last year. Imports amounted to 613.5 million francs.

Since August, 1939, severe measures have been taken to prevent unjustifiable price increases, but some rise is inevitable in the present international conditions, and the cost of living is $5\frac{1}{2}$ points above the pre-war level. Imported fuel, in particular, has advanced sharply in price, and the wholesale price index for March, 1940, is 25 per cent. above that for March, 1939. The currency situation is, however, unchanged.

Mobilisation Expenditure

The chief preoccupation of the authorities recently has been the finance of mobilisation. For many years the Swiss have devoted great attention to the question of national defence, in the conviction that a strong army is necessary for the maintenance of their independence. At present, the mobilisation of the army is costing several million francs a day, and to meet this cost, a loan of 200 million francs was floated in March. Further funds for the same purpose were secured in April, by means of an income tax, a capital tax, a war profit tax, a turnover tax, and a levy on the Exchange Equalisation Fund.

May 18th.

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 wartime control and direction of different industries rests with the Reich Departments (*Reichsstellen*), which in each industry replaced the peacetime Reich Control Boards. The latter exerted their influence on individual industries principally by controlling the imports and exports of raw materials and manufactured articles; the Reich Departments regulate production, and may prohibit production or capital expenditure. They also impose levies intended to build up funds for capital expenditure, to maintain prices, or to subsidise exports.

They employ different methods in each industry, according to the tradition and type of the self-governing economic organisation in that industry. Their decrees regarding production may be enforced either by a cartel or by a self-governing "economic group" akin to the former industrial federations. In the textile industry, for instance, the "economic group" is used by the Reich Department for the distribution of raw materials as well as for the execution of orders closing down factories. In the coal industry the Reich Department has established distribution centres of its own. In the paper industry the cartels and syndicates have been formed into an entirely new organisation, the so-called "committee for collaboration" (*Gemeinschaft*). In other industries, i.e. the brick, building stone, and glass-jar industries, the Reich Department has established compulsory cartels. In some cases existing cartels have been developed or extended.

These examples show a great variety of organisation, always with the same purpose—direct State control over production. In general, the system of State control uses the traditional economic organisations with a view to maintaining a degree of initiative necessary for the prosecution of the industrial war programme. Actually the individual industrialist is completely regimented. Yet the decentralisation within a very rigid centralisation leaves the industrialist a certain initiative and has greatly reduced the direct bureaucratic interference by Government Departments.

Statistics.—A year ago the German Government set up a Central Statistical Committee to reorganise the existing economic statistics. The economic controls introduced by the Nazi system had produced what may be called a statistical craze. For years all the economic organisations had been engaged in compiling statistics, frequently compelling managers to employ additional staffs. The Central Committee has now rationalised statistics; and any organisation wishing to prepare new statistics needs special permission. During the first year of the Committee's existence 1,200 applications for new statistics were received; 135 were rejected, 237 were modified, and only 194 were given permission in the original form. The intention is to simplify

processes and to save employers from too much clerical work.

State Borrowing.—The Government is still borrowing on a large scale, as shown by the development of the State debts. The latest figures are as follows:—

	(In million Reichsmarks)		
	January, 1939	December, 1939	January, 1940
Long-term debts.....	22,835.0	26,895.2	27,190.0
Short-term debts.....	5,274.8	14,140.0	15,767.1
Total	28,109.8	41,035.2	42,957.1
Tax certificates	Nil	4,670.5	4,497.8
Grand total	28,109.8	45,705.7	47,454.9

The increase in January amounted to Rm. 1,749 millions, some Rm. 100 millions less than in December, 1939. During the first five months of the war the average monthly increase in the total debt has amounted to Rm. 2,040 millions. At the rate of Rm. 16 to the £1 the average monthly increase would work out at £128 millions. Assuming an average monthly revenue during these five months of Rm. 2,000 millions, it can be calculated that the Government may have had at its disposal a monthly average of Rm. 4,040 millions (£253 millions) from revenue and borrowing alone.

Economy in Packing.—The value of wrapping and packing material has been estimated at 5 per cent. of the total value of the Reich's industrial output. For many years Germany has been economising in wrapping material, but since the outbreak of war more stringent economising has begun. The prohibition of openers for sardine tins has saved 2,000 tons of steel. By prohibiting handles on metal marmalade containers another 3,000 tons will be saved. Timber is now being generally replaced by a special cardboard manufactured from waste paper. Where wooden cases cannot be replaced a hiring system for the repeated use of cases has been introduced. Leather usually packed in jute tissues must now be packed in paper.

In the tin canning industry tinplate has been replaced by sheet iron which is treated with a special lacquer. At the same time, the use of glass jars for preserving vegetables and fruit is being developed. The standardisation of cans and glass jars is another method of saving material. Four hundred different types of cans for meat have now been reduced to only 36. Motor oil is being sold in paper bottles, and petrol barrels are no longer galvanised but treated with a coating of special lacquer. The reduction in the use of paper has been carried very far indeed.

Books and Publications

Shorter Notices

"The Road and Rail Transport Problem." By Brig.-Gen. Sir H. Osborne Mance. 161 pages. Sir Isaac Pitman and Sons. 7s. 6d.

Sir Osborne Mance is to be congratulated upon having produced a brief survey of the internal transport situation which is both readable and comprehensive. Moreover, in the short space of 161 pages, he outlines a solution which, if it involves certain practical difficulties, is certainly free from bias and loose thinking. It may be summarised as an attempt to reconcile the "value" and the "cost" bases of charging by pooling the fixed costs of both road and rail. Transport charges would then comprise two parts: a toll, based on the "value of service" principle and representing a contribution to the road-rail pool; and a haulage charge, based on the prime cost of the service provided. Traders would thus retain their liberty to consign by alternative routes, but the rates would reflect changes in the prime cost of transport and the tendency would be for traffic to pass by the most efficient, i.e. the cheapest, route. Competition would be robbed of its more erratic and devastating effects, but it would be unnecessary to reconstitute a monopoly of inland transport in which the railways would inevitably become the dominant partner. The scheme is attractive, but obviously many administrative difficulties would have to be faced. Sir Osborne Mance proposes that "C" licence vehicles engaged in distributive work should be excluded from the scheme; and, clearly, far-reaching changes in the organisation of "A" and "B" licence haulage would be necessary, together with drastic revision of railway costing accounts. However, it is sincerely to be hoped that, if and when further State control of transport is meditated, this plan will receive the attention it deserves.

"The Prevention of Fraud (Investments) Act 1939." By L. J. Morris Smith, B.A., LL.B., B.C.L. of Gray's Inn, Barrister-at-Law. Jordan and Sons Limited. 168 pages. 10s. 6d.

The war has so far prevented the coming into force of a substantial part of the "Sharepushing" Act, though certain sections are already in operation. This book discusses the legal implications of the Act, which is included as an appendix, together with relevant sections of the Companies Act and the Licensing regulations issued after the passing of the Act last year. It will be of the greatest service to all those businesses—the majority of which are conducted straightforwardly—which fall within the provisions of the Act.

"The Stock Exchange Official Year Book." Thomas Skinner and Company. 3,877 pages. £3 10s.

There are few volumes which exceed in length the 3,877 pages of the "Year Book." There is none which is less dispensable to the stockbroker's office and the large investor's records. The compilers have recognised war conditions by the inclusion of a synopsis of the Trading with the Enemy Act (which has been the subject of reminders to members of the "House" recently) and of a useful list of emergency addresses. The "Year Book" is, as always, an unrivalled compendium of investment information and a triumph of bookbinding.

"The Shipping World Year Book and Port Directory of the World, 1940." 25s. net.

The 54th annual issue, which has now been published, is an indispensable work of reference for those associated with ships. This reference book consists of four main sections, dealing with ports, the ownership of British ocean-going tonnage, biographical details and the business careers of all the foremost men associated with shipping, and a directory of ship repairers.

"The Directory of Directors, 1940." Thomas Skinner & Co. (Publishers) Ltd. 30s. net.

The 1940 edition of this invaluable reference book for all engaged in any form of company work has now been issued. Some 32,000 names are included in it.

Books Received

Essays on Monetary Theory. By D. H. Robertson. (London) P. S. King. 234 pages. 11s. 6d. net.

The Evolution of Indian Industries. By R. Choudhuri. (Calcutta) University Press. 455 pages. No price stated.

Mr Keynes Answered. By E. Burns. (London) Lawrence and Wishart. 80 pages. 1s. net.

The Nazis at War. By W. Frischauer. (London) Gollancz. 283 pages. 10s. 6d. net.

Rosa Luxemburg: Her Life and Work. By P. Frölich. (London) Gollancz. 336 pages. 7s. 6d. net.

I Was Stalin's Agent. By W. G. Krivitsky. (London) The Right Book Club. 297 pages. 2s. 6d. to members.

The Banks for the People. By J. Strachey. (London) Gollancz. 77 pages. 1s. 6d. net.

Leviathan and the People. By R. M. MacIver. (London) H. Milford. 182 pages. 8s. 6d. net.

History of Monetary and Credit Theory. By Charles Rist. (London) Allen and Unwin. 442 pages. 25s. net.

Money and Banking in Japan. By Phra Sarasas. Heath Cranton, Limited. 543 pages. 18s.

The Slovak Question. The Slovak Council, Geneva. 82 pages and maps. No price stated.

The Growth of Federal Finance in India. By P. J. Thomas. Humphrey Milford. 558 pages. 20s.

World Finance, 1939-40. By Paul Einzig. Kegan Paul, Trench, Trubner and Company, Ltd. 271 pages. 12s. 6d.

New Zealand's Interests and Policies in the Far East. By Ian Milner. 131 pages. \$1.00.

Australia's Interests and Policies in the Far East. By J. Shepherd. 212 pages. \$2.00.

German Interests and Policies in the Far East. By K. Bloch. 75 pages. \$1.00.

Japan's Emergence as a Modern State. By E. H. Norman. 254 pages. \$2.00.

Japanese Industry. Its Recent Development and Present Condition. By G. C. Allen. 124 pages. \$1.00.

American Policy in the Far East, 1931-40. By T. A. Bisson. 162 pages. \$1.25. (New York) Institute of Pacific Relations, 129 East 52nd Street.

Bread and Power. By E. T. Brown. (London and Edinburgh) Wm. Hodge and Company. 278 pages. 10s. 6d. net.

Analisi Economica. By F. Vinci. (Bologna) Nicola Zanichelli Editore. 463 pages. L. 60.

Whither Italy? By R. Scarfe. (London) Francis Aldor. 46 pages. 1s. net.

Economic Problems of To-day. By W. Arthur Lewis. (London) Longmans. 175 pages. 5s.

Nutrition in War. By Sir John Boyd Orr. (London) Fabian Society Tract Series, No. 251. 14 pages. 3d.

Exit Prussia. By Edgar Stern-Rubarth. (London) Gerald Duckworth and Company, Ltd. 220 pages. 6s.

Safeguarding Our Civil Liberties. By Robert E. Cushman. (U.S.A.) Public Affairs Pamphlets, No. 43. 31 pages. 10 cents.

L'Economie et Législation Industrielles. By R. Mossé. (Paris) Aubier. 402 pages. No price stated.

Handbook of Latin American Studies: 1938. By L. Hanke and R. D'Eça. (London) A. Milford. 468 pages. 22s. 6d. net.

Daily Mail War Atlas. (London) Daily Mail, Northcliffe House. 32 pages. 2s. 6d. net.

Olives and Olive Products. Studies on the Principal Agricultural Products on the World Market. No. 6. (Rome) International Institute of Agriculture. 223 pages and maps. L.25.

Official Publications

Report of the Medical Research Council for the year 1938-39. Cmd. 6163. 3s. net.

Government Publications. Consolidated List for 1939. 1s. net.

Post Office Commercial Accounts, 1938. 9d. net.

Revenue Departments Appropriation Accounts, 1938. 9d. net.

Post Office Fund Account, 1938. 1d. net.

Memorandum on the Board of Education Estimates, 1940. Cmd. 6179. 4d. net.

Trading Accounts and Balance Sheets, 1938. 1s. 6d. net.

Tithe Act, Accounts, 1938. 1d. net.

Widows', Orphans' and Old Age Contributory Pensions Accounts, 1938. 3d. net.

Third Report from the Select Committee on National Expenditure. 3d. net.

War Damage to Property. Government Compensation Scheme. Final Report of the Committee on the Principles of Assessment of Damage. Cmd. 6197. 2d. net.

Factories Act, 1937. Report on Hours of Employment of Women and Young Persons in Factories during the first five months of the War. Cmd. 6182. 3d. net.

THE BUSINESS WORLD

The Course of Profits

CHANGES in a statistical series which stretches back for more than three decades should not be made lightly. The improvements in *The Economist's* profit computations (which were described in the issue of January 6, 1940) were dictated by one motive only—to make the figures represent more accurately the true course of profits. Two major changes were involved. The first was to take account of income tax; the second to define free reserves more strictly. With income tax at such a high level as 7s. 6d. in the £, comparability of the profits of different companies is seriously affected by the method which they adopt in their accounts for charging income tax. Technically, the difference is between expressing profits on a "gross" basis and on a "net" basis—or more simply, after charging only the company's share of tax, or the whole liability, including the contribution from shareholders' dividends. The choice of method is quite fortuitous, but it greatly affects the size of published profits in times of high taxation. An attempt to put the figures on a uniform basis, and to eliminate arbitrary changes due to taxation, had plainly become necessary.

Hardly less important, however, were other changes introduced this year, by which, for the first time, a double record of trading profits and also of true net profits has been kept. This has, incidentally, involved a redefinition of reserves. In former years this item in our figures was a repository for a mixture: reserves provided against specific assets, and other items properly chargeable against profits were combined with "free reserves" which were, in effect, merely undivided profits. Now the line is more tightly drawn to include the latter and exclude the former. These changes involve a break in continuity with certain figures of previous years, though this can be surmounted by the device of a chain index number.

The following table summarises the results of 552 companies whose reports were received during the first quarter of this year:—

PROFITS OF FIRST QUARTER COMPANIES

552 Companies	Previous Financial Year	Latest Financial Year	Latest net figures re-calculated before charging taxation
Total Profits**	120,227,409	125,316,354	...
Depreciation	9,514,858*	...	...
Debt interest	7,883,177	...	...
Other charges and taxation	38,729,408	...	...
Net Profits	72,138,507	69,188,911	86,642,000
Prof. Divs.	...	13,801,224	15,197,000
Ord. Divs.	...	45,971,180	62,029,000
Add to free reserves	...	9,416,507	9,416,000

** After depreciation where not separately stated.
* Where separately stated.

The figures in the first two columns are as reported by the companies, without adjustment for income tax. They show that reported trading profits rose by 4.2 per cent. during the quarter, but that net profits declined by 4.1 per cent. This difference in trend was due largely to higher taxation charges, following the increase in the standard rate to 7s. for 1939-40, while certain companies also made supplementary provisions for the preceding year. The third column gives a recalculation of reported net profits and dividends as they would appear before charging any income tax. These figures, of course, are substantially higher than those of the second column, and they show the extent to which distributable profits have previously been understated, by the purely technical incidence of income tax. By re-expressing distributable net profits as they would be before charging income tax, the amount available for distribution is raised from the reported total of £69,188,911, as shown in column two of the table, to the estimated total of £86,642,000, as in column

three. The depreciation total applies only to those companies which stated the charge in their accounts. Over the course of time, however, the depreciation figures will provide much-needed material for a study of depreciation policy.

To link the new results with those of earlier years, the following table may be of assistance:—

PROFITS OF FIRST QUARTER COMPANIES—1935-1940

Reports issued in 1st Quarter	No. of Cos.	Profits (£'000's)	Chain Index No. 1937 = 100	Prof. and Ord. Cap.	Ratio of Profits to Cap.
1935	592	67,137a	78.9	754,002	8.9c
1936	569	75,732a	89.4	757,046	10.0c
1937	628	94,733a	100	852,038	11.1c
1938	646	100,355a	109.4	836,937	11.9c
1939	656	89,651a	99.5	835,801	10.7c
1940	552	125,316b	103.8	748,454	11.6d

(a) Total profits after debenture interest. (b) Trading profits before debenture interest, depreciation and taxation. (c) Without tax adjustment. (d) Ratio of net profits, as recalculated on a before-tax basis.

Changes in comparability in the past quarter are explained in footnotes. In particular, the ratio of profits to share capital has been calculated, not from total profits less debenture interest, as in previous years, but from profits available for dividends, recalculated before tax. These recalculated figures indicate that the return on preference and ordinary share capital for companies reporting in the first quarter of the year amounted to 11.6 per cent. This return is not, at first sight, markedly superior to the ratio of 10.7 per cent. for first-quarter companies in 1939, despite the correction for income tax in the latest year. The explanation is that while income tax has caused an understatement of available profits hitherto, certain reserve provisions which should strictly be charged before striking net profits have been treated as an allocation from profits. The new closer definition of reserve provisions thus now tends to reduce available profits, and has evidently offset the increase due to tax adjustments to some extent.

An accurate statement of distribution policy can be based on the adjusted figures shown in column three of our first table. The latest figures given below are not strictly comparable with those of earlier years:—

DIVISION OF PROFITS (1st QUARTER COMPANIES)

Reports Issued during 1st Quarter	1935-39 : Proportion of Total Profits, 1940 : Proportion of adjusted Net Profits.			Rates of Payment (1935-39, without adjustment for tax)			
	Prof. div.	Ord. div.	To reserve	Deb.	Prof.	Earned ord.	Paid ord.
1935	20.8	59.8	19.4	4.64	5.1	11.0	8.3
1936	19.1	58.7	22.2	4.51	5.3	12.6	9.2
1937	19.8	56.6	23.6	4.39	5.8	14.4	10.1
1938	17.0	53.3	29.7	4.22	5.5	15.8	10.2
1939	18.4	53.9	27.7	4.20	5.2	15.9	9.2
1940(a) ...	17.5	71.6	10.9	4.24	5.5	15.1	13.1

(a) Figures based throughout on adjusted net profits.

The ever increasing standard rate of tax has masked the true return on ordinary shares in recent years. Even the first quarter's figures under the new method confirm this point, for the known increases in ordinary dividends during the period were few—and certainly not of an order to raise the average from 9.2 per cent. (for first quarter companies in 1939) to 13.1 per cent. Further, the stricter definition of free reserves is almost entirely responsible for the fall in the proportion of profits allocated under this head from 27.7 per cent. to 10.9 per cent. The figures in former years included charges against profits for the broad purpose of

keeping capital assets intact, although no outside observer could tell whether a depreciation provision was adequate or abundant. But the figures suggest that companies look to reserves for a source of net new capital to a smaller extent than has sometimes been supposed.

No remarkable features in the profits of individual groups were revealed during the first quarter of this year. These figures are shown on page 963, but without particulars of the division of profits and rates of dividend for each group, which have hitherto been published. Accurate figures under

both headings involve complicated readjustments for taxation, which may be possible in more leisurely days. But the problem of compiling accurate statistics of profits would be immensely simplified if all company accounts treated taxation charges in the same way, and the professional accountants' bodies might enter this question on their post-war agenda. Meanwhile, our new method of compiling profits figures will throw light on the true course of industrial profits, which would otherwise be obscured by any further and substantial rise in taxation which may be required before the war is won.

Shipping in War—I

THE last war left on every British mind an impress of the vital necessity not merely of a Navy to keep the freedom of the seas, but of a merchant marine to use it. The front on which we came nearest to defeat was the shipping front—and it was also the front on which we won our first decisive victory. We have not, in general, been as prompt as we should have been in beginning this war where we left off in the last. But the lessons of the submarine campaign of 1917 did not have to be learnt twice; the principles of the convoy and of anti-submarine warfare, which proved so successful last time, were applied from the start of this war and have been equally successful. So successful have they been that the seriousness of the shipping problem has not been fully realised by the public. It is true that the primary object is to prevent our merchant shipping from being sunk, and to a very substantial degree that has been achieved. But the very measures that are taken to foil the submarine add to the difficulties of the fundamental shipping problem, which is to find enough ships to bring into the country the tonnage of goods necessary for the conduct of the war. Even if there were no submarines and no mines, there would be a scarcity of shipping, for the war not only directly absorbs a number of ships in supplying the armed forces overseas, it also greatly increases the quantities of some bulky raw materials that are required. When, in addition, the annual carrying capacity of shipping is reduced by the delays inevitably associated with the convoy system, the problem is still further increased. If the last war had continued through the winter of 1918-19, it would have been necessary to make further cuts in the British food rations, not because the submarine was still a serious menace, but because the transport of material for the American Army required a very large amount of shipping.

There is thus, in any case, a shipping problem in war, however successful the measures taken against the mine and the submarine. It has two facets: the maximum use must be made of the carrying capacity available; and the limited tonnage of goods brought in must be restricted to those most needed for the prosecution of the war. The latter—the establishment of an appropriate order of priority—involves decisions covering the whole range of economic policy, and for the purpose of this article it must be left aside. The shipping problem proper—the best use of the ships available—presents a number of points on which controversy has been joined both within the shipping industry and between it and the Ministry of Shipping.

The chief of these rages over the Ministry's policy of requisitioning ships and operating them under its orders and for its account, albeit through the agency of the shipowners. The owners were led to believe, before the outbreak of the war, that the system to be adopted would be one of licensing, by which ships would still be chartered in the various freight markets and operated on a competitive basis, subject only to Government licensing. The abandonment of licensing after a few months' trial and the adoption of the much more stringent system of requisitioning is a natural subject of grievance; but it does not necessarily prove that the first decision was wrong, and still less that the change was unjustified.

The difference between licensing and requisitioning is the difference between negative and positive control. Under licensing the owner can be told what he may not do with his ship; under requisitioning he is told what he shall do. In peacetime the delicate mechanism of the freight markets ensures the smooth adjustment of the supply of shipping to the demand for it, and no other system is easily conceivable in a world where the chief stimulus to economic action is what people want and what they are prepared to pay. In peacetime it is a positive advantage that the system works without it being the duty of anybody to survey the demand for shipping as a whole. In an incomplete war economy, where Government trading co-existed with a reduced, but still substantial,

body of private trade, undertaken on private initiative for profit, it might be possible to solve the shipping problem by a modification of the peacetime system rather than its supersession. The Government would requisition shipping for its own needs, and attempt to equate supply and demand in the rest of the market by a joint policy of limiting imports and licensing ships. This was the system in force in the early months of the war.

It very quickly proved to have serious disadvantages. There are certain trades which must be carried on in wartime even though they may be extremely unpopular with shipowners, either because of unprofitability or of special danger. If it is left to the initiative of shipowners to apply for licences for these voyages, the freights offered may have to be very high, and even then the response may be inadequate. The licensing system has to be strained by making the grant of a licence for a profitable voyage dependent on the offer to undertake these unpopular services. But even so, the power to refuse permission is much inferior to requisitioning as a means of ensuring that the best possible use is made of the shipping available. Moreover, licensing has other disadvantages. Neither in the last war nor in this has it proved possible to cut down the bulk of private imports by direct import prohibition to a

THE STANDARD BANK OF SOUTH AFRICA LIMITED

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

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

BOARD OF DIRECTORS

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

Brigadier-General Sir Samuel Herbert Wilson, G.C.M.G., K.C.B., K.B.E.

General Manager in South Africa—Milton Clough

Deputy General Manager in South Africa

R. W. Normand

Assistant General Managers in South Africa

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

London Manager—Ralph Gibson

Secretary—H. Dales

Head Office: 10 CLEMENTS LANE, LOMBARD STREET

and 77 KING WILLIAM STREET, LONDON, E.C.4

Telegraphic Address: Africorum, London

London Wall Branch: 63 LONDON WALL, E.C.2

West End Branch: 9 NORTHUMBERLAND AVENUE, W.C.2

NEW YORK AGENCY: 67 WALL STREET

EXECUTOR AND TRUSTEE BUSINESS CONDUCTED

COMMERCIAL SERVICE

The Bank has over 380 Branches in Africa, and Agents and Correspondents throughout the world. The closest touch with Trade and Industrial conditions is maintained, with special attention to Commercial and Credit Intelligence. This service is available to Exporters, Importers and others wishing to develop trade with South, East and Central Africa.

figure anything near the tonnage of shipping available. It is very difficult to prevent over-demand resulting in the bidding up of freight rates, and this in turn leads to a differentiation between different commodities solely according to the increase in price they can bear, which has further undesirable repercussions on the whole economic structure. Partly for this reason, the Ministries of Food and Supply extended their control over a very wide range of commodities. At the present time, probably more than three-quarters of the imports into this country are either directly purchased or at least controlled by these two Ministries, and as the supply programme develops, the proportion will reach 100 per cent. In these circumstances, to preserve a purely negative control of shipping

would be mere time-wasting. Licences could be given for Government cargoes and refused for others; but the initiative in applying for a licence would still lie with the shipowner and all forward planning of shipping movements would be impossible. Moreover, so long as there is any private importing, licences to shipowners to accept private charters would be documents of considerable value and there would be endless problems to solve in distributing them equitably.

In these circumstances, full requisitioning is the only rational policy. Nevertheless, it is one to which strong exception has been raised in shipping circles. These objections will be examined in a second article.

Finance and Banking

Free Sterling Steadies

Despite the gravity of the week's military news the behaviour of sterling in what remains of the free foreign exchange markets has been most commendable. The rate in New York, which closed last week at about 3.24, has since fluctuated between 3.17 and 3.25 and closes this week with very little net change. This resistance to unfavourable military news must be partly explained in terms of the disappearance of the Dutch and Belgian financial markets. They no longer provide the facilities for speculation in sterling which, particularly in the case of Amsterdam, were formerly a potent factor in the free market. Moreover, with Dutch and Belgian sterling assets virtually blocked for the time being, a more specific potential factor of weakness in the exchange position has been temporarily immobilised. The concern of the authorities in dealing with the free market is now largely concentrated on the United States dollar and this eases the problem considerably. None the less, it would be surprising if the surge of vigour and awakened awareness of our task which is sweeping the whole country so rapidly towards a real war economy were to leave the exchange market unaffected. It is here that the compromise between control and freedom has been most apparent and in some ways most damaging—both materially and psychologically. Whether through Orders issued under the Emergency Powers (Defence) Act or by further Defence Regulations, there are several directions in which more rigorous and effective control of our foreign exchange market could be achieved. One point on which greater severity should be exercised is the import of notes—sterling and foreign—into this country. At present, this traffic is free. Foreign banks buying sterling notes abroad may remit them to this country and have their free sterling accounts credited. There is special urgency in placing greater control on this import of bank notes given the considerable quantities of such paper which the Germans must have seized in Dutch and Belgian banks and safe deposits.

Emergency Powers Act and the Banks

Banks were specifically mentioned by Mr Attlee as coming within the scope of the Orders by which the permissive powers vested in the Government by the Emergency Powers (Defence) Act will be exercised. "There will have to be control of the finances of the country and of the banks," he said; adding, "it may be done centrally; but if conditions require it, it will have to be done through regional commissioners." The banks may face this prospect of control with complete equanimity. In their loans policy, in the contribution they have brought to the new exchange market mechanism, indeed over the whole range of their activities, they form part of the effective machinery which controls the capital market. At no time has the co-operation between the banks and the Bank of England been as complete and harmonious as it is at present. The substitution of a more statutory form of control for the informal devices which have hitherto been largely responsible for enlisting the co-operation of the banks in the economic war effort can have little practical effect in the near future. It may, however, be used to supplement Section 8 of the Defence Regulations in extracting from the banks information required to check evasion of exchange restrictions, and to push the banks further into the gilt-edged market. But it seems highly probable that, in the main, the permissive powers of control over banks will be kept in reserve for use in serious emergencies. The need for them might arise if, for example, material destruction in the British Isles reached a point at which the normal mechanism of banking organisations were to break down.

Discount Rates Unmoved

Once more it falls to the discount market to provide the completest illustration of economic isolation from the breath-taking military developments of the past week. The discount rate remains unmoved at 1½ to 1⅙ per cent. The clearing banks have perhaps been slightly less aggressive in their purchase of bills, but this is largely due to the fact that most of these institutions have during the past week been making up for their May balance sheets. The market has at the same time been a rather keener seller of bills given the larger proportions of its quota which it has recently been obtaining at the weekly Treasury bill tenders. The banks, however, continue to buy at 1 per cent. The Bank of England return showing bankers' deposits at the comparatively high level of £103 millions partly explains this resistance of discount rates to military developments. Another explanation is the growing scarcity of commercial paper in the market. The closing of the Scandinavian market is only now making its full effect felt on the London market, which for so many years has handled a steady flow of acceptances representing Scandinavian trade with the whole world.

The Guilder Position

There is still no precise news as to the ultimate fate of the guilder exchange. Dutch refugees entering this country are being allowed to exchange guilder into sterling notes at the rate of 7.68 guilders to the £ and up to a total of 155 guilders per person. This rate is that which obtained for the conversion of notes on the eve of the German invasion of Holland. But the ultimate fate of the unit-of-account guilder which will be used by the Dutch Government in regulating its financial transactions with the other Allied Powers still remains to be settled. It seems likely that the Dutch currency will sooner or later find itself in the solid bloc which already includes the French, British and Belgian currencies. The news announced this week that the Dutch East Indies guilder had for the time being been linked to the United States dollar at the pre-invasion rate need not preclude an alignment with the Allied currencies. Now that Holland and her colonies are at war against Germany one may expect the trade between these colonies and the Allied Powers to be conducted on the basis of new agreements which would have as their natural corollary the establishment of stable official rates of exchange. Provided the official sterling-dollar rate remains at its present level—and there are no indications whatsoever of a change—this stability of the N.E.I. guilder with sterling and French francs could be readily reconciled with the decision to maintain the link between the N.E.I. guilder and the United States dollar.

Belga Stabilised

The belga has joined the monetary alliance at the rate of 24 belgas, or 120 Belgian francs, to the £. For the time being this rate is nominal. The only transactions occurring in Belgian francs are the exchange of notes taken out of Belgium by refugees. Genuine refugees arriving in Great Britain may exchange such notes into sterling up to a total of £20 per person. A record of such transactions is inscribed on the identity cards which the refugees are given on entering this country. For the rest the market in belgas is in suspense. Forward contracts outstanding at the time of the invasion of the Low Countries are being left in abeyance pending receipt of the appropriate instructions from the Bank of England.

These are expected in the near future. The National Bank of Belgium has transferred its head office from Brussels to Le Havre, as it did in the last war, and as no issuing authority is left in Belgium the currency requirements of the country will presumably be satisfied, also as in the last war, by German notes. This position will at least facilitate the problem of dealing with the belga exchange, which will not be complicated—as presumably it will be in the case of the Netherlands—by the presence of a domestic currency issued by the central bank but under enemy control. When dealings in belgas are resumed the market is likely to see very little of them. With Belgium largely in German occupation, private trade with that country will be virtually at a standstill, and the official conversion rate between belgas and the other Allied currencies will be mainly concerned with inter-Governmental transactions.

Licence for Silver Exports

A Board of Trade Order issued at the end of last week made some additions to the list of commodities which may only be exported from the United Kingdom under licence. To the complete surprise of the market, silver was included among them. The readiness of the authorities to grant export licences for silver has not yet been tested. But it is generally assumed that if such permission is given it will only be on condition that the metal is paid for in dollars or in sterling obtained in the official market. This development obviously revolutionises the whole silver position in London. The recent rise in the price, which had occurred despite increasing evidence of an early revision in the United States silver purchasing programme, had been based largely on the depreciation of the free sterling rate in New York and on the consequent rise of the export parity from London. As long as the United States Treasury was prepared to buy imported silver on the basis of 35 cents an ounce, and as long as American interests could buy silver in London with sterling obtained in the free market, the London price was bound to follow broadly the range of free sterling fluctuations. If the possibility of such arbitrage operations has been withdrawn, the sterling silver price should tend to revert to the parity indicated by the official sterling-dollar rate. This parity may at present be calculated at 18½d. Other influences are, however, acting on the market, particularly the Indian demand, which, in accordance with tradition, increases in intensity with every extension of the theatres of war. Moreover, the scarcity of supplies in the London market contributes a persistent check to the fall of the price which should logically follow official

moves in London and Washington. Thus the price, which at the end of last week touched 23½d., the price at which the Indian Government is still prepared to sell, has since fallen to 21½d., which is well above the theoretical export point to New York. The Indian Government found it necessary to sell a small amount on Friday of last week to prevent the price from crossing the 23½d. limit.

Pan-American Banking

One of the projects sponsored by the United States Government to increase trade between the United States of America and Central and South America is the proposed creation of an Inter-American Bank, the preliminary draft statutes for which have been drawn up by the Inter-American Economic and Financial Advisory Committee set up at the Panama Conference. The proposed capital of this institution is 100 million United States dollars, to be subscribed by the United States Government, and the other twenty American Republics, in proportion to the volume of their trade with the United States during the year 1938. It appears to be a kind of American "Bank for International Settlements," to act as a clearing house for international payments between the American Republics. So far, only the requisite minimum number of five nations appear ready to sign the Convention; but even these require the ratification of their own legislatures, and include Mexico, Colombia and Nicaragua, whose economy is directly dependent upon the United States market. The attitude of such important countries as Argentina and Chile is undefined. For one thing, there is political opposition, particularly in Argentina, to the hegemony of Washington; but apart from this the banking requirements of Latin America are already adequately met—indeed, there is sometimes too much competition. Moreover, the leading South American banking systems appear far from needing any of the rediscount or other financial facilities envisaged for the new institution. Central banks, with complete control of credit, now exist in most South American countries and enable them to face the existing conditions with far greater equanimity than in 1914-18. For example, the report of the Central Bank of Argentina for 1939 is a model of its kind, the reserve position being exceptionally strong. Another factor is the wartime expansion in British purchases, which is extending the influence of the sterling bloc not only to the River Plate countries but also in an increasing degree to Chile, Peru and Brazil. In all the circumstances, therefore, the outcome of the scheme for an Inter-American Bank appears, to say the least, problematical.

INSURANCE NOTES

	Earned	Premiums	Underwriting	Profit and Loss
	1938	1939	1938	1939
Fire ...	5,472,954	5,436,154	511,926	501,883
Accident	5,996,686	6,037,751	566,920	558,391
Marine	1,015,075	1,241,243	Dr 46,420	82,706
	12,484,715	12,715,148	1,032,426	1,142,980
Life ...	2,106,911	2,113,445	*50,000	*46,000
Annuity	285,084	107,019	...	...
Cap. red.	56,271	20,187	...	...
	14,932,981	14,955,799		
Interest (ex. life, annuity and cap. red.)	1,210,133	1,120,482		
		2,292,559	2,309,462	

* One-fifth of shareholders' profits at 1934 valuation (1938 account) and 1939 valuation (1939 account).

£2,005,770 is unappropriated, leaving £230,000 allocated to shareholders and £2,066,326 for with-profits policyholders. The reversionary bonus is 36s. per cent. per annum, against 45s. last time.

The total credited to profit and loss, as shown in the table, was £2,309,462, which, added to the amount brought forward, gave a total of £4,416,310. After transferring £750,000 to the reserve fund (making £1,500,000) and providing for the 1939 final dividend and other outgoings, £2,003,804 is carried forward (against £2,106,848). The dividend of 6s. 6d. less tax per £1 share is unchanged. The book value of the assets (£61.8 millions) was less than the actual value.

Phoenix.—The large fire and accident portfolios of the Phoenix yielded profits

at a very satisfactory level. The combined underwriting balance was only slightly less than in 1938. Premiums of the three non-life departments, helped by an emphatic expansion in marine income, totalled almost £7½ millions, and the combined underwriting profit of these accounts exceeded the £½ million mark. Including the shareholders' portion of life and capital redemption profits and interest on general funds, the total credit to profit and loss was £992,129, giving a total credit of £2,401,263, with the sum of £1,479,134 brought forward. After provision for dividend (12s. per share, less tax, as for 1938), debenture interest, taxation and other outgoings, the carry-forward was £1,473,676. The figures include those of the subsidiaries:

	Earned	Premiums	Underwriting	Profit and Loss
	1938	1939	1938	1939
Fire	2,737,475	2,753,159	239,138	201,780
Accs.	3,963,958	3,827,522	304,872	330,074
Marine	740,919	908,316	...	...
	7,442,352	7,489,297	544,010	531,854
Life	1,335,954	1,343,710	38,000	19,903
Annuities	92,798	247,936	...	...
Cap. Red.	51,981	49,992	2,000	60
Interest (ex. life ann. & cap. red.)	...	...	410,352	370,312
	8,923,085	9,130,935	994,362	922,129

New sums assured in the life department totalled £4,027,016 net, a decline of 19 per cent. on the 1938 total. Net interest was 3.59 per cent., against 3.83 per cent. Total assets at £38.4 millions were undervalued, taking into account investment and

(Continued on page 948)

The Market's Rearguard Action

The grave military news last week-end has found the London market, like the British Forces, fighting a stubborn rearguard action. But if proof were needed that its spirit remained unbroken Thursday's spectacular recovery surely supplied it. At no time was any general freezing of the gilt-edged market evident, and in the big stocks dealings have remained relatively free. In this first assault minimum prices have fulfilled their main task—that of providing an assured dealing basis. Even on Monday, when dealings were under the heavy shadow of week-end war news, although many gilt-edged stocks touched official minimum levels, these usually provided a "bid" basis for *dealings*, and *business* still remained practicable. Since the week-end the gilt-edged market has certainly made the best of the news. Tuesday's rally certainly looked odd by comparison with the serious disclosures of M. Reynaud, published after the market had closed. It was, in fact, largely of a technical character, due in part to the absence of any significant volume of sales. On Wednesday, early dealings were naturally affected by M. Reynaud's overnight speech, but the recapture of Arras

	Min. Price Mar. 18, 1940	May 10	May 20	May 21	May 22	May 23	Change since May 10
Conversion 5 ⁰⁷ / ₁₆ 1944/64	107½	108¼	107½	107½	107½	107¾	+ ½
Nat. Def. 2½ 1944/48	98	100½	99¼	99	99	100¼	+ ¼
Conversion 2½ 1944/49	96½	98	97	97¼	97¼	98¼	+ ¼
Conversion 3% 1948/53	99	100½	99½	99½	99½	100½	+ ¼
Funding 2½ 1952/57	94½	95½	94½	94½	94½	95½	+ ½
Nat. Defence 3% 1954/58	98	100	98½	99	99	100	+ ½
War Loan 3% 1955/60	98	99	98¼	98	98½	99½	+ ½
Funding 2½ 1956/61	88½	90½	88¾	89	89	89½	+ ½
Funding 3% 1959/69	95	97½	95½	95½	95½	96½	+ ½
Funding 4% 1960/90	108½	110	108½	109¼	109	110¼	+ ¼
ictory 4% 1957/after	107	109¼	107½	108¼	108¼	109½	+ ¼
Consols 4% 1957/after	108	109½	106½	107	107	108½	+ ½
War Loan 3½ 1952/after	95	99	96¾	97¼	97	98½	+ ½
Conv. 3½ 1961/after	95	99¾	97	97½	97¼	98¾	+ ½
Local Loans 3% 1912 after	82½	86	83¾	84	84	85½	+ ½
Consols 2½ 1923/after	70½	73	71¼	72	72	73½	+ ½
F.N. fixed interest index	124·8	125·2	121·8	121·7	120·9	122·6	+ 2·6

came at a psychological moment, and in the rally which followed leading stocks almost regained their position at Tuesday's close. The Emergency Powers Act had an inspiring effect on gilt-edged. Old War Loan jumped from 97 to 98½, and the other long-dated issues were similarly strong. For equities, the story has been markedly different. Industrials experienced little selling pressure, but lower and wider prices have had full effect. Even in Tuesday's rally the recovery was small and the fate of the market is fitly illustrated in the decline of *The Financial News* industrial share index from 70.3 on Friday last week to 68.6 on Monday, followed by a recovery of 0.2 on Tuesday and a resumed fall of 1.3 to 67.5 on Wednesday. But even equities responded to the Emergency Powers Act, and the index closed at 67.9 on Thursday. The measure is generally welcomed in the market to show that Britain means business, and though it may also mean the end of equity investment business, by any normal standards, for the duration, ordinary shareholders in general are not likely to complain of measures which have become inescapable if the maximum war effort is to be put forward in the shortest time.

The Home Rail Retreat

Despite substantial losses last week, home rail stocks have staged a further confused retreat this week, which until Thursday spared no section of the market, from the most vulnerable equity to the most soundly secured debenture. Since May 10th Southern preferred has fallen from 67½ to 56 and Great Western ordinary from 43 to 36, but L.N.E.R. 4 per cent. debentures have also fallen nearly 8 points to 86, while the senior debentures of the other lines show losses ranging up to 5 points. Their experience is shown in the table in the adjoining column. The war damage argument (to which reference was made in last week's issue) is still the major market factor, and the sharp falls in the marginal stocks may be justified from this point of view. Obviously, discrimination between the various issues is hardly possible when the extent of potential damage to individual lines, and the size of any extra pro-

visions from profits which it may entail are unknown quantities. Southern preferred and Great Western ordinary have shown the most spectacular absolute losses, but the relative falls of L.M.S. ordinary and L.N.E.R. second preference, not unreasonably, have been at least as great. The weakness of the debentures, though due in part to the reaction of gilt-edged stocks, has been the more emphatic because they lack any minimum price protection. Their nominal amount is approximately equal to that of the 3 per cent. War Loan—£300 millions—and they represent an important sector of the

	May 10	May 17	May 20	May 21	May 22	May 23	Change since May 10
L.M.S. ord.	19	15	14½	15	14½	15½	-3¼
Do. 4% deb.	99½	96½	94½	94½	93½	96	-3½
Do. 4% pref.	59½	54	52	54½	53½	56	-3½
L.N.E.R. 2nd pref.	17	14	13	13½	12½	13	-4
Do. 4% deb.	93½	88	85	85	84	86	-7½
Do. 4% 1st gtd.	79½	76½	74	75	74	74½	-5
Gt. Western ord.	43	34	33	35	35	36	-7
Do. 4% deb.	103½	99½	98½	98½	96½	98½	-5
Do. 5% con. gd.	112½	110	108	109	106	108	-4½
Southern pf'd.	67½	59	52½	56½	53	56	-11½
Do. 4% deb.	102½	99½	97	97½	96½	98½	-4½
Do. 5% gtd. pref.	112½	111	110	110	109½	110½	-2

fixed interest market which must not be breached if the general basis of interest rates is to be maintained in relation with minimum prices for trustee stocks. Meanwhile, hearings have been opened this week by the Consultative Committee of the Railway Rates Tribunal, whose task is to advise the Minister of Transport how to secure the 10 per cent. increase in London road fares. On behalf of the Railway Executive Committee it was estimated that London Transport receipts from road services (which amounted to £23,123,000 for the year to June last) would be £20,528,000 for the year to March next, and it was agreed that there appears to be no escape from the increase of 1d. road fares to 1½d. The proposed increases would produce £1,524,000 from road services and £692,500 from rail services.

Changes in E.P.T.

The 1940 Finance Bill runs to 105 pages. Many of its clauses merely give technical expression to tax changes already authorised. The principal new provisions relate to changes in Excess Profits Tax as promised in Sir John Simon's Budget speech. These provide mainly for more equitable treatment of companies in depressed circumstances in the standard years, and the notorious sub-section 7 of section 13 of last year's Finance (No. 2) Act is repealed. A company which earned no profits in the standard period or whose profits were so low that they could not justifiably be used as a standard may be given a standard by the Commissioners, not exceeding an amount sufficient to pay fixed dividends on preference capital and 6 per cent. on ordinary shares of public companies, or 8 per cent. for companies whose directors have a controlling interest. An appeal will lie from any determination of the Commissioners under this sub-section to the Board of Referees. If the Board is satisfied that profits were non-existent or too low in the standard period, and also that the company's paid-up share capital did not fully represent the net value of assets employed in the business, they may fix standard profits at 6 per cent., or 8 per cent. as the case may be, on the value of assets (on a going-concern basis) employed in the business immediately before the commencement of the standard period, after deducting borrowed money and making any adjustment for changes in the average amount of capital actually employed in the standard period itself. Further, the Board may issue a similar direction even if a company's paid-up capital is fully represented by assets, if it shows that it belongs to an industry which in the standard period was a depressed industry. The concessions to these various special cases are to be strictly limited to a basis of 6 per cent. on capital and, unlike the E.P.D. rules, there is no provision for special capital allowances for industries which have to undertake substantial trade risks. The concessions at least remove the more obvious shortcomings of section 13 of

last year's Finance (No. 2) Act. New and necessarily complicated provisions have also been produced to provide for the aggregation of profits for inter-connected companies, which occupy a schedule of 18 pages. Clause 28 of the Bill appears to afford immunity to a parent company from double excess profits taxation on income arising from investments in controlled companies, provided that it exists wholly or mainly for the purpose of co-ordinating the administration of the group. This clause, however, does not appear to cover a case where a company's assets consist wholly of shares in a second company, but which happen to represent less than a controlling interest. By the Emergency Powers Act, passed on Wednesday, the rate of Excess Profits Tax is raised from 60 per cent. to 100 per cent. The Dividend Limitation Bill left shareholders with some equity in net retained profits after paying E.P.T., even where they could not be wholly distributed. The exigencies of war have demanded that even that deferred equity must be surrendered.

Edmundsons Electricity Results

Shareholders of Edmundsons Electricity Corporation have every reason for satisfaction with the company's record for the year to March 31st. Trading profits, after charging net administrative expenses, rose from £155,313 in 1939 to £156,679 in 1940. The marked increase in income from dividends from subsidiary companies and other sources from £585,872 in 1938 to £741,818 continued further to £748,474 for 1939-40. Thus, total income since 1938 has shown an increase of nearly £30,000 to £905,153. While rising costs have reduced the total amount earned for ordinary stock from £469,977 to £459,969, this sum is still considerably above the earnings of 1937-38. The main items of rising costs have been an increase in the allocation for taxation and N.D.C. from £50,000 to £60,000 and in the interest on temporary loans. This item of expenditure has maintained a steady upward trend in the last three years from £38,048 in 1938 to £46,603 in 1939 and £54,529 in 1940. Profits for the past three years are analysed below:—

public purchasing habits, and difficulties in securing supplies of textile goods—though Marks and Spencer has sought to offset them by placing bulk orders ahead of current needs. Both Lord McGowan at the I.C.I. meeting and Sir Edward Wilshaw at the Cable and Wireless meeting stressed the increasing amount of Government work for which both companies have become responsible. I.C.I. is devoting particular effort to provide a surplus of production for export both in order to meet the demand of markets abandoned by Germany and in order to replenish British stocks of *devisen*. Increased Government traffic has not proved wholly profitable to Cable and Wireless. The absorption of much private business under Ministerial control and the prohibition of the use of codes has actually caused certain falls in revenue. Cable and Wireless, however, was able to report record profit figures. The Empire “flat rate” is proving remunerative, and special rates are now available for members of the fighting forces. The calling-up of labour is a common problem, which must grow increasingly acute, despite the vigorous plans for retraining and employment of women. But the conclusion from these three leading industrial concerns is that adaptation to war conditions is being energetically pursued.

Richard Thomas Chairman

Sir William Firth, whose removal from the board of Richard Thomas and Company was announced recently, is to be replaced by Mr E. H. Lever, Joint Secretary of the Prudential Assurance Company, who has accepted the unanimous invitation of the board to become Chairman as from August 1st next. Mr Lever has been a member of the Control Committee as nominee of the trustees for the first mortgage debenture stock, and his appointment will entail his resignation from the Prudential Assurance Company in order to devote full time to the interests of the company as Chairman and Finance Director.

Hudson's Bay Report

Despite the outbreak of war, Hudson's Bay Company earned higher profits before making provision for taxation, both in the trading and land departments. Total revenue rose from £378,949 in 1939 to £458,155 in 1940. The reduction in net profit from £110,503 to £72,269 is essentially due to the increase in income tax provision from £111,096 to £228,493. A rise in agricultural prices following on the outbreak of war was responsible for an increase in land sales from 40,649 acres to 51,596 acres at an increased price of £1 11s. 6d. per acre. Hence the land department has been able to raise its ordinary dividend from 1 to 1½ per cent., tax free. The reduction in the dividend of the trading department from 2½ to 1 per cent. accordingly provides a gross yield on the £1 ordinary shares of £3 13s. 6d. at the current price of 18s. 6d. Profits in the trading department suffered from depression in the European fur market after the outbreak of war, a factor which will presumably continue to operate as long as hostilities last. There is, however, good reason to expect that the general trading of the company will benefit further from the prosperity in the prairies following last year's bumper harvest, though it is still too early to predict the yield of this year's crop. Internal prosperity may thus be capable of offsetting fur trade losses and rising taxation in wartime. The company's balance sheet shows a rise in cash holdings from £412,030 to £623,737 and a rise in stocks of merchandise from £1,228,841 to £1,455,514. The increase in surplus current assets from £1,908,000 in 1939 to £2,016,000 in 1940 represents a useful strengthening of the company's financial position in the present emergency.

Newspaper Earnings

The latest reports of Allied Newspapers and Odhams Press disclose only a slight fall in trading profit during 1939. Allied Newspapers report trading profits of £880,112,

	Years to March 31st		
	1938	1939	1940
	£	£	£
Trading profits	281,737	†155,313	†156,679
Divs. and other income	585,872	741,818	748,474
Total income	867,609	897,130	905,153
Expenses, fees & interest	78,469	55,310	63,341
Taxation and N.D.C.	51,000	50,000	60,000
Debtenture service	203,022	203,022	203,022
Preference dividends	113,211	118,821	118,821
Ordinary stock :—			
<i>Earned</i>	421,907	469,977	459,969
Paid	336,600	405,000	405,000
<i>Earned %</i>	11·8	7·3	6·8
Paid %	59	6	6
Reserve fund*	30,000	30,000	30,000
Carried forward	98,184	133,161	158,130
Issued ordinary capital ...	4,500,000	6,750,000	6,750,000

* Not including direct transfers of capital profits. † After net administrative expenses. § And capital bonus of 50 per cent.

Consolidated fixed assets of the group amounted to £28,279,658 at March last compared with £23,262,206 at March, 1937. Meanwhile, the policy of consolidating interests which effected a reduction in the number of subsidiary companies in the Edmundsons group from 49 in 1937 to 23 in 1939 has been continued. The total is now 17, but the group's interests remain well distributed geographically—a vulnerable quality, perhaps, when peacetime utility legislation was contemplated, but a useful attribute in wartime. The declaration of a final dividend of 3½ per cent. by the holding company, making a total of 6 per cent. on the year as before, gives a yield of £5 4s. per cent. on the £1 ordinary stock at the current price of 23s.

"The Chairman Said"

The speeches of the chairmen at the general meetings of Marks and Spencer, Cable and Wireless, and Imperial Chemical Industries have all revealed the influence of war conditions on earning capacity in three branches of industry, production, distribution and communications. All three chairmen were able to report that the exercise of foresight in the post-Munich period had permitted the transition from peace to war conditions with a minimum of dislocation. All showed that earning capacity in the first phase of the war had been remarkably well maintained. Mr Simon Marks summarised the inconveniences which the war has brought to the distributive trade, caused by disturbance to

FAMOUS SINCE 1795
OTARD'S
COGNAC BRANDY

compared with £869,552. Odhams Press reports a decline from £379,884 to £378,745. In both cases profits are some distance below the peacetime levels of over £1,000,000 established by the Allied Group, and of over £400,000 for Odhams in the years 1934-37. Thanks to a fall in debenture charges, the Allied report does, however, reveal an increase in net profit from £779,329 to £781,453. As suggested in *The Economist* of February 3, 1940, the increasing cost of production and the fall in advertising revenue in wartime has been more or less offset by the cut in expenses for canvassing and free insurance. But the best that can be said of the results of these two companies is that in the first year of partial war they were not noticeably worse than in the last year of partial peace. It remains to be seen how earnings will react to the more stringent conditions of the blitzkrieg period. Meanwhile the inevitable rise in holdings of newsprint is indicated in the Allied balance sheet by a striking increase in the figure for stock-in-trade from £24,098 to £101,877, accompanied by a reduction in cash from £435,237 to £235,191. Both companies have declared a reduced dividend on their ordinary shares. Allied Newspapers' dividend is further reduced from 6 per cent. to 5 per cent., and Odhams Press dividend from 10 per cent. to 6 per cent. Thus, with a yield of £12 per cent. on the 4s. ordinary shares, now standing at 2s., Odhams Press satisfy the criterion of a 10 per cent. yield recently suggested in these columns as the minimum safe return on newspaper equities in time of war. Allied Newspapers, with a yield of £9 10s. 6d. per cent. on the £1 ordinary stock, now quoted at 9s. 6d., is little distant from it.

* * *

Beechams Pills Record Profit

Trading profits of Beechams Pills for the year to March last have set up a new record exceeding £1,000,000. The company's total income amounts to £1,055,615 compared with £723,663 in 1939 and £600,908 in 1938. It is impossible to make any direct comparison between earnings in recent years on account of the far-reaching extensions which the group has achieved through the acquisition of control of Eno Proprietaries, Beecham Maclean Holdings and County Perfumery. Beecham's earnings for 1940 include a dividend from the latter company in respect of the nine months beginning July 1, 1939. After provision for fees and taxation, net profit amounted to £583,597 compared with £516,255. Earnings for ordinary shares totalled £443,847 compared with £375,650 for the previous year. The ordinary dividend of 28½ per cent., less tax, for the year—the maximum under the dividend limitation rules—is covered by an earnings percentage of 46.1 per cent. The allocation for income tax has risen from £190,792 to £329,018, and in addition the company has provided £140,000 for E.P.T. The sum charged to development reserve shows a slight increase from £72,919 to £79,124. Increased sales, which the directors report since the outbreak of war, have presumably offset whatever increase in costs the company has incurred through its policy of maintaining stable prices. It is not clear, however, from the company's statement, to what extent retail margins as well as prices have been stabilised. The balance sheet reveals an increase in surplus liquid assets from £88,000 to £350,000 mainly due to a reduction in the sums owing to subsidiary companies. At the present market price of 7s., the 2s. 6d. deferred shares offer a yield of £10 4s. per cent.

THE STOCK EXCHANGES

London

Note: all dealings are for cash

At the opening on Monday the market was overshadowed by the rapid German thrust for the Channel ports. Quotations were marked down all round, and dealing margins widened. The subsequent story has been encouraging for gilt-edged, but not for equities. Business throughout the week has been small, and there was never any extreme pressure to sell. On Thursday, gilt-edged staged a remarkable recovery, assisted by good turnover on the mobilisation of British resources to win the war, but there was only mild sympathetic response from the depressed sections, like home rails and industrials.

The change of sentiment in the *gilt-edged market* between Wednesday morning and Thursday afternoon is illustrated by the range of markings in Old War

Loan from the minimum of 95 on Wednesday to par on Thursday. Other long-dated gilt-edged stocks shared fully in this spectacular recovery. Old Consols closing on Thursday at 73½ compared with 71½ on Monday, while Conversion 3½ closed at 98½ on Thursday compared with 97 at the beginning of the week. The general effect of the spectacular recovery in gilt-edged has been to reduce the losses which occurred since the invasion of Belgium and Holland to not more than one point.

Only a sympathetic response occurred in the *home rail market* to the recovery in gilt-edged, and it was largely confined to the senior debentures, which recovered about one point of their previous losses. There was no improvement among marginal stocks; Southern preferred, which recovered from its slump of 6½ points to

52½ on Monday, recovered to 56½ on Tuesday, but has since recorded no net advance. Great Western ordinary, however, showed a one-point improvement on Thursday and L.M.S. ordinary also closed better.

Small business was recorded in the foreign bond market. There was an early improvement in Japanese issues, which was not maintained, and French railway bonds were rather heavily affected by the war news.

Despite the unfavourable military developments, *industrial shares* have experienced little selling pressure this week. Prices, however, have in general been heavily marked down, though turnover has been slight. Iron, steel and coal shares have experienced the heaviest losses, including Wm. Cory, John Brown,

(Continued on page 958)

Rand Quarterly Reports

The following table summarises the results of last quarter's development for the leading Union Corporation, Central Mining and Gold Fields companies:—

Mine	January-March		Change on previous	
	Payability	Inch dwts.	Payability	Inch dwts.
<i>Union Corporation</i>				
East Geduld	64	510	— 1	+102
Grootvlei	48	380	+ 2	+ 57
Marievale	44	251	+ 3	— 20
Van Dyk Consolidated ...	25	225	— 19	— 31
<i>Central Mining</i>				
City Deep	44	242	— 16	— 60
Consolidated Main Reef...	55	227	+ 7	— 8
Crown Mines	67	246	+ 1	Nil
Durban Deep	57	273	+ 4	+ 15
East Rand Proprietary ...	35	279	+ 10	— 1
Modderfontein East	18.5	212	— 6	— 21
Rose Deep	38.5	423	Nil	+ 76
<i>Gold Fields Group</i>				
Rietfontein Consols.	52	384	+ 5	+ 68
Robinson Deep	53	271	+ 2	—100
Simmer and Jack	58	300	+ 6	+ 43
Spaarwater	27	201	— 4	— 4
Sub Nigel	47.3	525	— 3	+110
Venterspost	60.7	374	+ 7	+ 85
Vlakfontein	32.9	438	+ 6	+134
Vogelstruisbult	43.1	297	+ 1	— 20
Luipaards Vlei	74.4	344	— 2	— 32

East Geduld showed another excellent quarter's development, and an improvement also occurred in Grootvlei. Van Dyk's results were disappointing, with a substantial fall in the percentage of payability, but this should only be a passing phase. Durban Deep, Consolidated Main Reef, Crown Mines, Rose Deep and East Rand Proprietary all showed satisfactory figures. A lower development footage in City Deep was accomplished, and results compared unfavourably with the previous quarter. Development results, however, have fluctuated in the past, and undue weight should not be given to results of any individual quarter. Percentage of payability in Modderfontein East has been regularly declining since the end of 1938 and has now reached the low figure of 18.5 per cent. In the Consolidated Gold Fields group Simmer and Jack had an excellent quarter. Owing to the higher gold price, ore reserves have automatically increased by 760,000 tons to 4,483,000 tons, averaging 4.2 dwts. April milling rose to 140,000 tons, and the monthly objective of 180,000 tons should be reached by the end of the year. Sub Nigel, Luipaards Vlei and Venterspost showed satisfactory results, while Vlakfontein again revealed substantially higher values, with an increased development footage. Spaarwater and Vogelstruisbult continue normal development, and Robinson Deep's somewhat poor results will no doubt be adjusted in future. The immediate effect of the higher gold price increases the ore reserves by 670,000 tons to approximately 7,515,000 tons, averaging 4.35 dwts. At the annual meeting, it was stated that the present shaft layout will allow mining to 9,000 feet, but that a new deep level shaft system would enable operations to be carried down to 12,500 feet. The great expenditure involved, however, would not be justified unless the Union Government modified mining taxation for such deep mining.

Industry and Trade

The Vital Need for Aircraft

The importance of the air arm in the present war of movement has been further demonstrated by Germany's offensive; the success of her attacks, indeed, has been due, in no small measure, to the quantitative superiority of her air power. The Allies have retaliated as best they could; but the superior quality of British machines has been more than offset by the numerical ascendancy of the enemy. They have not been able either to stem the advancing enemy columns or to cut their lines of communications. The extent of Germany's numerical superiority in the air has been rather unexpected in view of recent statements by Government spokesmen. As long as a year ago widely quoted reports suggested that British production had reached about 1,000 machines per month and that the rate of output was then as big as in Germany. Within a short time Germany was to be overtaken. Yet, according to a statement by President Roosevelt, the combined weekly output of the Allies is still smaller than Germany's. President Roosevelt's statement, if correct, is a grave indictment of our former Government. With our superior resources we could easily have won the race of production long ago; there is not the slightest excuse for our continuous inferiority in numbers. The need for increased supplies is now a matter of life and death, for if we do not reach superiority fairly soon our position may grow steadily worse. The loss of additional air bases in France, for example, would render it much more difficult effectively to counter heavy air attacks on our communications and industrial centres. Fortunately, Lord Beaverbrook is wasting no time. He had hardly been in office as Minister of Aircraft Production, when he announced that the Nuffield Aircraft Factory and the Vickers Supermarine organisation had been brought together under the management and control of the Vickers Armstrong Company. And, in order to relieve the scarcity of labour, he immediately issued an appeal to workers engaged in the repair of motor cars in garages to volunteer as fitters in aircraft factories. Moreover, the new powers taken by the Government on Wednesday should enable it to transfer substantial numbers of workers from comparatively unessential tasks to the production and repair of aircraft. But only a stupendous effort will enable us to gain superiority in the air in the reasonably near future, even if American deliveries arrive as expected.

* * *

Distribution of Unemployment

The Government's decision to direct the country's labour forces into the channels where man-power is most urgently required has come none too soon. The accompanying analysis of the distribution of unemployment on April 15th, published in the current issue of the *Ministry of Labour Gazette*,

UNEMPLOYMENT IN AUGUST, 1939, AND IN APRIL, 1940
(Principal Industries)

	No. Unemployed		Unemployment in April as % of Total No. Insured
	August, 1939	April, 1940	
Agriculture	28,110	31,408	4.4
Coal mining	103,247	44,311	5.3
Pottery, earthenware	12,217	8,614	11.8
Chemicals	11,975	3,488	3.0
Metal manufacture	26,487	20,752	6.0
Engineering	41,796	21,406	2.4
Vehicles and aircraft	18,035	12,882	2.5
Shipbuilding	32,732	11,901	6.8
Other metal industries ...	44,707	30,442	4.0
Textiles	119,586	62,271	5.6
Clothing	57,782	28,871	4.6
Food, drink, tobacco	41,105	39,741	6.6
Woodworking	22,985	19,887	8.0
Paper, publishing	22,871	31,171	6.9
Building, contracting ...	221,878	171,993	12.2
Transport	95,130	72,825	8.2
Distributive trades	150,493	129,322	6.2
Entertainments	20,764	21,278	13.6
Hotels, public-houses, etc.	56,282	71,570	14.1
All industries in U.K. ...	1,310,528	1,000,800	6.7

shows that in all the key industries the proportion of insured persons without work has been reduced to a minimum. And, if allowance is made for the fact that some workers are always between two jobs on the day of the count, while others are temporarily unemployed through bad weather or owing to a seasonal decline in production, the reserve of unemployed available for transfer from the less essential trades to the key industries is now also limited and quite inadequate. It may therefore soon become necessary to transfer workers already in employment from one industry to another. And in order to bring about a swift redistribution, the Emergency Powers (Defence) Act was essential.

* * *

More Wool for Export Trade

The Joint Rationing Committee of the Wool Control has this week announced a change in the rationing scheme as it affects export trade in fabrics. The new scheme came into force immediately; it enables manufacturers of fabrics to secure additional wool rations for export trade until all their machinery available for civil trade is fully employed. Every manufacturer will continue to receive a ration at the beginning of each four-monthly rationing period, but for new export business he may apply for three-quarters of the wool needed as an extra allowance, leaving only 25 per cent. to be found from his basic ration. The new scheme is further evidence of the keenness of the authorities to encourage export trade in manufactured goods.

* * *

Dearer Petrol

On May 22nd the prices of motor spirit and other mineral oil products were raised, in some cases quite appreciably. The current wholesale prices (inclusive of tax) of the chief products, together with the extent of the increase, are listed below:—

WHOLESALE PRICES OF MINERAL OIL PRODUCTS†
(per gallon)

	Current Price d.	Increase d.
Motor spirit	20	1½
White spirit	18	½
Kerosene, burning oil.....	10½	1½
Kerosene, vaporising oil.....	10½	1½
Automotive diesel oil	17½	1½
Diesel oil	7½	1
Fuel oil	8	1

† Slightly higher prices are charged in remote parts of the country.

In view of the recent fall of prices on the world market, the upward revision has caused surprise; thus the reduction in the Gulf export price of motor spirit is equivalent to a decline of ½d. per gallon in the British import price. In the circumstances, the public is surely entitled to an explanation of the reasons for the increase. As a result of the advance in wholesale prices, the retail charge for motor spirit was raised by ½d. to 1s. 11½d. per gallon; the price of pool petrol, originally fixed at 1s. 6d. per gallon, has therefore been raised by 30 per cent. since the outbreak of the war.

* * *

Liverpool Cotton Market Closed

At the end of last week there was such persistent selling on the Liverpool cotton market that the price of American cotton fell on three consecutive days by the maximum amount of 25 points. During the week the fall amounted to

REDUCE PRODUCTION COSTS
—USE ELECTRICAL POWER FOR ALL INDUSTRIAL PURPOSES

NORTH-EASTERN ELECTRIC SUPPLY CO. Ltd.
Carlisle House, NEWCASTLE-UPON-TYNE
Apply to above address for particulars of Sites for Works

about 1d. per lb., and prices for other growths, notably Egyptian, were similarly affected, though not to such an extent. At the week-end, prices on the New York market also declined, and early on Monday morning the directors of the Liverpool Cotton Association decided to close the market for three days. On Thursday it was decided that the futures market should remain closed until further notice. Arrangements have been made for member firms to sell cotton at a fixed price and to make "on call" contracts. The New York cotton market strengthened during the week, but there were large fluctuations in prices, and the action of the directors of the Liverpool Cotton Association has been generally approved.

* * *

Diamonds in Flight

It is believed that the greater part of the trading stocks of diamonds held in Holland and Belgium were safely moved to London from those countries before the German army occupied Antwerp and Amsterdam, the world's chief centres of the diamond cutting and polishing industry. In the last few years Amsterdam and Antwerp annually imported diamonds to the value of between £1,000,000 and £2,000,000 and exported prepared stones valued at about £10 millions. Of a total of about 40,000 skilled diamond workers, some 25,000 were in Belgium and about 6,000 in Holland; the remainder is scattered over a number of countries, such as France, the United Kingdom, the United States and South Africa. Although a few Belgian and Dutch workers may have succeeded in leaving before the invasion, it is unlikely that sufficient skilled workers will be available to re-establish the trade on a large scale elsewhere. An eventual shortage of polished diamonds and a further substantial advance in prices are therefore quite possible, especially as purchases for investment have recently tended to increase in this and other countries. One minor advantage of the invasion is the complete stoppage of German imports of industrial diamonds through the Low Countries, a trade which had been checked but not altogether abolished by the licences and stock registration enforced by the Allied contraband control. The Allies also gain from the resources of the Belgian Congo, which produced over 7 million carats of diamonds in 1938 out of a world output of 11½ million carats.

* * *

Pyrites in War

Pyrites are sulphide minerals found mainly in combination with copper and iron which possess a sulphur content of over 25 per cent. In normal years world production amounts to some 8 million tons; Spain supplies between 2 and 2½ million tons, Japan (including Korea) about 1½

million tons and Norway slightly over 1 million tons. All these regions are or have been involved in war. Spanish production is still far from the level reached before the civil war; the Norwegian exports, coming chiefly from the central and northern coastal regions, are also now at a standstill. British imports in a time of active business conditions amount to some 400,000 tons annually, which can be supplied partly from Spain and from minor producing countries such as Greece and Cyprus. An alternative source of sulphur and sulphur compounds has recently been developed by metal smelters, so that the suspension of Norwegian exports should not lead to more than a moderate rise in pyrites prices on the open market.

* * *

Slump in Wheat Prices

The fall in wheat prices on North American markets was unexpectedly severe. Some reaction was to be expected on the invasion of Belgium and Holland, who are both considerable importers of cereals, as is shown in the table below:—

	IMPORTS OF CEREALS			
	Belgium		Holland	
	1937	1938	1937	1938
Wheat ('000 quarters)	5,612	4,772	2,613	2,965
Maize "	4,206	2,831	4,425	4,208
Barley "	2,546	2,321	1,310	1,269
Linseed ('000 tons) ...	103	84	314	293

But the extension of the war to the Low Countries has been likely at any time in the last six months and should not have taken the wheat markets by surprise to the extent it did. May futures at Chicago fell from 105½ cents per bushel on May 13th to 77 cents on May 18th; at Winnipeg the same futures quotation fell from 85 cents to 60 cents per bushel within these five days. Even at this low level, however, prices were 5 to 10 cents per bushel above the corresponding futures ruling in mid-August of last year. But there has been a considerable rally during the past week, which took Chicago May futures to 85 cents per bushel on Wednesday. The prices of other grains—maize, barley and oats—were less affected than those of wheat; with the possible exception of maize, the United States is not likely to be a large exporter of these products in the coming season, so that the loss of the trade with the Low Countries is small. The Argentine is probably most affected among the major cereal exporters, and she is now more than ever dependent on the British market for the sale of her huge stocks of maize and of her new crop of linseed.

* * *

Fruit for Jam

Jam in wartime is usually regarded as a function of sugar supplies. If the sugar is available, then presumably the jam will be made, either by manufacturers or housewives. In spite of the impending reduction in the domestic sugar ration, the Ministry of Food has been able to give a fairly liberal allowance of sugar to housewives who intend to jam their own fruit, but none has yet been provided for those who may wish to make jam from bought or wild fruit. Jam manufacturers have, up till now, been allowed 70 per cent. of their normal sugar consumption, but it is possible that their output will also be restricted by the scarcity of fruit. Imports of fruit pulp, used mainly by jam manufacturers, amounted to nearly 1 million cwt. in 1938, supplying probably about half of the fruit used for this purpose:—

Imports of Fruit and Fruit Pulp* ('000 cwt.)			
	1935	1936	1937
Total	993.8	997.3	
from			
Canada	75.7	140.7	
Italy	262.2	238.2	
Netherlands	265.2	249.7	
United States	122.6	83.8	

* Preserved without sugar.

Supplies from Holland and Italy were about half of the total imports, and of these the Dutch production will not be available this year. Canadian shipments have been steadily increasing in recent years, and larger supplies could also be drawn from the United States; it might, however, save greater shipping space to import the jam, if extra supplies are needed, rather than to import both the fruit and the sugar for manufacture here.

To Overseas Readers

Overseas readers may find that, in the disturbed conditions of wartime, *The Economist* does not reach them quickly enough, or that they require more detailed information on individual markets or special topics than can be compressed within the limited space permitted by the necessity to economise paper.

The attention of our readers is therefore drawn to *The Economist's* Intelligence Branch, which is prepared to meet the need for a rapid and objective appraisal of commodity markets, industrial prospects, political factors and other topics of vital concern to the business man. These special services consist of regular cables or mail reports, or both. They are designed to meet individual requirements and are confidential and exclusive to each client.

Enquiries should be addressed to the

Intelligence Branch, THE ECONOMIST

8 Bouverie Street, London, E.C.4

COMMODITY AND INDUSTRY NEWS

AFTER the collapse of prices on some of the North American markets last week, the general tone has been steadier. Grain prices have made some recovery from the low levels reached a week ago and the cotton market is also firmer. The Liverpool futures market in cotton has been closed indefinitely. Metal prices have been little affected by the fluctuations of the past fortnight; that of tin has registered a steady rise since the invasion of the Low Countries.

*

Cotton.—The closing of the Liverpool futures market is discussed in a Note on page 943. Only a limited business has been done in yarn and piece-goods. The removal of the embargo on home sales on May 17th was welcomed and a number of contracts for the home trade were being negotiated before the closing of the market. The export trade remains stagnant. Current production is at a high level, but new orders are not being booked in sufficient volume to maintain this rate of output.

RAW COTTON delivered to Spinners

Variety ('000 bales)	Week ended		From Aug. 1 to	
	May 10, 1940	May 17, 1940	May 19, 1939	May 17, 1940
American	30.2	36.6	832	1,192
Brazilian	3.4	2.3	248	225
Peruvian, etc.	4.2	3.2	103	181
Egyptian	6.9	4.7	285	318
Sudan Sakel	2.7	2.2	113	124
East Indian	8.1	2.5	358	338
Other countries	2.9	1.5	152	134
Total	58.4	53.0	2,091	2,512

Source: Liverpool Cotton Association's Weekly Circular.

*

Metals.—In the United States spot prices were unchanged this week, but terminal prices were slightly easier, although American demand is likely to rise with the speeding up of re-armament.

*

Tin.—The price of standard cash tin rose by no less than £9 2s. 6d. this week to £270 7s. 6d. per ton. The turnover was smaller in the last few days, but sellers are very reserved. Fears of shipping difficulties, the expectation of higher freight rates and hopes that the United States will buy substantial quantities of tin in the immediate future were mainly responsible for the strength of the market; there have also been some purchases by foreign holders of free sterling as a hedge against currency losses. The International Tin Committee will meet early next week, but no cut in the quota is likely.

TINPLATE PRODUCTION: PERCENTAGE OF S. WALES' CAPACITY IN OPERATION

Week ending	1939	1940
April 6	59.69	72.76
" 13	56.71	73.62
" 20	56.96	72.93
" 27	53.97	63.17
May 4	64.55	66.78
" 11	65.32	70.66

*

Grains.—The fall in grain prices on the North American markets is discussed in a Note on page 944. Among the factors which assisted in the fall was the publication of the Department of Agriculture's forecast of the new spring and winter wheat crops. At 675 million bushels, the forecast indicates that the conditions of the crop have much improved and that the reserves accumulated from last year's harvest need not be drawn upon for home

consumption. Shipment from Argentina continues on a large scale. Grain prices on the Buenos Aires market have also fallen, but there was some recovery in the last few days.

*

WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week ended		From Aug. 1 to	
	May 11, 1940	May 18, 1940	May 20, 1939	May 18, 1940
N. America	443	584	24,677	21,486
Argentina and Uruguay	344	787	9,728	17,393
Australia	...	...	9,995	14,546
Russia	...	...	4,488	114
Danube and district	163	154	8,064	5,948
Other countries	...	...	1,688	345
Total	950	1,525	58,640	49,832

* Unobtainable. † Shipments up to Feb. 29, 1940. Source: The Corn Trade News.

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From ('000 quarters)	Week ended		From Apr. 1 to	
	May 11, 1940	May 18, 1940	May 20, 1939	May 18, 1940
Argentina	456	347	2,447	2,507
Atlantic America	1	1	370	139
Danube Region	33	41	501	251
S. & E. Africa	85	75	248	639
Indo-China, etc.	...	11	210	74
Total	575	475	3,776	3,610

Source: The Corn Trade News.

Oils and Oilseeds.—The reduction in the butter ration will increase the demand for margarine and arrangements are being made to increase the supply of soft oils to the margarine factories. Exports of linseed from the Argentine have been well maintained, but may now slacken, with the elimination of trade with Belgium and Holland. Large quantities are also on passage.

*

Rubber.—The decision of the Rubber Regulation Committee to leave the export quota unchanged for the third quarter of this year was generally expected. In spite of the admitted excess of supplies over current industrial consumption, the need for larger and widely distributed stocks in the consuming centres is recognised. The Ministry of Supply has invited offers of rubber at the current price, presumably for reserves. The decision of the Committee had little effect on the London market; there was a fall of about 3 cents per lb. in the New York prices for spot and near rubber during the week.

*

Export Groups.—The following export groups have recently been formed:

- Accumulators.
- Bakery and Biscuit Plant.
- Bicycle.
- Boiler Furnace.
- Book Publishers.
- Button, Buckle and Slide.
- Chemical Plant.
- Collapsible Tube.
- Constructional Steelwork.
- Electric Light Fittings.
- Envelope Makers and Manufacturing Stationers.
- File Trade.
- Fine Chemical.
- Food Manufacturers.
- Fountain Pen.

Fur.
Gas and Coke Making Equipment.
Gas Meter Makers.
Gear Manufacturers.
Grain Machinery.
Graphite Products and Carbon Products.
Greeting Cards and Calendars.
Gunmakers.
Hacksaw Trade.
Harness Furniture.
Hatters' Fur.
Hollow-ware (Cast Iron).
Lead Oxide.
White Lead.
Sheet Lead and Lead Pipe.
Lead/Tin Capsules.
Light Edge Tool.
Linen Industries.
Materials Handling.
Motor Cycle.
National General Merchants.
Office Appliances and Equipment.
Oil-Burning Devices (Domestic).
Pencil Manufacturers.
Pencil (Mechanical) Manufacturers.
Perambulator, Invalid Carriage and Nursery Furniture.
Plier, Pincer and Nipper.
Printing Ink.
Railway Springs.
Rubber Stamp and Kindred Trades.
Solid Woven Belting.
Steel Hinge.
Steel Wool.
Umbrella Components.
Underground Mining Machinery.
Wallpaper.
Wireworkers.
Writing Ink and Adhesive.

FORTNIGHTLY INDEX OF WHOLESALE PRICES IN U.K. AND U.S.A. (1927 = 100)

	Mar. 31, 1937	May 17, 1939	Aug. 30, 1939	Apr. 30, 1940	May 21, 1940
--	---------------	--------------	---------------	---------------	--------------

The Economist Index (U.K.):	93.0	70.6	66.9	86.0	85.5
Cereals and meat	70.4	62.4	61.1	80.4	80.1
Other foods	74.2	54.3	54.3	88.0	89.1
Textiles	113.2	91.2	95.4	115.9	117.9
Minerals	87.0	74.6	77.6	99.3	102.7
Miscellaneous					

Complete Index	87.2	70.1	70.3	93.7	94.8
1913 = 100	119.9	96.5	96.8	129.0	130.5

Irving - Fisher Index (U.S.A.)	100.4	84.8	83.4	89.0	...
--------------------------------	-------	------	------	------	-----

* This figure relates to April 6th. † Highest level reached during the 1932-7 recovery.

RETAIL FOOD PRICES

	Average price per lb. at			Per cent. increase since Sept. 1, 1939
	Sept. 1, 1939	April 1, 1940	May 1, 1940	
Beef, British:—	s. d.	s. d.	s. d.	
Ribs	1 2¼	1 3¼	1 3¼	10
Thin flank	7½	9½	9½	26
Beef, chilled or frozen:—				
Ribs	9½	1 0½	1 0½	34
Thin flank	4¾	6	6	23
Mutton, British:—				
Legs	1 3½	1 5½	1 5½	13
Breast	7½	8	8	8
Mutton, frozen:—				
Legs	10¼	1 0	1 0	15
Breast	4	4	4	0
Bacon	1 3	1 6½	1 6½	23
Fish	...	...	...	34
Flour (per 7 lb.)	1 1½	1 1½	1 1½	1
Bread (per 4 lb.)	8¼	8½	8½	3
Tea	2 4	2 5¼	2 6	7
Sugar (granulated)	3	4½	4½	49
Milk (per quart)	6¾	7	7	1
Butter, fresh	1 4½	1 6¾	1 6¾	14
Butter, salt	1 3¼	1 6¾	1 6¾	23
Cheese	10	1 2	1 2	39
Margarine	6½	7¼	7¼	12
Eggs (each)	2	1¼	1¼	12
Potatoes (per 7 lb.)	6½	8	8	25
Index, All foods, weighted (July, 1914 = 100)	138	158	159	15

Source: Ministry of Labour Gazette.

ARGENTINE REPUBLIC

Extracts from the Message to Congress read by the President of the Republic, His Excellency Dr Roberto M. Ortiz. May 15th, 1940.

The economic and financial activities of the Argentine have necessarily been affected by the declaration of war, which called for the adoption of various measures.

It was not possible at first to form any clear idea of the effects of the war. After seven months the position is somewhat different, and although developments do not permit an optimistic view of the situation, the country is now in a position to face the new state of affairs so long as it keeps a close watch on all changes and can adapt itself immediately to them.

Prominence should above all be given to the calmness with which the country reacted to the first effects of the war. Let us not forget that in 1914, at the outbreak of the European war, our banks were so affected that disastrous consequences were avoided only by declaring a bank holiday and making use of the Conversion Fund to meet the claims of depositors; that on the exchange market it became necessary to declare a moratorium on external payments; and that on the Stock Exchange quotations fell rapidly by as much as 20 points. This time, however, the effects of the present conflict serve to confirm the stability of our institutions and the efficiency of the prompt emergency measures taken by the Government from September, 1938, to give greater elasticity to the monetary and banking systems.

Experience has shown the efficiency of our financial and banking organisation. Thanks to the measures taken by the Central Bank, there was no uneasiness in the market and operations followed their normal course. The Government's timely intervention on the Stock Exchange ensured the maintenance of complete confidence in Government securities; through the Central Bank the authorities were prepared to purchase any amount offered. This policy prevented any possible initial nervousness from becoming serious.

Active intervention on the Stock Exchange during the decisive days from August 24th to September 6th had the effect of normalising the market. With funds which had been set aside for such an emergency the Government acquired altogether securities up to \$33 millions. When the market settled down these securities were again sold at rising prices, and confidence in State securities became evident with the outstanding success of the second \$150 million loan emission during last December.

The situation of the country at the close of the financial year for 1939 is more favourable than was foreseen at the beginning of the year. The efforts made by the executive to cut down expenditure and the improvement in revenue have made it possible to reduce the deficit in the Budget to \$60.5 millions, which had been voted with an unfavourable balance of \$194.5 millions between revenue and expenditure. When dealing with expenditure for the current year the executive informed Congress fully on the subject of its financial measures. After the first shock of the war, without being able to foresee the effects it might have on our finances, a deficit of 125 million pesos was envisaged. This sum has been reduced to \$64.5 millions.

EXPENDITURE TO BE MET OUT OF REVENUE

	Expenditure	Revenue	Deficit
	(In million paper pesos)		
From revenue	1,010.8	950.3	60.5
From special accounts	63.5	63.5	...
Total	1,074.3	1,013.8	60.5

As regards expenditure, the executive has carried out most of the economies approved by Congress and has also taken care not to affect the working of the Administration. Although the Government have achieved a reduction of \$60 millions in the credits established in the Budget, unavoidable circumstances have made it necessary to authorise expenditure by Government decree for \$16.7 millions, so that the net economy for the financial year amounts to \$43.3 millions. One should realise, however, that there are special requirements which are constantly increasing and which must be attended to. For example, education, which calls for yearly unavoidable increases in the Budget, without taking into account essential expenditure for the needs of the War Office, Admiralty and Home Office. As far as social welfare is concerned, we are still far from being able to deal with all their requirements, which are becoming ever more pressing.

The deficit mentioned—which is the first of this importance for many years and has to be met out of revenue—has not brought about undue difficulties to the Treasury, which has been able to finance this deficit by means of credit and the provisional use of the profits of the Exchange Fund.

The financing of the Budget and extraordinary expenditure has been met without much difficulty. Proceeds from revenue amounted to \$950.3 millions, that is to say \$96 millions more than was estimated, and \$15.6 millions more than was collected in 1938.

REVENUE COLLECTED DURING THE FINANCIAL YEARS 1938 AND 1939 AND ESTIMATE FOR 1939

(In millions of Argentine paper pesos)					
Item	1938 Collected	1939 Estimated revenue	1939 Collected	Difference between	
				Collected in 1939 and 1938	Collected and estimated for 1939
Customs and port dues...	376.7	330.0	320.5	- 56.2	- 9.5
Unified inland taxes	166.6	161.4	172.4	+ 5.8	+ 11.0
Land tax	30.3	28.0	31.7	+ 1.4	+ 3.7
Income tax	107.9	100.0	111.9	+ 4.0	+ 11.9
Sales tax	33.6	33.0	36.5	+ 2.9	+ 3.5
Stamps	62.9	60.0	63.0	+ 3.0	+ 3.0
Patents	2.1	2.4	2.4	+ 0.3	...
Oil and mineral royalties and rights	7.0	3.0	7.0	...	+ 4.0
Inheritance tax	17.2	15.0	17.8	+ 0.6	+ 2.8
Sundry grants	7.3	13.0	13.9	+ 6.6	+ 0.9
Posts and telegraphs	41.3	40.6	44.5	+ 3.2	+ 3.9
National charity lottery...	15.4	16.0	15.5	- 0.1	- 0.5
Miscellaneous income ...	66.4	51.9	113.2	+ 46.8	+ 61.3
Total	934.7	854.3	950.3	+ 15.6	+ 96.0

The decrease in imports as a result of the difficulty in selling our produce abroad resulted in a sharp decline in

Customs and port dues, even more marked than was anticipated. In 1939 the decrease in the collection of these dues amounted to \$56.2 millions and to \$9.5 millions less than the estimated revenue.

On the other hand, revenue derived from other sources has been favourable. Income tax exceeded the estimate by \$11.9 millions, and inland and land taxes showed an increase of \$11 and \$3.7 millions respectively. The proceeds from other sources showed an increase over the financial year of 1938 and over the estimated revenue.

In the case of income tax the increases are mainly due to our ever-widening policy of taxation and in other cases to the adjustment and gradual improvement of the methods of collection and the modernisation of the administrative departments. The work of these departments tends to assist the taxpayer in fulfilling his obligations and to tighten the control on tax evasion and fraud.

The fund of margin exchange yielded \$113.9 millions in 1939. After deduction of the expenses covered by this fund (\$24 millions exchange differences in payments abroad to the diplomatic and consular services as well as public debt services, and \$40 millions for the various Government Commissions, exclusive of losses on wheat transactions) the fund was increased by \$49 millions. The exchange profits fund is therefore in a position to meet the losses resulting from the financing of the minimum price of wheat, which will become known once the negotiations are completed. Meanwhile, part of these funds has been advanced to the National Treasury to meet the deficit on the financial year, and another part has been invested in Treasury bills, the proceeds of which are destined for the Wine Industry Board, which is gradually paying off the amount expended.

The expenses to be covered by credit have fortunately been financed without any difficulty. The total of bonds negotiated has covered not only the financial year's investments, but also a part of those of the previous period which had not until then been finally settled.

The internal bond market has shown healthy development. The co-ordination among the various issues started in previous years has been consolidated. The co-operation between the principal banks and financial concerns which deal in the market and in the provinces as a syndicate under the direction of the Central Bank, has been highly efficient. The timely intervention of the Treasury in the market at the beginning of the war prevented panic, and was instrumental in protecting the small saver, who is usually the most affected at such times.

Public securities of all kinds (including municipal and provincial bonds and mortgage stock) placed on the home market rose to approximately \$500 millions, \$310 millions of which are for national requirements, while the balance corresponds in about equal parts to local emissions and mortgage stock.

Two transactions were carried out on the foreign market. In order to complete the purchase of the Central Cordoba and Argentine Transandine Railways, bonds authorised by Laws No. 12572 and 12573 were issued in London for £9,500,000 (\$143,200,000). The Province of Santa Fé offered in the United States the conversion of various dollar issues. In order to assist this operation the National Government, at the request of the province, took over the service of the new bonds. The offer still remains open. Up to the end of last year the new bonds amounted approximately to \$7,800,000.

Direct allocations to various State institutions must be added to sales on the market. The total net increase in the national debt, after deducting fundings of more than \$70 millions, therefore, amounts to approximately \$461.3 millions, in accordance with the preliminary returns of the General Accounts Department. Of this total \$17.5 millions represent bonds issued on account of the Municipality of Buenos Aires to cover its quota of payment for the expropriation of the Saavedra Estate, and \$7.8 millions transferred

from the Province of Santa Fé. The services of these \$25.3 millions are to be repaid to the nation by these institutions; \$152.4 millions represents the total issued in the country and abroad for the purchase of the above-mentioned railways. The balance, as already stated, exceeded the needs of the financial year as set forth in the scheme of public works and armaments and other expenses to be paid out of credit, and has made it possible to devote an appreciable amount towards the settlement of expenses of this kind for 1938, which had been temporarily met with other Treasury funds.

In my message last year I had the opportunity of explaining to Congress the reasons which existed for continuing the system of Exchange Control. Events during 1939 have but confirmed them.

The development of our external trade up to the beginning of the European war and, more especially, the tendency towards expansion of our imports, foreshadowed a new deficit in the balance of payments during the year, which would oblige us to use part of the reserves of the former "Caja de Conversión." It was necessary, therefore, to take the necessary measures in order to avoid the repetition of this in 1940 without resorting to devaluation. In August last, after consultation with the Exchange Committee created by Congress, it was decided to intensify the application of quantitative restrictions.

A few days later the outbreak of war created a new state of affairs. On the one hand, many important markets which supplied us with essential materials were cut off, which made it necessary to revise the restrictions put into force a few days previously, many of them being withdrawn, and, on the other, the system of payments by compensation was extended considerably. Important sums obtained from our exports are now placed in an account and are cancelled in due course by the purchases we make from those countries which buy from us. Likewise, for the reason just given, we must purchase a good part of the merchandise we require from countries with which we usually have an adverse trade balance and this balance is settled by means of free currencies. Consequently, the amount of free exchange which we receive for our exports has been reduced, while an increase has taken place in the amount of the purchases which we have to pay for by these means.

As Congress will realise, this situation demands a firm policy in dealing with our imports, a policy which can only be realised by means of an organised system. Fortunately, the working of the Exchange Control, with its long experience in this delicate matter, has shown, in the difficult times which followed the outbreak of war, its ability to adapt itself quickly to the changing conditions.

It has been said that in 1939 an adverse balance was foreseen which would necessitate using part of the gold in the former "Caja de Conversión." The course of events up to August confirmed this, but circumstances attending the outbreak of war modified the outlook. During September and October a decrease was noticed in imports owing to the dislocation of markets and sea transportation. Nevertheless, there was an increase in exports and a slight arrival of capital, all of which contributed at the close of the financial year towards a small favourable balance. This result must not, however, be taken as an indication of what is likely to happen in 1940. Imports have already shown a big increase, all the more significant by reason of the larger increase shown in import prices in comparison with export prices, which obliges us to deliver a greater quantity of our produce in order to acquire the same amount of manufactured goods. To this must be added the drawbacks which the new system of payments in force may bring about with regard to an important part of our exports, and the effects of an extension of the war to countries which are excellent markets for our products.

There are, therefore, innumerable reasons why we should adopt a watchful attitude. The war has dislocated transport, commerce and international prices. The greater part of our

Presidential Message to Argentine Congress—continued.

foreign trade, especially our exports, is destined for countries at war or on a war footing, and is increasingly carried out on a bilateral basis. To be brief, the system of exchange and payments under which our country achieved its present development threatens to disappear.

It will be necessary to administer carefully the reserves at the disposal of this country and follow events closely in order to adapt our policy to the needs imposed by the international events themselves.

The serious turn which the European political situation assumed had its immediate effect on currencies. As a result of the attitude adopted by the Exchange Equalisation Fund of Great Britain sterling showed at the end of August an appreciable decline, which made it necessary to take the appropriate measures until the situation became clearer.

As you are aware, sterling has for some years past been taken as a "point of reference" for the quotation of our money, although this does not in any way signify that there is any link or agreement which affects the freedom of our monetary movements. The sharp depreciation of the pound sterling at the end of August suddenly created a problem, with the consequences of which we were immediately able to cope as a result of the flexibility of our system of exchange. In fact, that "point of reference" can easily be set aside or modified at any moment as our monetary reserves have been, and still are, in gold, and are not affected in any way by the fluctuations of foreign exchanges.

There was not, therefore, any difficulty whatever in temporarily abandoning that "point of reference" while the pound sterling fluctuated during the first days of uncertainty after the outbreak of war. But as soon as a definite connection was established between the pound and the dollar by the British Exchange Control, we went back again to sterling as a point of reference for our quotations, but at a buying rate of 13.50 pesos to the pound, 10 per cent. less than before, to enable us to reduce the rates for sale and check as far as possible a rising tendency in the prices for imports. The rate was therefore fixed at \$15 to the pound for the payment of those imports which had a direct influence on articles of

popular consumption and on industry, and at \$17 to the pound for other imports.

The noticeable rise in the price of imports, as well as the difficulty which the export markets find in fulfilling orders and the delays in sea transport, have given rise to a demand for increased national production. This encourages one of the main objects of our Government's policy, namely, that our country should find in its own industries whatever is unobtainable abroad. This also simplifies the problem created by the new system of international payments. At the same time increased production has imposed on some industries an active demand for more labour which is helping us to solve the unemployment problem in others.

Owing to the foresight of having accumulated reserves in the "Banco de la Nación," it was possible in 1938-39 to fix a minimum price for wheat. The uncertain situation of the world market reduced exports to a very low figure in relation to the very large quantity of grain produced, in consequence of which such reserves were entirely used up and the debt of the "Grain Regulation Board" gradually decreased during the year.

The credits granted for this purpose amounted in 1939 to \$602.4 millions and the grain produced amounted to 8,125,567 tons. The debt to the Banco Nacional reached a maximum of \$367.9 millions in August, a figure which was reduced to \$277.5 millions by the end of December. Notwithstanding the volume of these operations, the bank met the different demands for credit which were presented, and endeavoured at the same time to help agricultural production.

The diminished crop of wheat for the last season enabled the Control Board to hasten the disposal of its stocks and to refund large sums of money to the "Banco de la Nación." The refundings will serve to finance loans to farmers which the executive consider necessary in order to assist the harvesting of the maize crop and to prevent it from being offered at any price. The grant of such loans, therefore, which may altogether exceed 200 million pesos, will not result in an expansion of bank credits inadvisable at a time when the economic outlook is uncertain.

INSURANCE NOTES—continued from page 939

contingency reserves. The total book value of securities was less than market prices.

*

North British and Mercantile.—The total underwriting profit of the North British and Mercantile group was £516,390 in 1939. This figure, though rather less than in 1938 (£614,653), was satisfactory, for fire profits represented 9.1 per cent. of premiums, accident profits were even better (10.9 per cent. of premiums) and the marine transfer to profit and loss was increased by £10,000. The group figures are shown below:—

	Earned Premiums		Underwriting Profits to Profit and Loss account	
	1938	1939	1938	1939
Fire	3,442,317	3,313,831	354,352	303,208
Accdt.	1,380,139	1,387,971	171,117	150,853
Marine	298,045	397,574	30,000	40,000
"Fine Art & Gen."	360,470	358,287	59,184	22,329
Life	5,580,971	5,457,663	614,653	516,390
Annuities ..	2,560,445	2,560,289	*67,460	*67,460
Cap. Red.	44,036	17,798	...	...
	8,406,226	8,298,240		
Interest (ex life, annuities and cap. red.) ..			558,848	497,367
Profits on investments realised			51,267	18,754
Fees			299	286
			1,292,527	1,100,257

* One-fifth of shareholders' profits from 1935 valuation.

The moderate decline in underwriting profits and lower non-life interest receipts, due to increased taxation, reduced the total credited to profit and loss to £1,270,257 in 1939, compared with £1,462,527 in 1938. The carry-forward from the consolidated profit and loss account was £7,102,811, against £6,979,067 brought in, and the dividend is unchanged at 6s. 3d. per share.

The North British and Mercantile was practically alone in writing larger new business in 1939—£5,889,172 against £5,326,927. This was due to a few large contracts early in the year, and since new net premiums were £156,823, compared with £240,655, these contracts appear to have been of a low-rated type, possibly group assurances. Net interest earned was 3.26 per cent. against 3.57 per cent. The valuation which normally would have taken place at the end of 1940 was advanced to cover the four years 1936-39. A surplus of £2,372,697 was shown (including interim bonuses already paid), liabilities being stringently valued. A compound reversionary bonus of £1 per cent. was declared (£1 16s. last time) and £616,991 was carried forward. The shareholders are credited with £209,419. The group's total assets are £57.6 millions, and securities entered at or under cost were exceeded by market values.

*

Norwich Union Fire.—There was an all-round expansion in premiums and

underwriting profits last year and the fire and accident departments yielded the satisfactory profit balances of 7.6 per cent. and 8.6 per cent., respectively.

	Earned Premiums		Underwriting Balances to Profit and Loss	
	1938	1939	1938	1939
Fire	1,771,085	1,795,285	90,699	136,008
Accident	1,528,436	1,592,659	105,409	136,766
Marine	254,746	333,778	...	...
	3,554,267	3,721,722		
Interest and fees			155,116	142,252
			351,224	415,026

The balance brought forward in the profit and loss account was £411,033, which with the credit of £415,026 gives a total of £826,059. Payment of the dividend and debenture interest for 1938 absorbed £195,627; directors' fees, taxes and bad debts, £121,321; the pension fund transfer, £75,000; while £61,828 was applied to writing down securities and to losses on realisation. This left £372,283 to be carried forward. The dividend on the £25 shares was repeated at 24 per cent. less tax. The shares are owned by the Norwich Union Life. The book value of the assets, £6.4 millions, was less than actual values; securities were taken at or under the market prices at the end of the year.

COMPANY MEETINGS

IMPERIAL CHEMICAL INDUSTRIES, LIMITED

INCREASED VOLUME OF BUSINESS

DEVELOPMENT OF EXPORTS

LORD MCGOWAN'S ADDRESS

The thirteenth annual general meeting of Imperial Chemical Industries, Limited, was held, on the 23rd instant, at Queen's Hall, London, W.

The Right Hon. Lord McGowan, K.B.E., D.C.L., LL.D. (the chairman), in the course of his speech, said: When the Germans marched into Czecho-Slovakia in March, 1939, we became more acutely apprehensive of the future, and shortly afterwards appointed an emergency committee to review the incidence of war on our productive resources, sources and stocks of raw materials, links with other manufacturers, the effects on our export trade, and so forth. Large additions were made to stocks which enabled us to increase production for national purposes immediately war was declared. We asked our principal associated and subsidiary companies overseas also to direct their attention to the problems which would arise and co-operated with them in arrangements for meeting war conditions. The committee also reviewed the methods and effects of the official controls which would be inevitable.

These plans were rapidly put into force in the closing days of August, when certainty was overtaking apprehension. They proved of the greatest possible service to us during the months which followed the actual outbreak of war. The factories were enabled to continue operations without serious interruption. Evacuation of our staff at the head office at Millbank was effected without a hitch. A number of staff were transferred to the various operating groups and the remainder to offices outside London.

PRICE POLICY

We were aware before the war began of the heavy additional cost that its shadow had already caused and after September this expenditure mounted rapidly. Most of the increases in the prices of raw materials have been attributable, directly or indirectly, to higher freight rates and war risk insurance. Generally speaking, overseas producers of our raw materials did not exploit the situation in any undue degree, but they had no control over transport or exchange and increases in cost were substantial.

It so happened, also, that we had agreed with the Trade Unions for a general advance in wages which was to come into effect half in October, 1939, and half in April, 1940. These conditions, coupled with the heavy burden of premiums for war risks insurance, specially concentrated our attention on our price policy. We determined that we would maintain existing price levels as long as possible. There was immediate evidence that the factories would be hard pressed for deliveries and we therefore decided to rely on the counterbalancing effect on costs of this increase in volume.

It is our practice, under standing contracts with our customers, to fix towards the close of each year the prices of many of our main products for the following calendar year. When we had to come to a decision in this matter in November last, we made such forecasts as were possible, and determined that the price policy we had adopted should be adhered to, subject to the modification that, where returns had been unremunerative, prices should be altered to correct that position. But because it was impossible to forecast with any certainty the trend of volume, or costs generally, we took steps to announce standard advances in price, not to become effective until circumstances demanded it. As a result, industry has enjoyed a continuation of the prices of our principal chemical products which were in force at the outbreak of war. I am glad to say that so far no general increase has been made. Our customers have expressed great appreciation of this policy.

IMPORTANCE OF EXPORTS

There is one considerable exception, namely, the export trade. Not only has it been our duty to maintain and expand, wherever possible, the volume of our exports, but it has been consistent with the national interest to adjust prices to a reasonable extent, without prejudicing volume. Every additional pound of foreign exchange

that can be secured in this way serves to enlarge the volume of imports for war purposes which H.M. Government can obtain. I may say that our larger gross profits this year spring in some considerable measure from more profitable export business.

As a concern which trades in most of the markets of the world, and one which for certain products in this country is the major if not the sole manufacturer, it has long been the practice of the company and its predecessors to maintain spare productive capacity. It is our rule that we can never afford to let our customers down. That has often necessitated capital expenditure in anticipation of demand, with the possibility and sometimes the actuality that forecasts of demand ran ahead of subsequent events, so that the capital invested in these plants has lain unemployed for a time. In the chemical industry units of plant are often so large that they involve not only heavy capital expenditure, but require a considerable period of time for construction. This time element forbids us to wait. We must act in advance. But in exceptional circumstances, when demand takes an abrupt upward turn, this course brings its own reward. At the present time all such spare capacity is in full production and in almost every plant the pressure has been continual for more and more supplies. It brings with it, of course, much greater mental and nervous strain on the staff and workers who are responsible for operations. I would pay a high tribute to their loyal efforts.

HOME AFFAIRS

Our relations with H.M. Government have grown steadily closer throughout the year. We have been entrusted with a very considerable volume of work in erecting factories, which has set us numerous problems. It has meant heavy calls upon our staff, many of whom we have had to detach entirely for national purposes. We have also undertaken to operate a substantial number of agency factories for the Government. We have endeavoured—I think with success—to give every possible assistance that we could to the various Government Departments. The work that we have undertaken has, on the whole, progressed very smoothly. Our officers have worked in the most friendly co-operation with those of H.M. Government.

Perhaps you would permit me here to refer to the advantage that flows to-day from the formation of this company, as well as from our continued efforts over the past thirteen years to mould its huge organisation into a form best to fit it, not only successfully to carry on in times of peace a great essential industry, but also to be a vital national instrument in time of war. Without that, your company's organisation could not contribute what to-day it is able to offer to the national need.

OVERSEAS AFFAIRS

In my remarks last year on our export business I referred to the many difficulties met with in the overseas markets and to the importance of these being overcome in order to find a continuing outlet for British goods abroad. The vital necessity for expanding exports at that time rested mainly on the increasingly unfavourable balance of trade of this country and the danger of its repercussions on unemployment and the standard of living.

These considerations still exist, and, under war conditions, they are reinforced by two other factors. In the first place the war potential of this country can only be brought to its maximum pitch by importations of both raw materials and industrial products on a vast scale which to a large extent have to be paid for at the time of importation. The need for increased exports to pay for these imports, therefore, is greatly accentuated.

In the second place, the conditions under which this war is being fought have resulted in Germany, one of the largest producers and exporters of industrial products, being cut off more or less completely from her former overseas markets. On the one hand, this situation lays on Great Britain a responsibility to ensure that

essential supplies are forthcoming for those markets, while, on the other hand, it opens up an opportunity for the establishment of new export business which may be of the utmost value in the after-war years.

EXPORT TRADE EXPANSION

The experience of the company during 1939 in export business was satisfactory. Up to the beginning of September the volume of sales was larger than the previous year, while values in many directions tended to improve. The outbreak of war produced a brief period of somewhat violent readjustment during which the resources and needs of the country had to be assessed before export trade could be freely resumed. Well before the end of the year, however, the worst difficulties of this period had been overcome. Provision was being made for Government and other home needs, and production was being stepped up in many directions in order still to provide an adequate surplus for export.

I consider that, in a country which has always prided itself on leaving as much as possible to individual enterprise and planning, both the Government and industry can be congratulated on the comparative smoothness and speed with which the transition to a partially controlled economy has been effected.

FUNCTION OF EXPORT GROUPS

There are naturally many defects still to be set right, but these are in hand. First among them is the necessity so to organise the industry and trade of the country as to ensure the maximum export effort. This is now widely recognised by the public as well as by official and trade interests, and I welcome the establishment of the Export Council by my friend and recent colleague, the President of the Board of Trade. The Export Groups being set up in individual industries under the Export Council will permit concerted action by industries and will enable the Government to give the greatest possible assistance where it is most needed. In a number of cases your company has undertaken, in co-operation with the Board of Trade, the preliminary work of establishing these Export Groups, and will itself act as strong and loyal supporters of them. One interesting function which they should be able to perform will be to ensure that products, such as many of those made by your company, which can either be exported themselves or enter into the manufacture of other products of greater value, shall be so allocated as to bring back the maximum benefit to the nation.

The progress of export trade during the current year will be largely governed by the factors I have already mentioned. In some directions home demand for war purposes will absorb the bulk of our output. In others, by intensive and expanding production, we shall be able to benefit, I hope on a very considerable scale, in the markets left short of supply by the arrest of German exports. This trend is already visible in our sales during the first part of this year, and I can assure you that every effort is being made to strengthen it in the interests both of your company and of the country.

Our associated enterprises in the British Commonwealth—Australia, Canada, India and South Africa—continue to prosper. In each country close co-operation is being maintained with the Governments, and the general relations which exist are very gratifying to us. The new alkali works of the Australian company and the electrolytic plant of the Indian company have just commenced production.

RESEARCH AND DEVELOPMENT

The outbreak of war has wrought many changes in our research activities by altering the emphasis on the various problems we had in hand, but it has not in any way reduced the necessity for maintaining our total volume of research but rather the contrary.

In the first place, the call to produce materials for the direct use of the fighting services, materials which may in some cases be new, or in others be old but needed in greatly increased quantities, has presented us with many technical problems of the highest urgency. It is fortunate that we have a large and efficient research organisation in being, which is capable of dealing quickly and effectively with such problems as they arise.

In the second place, we have had to devise processes and start the manufacture of a very considerable number of essential chemicals which, up to the outbreak of war, were mainly imported. I look forward to considerable developments in this field.

Thirdly, we are concerned in a number of investigations which are calculated to increase the national reserves and to fortify the resistance of the nation to war conditions. Your board have decided to give every support possible to research of this character.

We have given our cordial support to the War Savings campaign. A National Savings Group has been formed to embrace all the work and offices of our organisation throughout the United Kingdom, in connection with which arrangements have been made for instalment payments by deduction from weekly and monthly remuneration. A large number of our employees have already become members. When so many who are near and dear to us are staking their lives in the colossal battle which is still raging in France and Belgium, the least we who are working on the home front can do is to curb our own expenditure to the minimum and put every remaining penny into the national finance.

FINANCIAL POSITION

The consolidated accounts combine the assets and liabilities of Imperial Chemical Industries, Limited, and 118 subsidiary companies. The total gross income amounts to £15,343,000, compared with £10,463,000 in 1938, or an increase of nearly 50 per cent. Practically the whole of this gain arises from the first item, manufacturing and trading profits less losses, which has risen from £9,023,000 to £13,701,000. The substantial growth is to be attributed entirely to the great development in the volume of our business and more profitable export trade. The net consolidated income for the year amounted to £7,678,000, as against £7,282,000, or an increase of £396,000. You will, therefore, see that an increase in the gross income of £4,880,000 is reduced in terms of net income to £396,000. Practically all that we have gained has disappeared. The chief explanation is to be found in the three items of taxation, miscellaneous expenditure, and obsolescence and depreciation.

In the consolidated balance sheet the figures are largely self-explanatory and there are few changes of any moment. The important aspects of this statement are, I think, to be found in a comparison of our current assets with our current liabilities and in the amount of the surplus of assets over liabilities and share capital. This year our current assets are just over £43 millions, as against our current liabilities of £22½ millions. There is a surplus of over £20 millions. Our stocks have risen substantially. Rising values of stocks have an element of danger in them, for there can be few who remember the Great War who will not be conscious of the heavy slump in the value of stocks that took place following its termination. We are watching this item carefully, and it may be that if prices of materials continue their present upward trend we shall have to make appropriate reserve provisions against the possibility of a repetition of events.

Turning now to the surplus of assets over liabilities and share capital—an item which excludes the interest of external shareholders in subsidiary companies—you will see that it has risen in the year from £13,281,000 to £14,666,000. In the main the increase of £1,385,000 represents our reserve allocations. We shall hope to see progress in this item from year to year.

The profit and loss account shows you that, bringing in the balance brought forward from 1938 of £621,000, the total amount disposable was £7,934,000. After providing for the Workers' Pension Fund, which this year calls for £180,000, as compared with £173,000 last year, the board appropriated £375,000 to the general reserve and £1,000,000 to a war contingency reserve. This left a balance of £6,379,000. After payment of the preference dividend of £1,666,000 and an interim dividend of 3 per cent. paid on December 1st last of £1,512,000, your board recommend a final dividend of 5 per cent. on the ordinary stock which, with the 3 per cent. interim dividend already paid, makes a total dividend for the year of 8 per cent. on that stock. The final dividend, which will be paid on July 1, 1940, requires a sum of £2,520,000, which will leave to be carried forward to 1940 £681,000, or £60,000 more than the amount brought in.

PROSPECTS FOR 1940

The few sentences on the prospects for 1940 with which I had intended to conclude this address have been outdated by the passage into law yesterday of the new Emergency Powers (Defence) Act. It gives power by Order in Council to make regulations requiring all persons to place themselves, their services and their property at the disposal of the Crown. All of us will welcome these powers, but it will be as clear to you as to me that their effect on the company cannot be foreseen. You will gather from what I have already said that since last September the whole strength of our organisation has been ungrudgingly devoted to whatever services we could render His Majesty's Government. What further may now be required of the company will be most willingly given, and in this we know we shall have your fullest and most loyal support. (Applause.)

The report and accounts were unanimously adopted.

COMMERCIAL UNION ASSURANCE COMPANY, LIMITED

SOUND POSITION

SIR BERTRAM HORNSBY'S ADDRESS

The seventy-eighth annual general meeting of the Commercial Union Assurance Company, Limited, was held, on the 21st instant, in the registered office of the company, 24 Cornhill, London.

The Secretary (Mr R. K. Lochhead, F.I.A.), having read the notice convening the meeting and the report of the auditors,

Sir Bertram Hornsby, C.B.E. (the chairman), said that he would like to give some indication of the probable effect of the war upon their business, but the forces set in motion were such that it would be rash to make any forecast.

Their business was very widespread, there were few countries in the world where they had no interests. However, more than 90 per cent. of their total premium income—other than from life business, which was almost entirely confined to the United Kingdom—was derived from this country, the Dominions, the United States, and countries in which they might reasonably expect to continue their operations.

As shareholders would have noticed from the figures before them, the direct effect of the war to the end of 1939 had been relatively small, but our difficulties must of necessity increase, and unceasing thought and vigilance would be required to deal with them. The occupation of Denmark and Holland and the invasion of Norway and Belgium had already brought their problems.

FIRE INCOME

The fire department premium income had been well maintained at £5,369,373, the decrease compared with 1938 being only some £10,000. The net underwriting profit was £362,613, of which £325,000 was transferred to profit and loss account, the balance being added to the additional reserve, bringing the fire fund to £7,055,200, or 131.4 per cent. of the premium income.

MARINE FUND

The net premiums in the marine department amounted to £896,228, and showed an increase of £212,268. Claims paid and outstanding amounted to £484,483, and £75,000 had been transferred to profit and loss account. The marine fund now stood at £1,411,827, or 157.53 per cent. of the premium income.

ACCIDENT INCREASE

The premium income in the accident department of £8,182,396 showed an increase of £25,196, and the claims experience had again been good, the ratio being 53.48 per cent., which was slightly better than in the preceding year. The underwriting profit was £451,054, of which £400,000 was transferred to profit and loss account, the balance being added to the accident fund, which now stood at £5,990,029.

LIFE BUSINESS

As to the life department, the amount of new business had fallen away in the latter part of the year, but had nevertheless reached the satisfactory total of £4,719,022 as against £5,991,320 in the previous year. The net rate of interest was £3 11s. 3d. per cent. as against £3 14s. 3d. in the previous year, the decrease being due to the higher rate of income tax. In dealing with the problem of war risks they had been influenced and guided by previous experience. New policies now excluded war cover, but the exclusion could be removed on payment of an appropriation extra premium, and it was therefore possible to provide definite and certain cover for dependants, thus enabling the primary object of life assurance to be maintained.

PROFIT AND LOSS ACCOUNT

Referring to the profit and loss account, the chairman said that he would draw their attention to the fact that the item of interest, dividends and rents was shown at the gross figure of £1,011,404 before deduction of United Kingdom income tax. That was an increase of £14,003 compared with the corresponding amount last year.

After giving effect to transfers and appropriations there was

a balance remaining on profit and loss account of £480,109, out of which the directors recommended that a final dividend for the year 1939 of 3s. 6d. per £1 of stock, less income tax, be declared. That would absorb £397,512, leaving to be carried forward the sum of £82,597, an increase of £22,741.

A final dividend of 3s. 6d., together with the interim dividend of 3s. declared in November last, made a total dividend for 1939 of 6s. 6d., compared with 8s. for 1938.

A reduction in dividend must always be something of a disappointment to stockholders, but it was satisfactory to know that the primary reason was not a material fall in the profit-earning power of their business. It would have been possible to pay a higher dividend on that occasion by decreasing the allocation to general reserve, but that course did not commend itself to the board, as they considered that under conditions now prevailing a conservative policy was called for.

BALANCE SHEET

Passing now to the consolidated balance sheet, the general reserve fund, after transferring £225,000 from profit and loss account, stood at £4,561,234, an increase of £156,504 over last year. In the year under review it had been charged with £144,576 to cover depreciation in the values of certain investments at December 31st. He was happy to say that on that date the aggregate market value of the Stock Exchange securities was considerably in excess of the book values.

The departmental funds increased during the year by £282,831, and now amounted to £14,457,055, a figure very largely in excess of the normal reserves for unexpired risks.

He would also draw shareholders' attention to the fact that the total of the balance sheet, for the first time in the company's history, exceeds seventy millions.

In conclusion, he begged to acknowledge the assistance the directors had received from the boards of the allied companies and from the various local boards at home and abroad, and he wished to make special reference to the local board at New York which undertakes the responsibility of supervising their investments in the United States.

The report and accounts were unanimously adopted.

THE LIVERPOOL AND LONDON AND GLOBE INSURANCE COMPANY, LIMITED

A SUCCESSFUL YEAR

The 104th annual general meeting of The Liverpool and London and Globe Insurance Company, Limited, was held in Liverpool on the 22nd instant.

Mr A. Kentish Barnes, the chairman, referred to the valuable contribution (of which this company produced its fair share) made by British insurance offices, through their overseas trading surpluses, towards "invisible exports," so important a factor in strengthening Britain's economic position. The company, with its vast world-wide operations, was transacting business in more than fifty different foreign currencies.

The company's new life business figures, at £2,444,900 net, were amongst its best. Fire experience, at home and overseas, had been favourable, net premiums totalling £3,802,967. Progress had been well maintained in the accident department with premiums of £4,694,164. Marine premiums were £545,782.

The underwriting profits totalled £782,352. Interest to profit and loss account was £399,584, and the balance carried forward was £1,338,888.

The report and accounts were adopted, and a final dividend of 13s. 6d. per share was declared, making 27s. per share, less tax, for 1939.

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.

SUN INSURANCE OFFICE

EXCELLENT RESULTS OF 230th YEAR

The annual general meeting of the Sun Insurance Office, Limited, was held on the 21st instant, at its head office in London.

Sir William H. Goschen (the chairman), in presenting the accounts for adoption, referred with regret to the death of Mr C. W. Tomkinson, a director since 1909. He pointed out that, by fair and honourable trading, British insurers had won for themselves a world-wide pre-eminence and had built up an immense volume of business in countries overseas. The national importance of maintaining this business was fully recognised by the Government, who had accordingly made arrangements whereby British insurers were permitted to use their funds to the fullest extent in discharge of their liabilities to allied, neutral or British claimants abroad.

SATISFACTORY ACCOUNTS

As regards the Sun accounts for 1939, he expressed the view that they gave much cause for satisfaction. The aggregate net premium income at £4,870,688 was the highest in the history of the company and reflected expansion in all three branches of the business.

The fire account showed an advance of £27,793 to £2,286,549. The profit upon the business at home was higher notwithstanding the large number of claims for damage by burst water pipes following the wintry conditions at the end of 1938. The severe frost early this year had been the cause of a further serious increase in the number of claims for such damage. He wished to emphasise the duty of policyholders to take every possible precaution to prevent damage of this character, particularly when buildings were left unoccupied. Business abroad had also contributed its share to the total fire profit of £270,733, equivalent to 11.86 per cent. of the earned premiums.

In the accident branch, premium income had increased by £46,404 to £1,931,673. A slight falling away of income at home had been more than compensated for by increases in various directions abroad, including the United States of America and Canada. The account showed a margin of profit of 6.65 per cent., which could not be regarded as unsatisfactory.

The outbreak of war had created considerable disturbance of motor business, new proposals falling off almost completely. A substantial decrease in income in 1940 from this source must be expected. The effect of the "black-out" had been to increase the number of claims for personal injury. These would have been more serious but for the diminution in the number of cars on the road. On the whole our results were not unsatisfactory.

Whilst there had been a reduction in the number of workmen's compensation claims at home, the reserves for outstanding claims had called for some strengthening, particularly those at common law. The passing by the Government of an Act, under which they assumed responsibility for war injuries, had relieved employers in this country of a serious potential liability.

Marine premiums at £652,465 showed some advance over the year 1938, and it had been possible to transfer £83,893 from the account to profit and loss, whilst leaving in the marine fund £1,068,077, equal to 163 per cent. of the premium income.

Transfers from the three revenue accounts to profit and loss aggregated £611,732. From this account £100,000 had been transferred to the pension fund, as in 1938.

THE INVESTMENTS

As regards the investments of the office, their market value at December 31st last substantially exceeded the figure shown in the balance sheet. The directors had, however, felt that in the light of the present world situation it would be prudent to adopt a conservative policy. They had accordingly decided to write down the book value of stocks and shares by £50,000 and the value of house by a similar amount.

The measures taken in 1939 for securing the safety of the staff in London and the provinces and ensuring the proper functioning of the office in wartime had been carried out without any loss of efficiency, and the cost had been charged almost entirely in the revenue accounts.

The board recommended a final dividend of 1s. 6d. per share, less income tax, the same as for 1938. In conclusion, the chairman, after pointing out that the total dividend cost for the year was well within the interest income, stated that, after payment of the forthcoming dividend, the funds of the office would stand at £8,206,814. The report was adopted.

UNION INSURANCE SOCIETY OF CANTON, LIMITED

REVIEW OF YEAR'S OPERATIONS

MR G. MISKIN'S SPEECH

The ordinary yearly meeting of the Union Insurance Society of Canton, Limited, was held, on the 3rd instant, at the Society's head office, Union Building, Hongkong.

Mr G. Miskin (chairman) presided, and in moving the adoption of the report, revenue accounts and balance sheet, said:—

Since our last meeting you will have learned of the death of our late general manager, Mr Paul Lauder.

Mr Paul Lauder rendered invaluable service to the Society from the time he joined its staff in 1906 until his retirement as general manager in 1934. As he was intimately known to so many here to-day, I am sure you will join me in an expression of deepest regret at his passing.

UNDERWRITING RESULTS

The report, revenue accounts and balance sheet for 1939 were issued on April 17th, and you will have had time to consider the figures. I propose, therefore, to follow the usual custom and take these, as well as the auditors' report, as read.

Marine premium at £1,099,237 was substantially higher than in 1938, due in a large measure to war risk income. Claims paid on account of 1939 were £330,948, or some £22,000 higher than in 1938, which was to be expected in view of the larger income. In closing off the 1938 account we have been able to reserve £100,190 to meet subsequent losses on that year and to transfer £50,000 to profit and loss account.

The general experience in the fire field was reasonably good. In the United Kingdom and the United States the fire wastage reached higher figures than in recent years, but claims ratios in other countries were satisfactory. Our own fire income was slightly less than last year, and the claims ratio at 45.21 per cent. was higher, but the transfer of £50,000 to profit and loss account is satisfactory.

The amount transferred from the accident and general account to profit and loss, at £5,000, was less than last year. We are still seeking improvement in the unprofitable sections and are hopeful of eventual success.

In the profit and loss account, after making provision for dividend requirements and transferring £30,000 to underwriting suspense account, there is a balance carried forward of £302,045.

DIVIDEND POLICY

In authorising an interim dividend of 12s. 6d. per share in November, your directors were influenced largely by the contingency guarantee claims to which reference has been made at previous meetings, and the uncertainty of the effect the war would have on our affairs. The recommendation now before you of a final dividend of 12s. 6d. per share is governed largely by the same factors, plus the desirability of keeping the distribution within an amount approximating the interest earned.

So far as the contingency guarantee claims are concerned, I am able to state that the losses in which we were involved have been adjusted and payment made. This unfortunate loss was severe and heavier than could reasonably have been anticipated. It is, however, now finally disposed of with the exception of certain amounts to be received as salvages and recoveries.

Development plans for our recently acquired subsidiary, the British Oak Insurance Company, Limited, have been interfered with by the war. Encouraging progress was being made up to September, but the general dislocation since that date, plus heavy expenses incurred in transferring the business and staff from London to the country, has retarded the hoped-for expansion. Our Canadian subsidiary, the Beaver Fire Insurance Company, is still a small company, and the distractions of the year have prevented concentration upon its development. Attention will be given to this matter as soon as circumstances permit.

I cannot close without expressing the keen appreciation felt by your directors for the devoted work of the staff during the recent months of stress and difficulty. I am sure you will join in the board's appreciation of their good work.

The report, revenue accounts and balance sheet were unanimously adopted.

NORWICH UNION LIFE INSURANCE SOCIETY

SOUND POSITION

The 132nd annual general meeting of the Norwich Union Life Insurance Society was held, on the 21st instant, at Norwich.

Mr Ernest Hicks (the president) said that when war was declared last September immediate consideration had to be given to many problems affecting their business. There was one important matter which, fortunately, gave them no concern, namely, the general basis on which they valued their liabilities. This Society had for nearly forty years maintained its reserves on a 2½ per cent. net interest-earning basis, although when rates of interest in the open market were high if they had taken the short view they might have weakened their reserves and would certainly be regretting that action to-day.

For the first time for many years they had to record a decrease in their new business figures, but he thought it would be agreed that a total of over £10,300,000, representing a decrease of only 12 per cent. on their record figure for 1938, was extremely satisfactory in the special circumstances. The mortality experience had again been very favourable, and the expense ratio was only 13.6 per cent. against 14.3 per cent. for 1938.

Although the market values of Stock Exchange securities were very low as on December 31st last he was able to assure members that with their internal reserves the assets as a whole were fully of the value shown in the balance sheet. Also, at the end of last month the depreciation in their Stock Exchange securities had been more than recovered. All these features in connection with the accounts were extremely satisfactory.

The gross rate of interest over the whole of the assets was £4 14s. 1d. per cent., a reduction of only 1s. 5d. per cent. on the 1938 figure. The net rate of interest, £3 18s. 1d. per cent., showed a reduction of 4s. 6d. per cent. on the figure of the previous year, due entirely to the large increase in the rate of income tax. Even now, however, they were able to show a margin of no less than £1 8s. 1d. per cent. over the 2½ per cent. rate which was used in the valuation of their liabilities.

The report was unanimously adopted.

NORWICH UNION FIRE INSURANCE SOCIETY, LIMITED

IMPROVED UNDERWRITING RESULTS

The annual general meeting of the Norwich Union Fire Insurance Society, Limited, was held, on the 20th instant, at Norwich.

Mr Ernest Hicks (the chairman) said that the underwriting results of the fire and accident departments were good. In the fire account they had a modest increase of £19,429 in premium income, a favourable loss ratio, and a profit of £136,008, being 7.52 per cent. of the premiums totalling £1,808,699. This compared with a profit of 5.07 per cent. last year, and was a gratifying result, to which both the home and foreign fields had contributed. The home business was still a very good contributor to their profits. Abroad also the fire business had increased and the losses were lighter than in the previous year.

In the accident account they had improved upon the good results of 1938. The premium income was increased by £51,643 to £1,607,674. The profit ratio was 8.51 per cent. against 6.78 per cent., and £136,766 was contributed to the profits for the year. Their home accident business had for a long series of years been satisfactory, and it improved on its good record in the period under review, while there was also a marked improvement in the foreign section.

The marine account showed the largest increase in premiums, which now amounted to £333,778, or £79,032 greater than last year, but they would be unwise to anticipate any larger profit from this source. The marine fund of £307,364 had a substantial surplus, after fully covering the liabilities, but they were not transferring any of this to the credit of the profit and loss account.

The profit and loss account was credited with £411,033 brought forward, to which were added the trading profits, totalling £272,774, the largest contribution which they had had for 20 years, and the net interest of £142,246. The balance to be carried forward was £372,283, which approximated to the net dividend at the present rate for two years. The total assets of the Society amounted to £6,411,005, an increase of £219,682 over last year.

The report was unanimously adopted.

CABLE AND WIRELESS, LIMITED
(THE OPERATING COMPANY)

A RECORD YEAR

The eleventh ordinary general meeting of Cable and Wireless, Limited (the operating company), was held in London on the 21st instant.

Sir Edward Wilshaw, K.C.M.G. (chairman and managing director), in the course of his speech, said:—This is a record year. The profits are up by £600,000. The dividend a few years ago was only one-quarter per cent. The 4 per cent. gross dividend payable for the year 1939, which just reaches the Chancellor of the Exchequer's limit, amounts to no less a sum than £1,200,000, or £225,000 more than the previous year, and experience of the first four months of this year gives confidence not only in its maintenance but, if continued, even better results.

As to the Colonial wireless telegraph and telephone installations, the sets went out from England in the early days of the war. I can say that the sets have far exceeded our expectations. Long before we meet next year we may be able to report that every cable station in the Colonies is equipped with wireless. There will then be a complete dual system of cable and wireless chains throughout the system, and this augmentation of services supplementary and complementary to each other will have been accomplished in under twenty months.

INTRODUCTION OF 2s. 6d. TELEGRAM FOR FORCES

I come now to the question of war conditions and I may mention first two steps taken to meet particular and special requirements. The flat rate for Empire Press traffic was a recognition of the need for the exchange of news, but in wartime there are many occasions when an urgent service is vital, not only to the Press, but to its readers. We therefore reduced the urgent Press rate to half. We had also to consider those serving in the Forces, so many of whom have come to our aid from distant Dominions and Colonies, while others, from home, are themselves serving in distant parts of the Empire.

To meet their case, and to enable them to keep in touch with their families and their kinsfolk with them, we have introduced the Expeditionary Force message or EFM service, at 2s. 6d., or half the Empire social telegram charge, with the further advantage that no charge is made for the address. This service is available both ways for the Army and Air Force, and for all ranks of the Royal Navy when in the United Kingdom, but I regret that it has not yet been found possible to include Canada.

Your company is the only British-owned and operated overseas telegraph company in this country, and while we have cordial and reciprocal arrangements with the foreign telegraph companies in this country we cannot but feel that in many respects they are specially privileged. Some of them, to the best of our knowledge, are, or have been, operating in this country for some years without such licences as those we have to obtain and whose terms we must observe. Then again, quite apart from the restriction recently imposed by the Chancellor of the Exchequer on dividends generally, we have a special and permanent dividend restriction of a meagre 4 per cent. above which one-half of the profits have to be applied to further reduction of rates.

No such restriction is imposed on foreign companies working in this country. Neither do they come under the jurisdiction of the Imperial Communications Advisory Committee, and though that body has been most helpful to your company it has no control over our foreign competitors here.

It must also be remembered that His Majesty's Government now has a substantial holding of shares in this undertaking and would participate in any savings this company was able to obtain as a result of concentration. Until, however, this is found to be possible, we think we have the right to appeal to the British users of overseas telegraphs to support the British company, owned and operated by British capital and labour. The more use that is made of this system the larger will be the portion of profits which have to be set aside for further reductions in rates for their benefit while at such a time as this that money should be kept in our country.

We were the pioneers of overseas communications, and it was British vision, imagination and enterprise that made British communications predominant throughout the world. That is a position we cannot maintain if we give facilities to the foreigner in this country which they will not give to us in theirs. Failure to appreciate the realities of this situation is bound to have its serious effect upon British communications.

The report and accounts were unanimously adopted.

ORIENTAL TELEPHONE AND ELECTRIC COMPANY, LIMITED

YEAR OF EXPANSION AND DEVELOPMENT

SIR A. HENRY McMAHON'S ADDRESS

The forty-sixth ordinary general meeting of the Oriental Telephone and Electric Company, Limited, was held, on the 21st instant, at the Great Eastern Hotel, E.C.

Sir A. Henry McMahon, G.C.M.G., G.C.V.O., K.C.I.E., C.S.I. (chairman of the company), presided, and in the course of his speech said:—

The net profit of £113,881 shows a reduction of some £4,000 on last year's figure, but when you consider that we had to pay nearly £16,000 more in taxation, you will agree that we have good reason to be satisfied with the results of the year's working. I expect that you were disappointed by the reduction of the final dividend on the ordinary shares from 8 to 7½ per cent., free of tax. So were the directors. We have explained the reason for our action in our report, and I am confident that you will agree that in the present crisis we had no option but to conform to the policy laid down by his Majesty's Government.

We have given some information about the progress of our subsidiary and associated companies in our report. Without exception, this year has been one of expansion and development for them, and they are all pursuing with success a policy of attracting new business by reduction of rates or other concessions.

I have left to the last the most important thing I have to say. You are no doubt aware that under the terms of the licences under which the Indian companies operate the Government of India have the option to take over the undertakings of those companies on March 31, 1943. They are not required by the licences to give more than one year's notice. A telephone company, as you know, must take long views and must plan for some years ahead, and the shortness of the period of notice places the Indian companies in a difficult dilemma. On the one hand, it is most important in the interests of the public that development should go on uninterruptedly. On the other hand, a telephone company cannot reasonably be expected to embark on large schemes of capital expenditure if there is a probability, or even a possibility, that the benefit of that capital expenditure will accrue not to itself but to a successor in title.

ATTITUDE OF INDIAN GOVERNMENT

We have foreseen this difficulty for some years past and have been in correspondence regarding it with the boards of our Indian companies. They, in their turn, addressed the Government of India on the subject in 1937. They did not ask the Government of India at once to declare whether or not they proposed to take over the undertakings in 1943, but they suggested that the contingency of acquisition in that year should be provided for by a provisional arrangement regarding capital expenditure, so as to ensure that development should proceed without interruption. The Government appreciate this difficulty, and last year they suggested that probably the best solution would be for them to take over the systems this year, compensating the companies, of course, for the loss of the profits they would have earned up to March 31, 1943.

They inquired whether the companies would be prepared to consider an offer on these lines if it were made, and, after consulting us, they signified their willingness to do so. Every facility has been afforded to the Government, and their officials have been allowed to examine the books and plant of the companies in order that the Government may decide what offer they are prepared to make. No offer, however, has yet been received, but we are daily expecting it. All this, I should explain, refers to the Indian companies. As regards the Rangoon Telephone Company, the Government of Burma have recently given formal notice of their intention to take over the undertaking on March 31, 1943, and the question of capital expenditure during the intervening period is now being actively considered.

That is all I can tell you at present, but you will, of course, realise the implications of what I have said. If an offer is made by the Government of India, and if the Indian companies do decide to accept it, the future of our company will require careful consideration.

The report and accounts were unanimously adopted.

MARKS AND SPENCER LIMITED

MR SIMON MARKS' REVIEW

The fourteenth annual general meeting of Marks and Spencer Limited, was held, on the 21st instant, in London.

Mr Simon Marks (chairman and managing director) presided. The Chairman, in the course of his speech, said:—One of your directors, the Rt. Hon. L. S. Amery, P.C., M.P., has had the signal honour to be invited to join Mr Churchill's Cabinet as Secretary of State for India. His acceptance of Cabinet Office involves his resignation from the board. We regret the loss of his collaboration, which has been much valued by his colleagues, and we wish him every success in the great task which he has undertaken.

In November last the board appointed as a director Mr J. Edward Sieff, who has occupied a responsible position with the company for a number of years. This appointment will prove of advantage to the company.

GOVERNMENT LIMITATION OF DIVIDENDS

The Chancellor of the Exchequer introduced in the Budget certain limitations upon the amount which companies will during the war be entitled to distribute by way of dividend on ordinary share capital. It has, therefore, become necessary for the board to modify its original recommendation so that the total distribution your board now propose for the year is 38½ per cent., or 1s. 11d. per share, absorbing a gross sum of £493,322 instead of £581,416 referred to in the report.

ALLOCATION OF PROFITS

The profit for the past year amounted to £2,379,000. There has to be deducted, on account of income tax and E.P.T., a total of £1,166,000, leaving a balance of £1,213,000. Adding the balance brought forward from last year of £98,000, makes a total of £1,311,000.

After the payment of dividends on preference shares, and the interim dividend on the ordinary and "A" ordinary shares, there is left a balance of £889,000. In lieu of the recommendations in their printed report, the directors now recommend the following appropriations:—

	£
Staff benevolent and pensions fund ...	25,000
Debenture redemption fund ...	13,000
Final dividend on the ordinary and "A" ordinary shares ...	493,000
Transfer to income tax account ...	33,000
The carrying forward of ...	325,000

RESERVES

We have built up a general reserve of £2,150,000, a freehold properties depreciation reserve of £376,802, whilst the properties contingency reserve stands at £238,375. We do not propose, this year, to add to these reserves.

DEPRECIATION AND REPAIRS TO PROPERTIES

Depreciation and repairs to properties this year absorbs £481,203, as against £431,045. We have written off the whole of the capital cost of air raid shelters, amounting to a net figure of £86,000.

BALANCE SHEET

Trade creditors have risen to £648,000, as against £473,000, due to the stock in trade we are carrying, which amounts to £2,234,000, an increase on last year of £591,000.

Cash in hand stands at £1,760,000 compared with £935,000 a year ago.

SUPPLIES

During the last few years we have given special attention to the development of our food departments. The large expansion of volume of sales of foodstuffs has proved that the public welcomes this development, and has confidence in our quality and value.

STAFF

Our staff have responded with loyalty and devotion to additional tasks and responsibilities. I would like to express our thanks to them for the manner in which they have discharged their duty. Out of a total of 2,000 men, 550 are serving in H.M. Forces, and a further 400 have registered, or will register before the end of the month. We recognise that with the return of peace it will be our

duty, as it is our desire, to take back into our service those who have joined the Forces. We wish them all good fortune and a safe return. We are supplementing the pay of our men serving in the Forces, to enable them to make provision for their dependants.

WELFARE

Our welfare services continue to expand, and their success is proved by the smallness of our labour turnover. Over 5,000 members of our staff have been trained in the Civil Defence Services.

A National Savings Group has been formed through which our staff is subscribing over £1,000 per week, and they are giving generous support to the Red Cross Penny-a-Week Fund.

The resolution for the adoption of the accounts and the amended report was carried unanimously.

Resolutions were passed re-electing the directors retiring in accordance with the provisions of the articles, and also re-electing the auditors.

It was announced that dividend warrants will be posted on June 18th (in lieu of June 7th as previously proposed) to shareholders whose names were on the register of members on May 6, 1940.

INCORPORATED ACCOUNTANTS

THE PRESIDENT'S ADDRESS

The fifty-fifth annual general meeting of the Society of Incorporated Accountants and Auditors was held, on the 23rd instant, at Incorporated Accountants' Hall, Victoria Embankment, W.C. Mr Percy Toothill, F.S.A.A., the president, occupied the chair.

The Chairman, in the course of his address, said:—Before the outbreak of war the Society was asked to co-operate with the other principal bodies in helping to form an accountancy section of the Central Register. A very large number of members of the profession intimated their willingness to consider the offer of whole-time or part-time Government work in their professional capacity. So far the Register has not been used for part-time appointments—in many ways that is, I consider, a pity—but a considerable number of full-time appointments have been made. The Society has supplied its quota of members for these appointments. My own view is that it would have been desirable if firms also could have been appointed for accountancy work through an appropriate advisory committee, but that method has not been generally adopted.

No one should attempt to minimise the heavy burden of taxation which the community is already bearing. But I think it is as well that attention be drawn to two things. In the first place, the real burden of taxation can be lightened only by a progressive increase in industrial production. In the second case, higher taxation should be thought of not in isolation, but in relation to the alternative methods of finance. These alternatives, in brief, are inflation and saving—and saving may be either forced or voluntary. I think inflation should be avoided, and while I would wish to encourage voluntary saving as much as possible, I do not think the voluntary effort alone can possibly be sufficient for the enormous drive which it is necessary to make.

So far as the income tax on private incomes is concerned, our present system appears to me to mislead in a serious fashion. I therefore suggest that the Chancellor could with advantage reformulate the basis of income tax on personal incomes, so that the stress would be placed upon effective rates and not the standard rate. This would be a change in form only, but I consider it would have important psychological advantages.

The Excess Profits Tax is involving accountants in a vast amount of work—work which is, I am afraid, unduly increased by the ambiguities and anomalies of the tax as it was enacted last September. It is plain from the Budget Speech and resolutions that the new Finance Bill will remove some at least of the unsatisfactory accounting features of the tax.

The limitation of dividends by legislation applies only to public companies. Nevertheless, wherever possible, the directors of private companies should bear in mind that the national interest is best served by a smaller rather than a larger distribution of profits. Mention of private companies suggests an important truth which is coming increasingly to light in present conditions. I refer to the great part which in normal times is played by the small firm in our industrial and trading life. Contrary to the general misconception, the small unit is not on the whole uneconomic, for it has over many years without encouragement or favour from above gained a pre-dominant place in many different industries. In our war effort, when

the normal working of industry is changed by official direction, the small unit should be utilised to the full, and I hope a greater effort will be made to that end, particularly by the Ministry of Supply.

Accountancy circles during the past year have continually stressed the extreme need of avoiding waste. One particular direction in which this thesis can still bear further emphasis concerns the pricing of Government contracts. I am convinced that control at the source of profit-making, that is, in the initial contract prices, is preferable to extremely high taxation after the profits have been made. But for such control to be completely efficient, I am also convinced that the accountancy profession must be drawn into wholehearted co-operation with the Government.

ANGLO-AMERICAN DEBENTURE CORPORATION LIMITED

DIVIDEND MAINTAINED AT 12 PER CENT.

The fifteenth ordinary general meeting of this company was held, on the 23rd instant, in London.

Mr Owen H. Smith (a director) presided and read the speech prepared by the chairman, Mr Richard S. Guinness, who was unable to be present. In the course of the speech it was stated that the steady growth of their revenue account over the previous five years had been arrested, but as the fall this year in their gross revenue had been limited to under 3½ per cent. compared with last year, they were able to recommend the maintenance of the dividend on the ordinary stock at the same level of 12 per cent. The value of their investments had been maintained. Indeed, a small improvement was shown over last year, and their capital therefore remained intact, with a substantial surplus.

The book cost of their investments amounted to £2,496,639. The value, based upon Stock Exchange quotations, and in a few cases on figures fixed by the board where no quotation was available, amounted to £2,404,974, a depreciation of £91,665. The reserve account of £365,000 and the carry-forward of £70,451 together amounted to £435,451, and if they set the depreciation of £91,665 against this they arrived at a surplus of £343,786 over and above the par value of their debenture debt and preference and ordinary capital. The indicated value of the £450,000 ordinary stock was therefore £793,786, or 176½ per £100 of stock ex dividend.

They had built up a substantial carry-forward on revenue account, so that they should hope to meet shareholders next year with the declaration of a satisfactory gross dividend at any rate; what the net yield might be was out of their hands.

The report was unanimously adopted.

RIO DE JANEIRO CITY IMPROVEMENTS COMPANY, LIMITED

The seventy-eighth ordinary general meeting of the Rio de Janeiro City Improvements Company, Limited, was held, on the 22nd instant, in London.

Mr Frederick R. S. Balfour, who presided in the absence of the chairman, Major Francis Glyn, on military service, said that they proposed to pay 3¼ per cent., free of tax, which was within a fraction of a farthing the highest figure permitted to them.

British taxation was a large figure. They were taxed on the gross sum earned, out of which general depreciation and reserve against their extinction in 1947 had to be found before the profit-and-loss figure of £191,259 was reached. Taxation in Brazil was yearly becoming more burdensome and they had to reserve an adequate sum against its incidence.

Owing to exchange restrictions the sum of money in Rio awaiting remittance had by the end of the year reached the formidable figure of £565,981 6s. 3d., and in addition they held Brazilian Government bonds for £63,724 12s. 8d. Arrangements had been concluded with the Government of Brazil in the last few weeks by which £30,000 of it was payable in cash and £350,000 by remittances in the form of sterling promissory notes drawn monthly by the Bank of Brazil on a London bank over a period of forty-four months. The cash and promissory notes had now been received.

It might be remembered that the agreement as to drainage rents, reached with the Government in 1937, was subject to review every third year; the first period for review had been reached. Their relations with the Government were of a cordial nature, and they had no reason to expect anything but fair and just treatment in respect of the continuance of their agreement.

The report and accounts were unanimously adopted.

TIMOTHY WHITES AND TAYLORS,
LIMITED

THOROUGHLY SOUND POSITION

The eleventh ordinary general meeting of this company was held, on the 23rd instant, in London.

Mr Philip E. Hill, the chairman, said: For the second time in 25 years we find the Empire engaged in a war for its very existence. The present conflict differs from its predecessors inasmuch as for the first time in history what is called economic warfare is being waged with equal intensity as that warfare for which the fighting services are responsible. This economic warfare affects either directly or indirectly practically every form of industrial activity throughout the country, and in this respect your company is no exception. Difficulties have been and will be experienced in obtaining supplies. I do not wish to over-emphasise these difficulties, as I feel confident that with the loyal support of our staff we will be able to maintain the excellent service which has been enjoyed by our customers during the difficult months since the outbreak of war.

ASSISTING THE NATIONAL SAVINGS EFFORT

Many members of the staff have been called up for duty with the Services, and we are confident that they will acquit themselves in a worthy manner. In view of the primary importance of financing a large portion of the country's war expenditure out of savings, we are materially assisting the National Savings Movement among our 10,000 employees. With the object of encouraging the purchase of National Savings Certificates we have agreed to give the last two 6d. stamps on all our employees' war savings cards, that is to say, when an employee has saved 14s. towards the purchase of a 15s. certificate, we pay the last 1s. for him, leaving him free to start saving for his next certificate. We are doing this up to five certificates to each member of the staff. I am happy to say that the scheme has so far had most encouraging results.

The trading profit for the year ended December 31, 1939, amounted to the sum of £373,339, which compares with £347,700. This increase during such difficult times is satisfactory, particularly when it is realised that special expenditure incurred in the development of new branches has on the present occasion been met out of revenue, whereas during the previous year this cost was provided from development account.

During recent years many new branches have been opened and many old ones have been modernised, and our results show the wisdom of this policy, which should have progressively favourable results during the coming years. Six new dual shops—chemist and hardware—one new single drug shop and four single hardware shops have been opened.

THE DIVIDEND

Your directors have decided to recommend the payment of a final dividend of 22½ per cent., less tax, on the ordinary shares—making with the interim dividend already paid a total of 30 per cent. for the year—increasing the carry forward from £56,274 to £66,525. The issue of £500,000 of 5 per cent. debenture stock was an outstanding success and although limited to existing stock and shareholders was largely oversubscribed.

As a result of this issue our bank loan and overdraft, which stood in our last balance sheet at £256,053, has been paid off while our cash in hand and at the bank has increased from £16,648 to £196,862.

In view of present conditions I am not going to attempt to prophesy as to results. All I feel justified in saying is that your business is in a thoroughly sound position and is showing the results of much good work done in the past.

The obligations of a business such as this are not limited to its shareholders. They also extend to its staff and to its customers—the general public. We in Timothy Whites and Taylors are fortunate in our staff. Our thanks are due to all from Mr Espley—our managing director—and Mr Wilson and Mr Rushton, his assistants, who are achieving such excellent results these difficult days, down to the assistant in the smallest branch. We realise our responsibility to them, and we are in many cases assisting the dependants of those who have temporarily left us to join the fighting services.

As regards our customers, we feel that businesses such as yours can play an important part in preventing an unjustified increase in the cost of living, and constant attention to this point is being paid by your directors.

The report and accounts were unanimously adopted.

INDUSTRIAL AND GENERAL TRUST,
LIMITED

INVESTMENT MARKET AND THE WAR

The fifty-second ordinary general meeting of the Industrial and General Trust, Limited, was held, on the 23rd instant, in London.

Mr W. Sandford Poole (the chairman) said that the investment market, which had been an uneasy and difficult one for trust company managements during the past few years, had naturally become more uneasy and difficult since the war broke out. The transition to war conditions had dislocated world trade and the prospects of some investments, which a few years ago had looked quite good, had been completely upset. In all the circumstances he felt sure shareholders would have received with satisfaction the accounts laid before them that day. At £493,520, the drop in gross income was only £11,973, which might be regarded as not unsatisfactory in view of the times.

The 4 per cent. interim dividend paid on the ordinary stock in November last took £45,500, and the final distribution of 8 per cent., less tax, now recommended, required £91,729, and made 12 per cent. per annum for the third successive year. Their investments stood in the balance sheet at £7,934,854, and it was gratifying that at the date of the balance sheet they were, on the basis of quotations, represented by value. Last year the surplus had been quite small. This year it was still unsubstantial, but exceeded that shown in either of the two previous years. It indicated that their capital was intact, as were also their reserves and the carry-forward.

Of their investments, nearly 68 per cent. were in Great Britain and the Dominions and Dependencies. The proposals in the recent Budget for the limitation of dividends would undoubtedly prevent the normal operation of the law of average, and that measure, in his view, was entirely uncalled for. No legislation should be introduced at this time unless it was going to help the country win the war, and that Bill would assuredly not do that. It meddled with business but did not assist the country's finances and he appealed to the Government to withdraw it as they did the original N.D.C. after objections to it had been voiced in various quarters. The Emergency Powers (Defence) Bill presented an even stronger case for the withdrawal of the Dividends Limitation Bill.

The report was unanimously adopted.

JAMES W. COOK AND COMPANY,
LIMITED

DISTRIBUTION MAINTAINED

The forty-third annual general meeting of James W. Cook and Company, Limited, was held, on the 17th instant, at the offices of the company, 130-138 Minories, London, Mr W. J. Clarke (chairman and managing director) presiding.

The Chairman, in the course of his speech, said:—The year was continuing satisfactorily and normally until the outbreak of war, when a very violent interruption in our activities occurred. In some branches business shrank very much for the time being, and in others our activities increased. Our ships and some of our craft were taken by the authorities and I find myself in somewhat of a difficulty under the Defence of the Realm Regulations to say more in detail of what took place. Suffice it to say that by the end of the year the result of our efforts is seen in the balance of the profit-and-loss account, carried to appropriation after rent, etc., repairs, depreciation, etc., amounting to £36,907 17s. 4d., compared with £43,728 8s. 11d. the previous year, which considering the abnormal conditions of the last four months of 1939 can be accounted as very good and once again justifying the developments of our additional branches.

After dealing at some length with various items in the balance sheet, the Chairman said:—That brings me to the position we are in to-day, and because of present events you will agree that it is quite impossible for me to give you any sort of forecast of the future, and it can only be that we must hope for the best and continue with stout hearts to carry on to the utmost, whatever difficulties there are or may be in front of us.

With regard to the disposal of our profits earned, you will see that the directors recommend the same dividend as last year and to transfer to reserve for contingencies another £5,000, making that figure £125,000, and to taxation reserve £12,000, which should be sufficient to cover any liability under this heading, and to carry forward to 1940 £46,440 10s. 8d., against £46,157 13s. 4d. that was brought in.

The report and accounts were unanimously adopted.

HARLAND AND WOLFF, LIMITED

FIGURES SHOW FURTHER IMPROVEMENT

MR F. E. REBBECK'S SPEECH

The annual general meeting of this company was held, on the 22nd instant, in London.

Mr F. E. Rebbeck, D.L., J.P. (chairman and managing director), in the course of his speech, said:—In common with your directors you will no doubt feel gratified that the results for 1939 show a further improvement over the figures of the previous year.

This is the more satisfactory because the greater part of the earnings in the year under review have been derived from the company's ordinary commercial activities—shipbuilding, ship-repairing, engineering, etc.

I would like to stress this, for I noticed from various Press comments following the publication of the directors' report and statement of accounts it was assumed that the increased earnings for the year are entirely the result of work carried out in connection with the country's defence programme.

During the current year, however, most of the work in hand is on Government account, and you will, I am sure, realise that all such work is subject to profit limitation, and some of the assumptions that have been made in the Press might be very misleading.

LIBERAL PROVISION FOR DEPRECIATION

With such a simple and straightforward balance sheet before you there is little need for amplification, but I would specially mention that your directors have thought it advisable to provide adequately for depreciation in view of the continuous heavy wear and tear that is taking place under the conditions of to-day.

It is proposed that £100,000 should be transferred to reserve, making the total £200,000; and this will require to be further strengthened at every opportunity in order to ensure that the company will have the necessary reserves for carrying on the business when normal conditions return.

The dividend policy proposed, viz., 6 per cent. to the "A" ordinary shareholders and 4 per cent. to the "B" ordinary stockholders, less income tax, will require £239,902.

In recommending this dividend your directors were naturally influenced by the appeal of the Chancellor of the Exchequer in his Budget speech.

There is little that I can add to what has already been said in the directors' report on the subject of Excess Profits Tax.

It must be recognised that the standard years are very unfair to this company. It therefore becomes necessary for a special application to be made to the Board of Referees to arrive at what we hope will prove to be an equitable standard. This is a matter which is very much before your board at the present time.

You will see from the balance sheet the extent to which the fixed assets of the company have been augmented during the year. This represents expenditure necessitated by the special needs of the programme of work on which we are now engaged and calls for exceptional depreciation.

A GREAT NATIONAL ASSET

In view of the conditions under which we are working to-day, it is not desirable that I should further amplify my remarks, and, therefore, my speech has to be brief. But while for obvious reasons I cannot go into details of all the work in hand, I can assure shareholders that the different works of the company, which are proving a great national asset, are employed to full capacity as far as is possible with the labour at our disposal, and they will be still further utilised directly more labour becomes available.

I now beg to move that the report and accounts to December 31, 1939, together with the directors' recommendations contained therein as follows:—

(a) Transfer to reserve;

(b) Payment of dividends on May 31st on the "A" ordinary shares and "B" ordinary stock;

(c) Payment of directors' remuneration, be and they are hereby approved and adopted, and I will call upon Mr Craig to second the motion.

Mr John Craig, C.B.E., D.L., J.P., seconded the resolution, which was carried unanimously.



THE
FOURTEENTH
ANNUAL
GENERAL MEETING
OF
MORRIS
MOTORS LIMITED

★

The Fourteenth Annual General Meeting of Morris Motors Ltd. was held at Cowley, Oxford, on Friday, 24th May, 1940.

Viscount Nuffield, Chairman of the Company, presided.

It was revealed that the Gross Profit for the year 1939 was £2,385,122 and that substantial reserves against contingencies have been made.

The Chairman's speech reviewed the activities of Morris Motors, Ltd. and associated Companies, comprising:—

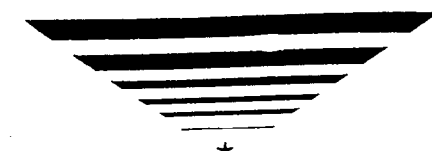
MORRIS COMMERCIAL CARS LTD.
WOLSELEY MOTORS LTD.
M.G. CAR CO. LTD.
MORRIS-OXFORD PRESS LTD.
RILEY (COVENTRY) LTD.
THE S.U. CARBURETTER CO. LTD.
MORRIS INDUSTRIES EXPORTS LTD.
MECHANIZATIONS & AERO LTD.

Because of the need for economy in all things imposed by the War, the full text of the Chairman's speech—which necessarily was of considerable length—is not being published in the Press.

Full verbatim reports are, as usual, being posted to all Stockholders.

Copies thereof will gladly be sent post free to any interested applicants, who should address themselves to:

The Secretary,
MORRIS MOTORS LTD.,
Cowley, Oxford.



BRITISH-BORNEO PETROLEUM SYNDICATE, LIMITED

DISTRIBUTION OF 15 PER CENT.

The twenty-sixth ordinary general meeting of this company was held, on the 23rd instant, in London.

Mr Walter MacLachlan (chairman and managing director), who presided, said: The directors recommend the payment of a final dividend of 5 per cent. and a bonus of 5 per cent., both less tax, making a total distribution of 15 per cent. for the year. The final dividend and the bonus will be paid on June 15th and the income tax deducted will be at the rate of 6s. 11.964d. in the £, the reduction from the standard rate of 7s. 6d. resulting from Dominion income tax relief.

You will no doubt desire that I examine the effect that wartime conditions are likely to have upon our business, and it is obvious that opportunities for new business will be restricted and that profits from the realisation of shares are likely to be few and far between. On the other hand, I am pleased to report that in recent years our revenue has to an increasing extent been derived from what we regard as our "stable sources," viz., investments and royalty in-

terest. It is true that we must look for some restriction in revenue from investments, since dividends may be limited both by taxation and by statute, but on the whole we have every reason to believe that the revenue which we derive from the sources I have mentioned will continue at the present satisfactory figure.

We continue to hold a substantial interest in Apex (Trinidad) Oilfields, Limited, and it is satisfactory to report that the operations of that company continue to be successful, and last year resulted in the production of 526,810 tons of oil.

The production last year from the Seria Oilfield in Brunei was again in excess of previous records, and we continue to derive substantial revenue from the royalty we receive on this production. We also have a shareholding in the Ultramar Company, Limited, which has valuable oil interests in Venezuela.

In addition to our interests in the oil industry we hold other general investments. The market value of these investments at March 31st was in excess of the amount at which they are included in the balance sheet.

I think you will agree that this reflects a very satisfactory position, which should enable us to stand up with confidence to the difficult conditions which lie before us.

The report and accounts were unanimously adopted.

(Continued from page 942)

Pressed Steel and other leading issues. Electrical equipment shares have been depressed. Banking and insurance shares were dull in sympathy with gilt-edged. A rally in Courtaulds at last week's close was not maintained, and Carreras fell sharply on the declaration of a reduced interim dividend.

Kaffirs experienced heavy falls on Monday. Later in the week interest was slight, but fractional losses were general. In oil shares the position was improved on Tuesday by bargain hunters, but subsequently news from France exercised a depressing effect. Dealings in rubber shares were negligible, despite the maintenance of the quota.

"FINANCIAL NEWS" INDICES

1940	Approx. Total Bargains in S.E. List	Corres. Day 1939	Security Indices	
			30 Ord. shares*	20 Fixed Int.†
May 17 ...	3,366	5,960	70.3	123.1
" 20 ...	3,546	6,785	68.6	121.8
" 21 ...	3,618	5,885	68.8	121.7
" 22 ...	3,092	6,045	67.5	120.9
" 23 ...	3,230	7,340	67.9	122.6

* July 1, 1935 = 100. † 1938 = 100. 30 Ordinary shares, 1940: highest, 80.6 (Feb. 29); lowest, 67.5 (May 22). 20 Fixed Int., 1940: highest, 126.5 (May 9); lowest, 117.6 (Jan. 2).

New York

TRADING has been dominated throughout the week by news of the military situation in Europe. Markets on Monday showed firmness, encouraged by news of the establishment of minimum prices for grain and by reports of Allied resistance. On Tuesday prices, led by steels and aircrafts, collapsed badly, due to a combination of profit taking and information concerning the extent of the German break-through. As a result, the Dow Jones industrial index slumped 8.3 points to 114.13 on the day. Later in the week the markets steadied and steels were again in demand. The American Iron and Steel Institute estimates steel mill activity at 73 per cent. of capacity compared with 70 per cent. in the previous week.

STANDARD STATISTICS INDICES (1926=100)

	WEEKLY AVERAGES				
	Low	High	May 22	May 15	May 8
347 Ind'l's ...	81.8	111.4	107.6	92.5	81.8
32 Rails ...	20.7	30.7	28.6	23.8	20.7
40 Utilities ...	71.2	89.4	87.1	77.0	71.2
419 Stocks ...	70.3	94.8	91.5	79.0	70.3
Av. yield ...	6.45%	4.30%	4.69%	5.57%	6.45%

* 50 Common Stocks.

DAILY AVERAGE 50 COMMON STOCKS

May 16	May 17	May 18	May 20	May 21	May 22
101.7	96.2	94.5	94.8	88.3	88.6
1940 High, 123.7 Jan. 3. Low, 88.3 May 21.					

New York Prices

Total share dealings:—May 16, 2,350,000; May 17, 3,070,000; May 18, 1,660,000; May 20, 1,240,000; May 21, 3,940,000; May 22, 2,130,000.

	Close Latest			Close Latest	
	May 16	May 23		May 16	May 23
1. Railroads	1940	1940		1940	1940
Balt. & Ohio	3 1/2	3	Am. Roll. Mill	12 1/2	10
C.N. Ry. P.	22 3/4	17 1/4	Am. Smelting	41 1/4	34 3/8
Illinois Cent.	7 3/8	6 1/4	Anacosta	25 1/2	19 3/4
Northern Pac.	6	4 3/4	Briggs	17 1/2	14
Pennsylv. R.	17 1/8	17 1/8	Celanese of A.	26 1/2	23
Southern Ry.	11 1/4	8 3/4	Eastman Kdk.	142 1/4	130 1/2
2. Utilities, etc.			Gen. Motors	44 3/8	40 1/8
Amer. Tel.	157 5/8	146	Glidden	13	11
Amer. Wkks.	7 3/8	6 1/8	Nat. Dairy	14 3/8	13
Col. Gas & El.	5 1/4	4 1/2	Nat. Distillers	21	18
Int. Tel. For.	25 1/8	24	Sears Roebck	69 1/2	64 1/2
United Corp.	13 1/2	11 1/2	Shell Union	8 3/4	8
Utd. Gas Imp.	11 1/8	10 1/4	Socony Vac.	9 1/4	7 3/4
3. Commercial and Industrial			Stan. Oil N.J.	37 3/4	33 3/4
Amer. Metal.	16 1/2	13 3/4	20th Cen. Fox	6 3/4	5 1/2
			U.S. Steel pf.	112 1/2	106
			West'ne Elec	95 1/2	85
			Woolworth	34 1/8	31 1/4

Capital Issues

Week ending May 25, 1940	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	62,070	Nil	73,480
Savings Certs.†	2,550,000	Nil	2,550,000
3% Defence Bondst	2,050,000	Nil	2,050,000
† Week to May 18, 1940.			

Year to date	Including Conversions	Excluding Conversions
1940 (New Basis)	766,592,315	413,637,182
1939 (New Basis)	46,812,624	44,581,559
1940 (Old Basis)	793,373,765	400,618,632
1939 (Old Basis)	25,824,019	24,612,954

Year to date	U.K.	Brit. Emp. Foreign ex U.K. Countries
1940 (New Basis)	412,874,170	763,012 Nil
1939 (New Basis)	27,923,965	16,337,594 320,000
1940 (Old Basis)	400,476,176	142,456 Nil
1939 (Old Basis)	15,794,113	8,498,841 320,000

Year to date	Deb.	Conv.	Excl'd.
1940 (New Basis)	400,509,696	1,170,255	11,957,231
1939 (New Basis)	22,025,395	2,870,356	19,685,808
1940 (Old Basis)	399,604,500	77,500	886,632
1939 (Old Basis)	17,327,435	928,447	6,357,072

"Old Basis" includes public issues and issues to shareholders. "New Basis" is all new capital in which permission to deal has been granted.

RESULT OF TENDER

Liverpool Corporation Bills.—Average rate £1 Os. 5.97d. per cent. Applications at £99 14s. 10d. received 42 per cent.

Shorter Comments

Company Results of the Week.

THE IMPERIAL CONTINENTAL GAS report shows a sharp fall in net revenue from £415,786 to £213,064, which calls for a cut in the ordinary dividend from 10 to 6 per cent. These results, to March 31st, followed decreases in profits for the Belgian and French companies as a result of the war, coupled with the strengthening of reserves by several of the operating companies. Of the substantial balance of £526,155 brought in, £300,000 is transferred to general and specific reserves. Investments stand at £9,860,068 and in recent years the directors have, of course, reduced their European holdings and increased their British investments, particularly in Edmundsons Electricity Corporation. GOODLASS WALL net profit shows a decrease from £175,040 to £157,439 but the 7 per cent. dividend is maintained. BARRY AND STAINES' trading and net profits show a slight improvement to £180,065 and £161,329 respectively and the 12 1/2 per cent. dividend is maintained with a satisfactory margin. BRITISH TIMKEN have acquired the German interest in the Fischer Bearings Company, Ltd., from the Custodian of Enemy Property, and is to increase its capital. Net profit for the latest year is slightly lower at £60,619, despite a substantial increase in trading profit, but the dividend is maintained at 15 per cent. The latest batch of investment trust reports show comparatively small movements in total revenues, though the incidence of special provisions has in some cases reduced distributable profits. ANGLO-AMERICAN DEBENTURE and LONDON TRUST have maintained their dividends, but BANKERS' INVESTMENT TRUST dividend is reduced from 6 to 5 1/2 per cent. Further rubber company reports include ALLIED SUMATRA (net profit £59,370 and 4 per cent. dividend maintained) and KEPONG (MALAY), whose net profits have jumped from £43,647 to £100,969, while the dividend is raised from 4 1/2 to 11 1/2 per cent. YORKSHIRE AMALGAMATED COLLIERIES' profits for the year to March 31st are somewhat lower at £221,237, but the dividend is maintained at 7 1/2 per cent.

MISCELLANEOUS

Pease and Partners.—Profits for year ending March 31, 1940, at £586,227 have more than recovered the fall from £514,656 to £469,331 reported in previous year. Improvement is due largely to war conditions. Dividend of 10 per cent. on the ordinary shares, against 10 per cent. plus 2 1/2 per cent. cash bonus for 1938-39. "Shell" Transport and Trading.—Delay resulting from enemy action will occur in presenting 1939 accounts, issued last year on June 10th.

(Continued on page 963)

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week to May 18, 1940, total ordinary revenue was £21,315,000, against ordinary expenditure of £34,084,000 and issues to sinking funds of £250,000. Thus, including all sinking fund allocations, the deficit accrued since April 1st is £205,971,000, against £64,058,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Apr. 1, 1939, to May 20, 1939	Apr. 1, 1940, to May 20, 1940	Week ended May 20, 1939	Week ended May 18, 1940	
ORDINARY REVENUE					
Income Tax	10,174	20,101	9	2,586	
Sur-tax	4,950	4,750	530	530	
Estate, etc., Duties	9,680	10,880	1,460	1,870	
Stamps	2,100	1,200	860	500	
N.D.C.	2,630	2,130	440	220	
E.P.T.	190	270	10	50	
Other Inland Revenue	...	...	...	...	
Total Inland Revenue	29,724	39,401	3,309	5,756	
Customs	33,238	34,963	4,328	3,575	
Excise	16,900	23,000	5,530	9,550	
Total Customs & Excise	50,138	57,963	9,858	13,125	
Motor Duties	4,151	5,154	...	...	
P.O. (Net Receipt)	5,280	5,200	400	1,350	
Crown Lands	200	160	...	...	
Receipts from Sundry Loans	266	266	...	84	
Miscellaneous Receipts	729	3,240	39	1,000	
Total Ordinary Revenue	90,488	111,384	13,606	21,315	
SELF-BALANCING					
Post Office and Broadcasting	8,270	8,000	1,450	900	
Total	98,758	119,384	15,056	22,215	

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	Apr. 1, 1939, to May 20, 1939	Apr. 1, 1940, to May 20, 1940	Week ended May 20, 1939	Week ended May 18, 1940	
ORDINARY EXPENDITURE					
Interest and Management of Nat. Debt	39,467	40,875	376	584	
Payments to N. Ireland	555	592	...	...	
Other Consolidated Fund Services	363	347	...	...	
Total	40,385	41,814	376	584	
Supply Services	113,556	274,711	17,640	33,500	
Total Ordinary Expenditure	153,741	316,525	18,016	34,084	
SELF-BALANCING					
Post Office and Broadcasting	8,270	8,000	1,450	900	
Total	162,011	324,525	19,466	34,984	

After increasing Exchequer balances by £174,223 to £2,794,808, the other operations for the week (as shown below) raised the gross National debt by £13,528,000 to about £9,154 millions.

WEEK'S CHANGES IN DEBT

NET INCREASES		NET REPAYMENTS	
3% War Loan	50	Public Department Advances	12,690
Nat. Savg. Certs.	2,550		
3% Defence Bonds	2,050		
Treasury Bills	21,451		
Other debt	117		
	26,218		12,690

OTHER ISSUES (NET)		OTHER RECEIPTS (NET)	
Overseas Tde. Guar.	69	Land Settlements	15
P.O. and Telegraph	200		
Anglo-Turkish Arms	81		
	350		

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1 to May 18, 1940, are:—

£ thousands		£ thousands	
Ordinary Exp.	316,525	Ord. Revenue	111,384
Misc. Iss. (net)	4,319	Gross borr.	210,689
Inc. in balances	400	Less: Sinking fds.	829
		Net borrowing	209,860
	321,244		321,244

FLOATING DEBT

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt	Floating Assets
	Ten-der	Tap	Public of Depts.	Bank of Eng-land		
1939						
May 20	439.0	506.2	43.8	...	989.0	550.0
1940						
Feb. 10	806.0	630.1	47.6	...	1483.7	677.7
" 17	806.0	625.9	46.7	...	1478.6	672.6
" 24	801.0	621.9	53.4	...	1476.3	675.3
Mar. 2	791.0	651.0	54.1	...	1496.1	705.1
" 9	776.0	664.6	56.3	...	1506.6	730.6
" 16	761.0	673.6	55.0	...	1490.9	729.9
" 23	746.0	682.8	55.0	...	1483.8	737.8
" 31	731.0	696.7	61.5	...	1489.2	758.2
Apr. 6	716.0	706.3	55.0	...	1477.3	761.3
" 13	701.0	708.4	56.4	...	1465.8	764.8
" 20	686.0	637.5	38.9	...	1362.4	676.4
" 27	675.0	674.1	46.3	...	1395.4	720.4
May 4	675.0	707.9	49.3	...	1432.2	757.2
" 11	685.0	722.1	53.0	...	1460.1	775.1
" 18	695.0	733.6	40.3	...	1468.9	773.9

TREASURY BILLS

Date of Tender	Amount			Average Rate	Per Cent. Allotted at Mini-mum Rate
	Offered	Applied for	Allotted		
1939					
May 19	30.0	60.8	30.0	13	3.63
1940					
Feb. 9	55.0	108.7	55.0	20	6.11
" 16	65.0	106.9	60.0	20	6

OVERSEAS BANK RETURNS

NOTE.—The latest returns of the Bank of Norway appeared in *The Economist* of April 13th; Canada, Denmark, Germany, Lithuania, Prague, of April 27th; Estonia, Greece, Latvia, South Africa, of May 4th; Argentina, Bulgaria, Egypt, Japan, Java, Netherlands, Sweden, Switzerland, Hungary, Yugoslavia, Roumania, of May 11th; Belgium, and Federal Reserve Reporting Members of May 18th.

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

	Apr. 30, 1939	Feb. 28, 1940	Mar. 31, 1940	Apr. 30, 1940
ASSETS				
Gold in bars	43.7	22.3	30.6	28.2
Cash	18.1	22.2	34.8	33.5
Sight funds	31.0	10.4	16.3	16.9
Commercial bills	140.4	64.9	93.5	117.0
Treasury bills	75.9	95.1	68.4	45.4
Time funds at interest	29.6	8.6	17.4	22.0
Sundry bills & invests.	249.5	222.3	206.6	195.1
LIABILITIES				
Deposits—Annuity	153.1	153.1	153.1	153.1
German	76.5	76.5	76.5	76.5
Central banks	128.8	19.6	33.6	23.6
Other	9.6	1.8	1.2	1.2
Gold	9.6	12.2	12.9	12.6

U.S. FEDERAL RESERVE BANKS

	May 25, 1939	Apr. 15, 1940	May 22, 1940	May 25, 1940
12 U.S.F.R. BANKS				
RESOURCES				
Gold certifs. on hand and due from Treas.	13,283	16,378	16,692	16,842
Total reserves	13,674	16,777	17,080	17,224
Total cash reserves	382	390	379	374
Total U.S. Govt. secs.	2,564	2,467	2,474	2,477
Total bills and secs.	2,581	2,479	2,486	2,489
Total resources	16,965	20,018	20,479	20,502
LIABILITIES				
F.R. notes in circn.	4,446	4,918	4,969	4,985
Excess m. bank res.	4,300	6,120	6,300	6,370
Deposits: Member-bank reserve account	10,097	12,883	13,094	13,223
Govt. deposits	915	470	425	370
Total deposits	11,570	14,126	14,396	14,527
Total liabilities	16,965	20,018	20,479	20,502
Reserve	85.4%	88.1%	88.2%	88.3%
BANKS AND TREASURY RESOURCES				
Monetary gold stock	15,927	18,708	18,949	19,071
Treas. & bk. currency	2,859	2,997	3,004	3,007
LIABILITIES				
Money in circulation	6,893	7,520	7,598	7,613
Treasury cash and deposits with F.R. Bks.	3,561	2,775	2,648	2,574

EXCHANGE RATES

Rates Fixed by Bank of England

The following official exchange rates fixed by the Bank of England remained unchanged between May 16th and 23rd. (Figures in brackets are par of exchange.)

U.S.\$ (4.862 $\frac{1}{2}$) 4.021 $\frac{1}{2}$ –0.03 $\frac{1}{2}$; mail transfers, 4.034 buyers. Can. \$ (4.862 $\frac{1}{2}$) 4.43–47; U.S. dollars, 4.474 buyers. Fr. fcs. (25–22 $\frac{1}{2}$) 17.85–95; Sw. kr. (18–159) 16.85–95; Arg. pesos (11–45) 17.05–30; mail transfers 17.32 buyers.

Forward Rates

Forward rates for one month have remained unchanged as follows: America, $\frac{1}{4}$ cent pm-par. Canada, $\frac{1}{2}$ cent pm-par. France, par. Switzerland, 3 cents pm-par. Sweden, 3 ore pm-par.

MARKET RATES

London on	Par of Exchange per £	May 17, 1940	May 18, 1940	May 21, 1940	May 22, 1940	May 23, 1940
Tallinn, Ekr.	18–159	13*	13*	13*	13*	13*
Riga, Lats.	25–222 $\frac{1}{2}$	16 $\frac{1}{4}$ *	16 $\frac{1}{4}$ *	16*	16*	16*
Budapest, Pen.	27–82	17 $\frac{1}{2}$ *	17 $\frac{1}{2}$ *	17 $\frac{1}{2}$ *	17 $\frac{1}{2}$ *	17 $\frac{1}{2}$ *
Kovno, Lit.	48–66	18 $\frac{1}{4}$ *	18 $\frac{1}{4}$ *	18*	18*	18*
Milan, Lr.	92–46	64–55(b)	62–63 $\frac{1}{2}$ (b)	63–70(b)	64–80(b)	62–67(b)
Belgrade, Din.	276–32	135*	135*	130*	130*	130*
Sofia, Lev.	673–66	165*(g)	165*(g)	160*(g)	160*(g)	160*
Helsingfors, Mk	193–23	180*	180*	180–210	180–210	180–210
Alexandria, Pst	97 $\frac{1}{2}$	97 $\frac{1}{2}$ –5 $\frac{1}{2}$	97 $\frac{1}{2}$ –5 $\frac{1}{2}$	97 $\frac{1}{2}$ –5 $\frac{1}{2}$	97 $\frac{1}{2}$ –5 $\frac{1}{2}$	97 $\frac{1}{2}$ –5 $\frac{1}{2}$
Madrid, Pt.	25–22 $\frac{1}{2}$	39–00(b)	39–00(b)	39–00(b)	39–00(b)	39–00(b)
Lisbon, Esc.	110	510*	510*	510*	510*	510*
Istanbul, £T	110	520(b)	520(b)	520(b)	520(b)	520(b)
Athens, Dr.	375	520*	520*	520*	520*	520*
Bucharest, Lei	813–8	800*	800*	800*	800*	800*
India, Rup.	†18d.	17 $\frac{1}{2}$ –16	17 $\frac{1}{2}$ –16	17 $\frac{1}{2}$ –16	17 $\frac{1}{2}$ –16	17 $\frac{1}{2}$ –16
Kobe, Yen.	†24–58d.	17 $\frac{1}{2}$ –16	17 $\frac{1}{2}$ –16	17 $\frac{1}{2}$ –16	17 $\frac{1}{2}$ –16	17 $\frac{1}{2}$ –16
Hongkong, \$.	†	14 $\frac{1}{2}$ –16	14 $\frac{1}{2}$ –16	14 $\frac{1}{2}$ –16	14 $\frac{1}{2}$ –16	14 $\frac{1}{2}$ –16
Rio, Mil.	†5–899d.	32 $\frac{1}{2}$ –16	32 $\frac{1}{2}$ –16	32 $\frac{1}{2}$ –16	32 $\frac{1}{2}$ –16	32 $\frac{1}{2}$ –16
Valparaiso, Pes.	40	90*	90*	90*	90*	90*
Lima, Sol. (e)	17–38	19–21	19–21	19–21	19–21	19–21
Montevideo, \$	†51d.	27 $\frac{1}{2}$ –29 $\frac{1}{2}$	27 $\frac{1}{2}$ –29 $\frac{1}{2}$	28–30	27 $\frac{1}{2}$ –29 $\frac{1}{2}$	27 $\frac{1}{2}$ –29 $\frac{1}{2}$
Singapore, \$	†28d.	28 $\frac{1}{2}$ –5 $\frac{1}{2}$	28 $\frac{1}{2}$ –5 $\frac{1}{2}$	28 $\frac{1}{2}$ –5 $\frac{1}{2}$	28 $\frac{1}{2}$ –5 $\frac{1}{2}$	28 $\frac{1}{2}$ –5 $\frac{1}{2}$
Shanghai, \$	†	31 $\frac{1}{2}$ –4 $\frac{1}{2}$	31 $\frac{1}{2}$ –4 $\frac{1}{2}$	31 $\frac{1}{2}$ –4 $\frac{1}{2}$	31 $\frac{1}{2}$ –4 $\frac{1}{2}$	31 $\frac{1}{2}$ –4 $\frac{1}{2}$
Bogota, Pes.	†	5*	5*	5*	5*	5*

* Sellers. † Pence per unit of local currency. (b) Official rate for payment at the Bank of England for clearing offices. (c) Voluntary rate for payment at the Bank of England. (e) 90 days. (g) Trade payments rate.

BANK OF FRANCE

Million francs.

	May 18, 1939	Apr. 18, 1940	May 16, 1940	May 18, 1940
ASSETS				
Gold	92,266	84,614	84,615	84,615
Bills: Commercial	9,565	14,156	14,861	15,457
Bought abroad	726	46	46	46
Advances on securities	3,396	3,425	3,488	3,614
Thirty-day advances	118	301	671	1,376
State Loans without int.	10,000	10,000	10,000	10,000
Neg. Treas. Bonds	20,577	20,900	21,600	21,150
Prov. adv. to State	8,847	11,401	11,735	12,930
S.F. bds., & other assets				
LIABILITIES				
Notes in circulation	122,132	156,443	158,770	160,931
Deposits: Public	17,327	1,882	1,085	1,037
Private	2,837	4,161	4,255	4,034
Gold to sight liabilities	61–1 $\frac{1}{2}$	49–3 $\frac{1}{2}$	48–7 $\frac{1}{2}$	47–5 $\frac{1}{2}$

BANQUE MELLÉE IRAN

Million rials

	Mar. 6, 1939	Feb. 20, 1940	Mar. 6, 1940	Mar. 6, 1940
ASSETS				
Gold	310.7	310.8	310.8	310.8
Silver	405.8	408.7	408.7	408.7
Balances, home & abroad	200.1	285.9	244.9	283.8
Discounts	272.8	394.6	375.4	394.8
Public departments	747.6	762.3	756.3	762.5
Other debit accounts	802.3	831.7	870.0	870.5
LIABILITIES				
Notes in circulation	824.4	990.2	974.4	972.8
Public departments	587.7	473.6	468.7	565.0
N.B.—Market value is: † 410.3 million rials. ‡ 344.5 million rials. (Based on L.O. price and rate.)				

RESERVE BANK OF INDIA

Million rupees

	Apr. 12, 1939	Apr. 19, 1940	Apr. 26, 1940	Apr. 26, 1940
ASSETS				
Gold coin and bullion	444	444	444	444
Rupee coin	554	546	540	534
Balances abroad	275	251	247	244
Sterling securities	1,135	1,165	1,165	1,165
Indian Govt. rupee secs.	384	384	384	384
Investments	72	65	73	84
LIABILITIES				
Notes in circn.: India	2,275	2,290	2,282	2,264
Burma	135	135	134	132
Deposits: Govts.	187	147	153	126
Banks	160	176	194	225
Reserve ratio	62.8%	63.4%	63.5%	63.7%

AUSTRALIAN COMMONWEALTH BANK.—Million £A's

	May 1, 1939	Apr. 22, 1940	Apr. 29, 1940	Apr. 29, 1940
ASSETS				
Gold and English stg.	16.03	16.08	16.08	16.08
Other coin, bullion, etc.	5.62	6.63	6.05	6.06
Call money, London	14.96	41.66	42.88	44.89
Secs. and Treas. bills	94.50	85.70	83.75	83.50
Discounts and advances	17.42	35.54	35.15	34.84
LIABILITIES				
Notes issued	48.28	54.03	52.53	52.53
Deposits, etc.	81.86	112.31	112.80	114.29

RESERVE BANK OF NEW ZEALAND

Million £N.Z.'s

	May 1, 1939	Apr. 22, 1940	Apr. 29, 1940	Apr. 29, 1940
ASSETS				
Gold and stg. exch.	7.62	15.51	16.48	16.65
Advances to State	19.44	22.96	22.84	22.78
Investments	3.77	3.07	2.98	2.96
LIABILITIES				
Bank Notes	15.72	18.25	17.95	17.95
Demand liab.: State	2.79	6.30	6.73	6.83
Banks and others	10.89	14.88	15.58	15.52
Reserves to sight liab.	23.8%	39.2%	40.9%	41.3%

BANK OF PORTUGAL

Million escudos

	Mar. 13, 1939	Feb. 28, 1940	Mar. 13, 1940	Mar. 13, 1940
ASSETS				
Gold	918.8	920.6	920.6	920.6
Balances abroad	710.8	794.1	807.9	860.0
Discounts	453.6	425.5	423.8	420.0
Securities	117.9	116.0	117.0	108.8
LIABILITIES				
Notes in circulation	2066.9	2372.7	2381.9	2353.5
Deposits: Government	506.5	593.0	585.2	402.3
Bankers	688.3	502.1	490.3	565.0
Other	56.6	58.3	58.6	61.4
Foreign commitments	195.8	327.5	327.4	327.5

CENTRAL BANK OF TURKEY

Million Turkish pounds

	July 22, 1939	Apr. 20, 1940	Apr. 27, 1940	May 4, 1940
ASSETS				
Gold	36.90	118.03	120.28	117.80
Clearing and other exch.	3.35	37.09	37.15	36.78
Treasury bonds	141.52	140.54	139.87	139.87
Commercial bills	128.48	243.17	242.23	244.19
Securities	50.99	56.43	56.28	56.14
Advances	13.87	17.08	17.16	10.74
LIABILITIES				
Notes in circulation	229.52	317.54	316.87	321.87
Deposits: Govts.	34.05	138.16	141.50	130.23
Banks	36.20	38.44	36.91	36.45
Clearing & other exch.				

PROVINCIAL BANK CLEARINGS (£ thousands)

	Week ended May 20, 1939	Week ended May 18, 1940	Aggregate January 1 to May 18, 1940	Week ended May 20, 1939	Week ended May 18, 1940	Aggregate January 1 to May 18, 1940
Working days:—	6	6	118	117	Newcastle	28,996
Birmingham	2,050	1,883	48,528	45,311	Nottingham	8,903
Bradford	531	1,333	16,872	29,149		
Bristol	1,381	1,362	26,459	32,619	Towns	523,766
Hull	681	782	16,213	16,923		
Leicester	653	656	14,551	15,427	Dublin	5,477
Liverpool	4,289	5,576	100,146	117,516	Sheffield	4,953
Manchester	8,353	10,250	193,631	228,922	South ton†	893

* Suburban cheque clearing discontinued Sept. 7, 1939.
† Clearing begun May 14, 1940.

MONEY RATES, LONDON

The following rates remained unchanged between May 16th and May 23rd:—Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills, 60 days, 1 $\frac{1}{2}$ %; 3 months, 1 $\frac{1}{2}$ %; 4 months, 1 $\frac{1}{2}$ –1 $\frac{1}{4}$ %; 6 months, 1 $\frac{1}{2}$ %; increased to 1 $\frac{1}{2}$ –1 $\frac{1}{4}$ % May 22nd and 23rd. Treasury bills: 2 months, 1–1 $\frac{1}{2}$ %; 3 months, 1 $\frac{1}{2}$ –1 $\frac{1}{4}$ %. Day-to-day money, $\frac{1}{4}$ –1 $\frac{1}{4}$ %. Short loans, 1–1 $\frac{1}{4}$ %. Bank deposit rates, 1 $\frac{1}{2}$ –2%. Discount deposits at call, 1 $\frac{1}{2}$ %; at notice, $\frac{1}{4}$ %.

GOLD AND SILVER

The Bank of England's official buying price for gold remained at 168s. 0d. per fine ounce throughout the week.

In the London silver market prices per standard ounce have been as follows:—

Date	Cash	Two Months	Date	Cash	Two Months
	d.	d.		d.	d.
May 17	23 $\frac{1}{2}$	23	May 22.....	21 $\frac{1}{2}$	21 $\frac{1}{2}$
„ 20	22 $\frac{1}{2}$	22 $\frac{1}{2}$	„ 23.....	21 $\frac{1}{2}$	21 $\frac{1}{2}$
„ 21	22 $\frac{1}{2}$	22 $\frac{1}{2}$			

LONDON ACTIVE SECURITY PRICES AND YIELDS

Allowance is made for net interest accrued, and for redemption for fixed interest stocks and for changes in interim dividends for ordinary stocks.

Prices, Year 1939		Prices, Jan. 1 to May 22, 1940		Name of Security	Price, May 22, 1940	Ch'ge since May 15	Yield May 22, 1940	Prices, Jan. 1 to May 22, 1940		Name of Security	Price, May 22, 1940	Ch'ge since May 15	Yield May 22, 1940
High	Low	High	Low					High	Low				
71 1/2	61	76 1/2	68 1/2	British Funds						S. Durham Ord. £1...	27 1/2	-2 1/2	8 1/2
107 1/2	98	110 3/4	103 1/2	Consols 2 1/2%	72	1 1/2	4 1/2	34 1/2	27 1/2	Staveley Coal, etc. £1...	48 1/2	-2 1/2	4 2 1/2
96 1/2	90 1/2	100 1/2	95 1/2	Do. 4% (aft. 1937)	106 1/2	1 1/4	3 1/2	54 1/2	47 1/2	Stewarts & Lloyds £1...	49 1/2	3 1/2	9 12 0
99 1/2	92 1/2	103	97 1/2	Conv. 2 1/2% 1944-49 ..	97	1 1/2	2 1/2	47 1/2	39 1/2	Swan, Hunter £1	31 1/2	-1 1/2	8 4 0
99 1/2	87	102 1/2	94	Do. 3% 1948-53	100	1 1/2	3 1/2	39 1/2	28 1/2	Un. Steel Cos. Ord. £1	19 1/2	-1 1/2	8 4 0
104 1/2	100 1/2	102 1/2	101 1/2	Do. 3 1/2% after 1961 ..	97 1/2	1 1/4	3 1/2	24 1/2	19 1/2	Vickers 10/-	14 1/2	1 1/2	7 0 0
112 1/2	103 1/2	112	107 1/2	Do. 4 1/2% Dissented	102	1 1/2	3 1/2	21 1/2	13 1/2	Textiles			
87 1/2	79 1/2	92 1/2	86 1/2	1940-44 Assented	107 1/2	1 1/2	2 1/2	41 1/2	31 1/2	Brit. Celanese 10/- ..	4 1/2	-6 1/2	6 3 0
93 1/2	87 1/2	98 1/2	92	Do. 5% 1944-64	107 1/2	1 1/2	2 1/2	38 1/2	30 1/2	Coats, J. & P. £1	32 1/2	-6 1/2	4 8 9
95 1/2	87 1/2	98 1/2	92	Fund. 2 1/2% 1956-61 ..	95	1 1/2	3 1/2	39 1/2	30 1/2	Courtaulds £1	31 1/2	-2 1/2	5 4 9
109 1/2	100 1/2	113 1/2	106 1/2	Fund. 2 1/2% 1952-57 ..	96	1 1/2	3 1/2	35 1/2	27 1/2	English Swg. Ctn. £1	16 1/2	-9 1/2	9 2 0
99 1/2	94 1/2	102 1/2	98 1/2	Fund. 3% 1959-69	109	1 1/2	3 1/2	24 1/2	15 1/2	Lancs Cotton Corp. £1	55 1/2	-1 1/2	3 12 6 1/2
99 1/2	89 1/2	101 1/2	95 1/2	Fund. 4% 1960-90	98 1/2	1 1/2	2 1/2	6 1/2	3 1/2	Patons & Baldwins £1			
108 1/2	102	111 1/2	105 1/2	Nat. D. 2 1/2% 1944-48 ..	98 1/2	1 1/2	2 1/2	6 1/2	3 1/2	Electrical Manufact.	37 1/2	-1 1/2	5 12 6
98 1/2	86	100 1/2	98	Do. 3% 1954-58	98 1/2	1 1/2	3 1/2	6 1/2	3 1/2	Associated Elec. £1 ..	86 1/2	-1 1/2	4 12 6
98 1/2	73	89 1/2	80 1/2	Do. 3 1/2% 1955-59 ..	104 1/2	1 1/2	3 1/2	43 1/2	36 1/2	British Insulated £1 ..	60 1/2	-2 1/2	6 13 3
99	91	100 1/2	97 1/2	War L. 3 1/2% aft. 1952	97	1 1/2	3 1/2	92 1/2	78 1/2	Callenders £1	15 1/2	-1 1/2	6 13 3
64	55 1/2	71 1/2	59 1/2	Local Loans 3%	84 1/2	1 1/2	3 1/2	69 1/2	57 1/2	Crompton Park A5/- ..	30 1/2	-1 1/2	6 13 3
90	78	97 1/2	82 1/2	Austria 3% 1933-53	99	1 1/2	3 1/2	20 1/2	13 1/2	English Electric £1 ..	76 1/2	-3 1/2	5 4 9
115 1/2	104 1/2	115	105 1/2	India 2 1/2%	68	1 1/2	3 1/2	33 1/2	29 1/2	General Electric £1 ..	35 1/2	-1 1/2	4 11 6
106 1/2	95	107 1/2	101	Do. 3 1/2%	92 1/2	1 1/2	3 1/2	83 1/2	74 1/2	Gas and Electricity	35 1/2	-1 1/2	4 11 6
103 1/2	98	107 1/2	101	Do. 4 1/2% 1958-68 ..	110	1 1/2	3 1/2	38 1/2	33 1/2	Clyde Valley Elec. £1	32 1/2	-2 1/2	6 9 3
112 1/2	103	110 1/2	107	Dom. & Col. Govts.	102 1/2	1 1/2	4 1/2	42 1/2	31 1/2	County of London £1 ..	23 1/2	-9 1/2	5 1/2
103 1/2	92	107 1/2	100 1/2	Austria 5% 1945-75	100 1/2	1 1/2	3 1/2	27 1/2	22 1/2	Edmundsons £1	13 1/2	-1 1/2	5 8 6
110	102	108 1/2	104	Canada 5% 1950-60	110	1 1/2	3 1/2	18 1/2	13 1/2	Fair Light & C. £1 ..	14 1/2	-1 1/2	7 12 0
111 1/2	104	110 1/2	104	N. Zealand 5% 1946	103 1/2	1 1/2	3 1/2	49 1/2	32 1/2	Imp. Cont. Gas Stk. ..	28 1/2	-1 1/2	5 4 0
81 1/2	72	85	78 1/2	S. Africa 5% 1945-75 ..	106	1 1/2	3 1/2	32 1/2	28 1/2	Lancashire Elec. £1 ..	59 1/2	-1 1/2	6 10 0
93 1/2	86 1/2	94 1/2	87 1/2	Corporation Stocks	105 1/2	1 1/2	4 1/2	21 1/2	16 1/2	London Ass. Elec. £1 ..	26 1/2	-1 1/2	5 6 6
102 1/2	95	104	98	Bircham 5% 1946-56	80	1 1/2	3 1/2	41 1/2	25 1/2	North-East Elec. £1 ..	32 1/2	-1 1/2	6 3 0
91 1/2	73 1/2	82 1/2	78 1/2	L.C.C. 3%	90	1 1/2	5 1/2	17 1/2	14 1/2	Northumb. Power £1 ..	32 1/2	-1 1/2	5 0 0
91 1/2	73 1/2	82 1/2	78 1/2	Liverpool 3% 1954-64	91	1 1/2	3 1/2	38 1/2	31 1/2	Scottish Power £1	32 1/2	-1 1/2	5 0 0
91 1/2	73 1/2	82 1/2	78 1/2	Midx. 3 1/2% 1957-62	99 1/2	1 1/2	3 1/2	39 1/2	32 1/2	Yorkshire Electric £1 ..	14 1/2	-1 1/2	5 4 0
65 1/2	50	58 1/2	44 1/2	Foreign Governments	40 1/2	1 1/2	6 1/2	16 1/2	11 1/2	Aircraft	11 1/2	-1 1/2	5 0 0
23 1/2	16 1/2	23 1/2	16 1/2	Argen. 4 1/2% Stg. Bds.	16 1/2	1 1/2	9 1/2	16 1/2	11 1/2	Bristol Aero. 10/- ..	31 1/2	-1 1/2	6 1/2
55 1/2	23 1/2	55 1/2	23 1/2	Austria 4 1/2% 1934-59	23 1/2	1 1/2	10 1/2	36 1/2	29 1/2	De Havilland Air. £1	13 1/2	-1 1/2	6 1/2
72	30	63 1/2	33	Belgian 4% (36) 1970 ..	35	1 1/2	22 1/2	15 1/2	9 1/2	Fairey Aviation 10/- ..	10 1/2	-1 1/2	6 1/2
66 1/2	58	79 1/2	63 1/2	Brazil 5% Pd. 1914	64 1/2	1 1/2	6 1/2	60 1/2	53 1/2	Hawker Siddeley (5/-)	57 1/2	-1 1/2	5 1/2
12 1/2	9	10 1/2	9 1/2	Chile 6% (1929)	10 1/2	1 1/2	5 1/2	88 1/2	56 1/2	Lucas, J. (£1)	58 1/2	-1 1/2	6 12 0
44 1/2	4	7 1/2	5 1/2	Czechoslovakia 8%	6 1/2	1 1/2	5 1/2	27 1/2	23 1/2	Morris Motors 5/- Ord.	23 1/2	-1 1/2	8 8 3
33 1/2	3	6 1/2	4 1/2	Egypt Unified 4%	6 1/2	1 1/2	5 1/2	27 1/2	23 1/2	Rolls-Royce £1	9 1/2	-1 1/2	5 8 0
30	15	24 1/2	14	French 4% (British)	6 1/2	1 1/2	5 1/2	27 1/2	23 1/2	Standard Motor 5/- ..	15 1/2	-1 1/2	12 16 0
35 1/2	15	25 1/2	17	German Dawes 5%	14	1 1/2	21 1/2	12 1/2	9 1/2	Furness, Wmby £1 ..	15 1/2	-1 1/2	5 6 6
61 1/2	33	65	50	Do. Young Ln. 4 1/2%	17	1 1/2	26 1/2	22 1/2	19 1/2	P. & O. Def. £1	19 1/2	-1 1/2	6 1/2
				Greek 6% Stab. Ln.	54 1/2	1 1/2	10 1/2	22 1/2	19 1/2	Royal Mail Lines £1	16 1/2	-1 1/2	5 1/2
				Hungary 7 1/2%	14	1 1/2	26 1/2	22 1/2	19 1/2	Tea and Rubber	6 1/2	-1 1/2	Nil
				Japan 5 1/2% 1930	54 1/2	1 1/2	10 1/2	22 1/2	19 1/2	Allied Sumatra £1 ..	12 1/2	-1 1/2	6 10 6
								30 1/2	22 1/2	Anglo-Dutch £1	19 1/2	-9 1/2	5 2 0
								34 1/2	25 1/2	Jokai (Assam) £1	30 1/2	-1 1/2	6 13 0
								3 1/2	2 1/2	London Asiatic 2/- ..	26 1/2	-1 1/2	7 0 0
								47 1/2	15 1/2	Rubber Trust £1	26 1/2	-1 1/2	7 12 0
								60 1/2	12 1/2	United Serdang 2/- ..	26 1/2	-1 1/2	4 0 0
								81 1/2	12 1/2	Anglo-Iranian £1	47 1/2	-7 1/2	8 8 3
								80 1/2	12 1/2	Apex (Trinidad) 5/- ..	26 1/2	-6 1/2	5 15 0
								62 1/2	43 1/2	Burmah Oil £1	62 1/2	-6 1/2	6 14 6
								44 1/2	30 1/2	Shell Transport £1 ..	60 1/2	-1 1/2	5 16 6
								44 1/2	30 1/2	Miscellaneous	72 1/2	-1 1/2	4 2 6
								44 1/2	30 1/2	Assoc. P. Cement £1 ..	45 1/2	-1 1/2	6 13 4
								44 1/2	30 1/2	Barker (John) £1	31 1/2	-3 1/2	6 8 0
								44 1/2	30 1/2	Boots Pure Drug 5/- ..	37 1/2	-1 1/2	4 1 6
								44 1/2	30 1/2	Brit. Aluminium £1 ..	44 1/2	-7 1/2	5 12 6
								44 1/2	30 1/2	Brit.-Amer. Tob. £1 ..	95 1/2	-2 1/2	4 0 0
								44 1/2	30 1/2	British Oxygen £1 ..	55 1/2	-2 1/2	5 8 0
								44 1/2	30 1/2	Brookhouse (J.) £1 ..	47 1/2	-1 1/2	8 18 5
								44 1/2	30 1/2	Cable & Wire, Hdg. ..	50 1/2	-4 1/2	6 13 3
								44 1/2	30 1/2	Carreras 'A' Ord. £1	4 1/2	-1 1/2	6 13 3
								44 1/2	30 1/2	Dunlop £1	32 1/2	-1 1/2	5 10 9
								44 1/2	30 1/2	Elec. & Mus. Ind. 10/-	7 1/2	-1 1/2	8 14 0
								44 1/2	30 1/2	Ever Ready Co. 5/- ..	23 1/2	-2 1/2	8 19 6
								44 1/2	30 1/2	Gallagher Ltd. Ord. £1	4 1/2	-1 1/2	5 19 6
								44 1/2	30 1/2	Gestner (D.) 5/-	26 1/2	-3 1/2	5 19 0
								44 1/2	30 1/2	Harrison & Cros. Def. £1	32 1/2	-3 1/2	5 19 0
								44 1/2	30 1/2	Harrods £1	28 1/2	-2 1/2	5 13 3
								44 1/2	30 1/2	Imp. Smelting Ord. £1	11 1/2	-1 1/2	12 1/2
								44 1/2	30 1/2	Imp. Tobacco £1	5 1/2	-1 1/2	4 12 0
								44 1/2	30 1/2	Inter. Nickel n.p.	36 1/2	-3 1/2	5 11 1
								44 1/2	30 1/2	International Tea 5/-	10 1/2	-1 1/2	4 15 0
								44 1/2	30 1/2	Lever & Unilever £1 ..	24 1/2	-1 1/2	8 4 0

THE YOKOHAMA SPECIE BANK LIMITED

Incorporated in Japan. Established 1880.

Subscribed and Paid-up Capital - Yen 100,000,000
Reserve Fund - " 140,900,000

Head Office - YOKOHAMA

BRANCHES IN ALL PRINCIPAL PARTS OF
THE WORLD.

London Office: 7 BISHOPSGATE, E.C.2 H. KANO, London Manager.

THE CANADIAN BANK OF COMMERCE

Incorporated in Canada 1867 with Limited Liability

Head Office: TORONTO

S. H. LOGAN, President A. E. ARSCOTT, General Manager
Branches in CANADA, the UNITED STATES, NEWFOUNDLAND, CUBA and the WEST INDIES. All kinds of banking transactions undertaken with these countries and with other parts of the world.

London Office: 2 LOMBARD STREET, E.C.3
R. B. BUCKERFIELD, Manager R. H. McDADE, Asst. Manager

GRESHAM LIFE

Established 1848

Ask for the

Plus Policy

Maximum Cover • Valuable Option

GRESHAM LIFE ASSURANCE SOCIETY LIMITED
Head Office: 188-190 Fleet Street, London, E.C.4

THE SUMITOMO BANK, LIMITED

(Incorporated in Japan)

Head Office: OSAKA, JAPAN

Capital Subscribed ... Yen 70,000,000.00
Capital Paid-up ... Yen 50,000,000.00
Reserve Fund ... Yen 52,000,000.00

HOME OFFICES:—Amagasaki, Fukuoka (2), Hiroshima (3), Kobe (3), Kokura, Kumamoto, Kure, Kurume (2), Kyoto (3), Moji, Nagoya (2), Niihama, Okayama, Onomichi, Osaka (30), Shimonoeki, Tokyo (20), Wakamatsu, Wakayama, Yanai and Yokohama.

FOREIGN OFFICES:—Dairen, Shanghai, London, New York, San Francisco, Los Angeles, Seattle, Sacramento and Honolulu.

OFFICES IN PACIFIC LINERS:—M.S. "Asama Maru," M.S. "Kamakura Maru" and M.S. "Tatuta Maru."

Correspondents in all important places at Home and Abroad

London Office: 67 BISHOPSGATE, E.C.2

Telephone: London Wall 4955 (2 lines).

M. MAYE, Manager.

ECONOMIST BINDING CASES

Attractive binders to hold three months' issues of *The Economist* are still available.

These binders have no wires, clips or metal contrivances so that each issue can be bound in an instant for permanent reference. Reading Cases to hold two issues, and made on similar lines, are also available.

Both are bound in full cloth (blue) and lettered in gilt. The price of the Binder is 5s. 6d. post free (Overseas 6s. 6d.) and of the Reading Case 4s. 6d. post free (Overseas 5s. 6d.).

from

THE ECONOMIST
8 BOUVIERIE STREET, LONDON, E.C.4

A Real Bargain — ALL THIS ONLY 4s.

(a) 4 issues of FINANCIAL WORLD OF AMERICA, each containing 32 pages of essential information every internationally-minded investor needs today.

(b) Latest issue of 48-page investor's handbook, featuring our individual ratings and vital data on 1,600 American listed stocks.

(c) "10-Year Dividend Honor Roll"—a year by year dividend record of every New York Stock Exchange common stock that paid dividends each year since 1929.

(d) A "Low-Priced Stock Guide" gives a vast amount of information on stocks under \$15 and points out notable values.

(e) "Outstanding Business Cycle Stocks."

Return this "Ad." and 4 Shillings today
for all the above
or £1 8 0 for 6 months' subscription

LONDON REPRESENTATIVE:

FINANCIAL WORLD OF AMERICA*

42 Wormwood Street, London, E.C.2, England

* By subscription only

TERMS OF SUBSCRIPTION TO THE ECONOMIST

	INLAND	OVERSEAS
	£ s. d.	£ s. d.
12 Months	2 18 0	3 1 0
6 Months	1 9 0	1 10 6

Cheques to be made payable to The Economist Newspaper Ltd.

PUBLISHING OFFICE:

8 BOUVIERIE STREET, LONDON, E.C.4.

Telephone: Central 8631

OFFER TO NEW READERS

Any reader who makes his first acquaintance with this journal with this week's issue is invited to fill up the attached:

To The Publisher, Economist Newspaper Ltd.,
8 Bouverie Street, E.C.4.

In order to test the value of your publication I should like you to forward it to me by post for the next four weeks. If I then decide to become a subscriber, it is understood that there will be no charge for the copies thus received, but otherwise I shall be willing to pay 4s. to cover their cost.

Name

Address

THE ECONOMIST

Vol. CXXXVIII

JUNE 1, 1940

No. 5049

CONTENTS

LEADING ARTICLES

After Flanders	965
Rome and Moscow	966
Arms and the Men	968
Britain's Population	969

NOTES OF THE WEEK

Invasion?	970
Towards a Financial Policy	970
The Cripps Mission	970
The Allied Kingdoms	970
America Faces Total War	971
Mussolini Calls the Tune	971
British Export Policy	972
Distribution of France's Industries	972
Rising Wages	972
Rounding Up Quislings	972
Informing the People	973
The Dominions' Support	973
Shorter Notes	973

THE WORLD OVERSEAS

France Stands Firm	974
New Zealand War Finance	974
Italians in Albania	975
Egypt Faces Facts	976

THE WORLD OVERSEAS—cont.

The Exploitation of Czecho-Slovakia	976
Industrial Progress in Palestine	977

THE BUSINESS WORLD

LEADING ARTICLES

Shipping in War—II	978
--------------------------	-----

FINANCE AND BANKING

War Loan Dividend Preparations	979
Loan Rates Talk	979
Belgian Assets Blocked	979
East Indies Guilder Rate	980
The Unexpected in Silver	980

INVESTMENT NOTES

Gilt-Edged Stand Fast	980
Stock Exchange Emergency Plans	980
Hard Cases Under E.P.T.	980
Relief from Double E.P.T.	981
London Fares	981

INVESTMENT NOTES—cont.

Fine Cotton Spinners' Recovery	981
J. Lyons' Reduced Dividend	982
Wiggins, Teape	982
Boots Pure Drug Accounts	982
Dividend Limitation Appeals	982

THE STOCK EXCHANGES	982
---------------------------	-----

CAPITAL ISSUES	983
----------------------	-----

SHORTER COMMENTS	983
------------------------	-----

INDUSTRY AND TRADE

Speeding-up Production in Metal Trades	984
Coal Production in Wales	984
Overtime in the Cotton Industry	984
Wool Prices and Exports	984
Economics in Paper	984
Tin Supplies	984
Cheese Supplies	985

COMMODITY AND INDUSTRY NEWS	985
-----------------------------------	-----

COMPANY MEETINGS	986
------------------------	-----

CURRENT STATISTICS	992
--------------------------	-----

After Flanders

EVER since Adolf Hitler slouched out of the post-war murk twenty years ago, his plan of action has never varied. Within the Nazi party, in German politics, in the counsels of the Reich, in diplomacy and now in war, he has worked to defeat his enemies in detail; the German Left, the German Right, the Nazi "plotters" of June 30, 1934, Austria, Czecho-Slovakia, Denmark, Norway and the Netherlands fell one by one. At every stage his chief use of ill-faith and treachery, by fair words, foul deeds and the Fifth Column. Dividing his enemies, he has reached out to rule all Europe.

In the small hours of Tuesday morning he won his latest victory. By the order of their King the Belgian Army, the greater half of the Allied Forces in Flanders and Artois, the men who stood masking the Allies' lifelines through Dunkirk and Ostend, gave up the fight. Most of the B.E.F., with some French divisions, were deserted and seemingly trapped.

The Prime Minister has refused to pass judgment on King Leopold's action, though the Belgian Government have repudiated it bitterly and called upon Belgium to fight on; and, rightly, the Minister of Information has warned us against useless recriminations. But this much at least can be said. It was by King Leopold's urgent invitation three weeks ago that Allied forces left their defence lines in France to assist his country; and it was because of his unwillingness before the war and before the invasion that no three-Power plans for the defence of Belgium were made. The King's wish to spare his soldiers and his people from further destruction at German hands can be understood; but his sudden surrender, without any warning to his comrades-in-arms or any margin of time for them to redispense themselves, cannot. The B.E.F. and the

French in Belgium, like the Belgian troops themselves, had been fighting with the utmost bravery and discipline. They still are as they move in good order and indescribable bravery towards the shattered and assailed coast behind them; and their sudden plunge into greater peril by the Belgian capitulation was tragically ill-deserved.

It is not possible to speculate on the B.E.F.'s chances of cutting their losses. Details of their plans and new dispositions have been withheld for obvious reasons. Mere guesses could only be mischievous. Hemmed in, heavily bombarded and under-equipped by contrast with the German forces, they have no free routes of supply or escape; and Mr Churchill has prepared us for "hard and heavy tidings." Their line is unbroken; they are in good heart; and all the assistance that the R.A.F. and the Navy can render is being given to their manœuvring. The enemy has pressed forward around them to Ostend, Dixmude, Cassel and Armentières. That is all we know.

The Belgian surrender was unexpected, but defeat in the Belgian battlefield was not. The German break-through between Arras and Peronne; the extension of their advance northward to Boulogne and Calais; the inability of the Allies to close the gap in the region of Bapaume; and the mounting pressure of the enemy's northerly thrust across the Scheldt to the Lys—all plainly placed the Allied forces in the North in the gravest peril. The possibility of a new defence line based on the English Channel, the Somme, the Aisne and the Maginot Line had already been generally forecast before the Belgian desertion threatened to substitute the loss of an Army for its withdrawal. The first instalment of General Weygand's task, after combing out the high French officers who had failed in the German onrush, was to mass his troops effectively and in sufficient force on the Somme and the Aisne. The rôle of the R.A.F. for many days and the rôle of the B.E.F. as they fight

coolly and courageously on is to give the Allies' new Generalissimo time to rebuild his lines and focus his striking power.

Thus the Allies are defending two fortresses: the British Isles and the greater part of France. In the East the Maginot Line proper is still unbreached. In the West the British Navy is still in command of its element. The aim now is to hold these fortresses against the full and furious onslaught that will be levelled against either or both of them—the Germans shout threats against Britain and thrust heavily against France; to make sure that no gap can be broken again in France's new defence system; and, behind the fighting forces, to forge in the factories an indisputable superiority in material on land and in the air that will allow defence to be turned into attack and victory.

Never in their history have the French and British peoples been called to a greater or harder task. Even if their lines are wholly held, if the Weygand defences resist and Britain is kept secure against all inroads, they may be subjected, in their homes and workplaces, as well as in their military zones, to massive attacks by bombing and to the menace of air-borne guerrillas. Every trick of terror and surprise will be enlisted to aid the enemy's main military effort, and there may be new surprises even more sinister than those that have hideously mottled the German advance so far. Work will go on under constant fire, and there will be no breathing space.

The call for toil and endurance will be fully answered. The grim facts of the present peril are known and the new political and military leaders of the Allies have their peoples' confidence. The power of surprises wanes quickly when they are looked for and prepared against.

Yet complacency, for nine months the Allies' bane, would now be fatal. The weight of their joint resources and the clear rightness of their cause will not, of themselves, bring victory—as some publicists have seemed to suggest again in recent days. The big battalions only belong to the wealthiest nations if they dedicate their wealth to war. Righteousness can, and must, steel resolve, but the contest will be won by deeds. The B.E.F. are not fighting in the last ditch because they are inferior soldiers—far from it—but because they lack tanks, artillery and aircraft in sufficient numbers. Men without machines, however brave and inspired, however well led and disciplined, are helpless.

The need to mobilise the entire nation's manpower, plant and material to make machines has at last been seen. The enlistment and training of millions for war or work have begun. A determined attack on the crippling leeway that has been allowed to pile up is under way. But a sure shield is needed for our island fortress if, within its gates, the sinews of war are to be forged into the instruments of victory.

Home defence has a new and unexampled importance. Along the Somme and the Aisne and down the Rhine General Weygand has the great French Army intact. Around our coasts is the Navy. But more is needed. It is the back areas that are vulnerable now. They can be bombed and they can be raided by invaders from the air. They can be filled with rumours by traitors and enemy agents and dislocated by sabotage. Every district needs fortification

as well as fortitude. In France virtually a *levée en masse* has been decreed. In England, where a network of regular troops and part-time vigilantes is being devised, while a quarter of a million A.R.P. workers stand on guard, a similar call cannot be long delayed.

To General Sir Edmund Ironside, superseded as Chief of the Imperial General Staff by General Sir John Dill, has fallen the duty of commanding the Home Forces. His task is unprecedented. Germany has no navy as she had in 1914-18, but by weight of numbers her Air Force is on a flood tide of success. She is entrenched on the Channel as no foe since Napoleon has been. The North French coast, Belgium, Holland, Denmark and Norway south of Narvik (now in Allied hands) are garrisoned from Berlin. It is a perilous arc.

Invasion may or may not be practicable to attempt. The Navy still bars the way. Bombardment of the Channel route to London, however, from the land as well as from the air is feasible. Raids in swift vessels as well as airplanes are possible. The fullest co-operation of land, sea and air forces in home defence is imperative, and a unified command over all defenders—naval, air, military and civil—can hardly be dispensed with. Nor is it merely a matter of looking to our moat. Every factory, every power station, every nodal point and every routeway is a target for bombs or guerrillas, and the defence of Britain must go far back in depth beyond the coasts. The one thing that might promise success for German sorties would be our failure to guard against them everywhere; even invasion is only impossible if it is prevented.

Supply channels must be ready in the West to take what may not pass to the East Coast or London. There must be no chink in our coastal defences or any unprotected points inland. Above all, it must be seen, by civilians as well as commanders, by the public as well as their leaders, that the aim of home defence is to enable the nation's essential business to be carried on whatever the onslaught. It is not in the first place to save lives and limbs; it is to make tanks and airplanes and shells without interruption. The civilian's duty is to work on without trace of panic; and all non-workers, mothers and adult dependants as well as children, while being prepared for compulsory evacuation from danger, must know by now, from experience in France and Flanders, that spontaneous streams of refugees are their own soldiers' greatest hindrance. A single, comprehensive and far-sighted command, with every man, woman and child under orders; these are the conditions of security, for us and our Allies in France. They are the foundations of victory, too.

There is no need for the smallest discouragement. It is possible to resist every attack, just as it is to transform superior resources into superior striking power. It is not the Nazi hordes, but the years that the locust hath eaten, that are our most formidable enemy. It is a Carnot, "organiser of victories," that we need. When last a conqueror stood on the cliffs at Boulogne pondering invasion, news was brought of the failure of his manœuvre to draw off the British Navy from the Channel, and Napoleon swept eastward with his armies even before the actual engagement at Trafalgar endorsed his failure. Hitler has won Austerlitz first, but Waterloo will still be ours.

Rome and Moscow

BOTH Rome and Moscow are following the crisis with profound attention. Their reactions to it are, however, diametrically opposed. With every fresh confirmation of Germany's victory the jubilation in Rome increases, while in Moscow anxiety grows deeper. The Moscow papers seek to prove that the Allies' resources are inexhaustible and their main forces intact; Rome stresses the inadequacy of our equipment; our cowardice, our inability to stand up to the German fire, our present impotence and our imminent surrender. Whereas in Moscow our stock has risen recently and there have even been words of praise for the Churchill administration, the Roman

Press has outdone all previous excursions into scurrility and used any lie, however vile, to calumniate France and Britain.

Italy's reactions are perfectly understandable. Her policy is dominated by two factors: the precariousness of her military position and the extent of her ambitions. There is no need at this point to repeat the chronicle of Italy's disabilities, her dependence upon foreign supplies, her "enclosure" within a sea whose outlets are commanded by other Powers, her long exposed coast line; but it is perhaps worth noting that the comparative failure of the present anti-Allied campaign to stir the Italians to

resentment and warlike zeal offers a new and striking confirmation of the troublesome fact (from the Duce's standpoint) that the Italian people as a whole excrete the thought of war and would give away ten empires in order to be left in peace. The far more open condemnation of Nazi aggression expressed by the Pope since the invasion of the Low Countries is another awkward factor. A Vatican veto would not prevent war, but it might strike a shrewd blow at national unity and civilian morale.

Now, as at any other time in her history, Italy must therefore approach the problem of actual intervention with the greatest caution. The ideal solution would be the achieving of her objectives without any resort to war. The idea of a "Mediterranean Munich" which has haunted Italian wishful thinking for some two years might, perhaps, be revived, should Hitler call a halt after the occupation of the Channel ports and endeavour to spare himself the cost of a hazardous onslaught on the Somme line or this country by offering negotiations. Italy could then return to her September rôle of honest broker and offer her mediation—at a price, backing the proposal with a threat of immediate intervention should the Allies refuse.

It is, however, most unlikely that the German war machine will check its present terrific momentum. Further and possibly vaster offensives are yet to come; and as Germany hurls herself upon the French positions, or risks, in the face of the Allied navies, an invasion of these islands, then the passive support of merely immobilising French troops and Allied air and naval units—"the solid silent help which Italy has given Germany during these eight months of war" to which Signor Gayda recently referred—may cease to satisfy the German High Command. Germany may demand intervention, however willing or unwilling Italy may be to take the step at this juncture.

There is reason to suppose that, in spite of some misgivings, the Italian leaders are anxious to engage battle. Their hopes of a re-division of the Mediterranean spoils without resort to war have faded, and they may well feel that the next best policy to not fighting at all, that of fighting a very rapid war with complete assurance of victory, is within measurable distance of realisation. Germany's victories in Northern France crown two years of steady campaigning and steady success. The legend of German invincibility is being propagated by every device at Goebbels's disposal. The Italians are told that the West is finished and that all Italy need do now is to join in and give the *coup de grâce*. The historic moment has arrived. Italy either enters the war immediately and shares the victory or remains aloof to be later excluded from the peace.

We must therefore be prepared for Italian intervention. Civilian mobilisation, the Duce's conferences with his military leaders, the cancelling of sailings, the calling of more men to the colours are obvious preliminaries. Further measures of preparation will follow, but since the Italian air arm and navy are especially constructed for rapidity of manœuvre, there is nothing in the present distribution of Italy's armed forces to suggest in which direction the blow will fall.

It is unlikely that she has limited intervention in Yugoslavia in mind. The stakes are too high. Since her war aim is complete control of the Mediterranean, a concerted attack on Suez and Gibraltar, coupled with landings from 'plane and parachute on some of the Mediterranean islands and a fierce land attack westwards from Libya, appears a more likely strategy and one in accordance with Italy's ambition, to reduce the riverain states of the Mediterranean to an impotent acceptance of Italian hegemony and to drive once and for all the extra-Mediterranean states out of *mare nostrum*. In such a scheme, an invasion of Yugoslavia and possibly Greece would only be part of the major strategy. Domination of the Balkans' Mediterranean states is not a separate ambition but subordinate to the general notion of hegemony.

Italy's scheme may be compatible with Germany's far more all-embracing ambitions, since Italy has voluntarily accepted the status of a subordinate. It is not compatible with the outlook of Germany's other "ally," Russia. One of the permanent directives of Russian foreign policy, be it conducted by Tsar or Commissar, is the desire to secure safe outlets to the outside world. The Baltic and the

Dardanelles are points of first-class strategic importance and have been since Peter the Great. Russia has always fought Balkan hegemony, if achieved by another Power. She has always sought to bring the Dardanelles under her own control in order to ensure that, while she could get out, no one else could get in. With all the more reason, she must oppose any attempt to transform the Mediterranean into the private preserve of any one State. Whether Italy strikes at Yugoslavia or launches a general offensive in the Mediterranean, she is running counter to Russia's interests.

It is therefore hardly surprising that the tone of Moscow's broadcasts and comments on Italy has grown increasingly unfriendly in the last weeks. On May 20th the Moscow wireless even sent out a "final warning" to Italy that "the people of the Balkans are determined to resist any attempt to destroy their independence," adding that "they are not without allies capable and ready to assist them." This warning was followed by rumours of important troop concentrations along the whole of Russia's Balkan frontiers from Slovakia to the Black Sea.

Observers on both sides of the Atlantic have coupled these rumours with the fact of Moscow's obvious anxiety over the battle in the West to draw the conclusion that Russia is rapidly moving away from the German connection and may even be seeking a *rapprochement* with the Allies. Such a conclusion is based on a misreading of Russia's policy. Moscow is interested in the fate of the West only in so far as the continuance of French and British resistance is Russia's best guarantee of security. An ultimate Allied victory is, on the whole, no more welcome than an ultimate German victory, since Russia distrusts both sides with all her traditional xenophobia. Her main concern has been and is to use the period of the war during which all her potential "capitalist-imperialist" enemies are immobilising each other in order to increase her own security against the day of a victory on one or the other side. The occupation of Poland, the treaties with the Baltic States, the invasion of Finland are all different facets of this policy of security. Russia is securing her outposts while she can.

For some time after the Finnish war, her activities were curtailed. Now, however, under the stimulus of German successes and Italian threats a new period of active diplomacy has opened. In the north, Russia appears to be underpinning Swedish independence and there is even talk of non-aggression pacts with Sweden and Finland and a joint defence scheme for the Aaland Isles. In the South, Hungary has been warned to keep out of Slovakia, trade relations have been established with Yugoslavia, troopships are reported to lie in Odessa, divisions are gathering along the Carpathians and the Dniester.

We may argue that nothing could help us more and that Russia is beginning to do the work of an unofficial ally. We have only to recall Poland to see that the view is false. Russia may have checked Germany's advance beyond Brest-Litovsk, but Poland was enslaved none the less. The kind of "protection" the Balkan States can expect may well be on similar lines. An Axis move would be the signal for a "preventive" occupation of Ruthenia, Bessarabia and possibly Roumania's Black Sea coast. It is true that Germany under those conditions would not reach the Black Sea, but Roumanian independence would have disappeared all the same.

It is just possible that Russia, seriously perturbed by Germany's advance, may be prepared to weight the scales a little on our side. It is a possibility we should not neglect, and the dispatch of Sir Stafford Cripps to Moscow to find a *modus vivendi* for our trade talks is obviously a sound and statesmanlike move. But we must not allow "a change in Russian opinion" to become another intangible element in our "certainty of victory," which at this point depends upon ourselves alone. Similarly, it is just possible that Italy may still feel war too hazardous and prefer the game of waiting and pressure. It is therefore sound sense to continue to negotiate with her and to make our contraband control as frictionless as possible. But, here again, Italian intervention is a possibility for which we must be fully prepared. It is a sense of reality and not wish fulfilment which will save us in our present predicament.

Arms and the Men

“EVERY minute spent on production now is vital to the defence of the country and your homes.” The first task of the new Government, when it came to office in a situation of gathering gravity, was to secure the fullest possible flood of finished weapons of war at once. For a fortnight every effort has been bent and every device used to speed up output at the finishing end of manufacture. In aircraft factories, at the order of Lord Beaverbrook, new Minister for Aircraft Production, work has been focused on nearly completed machines. In factories producing tanks, armoured vehicles, guns, shells and ammunition, the same drive will maximise the production of the next few days and weeks. Across the Atlantic actual deliveries of airplanes and materials have been accelerated.

The main burden of this spurt for safety has fallen on labour. On vital work a seven-day week is in operation indefinitely. Factories are working continuously day and night. Holidays for all grades of workers in essential industries have been suspended until new recruits come.

Every ounce is being required of the existing industrial army as the immediate flood of arms is swollen. But this is only the beginning. It is a steady and sufficient flow of airplanes, tanks and shells in the future that is wanted, month in and month out until disaster is retrieved and victory won. This is the Government's second task: to expand the arms sector of industry; to transfer for the duration every available industrial asset from civil to war work; to enlist new regiments of workers.

Labour is the key to this lasting effort as well as to the short-term intensive campaign for more arms. The Minister of Labour has been given plenary powers to act. It is his duty now to see that men and women are ready and trained to produce whatever the Government may call for. He has authority to direct any person to perform any services. He can require persons of any class or description to register any particulars about themselves that may be necessary. He can enter and inspect premises to see that all available labour is being used to the best end. The Ministry of Labour has ceased to be the passive, irresponsible registry of fact that it was under Mr Ernest Brown. It has become a Ministry of Labour Supply.

The functions of the Ministry can be simply summed up: to recruit, transfer and train men and women, so that the processes of production ordered by the supply departments are never halted. So far, Mr Bevin's main aim has been to get more work from those on the job. But more workers is the enduring need. A blanket appeal has been put out for all workers, especially skilled workers, to offer their services for war work, whether they are in employment or not. The Government's training centres have been expanded, their courses intensified and their shifts multiplied to pass through 100,000 trainees in a year instead of 40,000. Their field of recruitment has been widened to bring in employed as well as unemployed persons, men in reserved occupations if they have been out of work for two months and “black-coated” workers. Trainees must be ready to serve anywhere.

Even so, the great and overdue call-up of new divisions for the war factories has still not begun, though it appears to be imminent. Mr Bevin has the power and, it would seem, the will to take hundreds of thousands of citizens of all grades from the work they are doing now to train on the spot for war work; to beckon into industry the women whose only work is in the home; to denude the community of the domestic servants, shop assistants, service workers and luxury producers they can do without. It is imperative that he should not flinch from any detail of this duty. To waste manpower—as we have done, prodigally, for nine unhappy months—is to court defeat. The first and obvious step, to call for harder work, has been taken. The second step, to train a vast new labour force, is being prepared. The third and critical step is to eke out the nation's limited supplies of industrial skill and experience to the fullest possible degree. Lord Beaverbrook has called fitters from garages to work on airplanes.

Mr Bevin has asked skilled workers not on war jobs to come forward as volunteers.

The need now is haste if the country's urgent need for arms is to be continuously met. Scarce skilled labour must be “diluted” to the limit by the inter-mixture of less skilled workers to take over the simpler jobs on which even craftsmen commonly spend a part of their time. The process of transfer and training must go rapidly beyond the stage of mere registration. The volunteers must be taken on at once. The rest must be mobilised as conscripts. No suitable arms factory must lack its quota of machine operators in training, men and women.

The Ministry of Labour has a new organisation for its new task. At the head is the Labour Supply Board, which, under the chairmanship of Mr Bevin and working in close collaboration with the trade unions and the employers' organisations, will advise on general policy. It includes four official members—Sir T. W. Phillips, permanent secretary of the Ministry; Mr F. N. Tribe, deputy secretary; Mr G. H. Ince, under-secretary; and Mr F. W. Leggett, chief industrial commissioner, and an equal number of unofficial members—Messrs R. Coppock and J. C. Little as workers' representatives; Mr A. P. Young and Major-General K. C. Appleyard as industrialists. This Board is to be aided by a provincial organisation to implement Ministerial decisions. The eleven divisional controllers who have hitherto directed the employment exchange service will be the Ministry's principal representatives in each area, and in future they will be chairmen of the Area Boards which were originally set up by the Ministry of Supply. In addition, representative Labour Supply Committees are to be set up in the principal industrial towns. The duty of inspecting firms to see that skilled labour is being used to the best advantage and that all necessary training facilities are provided will be entrusted to an inspectorate working with the Area Boards and the Local Committees; its members are to be paid industrialists.

With this machinery Mr Bevin can, and must, dispose all the citizens of this country where their work is wanted. Beside him is Mr Morrison, Minister of Supply, with power to take over and control production. The duties of these two Ministers are two facets of the same task; the organisation of labour and the organisation of output are inseparable; and it is urgent that their work should dovetail completely and never clash. The pivot of this drive to marshal the nation's resources at last is apparently to be the newly-created Production Council, with Mr Arthur Greenwood, Minister without Portfolio, at its head. The Council's rôle is “to balance the supply of material and of the plant available, and have knowledge of the strategy of the war, together with the labour supply, so that the whole national effort may move in a cohesive and disciplined way.” The battle for production has at last been given a central command. No longer should it be possible for the competing orders and rival claims of the supply departments of the Defence Ministries to clash and obstruct. Little precise is known about how the Council will work. Most important of all, it is not known what ramification of control, if any, it will have over the crucial question of allocating the nation's resources between war, export and civilian needs. The Council is to be composed of representatives (presumably, and certainly preferably, the heads of Departments) of the Admiralty, the Ministry of Aircraft Production, the Ministry of Supply, the Ministry of Labour, the Ministry of Agriculture and the Ministry of Mines.

The Council will be in a position to plan the broad categories of production with regard to strategic needs and available resources. It can fill one of the greatest single gaps in the War Cabinet system, and its invaluable henchmen will be Mr Bevin and Mr Morrison. It is for the Council to lay down what must be produced. The supply departments of the Army, Navy and Air Force will draw up their programmes. Mr Morrison will use his powers to find and second the firms and plant needed. Mr Bevin will find the labour.

If the new Council were to be no more than a co-ordinating committee it would be nearly useless and certainly dangerously delaying. It must be directive, with power to act. It must be a driving force, and its strength will depend enormously on the personality and initiative

Britain's Population

THE future course of the population of these islands is a problem which has an air of remoteness in these days of life and death struggle for survival. There would be no future at all for us if we were to lose the war. Nevertheless, it is possible and germane to re-examine the present population position in the light of the war itself and to arrive at conclusions that are not without interest.

The cancer which (quite apart from the perils of war) is eating at the future of our population can be described very simply. The women of to-day are not bearing enough girl children to replace themselves. A population of which this remains true is doomed to decline. For some years the fall may be delayed; for a time its chief symptom will be that children and young persons will decline. But, unless the average number of children born to each woman is raised (a mere reduction in mortality would not be enough), the population must diminish.

This is now the familiar statement of the position, not only in Great Britain, but also to a greater or less degree among all peoples of Western European origin. The cancer is the decline in fertility, and nobody has successfully located its causes. Since the cause has not been located, nobody can say with assurance under what circumstances the decline in fertility would cease.

It might be hypothesised that there is an inverse relation between insecurity and war, on the one hand, and fertility, on the other. Parents may, this argument suggests, be loth to bring children into a dangerous world. Sociologists of the future may attribute the decline of the peoples of Western Europe to the destructive wars in which they have engaged, not to the direct loss of life (though this may be greater than in 1914-18), but to the effects of wars on their fertility—on their willingness to breed. An era of peace and security might swiftly bring about the birth of more children and enable the population to maintain itself.

There is a ring of verisimilitude in this hypothesis. At least, it suggests that the present is not the time to concern ourselves with the long-term trend and the distant future. What we can do to greater advantage is to reconsider the numbers and structure of the population in the near future, for the structure of the population in 1950 will be hardly at all affected by post-war influences.

POPULATION OF GREAT BRITAIN

	Children under 15	Men 15-44	Women 15-44	Persons 45-64	Working population 15-64	Old people 65 and over	Total
1938	10,079	10,601	11,151	10,398	32,150	3,979	46,208
'000's							
% of Nos. in 1911	80	113	110	158	123	187	113
1950	7,324	10,475	10,534	11,772	32,781	5,163	45,268
'000's							
% of Nos. in 1911	58	111	104	179	126	242	111

These estimates for 1950 derive, with one proviso, from those made by Dr Enid Charles on the assumption of a continuation of the present declining trend of fertility and mortality. The proviso is that account has been taken of the rise in the number of births in the few years preceding the outbreak of war. The estimates do not, of course, include any allowance for the effects of the war.

On this basis of reckoning, the decline in the number of children between 1938 and 1950 will exceed the increase in the numbers of men and women over 45. The population will therefore decline. But, while the number of men of military age is now at about its maximum, the total working population will be greater in 1950 than now.

The effects of the war itself can be prophesied in nature

of Mr Greenwood. It, or some other single authority within the Cabinet system, must fit all our economic war effort, trade and finance as well as output, into a firm frame of priorities. It will be a crucial test of the new order in our leadership to see whether this is done.

but not in extent. The annual number of births is almost certain to fall, and the number of children in 1950 is likely to be even less than 7,324,000. The number of men aged 15-44 will be less than 10,475,000. If there are large numbers of civilian casualties, then the working population will be depleted, but short of catastrophe it should still be considerably larger in 1950 than it was in 1931.

In considering the economic implications of such changes in the population, it is as well to distinguish sharply between problems of organisation and problems posed by the underlying social facts. Both sets of problems were examined with care by Mr W. B. Reddaway in a brilliant book written just before the war.*

Problems of organisation, that is, the reshaping of industry, employment and so on to meet the changing situation, cannot be very usefully discussed at present. The organisation of industry will in any case be very different after the war from what it is now. Changes in the structure of the population, for instance, which might have been expected to increase unemployment under the pre-war economic system, may have the opposite effect under the post-war system.

It is more useful to consider the general position. Thus it is comforting to note that the national labour force is likely to be well maintained, though its average age will be higher. What is less well appreciated is that the proportion of the working population to the total is likely to rise (ignoring the effects of the war) from 70 per cent. in 1938 to 72½ per cent. in 1950. From the social, though not necessarily from the budgetary aspect, the burden of maintaining the aged should not be unbearable, because there will be a compensating reduction in the number of children. The number of dependent persons under 15 and over 65, young and old, was 14,058,000 in 1938 and, apart from the effects of the war, would be likely to be only 12,487,000 in 1950. It may, of course, be objected that the cost of maintaining old people is greater than the cost of maintaining children. But, even if children are only half as expensive to maintain as the aged, the burden of maintenance on the rest of the community would, on the same assumptions, fall by 2 per cent. between 1938 and 1950. Unless civilians are massacred on a scale unknown in the last war, when the military and naval losses of the United Kingdom fell short of three-quarters of a million, the process of post-war reconstruction is not likely to be seriously impeded by changes in the numbers and age constitution of the population.

The most alarming feature of the present position is the declining number of children. Even if there is a rise in fertility after the re-establishment of peace, its effects will not be felt until some time has elapsed; and, if the declining trend of fertility continues, the diminution in the numbers of the population, hastened by the fall in the birth rate during the war, might become dangerously swift.

Clearly the care of our children is an urgent necessity, second only to victory in the order of immediate priorities. Children are our most vital reserve. In Germany, every effort is being made to prevent a decline in the birth rate or at any rate to moderate its steepness. Children, according to a statement of Herr Hess, are “valuable national assets.” Unmarried unions are officially blessed, provided that children are the outcome. To those children whom we already have must be given the best we can afford in safety, education, food and medical care. If the children of the future are going to be weak in numbers, then we shall require them to be correspondingly more healthy and better educated.

* “The Economics of a Declining Population.” Allen and Unwin. 270 pages. 8s. 6d.

NOTES OF THE WEEK

Invasion?

It is not possible for any layman to answer the question which is heard more often nowadays than any other, namely, can Hitler invade this country? In a broadcast on Wednesday, Mr Harold Nicolson said that Hitler could. By this he meant that it would be possible for the Germans to land in this country from the air, by parachutes or troop-carriers, some thousands of guerrillas or saboteurs, and he expressed the conviction that it would not be hard for the people of this country to deal swiftly and drastically with such raiders. It is probable that, with air bases stretching from Central Norway to the French Channel ports fronting our own South Coast, the Germans will attempt what Mr Nicolson foresees, and likely that they may succeed. Nor is it impossible that they might land similar small contingents on these shores from fast motor vessels dashing across the Channel, or even from the submarines that have been strangely inactive during the past few weeks. If it is added that the landing of such troops in Eire is freely forecast and, on the face of it, practicable, then it can be realised that the first answer to to-day's great question is the state of the defences of all the ports of the British Isles against the damage, dislocation and alarm that such sorties might cause; and it would never do for either the authorities or civilians to take this menace too lightly. The larger question—could Hitler occupy any part of these islands in force?—is very different. The English Channel is an infinitely greater obstacle than the River Meuse. Even the parallel of Norway is not exact; there the Germans seized the ports through treachery before they landed, and it is scarcely conceivable that Dover or Newhaven or Southampton or Harwich or Yarmouth could fall into enemy hands in this way. The real answer is the British Navy; and there is no reason to suppose, despite the power of the German Air Force, that the Navy would not be able to prevent any large-scale transportation of invaders to our shores. Moreover, Allied experience overseas suggests the probability that the Royal Air Force itself would be able to prevent any large-scale disembarkations which may (though improbably) slip through the naval net. In brief, the issue will only be decided in the event; but it is as near certain as can be that, if British defences in the air, on land, and on sea are as sufficient as they certainly could be made on the instant, then invasion in the full sense of the word is as impracticable as it was when France was our enemy.

* * *

Towards a Financial Policy

The unanimity with which the Press—including *The Economist*—misinterpreted Mr Attlee's reference to 100 per cent. Excess Profits Tax when he introduced the Emergency Powers (Defence) Act last week at least revealed its eagerness to welcome a forthright financial measure. The mistake has proved prophetic. At first it was intended to apply 100 per cent. E.P.T. only to the profits of Government-controlled undertakings—which, if properly controlled, should surely not have been allowed to earn excess profits. The full rate, however, is, in fact, to be applied to the excess profits of all businesses from April 1st. This promise to take all profits, without distinction, out of the war is plainly justified, for the war sector of industry is now expanding at such a rate that any prosperity enjoyed by the civil sector can only be due to war conditions, and should in equity be taxed no less hard than the earnings of the munitions trades. But we must take care that the technical control of excess profits is adequate to fulfil the promise. At present there is insufficient provision in the rules governing E.P.T. against wasteful or even unnecessary expenditure; the only protection is against artificial transactions to reduce profits. When such expenditure can be charged, in effect, to the State in full, it requires the most detailed supervision. The nation would be ill-served in its present crisis by any development of the squandermania which accompanied E.P.D. in the years after the last war, and it should not be beyond the competence of the revenue authorities, armed with that experience, to prevent its repetition. To meet this point, new sections are obviously needed in the Finance Bill, which was given a second reading on Wednesday. The debate suggested that Sir Kingsley Wood has at least grasped the elementary financial needs of the hour. He warned the nation that even heavier tax burdens were near at hand. Yet, in his plea for a short period of

adjustment to the tax burdens already imposed, he seemed to betray the quite unnecessary fear that the nation might not be prepared to receive additional imposts. As the reception of Sir John Simon's Budget and 100 per cent. E.P.T. has shown, public opinion has for months been at least abreast of Ministerial policy on the financial front. The new Chancellor might consider the merits of an Excess Income Tax, to match E.P.T., on the lines mentioned in this journal, and echoed in the debate by Mr Graham White. Meanwhile, the Chancellor is now considering the best shape for future war loans. There will, in his words, be abundant opportunities for lending to the State. They must be designed to evoke the maximum response, at the minimum cost to the Exchequer.

* * *

The Cripps Mission

Sir Stafford Cripps is already well on his way to Moscow but his exact status is still obscure. The Kremlin appears to be ready in principle to discuss trade relations with him, but they still cavil at his rank of Special Ambassador. Behind the objection lies the Russians' desire to have the question of our diplomatic representation cleared up. The permanent British Ambassador has been absent from Moscow since January, and Russia wishes to see the position regularised; and the British claim that Sir Stafford Cripps cannot be made Ambassador in the full sense because he has not given up his seat in the Commons seems to them hardly material. It is to be hoped that questions of diplomatic usage will not interfere with the main purpose of Sir Stafford's mission, to set the trade relations of Britain and the U.S.S.R. on a more satisfactory basis. It is true that Russia's Treaty of Friendship with Germany and her Economic Agreement, which the Nazis claimed to be the dawn of a new era of the closest economic collaboration, are obstacles to the restoration of normal trade relations, but Russia had until the dispatch of Sir Stafford some cause to suspect the sincerity of our desire for an agreement. The Russian Government was prepared to guarantee that none of our exports should be passed on to Germany and were also willing to make some kind of limitation on supplies from third parties. The demand which roused resentment was our request that some guarantee should also be given to cover Russian goods exported to Germany. Moscow pointed out that Roumania sent millions of tons more oil to Germany than Russia had ever done, and that even the figure fixed in the most recent agreement with Germany was well below Italy's trade with her Axis partner. Yet neither in the case of Italy nor of Roumania did we consider these facts an obstacle to the conclusion of trade agreements. Here there is an obvious grievance which must be cleared up and the best way to do so is to abandon the formality of Notes for a more hopeful approach through direct contact. If it is an Ambassador in the more formal sense that the Kremlin wishes to receive, then, provided our Government feels that good can come out of talks in Moscow, such an Ambassador should be sent.

* * *

The Allied Kingdoms

It is good news that Narvik is in our hands and that the Germans are hemmed in at the head of Rombak Fjord. The fighting is not over in this area, and Germany will bring up reinforcements and continue her harrying from the air; but, at least, an important town on Norwegian soil is in the hands of King Haakon and his Allies, and the work of consolidating our position there and of making it a base for attacks to the south can begin. If the geographical configuration allows it, existing facilities for aerodromes and airfields must be extended, the supply system rendered completely secure, and the place fully prepared to become a rallying ground for the thousands of Norwegians who by one means or another will try to slip through the German lines to rejoin their king. We must not forget the psychological significance of Narvik; and reports of large troop movements to South Norway suggest that it may even be useful as an advance post to check and harry raids against the Faroes, Orkneys, Shetlands or even Scotland. Certainly it must not be relegated to the position of a beleaguered outpost. It must be one

of the chief bases from which the reconquest of Norway will be carried out.

*

Holland is less fortunate than Norway in that the whole of the mother country has passed under the invader's control. But the Dutch have their overseas empire, whose entire resources are now diverted to the Allied cause. Queen Wilhelmina has established her Government in London, the Dutch navy has joined the Allied fleets, and a Netherlands legion is to be formed on French soil. Meanwhile in the unhappy mother country, the Austrian traitor, Seyss-Inquart, has seen fit to take over office on the very day—*Prinsjesdag*—on which the Dutch people were accustomed to celebrate their loyalty to their sovereign, and to read his speech in the Hall of Knights, where Queen Wilhelmina used to open each new session of Parliament. His statements contained nothing unexpected. The "co-operation" of the Dutch will be secured and "all interests" are "to be subordinated to the vital struggle of the German people," a euphemism to express the reduction of the Dutch to the slavery of the Poles and Czechs. Certain leading elements among the Dutch will no doubt be courted and bribed into traitorous submission. For the mass of the people there is nothing in their immediate future save the forced service of a hated oppressor and the attentions of Himmler and his beasts of prey. Of our three most recent Allies, Belgium's lot is the most unhappy, for here not even the king held faith. Leopold's capitulation does not alter the fate of his unhappy people under the German yoke, but it seriously affects his own. He appears to have accepted German hospitality in one of his own castles; meanwhile the Belgian Government have unanimously denounced his action as unconstitutional, and the Belgian Parliament is to meet to declare whether or no he shall be deposed. Belgians outside the country are everywhere pledging their support of the Government and, under its leadership, Belgium will fight on.

* * *

America Faces Total War

With each new disaster on the Western Front the problem of total war is thrust more and more forcibly upon the attention of the United States. Leopold's capitulation and the desperate straits of the Allied forces in Flanders have been received with consternation. The European seaboard from Namsos to Boulogne is virtually in German hands, and Germany becomes an Atlantic Power. The American people can no longer blind themselves to the extent of Hitler's ambitions, and their unanimous desire is to get their country into a proper state of defence. There will be no quarrel with the President's decision to revive the old wartime Defence Council or with his request that the statutory limit for borrowing should be raised to \$48,000,000,000 and all taxation increased 10 per cent. to help cover an outlay on armaments estimated at some \$1,250,000,000. Unanimity is harder to secure on the vital question whether the Allies are not already America's front-line defences and whether the easiest and cheapest way to safeguard American security would not be to assure and hasten an Allied victory. This at least is the opinion of Mr Wendell Wilkie, a possible Republican candidate for the Presidency. His view, coming from a noted anti-New Dealer, is a sign that readiness to help the Allies in any way short of actual intervention is gaining ground. Unfortunately, the prerequisite of a firm national policy, general acceptance of strong leadership, seems as far away as ever. Mr Landon has warned Republicans that acceptance of office under Mr Roosevelt would mean their participation in a manoeuvre to disrupt the Republican party and has declared that the best contribution to national unity Mr Roosevelt could make would be a guarantee that he will not seek office a third time. In these circumstances the President, whatever the measure of agreement he can secure in his defence plans, remains a party, not a national, leader—through no fault of his own—and as such is condemned to the compromises and half-measures which are the bane of party government in times of crisis.

* * *

Mussolini Calls the Tune

Although the world's attention is fixed on the battle-fields of Northern France, the situation in the Mediterranean arouses interest and alarm. Italy, for reasons discussed on another page, is—or seems to be—on the verge of intervention, which, judging by her preparations in Southern Italy and Libya, is to take the form of a general offensive throughout the Mediterranean basin. Egypt and Turkey remain calm. Egypt's black-out, local defence and evacuation

schemes are being carried out methodically, and the problem of fifth columnists has at least been tackled, although the difficulty of eliminating the danger completely in a community which includes some 60,000 Italians cannot be disguised. Turkey's steadiness is, in part, due to Italy's present frank admission of her aims in the Mediterranean. Fear of Italian domination and distrust of Italy are inbred in Turkey's national consciousness, and whatever the fortunes of battle in Northern France, Turkey knows that her chances of survival stand or fall with those of the Allies. Germany's threat to Turkish independence was always to some extent indirect, even if not remote. Italy is at the door, and if she fights, the Turks will fight back with all the savage tenacity of a warlike race. Fresh staff talks have taken place between the Turkish and Allied High Commands, and Italy's weeks of "pre-belligerency" have at least ensured that no attack can take the Allies by surprise.

*

The situation is more obscure in the western basin of the Mediterranean. Spain has declared her uncompromising neutrality. There are strong influences in the country at work to support General Franco in his decision, not least the Catholic Church, whose Primate, Cardinal Goma, chose the Feast of Corpus Christi to address a pastoral to his people, in which he roundly said that "the manhood of France and Great Britain, joined by the legions of Poland, Czechoslovakia, Norway, Holland and Belgium, are fighting not for territorial gain, but . . . to vindicate the Christian spirit of morality invoked by Pius XII in his Encyclical." These are strong words and are bound to strengthen General Franco in his struggle with his own extremists, anxious to drag Spain into a conflict from which, like Italy, they hope to secure territorial gains without risk of defeat or even of very serious loss. There are some 40,000 Germans still resident in Spain. Italians are scattered throughout the country, and there are groups in the Balearic Islands. If Italy enters the war, these elements, together with the Falangist extremists, will bring the greatest possible pressure to bear on the Caudillo to launch an attack on Gibraltar and, while recovering this *terra irredenta*, close the Mediterranean to the Allied navies. That the British Government realises the urgency of the Spanish problem is illustrated by the despatch of Sir Samuel Hoare as a Special Envoy to Madrid. To what extent his presence will strengthen General Franco's position it is impossible to say. At least, it is a guarantee of Britain's genuine goodwill and of her firm intention "to respect Spanish neutrality—provided others do the same."

* * *

British Export Policy

It is not yet clear from published statements how the export industries and those concerned with the production of the requirements of the civil population are to be fitted into the machinery for speeding up output and for allocating the country's human and material resources. Hitherto the needs of the export trades have been met largely by the various priority committees which were set up after the outbreak of war. But if the Production Council, which is discussed in a leading article on page 968, is to be concerned chiefly with munitions, then some organisation may be required to look after the export and domestic civil industries, while both might be co-ordinated by a central committee charged with formulating general economic policy. There must be no relaxation in the attempt to raise exports in order to reduce the enormous adverse balance of trade. Temporarily, however, the claims of the

The NATIONAL BANK of NEW ZEALAND, Limited

Established 1872
Head Office: 8 MOORGATE, LONDON, E.C.2
Temporary Address: BRAMLEY CROFT, HINDHEAD, SURREY
Tel. Nos: HINDHEAD 373 & 680

Subscribed Capital - £6,000,000
Paid-up Capital - £2,000,000
Reserve Fund - £1,000,000
Currency Reserve - £500,000

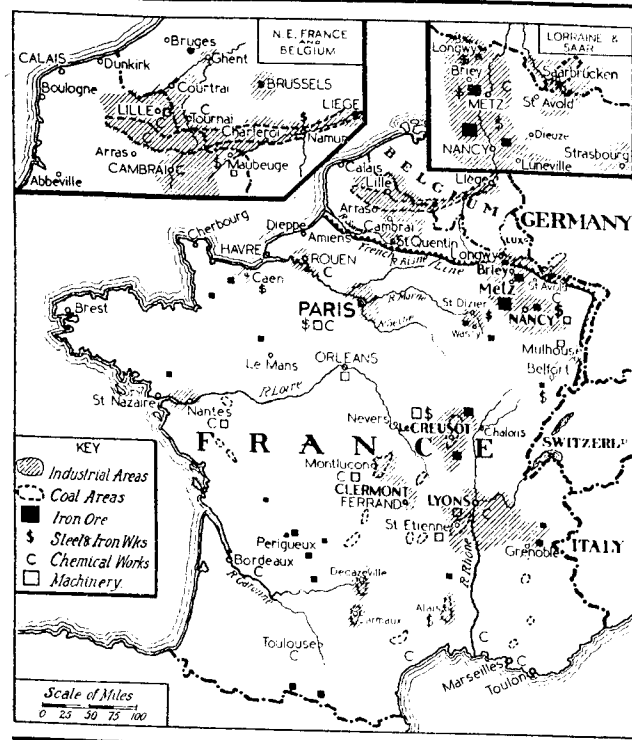
The Bank has branches throughout New Zealand and conducts every description of Banking business with that Dominion.

export trades must be subordinated to the need for the highest possible output of munitions. It may be necessary, for example, to reduce still further our exports of iron and steel, machinery, motor vehicles and other metal products in order to strengthen the resources available to the aircraft and munition industries. The output of aircraft and tanks, in particular, must be speeded up at all costs, even if this involves the withdrawal of skilled labour from the export industries.

* * *

Distribution of France's Industries

The accompanying map of France shows the geographical distribution of her industries. The heavy industries (coal-mining and iron and steel manufacture) are largely concentrated in the north-east, along the Belgian frontier and south of Luxemburg. The industrial district in the north-eastern corner of France, comprising the two administrative areas of the Pas-de-Calais and the Nord, has been cut off from the rest of the country by the retreat of the army behind the line formed by the Somme and the upper Aisne. This district furnished some 60 per cent. of France's output of coal, totalling about 45 million tons per annum. It also contains important metal industries and is



one of France's chief textile manufacturing centres. The centre of the iron and steel industry located to the south of Luxemburg in the Moselle and Meurthe-et-Moselle administrative areas, on the other hand, remains in French hands. This district is the source of about 95 per cent. of France's iron ore output, amounting to more than 30 million tons per annum, and of some three-quarters of her production of pig iron and steel. In contrast to the heavy industries, the engineering, armaments and lighter industries are widely dispersed; the important centres of metal manufacture in the Le Creusot, Clermont-Ferrand and St. Etienne districts are in the mountainous area to the west of the River Rhone, which is far from the present battle zone. The loss of the coalfields in the Pas-de-Calais and Nord administrative areas is unlikely to impair France's capacity to supply her army, provided that it can be made good by this country. The loss of the iron and steel centre to the south of Luxemburg, however, would be much more serious.

* * *

Rising Wages

At present the grievous lack of an economic war plan is seen most sharply in the field of production where the need for more tanks and aircraft is being tragically driven home. But there are other sectors where the immediate redress of past failures is imperative. One is budgetary policy, which measures the scale of the war effort as a whole. There the new Chancellor of the Exchequer has promised to extend the Budget left him by his predecessor nearer to the nation's life and death needs. Another is wages. An inquiry by the National Institute of Economic and Social Research into

wages paid by large firms in different industries in March, 1939, September, 1939, and March, 1940, reveals a large-scale ragged advance all along the line. At the start of the last war, between August, 1914, and March, 1915, wage rates hardly rose at all. This time, between September, 1939, and March, 1940, wage rates rose 8 per cent. and earnings per head by 10.7 per cent. Between March, 1939, and March, 1940, average earnings in the firms investigated rose 18 per cent.; at least two-fifths of the rise in earnings was due to bonuses, more piece-work and overtime; and the earnings of girls under twenty-one rose 22.4 per cent. It is true that the cost of living (as measured by the out-dated official index) rose 14.5 per cent. between March, 1939, and March, 1940, and 13.5 per cent. between September, 1939, and March, 1940. Even so, the fact is that a great volume of fresh civilian spending power has been struggling against attempts to cut down civilian consumption and keep prices down; and there has been neither national wisdom nor individual equity in prices. Workers with high bargaining power have made gains. Other workers, low paid to start with, have been driven into difficulties by rising prices. There has been no common policy among the trade unions and no wages plan from the Government. Now, when Mr Bevin is Minister of Labour with plenary powers, the whole effects of piece-meal wage increases on the national war effort may be cut short. There should, admittedly, be a minimum below which no one should be allowed to fall; and hard-pressed war workers must be paid for their over-work. Above that, wages should be fixed; or any increases in earnings taxed away or compulsorily saved. The path of justice for all classes is clear; 100 per cent. tax on excess war profits; 100 per cent. levy by tax or forced loan on excess war incomes within the income tax assessment ranges; and 100 per cent. levy on excess war wages too would be logical but almost impossible to administer quickly.

* * *

Rounding Up Quislings

Fears expressed in the early months of the war lest the Defence Regulations were being too strictly drawn have now given way to fears lest the Government has been too lenient in its treatment of aliens, pacifists, Fascists and others whose activities may impede the vital war effort. There is still no persecution of opinion. Last week Regulation 18B was amended in a way which by its reference to "sympathies with the system of Government . . . of any Power with which his Majesty is at war" showed that it was directly aimed at the British Union of Fascists; and it was under this amended Regulation that Sir Oswald Mosley and other leading members of the organisation were arrested. On the same day seventy-six members of the I.R.A. were arrested in Ulster under the Civil Authorities Special Powers Act. And the internment of aliens continues. All German and Austrian women placed in Category B have this week been rounded up and will be interned in the Isle of Man; and next Monday a new Order comes into operation which will cover aliens over 16 years of age of every nationality and stateless persons throughout the United Kingdom. They will have to observe a curfew between the hours of 10.30 p.m. and 6 a.m. (midnight to 6 a.m. in London), and will not be allowed possession or control of bicycles, cars, ships or aircraft, or to be away from their place of residence for a night or nights, except by special police permit. Most enemy aliens of either sex are, therefore, now interned; the rest, together with all other aliens, will in future have their freedom of movement strictly limited. These measures are drastic and distasteful. But the occasion demands them; and it is still true that no innocent person of any creed, opinion or race will suffer more than protective custody, well-housed and in reasonable comfort.

* * *

Informing the People

In the course of only one month the British people have received a crescendo of bad news—the withdrawal from Southern Norway, the enemy's break-through on the Meuse and his penetration to the Channel ports, and, finally, the surrender of the Belgian Army. But though each blow has been worse than the preceding one, and though it is known, from Mr Churchill's statement in the House of Commons, that "hard and heavy tidings" are still to come, the news has been received without the slightest sign of panic. That danger of which Mr Duff Cooper spoke in the debate on the Ministry of Information has not yet reached our shores. And so long as the truth is given out promptly there is no fear that it ever will. At a time like this the people want

facts without embroidery, as they have never wanted them before, and Mr Duff Cooper, in the short time he has been in charge of the Ministry, has already done both it and the country a real service by pointing out in his broadcasts exactly what are the facts which can be ascertained from the maze of military information. For the first time since the war began the people are being treated as adults. It is also reassuring to learn that the Ministry is being better equipped for its task at home by the centralising of the control of all the sources of information under itself—though it is not clear how far this control is to go—and by the attendance in future of the Minister at meetings of the War Cabinet. There will be far less satisfaction with the suggestion that the Ministry's propaganda in neutral States should be based upon the enormous resources of the Allied Empires. It is, of course, right that they should know the true facts of the relative strength of the belligerents, but the complacency, which has hitherto allowed us to think that our material resources would win the war for us, has robbed this propaganda weapon of its effectiveness. The neutrals have realised all along what the people of Great Britain are only realising now—that resources without works are dead; and the exploits of the R.A.F. and the recapture of Narvik will carry far more weight among the non- and pre-belligerents than statistics of production. Mr Duff Cooper need not fear the danger of panic on the home front. It is the danger of complacency, with which his Ministry itself has been tainted, that he must combat with all his might. Meanwhile the plans which were in existence at the outset of the war for decentralising the sources of official news and guidance in the event of a breakdown of communications due to enemy attack, are being refurbished. In each of the eleven head-quarter towns of the regional civil defence system staffs are being put on the alert. In the London area local committees will be set up in each borough and urban district, representative committees made up of persons of influence, integrity and discretion. Similar work will be done elsewhere by similar bodies. This machinery is a new and important defence arm, which may have a crucial rôle in the later stages of a war in which rumour and misrepresentation have already proved to be chief weapons of the enemy.

* * *

The Dominions' Support

The tempo of the Dominions' war effort is increasing day by day. To New Zealand falls the honour of being the first to introduce emergency powers, giving the Government control over persons and property, similar to those given to the British Government. And discussions, which for the moment have proved abortive, have taken place with the Opposition over setting up a War Council of a truly national character. In Canada, too, there is a growing demand for a National Government, and, even more significant, many leading newspapers are now openly advocating military conscription. The infantry battalions of a fourth division are to be raised immediately, and 5,000 men on the waiting list for training under the Empire air scheme will be called up at once for preliminary training. Australia has abolished the limit on recruiting and now aims at enlisting the maximum available man-power. At an extraordinarily enthusiastic "win the war" rally it was announced that over £4,000,000 had been subscribed towards the new war loan of £420 millions before the lists had opened, and it is also proposed to issue a loan of £45,000,000 free of interest. In aircraft and munition factories two twelve-hour shifts are being worked daily; trained personnel of the R.A.A.F. will probably be sent for service abroad; and, in view of the urgent need of the Allies for planes on the Western Front, the Australian Government has transferred to the British Government their claims upon a large aircraft order now being completed in the United States. It would be futile to suggest that this quickening determination within the Dominions can make any difference to the outcome of the desperate struggle in which the B.E.F. is now engaged in Flanders; and we have only ourselves to blame for not having set them the example of full mobilisation at the very beginning of the war. But it shows what a long way Hitler still has to go before he can hope for ultimate victory.

* * *

Shorter Notes

The news from the battlefield, together with Mr Amery's conciliatory speech in Parliament, are working a change in Indian opinion. Extremist circles still maintain that the new Government's attitude is no improvement on that of the last,

but the general line along which opinion appears to be developing is summed up by Mr Gandhi: "When Great Britain is up against an aggressor who is definitely pursuing barbarous methods, should we not make a human and timely gesture?" It is important that any such gesture should be met halfway. The occasion is obviously premature for a renewed attempt by the Viceroy to bring Congress and the Moslem League together.

*

Eire is awake to the danger of invasion. Within the last week reserves have been called to the Colours, Mr de Valera has announced a new defence scheme which is to be put into practice with all possible speed and, a sign that the country is united in the face of danger, a National Defence Council has been set up on which Mr Cosgrave, the Opposition Leader, and Mr Norton, Leader of the Labour Party, have consented to serve. "We are within the war zone," is Mr de Valera's comment. Other neutrals have made this discovery too late. Eire, at least, is mounting guard.

*

Sir Walter Layton has been appointed by the Minister of Supply to be Director-General of Programmes in the Ministry of Supply and a member of the Supply Council. He was a member of the Munitions Council in the Ministry of Munitions in the last war.

*

In three minutes on Wednesday the Commons passed the National Loans Bill through all its stages. The Bill gives the Treasury power to raise money for supply for the year to March 31st next plus a margin of up to £250 millions. These terms are the same as for last year's National Loans Act, but the Treasury is now under no contractual obligation to issue bearer bonds, whose issue is now prohibited under the recent security dealing regulations.

*

The United States is already preparing against air raids. A new detector has been devised, claimed to be "far in advance of any similar equipment available for belligerents abroad," which can find aeroplanes over 50 miles away, thus giving the defenders a quarter of an hour's grace, and it is planned to instal one in look-out stations along the Atlantic, Pacific and the Gulf coasts, and in Hawaii, Alaska, Puerto Rica and the Canal Zone.

*

The supplementary payments to old-age pensions, which under this year's Act have been taken over by the State from the local authorities, will come under the Assistance Board in August, and draft Regulations have now been laid before Parliament. For a single pensioner living alone, with no resources beyond the old-age pension of 10s. a week, the standard income proposed is 19s. 6d. a week. This means a supplementary payment of 9s. 6d., which may be increased in winter. For a married couple under similar circumstances, the supplementary payment will be 12s. a week—6s. a head—subject to an adjustment for rent.

*

Of the total of 631,464 wholly unemployed males in the middle of March, as many as 266,154, or 42.1 per cent., were over fifty years old, and 110,012, or 17.4 per cent., were between forty and fifty. All those aged twenty-one to thirty-nine inclusive, that is, those of military age, only accounted for 224,532, or 35.6 per cent. of the total.

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

RESERVE AND UNDIVIDED PROFITS \$40,265,700

TOTAL ASSETS IN EXCESS OF \$1,025,000,000

Head Office: MONTREAL

H. R. Dummer, Esq., President.

Major-General The Hon. S. C. Newburn, C.M.G., W. A. Bog, Esq., Vice-Presidents.

Jackson Dods, G. W. Spinney, Gen. Managers

LONDON COMMITTEE: The Most Honourable The Marquess of Willingdon, P.C.

G.C.S.I., G.C.M.G., G.C.I.E., G.B.E. (Chairman).

F. R. S. Balfour, Esq., Sir Hardman Lever, Bart., K.C.B.

Sir Frederick Williams-Taylor.

London Offices: 47 Threadneedle Street, E.C.2 (Edward Pope, Manager)

9 Waterloo Place, Pall Mall, S.W.1 (J. H. Pangman, Manager)

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

THE WORLD OVERSEAS

France Stands Firm

(From our Paris Correspondent)

IT would be worse than useless to speculate on the issue of a battle on which all essential information is being carefully withheld. One may perhaps more profitably discuss some of the most urgent administrative problems with which the French Government, profoundly changed in personnel and spirit since the terrific shock of invasion, is now called on to face.

Power in France in this time of emergency is largely in the hands of three men: M. Reynaud, in his double capacity as Premier and Minister of Defence; General Weygand, as Commander-in-Chief; and M. Georges Mandel, who, as Minister of the Interior, has the very important charge of maintaining internal order and security. So long as the present Cabinet is in office there will be no question of weak will or wavering. There have been rumours recently, both here and in Berlin, that Hitler might take advantage of a favourable military position to offer a separate peace, on ostensibly moderate terms, to France, with a view to concentrating the full weight of the German striking power against England. One may confidently predict that such a manoeuvre, should it be made, would have no effect on M. Reynaud and his associates. They are convinced that, for France and Great Britain, it is very definitely a case of hanging together or of hanging separately, and they are resolved to continue resistance, regardless of past or possible future reverses. One may go further and say that there will be no very ceremonious choice of means in blotting out any symptoms of defeatism that may make their appearance.

The Refugees

One of the most colossal problems which confronts France at the present time is that of the refugees who have been flooding into the country from Belgium, the Netherlands, Luxemburg and North-eastern France. Advance evacuation plans have proved almost useless because of the immense scope of the present-day flight. The present situation overtaxes the resources of every state and private relief agency in France. The authorities do not wish to have a great congregation of refugees in Paris, so they are given nothing here except emergency food and shelter. Those who are not able bodied and cannot work are promised an allowance of ten francs a day when they are settled in the provinces.

It is impossible to overstate the urgency of this refugee problem, even from the purely military viewpoint. The choking up of roads by these fugitives is a serious military problem. And the influx of millions of refugees, with their stories of bombing and tank raids, and the many pitiful cases of mothers who have lost their children, of separated families, of cases when older refugees have lost their reason from the horrors which they have experienced, have their inevitable effect on the morale of the rear.

While trying to care for the refugees in as orderly and humane fashion as circumstances permit, the Government finds it necessary to issue severe warnings against premature and unauthorised evacuations which increase the general confusion and panic. German Fifth Column agents have undoubtedly been promoting such evacuations; more frequently they have been the result of over-hasty action by local officials. M. Mandel is carrying out an extensive house-cleaning among the prefects and mayors in the districts behind the front with a view to leaving authority only in the firmest hands.

The Government is also setting an example by remaining in Paris. There has been, and there will be, no repetition of the over-hasty flight to Bordeaux in 1914. There has been

a stern tightening of labour discipline. Communists who refuse to work on Sundays are promptly clapped into prison. Workers and employees who have been mobilised and assigned to work in factories and offices have been reminded that if they refuse to obey orders or desert their posts they will be liable to the same penalties as soldiers who commit similar offences. A campaign is also being waged against "bobards," or false rumours.

In the main, the French capital remains amazingly calm. Considerable numbers of people have left the city for the relatively safe regions of the South and the West; but the everyday life of the shop, the market, the café goes on much as usual, and has a wonderful effect in maintaining morale.

May 25th.

New Zealand War Finance

[FROM OUR CHRISTCHURCH CORRESPONDENT]

THOUGH the war is far away, its influence on New Zealand is very real. Local effects are seen in a steady stream of volunteers recruited and trained for service abroad, in the scarcity of some imported goods, in increased Government regulation and closer control of trade and exchange, in reduced road transport and increased taxation and prices.

Shortly after the outbreak of war the Minister of Finance estimated special war expenditure for the remaining seven months of the financial year 1939-40 at £9.75 millions, about £2.41 millions, or half of the existing defence vote of £3.21 millions was expected to be available, and the remainder was to be got from loans.

Now the Prime Minister has given estimates for 1940-41. He expects the year's expenditure on war to be £33 millions: £25 millions for the Army, £6.5 millions for the Air Force and £1.5 millions for the Navy. Of this total, £20 millions is required overseas and, under arrangements already made, this amount will be made available by the British Government. The remaining £13 millions are required—and must be raised—in New Zealand. £3.5 millions are already provided by special war taxation, and extra taxes and loans will be used to raise the remainder.

It appears that the way is being prepared for interest-free loans. The continuance of credit expansion in 1939, after imports and exchange had been brought under control, made money abundant in the Dominion. The slight rise in export prices and the earlier payments made under the war agreement for the purchase of exports by Britain, combined with the curtailment of imports, stimulated further expansion. As a result, bank deposits are at record high levels, bank advances are relatively low, and money is exceptionally plentiful. Meanwhile, restriction of trade and insecurity have contracted the avenues of local investment, and the Government has recently issued regulations designed to close the unofficial exchange market, which has been fairly active at about 10 per cent. premium over official rates since exchange control was imposed in December, 1938. The results are seen

in rising prices and falling yields of Government and other securities, and in the creation of conditions favourable to borrowing at low rates for war purposes.

Working of Exchange Control

Local arrangements for the marketing of the chief exports sold to Britain are working fairly smoothly, and under these arrangements payments are received about two months earlier than has been the rule in the past. Meanwhile, the usual arrangements are maintained regarding payments for imports. In consequence, it is estimated that exchange funds held abroad showed a windfall gain of about £8 millions by December, and an earlier decline is expected towards the end of the season.

For the year ended March 31, 1940, exports amounted to £59.64 millions, or nearly £2 millions more than for the preceding year, while imports totalled £45.57 millions, or nearly £9 millions less. The export balance on trade account for the year was £14.07 millions, and the exchange funds held by all the banks amounted to £23 millions at the end of March, compared with £9.72 millions in March and £8.57 millions in September, 1939.

Though the amount of sterling exchange held is now ample for normal needs, this does not mean that all exchange difficulties are solved. While a credit balance of payments increases sterling exchange and the Reserve Bank's liquid assets, it also increases the Reserve Bank's liabilities, mainly in the form of deposits payable on demand to the trading banks, and it is not practicable to free exchange from control while the trading bank deposits at the Reserve Bank substantially exceed the latter's sterling exchange, as they have done since exchange control was imposed. The difficulty could be overcome if the Government were to get money from the trading bank deposits at the Reserve Bank, that is, from the public, and use it to repay its advances from the Reserve Bank. This process would reduce both the frozen assets and the demand liabilities of the Reserve Bank, but it seems unlikely while the war provides a reason for continuing exchange control and while the demand for money for war purposes is given priority.

Upward Wage Movement

Since the Labour Government took office in 1935 the cost of living index in New Zealand has risen by 21 per cent., compared with a rise of 11 per cent. in Australia. Since the outbreak of war, the rise has been about 5 per cent., and this steady increase is being advanced as a reason for war increases in wage rates. There is little recognition of the fact that unless production increases the war can be paid for only by reduction of living standards, and as yet the Government has given no expression of its opinion.

Slight changes in the constitution of the Cabinet have followed the death of Labour's first Prime Minister, the Right Hon. M. J. Savage, and the appointment of the Hon. P. Fraser as his successor. Though no changes of policy have been announced, there is some evidence of an attempt to moderate public works expenditure and the credit expansion which has financed most of it in the recent past.

May 8th.

Italians in Albania

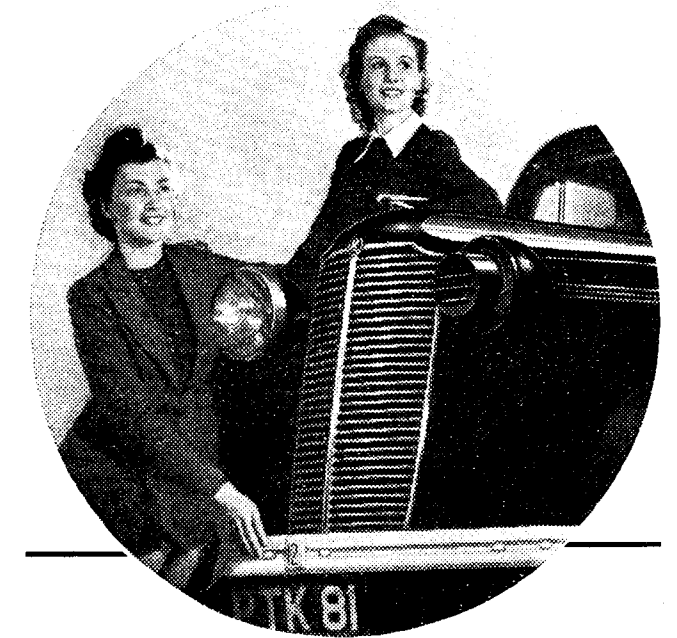
[BY A CORRESPONDENT]

THOUGH the Italian occupation of Albania was, first and foremost, a strategic move—aiming at full command over the Straits of Otranto, and establishing Italy as "a Balkan Power"—Albanian economic resources have since proved to be of great value for Italian supplies. The Ministry for Albanian Affairs in Rome has followed a well-considered plan concentrated on raw material production and transport.

The Albanian Budget is well balanced. Civil Government is run on Italian lines. Industrial activity is on a large scale—mainly no doubt for military purposes. The output of crude oil, iron ore and metals is gathering momentum. A pipe-line is being constructed between the oilfields on the Devoli River and Valona.

Great attention is devoted to mining. The *Società Italiana di Esplorazione e Sfruttamento Minerario* is busy mining copper in the Scutari district; and there is copper in North Albania, the Krabi Mountains, and in Southern Albania as well. It is believed that an annual output of 6,000 tons can be achieved.

This is the Vauxhall twelve-four — a roomy family car which does 35 m.p.g. Vauxhalls are confirmed petrol-savers — The Ten does 40 m.p.g., the Fourteen-six 30 m.p.g.



VAUXHALLS

"Rationed"?

YES, we must admit it. Much as we should like you to buy a new Vauxhall, the fact remains that present-day demand exceeds the controlled wartime production.

Next best thing to a new Vauxhall is a *used* Vauxhall. For by all ordinary standards every Vauxhall built during the last five years is a modern car. Since 1935 every new Vauxhall model has had independent front wheel springing and every Vauxhall from mid-1937 onwards has the famous six-phase economy carburation which gives

something like 20% more miles per gallon, adds 1/4th to your ration.

Go to your local Vauxhall Dealer — ask him to show you his range of specialist-re-conditioned cars. You cannot find better value anywhere, or more economical wartime motoring.

To Vauxhall Owners

'SERVICE AS USUAL'

is the wartime slogan of the network of authorised Vauxhall Dealers. They are carrying on cheerfully with their job of helping Britain's road transport to run efficiently. At your local Vauxhall Dealer's you can rely on skilful attention by trained mechanics backed by specialised equipment; with reasonable charges on a low flat rate basis.

VAUXHALL

10 h.p. £182 • 12 h.p. £198 • 14 h.p. £235

VAUXHALL MOTORS LTD., LUTON, BEDS.

Extensive iron ore deposits exist near Lake Okhrida. Albanian hematite, containing 60 per cent. of iron, is of value for steel production, and steel works are in the process of erection.

The main companies in charge of manufacturing and mining are the *Ferralba* and the *Ammi*. Chromium ore, also found near Lake Okhrida, is claimed to contain 25,000 tons of chromium, sufficient (they say) to satisfy Italian requirements for a period of 10 years. Albanian nickel, manganese and timber will be of use as soon as transport facilities will be available. Albanian olive oil is already replacing imports from Greece, Turkey and Spain.

The extension of air, rail and road communications will serve economic and military purposes equally. The *Alfa Romeo* opened recently a branch in Tirana to run express coaches from Durazzo and Valona to the interior. The air service has been greatly improved, five main air lines flying from Tirana to Scutari, Korça, Valona, Pechkopija and Kukës respectively.

Roughly 1,250 miles of highways have been reconstructed or newly built by 30,000 Italian engineers and workers, assisted by units of the Albanian army—now fully incorporated in the Italian forces. The most important road will lead from Durazzo via Tirana to Koritsa, near the Greek border. A new railway (from Durazzo to Elbasan and Labiotti), involving an expenditure of 200 million lira, is to represent the first part of a trans-Balkan railway—connecting the Adriatic via Sofia with the Black Sea—and joining the Greek railway at Florina.

May 28th.

Egypt Faces Facts

[FROM OUR ALEXANDRIA CORRESPONDENT]

THE boom in cotton and security prices that marked the last two months of 1939 had already passed its peak by the end of the year. The reaction that set in early in 1940 gradually gathered momentum, until it assumed the proportions of a regular depression and finally culminated with the threat of an extension of hostilities to the Mediterranean, in the closing *sine die* of the Alexandria cotton and cottonseed futures market. Transactions in securities were almost brought to a standstill at officially pegged rates.

The fact that a severer slump did not develop and wipe out all the gains made since the start of the war is due to the substantial advance in minimum prices effected since last autumn for securities and, especially, for cotton. The tactics of successively raising the peg for cotton futures, which might have worked smoothly right up to the end of the season had the war remained localised, actually ended by creating a very embarrassing situation for the Government. From the beginning of May there were growing indications that a vast amount of cotton and cottonseed would be tendered to the Government in the course of the following weeks, an operation entailing the immobilisation of large public funds, at a time when national defence needs are putting an increasing strain on the Treasury. By closing the futures market and ordering the liquidation of all outstanding positions, the Government will avoid receiving actual cotton at the minimum prices which, incidentally, had been fixed also for the next crop.

The spot cotton market remains open, but without any hedge protection, and heavy losses are being sustained by holders as the forced uncovering of their cotton has coincided with a world slump in cotton values.

Up to last month the war had borne very lightly on Egypt. Economic gains accruing from hostilities by far exceeded inconveniences deriving therefrom. Most domestic produce, especially foodstuffs, was but moderately higher in price than before September, 1939; rationing was (and still is) unknown; labour was very peaceful; defence measures scarcely interfered with civilian activities.

With its easy-going nature the nation tended to lose sight of the wider issues and increasingly to indulge in political squabbles. The present dramatic turn of events has, therefore, come as a shock, and the inherent perils of the situation have been brought home to the mass of the city population by the swift tightening of control in many walks of life.

May 20th.

The Exploitation of Czecho-Slovakia

[BY A CORRESPONDENT]

THE Berlin Government has issued a decree which establishes that the Reich Protector in Bohemia and Moravia has the right of objection in all matters of civil law. The right of objection applies to all decisions of non-German regular, special or arbitration courts, whether these decisions were made before or after the establishment of the Protectorate. These decisions become invalid as soon as the Reich Protector issues his objection.

Germany is short of lead, which she needs in her new industries for the manufacture of synthetic products, especially petrol. In Germany and Czecho-Slovakia all lead pipes for which substitutes can possibly be found are being collected. The breweries, for example, have been ordered to give up all lead and tin piping to the German authorities and to replace them by others. Accumulators must also be surrendered, at a fraction of their market value.

The Flight from Money

The population is losing its confidence in money. In all banking institutions the deposits have decreased; those of one of the largest Prague savings banks are 12.6 per cent. lower than in 1939. The building of new houses has increased to an extraordinary extent, although this was slowed down recently by a decision of the German authorities forbidding the allocation of iron for building purposes. There is a great boom in all objects of art. Portraits, even bad ones, are being bought in large numbers. German propaganda attributes this to the Nazi stimulus given to Czech culture. In reality it is a desperate defence against the inflationary devaluation of the currency.

Industrial Compulsion

The League of Czech Industry is, it is true, apparently autonomous, but in reality it is completely in the hands of the Germans. It is organised on authoritarian principles. The real power is in the hands of the so-called *Beauftragter des Reichsprotektors*, Dr Adolf. His decision is binding for all members of the League, and obedience can be extorted by all possible methods of pressure.

Deterioration of Transport

From April 1st all railway dues, both for goods and passenger traffic, were increased from 15 to 20 per cent. The price of workers' tickets has been raised by 10 per cent. For goods ordered from Germany the Slovak State Railways have to send special trucks to Germany, which come back only after six to eight weeks, or sometimes do not return at all. Those which do return are considerably damaged because the Germans use them for their own purposes. There is an extreme shortage of locomotives and of spare parts, and the life of stock is shortened by the inferior quality of the lubricating oil. In the engine shops there is a shortage of copper, tin, lead and malleable iron. Owing to the bad condition of the roads the motor-buses belonging to the railway company suffer severe wear and tear.

May 24th.

Industrial Progress in Palestine

[FROM OUR JERUSALEM CORRESPONDENT]

IN Palestine circumstances are fundamentally different from other countries of the Near East. Jewish immigration has brought with it new industries, whose extent, before the present war, may be gauged from the figures given by the Jewish Agency in its census for 1937. It enumerated a total of 14,000 undertakings in industry, commerce, transport and handicraft, with 55,000 persons engaged and a yearly output of £P.33 millions.

The Arab industrial enterprises, such as a number of flour milling concerns, the old-established soap industry of Nablus and various other small undertakings, have a yearly output of about 15 per cent. of the Jewish output. The war seems to have stimulated Arab enterprise less than it has Jewish, to a large extent because of the special conditions prevailing in this country.

Refugee Capital

The growth of Palestine industry during the last two decades cannot be treated as due either to the support given by the Government or a Government-controlled bank, as, for example, by the Bank Misr in Egypt, or to the influx of European surplus capital, as in North and South America during the nineteenth century. Two factors were decisive: Jews, especially from Eastern and Central Europe, sent their capital here to escape, as they hoped, the political dangers of their own countries. For this reason they were often content with a rate of profit below the ordinary.

The other factor is even more important. Immigration from Central Europe during recent years has consisted in the main of persons with specialised skill and knowledge, who nevertheless did not aspire to such big incomes as European specialists normally obtain in undeveloped countries. Often such persons brought with them special knowledge and commercial connections which in normal circumstances would never have been available here. For example, our manufacture of aluminium goods has been founded in this manner, our domestic machinery industry has been enriched by the counsel of a leading German engineer from one of the biggest plants of its kind in Europe.

In this way, stimulated also by the war, there are being built up in this country many light industries in metal products, pharmaceutical goods, fashion goods (as Viennese knitwear), haberdashery and diamond cutting. They have taken the place of goods formerly imported, especially from Germany, Austria and Czecho-Slovakia, and many of the products of these industries are already finding markets in other countries of the Near East.

Raw Material Prospects

Possibly even certain raw materials will eventually be produced here. The tremendous magnesium deposits of the Dead Sea ought to be convertible into metal, just as the magnesium salts are extracted and converted from other deposits of potash, and the geological formation of the country points at least to the possibility of finding deposits of usable aluminium clays and of oil. The last would be especially valuable, as the pipe-line to Haifa and the new refinery there have not yet lowered the price of power to a level comparable with cheap water power in other countries.

May 12th.

Official Publications

- Coal Commission Accounts, 1938. 2d. net.
- Road Fund Accounts, 1938. 2d. net.
- Wheat Fund Accounts, 1938-39. 1d. net.
- National Health Insurance Fund Accounts for the year ended December 31, 1938. 6d. net.
- Treasury Chest Fund Account, 1938. 2d. net.
- Allowances for Dependents of Men Serving in H.M. Forces during the Present War. Cmd. 6186. 2d. net.
- Unemployment Fund Accounts, 1938. 2d. net.
- Manual of the International List of Causes of Death. 3s. 6d. net.
- The Registrar-General's Statistical Review of England and Wales for the Year 1937: Text. 3s. 6d. net.



The investment that cannot depreciate

Defence Bonds are issued at £5 each and begin to earn interest at 3% from the date of purchase. Income Tax is not deducted at source. There are no stamp duties or other investment expenses—you simply apply for them at any Post Office or Bank.

If you hold the Bonds for 7 years you will receive back the full capital value plus a premium at the rate of £1 on every £100.

Defence Bonds can also be cashed meantime at six months' notice and full par value plus interest to date will be paid.

Arrangements can always be made for immediate repayment in case of necessity.

The Nation needs the help of every investor. Lend all you can and keep on lending. Help to wield the powerful financial weapon which is vitally necessary for speedy and decisive victory.

BRITISH

INFORMATION

The Malayan Information Agency exists to provide authentic information on all aspects of trade and travel in British Malaya. Agriculture, Mining, Motoring, Sport — Illustrated handbooks, etc., on request.

THE MALAYAN INFORMATION AGENCY

Malaya House,
Trafalgar Square, London, W.C.2

THE BUSINESS WORLD

Shipping in War—II

THE previous article, which appeared in *The Economist* last week, set out the reasons of public policy that led the Ministry of Shipping to change negative control of shipping by licensing into positive control by requisitioning. Requisitioning is not, however, a policy that is ever likely to be popular with shipowners and still less with the freight markets. There is obviously no service for an intermediary between owner and charterer to perform when all imports are for the account of the Government and all ships are requisitioned. Some shipowners have found employment with the Ministry of Shipping and the services of the market are still used for exports. But the main part of the business of the Baltic and other freight exchanges has inevitably disappeared. It would be wrong to treat this problem in isolation from the other cases of vanished livelihood, and it is already apparent that one of the widest gaps in our economic preparation for war was a carefully thought-out policy of compensation for trades which performed a useful service before the war and will do so again after the war, but have no rôle to play in war itself. But it is obvious that whatever should be done about compensation, there is no case for going through useless motions, multiplying formalities and employing office staffs merely to maintain a business in being. There are more economic means of achieving that end.

The shipowners, unlike the shipbrokers, are not put out of business. On the contrary, they retain control of their ships in all that concerns the manning and running of them and are compensated not only for the current costs of management but for interest on capital and depreciation as well. Nevertheless, it is only natural that they should feel aggrieved at being deprived of their freedom to seek the most profitable business just at a time when, for the first time since the last war, there is an insatiable demand for shipping. Shipowners are among the most determined adherents of the principles of *laissez faire*, and the annual reports of the Liverpool Steam Ship Owners' Association are almost classical latter-day statements of that doctrine. The latest report even goes so far as to attempt to prove that the requisitioning of shipping in the last war brought no benefit to the community. One of the arguments adduced to make this point is the remarkable one that, if shipowners had been trading for their own account in 1916 they would have refused to leave port and thus compelled the earlier adoption of the convoy system. Some of the statistical arguments are equally remarkable. The fact that the total weight of imports brought into the United Kingdom declined after 1916 (when requisitioning was introduced) by 25 per cent., is apparently thought to prove a point against requisitioning, although the report itself admits that the total amount of shipping employed decreased by an even larger proportion. But the effect of requisitioning can best be seen by observing its effect on the carrying capacity of British ships, which were the ones affected. An authoritative calculation, made at the time, estimated that while the tonnage of British ships available was 20 per cent. less in 1917 than in 1916, the tonnage of goods brought in by these ships was only 2 per cent. less. The Liverpool Steam Ship Owners' Association will have difficulty in proving from the experience of the last war that central control of British shipping did not increase its effective carrying capacity.

Misconceptions also surround the familiar charge that the experts of the shipping industry are being overruled by inexperienced civil servants. The detailed running of ships is still entirely in the hands of their owners and a formidable company of expert shipping men has been recruited for the Ministry. But what the trade seems to have difficulty in appreciating is that the problems of shipping management in wartime are of a kind that never occur in peace. In peace

the problem is one of marrying an adequate or superabundant supply of shipping to a demand for it that emerges from thousands of individual decisions and preferences. In war, it is one of squeezing a planned import programme into an inadequate supply of shipping. "When the freight system was broken by the pressure of the war," says Sir Arthur Salter in his book on "Allied Shipping Control" in the last war, "it became necessary to allot transport on a deliberate judgment of the relative importance of different supplies, and the problem could not be simply solved by turning it over to experts—for such work there were no experts." To-day, the only people who can lay claim to expertise are those, whether civil servants or shipowners, who had experience in the shipping and supply departments of the Government in the last war. Similarly, complaints have been made that the "civil servants" exhibit their incapacity by bringing ships in with substantial proportions of their cargo space unused. Ships are of varying designs: some are built for carrying commodities that are bulky in proportion to their weight, others for heavy goods. In wartime it is necessary at times to use whatever ships are available, and a "measurement" ship may have to be allocated for a "deadweight" cargo. The effect of war is, in general, to increase the deadweight cargoes and diminish the measurement cargoes (i.e. to increase imports of raw materials and diminish those of manufactured goods) and ships must inevitably be used for purposes other than those for which they were designed. The real test is weight, and if a ship is brought in not loaded down to her Plimsoll line, then there is *prima facie* evidence of uneconomic use of shipping; but the utilisation of space is necessarily a secondary consideration.

No outside observer would feel disposed to hold the Ministry of Shipping up as an example of administrative perfection. But there is an overwhelming weight of evidence to show that requisitioning is the right policy—indeed, the only possible policy—for wartime. Criticism, to be useful, should be directed to the success or failure of the Ministry in executing that policy in detail, not to their choice of it as a principle.

The question of the financial compensation to be paid owners for the compulsory time-charter of their ships stands somewhat apart from the technical problems of allocation. The payment made to owners has three elements. The first is the current cost of running the ships, on which agreement is easy in principle, however difficult it may be in practice. The second is a payment of interest on capital invested, and the only point to be made here is that it is, of course, the pre-war value of the ships that is alone relevant. There would be no case in equity for paying interest on capital values that were inflated by the war, especially since such inflation could only come about because of increased profits, which again come out of the Government's pocket. The real difficulty arises in respect of the third item—payments in respect of depreciation, replacement and obsolescence. It will be impossible during the war for shipowners generally to replace obsolete or lost ships. The Government will, of course, be building ships and these will doubtless be assigned for management to the different owners. But it is doubtful whether public opinion would accept the suggestion made by Sir Philip Haldin at the recent meeting of Court Line, Limited, that these ships should actually be sold to private owners; the attraction of such a suggestion to the owners themselves is obvious, but it would run counter to the whole trend of policy that is being dictated by events. In default of such a scheme, the replacement of tonnage lost or grown obsolete during the war must wait until after the war, and the question arises: What monetary payment can now be made that will put owners in the position to undertake these

replacements at that time? The answer is, of course, that it is impossible to calculate any figure. A ratio of 5 per cent. on current value is quite irrelevant. Neither the pre-war monetary value of ships, nor the figures to which their value may be inflated during the war, have more than the remotest connection with the cost of shipbuilding after the war, which is what will decide the matter when the time comes. The problem cannot be solved on a financial basis; the only method that promises equity both to the shipowner and to the community is to handle replacement on a ton-for-ton basis. Depreciation payments should be made and insurance claims for losses paid, not in pounds sterling but in claims for so-and-so-many tons out of the post-war shipping pro-

gramme. This would, of course, involve the Government in what is in monetary terms an unlimited commitment; but it is unlimited in real terms only if the cost of shipbuilding after the war is excessively high relatively to the value of money in general—an expectation for which there is no apparent warrant.

Both in its technical and in its financial aspects, shipping provides an admirable example of the fundamental differences between a war and a peace economy. Contrary to the general rule, the differences seem in this case to be more clearly appreciated by the Government than by the trading interests affected. The greater is the importance of keeping the general public informed of the principles involved.

Finance and Banking

War Loan Dividend Preparations

The position in the money market has during the past week shown all the characteristics that are normally to be seen in the last week of May, when preparations are being made to pay the June 1st War Loan dividend. It might have been thought that this year the vast scale of Government expenditure would have swamped this normal rhythm of seasonal fluctuations in short-loan conditions, but it has none the less been quite marked. The clearing banks have been very diffident buyers of bills. With the market continuing to obtain fair-sized allotments of bills at the weekly tenders, any appreciable diminution in the flow of bank purchases of bills is immediately reflected in the demand for short loans. This week, therefore, money has been in good demand, though a sufficient quantity of it has always been available at 1 per cent. The official outlet for bills has been ready to accommodate any urgent need to sell which could not be satisfied with the clearing banks, but if any recourse to such open market help has been needed, it has been quite negligible. The attitude of the banks towards the bill market is adequately explained by the Bank return, which shows bankers' deposits to have fallen to the comparatively low level of £94,908,000. The diminution of £8,143,000 on the previous week has in part gone to public deposits, which have risen to £36,115,000, an appropriately high figure on the eve of the War Loan dividend disbursements. The Bank return, however, reveals another factor at work, namely, the expansion in the note circulation to an all-time record. This expansion has amounted during the past week to £10,366,000, and is partly to be explained by normal end of month requirements. It is clear, however, that this does not represent the whole of the explanation for the substantial increase in the circulation. The military news, the consequent revival in movements of population from evacuation areas and the natural desire of many people to hold a little more cash than usual in such uncertain times must between them account for a considerable part of the increased circulation. Beyond these special factors there is, of course, the fact that an upward secular trend in the demand for currency is now under way. Given the considerable increase in employment, this trend will continue for some time to come. The authorities have taken the appropriate steps to neutralise this expansion in the circulation as a factor in the bank cash position, and the Bank's holding of Government securities consequently shows an increase of £11,025,000.

Loan Rates Talk

The clearing banks in tiding themselves over these few days of stringency have for the most part not been forced to pay excessive regard to day-to-day orthodox requirements of liquidity. Some of them effected their monthly making-up last week and could this week allow their cash resources to run well below the accepted norm. They must have been encouraged in this by the knowledge that after the turn of the month the money position promises to ease considerably. Apart from the percolation to the money market of War Loan dividend moneys, the banks appear to be abundantly supplied with early June maturities, and whatever signs of greater stringency may have been apparent during the past week will completely vanish during the next few days. Paradoxically, the few days of rather tighter money conditions have been chosen for a revival of market discussion of a lowering of the banks' short loan rates. The point of departure of most of these discussions seems to have been the passage of the Emergency Powers Act and the specification of the banks as coming within its scope. In view of the assiduity with which some Labour Members of Parliament

have during the past few months questioned the Chancellor of the Exchequer on the subject of short loan and discount rates, it was assumed that the new Labour wing in the Administration would quickly lend its influence in the direction of a general lowering of these rates. This reasoning seems, for all its plausibility, to be at least premature. There is no question at the moment of altering the structure of interest rates which as at present constituted "hangs together" very effectively. But plainly, if it is desired in the public interest to have the short loan rate brought down to $\frac{1}{2}$ per cent. and to lower by this amount the average rate paid on Treasury bills, that adjustment can—and should—be made without requiring recourse to compulsory rule under the Emergency Powers Act.

Belgian Assets Blocked

The capitulation of the Belgian army was immediately followed by official instructions from the Treasury to block Belgian balances and securities in this country. These instructions would seem to have made their appearance tardily seeing that almost the whole of Belgium and all the important towns had been in German occupation for about a week previously. The delay cannot, however, have caused any damage in view of the complete severance in communications between Belgium and the rest of the world during that period. In any case, banks in this country would certainly have refused to obey instructions as to the disposal of sterling assets coming from Belgian clients who were not in this country. The blocking does not affect the assets of Belgian refugees, who, within certain limitations, are free to draw on their accounts and who also continue to have the right to convert Belgian notes into sterling currency. The whole position of the Belgian currency, its alignment with the Allied moneys, and the status of the Congo currency have been brought into question by the constitutional problems set by the King's action. That uncertainty, however, is clearing rapidly. The real Government of Belgium will continue to function from France; the country will, in fact, remain at war with Germany; and the available resources of the country and its colony will go to swell the financial strength of the Allied Powers.



EQUITY & LAW

LIFE ASSURANCE SOCIETY

Established 1844 Funds exceed £30,000,000

All Classes of Life Assurance transacted

ANNUITIES

This Society has specialised in the granting of Annuities and at present pays out over £1,000,000 each year. Quotations will be sent on application to the Manager.

20 Lincoln's Inn Fields, London, W.C.2

Telephone: Holborn 7612

East Indies Guilder Rate

As from Monday last the East Indies guilder was re-instituted in the list of exchange rates officially quoted in London. The quotation has been fixed at 7.58 to 7.62 guilders to the £, the middle rate of 7.60 being approximately that which obtained on the eve of Germany's invasion of Holland. The reinstatement of the Dutch East Indies guilder to the list of quoted exchanges followed the formal adhesion of this currency to the Allied monetary bloc. As was surmised last week, the temporary linking up of the Dutch East Indies guilder with the United States dollar at the pre-invasion rate could be reconciled with the subsequent inclusion of the guilder in the Allied currency group. In fact, the Batavia-New York rate is to remain at the middle price of 1.885 guilder to the dollar, which corresponds to the new sterling rate of 7.60 guilders on the basis of a dollar-sterling conversion rate of 4.03. The Dutch East Indies thus enter into the area within which official rates for sterling and French francs hold undisputed sway. The market in "free" sterling in the Dutch colonies has been abolished. The Foreign Bills Regulations, which now govern the exchange market in the Dutch colonies, also ensure that the proceeds of their exports to such countries as Japan or the United States are made available to the monetary authorities in yen or dollars, even though the goods in question are exported via Singapore or some other sterling area *entrepôt*. Thus the Dutch East Indies have at one bound brought their fullest support to the membership of the monetary alliance.

The Unexpected in Silver

The silver market has again provided surprises during the past week. The Townsend Bill, which was to alter the whole character of United States silver policy and which had received the vote of the Senate, has apparently been sent back to that body by the House of Representatives. It is expected that this gesture will safely stifle Mr Townsend's proposals for the present session, and possibly after, in view of the elections. This development has, however, been offset by the effects of the new silver export licensing system. As far as can be seen, licences for the export of silver from this country will be granted with the greatest reluctance by the authorities. This may be due to the fact that stocks of silver in Great Britain have in recent months fallen to very small proportions. The London market has thus suddenly been deprived of one of its main sources of support. Indeed, some silver bought for shipment has been resold on the market, although the principle laid down has been to grant licences for export of "pre-zero" silver to Bombay. The Bombay price, though declining in the latter part of the week, continues well above the sterling parity, the latest quotation giving a London equivalent of about 24d. The higher rupee price has dragged up the commercial quotation for silver in New York, which is now at a premium of 8c. over the Treasury's buying price of 35c. One other explanation of the rise in the New York price may be the diversion to that market of certain South American coinage orders which would have been placed in London but for the export ban.

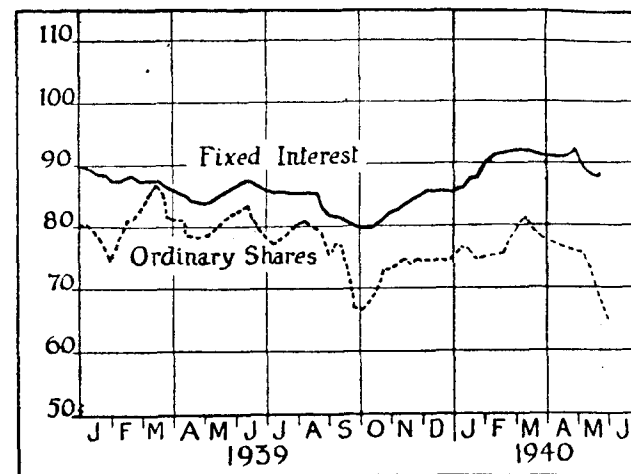
Investment

Gilt-Edged Stand Fast

The blackest news—and it was black indeed on Tuesday—cannot shake the foundations of the Funds. The gilt-edged market is as empty of stock as the industrial market is empty of buyers, and it is canalising every stream of investment support. It displays all the strength of a closed

FIXED-INTEREST AND EQUITY SECURITY MOVEMENTS (July 1, 1935 = 100)

Financial News indices of 20 fixed-interest securities (converted to new base) and 30 ordinary shares.



market, but it is vital strength in the war financial effort. On Thursday, War Loan marked at par, as it had done a week earlier, in defiance of Tuesday's break to 96, and the record of the entire market over the past month is one of tough strength to meet the most bitter tidings. By contrast, home rail stocks and industrial shares are completely resigned and offer no resistance. On Thursday, the *Financial News* ordinary share index continued its fall into new low ground by touching 62.6, compared with 74.2 before the invasion of the Low Countries. The lot of equity investors is indeed

hard, for E.P.T. is now raised to 100 per cent. for all businesses, and dividends are limited. But the paramount needs of war demand this temporary eclipse of the ordinary share. There is no suggestion of selling pressure in equities, for ordinary investors, like the rest of the community, have displayed a commendable degree of fortitude. They may have to continue their rearguard defence for a considerable period to come, while gilt-edged maintain their front.

Stock Exchange Emergency Plans

Further details have been published by the Stock Exchange Committee of the plan to maintain business in securities in the event of an evacuation of London. An Emergency Clearing Department is to be set up at Denham to which all bargains will be reported. Buying brokers would send a ticket, together with a cheque or other form of payment, to cover the transaction. When the cheque had been cleared, or banker's authority confirmed, the Department would stamp the ticket and pass it to the selling broker for the preparation of the transfer, and the selling broker would then deliver the securities to the Clearing Department and receive payment. Membership of the Clearing Department would be compulsory on all members, though members may contract out in respect of bargains where both parties mutually agree to settle between themselves as principals. It is emphasised that the Stock Exchange Committee would not order a move so long as banking facilities were available in the City, and they have related the preparation of emergency dealing arrangements to conditions in which London might be evacuated, the powers of government dispersed in the hands of regional commissioners, and communications disorganised. The function of the Clearing Department would be to retain the confidence of the public—amidst such general disturbance—by handing over securities only against money and money against securities.

Hard Cases Under E.P.T.

Further study of Section 26 of the Finance Bill has clarified some of the complexities of the special treatment to be given to companies whose profits were low in the standard years. Since, however, the most expert tax consultants cannot yet be sure of the application of the section, shareholders in companies with a claim to special treatment should not begin to discount its benefits. Appeal will lie to the Commissioners in cases where profits in the standard period were "so low" that they would not provide a just

standard. When profits are "so low," companies will be allowed a standard to cover their preference dividends, and 6 per cent. on the ordinary capital (or 8 per cent. for director-controlled companies). It is, however, for the Commissioners to decide exactly what "so low" means. Secondly, to avoid penalising a company whose share capital does not fully represent the "net value of assets employed" in the business, the Board of Referees may allow such a company to take a standard of 6 per cent. of the value of assets employed, on a "going concern" basis, before the commencement of the standard period, adjusted for changes in capital employed during the standard period. Thirdly, if the Board of Referees are satisfied that the trade or business "belongs to a class of industry which during . . . the standard period . . . was a depressed industry" they need not be bound by the fact that its capital is fully represented by the net value of assets employed nor by the limitation of the standard to 6 per cent. of the assets valued on a going concern basis. From this clause it appears that a company whose capital may have been low in relation to the long-term valuation of its assets, but whose profits were so depressed that the going concern value of its assets in the standard period would provide an unfair basis, may be allotted yet another profits standard. This standard would be limited by the general rule—which applies to all special cases agreed by either the Commissioners or the Board of Referees—that profits in the standard period shall not exceed 6 per cent. (or 8 per cent. as the case may be) of the "average amount of the capital employed in the trade." This concept was defined in the E.P.T. provisions of the Finance (No. 2) Act last year. If, however, the amount of capital employed in the standard period was wholly or partly represented by assets the value of which, for the purposes of the trade or business, had been "permanently lost," they must be deducted from the average amount of capital employed.

Relief from Double E.P.T.

Section 28 of the Finance Bill, as noted in last week's issue, avoids double taxation of profits earned by subsidiary companies and paid in dividends to their controlling company. The criteria are two. The controlling company must exist wholly or mainly to co-ordinate the administration of the group and the subsidiaries must each be under the control of the parent concern. The latter, however, need not be subsidiary companies as defined for E.P.T. purposes—that is, controlled as to 90 per cent. or more. Thus, it would cover cases such as Rhodesian Selection Trust, which holds 64 per cent. of the capital of Mufulira Copper Mines, and also Lewis's Investment Trust. Two of the controlled companies in the latter group declared no ordinary dividend for the year to February 28th last solely in order that the parent company should avoid double E.P.T. payment. Under sub-section 2 of Section 28, it appears to be intended that other groups of companies which do not fulfil the two conditions referred to above may avoid double taxation in a similar manner if the Commissioners so direct, but the meaning of this sub-section and the qualifications which attach to it are far from clear. As the clause is drafted, however, it seems clear that outside shareholders in controlled companies will receive dividends after E.P.T. has been deducted, and that if they happen to be non-controlling companies their net dividend receipts will be subject to a further E.P.T. charge.

London Fares

The public inquiry on the increase of London Transport road fares ended last week. The Charges Consultative Committee has the task of advising the Minister of Transport on the best means of increasing London Transport road fares to obtain a 10 per cent. increase in receipts. The Committee's recommendation has not yet been announced, but, in the meantime, it is important both for railway and London Transport stockholders and for London Transport road service users clearly to understand the case which the Board put before the Committee last week. This shows that on the basis of traffic experience since January 1st the Board is faced with a 10 per cent. reduction in passenger takings from £30,168,000 for 1938-39 to £27,151,000 for the current year. This reduction is the measure of the Board's financial predicament, which has been emphasised on past occasions. Of this total, road services are expected to provide £20,528,000, a decrease of 11.3 per cent. below 1938-39. Hence, to achieve the contemplated increase in road receipts, a sum of rather over £2 millions would be required. The Board estimates that 59.9 per cent. of total bus, tram and trolleybus passengers by number and 35.9 per cent. of receipts from those services are represented by ordinary 1d. fares and that it is

impossible to increase higher fares unless 1d. fares are first increased. The Board rejects the revision of stage points, since many of these points are natural traffic objectives, while passengers could avoid paying any increase in fares by walking a short distance to the new stopping places. Hence, it argues that an increase of all 1d. road fares to 1½d. is inescapable, though it is prepared to contemplate a loss of 20 per cent. of such short-distance traffic as a result of the increase. For higher fares, it is suggested that the 2d. fare which now covers three or four stages would be increased to 3d. for four stages, remaining at 2d. for three, while the 3d. fare would be increased to 4d. for six stages but remain at 3d. for five. Together with consequent alterations in workmen's fares, the estimated net gain in takings would be £3,142,000. Consequent changes in the Board's rail fares (apart from those which have already been introduced in conformity with the main line alterations) are estimated at £692,500. The Board thus submitted a basis of revision for all fares which goes well beyond the terms of the Remit from the Minister of Transport to the Consultative Committee, to avoid anomalies in the fare structure and to expose the implications of any partial change in the level of fares. Of these suggested revisions in fares, therefore, it is suggested that changes should at first be limited to an increase in 1d. fares to 1½d. and to certain consequent changes in workmen's and miscellaneous fares estimated to provide a net increase of £1,524,000, while the increase in the initial 1d. fare on the railways to 1½d. would produce a net gain of £44,500—though it would create serious anomalies in higher railway fares. The estimated benefits, it will be seen, are almost 25 per cent. below those covered by the Remit, and, within the context of the railways' financial agreement, they would obviously not provide a final solution.

Fine Cotton Spinners' Recovery

Fine Cotton Spinners' report for the year ended March 31, 1940, shows the most successful year's trading since 1930. The profit for the year, including interest from subsidiary companies, but excluding the results of the French subsidiary companies which are not yet known, amounts to £614,761, against £247,141 for the previous year and £349,445 for the year ended March 31, 1938. After raising the allocation for depreciation from £100,000 to £120,000, and charging fees and debenture interest, the sum earned for dividends amounted to £380,264, against only £32,381 in the preceding year. For the first time since 1931 the directors have declared one year's dividend on the 5 per cent. cumulative preference stock, and after providing £180,157 against the debit balance brought in from the previous year, a credit balance of £106,357 is carried forward—the first credit since 1931. Preference dividend arrears still outstanding from March, 1932, amount to £1,200,000, and preferred ordinary dividends, from March, 1931, to £423,000. Hence there are no true earnings for the ordinary stock, though, on the basis of normal preference and preferred dividends, the balance would be equivalent to 9.3 per cent. The most notable changes in the balance sheet are a rise in debtors from £895,473 to £1,190,425, a figure which includes £98,215 of enemy debts, and a corresponding rise in creditors from £413,976 to £750,488. Net current assets, however, showed a slight increase from £2,714,000 to £2,913,000. The Association's substantial improvement in trading during the past year is undoubtedly mainly due to Government and other war orders, which should be well maintained during the present year. The directors point out, however, that trading has not yet reached a condition of sufficient stability to warrant the introduction of the long-awaited capital reorganisation. The Association will find refuge from the worst burden of E.P.T. in Section 26 of the Finance Bill, which provides for a special standard for companies belonging to depressed industries. The £1 ordinary stock is quoted at 3s. 4½d., and is subject at best to a limited dividend of 4 per cent. The first preference stock stands at 12s. ex dividend, including 8s. gross arrears.

The OCEAN

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

FOR ALL CLASSES OF INSURANCE

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

J. Lyons' Reduced Dividend

The declaration of a final 15 per cent. dividend on the ordinary and "A" ordinary shares, making 20 per cent. for the year, has removed J. Lyons from the group of "fixed-interest industrials" to which it belonged by virtue of the distribution, for many years past, of 22½ per cent. on the ordinary capital. Trading profit, at £1,011,452, is, however, only slightly below the record of £1,011,980 earned in 1938-39, and for the seventh year in succession has exceeded £1,000,000. The break with tradition thus appears to be due to the directors' appreciation of the burden which the war effort may impose on the company's business and its future earning power. The £1 ordinary shares have reacted from a high level of 87s. 6d. this year to 85s., at which they yield £4 14s. per cent.

* * *

Wiggins, Teape

Despite the outbreak of war, Wiggins, Teape made good last year the fall in trading profit experienced in 1938. Gross trading profit for the parent company and its subsidiaries rose from £1,134,049 to £1,385,647. The parent company's profit, after provision for taxation payable by the subsidiaries and for outside interests, amounted to £513,724, a figure which exceeds the 1938 profit by £65,216 and continues the rising trend which was broken in 1937. The parent company's provision for taxation and other charges is raised from £64,195 to £137,650 (including a transfer to income tax equalisation reserve of £36,000 against £10,000), and after payment of debenture interest and preference dividends, the sum earned for distribution on ordinary stock amounted to £214,119. Profits for the past three years are analysed below:—

	Years ended December 31		
	1937	1938	1939
<i>Consolidated figures:—</i>			
Gross profit on trading	1,226,481	1,134,049	1,385,647
Aggregate profits	623,682	523,377	708,319
Subsidiary charges	98,885	74,869	194,595
<i>Parent Company:—</i>			
Profits	524,797*	448,508*	513,724*
Taxation, etc.†	81,106	64,195	137,650
Obsolescence	15,000		
Debt interest	67,144	66,364	65,545
Preference dividend	96,410	96,410	96,410
<i>Ordinary stock:—</i>			
Earnings	265,137	221,539	214,119
Paid	168,500	168,500	134,800
Earnings %	17.2	14.0	15.5
Paid %	10½	10½	8
Reserve	96,322	53,000	80,000
Carried forward	52,666	52,705	52,024

* Profits including amount of provision for share of loss in a subsidiary company no longer required: 1937, £22,187; 1938, £1,561; 1939, £21,223. † Income tax, E.P.T. and N.D.C., income tax equalisation reserve, transfers to reserve against trade investments and against shares in subsidiary company. ‡ Being 8 per cent. dividend plus 2 per cent. cash bonus.

The decision of the directors to forego the payment of the cash bonus of 2 per cent., which has been distributed in the last two years, is dictated solely by financial prudence. The 8 per cent. distribution is the lowest since 1934, but it was very comfortably covered by earnings of 15.5 per cent. At the current price of 22s. 6d. the ordinary stock offers the satisfactory yield of £7 2s. Wartime earning capacity will be largely determined by the policy which the Ministry of Supply may pursue in the distribution and pricing of paper supplies and products, but it must be affected to some extent by the cutting off of Scandinavian supplies. Happily, none of the leading subsidiary companies appears to be located on the Continent. The consolidated balance sheet shows only a small increase in holdings of stores, from £1,453,163 to £1,479,962, and stocks of paper have actually declined from £894,703 to £847,937.

THE STOCK EXCHANGES

London

Note: all dealings are for cash

The shock of King Leopold's surrender of the Belgian forces was the dominant market factor this week. The Stock Exchange fully appreciated the grave predicament in which the B.E.F. had been placed by the withdrawal of Belgian arms, but the gilt-edged market certainly made more than the best of heavy news. Home

rails have continued weak and business in industrials has been entirely sub-normal, even compared with recent depressed standards.

*

The gilt-edged market opened with a series of further rises, particularly in the long-dated stocks, and witnessed the start of dealings in the new Conversion 2's, which closed on Monday at 98½. After

Boots Pure Drug Accounts

The accounts of Boots Pure Drug for the year to March 31, 1940, show that, after provision for taxation, fees and contributions to the staff pension fund, the company earned a record trading profit of £975,120, a figure which exceeds the previous record, in 1936-37, by £14,179. The fact that the net profit figure does not also exceed the 1937 level is due mainly to an increase in allocations to repairs, renewals and depreciation from £168,276 to £194,364. After payment of preference dividends, the sum earned for the ordinary shares amounted to £685,717, compared with £679,542 for 1938-39, and the maintained gross distribution of 30.9 per cent. (discussed on page 868 of *The Economist* of May 11, 1940) on the ordinary capital was covered by earnings equivalent to 42.8 per cent. After bringing in £248,724 from the previous year and placing £281,765 to special reserves, the balance carried forward amounts to £199,711. The current price of 36s. 3d. for the 5s. ordinary shares provides a yield of £4 5s. 3d. per cent. This must be reckoned a low return, even for so meritorious a share, and the market is still inclined to lament the absence of the long-awaited scrip bonus, now postponed for the duration. The consolidated position of the group may be discovered with some slight pains by reference to the subsidiaries' accounts, and for that very reason the directors might provide consolidated figures. The steadily rising earning power which the parent company has achieved throughout the last decade is actually enhanced by reference to the subsidiaries' record.

* * *

Dividend Limitation Appeals

So far three companies at least have announced their intention of appealing to the Capital Issues Committee of the Treasury for permission to distribute dividends in excess of the limit laid down under the Limitation of Dividends Bill. The appellant companies includes William Denny and Brothers, the Scottish firm of shipbuilders and marine engineers, whose announcement last June (when its shares were marketed) of an intention to pay a dividend of 10 per cent. on the ordinary capital proves to be well supported by the earnings of 1939. The company is, however, limited to a payment of 6½ per cent. gross under the terms of the new legislation. The firm of Thomas Hardman and Sons, formed on December 13, 1938, for the manufacture of textile machinery, is restricted to a total distribution for the period to March 30, 1940, of 6½ per cent. in order to conform with the ruling which limits the payments of new companies to 5 per cent. in one financial year. The third company, British Electric Traction, announces that the sum available for distribution on the deferred ordinary stock for the year ending March 31, 1940, would be sufficient to pay a dividend of 50 per cent. less tax on the deferred ordinary stock. The maximum distribution during the standard years has been only 5 per cent. plus a 10 per cent. capital bonus. It is clear that these appeals raise important points of principle—on what grounds exception may be permitted to the dividend limitation legislation. It is expected that the Capital Issues Committee will soon formulate these general principles. But obviously there can be no guarantee of open-handed treatment, nor is there any appeal from the Committee's decisions. Indeed, since the primary aim of dividend limitation is to restrict the volume of purchasing power which finds its way into the hands of the public, mere evidence of ability to pay dividends greatly in excess of the standard would hardly appear to provide grounds for making an exception. But there is clearly a good case for some concession to British Electric Traction, in view of its exceptional distribution policy of small cash dividends and regular capital bonuses.

Foreign bonds were depressed throughout the week. French railway issues registered fresh falls each day. After the news of the surrender of the Belgian army, Belgian Fours were held at 35 nominal. On Wednesday Japanese bonds displayed firmness due to buying from the East.

*

Lack of interest in home rail marginal stocks at the beginning of the week was translated into further losses influenced by the serious war news. By the middle of the week some relief was found for Great Westerns and Southern preferred, which had suffered most heavily, in the attentions of bargain hunters. Losses among debenture stocks continued. The depression was shared by the overseas market, where Argentine debentures slumped.

The industrial market opened dull on Monday. Pending the arrival of more decisive military news from France, difficulty was experienced in dealing. Declines were small, but general in heavy industrials, electrical equipment and tobaccos. Breweries were irregular. In the stores group Harrods and Lyons displayed firmness. The shock of the Belgian surrender brought business almost to a standstill on Tuesday. Markets became nominal. John Brown, Imps. and J. and P. Coats slumped heavily. Further marking down on Wednesday was reinforced on Thursday on the announcement of the extension of 100 per cent. E.P.T. to all classes of industry. Iron and steel shares were again weak, but gains were recorded by Boots, Lever and Unilever and London Brick. The Kaffir market remained dull throughout the week, but substantial losses were suffered by Geduld, Sub-Nigel and "Sallies." Among oil shares, only the market leaders received any attention, but on Wednesday Anglo-Iranians, V.O.C. and Shell Transport showed small gains. Rubber shares were dull, the market being dominated by political and military factors.

"FINANCIAL NEWS" INDICES

1940	Approx. Total Bargains in S.E. List	Corres. Day 1939	Security Indices	
			30 Ord. shares*	20 Fixed Int.†
May 24 ...	3,303	7,230	67.0	122.5
" 27 ...	3,616	7,230	66.5	122.6
" 28 ...	2,320	7,180	64.5	121.9
" 29 ...	2,841	6,895	64.4	121.7
" 30 ...	2,922	6,090	62.6	121.5

* July 1, 1935 = 100. † 1938 = 100. 30 Ordinary shares, 1940: highest, 80.6 (Feb. 29); lowest, 62.6 (May 30). 20 Fixed Int., 1940: highest, 126.5 (May 9); lowest, 117.6 (Jan. 2).

New York

WALL STREET opened strong on Monday despite a certain amount of profit-taking at the close. Steel, aircraft, chemical and copper issues were all well supported and the Dow Jones industrial index registered a gain from 114.75 to 116.35. On Tuesday news of the Belgian surrender caused general selling. Heavy industrials slumped, although a late rally followed Mr. Churchill's statement. Later in the week the tone of the market became firmer. Armament shares were again in demand. Steel issues were encouraged by French and Italian purchases. The Iron Age reports the level of steel mill activity at 78 per cent. compared with 74 per cent. last week.

New York Prices

Total share dealings:— May 23, 1,640,000; May 24, 870,000; May 25, 550,000; May 27, 790,000; May 28, 1,260,000; May 29, 660,000.

	Close May 23, 1940	Close May 29, 1940	Close May 23, 1940	Close May 29, 1940
1. Railroads				
Balt. & Ohio	3	3½	Am. Roll. Mill	10½
G.N. Rly. P.	17	18	Am. Smelting	33½
Illinois Cent.	6¼	6	Anconada	19
Northern Pac.	16½	17½	Calumet of A.	14
Pennsylv. R.	16½	17½	Eastman Kdk.	130
Southern Rly.	8½	9½	Gen. Motors	38½
2. Utilities, etc.				
Amer. Tel. & T.	146½	147½	Glidden	11½
Amer. Wks.	6	6½	Nat. Dairy	12¼
Col. Gas & El.	4½	4½	Nat. Distillers	17¼
Int. Tel. For.	2¼	2½	Seaboard	62½
United Corp.	11½	11½	Shell Union	8
Utd. Gas Imp.	10½	10½	Socoy Vac.	8
3. Commercial and Industrial				
Amer. Metal.	13½	15½	Stan. Oil N.J.	32¾
			20th Cen. Fox	57½
			U.S. Steel pf.	107½
			West'ise Elec	82½
			Woolworth	32

Foreign Bourses

Paris.—The Paris Bourse, like the London market, has displayed remarkable powers of resistance during the past month. The firm note on which dealings opened in all sections at the beginning of May was quickly undermined by the news of the Allied evacuation of Southern Norway, and fresh falls followed the further shocks of the Dutch and Belgian surrenders. While prices in all sections were marked down, however, turnover remained small. The market did not give way, and sales have always been fully absorbed. *Rentes* remained relatively firm, and the heaviest losses were experienced by internationals and by those French industrials geographically affected by the German advance. Bank of France shares at 7,455 on May 29th were still considerably above the level of 6,550 on September 1, 1939. Losses in the past month have, in general, done no more than cancel the progress realised since the declaration of war.

	May 1, 1940	May 29, 1940	May 1, 1940	May 29, 1940
3% Rentes	74.70	70.25	Chargours	1,334
4% Rts. '17	80.90	75.65	Rio Tinto	2,735
Banque de	7.915	7.455	Mex. Eagle	68.00
France	15.130	13.200	Chartered	198.50
Suez Canal	43.75	33.00	Ford	96.00
Wag. Lits.			Johnnies	377.00

Capital Issues

Week ending June 1, 1940	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	2,000,000	Nil	2,000,000
Savings Certs.†	2,350,000	Nil	2,350,000
3% Defence Bonds†	2,350,000	Nil	2,350,000

† Week to May 25, 1940.

Year to date	Including Conversions	Excluding Conversions
1940 (New Basis)	770,942,315	417,987,182
1939 (New Basis)	49,946,726	47,715,659
1940 (Old Basis)	797,723,765	404,968,632
1939 (Old Basis)	28,296,519	27,085,454

Year to date	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1940 (New Basis)	417,224,170	763,012	Nil
1939 (New Basis)	30,637,073	16,758,586	320,000
1940 (Old Basis)	404,826,176	142,456	Nil
1939 (Old Basis)	18,266,613	8,498,841	320,000

Year to date	Deb.	Pref.	Ord.
1940 (New Basis)	404,859,696	1,170,255	11,957,231
1939 (New Basis)	24,497,895	2,870,356	20,247,410
1940 (Old Basis)	404,954,500	77,500	886,632
1939 (Old Basis)	19,799,935	928,447	6,357,072

"Old Basis" includes public issues and issues to shareholders. "New Basis" is all new capital in which permission to deal has been granted.

BY TENDER

Southend Waterworks Company.—Sale by tender on June 7th £50,000 5 per cent. perpetual preference stock. Minimum price £122 per £100.

SHORTER COMMENTS

Company Results of the Week.—Trading profits of CEREBOS, LTD., have advanced from £455,619 to £581,377, but the net figure is only slightly higher at £323,377 and the dividend has been main-

tained at 40 per cent. JAMES FINLAY AND COMPANY also show a useful increase in trading profits, but net profits are slightly lower at £225,403 against £228,323 and the dividend is maintained at 12½ per cent. SIEMENS BROTHERS net profits total £306,234 compared with £251,733 and a dividend of 7½ per cent. is again paid. METAL TRADERS net profits show a substantial increase from £65,075 to £95,931. In this case the dividend is raised from 21½ per cent. to 30 per cent. UNITED PREMIER OIL net profits advanced from £77,184 to £91,473, but the dividend is maintained at 12½ per cent. DENNY, MOTT AND DICKSON'S net profits are slightly lower at £69,701, but the same distribution of 6 per cent. is payable. In the shipping group HOULDER BROTHERS report a fall in net profits from £51,307 to £40,748 though the dividend is maintained at 5 per cent. tax free. INDO-CHINA STEAM NAVIGATION net profits are severely reduced from £95,361 to £34,572 and no ordinary distribution is made. Trading profits of SMETHWICK DROP FORGINGS were approximately maintained last year, but net profits showed a fall of just over £5,000 to £34,486, which covers the 32½ per cent. dividend with a satisfactory margin. Among rubber companies the outstanding report is that of UNITED SIA BETONG, whose net profits figure of £112,343 is remarkably close to that of the previous year. The ordinary dividend is slightly increased from 12 to 12½ per cent.

Standard Bank of South Africa.—Final dividend 7 per cent. plus bonus 2 per cent. making 14 per cent. for year to March 31, 1940, as before. Writing down premises £75,000, officers' pension fund £150,000. Carry forward £157,932.

Olympia, Ltd.—Debenture stockholders' committee satisfied half-year's interest due June 1, 1940, or December 1, 1939, cannot be paid. Negotiations regarding compensation for Government use of Olympia buildings still proceeding.

Houlder Brothers and Company.—In 1939 this company earned a profit of £67,493 (£72,959). Ordinary dividend is maintained at 5 per cent., tax free. To taxation reserve, £20,000 (£10,000). Carry forward, £30,895 (£35,636).

Philip Hill and Partners.—Preliminary statement shows profit, £183,015, for nine months ending March 31, 1940 (15 months to June 30, 1939, £643,530). Including income tax recoverable and taxation reserve not required, total income £229,175. Ordinary dividend for 9 months, 10 per cent., equivalent 13.3 per cent. per annum (against 15 months' dividend of 31½ per cent. or 25 per cent. per annum). Investment depreciation, £200,000 (£140,000) bringing total reserve to £555,434. Carry forward, £57,913 (£59,769). General reserve maintained at £1,000,000. Quoted investments in balance sheet, £3,487,176; market value, March 31st, £2,948,132.

Canadian Pacific Railway Earnings.—April, 1940: Gross, \$12,044,000 (\$10,114,000); net, \$1,946,000 (\$913,000). January to April: Gross, \$47,682,000 (\$39,459,000); net, \$7,248,000 (\$2,381,000).

Armstrong Whitworth Securities.—Net income, 1939, £1,828 (£16,494). Credit forward, £19,527. Capital deficiency account reduced by £14,410 to £2,341,073.

Consolidated Trust, Ltd.—Gross revenue, year to April 15, 1940, £78,515 (£77,978). Net revenue, £39,869 (£39,722). Deferred stock dividend, 8 per cent. as before. £147 put to revenue reserve, now totalling £68,954.

Siemens Brothers and Company, Ltd.—Trading profit, 1939, £306,234 (£301,733). Ordinary dividend maintained at 7½ per cent. General reserve, £60,000 (nil). Special A.R.P. reserve, nil (£50,000). Carry forward, £373,111 (£365,627).

(Continued on page 991)

Industry and Trade

Speeding-up Production in Metal Trades

One of the most urgent problems of the reorganised Ministry of Labour is to provide for the speedy training of the many thousands of additional workers required in the engineering, aircraft and other metal industries. On April 15th only 32,500, or 2.4 per cent., of the 1,351,000 persons insured against unemployment in the engineering and in the motor vehicle and aircraft trades were without work. The reserve of labour in these trades has thus been exhausted. But as training takes time, the only means of speeding-up output immediately is to distribute the available labour resources as efficiently as possible and to increase working hours; this is now being done with the full approval of the trade unions. In the engineering industry the majority of concerns are now working two shifts, while others have instituted the three-shift system. Something like three-quarters of the industry's active capacity is already employed on work for the Government; the remaining quarter is engaged on export and on domestic civil orders. In view of the urgency of the need for an increase in armament production, it may be necessary, at least temporarily, to concentrate an even bigger proportion of the industry's capacity on armaments. Further, a still greater effort is required to keep the engineering and other metal trades supplied with raw materials, especially steel. A number of rolling mills, particularly in the West of Scotland, have in the past been largely dependent on semi-finished steel from the Continent. Unless the loss of Belgian and other supplies can be made good, some of the finishing plant in the steel industry will become idle. The need for a further intensification of the scrap collecting campaign by a change of methods, which has been repeatedly advocated by *The Economist*, is now imperative. Lastly, everything possible should now be done—in the case of aircraft and tanks, for example—to standardise specifications and to reduce the number of types; simplification of methods should pave the way to a considerable expansion in output with the existing labour force.

Coal Production in Wales

Production in the South Wales coalfield during May suffered from absenteeism at Whitsuntide; the month's output shows little change compared with the corresponding period last year. Inland consumption continued to expand, but exports suffered from restricted supplies, and the total volume for the month was less than in May, 1939. During the first four and a-half months of this year the total output of South Wales showed an increase of just over 3 per cent. over that of the corresponding period in 1939. Prices were raised from the beginning of the month by 8d. per ton in the home trade and by 1s. per ton in the export trade for steam and bituminous coals, and by 1s. 8d. to 2s. per ton for anthracite classes. Export trade has been dislocated by the successive occupations of Norway, Denmark, Holland, Belgium and Northern France by Germany; the closing of these and of the Baltic markets has cut off between 14

and 15 million tons of the exports of the United Kingdom. The South Wales coalfield has been less affected by this loss of trade than any of the other leading export districts of the country; the bulk of its exports is being absorbed by France, whose requirements of British coal are now about 2 million tons per month, and may increase further. No definite measures have yet been taken to increase production, but it has been jointly ascertained by the employers and workmen, with the co-operation of the Ministry of Labour, that hardly 10 per cent. of the unemployed are fit for work underground.

Overtime in the Cotton Industry

There has been a gratifying response on the part of the spinning and weaving sections of the cotton industry to the appeal made by the Cotton Controller for overtime on the production of urgent Government requirements. All firms concerned were asked to work an extra 7½ hours weekly for the next four weeks, reverting, in fact, to the old 55½-hour week. In the section of the yarn trade spinning American cotton, virtually all mills are engaged on at least some Government work, and reports have been received in Manchester indicating that employers and workers have responded very fully to the appeal. Only about a quarter of the mills in the Egyptian spinning branch are affected, but this proportion is expected to increase. Many manufacturers of cloth, however, are hampered by the shortage of suitable yarns, and although many weaving sheds have arranged to work longer hours this week, others are waiting until they have a better stock of yarn before they begin their four weeks of overtime.

Wool Prices and Exports

The Wool Control has eased the path of the would-be exporter by fixing prices well in advance. It has now been announced that the issue prices of wool and tops for the next rationing period (July-October) will be unchanged; prices of materials required for yarn export will remain at this level until the end of 1940, and those for cloth export until the end of February, 1941. As the present price schedule came into force on March 1, 1940, the prices of materials required for the export trade in cloth will have been stabilised for at least a year. The problem of supplies of wool for export orders, however, remains acute. The enormous consumption of crossbred wools in the manufacture of service cloths has left very little surplus for export or for the home trade. There is a plentiful supply of merinos, but these do not give the firm, crisp cloth that is essential for many types of men's clothing and many export markets are not interested in merino yarns and cloths. It is understood that the Wool Control has recently advised the use of a small proportion of merino yarns in the production of certain army cloths in order to release some cross-bred wool for the export trade. The supply of crossbred wool and yarns for the home civilian trade is likely to be extremely small for some time to come.

Economies in Paper

The Ministry of Supply has issued further orders restricting the use of paper. For the first time, the manufacture of various paper articles is prohibited except for the export trade; the Ministry has also prohibited the issue of new periodicals and of certain types of posters, including newspaper bills. Hence the disappearance from the streets of London of the contents bill which has become so customary. The use of wrapping paper in shops has also been prohibited except where this protection is really needed. The prices of certain classes of paper have again been increased, and those of waste paper were also raised in order to encourage the collecting and grading of certain grades of waste paper.

Tin Supplies

At its meeting on Monday the International Tin Committee decided to raise the export quota for the third quarter of this year from 80 per cent. to 100 per cent. of the standard tonnages. Until the invasion of Holland and Belgium a

reduction in the quota was more likely than an increase, but the necessity to augment stocks in Allied countries at short notice and the probability that the United States will make large purchases for strategic reasons has altered the situation. Consequently, it was not surprising that the I.T.C. supplemented its quota decision by a request to the restricting countries to issue quota permits as soon as possible and to permit exports against these permits before the beginning of the quarter. A 100 per cent. quota theoretically allows exports from the restricting countries at a rate of 208,970 tons per annum; actually, however, only two or three of the seven countries adhering to the control scheme are likely to be able to produce at the rate of 100 per cent. Including those of non-restricting countries, estimated at about 30,000 tons per annum, world exports of tin in the third quarter of this year will probably be at the rate of about 205,000 tons per annum; as world absorption recently has been at an annual rate of about 180,000 tons, large amounts should be available as emergency stocks. It is possible also that a barter deal over tin may be included in any Anglo-Russian trade agreement that results from the present negotiations. Since the announcement of the quota decision on Monday, London as well as American tin prices have risen, a reflection of the growing seriousness of the military situation in France and Belgium.

Cheese Supplies

The Ministry of Food fixed last week maximum retail prices for different types of cheese. The Ministry was in-

directly controlling the prices of cheese before the publication of this Order, since it controls the import of Empire cheese. In 1938, the Empire supplied over 85 per cent. of our imports, as the table below shows:—

BRITISH SUPPLIES OF CHEESE (1938)			
Imports :	'000 cwt.		%
New Zealand	1,639	56.0	
Canada	678	23.2	
Australia	238	8.1	
Netherlands	202	6.9	
Other	170	5.8	
Total	2,928	100.0	
Home Produced :			
Creamery	605		
Farm	269		

The loss of the Dutch supplies is not, therefore, serious; but if the Dominions are being asked to expand their exports of butter to make good the deficiency caused by the temporary disappearance of Denmark and Holland as independent units, it may not be easy for them also to increase their exports of cheese. So far, however, the Ministry is not contemplating the rationing of cheese, and, indeed, the wide variations in the amount consumed between different classes of the population would make rationing unequal in its incidence. An allowance of, say, ¼ lb. per head per week would provide the richer households with their second course, while it would be quite inadequate for the working-class man, who takes out bread and cheese for his lunch on most working days.

COMMODITY AND INDUSTRY NEWS

MARKETS in the United States have been steadier this week, and prices are little changed. Raw cotton was dearer; in this country the Liverpool futures market has been closed indefinitely. Grain prices are about the same as a week ago; in London the price of standard cash tin fell early in the week but recovered on Tuesday, while in New York there was a steady upward movement.

Cotton (Manchester).—The Liverpool market remained closed until Tuesday, when trading was allowed on very restricted lines at fixed prices. Only a few transactions have taken place. Exports of cotton from the United States to Great Britain continue to fall off, the total for the last four weeks being only 64,000 bales. Since the limited reopening of the Liverpool market, rather more business has been done in yarns than might have been expected. Many more spinning mills have been requested by the Controller to produce counts suitable for Government requirements, and mills engaged wholly or partially on orders for the Government have agreed to the Controller's suggestion that their working hours should be increased from 48 to 55½ per week for a period of four weeks. In piece-goods, most of the trade done has been on Government account and some substantial orders have been placed. Only scattered sales have been reported for export.

RAW COTTON delivered to Spinners				
Variety ('000 bales)	Week ended		From Aug. 1 to	
	May 17, 1940	May 24, 1940	May 26, 1939	May 24, 1940
American	36.6	24.7	851	1,217
Brazilian	2.3	2.0	253	227
Peruvian, etc.	3.2	3.1	106	184
Egyptian	4.7	4.1	292	322
Sudan Sakel	2.2	1.4	117	125
East Indian	2.5	3.4	367	341
Other countries	1.5	1.4	157	136
Total	53.0	40.1	2,143	2,552

Source: Liverpool Cotton Association's Weekly Circular.

Metals.—The United States spelter price has been raised by ½ cent to 6 cents per lb., at which level it is still ½ cent lower than in the early weeks of the war. In the first four months of this year, American production of spelter amounted to 223,911 short tons, while deliveries reached only 208,672 tons. Producers' stocks, which had fallen to 61,522 tons at the end of November last, had risen to

81,234 tons at the end of April. Obviously the American armament programme and the loss of the Belgian smelters is causing a greater home and export demand, but as increasingly large supplies of foreign zinc ore are being diverted to the United States for treatment no shortage is expected.

Tin.—After falling to £266 15s. on Monday the standard cash price of tin advanced to £270, a net loss of only 5s. on the week. The backwardation has narrowed to £2. The I.T.C.'s decision to raise the quota for the third quarter of this year from 80 per cent. to 100 per cent. and the basic quotas is discussed in a Note above.

TINPLATE PRODUCTION: PERCENTAGE OF S. WALES' CAPACITY IN OPERATION

Week ending	1939	1940
April 13	56.71	73.62
" 20	56.96	72.93
" 27	53.97	63.17
May 4	64.55	66.78
" 11	65.32	70.66
" 18	67.90	65.96

Grains.—North American markets have been steadier in the past week, with Chicago nearest wheat futures at 83.84 cents. Shipments remain large, and this has helped to balance the effect on prices of good weather in the United States and an increase in the estimated Argentine wheat surplus. Plate shipments of maize are small, a disconcerting feature in view of the large crop.

WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week ended		From Aug. 1 to	
	May 18, 1940	May 25, 1940	May 27, 1939	May 24, 1940
N. America	584	798	25,664	22,284
Argentina and Uruguay	787	471	10,305	17,864
Australia	...	...	10,432	4,546
Russia	...	...	4,488	114
Danube and district	154	87	8,226	6,035
Other countries	...	...	1,734	345
Total	1,525	1,356	60,849	51,183

* Unobtainable. † Shipments up to Feb. 29, 1940. Source: The Corn Trade News.

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From ('000 quarters)	Week ended		From Apr. 1 to	
	May 18, 1940	May 25, 1940	May 27, 1939	May 25, 1940
Argentina	347	227	2,927	2,734
Atlantic America	1	...	375	139
Danube Region	41	70	542	321
S. & E. Africa	75	...	317	639
Indo-China, etc.	11	9	243	83
Total	475	306	4,404	3,916

Source: The Corn Trade News.

Oils and Oilseeds.—The official price list is due for revision at the end of this week. The Argentine Ministry of Agriculture estimated that the exportable surplus of linseed had fallen to 236,000 tons at the end of last week; the yield of the new crop is now put at 1,014,000 tons, compared with 1,127,000 tons of the second estimate. The disappearance of Dutch and Danish trade, however, more than balances the smaller return, and linseed prices on world market fell sharply, though there has recently been a rally.

Rubber.—American consumption in April continued at the high daily level reached in March; stocks were higher but the increase was balanced by a fall in the amount of rubber afloat. Prices have been steady in the past week in both London and New York.

VALUE OF WHOLESALE TRADE IN TEXTILES IN GREAT BRITAIN (1937 = 100)

	Home	Export	Total	
			Index	% change from a year ago
1935	96	83	96	...
1936	99	90	99	+ 3.1
1937	100	100	100	+ 1.0
1938	94	82	93	- 7.0
1939	105	82	104	+ 18.2
1939—April	96	67	94	- 5.0
May	105	93	103	+ 6.2
June	94	80	93	+ 12.5
July	65	77	66	+ 4.8
August	83	74	82	+ 18.9
Sept.	159	74	155	+ 24.0
Oct.	170	88	166	+ 36.1
Nov.	137	103	135	+ 14.4
Dec.	105	96	104	- 0.95
1940—Jan.	80	83	80	+ 48.2
Feb.	113	78	112	+ 49.3
March	156	93	152	+ 31.0
April	145	94	142	+ 51.0

Indices calculated by Wholesale Textile Association in collaboration with Bank of England. Source: Board of Trade Journal.

THE BANK AS
EXECUTOR

This is one of the many services which

**BARCLAYS
BANK**

LIMITED

tenders to its customers.

Full particulars may be obtained from any Branch or from
THE TRUSTEE DEPARTMENT
37 KING WILLIAM STREET, LONDON, E.C.4
27 REGENT STREET, LONDON, S.W.1

COMPANY MEETINGS

ROYAL INSURANCE COMPANY LIMITED

NINETY-FIFTH ANNUAL MEETING

QUINQUENNIAL VALUATION

STRONG FINANCIAL POSITION

GOOD UNDERWRITING RESULTS

MR A. KENTISH BARNES' REVIEW

The ninety-fifth annual general meeting of the shareholders of the Royal Insurance Company, Limited, was held, on the 29th ultimo, in Liverpool.

Mr A. Kentish Barnes, the chairman, presided, and said:—Before turning to the various departmental results, I think you would wish me to indicate briefly how the war has affected our business.

At home, the impact of war conditions has caused many inevitable adjustments, not only in the industrial and commercial world, but also, and to a very large extent, in the private life of the community, and insurance has naturally been sensitive to these influences. Despite all difficulties, our business, however, has been well maintained and our organisation has readily adapted itself to the changed conditions.

Our interests in the United States of America, of course, provide a welcome element of stability in our accounts, and it is gratifying to know that our prestige there stands as high as ever. In Canada, in Australia and New Zealand, in South Africa, and in India, we enjoy the advantage of conditions less acutely disturbed than at home.

On the Continent of Europe there has been an inevitable loss of old-established business connections with the resultant interruption and, in some cases, total loss of valuable agency business. There has also been some loss on investments, but fortunately in the countries affected our investments have been relatively small.

Elsewhere in the foreign field, every effort is being made to overcome the difficulties inherent in war-time conditions, and in this connection we appreciate the sympathetic assistance given to insurance business by the British Government. The importance of insurance as an invisible export has been fully recognised, and the authorities have been very ready to co-operate in minimising the restrictive effect of wartime measures and in assisting to maintain overseas markets.

SUMMARY OF RESULTS

Premiums and losses in the fire and accident departments show little change; the premium incomes amount to £5,440,000 and £6,042,000 respectively, and losses to £2,298,000 and £2,893,000. After adjusting the unearned premium reserves on the usual 40 per cent. basis, there has been transferred to the profit and loss account a profit of £502,000 or 9.2 per cent. from the fire account, and £558,000 or 9.2 per cent. from the accident account. In the marine department, the premiums of the 1939 account, at £1,241,000, were substantially higher than for the previous year and, after the deduction of claims and expenses, a balance of £758,000 is carried forward. Our 1938 account has been closed with a profit of £83,000, which represents 8.1 per cent. of the premiums for that year. Thus the total profit of all three departments is £1,143,000 against £1,032,000 for the previous year.

In common with the general experience of life offices in this country, the flow of our new life business was checked immediately on the outbreak of war, although showing up well beforehand. Even so, we finished the year with net new sums assured of £4,474,000, as compared with £5,176,000 in the previous year.

FIRE DEPARTMENT

In the home field, our premium income shows a slight advance, and the loss ratio compares favourably with the previous year's. We must be prepared, of course, in war conditions, to face some deterioration in our experience, since the concentration of values, the acceleration of output, and the employment of unskilled operatives, may well tend to losses being both heavier and more frequent. Our results in the United States of America were again gratifying.

Premium income was slightly higher, notwithstanding the continued downward trend of rates; and there was a reduction in expenses. Losses have shown an upward tendency in line with the general experience throughout the United States, but, after a period of low loss incidence, an increase was not unexpected in the normal course.

In Canada, premiums again showed some decline, attributable to rate reductions and keen competition. Fortunately, losses also showed an appreciable reduction, which enabled us to return a satisfactory profit.

Good results are again reported from Australia, despite the serious bush fires which occurred during the early part of the year, and our New Zealand results were also satisfactory.

Our fire business in the general foreign field has again shown a satisfactory margin of profit. The deepening international tension had, in some degree, a depressing effect upon overseas commerce, and, in these adverse circumstances, our results reflect credit on our underwriting methods, and provide proof of the confidence with which our organisation is regarded.

LIFE DEPARTMENT

This year the life department calls for a more extended reference, because the quinquennial valuation fell due to be made on December 31st last. The actuary's report is in your hands, and you will see that on this occasion, following the downward trend of interest rates, and the substantial increase in the rate of income tax, it was thought desirable to base the valuation on a rate of interest of 2½ per cent., instead of the rate of 3 per cent. previously assumed. After thus increasing the stringency of the valuation and setting aside substantially larger reserves, the position disclosed is eminently satisfactory, as the surplus over liabilities amounts to the sum of £4,302,000—the highest yet recorded in the history of the company.

In considering the rate of bonus to be declared, we have recognised the vital need, in present conditions, of conserving the resources of the life fund, in order that it may face with confidence the unforeseen contingencies which may arise out of the war.

Though the surplus would have been sufficient to permit us to declare the same reversionary bonus as five years ago, we have decided, on the advice of our actuary, Mr Sturgeon, to declare a bonus of 36s. per cent. per annum, and to carry forward, unappropriated, the large sum of £2,005,000. I think we may claim to have declared a liberal bonus in prevailing conditions, and at the same time to have strengthened the fund in a way which gives impressive evidence of the security behind our policies. Policy-holders will be receiving their bonus notices in the course of the next few days.

For the year 1940, the interim bonus will also be 36s. per cent.

ACCIDENT AND GENERAL DEPARTMENTS

In the accident and general departments, motor insurance forms the largest section of our home business, and we have to record a small reduction in premium income and in profit ratio. In view of the present restrictions on motoring, however, we could hardly look for any other result.

Our workmen's compensation premiums show a small increase, and the other sections of our home business are in healthy condition and have contributed to the profits. Our general foreign business continues to make steady progress.

MARINE DEPARTMENT

The profit of £83,000 with which our marine account for 1938 has been closed compares with a loss of £46,000 on the 1937 account.

Our business for the year 1939 had been running quite normally

up to the beginning of September, but since that time much has happened to affect the position, the winter season and the difficulties of navigation in wartime bringing numerous casualties.

Wartime conditions are necessarily of particular importance in their effect on marine insurance, and many new arrangements have had to be made in the ways in which the business is handled. It is, I think, a tribute to the marine insurance market that they have so readily adapted themselves to the changed conditions and have continued to be able to supply service and protection to the public in this country and throughout the world.

PROFIT AND LOSS ACCOUNT AND DIVIDEND

The balance of the profit and loss account, after providing for the dividend for the year 1938, was £2,106,000, to which has been added net interest and dividends of £1,120,000, and the profits transferred from the fire, accident and marine accounts, together with one-fifth of the shareholders' proportion of the life profits for the past quinquennium, amounting in all to £1,189,000. An amount of £214,000 has been transferred to the trustees of the staff superannuation funds, £225,000 provided for British taxation on profits, and £50,000 written off freehold property.

In connection with the segregation of the assets of the life and annuity business, an amount of £750,000 has been allocated from the reserve fund of the company to the life and annuity funds, and an equivalent amount is now transferred from profit and loss account, thus maintaining the reserve fund at the figure of £1,500,000.

The directors propose the payment of a final dividend of 3s. 3d. per share, which, with the interim dividend paid in November last, makes a total of 6s. 6d. for the year 1939, and after making provision for this final dividend, the balance of the profit and loss account carried forward amounts to £2,003,000.

INVESTMENTS

Despite the difficulties of the past year, the valuation of our assets discloses a reassuring position. Some depreciation in values has necessarily taken place, but, nevertheless, there was a substantial excess of market values over book values at the year end.

We are now within five years of our centenary, and in that long period the company has successfully passed through many times of crisis and storm. It is too early to speak of the particular problems the war will lay on us, or indeed of those which the welcome return of peace will bring. Whatever these will be, I am convinced that the mission of insurance to provide protection and security to industry, commerce and the individual, will continue to expand, and our company is well equipped to take its full share in that form of public service to which we are devoted, and for which we are organised.

Before I conclude, I should like to express, on behalf of the board of directors and myself, our appreciation of the services rendered to the company by the general managers, Mr Williams and Mr Simpson. They have had a most difficult year, all kinds of unusual problems presenting themselves, but I think the accounts just put before you show how problems and difficulties were surmounted. (Applause.)

The report and accounts were adopted, and a final dividend of 3s. 3d. per share was declared, making 6s. 6d. per share, less income tax, for 1939.

LICENSES & GENERAL INSURANCE COMPANY, LIMITED

The fiftieth ordinary general meeting of this company was held, on the 30th ultimo, in London.

The Hon. Reginald Parker, the chairman, said that this year they met under war conditions and the problems arising were many and various. The company had had a very satisfactory year, with an increase over all and of total assets. The life department had increased and there was no doubt that had hostilities not intervened the position would have been even brighter. At the end of their fourth year, with an increasing fund, they found their original excursion into that business fully justified.

An excellent profit had come from the fire department, and they had sound hopes of improvement during the current year despite the war conditions. The marine outlook had improved. The company was participating in that department, as well as in the fire section, in the insurances placed by the Government and in war risks. The Government were making certain changes in the compensation payable to injured workmen. It was anticipated this

would throw additional burden on insurance companies and the board had, therefore, made such provision to meet the contingency as they thought necessary. Accordingly, it should be observed that with the additional provision of £7,784, and with the extra unexpired risk reserve required of £3,089, a sum of over £11,000 was left in the account before the profit was transferred.

In the troublesome times in which they lived, no one could attempt to pierce the future, but if and when those dark days were overpast, he was confident that British insurance companies, their own amongst them, would be found ready to give that security and service, the reputation for which had been built up over so many years.

The report and accounts were unanimously adopted.

CABLE AND WIRELESS (HOLDING), LIMITED

VITAL EMPIRE SERVICE

LORD PENDER'S ADDRESS

The eleventh ordinary general meeting of Cable and Wireless (Holding), Limited, was held, on the 24th ultimo, in London.

The Right Hon. Lord Pender (the governor), in the course of his speech, said: I would like to refer at the outset to the honour which since we last met has been conferred by His Majesty the King on the chairman of Cable and Wireless, Limited, whom we now know as Sir Edward Wilshaw, K.C.M.G. This recognition of the distinguished services rendered by Sir Edward to the British Empire was hailed universally as a fitting tribute to the outstanding manner in which he has so unsparingly devoted himself to the direction and development of Imperial telegraph communications.

Turning first to the operating company, Cable and Wireless, Limited, I am sure you all read with the greatest interest the comprehensive review made by Sir Edward Wilshaw on the occasion of the annual general meeting of that company, held on Tuesday of this week. The further progress which has been made by the operating company during 1939 and the very satisfactory financial outcome has resulted in the company's earnings exceeding the standard revenue. You will not have failed to observe that 1939 was the first year that Cable and Wireless, Limited, was able to reach—and, in fact, exceed—this standard revenue of £1,200,000. The company was thus able to pay in respect of that year a dividend of 4 per cent. as compared with 3½ per cent. for the preceding year. This substantial improvement demonstrates the increasing success which has been achieved by the Empire flat-rate scheme and the social telegram service.

It is, of course, very satisfactory to us all to realise that the great British cable and wireless system is rendering so vital a service to-day to the Allied cause and is thus playing its part towards ultimate victory in the great struggle on which we are engaged.

COMPETITION FROM FOREIGN COMPANIES

I should like to emphasise the reference made this week by Sir Edward to the competition to which Cable and Wireless, Limited, is exposed from certain foreign cable companies. It cannot be too generally known that Cable and Wireless, Limited, is the only British owned and operated overseas telegraph company in this country. The system not only serves every part of the British Empire but almost every other part of the civilised world, and I think the company can rightly claim the exclusive support of all patriotic citizens.

You will no doubt be surprised to learn that these foreign companies are actually allowed to continue to work in this country, and it seems a strange anomaly that this position should exist and that the British organisation should have to meet the strenuous competition of these concerns, which lose no opportunity of endeavouring to attract business from the "Via Imperial" system. I stress the position because I am sure that the more these facts are known the more certainly will the British public insist that their telegraph business is exclusively handled by the British company.

To sum up the financial results, the company's profit for the year at £1,218,427 is some £15,000 higher than for 1938. After paying the dividend on the 5½ per cent. cumulative preference stock, your directors are again able to recommend a dividend of 4 per cent. on the ordinary stock. The balance of £226,000 carried forward to 1940 is some £21,000 higher than the amount brought in.

The report was unanimously adopted.

RAND MINES, LIMITED

DIVIDEND AT SAME RATE

POSSIBILITY OF NEW LABOUR QUOTAS

MR JOHN MARTIN'S SPEECH

Mr John Martin, the chairman, presided at the annual meeting of Rand Mines, Limited, in Johannesburg, on the 27th ultimo.

In moving the adoption of the report and accounts, the chairman said the position disclosed was satisfactory. The dividend distribution had been maintained at the same rate as in the three previous years, and the financial and investment basis of the company remained sound, strong and well spread.

The profit earned had been £1,041,501—an increase of £117,674 compared with the corresponding figure for 1938. That profit had been derived exclusively from dividends, interest and sundry revenue. The investment reserve account now stood at £3,635,476—a decrease of £128,439 compared with the previous year.

The balance of the appropriation account showed an increase of £7,724 at £952,289, represented by cash and cash assets after allowing for all liabilities except those of a contingent nature. Contingent and optional liabilities of the company to subscribe for shares in and to finance certain undertakings had been further reduced in total during the year, and ample cash resources were available to meet all such commitments as and when they matured.

INVESTMENTS DOWN

Investments and shares and debentures had been brought into the account at the book value of £4,135,397—a decrease of £104,382 compared with the total at the end of the previous year. All investments for which share market quotations were available appeared in the books at or under cost, but in no case above the market price.

The market value of the company's gold mining interests at the end of the year had represented 83.6 per cent. of the market value of all investments and of the gold mining interests 96 per cent. had been dividend-producing.

During the last nine months there had been important changes of Government policy affecting gold mines. At the end of August the Treasury, acting through the South African Reserve Bank, had become purchaser at 150 shillings per ounce fine of the gold output of mines in the Union.

Although the present Government had undertaken subsequently to deal with the problem of increased working costs when it arose, the position thus created had been uncertain and inherently unsound.

It had taken some time before that fact had become generally realised, but in his Budget statement to Parliament the Minister of Finance had abandoned the principle of an arbitrary levy and had announced that as from January 1, 1940, producers of gold would be entitled to the full official price for gold subject to their bearing increased realisation charges—at present 37s. per cent.

INCREASED TAXATION

These charges were estimated to amount to some £2,000,000 per annum, which would accrue to the Treasury, by whom it would be placed as a contribution to the loan account.

Taxation had been further increased by the imposition of a flat rate of 9 per cent. of the taxable income before deduction of the redemption allowance and the loss brought forward from a previous year.

The total direct revenue derived by the Government from the gold mines would be much the same as the amount calculated to accrue under the earlier scheme, but the change was welcomed by the industry as the replacement of a harmful arrangement by one that was logical and sound.

The excellent relations between employers and employees in industry had been maintained throughout the year. The Savings Fund allowance of 10d. per shift, established in 1937, had been increased by 3d. per shift, to 1s. 1d., and the Provident Fund rules had been amended so as to entitle an employee on leaving a mine after fifteen years' service to receive benefit from that fund on reaching the pensionable age.

NATIVE LABOUR POSITION

The native labour requirements of the industry had continued to rise, and during the whole of 1939 they had been much in excess

of actual supplies. Since the beginning of the present year the position had greatly improved.

Labour for the gold mines of the Witwatersrand was now recruited from an area ranging from the Cape to Barotseland and the northern shores of Lake Nyasa and from Mozambique in the east to Bechuanaland in the west.

The employment of tropical natives from areas north of latitude 22 degrees south had continued to give satisfactory results, and there was reason to hope that it might be possible in the near future to obtain increases in the quotas granted by the Governments of the territories concerned.

The supply of east coast labour was governed by the Mozambique Convention. Early this month an agreement had been concluded between the Union and the Portuguese Governments, under which an increase from 80,000 to 100,000 natives would be allowed in the maximum number of Portuguese natives to be employed on mines.

GROUP'S INCREASED TONNAGE

The tonnage of ore milled by the Witwatersrand mines of the Central Mining-Rand Mines group had been increasing during 1939 by 557,700 tons to a fresh record of 19,563,400 tons. The average yield of gold per ton milled at 3.88 dwt. had shown a further reduction of 0.139 dwt., or 3.46 per cent. The total working profit had risen by £477,772 to £9,363,190. The total amount distributed as dividends at £5,291,434 had been £303,239 more than in 1938.

On the metallurgical side the average residue value for the past year had been reduced by 0.011 dwt. to a record low level of 0.175 dwt. per ton, which reflected great credit on the staffs at the mines and at head office.

In the Witwatersrand Gold Mines of the group, the mortality rate from disease had fallen from 5.57 per 1,000 in 1938 to 3.23 per 1,000 in 1939, which was the lowest in the group's experience. Deaths from mining accidents also had shown a slight decrease—from 2.02 to 1.99 per 1,000.

MAXIMUM WAR EFFORT

It goes without saying that the policy of the mining industry is to make a maximum contribution to the war effort.

Gold production, the foundation of our national economy, must, if possible, be maintained, but the spirit animating employers and employees alike is a determination to do, with full strength and loyalty, whatever tasks they may be called upon to undertake.

Many of our men have transferred from mining to military activities—our good wishes are with them all—and large numbers are undergoing training.

A liberal policy in granting allowances to those serving with the Forces is being followed by this company and the mining companies generally.

Those who are required to carry on the essential business of keeping the mining industry going will have heavier burdens of work and responsibility to carry. But the predominant anxiety of the men of the mines in every sphere of service is, and will be, that they shall do their duty.

The report and accounts were adopted.

CITY DEEP LIMITED

NEW PLANT BEING INSTALLED

MINING AT GREATER DEPTH

DR HANS PIROW'S SPEECH

Dr Hans Pirow, the chairman, presided at the annual meeting of City Deep, Limited, in Johannesburg, on the 23rd ultimo.

Moving the adoption of the report and accounts, Dr Pirow said that during the year the application which the company had lodged with the Mining Leases Board in respect of some 257 claims on the southern boundary had been granted.

An area of freehold land sold to the South African Railways and Harbours Administration in connection with the construction of a new railway goods yard on the site of a prospect township had been finally settled during 1939, and the company's freehold property had been reduced by some 23 morgen.

After reviewing the financial position, the chairman went on to state that net capital expenditure had amounted to £48,915, the

principal items being additional houses for European employees, underground pumping and ventilation plant, and expenditure in connection with the sinking and equipment of No. 5 vertical shaft.

That shaft had been completed during the year and had been in operation for some months for the purpose of handling men and material.

The available ore reserve, as re-estimated at December 31, 1939, had totalled 3,977,200 tons, of an average value of 5.1 pennyweight over a stoping width of 44.9 inches.

MORE NATIVE LABOUR

A serious shortage of native labour had been experienced during the latter part of the year, but conditions had since improved considerably.

It had been decided to install a new hoist in order to complete the winding equipment at No. 5 shaft and an air cooling plant at No. 4 shaft, where bottom levels had reached what was virtually the working limit on account of heat.

It was expected that the new plant would effect a considerable improvement in conditions in the western section of the mine and that it would enable operations to be carried to a much greater depth than would otherwise be possible.

Those two items of capital expenditure, which were essential to the opening up of the whole of the company's area to the southern boundary, would together amount to approximately £200,000, and would have to be met during the next two years.

TOTAL CAPITAL EXPENDITURE

The total capital expenditure to be faced during that period would amount to more than a quarter of a million pounds, of which £100,000 would have to be met out of current profits and the comparatively large balance of unappropriated profits.

From September 1st until the end of the year the company received only 150 shillings per ounce fine for its gold as a result of a levy introduced by the late government. After a full investigation of the matter by the present government, it was decided to abolish the levy and as from January 1st last the mines would receive the full market price for their gold, less the cost of additional realisation charges—at present 37 shillings per cent.

In addition a new nine per cent. surtax on gross profits had been introduced.

Under existing conditions those changes in the system of taxation would not affect the dividend position.

The report and accounts were adopted.

CROWN MINES, LIMITED

INCREASED ORE RESERVES

MR JOHN MARTIN ON TAXATION

Mr John Martin presided at the annual meeting of Crown Mines, Limited, in Johannesburg, on the 23rd ultimo. After reviewing operations and the financial results, the chairman said that the payable ore developed on the main reef leader and the south reef had been estimated at 4,025,700 tons of an average value of 4.9 dwt. per ton.

There had been an increase of 419,300 tons in the available ore reserve, which had been re-estimated as at December 31, 1939, at 21,340,000 tons of an average value of 5 dwt. per ton over a stoping width of 44.6 inches.

COOLING PLANT FOR MINING AT DEPTH

The constantly increasing depth at which mining operations were being conducted and the consequent increase in rock and the air temperatures of the working places, presented one of the most serious problems which the gold mining industry had to face. In order to help to combat high temperatures which were encountered at great depth, arrangements would be made to install an air-cooling plant on the surface at number 17 shaft. Experience gained from the operation of similar plants had shown that the cooling effects underground would be sufficient to bring within workable limits considerable quantities of ore which would otherwise be lost.

LABOUR SUPPLY

Another important question was that of native labour supply. During the year under review the shortage of native labour had been acute and had been responsible for a substantial portion of the increase in working costs which had taken place. Systematic work

on a large and increasing scale was being done by the mining industry in its collective capacity to ensure that adequate supplies of native labour would be forthcoming. On the mines themselves close attention was paid to the working conditions, provision of amenities and the question of diet. At Crown Mines native compounds and locations were spacious and attractive. There had been further improvement in the morbidity and mortality rates during the year. Out of the average total of 22,422 natives employed throughout the year, only 59 had died from disease—a record low figure of 2.63 per thousand. The death rate from mining accidents had been 2.23 per thousand.

LEVY AND CONTRIBUTION

At the end of August the Government of the day had promulgated a regulation under which, through the Reserve Bank, the Treasury had become the purchaser at 150s. a fine ounce of all gold produced in the Union. The present Government had since abandoned the principle of a levy on the price above that figure and had allowed producers of gold to obtain for their product the full official market price, subject to their bearing the increased realisation charges—at present 37s. per cent. In addition, however, to taxation and the operation of the lease formula, a special contribution, estimated to produce £3,500,000, was to be collected from the industry by means of a flat rate percentage of 9 per cent. taxable income before the deduction of redemption allowance and the loss brought forward from the previous year.

RESULT OF NEW ARRANGEMENT

The net result of the new arrangement, which took effect from January 1, 1940, would be to produce for the Treasury an amount little different in total from what would have accrued under the plan which it replaced. In the case of the Crown Mines, the system of taxation would be to leave the position very much as it was before.

The report and accounts were then adopted.

GOLD FIELDS AUSTRALIAN DEVELOPMENT COMPANY, LIMITED

FEATURES OF YEAR'S OPERATIONS

The seventh ordinary general meeting of Gold Fields Australian Development Company, Limited, was held, on the 29th ultimo, in London.

Mr W. H. Geikie, M.Inst.M.M. (chairman of the company), at the opening referred with regret to the death of the late chairman, Mr John A. Agnew. He then dealt with the accounts, which showed that, including the dividend of 20 per cent. from Moonlight Wiluna Gold Mines, equal to £48,000, and dividends totalling 93.3 per cent. from Yellowdine Investments, Limited, equal to £27,040 on their holding in that company, the total revenue was £76,690. A dividend of 7½ per cent. was being paid and £9,288 carried forward, against £7,916 brought in.

Continuing, the chairman said:—I propose now to deal very briefly with the chief results of the year's work in regard to the properties in Western Australia in which this company is interested. At the Moonlight mine the main features have been the deepening of the Adelaide shaft to 1,251 ft., the acceleration of development work between the 1,030 and 1,230 ft. horizons and the further extension of the south-west exploratory drive at the 630 ft. level. It is mainly due to these causes that the total development footage during the year amounted to 8,187 ft., or 1,958 ft. more than last year.

On the main ore-body further sub-level development above the 830 ft. level fully confirmed the values and widths which had been exposed at that horizon, and equally satisfactory results were attained by the development between the 830 and 1,030 ft. levels.

It was pointed out, however, last year that driving on the 1,030 ft. level itself had exposed 540 ft. of ore, which averaged 3.7 dwts.—a grade considerably lower than the average of the mine—and it was hoped that this indicated that the level had been driven in one of the poorer zones that have occurred from time to time throughout the sulphide zone. The driving during the year of the sub-level 30 ft. above, which exposed 467 ft. of ore, averaging 5.2 dwts., with a further 115 ft. at the southern end, averaging 3.5 dwts., gave additional encouragement to this hope.

Unfortunately, the further development that has been carried out below the 1,030 ft. level has been very disappointing. It is, I can assure you, very disappointing to all concerned that the ore-body

has proved to be so comparatively shallow, more especially after the gold values and very great widths of ore that occurred in the upper levels.

The ore reserve position at 353,800 tons, averaging 5.33 dwts., reflects the drop in tonnage below the 1,030 ft. level. Last year the reserve was 433,900 tons, and during the year 107,435 tons were milled, thus leaving the reserve, without additions, at 326,465 tons. As this is now 353,800 tons, actual new ore brought in during the year was 27,335 tons, so that roughly only one-quarter of what was withdrawn was replaced. Of this amount, 13,000 tons represents the tonnage proved on the 630 ft. level extension at the end of the year. At the present rate of crushing, our reserve is equivalent to three years' supply, taking no account of what further tonnage may be developed in the south-west area.

Turning now to treatment operations, we have crushed and selectively floated 106,699 tons of ore, averaging 5.71 dwts. per ton, and the total recovery from the gold-bearing arsenical and antimonial concentrates thus produced amounted to 24,488 oz. of fine gold. In addition, 2,725 oz. were recovered from gold remaining in process at December 31, 1938.

The report and accounts were unanimously adopted.

UNITED SUMATRA RUBBER ESTATES, LIMITED

STRONG FINANCIAL POSITION

The thirty-first annual ordinary general meeting of this company was held, on the 29th ultimo, in London.

Mr H. A. Barrett (chairman) who presided, said: The net result of the year's working is a profit of £7,771, and your directors recommend a dividend for the year of 5 per cent. The dividend recommended and the allocations to special reserve accounts together amount to less than the profit for the year and, as the financial position of the company is so strong, I think you will all agree that the proposed dividend distribution is fully justified.

As to our prospects for the current year, our standard of production is 760,708 lb., and on the basis of the international export quota of 80 per cent. our exportable allowance for the year will be 556,838 lb., a substantial increase compared with 1939.

Our sales to date total 165,760 lb., at an average of 11.18d. per lb. London landed terms, and we have sold forward a further 179,200 lb., the average over all being 11.1d. per lb. London landed. These are satisfactory prices, but you must bear in mind that working expenses will be higher with increased taxation, including excess profits tax both in this country and in Sumatra. Referring to copra, although the out-turn so far has been satisfactory, prices have been at an unremunerative level.

I have mentioned our forward sales of rubber for 1940, and it will be of interest to you to know also that we have sold forward a further 67,200 lb. for shipment during the first six months of 1941 at an average price equivalent to 10.52d. per lb. London landed terms.

The report was unanimously adopted.

KEPONG (MALAY) RUBBER ESTATES, LIMITED

FAVOURABLE FORWARD SALES

The thirty-fifth annual general meeting of this company was held, on the 28th ultimo, in London.

Sir Francis Voules, C.B.E. (chairman and managing director), presided, and in the course of his address said: Our restricted crop for the year was 7,350,886 lb. all grades, which represented 59 per cent. of our standard production. The gross average price London landed terms received for the sale of our exportable rubber was 10.26d. per lb., which represents an increase of over 2½d. per lb. over that of 7.70d. per lb. realised for our 1938 sales.

For the year 1939 we have earned a net profit of £100,968, as compared with £43,646 in 1938. Your directors propose transferring £15,000 to reserve (against £10,000 previously), to pay a final dividend of 7½ per cent., making 11½ per cent. for the year against 4½ per cent. previously.

The company's standard production for 1940 has been agreed at 12,760,284 lb., an increase of about 313,000 lb. over last year. A release of 80 per cent. has been fixed up to the end of the year, allowing us to export about 10,200,000 lb., subject to a domestic cut of 2½ per cent. for the last three-quarters of the year. Including forward sales, the directors have sold out of this year's exportable

rubber 5,300,000 lb. at an average gross price of 11.74d. per lb. London landed terms.

The company's planted acreage has been increased during the year, as explained in the report, and now stands at 28,222 acres, representing a capitalisation at par of just over £26 per acre, and after deduction of surplus liquid assets, say £22 per acre.

The report was unanimously adopted.

BRITISH TIMKEN, LIMITED

A GREAT WAR EFFORT

MR MICHAEL DEWAR'S SPEECH

The twentieth annual general meeting of British Timken, Limited, was held, on the 30th ultimo, in Birmingham.

Mr Michael Dewar, chairman, said: The profit at £115,000 is some £24,000 higher than that for 1938 and about £17,000 lower than 1937. There has been a transfer of £23,427 6s. 2d. to general reserve, and, after paying the same dividend as last year, the carry-forward will be increased from £22,868 10s. 2d. to £26,310 7s. 10d. The special reserve has been transferred to general reserve, which now stands at £130,000. We had in mind the question of establishing some reserve to meet any special loss in the change-back from war production. In the directors' opinion, however, it is preferable, wherever possible, to show all reserves under one heading, "General Reserve." As such it can be drawn upon to meet any contingency.

PRODUCTION FOR FIGHTING SERVICES

During the latter part of the year your company was very largely engaged upon production for the Fighting Services. An appreciable part of your plant is normally engaged on bearings for motor cars. Production of heavy vehicles for the Fighting Services has taken the place of motor cars, and this altered demand meant a considerable change in the functioning of your factory. The directors feel that all concerned have every reason to be pleased with the rapidity with which this change was made.

LARGE INCREASE IN PLANT

Your directors realised that, if war came, the demands upon the company were likely to be very high. On the outbreak of war they conceived it to be their duty to use a large portion of their accumulated cash resources in the immediate purchase of additional plant. Some of this plant may be redundant after the war, but we feel, and hope the shareholders will agree, that it was the only thing we could do, bearing in mind the country's needs. Practically all this plant is now at work. The company's output is now greatly in excess of anything we have achieved before. It should give you cause for congratulation that the company's war effort is not only running at a high rate, but increasing almost daily.

I have in the past referred to the strides your company has made in the development of anti-friction bearings for railway purposes, large rolling mills and, indeed, in almost every type of engineering. We have played a very considerable part in developing the heavy manufacturing capacity of this country, now required for war purposes. You will feel satisfaction that we were, at the outbreak of war, so well equipped to deal with these heavy demands.

ACQUISITION OF FISCHER BEARINGS COMPANY

Since the close of the financial year we have contracted to purchase the Fischer Bearings Company, Limited, at Wolverhampton. We shall concentrate the manufacture of all ball and parallel roller bearings at that plant and so obtain much-needed room for increased development in Birmingham. We propose to increase our capital, the new shares to be at the disposal of the directors. In present circumstances we cannot say how these shares will be disposed of.

Mr Dewar added that the directors heartily welcomed the Government's steps to increase the war effort, and the shareholders would welcome the 100 per cent. Excess Profits Tax as removing any possibility of increased profits being made out of the country's hour of need. The spirit of the workers was excellent. In making a great effort the company found Government departments giving all the assistance in their power.

The report and accounts were adopted unanimously. Mr A. J. M. Duncan, the retiring director, was re-elected.

At an extraordinary general meeting held afterwards it was unanimously resolved to increase the share capital of the company to £400,000 by the creation of 40,000 new shares of £1 each.

BEECHAMS PILLS, LIMITED

DEVELOPING EXPORT SALES

The twelfth ordinary general meeting of Beechams Pills, Limited, was held, on the 29th ultimo, in London, Mr Philip E. Hill (chairman of the company) presiding.

The chairman, in the course of his speech, said: We have every reason to be gratified with the progress made by our business since I met you a little less than a year ago. The forecasts then made have been fully justified. The profits of £1,055,615 again constitute a record for the eighth consecutive year, clearly indicating the progressive strength of the business. Our export trade provides an encouraging and satisfactory feature. During the year we have acquired the business of the County Perfumery Company which, together with our other recent acquisitions, has shown results above our expectations. We have contributed no less than £661,307 17s. 10d. to the country's exchequer by way of taxation.

Our total profit figure of £1,055,000 has been arrived at after providing £84,496 for the redemption of preference shares in subsidiary companies and without increasing our selling prices to the public. We recommend the transfer of £79,124 to the development fund, £70,000 to the reserve for merger and reorganisation, and an increase in the carry-forward of some £20,000.

We are recommending a final payment of 14.81 per cent., less tax, on the deferred capital, making a total of 28½ per cent., less tax, for the year—which is within the limit imposed by the Chancellor.

Notwithstanding the prevailing conditions, our sales at home and abroad continue to show considerable improvement. In view of the fact that export markets are of paramount importance to the nation at the moment, we are intensifying our efforts in this direction and the success we have recently met with encourages us to hope for still greater success in the future.

No forecast of the future is expected and neither will it be attempted. No man can say what lies in front of us—but that we shall face it with that dogged perseverance which has been characteristic of our country in the past is beyond question.

The report and accounts were unanimously adopted.

BARRY & STAINES LINOLEUM, LIMITED

SIR JOHN BARRAN'S SPEECH

The annual meeting of Barry and Staines Linoleum, Limited, was held, on the 30th ultimo, in London.

Sir John N. Barran, Bt., the chairman, said that the financial year began with seven months of uneasy peace. Precautions against air raid damage continued actively, and had now amounted to a total collective cost from the start to date of some £22,400. Increasing numbers of the staffs had gone out to National Service in all its forms, and the total of those now serving was approximately 200.

Trade at home and abroad had been well maintained, in spite of political anxieties, till war broke out. The special Government production referred to a year ago had grown in volume, and both their factories had other heavy Government orders on hand. Their engineering department had also been adapted to help with urgent special work. Continental trade had been extremely active till

SHORTER COMMENTS

(Continued from page 983.)

Telephone Manufacturing Company, Ltd.—Gross profits, 1939, £126,450 (£93,262). Depreciation, £15,782 (£13,012). Net profit, £51,572 (£40,542). Income tax, £11,359 (£10,351). N.D.C. and E.P.T., £3,000 (£2,000). Reserve, £13,078 (£9,307). Ordinary dividend, 9 per cent. as before. Carry forward, £8,569 (£6,331).

United Sua Betong Rubber Estates.—Profit, 1939, £180,343 (£152,577). N.D.C., £6,500 (£5,000). Depreciation, £15,000 (£10,000). Eastern staff commissions, £6,500 (£5,500). Tax reserve, £10,000 (nil). Estates reserve, £30,000 (£30,000). Ordinary dividend, 12½ per cent. against 12 per cent., payable on a

capital increased by £91,553. Carry forward, £51,554 (£54,710).

Cerebos, Ltd.—Profit, 1939, £587,428 (£454,395). Taxation, etc., £264,051 (£132,000). Ordinary dividend maintained at 40 per cent. General reserve, £50,000 (£50,000). Carry forward £117,325 (£96,448).

Denny, Mott and Dickson.—Trading profit, year to March 31, 1940, £274,863 (£66,151). Provision for taxation, £100,000 (nil). Advances to Norwegian subsidiary written off, £79,844 (nil). Amount written off investment in Canadian subsidiary, £18,032 (nil). Ordinary dividend, 6 per cent. as before. Carry forward, £33,714 (£37,213).

W. T. Henley's Telegraph Works.—Net profit, 1939, £343,853 (£374,042).

successive markets were closed by hostilities, and that called for special bad debt provision. The Canadian investment had yielded a dividend of about £20,000. At the French factory the mobilisation of the bulk of the employees and a further trade shrinkage had led again to a loss.

Manufacturing operations had been acutely difficult since last September. Under Government control of certain raw materials forward contracts were abruptly and arbitrarily cancelled. Raw material prices were violently advanced, and onerous insurance and shipping rates imposed. Incalculable fluctuations in volume and cost of supplies, together with wage and war bonus advances, had led inevitably to a rise in cost of the company's products.

Their ability to carry the extra tax and other burdens of the year and still maintain the dividend was due to the strong hold on markets which their goods commanded and to the steady development of important plant and manufacturing technique for some years past. The new Kirkcaldy power house was now beginning to bear the full fruit of the heavy expenditure on it.

The report and accounts were adopted.

ODHAMS PRESS, LIMITED

SATISFACTORY RESULT OF DIFFICULT YEAR

The twentieth annual general meeting of Odhams Press, Limited, was held, on the 24th ultimo, in London.

The Rt. Hon. Lord Southwood of Fernhurst, chairman and managing director, who presided, said: The net profit for the year amounted to £258,168, as compared with £260,067.

General reserve of £510,563 shows an increase of £1,084 after writing off the expenditure during the year in respect of buildings in the course of construction and capital charges. It is proposed to transfer to general reserve £48,351. The general reserve will then stand at the substantial sum of £560,000.

The directors have recommended a dividend on the ordinary shares at the rate of 6 per cent. per annum.

Throughout the first eight months of the year the country was subject to a series of crises, culminating in September with the outbreak of war. In these circumstances the trading results are satisfactory.

Owing to the German invasion of Norway, the country which was one of the chief sources for the world's supply of pulp and manufactured paper, the position of supplies is extremely difficult. Practically the only sources of paper available to-day are Canada and Newfoundland and a large part of the world is looking to those two countries for their supplies. The consequence is that not only is there a shortage of this important commodity, but its price has risen to considerably more than double pre-war cost, and is still increasing.

In this connection Great Britain not only has to consider its own requirements, but also those of our Allies across the Channel. Your directors are, of course, making every possible effort to secure supplies, but in common with all other newspapers and periodicals throughout the country, the sizes of publications have had to be reduced very considerably and further reductions may still be necessary. At the same time we believe that notwithstanding this severe handicap we shall be able to maintain the values of our important copyrights.

It is obviously impossible to forecast the future, but it is a source of satisfaction to be able to say that fundamentally the business is in a sound position.

The report and accounts were unanimously adopted.

Reserve, £100,000 (£100,000). Carry forward, £384,331 (£411,894). Ordinary dividend, 15 per cent. plus bonus 5 per cent., making 20 per cent. for year as before.

United Kingdom Gas Corporation.—Total revenue, 1939, £259,265 (£244,726). Income tax, £71,789 (£60,773). Loans and overdrafts, £500,441 (£265,298). Net profit, £122,443 (£128,937). Ordinary dividend maintained at 5 per cent. Carry forward, £14,150 (£13,276).

City of London Real Property.—Net revenue year to April 12, 1940, £278,967 (£302,901). Repairs reserve, £20,000 (nil). N.D.C. reserve, £12,000 (£6,000). Ordinary dividend, 4 per cent., as before. Carry forward, £235,686 (£230,156).

Finance

Revenue returns show repayment of principal amounting to £14,050,000 in the 26 weeks to May 21, 1940.

	17.0	20.1	19.1	19.3	13.6
* Government debt	is	£11,015,100;	capital		

Bank of England for Clearing Offices. (e) Voluntary
Bank of England. (e) 90 days. (g) Trade payment

New York on	May 23, 1940	May 24, 1940	May 25, 1940	May 27, 1940	May 28, 1940	May 29, 1940
London :—	Cents	Cents	Cents	Cents	Cents	Cents
Cables	319	319½	320¼	319¼	316¼	318½
Demand	318¼	318½	319¼	318½	315¾	318½
Paris, Fr.	1 80½	1 80½	1 81½	1 81	1 78¾	1 80½
Switzerland, Fr.	22 40	22 40	22 40	22 41	22 42	22 42
Italy, Lire.	5 04½	5 04½	5 04½	5 04½	5 04½	5 04½
Berlin, Mark	43 00(c)	40 00(c)	40 00(c)	40 00(c)	40 00(c)	40 00(c)
Stockholm, Kr.	23 85	23 80	23 70-87	23 80	23 85	23 85
Montreal, Can. \$	78 125	78 000	77 750	79 250	78 750	78 500
Japan, Yen.	23 48	23 48	23 48	23 48	23 48	23 48
Shanghai, S.	5 65	5 65	5 65	5 65	5 45	5 50
B. Aires, Pos. (mkt. rate)	22 75½	22 70½	22 70½	22 67½	22 55½	22 35½
Brazil, Milreis.	5 10	5 10	5 10	5 10	5 10	5 10

SWISS NATIONAL BANK				
Million francs				
	May 14, 1939	Apr. 15, 1940	May 7, 1940	May 15, 1940
ASSETS				
Gold	2471.6	2138.0	2124.0	2054.0
Foreign exchange	264.2	293.8	246.9	246.9
Discounts, etc.	44.4	187.1	272.9	331.2
Advances	30.1	66.2	82.1	117.7
Securities	93.9	84.6	86.0	86.6
LIABILITIES				
Notes in circulation ...	1712.5	1969.1	2007.1	2169.8
Other sight liabilities ...	1143.7	737.6	729.5	597.6

N.B.—Exchange Equalisation Fund and the assets representing it now stand at 533,469,058 frs.

LONDON ACTIVE SECURITY PRICES AND YIELDS

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Total Profit	Deprecia- tion, etc.	Net Profit after Deb. Interest	Available for Dis- tribution	Appropriation				Difference in Carry Forward (+ or -)	Preceding Year		
						Prof. Div.	Ord. Div.	Rate	To Free Reserves		Total Profit	Net Profit	Ord. Div.
Financial Land, etc.		£	£	£	£	£	£	%	£	£	£	£	£
Armstrong Essts. of Bovril	Sep. 30	61,341	13,788	38,009	61,916	30,000	...	...	...	£ 8,009	34,098	11,737	Nil
Armstrong, etc., Secs.	Dec. 31	5,802	...	1,828	19,527	...	...	...	...	1,828	31,638	16,494	Nil
British & Chinese Corp.	Dec. 31	18,019	...	Dr. 107,071	Dr. 181,868	...	...	...	Dr. 20,000	92,920	32,053	Dr. 98,293	Nil
City of Lon. Real Prpty.	Apr. 12	354,227	...	246,968	477,125	37,439	204,000	4	...	5,529	370,025	281,790	9
City and W.E. Properties	Mar. 25	74,474	...	39,579	63,655	15,357	23,463	7	...	759	83,291	49,953	6
Telephone Properties	Dec. 31	102,771	...	37,169	72,341	15,003	15,110	6	5,000	1,756	92,439	53,108	Nil
Rubber													
Bras-Perak	Feb. 29	2,752	96	2,656	2,338	647	599	2½	500	+	910	602	500
Ceylon (Para)	Dec. 31	19,310	...	11,810	14,488	...	11,250	12½	...	+	560	12,207	7,008
Stagbrook	Dec. 31	8,970	1,000	4,361	5,145	...	4,235	5	...	+	126	6,915	3,392
Straits Co.	Dec. 31	49,829	...	43,400	58,590	...	35,437	4½	7,500	+	103	34,394	29,799
Sunnysama	Dec. 31	12,416	...	7,666	11,691	900	5,625	7½	...	+	1,141	6,383	4,833
United Sua Betong	Dec. 31	184,822	15,000	112,343	164,054	...	112,500	12½	...	+	157	156,329	112,077
Tea													
Craig Estates	Dec. 31	9,627	1,707	3,611	8,116	...	2,500	5	1,000	+	111	8,462	4,053
East India and Ceylon	Dec. 31	20,453	...	12,844	18,548	6,000	7,500	6	...	+	656	16,310	13,116
Mayfield (Dinbula)	Dec. 31	9,314	153	6,093	12,687	1,980	3,371	11	...	+	742	9,043	6
Standard (Ceylon)	Dec. 31	43,366	6,336	24,652	58,000	...	23,800	20	500	+	352	40,234	24,757
Textiles													
Fine Cotton Spinners	Mar. 31	614,761	120,000	380,264	200,107	93,750	...	...	...	+	286,514	217,141	32,381
Parkland Manufacturing	Feb. 29	68,541	3,006	41,752	50,885	...	29,700	13½	10,000	+	2,052	38,487	25,020
Trusts													
Abbotts Investment	Apr. 15	47,822	...	16,491	27,282	...	12,844	4	...	+	3,647	44,896	14,705
Consolidated Trust	Apr. 15	75,515	...	39,869	39,869	23,275	16,447	8	147	...	...	39,722	Nil
English & International	Apr. 5	35,172	...	26,835	53,352	27,500	...	...	...	+	665	37,078	26,692
Indian and General	Apr. 30	33,267	...	18,723	33,414	6,919	10,818	11	...	+	986	39,172	22,669
Jersey General	Apr. 30	48,471	...	24,712	34,428	6,703	8,531	7	10,000	+	522	45,377	38,804
Second Guardian	May 5	56,629	...	27,705	41,443	15,104	11,135	3½	...	+	1,466	67,958	34,852
Other Companies													
Armstrong, Stevens	Mar. 31	37,628	3,820	14,503	27,647	...	9,384	15	10,000	+	4,881	23,381	10,682
Benzo and By-Products	Sep. 30	59,892	8,000	20,959	20,575	15,246	...	...	...	+	4,813	83,804	47,144
Boots Pure Drug	Mar. 31	983,311	102,084	750,703	994,227	96,750	42,966	36 9	250,000	+	49,013	957,198	737,744
British Thermostat	Jan. 31	87,613	...	25,615	42,299	...	27,765	18½	...	+	2,135	41,995	31,586
Calcutta Tramways	Dec. 31	194,794	80,000	53,360	75,392	12,500	38,500	5½	...	+	2,360	202,665	69,837
Catalinas Warehouses	Dec. 31	25,199	...	629	Dr. 48,042	...	...	...	...	+	629	26,806	Dr. 32,980
Cerebos, Ltd.	Dec. 31	581,377	...	323,377	419,825	...	252,500	40	50,000	+	20,877	455,619	322,305
Chesters Brewery	Mar. 31	109,988	...	107,487	177,113	14,751	71,305	24	18,000	+	3,431	122,153	119,653
Collect (I.)	Mar. 31	50,019	...	18,922	25,276	...	18,398	12½	...	+	524	49,423	22,867
Denny, Mott & Dickson	Mar. 31	274,912	...	69,701	106,914	52,800	20,400	6	...	+	3,499	76,204	73,204
Field (J. C. and J.)	Dec. 31	54,116	4,691	35,854	47,271	8,750	18,750	15	6,000	+	2,354	49,985	34,841
Finlay (James) & Co.	Mar. 31	332,460	...	225,403	511,481	30,000	187,500	12½	...	+	7,903	298,954	228,323
Hart (Thomas)	Mar. 31	10,025	1,818	2,435	6,674	1,560	750	...	...	+	125	7,237	2,403
Houlder Brothers	Dec. 31	67,493	...	40,758	76,394	5,500	40,000	5½	...	+	4,742	72,958	51,307
Indo-China Steam	Dec. 31	150,280	72,015	34,572	54,624	14,877	...	...	20,000	+	22,281	172,005	139,418
Inglis and Co.	May 1	35,497	...	23,152	48,999	1,620	20,850	15½	...	+	682	122,819	95,361
Leeds Piston Ring	Mar. 31	6,526	...	2,738	9,495	...	2,500	5	...	+	238	11,640	29,982
Maidstone Motor	Mar. 31	414,331	96,261	122,991	151,831	13,000	84,375	11¼	20,000	+	5,616	371,138	122,817
Macroft Wagons	Dec. 31	38,555	6,630	8,610	12,044	...	4,375	7	4,000	+	235	29,304	7,565
Metal Traders	Mar. 31	241,906	...	95,931	177,778	...	77,955	30	10,000	+	7,976	116,310	65,075
Siemens Brothers	Dec. 31	306,234	...	306,234	676,060	55,000	183,750	7½	60,000	+	7,484	301,733	251,733
Smethwick Forgings	Mar. 31	62,236	...	34,486	51,405	...	28,360	32½	6,000	+	1,26	61,826	39,576
Stevenson and Howell	Dec. 31	53,740	...	27,793	87,216	5,951	18,525	13½	...	+	3,117	41,261	27,844
Telephone Manfg.	Dec. 31	129,776	...	37,213	43,544	...	21,897	9	13,078	+	2,238	97,418	28,919
Thomas and Evans	Feb. 24	133,059	33,762	54,719	90,626	19,053	30,000	10	5,000	+	666	132,310	76,008
United Premier Oil	Dec. 31	191,619	...	91,473	131,261	34,431	15,709	12½	30,000	+	11,333	115,450	77,184
Wilkes, Teape and Co.	Dec. 31	583,185	29,518	310,529	363,234	96,410	134,800	8	80,000	+	681	502,782	317,949
Wiggins Berger Engng.	Dec. 31	14,509	...	Dr. 1,222	8,623	2,145	5,062	9	...	-	8,429	20,165	13,628
Totals (£'000's):	No. of Cos.												
Week to June 1, 1940	52	7,191	600	3,900	5,733	761	2,305	...	417	+	417	5,242	3,268
Jan. 1 to June 1, 1940	1,057	216,725	16,477	121,608	171,834	24,588	78,352	...	13,646	+	5,022	199,139	121,628

† Free of income tax.

(a) Also bonus 5 per cent. tax free.

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	%	%		%	INDUSTRIALS	%	%		%	INDUSTRIALS, cont.	%	%		%
Imperial of Iran	6†	9	...	9	Assoc. Newspapers	6†	8	...	12½	Henleys (W. T.)	15†	20	July 4	20
National of Scotland....	8†	16	...	16	Buttons	2½*	...	June 30	2½*	Hill (Richard)	3*	...	...	3*
Standard of S. Africa.	9†	14	...	14	Canadian Celanese ...	25 c.	...	June 29	25 c.	Imp. Tobacco (Canada)	2*	...	...	2*
					Card Clothing, etc.	2½*	...	July 1	2½*	Ind. Coops, etc.	7½*	...	June 30	7½*
TEA AND RUBBER					Clan Line	15†	20	...	20	Invest. Trust Cpn.	8†	...	June 22	7½*
Anglo-Ceylon Ests.	6†	10	...	10	Cons. Water (Rosario)	3	...	...	3	Lon. County Prpts.	2†	13	June 13	13
Batang Cons. Rbr.	...	7½	...	Nil	Cory (Wm.)	15†	20	...	20	Lyons (J.) and Co.	15†	20	...	11
Lingsi Plintns	...	5	July 3	Nil	Debenure Corpn.	4*	...	...	4*	Northampton Brewy.	5*	...	...	22½*
Tremelby Rbr.	...	4	...	2½	Duxey Bros.	10†	...	June 20	4*	Primitiva Holdings ...	...	3½	July 2	3½
					Field (J. C. and J.) ..	15†	15	...	15	Ribble Motor	6†	10	...	10
MINING					Fortnum and Mason	2½*	...	...	2½*	Sena Sugar	...	9	...	8
Indian Copper	8†	12	July 24	4	Fremilins, Ltd.	2½*	...	...	2½*	Siemens	...	7½	...	7
Malaysian Tin	5†	10	...	3½	Gillette Razor	15csts.*	...	June 29	15csts.*	Venezuelan Oil	11½†	16½	...	16½
United Tin (Nigeria).	7½*	...	June 17	Nil*	Gt. Nuhn. Telegraph	Nil*	...	...	2½*					

OVERSEAS WEEKLY TRAFFIC RECEIPTS

Name	Weeks	Ending	Gross Receipts for Week		Aggregate Gross Receipts	
			1940	+ or -	1940	+ or -
B.A. and Pacific	46	May 18	1,133,000	- 206,000	64,391,000	- 2,684,000
B.A. & Southern	46	18	1,185,000	- 196,000	108,889,000	- 31,000
B.A. Western	46	18	1,677,000	- 291,000	36,501,000	+ 1,384,000
Canadian Pacific	20	21	2,891,000	+ 60,000	56,922,000	+ 9,414,000
Central Argentine	47	25	1,717,500	- 389,300	83,252,950	- 8,369,950

‡ Receipts in Argentine pesos.

UNIT TRUST PRICES

as supplied by managers and Unit Trusts Association
(Table excludes certain open and closed trusts)

Name	May 29, 1940	Name	May 29, 1940	Name	May 29, 1940
For. Bond.	6/6 bid	National D.	10/9-11/9	Key Gold	9/11-10/11
Limited Inv.	13/- bid	Century ...	11/9-13/3	Br. Ind. 4th	11/9-13/6
New British	7/9-8/9xd	Scottish ...	10/9-10/9xd	Elec. Inds.	12/6-14/9
Invest. Tr.	9/3-11/-xd*	Univ. 2nd	12/9-14/3	Met. & Min.	10/11-9/11
Bk. & Insur.	13/-15/-*	Inv. Flex.	9/-10/3	Rub. & Tin	9d-1/-
Insurance ...	13/-15/-*	Inv. Gen.	12/-13/-xd	Products	5/2-6/-
Bank B ...	13/-15/3*	Key. Flex.	9/6-11/-xd	Domestic	5/-5/9xd

* Free of commission and stamp duty.

June 1, 1940 THE ECONOMIST 995

LONDON ACTIVE SECURITY PRICES AND YIELDS

Allowance is made for net interest accrued, and for redemption for fixed interest stocks and for changes in interim dividends for ordinary stocks.

Prices, Year 1939		Prices, Jan. 1 to May 29, 1940		Name of Security	Price, May 29, 1940	Ch'ge since May 22	Yield May 29, 1940	Prices, Jan. 1 to May 29, 1940		Last two Dividends			Name of Security	Price, May 29, 1940	Ch'ge since May 22	Yield May 29, 1940
High	Low	High	Low					High	Low	(a)	(b)	(c)				
British Funds																
71 1/2	61	76 1/2	68 1/2	Consols 2 1/2%	73 1/2	+1 1/2	£ s. d.	34 1/2	27 1/2	10 1/2	10 1/2	S. Durham Ord. £1...	27 1/2		£ s. d.	
107 1/2	98	110 1/2	103 1/2	Do. 4% (aft. 1957)	108 1/2	+1 1/2	3 14 9	54 1/2	40 1/2	17 1/2	12 1/2	Staveley Coal, etc. £1.	40 1/2	8 9 1/2	14 6 0	
95 1/2	80 1/2	98 1/2	91 1/2	Conv. Do. 2 1/2% 1944-49 ..	138 1/2	+1 1/2	2 6 3	39 1/2	28 1/2	12 1/2	12 1/2	Stewarts & Lloyds £1.	36 10 1/2	3 10 1/2	6 14 0	
90 1/2	80 1/2	92 1/2	85 1/2	Do. 3 1/2% 1948-53	101 1/2	+1 1/2	2 19 0	24 1/2	18 10 1/2	5 1/2	5 1/2	Swan, Hunter £1.	30 1/2	-1 3 10	0 10 0	
99 1/2	87 1/2	102 1/2	94	Do. 3 1/2% aft. 1961	99 1/2	+2	3 10 8 1/2	21 10 1/2	13 1/2	4	6	Un. Steel Cos. Ord. £1.	19 6	-10 1/2	8 4 0	
112 1/2	103 1/2	112	107 1/2	Do. 5% 1944-64	107 1/2	+2	2 19 8	8 10 1/2	3 9	Nil	Nil	Vickers 10/-	13 6	-10 1/2	7 8 0	
97 1/2	79 1/2	92 1/2	86 1/2	Fund. 2 1/2% 1956-61	89 1/2	+2	3 4 3	38 6 1/2	29 3	5	5	Textiles				
93 1/2	87 1/2	98 1/2	92	Fund. 2 1/2% 1952-57	95 1/2	+2	3 2 8	39 6 1/2	28 1/2	5	5	Brit. Celanese 10/-	4 1/2	-6 1/2	Nil	
95 1/2	87 1/2	99 1/2	95	Fund. 3% 1959-69	96 1/2	+2	3 4 0	35 9	27 6	2 1/2	5	Cris. J. & S. £1	30 1/2	-2 6 1/2	0 3	
109 1/2	100 1/2	113 1/2	106 1/2	Fund. 4% 1960-69	110 1/2	+2	3 6 0	24 10 1/2	11 1/2	Nil	7 1/2	Courtaulds £1	28 6	-3	4 18 0	
99 1/2	94 1/2	102	98 1/2	Nat. Do. 3% 1954-58	100 1/2	+2	2 19 10 1/2	61 3/4	53 1/2	+10	+10	English Sw. Ctn. £1.	28 9	-1 3 10	0 4 9	
96 1/2	91 1/2	101 1/2	95 1/2	Do. 3% 1954-58	109 1/2	+2	3 7 10 1/2					Lancs Cotton Corp. £1.	15 1/2	-1 3 10	0 4 0	
100 1/2	93 1/2	105 1/2	98 1/2	Victory Bonds 4 1/2%	109 1/2	+2	3 7 10 1/2					Patons & Baldwins £1.	53 9	-1 3 1/4	14 6 1/2	
98 1/2	86	101 1/2	93 1/2	War L. 3% 1955-59	99 1/2	+2	3 10 2	43 11 1/2	36 6	10	10	Electrical Manufact.				
97 1/2	73	89 1/2	80 1/2	War L. 3 1/2% aft. 1952	99 1/2	+2	3 10 2	92 6	76 3	5	15	Associated Elec. £1	37 6	-7 6 1/2	5 6 6	
99 1/2	91	100	97 1/2	Local Loans 3%	85 1/2	+1 1/2	3 10 2	69 1/2	56 3	10	5	British Insulated £1	78 9	-7 6 1/2	5 1 3	
64	55 1/2	71 1/2	59 1/2	Austria 3% 1933-53	92 1/2	+2	3 16 2	33 9	28 1/2	10	12 1/2	Callenders £1	31 6	-2 6 1/2	6 13 3	
90	78	97 1/2	82 1/2	India 2 1/2%	65	+2	3 16 2	83 1/2	74 3	20	20	Crompton Park A5 1/2	28 9	-1 3 7	0 0	
115 1/2	104 1/2	115	105 1/2	Do. 3 1/2%	110 1/2	+2	3 13 8					General Electric £1	76 3	-1 3 7	0 4 9	
Do. 4 1/2% 1958-68																
Dom. Govt. Bonds																
106 1/2	95	107 1/2	101	Australia 5% 1945-75	102 1/2	...	4 14 3	38 3/4	32 6	3	5	Clyde Valley Elec. £1.	33 9	-1 3 1/4	4 14 6	
107 1/2	98	108 1/2	99	Canada 4% 1940-60	102 1/2	...	4 0 0	42 6	29 9	10 1/2	10 1/2	County of London £1.	30 7 1/2	-1 10 1/2	6 17 0	
112 1/2	103	110 1/2	107	Nigeria 5% 1950-60	108 1/2	-1 1/2	4 1 5	27 1/2	21 10 1/2	2 1/2	3 1/2	Edmundsons £1	23 1/2	-1 1/2	6 10 0	
103 1/2	92	105 7/8	100 1/2	N. Zealand 5% 1946	103 1/2	-2	4 11 6	83 1/2	48	2	4	Gas Light & C. £1	52 1/2	-1 1/2	6 19 0	
110	102	108 1/2	104	S. Africa 5% 1945-75	104	-2	4 2 0	32 6	27 6	2 1/2	4	Imp. Cont. Gas Stk.	27 6	-1 3 5	9 0	
Corporation Stocks																
111 1/2	104	110 1/2	104	Birmingham 5% 1946-56	105	...	4 1 0	31 4 1/2	23 1/2	7	59 1/2	Lancashire Elec. £1.	16 3	-7 10 1/2	6 16 0	
81 1/2	72	85	78 1/2	L.C.C. 3% 1954-64	91	...	3 15 0	42 3	29 4	4	6	North-East Elec. £1.	24 6	-1 9 1/2	5 14 0	
93 1/2	86 1/2	94 1/2	87 1/2	Liverpool 3% 1954-64	91	...	3 11 8	38 7 1/2	29 6	2 1/2	5 1/2	Northmet Power £1...	29 4	-3 1/2	6 14 0	
102 1/2	95	104	98	Midx. 3 1/2% 1957-62	99 1/2	...	3 11 3	39 6	31 1/2	3	5	Scottish Power £1	30 1/2	-2 6 5	6 9	
Foreign Governments																
91 1/2	73 1/2	82 1/2	84 1/2	Argen. 4 1/2% Stg. Bds.	87	-2 1/2	5 2 10	17 6	12 3	30	15	Shanghai Municipal	12 6	-1 10 1/2	6 0 0	
65 1/2	34	58 1/2	40	Austria 4 1/2% 1934-59	40	-2 1/2	8 8 9	17 6	12 3	30	15	Austin 5/-	10 7 1/2	-10 1/2	10 16 0	
25 1/2	50	64	35	Belgian 4% (36) 1970	35	-5 1/2	11 8 0	36 3/4	26 3	12 1/2	12 1/2	De Havilland Air. £1	27 6	3 9	2 3	
93	61 1/2	35 1/2	20	Brazil 5% Fd. 1914	22	-1 1/2	11 7 1/2	16 9	9 6	11 1/2	11 1/2	Flyer Aviation 10/-	10 3	-2 10 1/2	4 0 1	
19 1/2	9	23	14	Chile 6% (1929)	21 1/2	-3 1/2	9 17 1/2	18 7 1/2	12 4 1/2	5	6	Ford Motors £1	17 1/2	-3 1/2	7 0 0	
72 1/2	23 1/2	45 1/2	22 1/2	China 5% (1913)	33	-2 1/2	5 10	15 7 1/2	8 6	15	17 1/2	Hawker Siddeley (5/-)	9 1/2	-1 18 0	0 0	
86 1/2	58	70	63	Czechoslovakia 8%	70	5	5 14 4	60 7 1/2	53 9	12 1/2	2 1/2	Lucas, J. (£1)	57 6	...	5 4 4	
121 1/2	9	10 1/2	9 1/2	Egypt Unified 4 1/2%	9	...	5 15 0	88 3	55 1/2	25	20	Leyland Motors £1	57 6	-1 3 7	0 0	
44	4	7 1/2	5 1/2	French 4% (British)	6	...	...	27 7 1/2	22 1/2	45	40	Morris Motors 5/- Ord.	22 6	-1 1/2	8 17 6	
33 1/2	3	6 1/2	4 1/2	German Dawes 5%	6	...	...	42 3 1/2	3 1/2	17 1/2	5	Rolls-Royce £1	4	-1 3 5	12 0	
30	15	24 1/2	14	Do. Young Lun. 4 1/2%	14	...	21 8 0	12 3 1/2	9 6	22 1/2	25	Standard Motor 5/-	9 6	-3 1/2	13 0	
35 1/2	15	25	17	Greek 6% Stab. Ln.	14	...	21 8 0									
61 1/2	33	65	49	Hungary 7 1/2%	51 1/2	...	26 8 0	22 7 1/2	14 3	5	4	Furness, Withy £1	15 1/2	-1 1/2	5 6 6	
				Japan 5 1/2% 1930	51 1/2	...	10 1 10 1/2	23 9	17 6	4 1/2	2	P. & O. Def. £1	18 6	-1 1/2	7 0 0	
								20 1/2	15 6	5	5	Royal Mail Lines £1	16 1/2	-1 1/2	6 5 0	
								10 9	5 6	Nil	Nil	Union Castle Ord. £1.	6 1/2	-6 1/2	Nil	
Tea and Rubber																
10	5 1/4	Nil	Nil	Allied Sumatra £1	16 7 1/2	11 1/2	6	4	4	6	4	Allied Sumatra £1	11 10 1/2	-4 1/2	6 14 0	
9 1/2	5 1/2	Nil	Nil	Anglo-Dutch £1	27 1/2	17 9	3	3	2	3	2	Anglo-Dutch £1	18 6	-1 1/2	5 9 9	
52	31	12 1/2	3 1/2	Jokai Assam £1	32 10 1/2	28 9	7 1/2	2 1/2	2 1/2	4	4	Jokai Assam £1	30 1/2	-3 1/2	6 13 3	
60	50	Nil	5	London Asiatic 2/-	3 1/14	2 6	4	6	6	4	6	London Asiatic 2/-	2 7 1/2	-3 1/2	7 12 0	
24	12	Nil	4	Rubber Trust £1	34 9	21 4	9	5	5	6	6	Rubber Trust £1	25 1/2	-1 3 8	0 0	
60 1/2	30	63	30	United Serdang 2/-	3 1/2	2 1/2	9	5	5	6	6	United Serdang 2/-	2 1/2	-6 1/2	5 0 0	
70 1/2	2	50	2	Oil												
65 1/2	2	33	2	Anglo-Iranian £1	48 1 1/2	+7 1/2	8	6	0	0	0	Anglo-Iranian £1	48 1 1/2	+7 1/2	8 6 0	
75 1/2	2	50	2	Apex (Trinidad) 5/-	24 4 1/2	-1 7 1/2	6	3	0	0	0	Apex (Trinidad) 5/-	24 4 1/2	-1 7 1/2	6 3 0	
60 1/2	2	33	2	Burmah Oil £1	61 3/4	-1 3 1/2	6	16	6	16	6	Burmah Oil £1	61 3/4	-1 3 1/2	6 17 0	
70 1/2	2	50	2	Shell Transport £1	60 7 1/2	+7 1/2	5	14	14	14	14	Shell Transport £1	60 7 1/2	+7 1/2	5 14 0	
22	9 1/4	Nil	14 1/2	Trinidad Leasehold £1	71 3/4	7 1/2	7 1/2	7 1/2	7 1/2	7 1/2	7 1/2	Trinidad Leasehold £1	71 3/4	7 1/2	7 1/2	
79	48 1/2	1	4	Assam P. Cement £1	45 1/2	...	7 1/2	7 1/2	7 1/2	7 1/2	7 1/2	Assam P. Cement £1	45 1/2	...	7 1/2	
104	84	2 1/2	2 1/2	Barker (John) £1	31 3/4	...	30 9 1/2	30 9 1/2	30 9 1/2	30 9 1/2	30 9 1/2	Barker (John) £1	31 3/4	...	30 9 1/2	
67 1/2	60 1/2	7 1/2	10	Boots Pure Drug 5/-	37 6	...	4 1/2	4 1/2	4 1/2	4 1/2	4 1/2	Boots Pure Drug 5/-	37 6	...	4 1/2	
342 1/2	316 1/2	6 8	6	Brit. Aluminium £1	44 1/2	...	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	Brit. Aluminium £1	44 1/2	...	8 1/2	
42 1/2	35 1/2	6 8	6	Brit.-Amer. Tob. £1	92 6	...	10	10	10	10	10	Brit.-Amer. Tob. £1	92 6	...	10	
30 9	25 1/2	6 8	6	British Oxygen £1	55 1/2	...	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	British Oxygen £1	55 1/2	...	5 1/2	
73 3/4	57 6	7 1/2	7	Brookhouse (J.) £1	47 1/2	...	3 8 0	3 8 0	3 8 0	3 8 0	3 8 0	Brookhouse (J.) £1	47 1/2	...	3 8 0	
91 1/2	81 1/2	5 5	5	Cables & Wires £1	31 9 1/2	...	3 8 0	3 8 0	3 8 0	3 8 0	3 8 0	Cables & Wires £1	31 9 1/2	...	3 8 0	
52 1/2	45 1/2	5 5	5	Dunlop £1	31 6	...	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	Dunlop £1	31 6	...	1 1/2	
49 1/2	47 1/2	5 5	5	Elec. & Mus. Ind. 10/-	6 1/2	...	1 1/2	1 1/2	1 1/2	1 1/2	1 1/2	Elec. & Mus. Ind. 10/-	6 1/2	...	1 1/2	
54 1/2	41 1/2	6 8	6	Ever Ready Co. 5/-	21 10 1/2	-1 1 1/2	9	9	9	9	9	Ever Ready Co. 5/-	21 10 1/2	-1 1 1/2	9	
85 1/2	76 1/2	7 1/2	7	Gallagher Ltd. Ord. £1	45 8	...	5 19 6	5 19 6	5 19 6	5 19 6	5 19 6	Gallagher Ltd. Ord. £1	45 8	...	5 19 6	
5 1/2	72 6	7 1/2	7	Gestetter (D.) 5/-	25 1/2	...	5 19 6	5 19 6	5 19 6	5 19 6	5 19 6	Gestetter (D.) 5/-	25 1/2	...	5 19 6	
32 1/2	28	8 8	8	Harrison & Cros. Def. £1	32 3/8	...	6 5 0	6 5 0	6 5 0	6 5 0	6 5 0	Harrison & Cros. Def. £1	32 3/8	...	6 5 0	
69 1/2	58 1/2	7 1/2	7	Harrods £1	22 9	...	6 5 0	6 5 0	6 5 0	6 5 0	6 5 0	Harrods £1	22 9	...	6 5 0	
44 1/2	41 1/2	8 1/2	8	Imp. Chem. Ord. £1	8 9	...	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	Imp. Chem. Ord. £1	8 9	...	2 1/2	
48 1/2	38 9	3 1/2	3	Imp. Smelting £1	42 1/2	...	5 2 3 1/2	5 2 3 1/2	5 2 3 1/2	5 2 3 1/2	5 2 3 1/2	Imp. Smelting £1	42 1/2	...	5 2 3 1/2	
85 1/2	66 1/2	9 9	9	Inter. Nickel n.p.	33 1/2	...	8 4 0	8 4 0	8 4 0	8 4 0	8 4 0	Inter. Nickel n.p.	33 1/2	...	8 4 0	
24 1/2	18	40	50	International Tea 5/-	10 1/2	...	6 5 0	6 5 0	6 5 0	6 5 0	6 5 0	International Tea 5/-	10 1/2	...	6 5 0	
16 1/2	10 3/4	4 6 1/2	6 1/2	Lever & Unilever £1	24 4 1/2	...	8 4 0	8 4 0	8 4 0	8 4 0	8 4 0	Lever & Unilever £1	24 4 1/2	...	8 4 0	
13 1/2	11 3/4	12 1/2	12 1/2	London Brick £1												

(a) Interim dividend. (b) Final dividend. (c) Last two yearly dividends. (d) Worked on 9% basis. (e) Allowing for exchange. (f) Flat yield.
(g) Worked on 22½% basis. (h) Yield on 4½% basis. (i) Annas per share. (j) Yield worked to average redemption—end 1960. (k) Based on redemption at par
in 1946. (l) Yield based on 78½% of coupon. (m) Including bonus of 5% free of tax. (n) Yield on 1-523 basis. (o) For 15 months to December 31, 1939. Also cash
dividend 10 annas. (p) Yield based on 47% of coupon. (q) Yield worked on a 15% basis. (r) Yield on 2½% basis. † Free of income tax.

BRITISH WHOLESALE PRICES

[illegible]

AMERICAN WHOLESALE PRICES

	May 22, 1940	May 19, 1940		May 22, 1940	May 19, 1940		May 22, 1940	May 19, 1940
	Cents	Cents		Cents	Cents		Cents	Cents
GRAINS (per bushel)—			METALS (per lb.)—cont.			MISCELLANEOUS (per lb.)—cont.		
Wheat, Chicago, July.....	85	83½	Spelter, East St. Louis, spot ..	5-75	6-00	Petroleum, Mid-cont. crude		
" Minneapolis, May	71½	74½	MISCELLANEOUS (per lb.)—			per barrel	102	102
" June 1, July.....	64½	62¾	Cocoa, N.Y., Acara, July	4-55	4-72	Rubber, N.Y., smkd. sheet spot	204	204
" July.....	37½	34	Coffee, N.Y., cash.....			" do. June	194	194
Oats, July.....	46	46½	Rio, No. 7.....	5½	5½	Sugar, N.Y., Cuban Cent.,		
Rye, C. July.....	36½	36	" Santos, No. 4.....	7½	7½	deg. spot.....	2-78	2-70
Barley, reg. May.....	37½	36½	Cotton, N.Y., Am. mid., spot	9-96	10-43	Sugar, N.Y., 6 deg. No. 4,		
METALS (per lb.)			Cotton, Am. Mid., June.....	9-51	9-95	f.o.b. Cuba, July.....	1-05½	1-20½
Copper, C. circuit.....	11-50	11-50	Cotton Oil, N.Y., July	6-15	6-05	Moody's Index of staple com-		
Tin, N.Y., 3 aits, spot	53-87½	54-00	Lard, Chicago, May	5-10	5-05	modities, Dec. 31, 1931=100	153-1	153-1
Lead, N.Y., spot.....	5-00	5-00						

EXCHANGE RATES (Monthly Tables)

CENTRAL AND SOUTH AMERICA

Following rates, issued by Bank of London and South America, are related to U.S. \$, except for Bolivia and Paraguay; approximate sterling rates can be calculated from \$-£ rate.

<i>from 8-1 rate.</i>	
<i>Bolivia.*</i>	Sight selling rate 136 3/4 bolivianos per L., March 28, 1940.
<i>Colombia.*</i>	Sight selling rate 175-50 pesos per 100 U.S. \$, April 30, 1940, for holders of permits buying in the "open" market.
<i>Ecuador.</i>	Sight selling rate 15 60 sucres per U.S. \$, April 26, 1940.
<i>Guatemala.</i>	Sight selling rate maintained at one quetzal per U.S. \$, less commission of 1 per cent. to Central Bank.
<i>Nicaragua.*</i>	Sight selling rate for payment of imports fixed at 5 52 1/2 cordobas per U.S. \$ (incl. 10 per cent. tax and 1/2 per cent. comm.), June 9, 1938.
<i>Paraguay.</i>	Sight selling rate 71 70 Paraguayan pesos per Argentine "free" paper peso, April 18, 1940.
<i>El Salvador.</i>	Sight selling rate New York was 2 50 3/4 colones per \$, April 26, 1940.
<i>Venezuela.</i>	Sight selling rate New York 3 19 bolivares per U.S. \$ since April 27, 1937.
	* Exchange controls are operative in these countries.

OVERSEAS BANK RATES

Changed From To				Changed From To			
		$\frac{w}{o}$				$\frac{w}{o}$	
Amsterdam	Aug. 28, '39	2	3	Madrid	July 15, '35	5	4
Athens	Jan. 4, '37	7	6	Montreal	Mar. 11, '35		21½
Batavia	Jan. 14, '37	4	3	Oslo	Sep. 22, '39	3½	4½
Belgrade	Feb. 1, '35	6½	5	Paris	Jan. 3, '39	2½	2
Berlin	April	40	4	Pretoria	May 15, '33	4	3½
Brussels	Jan. 25, '40	2½	2	Tallinn	Oct. 1, '35	4	4
Bucharest	May 5, '38	4½	3½	Riga	Feb. 17, '40	4½	5½
Budapest	Aug. 28, '35	4½	4	Rio de Janeiro	May 31, '35		3½
Calcutta	Nov. 28, '35	3½	3	Rome	May 18, '36	5	4½
Chile	June 13, '35	4	4½	Sofia	Aug. 15, '35	7	6
Copenhagen	Oct. 9, '39	4½	5½	Stockholm	May 16, '40	3	3½
Hel싱fors	Dec. 3, '34	4½	4	Zurich	Nov. 25, '36	2	1½
Kovno	May 14, '39	5	7	Tokio	Mar. 11, '38	3	285
Lisbon	May 11, '36	5	4½	Wellington	May 27, '40	3	46
N.Y. Fed. Res.	Aug. 26, '37	1½	1	Irish	Sep. 28, '39	5	4

(a) For banks and credit institutions. (b) For private persons and firms.

AUSTRALIA AND NEW ZEALAND

London on Australia and New Zealand*

Australia and New Zealand on London*

	Buying				Selling			Buying		Selling		
	Australia		New Zealand		Australia (any mail)	New Zealand (any mail)		Australia		New Zealand	Australia (any mail)	New Zealand
T.T.	...	(†) (‡) (†) (‡)	(†) (‡) (†) (‡)	125	124½			125	124½	125½	125	124½
	Ord.	Air	Ord.	Air				Air	Ord.			
Sight	126½	126½	126½	125½	125½	124½	124½	124½	124½	123½	125½	124½
30 days	127½	127½	126½	126½	...	...	124½	124½	123½	125½	125½	124½
60 days	127½	127½	127½	126½	...	...	124½	124½	123½	125½	125½	124½
90 days	128½	127½	127½	127½	...	...	124	127½	123½	125½	125½	124½

* 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:	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
Rhodesia	100	5	0	101	13	0	101	1	3	101	9	6	101	17	0
S. Africa	101	0	0	101	8	0	101	16	3	102	4	6	102	12	0

(SELLING RATES PER £100 STERLING)

	Sight			Telegraphic		
London on —	£	s.	d.	£	s.	d.
Rhodesia	99	15	0	99	15	0
South Africa	100	5	0	100	5	0

THE ECONOMIST

Vol. CXXXVIII

JUNE 8, 1940

No. 5050

CONTENTS

LEADING ARTICLES		THE WORLD OVERSEAS—cont.		INVESTMENT NOTES—cont.	
Lesson of Disaster	997	Italy's Record Expenditure	1008	What Basis for Equities?	1015
Men, Machines and Money	998	Swiss Fears of Invasion	1009	New Zealand Conversion Offer....	1015
The New Farming Policy	1000	Difficulties in Egypt	1010	Municipal Conversions Ban	1016
NOTES OF THE WEEK		BOOKS AND PUBLICATIONS	1010	Discouraging Bearer Bonds	1016
Italy Waits Another Week	1001			John Brown Profits	1016
Marking Time in the Balkans ...	1001	THE BUSINESS WORLD		Higher Rubber Earnings	1016
America Debates	1001			Burmah Oil	1017
France Faces the New Offensive ..	1002	LEADING ARTICLES		Selection Trust	1017
Home Defence	1002	Life Assurance Problems	1011	THE STOCK EXCHANGES	1017
Men and Machines	1002	Courtaulds and British Celanese ..	1012	CAPITAL ISSUES	1018
Labour Control	1003			SHORTER COMMENTS	1018
Limitation of Home Consumption ..	1003	FINANCE AND BANKING		INDUSTRY AND TRADE	
Mr Churchill's Aides	1003	Circulation Record	1013	A Census of Machine Tools ...	1019
Latin America Considers In- vasion	1003	Towards Tighter Exchange Con- trol	1013	Increasing Coal Production in Wales	1019
800 Years of Portugal	1004	Keen Bidding for Treasury Bills ..	1013	A Calcium Carbide Factory for Britain	1019
Food Control	1004	Gold Exodus from Europe	1014	The Course of Retail Trade ...	1019
The New Dispersal	1004	INSURANCE NOTES		World Sugar Market	1020
Training Women Workers	1004	Norwich Union Life	1014	South American Wool Exports ..	1020
Dividend Limitation Withdrawn ..	1004	Commercial Union	1014	COMMODITY AND INDUSTRY NEWS	1020
E.P.T. Without Excesses	1005	Liverpool and London and Globe ..	1014	COMPANY MEETINGS	1021
Shorter Notes	1005	INVESTMENT NOTES		CURRENT STATISTICS	1025
THE WORLD OVERSEAS		Check for Gilt-Edged	1015		
The New Lithuania	1006	Dividend Limitation Abandoned ..	1015		
The War and Chinese Trade ...	1006				
The Next Move in France	1007				
United States Defence	1008				

Lesson of Disaster

THE tidings which Mr Churchill brought to a crowded House of Commons on Tuesday last were less hard and heavy than even the most optimistic of us would have dared to hope a week before, when Germany was claiming the complete encirclement of the Allied forces in Flanders, and King Leopold's act of treachery, by exposing the left flank of our armies, had opened a direct way for the Germans to Dunkirk and the sea. At the time, Mr Churchill believed it might be possible to rescue some 30,000 but that the main body of the Allied armies "would be broken up in the open fields or else would have to capitulate for lack of food and ammunition." In the event, total disaster was evaded and a victory of annihilation snatched from the German High Command by one of the most extraordinary feats in military history. Down a small wedge of territory, submitted to constant bombardment from the air and an ever-increasing pressure from overwhelmingly superior German forces, the British and the French fought their way to Dunkirk, the only port still in Allied hands. There they waited in good order while their comrades fought a brilliant and desperate rearguard action, and an armada of motley craft swept out from England in the wake of the Allied navies to begin the task of evacuation.

It is hard to apportion praise in an action whose success depended from first to last upon the co-operation and discipline of all those who were engaged upon it. There must be praise for the brilliant staff work in Flanders which made it possible for the German drive to be stayed and for the troops to reach the shore; for the admirable courage of the men while they fought and their equally admirable patience while they waited; for the superb gallantry and skill of the R.A.F. which, outnumbered but not outclassed, held at bay and drove back the German 'planes, inflicting fourfold punishment for every loss; for the work of the navies in carrying out under intensive aerial bombardment a most difficult operation with comparatively light losses; for the hundreds of small craft, tugs, trawlers, lifeboats, motor boats, and private yachts, manned by

volunteers, who ferried troops across for days on end under gruelling attacks from the air; for the superlative organisation of the Southern Railway, whose troop trains ran smoothly backwards and forwards from ports to termini with the unruffled efficiency bred of innumerable Bank Holidays. But it is not praise that is the real reward for all this work of quiet heroism and self-forgetting efficiency. It is the incredible fact that not 30,000 but 335,000 men have been brought home from Flanders to reconquer their own arm and fight another day.

So staggering is the scale of the German advance that we are in real need of Mr Churchill's warning that "wars are not won by evacuations." The Allies have sustained a catastrophic defeat in northern France and Flanders. In three weeks the Germans have done what they were never able to do in the four years of the last war. They have reached the Channel ports. France's front line defences have in part been shattered, she has been thrust back on to new defensive positions and the French economy is poorer by an important industrial region. The Atlantic seaboard from Bodö to Boulogne is in German hands. The Low Countries are lost, and Hitler has gained the submarine bases and airfields without which he could not even contemplate an invasion of this country.

These territorial and strategic losses are accompanied by a devastating loss of arms and equipment. The B.E.F. have brought home their rifles, but their heavy equipment, the first fruits of Britain's industrial war effort, has been left behind. Even had we vast reserves of armaments, we should have felt the loss. Since we have not, an added strain is placed upon our overburdened industry to replace the abandoned material while fulfilling the schedule of the general re-armament programmes. France's losses, too, have been enormous, and the Germans are reaping a rich harvest of weapons, ammunition and transports. It is true that they have paid very dearly for their victory, but we have paid dearly too and have not won.

We have not been left long in doubt over the next

phase of the war. Within a day of their occupation of Dunkirk, the Germans have launched their offensive along the Somme. Hitler is determined to make full use of the momentum of victory and to leave the French only the shortest margin of time to consolidate and deepen their defences. The new line must be held at all costs, and if the Germans suppose that threats of invasion will induce Britain to keep her troops at home, they are already answered by the presence of the B.E.F. in the front line and by Mr Churchill's assurance that our divisions will be re-equipped and despatched to France with all possible speed.

Nevertheless, we must recognise that for the next weeks the full brunt of Hitler's attack is likely to be borne by France. Germany has lost her advantage of surprise and some of the edge has been taken off her mechanised attack by the campaigns of May, but we must not in any way underestimate the desperate and critical nature of the struggle engaged. In General Weygand the Allied armies have a great leader and a superb strategist, and the fighting qualities shown by General Prioux's army in the north prove the superiority, man for man, of the French infantry. But Germany has not yet shot her mechanised bolt, and over France's southern frontiers hangs the threat of Italian intervention. The weeks ahead will be dark and savage. We do ourselves no service by blinking that fact.

What is our rôle in this critical time? First and most obviously to assist our ally with every means at our disposal, but especially in the air, where the numerical superiority of the German air force is so severe a menace not only to the armies in the front line, where the Germans are using their aircraft primarily as artillery in close co-operation with their land forces, but in the crowded cities and busy industrial centres behind the lines. Paris, Le Havre, Lyons, and Marseilles have already been bombed. If the Italian air force were to join in the work of destruction, France's assailants would be increased to the tune of over 1,800 front-line aircraft. Thus our help to France must be immediate; but it must also be obvious. Goebbels is using every device of his propaganda machine to persuade the French that they have been dragged into war at Britain's heels and that now they are being left to bear the brunt while the British dig in behind the Channel. Every bomber we send to France is not only an engine of war, but a tangible proof of our determination to fight France's battle just as she is fighting ours.

On the home front, we must hasten on the work of setting our country in a state of the fullest preparedness. The fact that the next blow has not fallen immediately upon us guarantees us at most a temporary immunity which we must utilise in the most energetic and imaginative

fashion of which we are capable. If an invasion is attempted, it will be launched with utter ruthlessness, consummate timing and a minute attention to detail. We have perhaps only a few weeks, perhaps only a few days, in which to equip and prepare ourselves for the warfare to which Mr Churchill looked forward "on beaches . . . on the landing grounds . . . in the fields and in the streets" of Britain.

This equipment and this preparation, however, must make increasing demands on our armament industry. It is in the factories and workshops where the men are surrendering their holidays without complaint and setting to on their seven-day week, that not only the Allies' planes, tanks and guns, but their very destinies are being forged. We have evidence on every side of the drive and energy and sense of responsibility with which we are at least grappling with the problem of supply. But the country is also beginning to realise the leeway which must be made up and the catastrophic scale of the deficiencies which have to be remedied.

It is not merely a question of making good the losses inflicted by the evacuation of Flanders. Even before the retreat began, the B.E.F. had not the equipment to enable it to meet the German army on anything like an equal footing. Every soldier home from the front brings back the same incredible tale of inadequacy. Although our troops were never outclassed, they were outbuilt in almost every category. The tragedy is all the greater when we remember what marvels they have performed in spite of their relative lack of weapons. We may well ask what these men would have achieved had they been given anything approaching the weight of armament they required.

It is certainly true that at a time when every ounce of the nation's energy must be devoted to the task of repairing the errors and deficiencies of the past, complaints, recriminations and regrets are a useless toll on our vitality. But it is equally true that the continued presence in office of men who by negligence or stupidity or worse have brought about our present predicament is at the very least an insult to the soldiers whose lives have been squandered through their neglect, at the most, a guarantee that similar mistakes and similar hesitations will continue to clog our war effort. Parliament will have its opportunity in next week's secret session to express its condemnation. But the condemnation is already echoing in every home to which the heroes of Dunkirk have returned.

The country as a whole asks nothing better than "to ride out the storm of war and outlive the menace of tyranny, if necessary for years, if necessary alone." But it will fight all the better if every vestige of a cowardly and complacent past has first been swept away.

Men, Machines and Money

IN almost every sphere of the national life the new Government, combined with the manifest demonstration of the defects of the old, has brought about a change of attitude and of tempo. All manner of things which seemed to be impossibilities a month ago are now being accomplished; precedent, etiquette and convenience are being forced to bow before efficiency; the only test of methods is coming to be their effectiveness, and the machinery of the War Cabinet, most of whose members are free from departmental duties, has been revised accordingly. Mr Attlee explained the new machinery in the answer to a question in the House of Commons on Tuesday. Defence is the particular province of the Prime Minister, assisted by the three service Ministers. For foreign affairs, Lord Halifax reports direct to the War Cabinet. Other matters are handled by five committees. Mr Greenwood presides over the Production Council and the Economic Policy Committee, Mr Attlee over the Food Policy and Home Policy Committees and Sir John Anderson (who is not a member of the War Cabinet) over a civil defence committee. Finally, Mr Greenwood, Mr Attlee and Sir Kingsley Wood, with Mr Chamberlain in the chair, form a co-ordinating committee. By this arrangement, Mr Arthur Greenwood becomes, in effect, the grand

economic co-ordinator for whom the critics have been calling. Lord Stamp's organisation remains in being and is attached to the Economic Policy Committee, and its functions have been enlarged to cover the review of progress achieved by the Departments in giving effect to decisions.

As a piece of machinery, this is a great improvement; it is an immense advantage to have carried the point that economic policy and planning should not be subject to the Treasury or restricted by the departmental preoccupations and personal limitations of the former or present Chancellor of the Exchequer. But without further information it is impossible to say whether the improvement goes far enough, or whether a change in machinery carries with it a change in substance. Much will depend on the degree to which Mr Greenwood regards his function as one of arbitrating and co-ordinating or of leading and planning. Many of the most important issues of economic policy are of much wider than departmental scope; they are not even inter-departmental, but supra-departmental. They can only be thought out by a central staff, working with an energetic Minister and imposed by him on the various departments, just as a Commander-in-Chief imposes on his army commanders the plans worked out by his staff. This

is the crucial question: is the new organism, consisting of Mr Greenwood, the Production Council, the Economic Policy Committee and the central staff of economists, to be an initiating and directive body, or is it to be merely co-ordinating, advisory, supplicative? Until this question has been answered by experience, it is impossible to pass a judgment on the new arrangements.

There is no lack of problems for the two economic committees to concern themselves with. The new Government has not been shy in taking decisions of policy which the old Government could never bring itself to face. They can be seen on every hand—most noticeably in the control of labour and production. But there are plenty of decisions still to be taken and whole areas where the first vague sketching of policy has still to be undertaken. The most urgent need, as the whole country is now vividly aware, is for a rapid increase in production. It is gratifying to learn that the general speed-up and the virtual abolition of holidays have already resulted in increased production. But harder work by those already engaged in munitions production is only the first beginning of what needs to be done. The existing capacity must not only be worked to the limit, it must be expanded and supplemented by every conceivable means. This again is not merely a matter of hunting round for any suitable machines that are now idle, or used for less than 24 hours a day, seven days a week. It means a definite policy of taking machinery away from its present employment and putting it to work making munitions. Every machine that could possibly be used for any sort of war work and is actually being used for civil requirements that could possibly be done without must be regarded as a deserter from the ranks. This implies, of course, a more and more stringent restriction of all forms of civil expenditure, and the new regulations announced by the President of the Board of Trade on Thursday, though they were framed with materials rather than plant capacity in mind, are doubly welcome on that account. It is possible and desirable, however, to go further than mere restriction of manufacture, sale and consumption. Large economies both of labour and of plant capacity could be reaped if, in addition to a quantitative restriction of civil consumption, the permitted production for the home population were standardised and concentrated. There are many industries—bicycles and clothing are two examples—where a very large degree of pooling could be carried out and a correspondingly high proportion of labour and plant released for war work.

Any proposals of this sort will, however, immediately bring up the question of a fair treatment of the firms and individuals whose interests would be damaged by them. It is obviously in the national interest that only a limited number of standard bicycles should be made, in one plant, for the civil population; but any number of private interests, present and future, would be injured. The same problem comes up when the restriction of retail sales is pushed to any considerable length. Some commodities must be restricted more than others; but the authorities will hang back if they are allowed to be troubled by the thought that their regulations will ruin certain classes of unoffending and arbitrarily selected traders. The only way of escape from these problems is by a policy of compensation for disturbance of livelihood on a vastly larger scale than has hitherto been contemplated. It may even be necessary, by a combination of compensation and taxes, to approach the position in which everybody's income is frozen at the pre-war level. Only so will the way be cleared for that drastic redistribution of resources of labour and capital which will enable us to develop our full war potential. This is, perhaps, the most important question of general economic policy for an Economic General Staff to study at the moment.

Supply has its twin in labour. Plant capacity is useless without men to work it. Mr Bevin's latest orders are discussed elsewhere, and all that need be said of them here is that an excellent beginning has been made with the new policy of distributing labour by orderly planning instead of by competitive chaos. But it is still only a beginning. We have not yet heard very much about training on the vast scale that has been promised and will be necessary. And it is still not realised by the general public that

the provision of labour for the war effort does not merely mean the absorption of those who are voluntarily or involuntarily idle; it means taking men and women out of their present jobs. A correspondent in the public press, replying the other day to suggestions that horse-racing and other activities of the sort should be closed down, remarked, with the air of one making a justified complaint, that all suggestions of economy amount to little more than taking away someone's job. Of course they do; that is their purpose. One of our very greatest advantages over Germany lies in the fact that we supply ourselves with food and the other necessities of life with a smaller proportion of our total labour force. But the surplus of man-power is not standing idle; it is at work in unessential tasks. There are to-day about 3,000,000 more workers in shopkeeping, finance, insurance, entertainments, personal service and clerical work than there were in 1921. We can surely get along with the standard of shopping facilities, finance, sport and clerking that we had in 1921; but if these 3,000,000 are to be available for anything else they will have to be weeded out. A schedule of reserved occupations is not enough, even when qualified by varying age-limits. What is needed is some quantitative redistribution of man-power. That a skilled metal-worker should be prevented from joining the Army is obvious common sense. But are we content to leave him in the employment of, say, a confectionery firm?

In one respect, but in one respect only, the change from Mr Ernest Brown to Mr Ernest Bevin has brought no improvement. This is in wages policy. True, the new control of employment in the crucial industries should serve to prevent the bidding up of individual payments in the effort to secure labour. But so far as standard rates are concerned, the personal predisposition of the new Minister is to remove any limits, and if the new agricultural policy is followed by a rise in food prices, there will certainly be a crop of wage applications. If it comes to a rigid choice between winning the war with an inflationary spiral and losing it without there should be no hesitation over the choice. But it would be a very great pity if we slipped into price chaos simply because of an inability to see the difference between money wages and real wages.

The third great division of economic policy, after supply and labour, is finance. This is certainly no time for financial orthodoxies; but that does not mean that it is no time for thinking about financial problems. On the contrary, a considerable effort seems to be necessary to secure a general acceptance of the fairly obvious proposition that finance, in wartime, must necessarily be a camp follower and that its main duty is to avoid obstruction. We already have, in the agreement with the railways, an outstanding example of real economic factors being subordinated to the desire to have a few million pounds on the right side of the Exchequer returns. A sensible and realistic settlement of the problem of compensating shipowners for lost tonnage is held up, if report is to be believed, by an unwillingness to accept a liability which, though fairly precise in real terms, might be unlimited in money terms. Any attempt to devise a complete scheme of compensation for disturbance on the lines already mentioned would raise the same problem; the financial cost would be very heavy while the real economic cost to the community might be much smaller. To think consistently in real terms involves a very considerable mental effort, and one which neither could nor should be made by the Treasury. But the more is the need for overriding decisions of policy.

Thinking in real terms does not, of course, mean that monetary considerations can be forgotten. Pounds sterling in wartime become little more than accounting symbols; but the need for a sound Budgetary policy is increased rather than diminished. Sir Kingsley Wood has decided to proceed with his predecessor's Finance Bill. It might have been better to forget about that lamentable Budget altogether; but in any case, there is no longer any dissent from the view that a further Budget will be needed very soon. Perhaps it will be politically possible in this sphere also to think realistically from now onwards and to leave behind the frame of mind in which the imposition on a given range of incomes of a 3½ per cent. cut in consumption can be called a "striking increase" in taxation. The problem

is simple enough in outline: the public's consumption has got to be cut down by rather over a third. But there is plenty of scope for an Economic General Staff in working out the ways and means.

Finally, some very hard thinking needs to be done on the general subject of exchange control. The emergency of the last few weeks has rightly led to the decision that our reserves of foreign assets must be drawn upon without stint in order to get quick delivery of the munitions we need. But the need to avoid wastage is obviously all the greater, and the market in "free" sterling is still a source of waste. As has been pointed out in *The Economist*, there are ways in which the disadvantages of the present situa-

tion can be largely removed without abandoning the principle (or is it only a fetish?) of financial freedom. But those steps have not been taken. Mr Greenwood would do well to satisfy himself that the whole conduct of our exchange control is in accordance with the principles of war economics.

These are the problems that face the new machinery for economic planning. They are not a distraction from the main business of fighting and winning the war, but an essential part of it. At the moment the new arrangements inspire more hope than confidence; but there is a great opportunity for Mr Greenwood and his collaborators to justify the one and to earn the other.

The New Farming Policy

THE speech of the new Minister of Agriculture last Sunday was a refreshing contrast to that of his predecessor in the early autumn. Mr Hudson was not afraid to warn farmers of difficulties ahead or to propose drastic changes in farming routine to meet them. He began with the warning that the supply of imported feeding stuffs is likely to be even smaller next winter than it was six months ago. Such feeding stuffs as there are will be used, first to maintain the milk supply and secondly to provide winter feed for beef cattle and sheep, who feed themselves off grass for most of the year. Pigs and poultry will have only what is left, and specialist farms entirely dependent on bought foods were advised to reduce the number of their livestock by the autumn to one-third of the present level. That warning will be a grave one to the many small farmers whose main source of income has been from pigs or poultry and who have not sufficient area, let alone the equipment and the knowledge, to grow crops for their stock. But they have at least been warned well in advance; they can now make suitable arrangements for the orderly reduction in their stock and possibly find themselves additional work on neighbouring farms.

The warning that Mr Hudson gave to specialist pig and poultry keepers serves also to warn housewives of impending changes in the supply of eggs, bacon and pork. Home production of these foods will not necessarily be cut so drastically as the supply of imported cereals; more home-grown feeding stuffs will be available and general farmers may be in a position to maintain or even to increase their output. But there will be some fall in total home production, and when this is combined with the loss of imports from Scandinavia and Holland, the supply of bacon and eggs may well be barely half the normal by next winter. As long as other types of meat are available, the loss of bacon supplies will have little nutritional effect, even if it hastens the disappearance of the traditional British breakfast dish; but the shortage of eggs will be a more serious matter. It is true that the very poorest eat hardly any eggs even in peace time, but for the bulk of the working and middle classes, eggs are a valuable source of proteins and minerals. Hens should certainly be given precedence over pigs in the matter of feeding stuffs, and the keeping of hens on all general farms and in all back gardens where there is feed for them should be officially encouraged. The new advisory committee to be set up by Mr Hudson to deal with the allocation of food-stuffs will no doubt bear this in mind.

A reduction in the output of eggs, bacon and pork is, of course, to be matched by a great increase in other forms of agricultural production that are not so dependent on imported feeding stuffs. Mr Hudson proposed drastic methods of dealing with the problem of labour shortage. Men already engaged in farm work are not to be accepted for employment in other trades; those who have been agricultural workers are to return to the land if they become unemployed. This measure of labour conscription may eventually bring back some of the men who have recently left farm work for camps and aerodromes, but its principal effect will be in stopping any further drift. Conscientious objectors are also to be recruited for farm work and Mr

Hudson appealed for more volunteers for the Women's Land Army. County councils have also been asked to release roadmen with agricultural experience.

If labour is to be conscripted for farm work, farm wages must be raised to a level more nearly equal to that of urban jobs. That is generally agreed and, in spite of the steady rise in agricultural wages in the past three years, the Central Agricultural Wages Board recently proposed a national minimum wage of 42s. per week, which is about the wage now in force in the higher paid districts. Mr Hudson has gone one better; he has chosen a national minimum of 48s. per week and has promised farmers that prices of the things they sell will be raised to correspond. A minimum wage of 48s. a week means a rise of 10s. to 12s. a week in wages in some counties, and it is difficult to see why the new figure has been placed quite so high. It is bound to upset both the balance of farm production and of farm prices. The labour used in growing sugar beet, for example, provides a far higher proportion of total costs than that engaged in milk production and a rise in labour costs of this magnitude will mean large shifts in the relative profitability of growing different commodities. Nor has the Minister explained how the necessarily higher prices are to be paid. If the increase is met entirely by higher prices to the consumer, there will be tremendous pressure to raise urban wages still further; if the increase is to be met by subsidies, the Government have made a very large addition to the amount which has to be raised by loans or taxes.

The closing of the agricultural colleges and schools also seems an overdrastic measure. Centres of skilled workers and technical advice are needed more than ever, now that dairymen are driving the plough and arable farmers are growing new crops with unskilled labour. The session is very nearly over, and the staff of these institutes could surely be reassembled in the autumn when they have helped to complete the farm-to-farm survey of what has been done and what further can be done to increase food production.

The overrunning of Flanders and North France by the German army, the feeding of millions of homeless refugees, the probability of a renewed attack on ports and shipping make imperative an immediate increase in the output of food in this country. Farmers will answer with renewed energy to the call for increased food supplies. Fewer animals, but more of them fed from British soil, more potatoes, vegetables and cereals are needed; the industrial population must pay for its urgent needs, either by higher taxes or by higher prices. But the more urgent the need, and the further agricultural production is raised to meet the immediate demands of the moment, and the larger the subsidies and the higher the prices, the more critical will be the position of farming at the end of the war. There are few things so uneconomic and so useless as a huge munitions factory the day after the Armistice. The dangers of an inflated agriculture in a post-war world must not, indeed, deter us from growing that extra food without which the war may not be won, but farmers and munition workers alike should realise that high wages, high prices and unlimited output are only "for the duration."

NOTES OF THE WEEK

Italy Waits Another Week

A week ago it seemed certain that Italy would be in the war within a very few days. At the week-end, the day and the hour were banded about. On June 4th twenty-four hours seemed a not unreasonable time limit. Yet on Thursday evening Italy was still out of the war. The week has brought her several steps nearer the abyss (in itself a *tour de force* since she seemed on the brink already), but she still clings to the edge and the fateful Cabinet meeting of June 4th has passed apparently without a final decision. It is difficult to know what we may now call Italy's actual status. Is she still pre-belligerent? Is there another nuance of non-belligerency which can be inserted between pre-belligerency and belligerency itself? If there is, Italy has achieved it, for, except for the fact that she has so far made no aggressive act, she is all but at war with France and Britain. The whole country is now on a war basis; the evacuation of Italian nationals from Mediterranean countries is almost complete; all direct negotiations with the Allies over contraband control and commercial questions have been broken off. Moreover, on the German side there seem obvious reasons for demanding Italian intervention. The new offensive on the Somme has been launched and Germany appears to be concentrating the full fury of her attack upon France. Italian intervention on France's southern frontiers and the addition to Germany's air offensive of Italy's frontline aircraft would obviously increase France's jeopardy, and offer a greater chance of securing the immediate and sweeping success Germany seems determined to achieve.

And yet a certain scepticism over Italy's intentions has crept back since the uneventful passing of June 4th. Italy "doth protest too much." A real intention to intervene would surely have been expressed in less flamboyant terms. It is after all possible to interpret her threats and gestures either as the greatest possible nuisance value she can offer Germany or else as an attempt to force up the price of continued non-belligerency should the Allies still be prepared to consider a deal. M. Reynaud has once again expressed France's willingness to reach "an equitable settlement of all questions outstanding between the two countries." The Duce is believed to be still in contact with President Roosevelt, in spite of a courteous refusal to consent to the President's earlier demand that Italy should abstain from the war. Reports from Washington hint at concrete proposals from the White House, and it is just conceivable that France and Britain have some kind of understanding with the Americans. The Allies' willingness to consider reasonable grievances has in fact been made perfectly plain. Italy's attitude is harder to assess. The ideal for her remains a Mediterranean "Munich"; she may hope that the United States will play the rôle of Chamberlain and enable her to secure Mediterranean hegemony without having to fight for it. But there are insuperable difficulties. France is prepared for reasonable concessions only, and there is nothing reasonable in the demand for Nice, Corsica and Tunis—if indeed the Duce is insisting on his publicised claims. And Germany would surely permit the Axis partner to "sell out" only on terms which seriously crippled France. Thus we are left with the riddle of Italy's continued inactivity. Perhaps President Roosevelt has warned the Duce that intervention would bring in the United States. This would also explain Germany's preference for a non-belligerent ally. Perhaps the evacuation of Dunkirk has convinced Italy that Hitler's greatest offensive is yet to be, and she still prefers to wait. If so, her warlike attitude is likely to degenerate into a very tedious comedy.

Marking Time in the Balkans

Germany is making full use in South-Eastern Europe of her military successes. German propagandists din home the claim that the war will be over by August, and leave their listeners to draw the conclusion that any attempt to resist the demands of the Reich will merely bring down the vengeance of a State which in a few weeks' time will be master of Europe. It is useless to pretend that this propaganda, based as it is on Germany's indisputable military successes, is not having considerable effect. The Balkan States may regret our apparent weakness and realise how greatly the independence of every small European State has

depended, and still depends, upon our strength, but they can argue that there is nothing that they can do to help the Allies to victory which would not immediately lay them open to the risk of destruction at Germany's hands, and that therefore they must preserve their independence as best they may, until the issue is decided. Hungary is sufficiently confident of Germany's success to switch part of her armament industry over to ordinary industrial production, and Count Teleki has expressed his opinion that the war will be short. In Roumania, King Carol is apparently recasting his administration in the direction of greater subservience to Germany's demands. The new Foreign Minister, M. Gigurtu, is a noted pro-Nazi, while the outgoing Minister, M. Gafencu, was well known for his Allied sympathies.

Only in Turkey is opinion firm and confident. Staff talks are proceeding between the Turkish Generalissimo and General Mittelhauser, General Weygand's successor. Turkey, however, still does not envisage the spread of war to the Balkans and the Eastern Mediterranean. While the Nazis are hammering away in the West, it is unlikely that they will take any step to divide their war effort by opening hostilities on their Eastern flank. Italy the Turks believe to have been put in a position of stalemate by Russia and the United States, and although they would loyally fulfil their obligations under the Treaty of Ankara were Italy to launch an attack, for the time being neither Italy's busy military preparations nor the concentration of Italian troops in the Dodecanese cause them undue alarm. Turkey lays particular stress on Russia's contribution to Balkan stability and welcomes any sign of improving relations between Russia and the West. The Turks believe that Stalin cannot afford a decisive German victory, and some hopeful observers even canvass a possible intervention. There is, however, no likelihood that Russia will take any active part in the war. The appointment of Sir Stafford Cripps and M. Labonne as the Allies' envoys in Moscow may take the extreme edge off Stalin's distrust and resentment. It is most unlikely to transform him into an active or even a non-belligerent ally.

America Debates

The ferment of opinion in the United States continues, but it is still too soon to say how far the manifest change of mind will go or how quickly the great mass of the public will be stirred. Among the articulate classes whose opinions are reflected in the press and in other public pronouncements, the desire to help the Allies is uppermost. The number who would declare war now is still very small, but growing; the number who want to assist the Allies by every possible means is very large indeed, but most of them still find it both possible and necessary to draw a distinction between this and engaging in actual war. The movement of opinion has crystallised round a proposal that the surplus stores of the American Army, especially rifles, field guns and ammunition, should be sold to the Allies forthwith, and a ruling by the Attorney-General has made this legally possible. But despite all this activity, Congress, with its ear, in an election year, close to the ground and listening for murmurs from the inarticulate millions, is very slow to move and has committed itself to nothing more than a resolution saying that the United States would recognise no transfers of territory in the Western Hemisphere from one European country to another. On American re-armament, as distinct from help to the Allies, there is more willingness to move, and the President has felt able to ask for a further \$1,000 millions. He has also appointed a very strong board to administer his powers and organise the campaign of preparedness. The board consists of the executive heads of the United States Steel and General Motors Corporations, as well as of an outstanding railwayman and one of the leading trade unionists. The whole situation is, however, shot through with domestic politics. Mr Roosevelt is now certain of the Democratic nomination, and his chances of re-election are enhanced. But this very fact is driving the Republicans into angry non-acquiescence—the angrier because they realise that they cannot oppose the President's foreign policy. They may be driven to nominate an interventionist, and there is increasing talk of Mr Wendell Willkie, a progressive and independent-minded business man. But the prospects of a coalition are dim, and the American

Constitution, which is perhaps as responsible as any other single factor for the outbreak of the war nine months ago, will continue to exert its baneful influence through the summer.

* * *

France Faces the New Offensive

It is still too early to say in which direction the new German offensive will develop. Paris is almost certainly the objective, but the Germans may prefer an encircling movement along the coast to a direct attack down the valley of the Oise. There is reason to believe that earlier attempts to break through in the Rethel area met with such stubborn resistance that the Germans may well be seeking another way through. The element of surprise has presumably been eliminated from their methods of attack. France is ready to receive the onslaught of the tanks on a line which is constructed in depth to allow for piercing of its forward defences. The Germans will not find behind the front lines open and undefended countryside over which their mechanised columns can run riot. Instead, a system of strong points supported by mobile reserves offers a fluidity of defence more adapted to the mobility and speed of Germany's attack than the old conception of a heavily defended static line. The launching of the new German offensive coincided with a fresh reshuffle of M. Reynaud's Cabinet. M. Reynaud takes over the Foreign Office, assisted by M. Paul Baudoin (previously Secretary of the Inner Cabinet), M. Jean Prouvost, owner of the *Paris Soir*, becomes Minister of Information, M. Bouthillier Minister of Finance, M. Pernot Minister of French Families. The most interesting change is the disappearance of M. Daladier. Possibly the feeling is running as high in France as in this country that the Ministers responsible for the Allies' present predicament have no right to further political responsibility. It is also possible that the continued occupation of the Foreign Office by M. Daladier, whose firm stand against Italy in the winter of 1938 still rankles in Rome, offers an insuperable obstacle to any serious attempt to negotiate with Italy. Whatever the reason, the changes strengthen M. Reynaud's hand. He is now completely surrounded with men of his own choosing.

* * *

Home Defence

The danger to Britain from the enemy's near footholds in Western Europe is great and unexampled; but the front line is still in France. Tanks, artillery and trained troops, as well as fighter aircraft, will be first needed there, to repel the fresh German drive against the Somme and the Aisne. The need to attain maximum efficiency in home defence is correspondingly acute, and it is no longer possible to rely simply on the Royal Navy or the R.A.F., backed by the civil defence services. The danger now is a military one as well, requiring military means to ward it off, and a novel system of internal protection is being quickly improvised. It has three parts. First, important and vulnerable sites are being fortified; military centres, airfields and factories are heavily guarded by men and guns; open spaces, including race-courses and golf links, are being scarred with trenches or pitted with obstructions to prevent the landing of aircraft; main roads are being blocked and barred; and coastal areas, with strong garrisons and reinforced batteries, are being prepared for action. Secondly, a new "observer corps" of Local Defence Volunteers, to the number of nearly half a million, has been enrolled. In too many districts equipment, arms and instructions for these "parashots" are still somewhat lacking, and almost everywhere their duties are popularly misconstrued. Actually their job will chiefly be to watch and warn; and then, until troops arrive, to delay the parachutists and prevent their concentration.

*

The real defenders of our soil against military attack are our soldiers; and the third, and crucial, section of these new land defences will be the small, heavily armed and extremely mobile groups of regulars whose formation has been announced this week. The secret of recent German successes is twofold: the ably synchronised co-ordination of all arms; and sudden forays against "back" areas. The secret of successful defence must be similar. Protection must go back in depth to every important point, however far inland. Military defenders must be in a position to move quickly in any direction. And land, sea and air forces must dovetail in a single plan under a common command. So far there is no unified command; but, although it is plainly impossible to cast the whole of A.R.P. into a military mould in an instant, it is good news to learn that, if military necessity required it, area military authorities could and would assume control of their local civil defenders.

Men and Machines

"We shall fight in France"—Mr Churchill made no disguise in his statement on Tuesday of the fact that our military commitments overseas had been increased and not cut down by the loss of Flanders. The southern units of the B.E.F. are in contact with the enemy on the Somme. The need for men to fight and the need for men to do war work are at their peak together, and to waste manpower now will be fatal. The first stages of a nation-wide call for war workers have been carried through, and this month the intake of men for military training is to be double the normal number called up, small and disappointing as that has been up to now. Immediate steps are imperative to comb out skilled men whose skill is being wasted either in industry or in the Forces. At the recent conference of the Amalgamated Engineering Union it was claimed that many skilled engineers were either serving in non-technical units of the Army or, if in technical units, were not doing mechanics' work. There should be no suspicion of waste like this; and the survey of workers, which is now to be extended from engineering, motor, aircraft and shipbuilding firms, to include chemicals, explosives, oil and paint, vehicles, metal goods manufacture and instruments, should serve as the basis to prevent similar waste in industry itself. Side by side with this enlarged census a survey of machine tools is taking place. In the factory as on the battlefield even trained men are helpless without machines; and the co-ordination of skill and engineering, to produce the maximum of arms from the factories and the maximum of striking power at the front, must be the keynote of the nation's rallying.

* * *

Labour Control

To bring together men, machines and materials at the places where they are really wanted, and there only; and to make sure of non-stop production—these are the immediate aims of labour and supply policy. Two steps this week mark progress. On Thursday further sharp restrictions (discussed in a Note on page 1003) on the use of materials for civil purposes were published. On Wednesday Mr Bevin announced a drastic new labour policy, to be implemented by the Ministry of Labour and the Labour Supply Board. First, the dwindling personnel of farming and coal-mining is to be protected; no man normally employed in agriculture or coal-mining can be engaged for work in other trades. Secondly, no workers can be taken on in engineering, building or civil engineering except through employment exchanges or by an arrangement agreed between employers and trade unions. This is to prevent employers bidding one against the other for scarce labour, "poaching" by offering bribes and inducements and so causing a constant movement among skilled men that is wasteful and detrimental to war output. Finally, wages and conditions of work, though they will still be regulated by collective bargaining, will be subject to compulsory arbitration in the event of a dispute; strikes and lock-outs are to be made impossible. Mr Bevin has made great strides towards the control of employment that is indispensable in wartime. Administratively, he has undone the mistakes of a generation by insisting that the employment exchanges, as originally intended, should serve as the major clearing houses of work.

*

But it is still uncertain whether he is willing to exercise his new powers of control far enough. What is needed now is not simply the re-allocation of agricultural workers, coal-miners and engineers. Workers in other and non-essential trades have got to be transferred to war work; and, sooner rather than later, authority to transfer them has got to be taken. Mr Bevin said he hoped his work would not be judged by the course of the unemployment figures. As Mr Keynes has already pointed out, it should be so judged. The more men and women he can throw out of work in jobs we do not need the better; and then it is Mr Morrison's duty, as Minister of Supply, and Mr Greenwood's, as Economic Minister, to see that they are quickly taken into war industries. For the present, Mr Bevin is too pre-occupied with wages—with his fear that control might mean "monkeying about with the workers' pennies." It is shot and shell to re-equip the B.E.F. that are wanted, not formal justice; and it is symptomatic of the timidity that still seems to linger in high places that the nettle of longer hours for coal-miners, the only way in which the vital needs of both Britain and France can be met, has not yet been firmly grasped—despite eloquent appeals to munitions workers to work all out seven days a week.

Limitation of Home Consumption

The imperative need for an expansion in the production of military equipment and the necessity of increasing exports have rendered unavoidable a further limitation of the resources devoted to the civil population. And as the export of iron and steel, machinery and other capital goods will have to be curtailed, at least temporarily, in order to augment the supplies available to the munition factories, an effort must be made to increase exports of consumption goods. Last April, sales of cotton and rayon piece-goods to retailers during the 5½ months from April 16th to September 30th were restricted to 75 per cent. of those made during the six months ended September 30, 1939, and those of linen piece-goods to 25 per cent. By an Order of the Board of Trade, issued on Thursday, the list of non-food consumption goods whose sales to retailers are limited has been considerably extended to include a wide range of clothing, household goods, ornaments and objects widely held to enhance feminine beauty, toys, cameras, musical instruments and office appliances. Even umbrellas have been included in the list, though whether it is changes in politics or in climate that render them less necessary is not revealed. During the period from June 6th to November 30th, supplies of these goods to retailers are to be restricted in value to two-thirds of those made to them during the six months ended November 30, 1939. It is estimated that the value in 1939 of the retail sales of the goods now to be controlled was about £250 millions, while that of the cotton, rayon and linen piece-goods included in the first Order was about £100 millions. The extent of the restriction can hardly be called drastic. But every step in this direction is to be welcomed.

* * *

Mr Churchill's Aides

Last week the Allied Supreme War Council met again in Paris to review the position after Hitler's sweeping gains in the North. The new Prime Minister, who is also Minister of Defence, is clearly not going to be guided simply by precedence, and the British delegation at this meeting was no merely *ex officio* gathering. Mr Churchill himself was there, for the first time as Prime Minister; Mr Attlee, Deputy Leader of the Commons, made his first appearance; Sir Ronald Campbell, British Ambassador in Paris, attended; and the new Chief of the Imperial General Staff, Sir John Dill, was, of course, present. The remaining two were hand-picked: Major-General H. L. Ismay, of Mr Churchill's Chiefs of Staff Committee; and General E. L. Spears, chairman of the Anglo-French Parliamentary Committee, chairman of the British Military Mission to Paris in 1917-20 and historian of the last war. When Mr Churchill came to power, party stress compelled the appointment of more than one man not of the first choice. But the Prime Minister has since worked mainly through the men he himself wanted, on each tier of wartime administration. As Defence Minister as well as Prime Minister, he is something like a War Cabinet in himself, and he loses no chance to call in, from whatever field, the aid of men who can help in work, advice or discussion.

* * *

Latin America Considers Invasion

Germany's new technique of invasion has thrown a lurid and disconcerting light upon her intrigues in Latin America. In most of the South American republics national defences are on a very small scale, and even the greater States would find it difficult to withstand an invasion from the air carefully designed to paralyse the country's lines of communication and centres of administration. The distances which Germany would have to traverse would still be a safeguard, but only on condition that the Allies' command of the sea remained unbroken. And Germany is already in possession of certain strategic positions. German infiltration in the civil aviation of South America is considerable. Certain States are largely served by the subsidiaries of *Lufthansa*. Until a few weeks ago, the airlines of Colombia, a State with both a Pacific and an Atlantic seaboard and within comfortable bombing distance of the Panama Canal, were under German control. Germany, too, has colonies of potential fighting men already resident on South American soil, and the Parliamentary inquiry in Uruguay has revealed the extent to which German colonists have become a drilled and disciplined vanguard of the Nazi invasion. The United States' preoccupation with the growing menace of Nazi imperialism is well illustrated in the report made by the United States Chief of Staff to a committee of Congress, in which he asked

that the National Guard should be available for service with the regular army. General Marshall's reasons were largely based on evidence received of German activities south of Panama. Another sign of the United States' alarm is the resolution before Congress declaring that the United States would not acquiesce in any attempt to transfer any part of the Western Hemisphere from one to another non-American Power. Whether the United States is alive to the obvious deduction, that Britain's command of the seas is Latin America's first line of defence, is more questionable; but the new gravity of the risk may prove a wise counsellor.

* * *

800 Years of Portugal

The Iberian peninsula has been the scene of some curious contrasts during the past week. While the Spanish Falangists have greeted the arrival of Sir Samuel Hoare with loud demands for Gibraltar, press insults and student demonstrations, Portugal is peacefully celebrating the 800th centenary of her existence as an independent State and has warmly welcomed the decision to send the Duke of Kent as Britain's representative to the official celebrations later in the month. For 800 years Portugal has enjoyed—practically unbrokenly—the status of an independent nation State. In spite of her modest territory and small population, she has preserved not only her independence and her free, untrammelled national existence, but also a great colonial empire overseas linked to her geographically only by her imperial sea routes. How is it that so small a State, controlling possessions which, militarily speaking, she could not hope to defend, has for so long enjoyed peace at home and security abroad? Because the British have for centuries fought the domination of Europe by a single Power from whatever side the threat might come, and within the system of security established by their relentless war on tyranny, Portugal has escaped servitude at the hands first of Spain and later of France; because Britain's control of the seas has never been used to stifle the legitimate rights of other nations, however small; finally, because Portugal is Britain's oldest ally. There is thus a lesson in Portugal's eighth centenary which might be taken to heart across Portugal's land frontiers. Once more a Power is seeking to dominate Europe. Once more Britain

THE NEW YORK TRUST COMPANY

Capital Funds . . \$37,500,000



COMPLETE
INTERNATIONAL
BANKING
FACILITIES

100 BROADWAY

CABLE ADDRESS
NYTRUSTCO

MEMBER OF THE FEDERAL DEPOSIT INSURANCE CORPORATION

has taken up the challenge. Does Spain, impoverished and weakened by civil war, hope to gain more from the establishment of German hegemony than from the continuance of a European system under which even the smallest States have the right to "life, liberty and the pursuit of happiness"?

* * *

Food Control

The last six months have seen the transformation of the functions of Government from social administration to a supply business of incredible size and complexity. The last fortnight has seen the legal scope of that undertaking extended to include, if need be, the labour of every person and the use of every piece of property in the country. The Civil Service has necessarily been expanded by the inclusion of many traders and industrialists without whose expert knowledge this enterprise could not have been started or kept in operation. But, as *The Economist* has often pointed out, the inclusion of expert advisers carries with it the danger of entrenching business monopolies under the aegis of State control. In war, military or financial exigencies may demand the destruction of some private firms in the national interest, the abolition of some functions such as, say, wheat or wool broking, and even, maybe, the total disappearance of certain industries and trades concerned with non-essential luxury articles. To leave these decisions to men whose lives have been spent in the threatened trade, and who naturally hope to return to it after the war, is to run the risk that decisions will be weighted in favour of sectional rather than national interests. The Fourth Report of the Select Committee on National Expenditure emphasises this danger in connection with the Ministry of Food. Out of 28 controllers of various foods under the Ministry, no fewer than 20 were formerly engaged in trading in the commodity they now control. In at least one case, an important official, while performing his duties at the Ministry, was also engaged as a representative of his trade in negotiating the operating margins to be allowed. Such a situation must produce a difficult clash of loyalties. The solution and safeguard, the Report rightly suggests, is to secure a strict separation between policy and execution.

Policy and the general plans for achieving it should be clearly settled by the Minister and his Civil Servants. Once that has been done, full value can be made of the services of the Trade Directors by allowing them discretion in executing the Minister's plans.

*

It is rather disquieting, in this connection, to find in how many cases the prices paid to producers or the operating margins allowed to distributors have been settled by reference to "cost of production." It is an article of faith among business men that prices should be fixed to cover their current "cost of production" and to leave them a reasonable profit. But, apart from the fact that costs of production vary to an almost unbelievable extent between firms in the same trade, this view ignores the fact that costs can within limits be adjusted to prices. In the last twenty years, the costs of distributing our staple foods have been inflated by elaborate packings, by the provision of convenient though not necessary services, by the multiplication of brands, qualities and types. In wartime, these unnecessary frills must be cut away. Probably the easiest way to eliminate them is bluntly to reduce the distributive margin allowed, and then to appeal to the housewives to simplify both their range of purchases and their demand for expensive packings and services.

* * *

The New Dispersal

The latest turn of the war has caused the old distinction between the vulnerable and safe areas of England to be examined afresh. Three weeks ago, children evacuated to certain east coast towns were transferred to Wales; and on Sunday the 8,000 children who were evacuated to any districts, whether rural or urban, within approximately ten miles of the coasts of Suffolk, Essex, Kent and part of Norfolk were moved. In addition, a number of towns on the south-east coast have been declared by the Government to be evacuation areas in the light of the enemy's occupation of the Low Countries and Northern France; and parents living in them had the chance last Sunday of sending their children away to Wales and the Midlands. Unfortunately, the number who went, some 40,000, was only about 60 per cent. of the total number of children, though in some towns a better result—75 per cent. or over—was achieved. In the other evacuation areas, where under the Government's second scheme evacuation would take place only in the event of serious air-raids,

registration has so far been even more disappointing. In the London area 117,000 children have been registered out of 450,000; in Birmingham, 7,700 out of 55,000; in Manchester, 17,500 out of 70,000; and altogether about one child in five. Since the stories of the deaths of children in air raids in Belgium and France—20 children were killed in the first raid on Paris—have not made evacuation more popular, nothing will—short of air raids themselves, when it may be too late. In view of the clear and shocking warnings they have received, it is difficult to understand how parents can be so stupid or so selfish; and the time has surely come when the Government should exercise its powers to enforce evacuation, even if the compulsion is restricted to school-children. Parents are compelled to send their children to school. As the schools will henceforward be closed in the new evacuation areas and presumably in the old ones if air raids are serious, ought it not to be compulsory for children to be sent where they can continue their education in comparative safety?

* * *

Training Women Workers

The multiplication of war output has two stages. The first, which has dragged on for nine months and is now at last moving towards a peak, is to concentrate all available labour and all existing plant capacity on war work; it is the stage of reorganisation. The second is the stage of expansion, vital for victory, when capacity must be increased and the labour available expanded *pari passu* in numbers; and, so far, the really large scale measures, to use the country's entire labour supply, potential as well as actual, to the best advantage and to organise a programme of mass training of machine operators, mostly women, are still in their preliminary information-gathering phase. Women and other unskilled people will be needed in vast numbers for training, not so much to replace or eke out existing war workers at the present scale of output as to aid and make possible the utmost expansion of arms production. After the immediate difficult task of changing over to war work inside the metal and engineering industries has been largely carried through, the next stage (which will be ushered in by the opening of all the 37 ordnance factories) will be wholly expansory in character, and these industries will require hundreds of thousands of new workers, of whom the bulk will have to be women and girls. The job to be done now is to start their training at once so that they will be ready in sufficient numbers when they are wanted.

*

The most easily trainable will be women and girls drawn, not from "idleness," but from factories in non-essential trades and the women between 30 and 50 years of age who, as girls, have had factory experience, especially in the Midlands. It is a source of strength compared with 1914-18 that many more women are working or have worked in factories. After them come housewives without industrial experience, domestic servants, shop assistants and the sedentary female workers in commerce. These millions make up a reserve, not only to "man" the expanding war industries, but also to replace and release men in those civilian occupations, distribution, transport, food, drink and tobacco, textiles, and Government service, that are allowed to remain alive. Time is short. Every factory with machines for arms production and machine tools should now be obliged to take on a quota of supernumerary women and girls for training, recruited by the employment exchanges and allocated by the Area Supply Boards. The trainees would fetch and carry for the workers on the job, and by contact with them, mainly without any formal whole-time instructors, learn in a month or so familiarity with factory conditions, some workshop sense, broad knowledge of single-purpose machines and discipline. Labour managers (many more of whom will have to be women), acting as a link between employment exchanges and factories, would supervise this process of instruction by example, and at the end of their training the women would be at the disposal of the Ministry of Labour for employment wherever their services were required. If some such scheme is not got under way immediately, the large-scale expansion of our power to produce will prove very nearly impossible.

* * *

Dividend Limitation Withdrawn

Having announced the raising of the Excess Profits Tax to 100 per cent. last week, the Chancellor of the Exchequer on Tuesday decided to abandon the Dividend Limitation Bill, which received its second reading a fortnight ago. The

Chancellor argues that the raising of E.P.T. to 100 per cent. for all businesses substantially replaces the dividend limitation proposals, whose main object was to prevent increased purchasing power reaching the hands of shareholders, and he relies on the fact that the companies which, with a 100 per cent. E.P.T., would be most affected by dividend limitation are those which have distributed less than their full profits in the past. This argument is not entirely convincing. Indeed, the Chancellor coupled the withdrawal of the Bill with an appeal to all companies to act in accordance with its general principles, since the national interest required reduced consumption by individuals and the greatest measure of support for new Government loans. But the areas covered by the dividend limitation proposals and by E.P.T. at 100 per cent. are not contiguous. Many companies who have followed a conservative distribution policy in the past have maintained their profits at a steady high level. Their liability to E.P.T. will be relatively small, and it will leave a significant margin of profits available for increasing their ordinary share dividends, if they chose to disregard the Chancellor's moral suasion. Doubtless the majority of companies will follow his precept. But there seems no fundamental reason why this should lack statutory force. There was no general disagreement with the principles of the Bill, and although some hard cases were inevitable, they were to have the right of appeal. A tax on wartime increases in profits to prevent their passage to the consumption goods market, where they would compete for resources with the munitions industries, is essential. But the restriction, as far as possible, of the expenditure of any profits on such unessential purposes is also necessary. Dividend limitation imposed control at the source, and to replace it by voluntary abstention on the part of company directors and their shareholders seems quite gratuitous.

* * *

E.P.T. Without Excesses

Sir Kingsley Wood on Wednesday moved the expected resolution raising the tax on excess profits arising after March last to 100 per cent. The Chancellor announced new powers to control improper expenditure, which was experienced during and after the last war, when the maximum rate of Excess Profits Duty never exceeded 80 per cent. The only experience of a total tax on excess profits in British fiscal history is provided by the Munitions Duty, which was merged with the Excess Profits Duty at the end of 1916. Under rules issued in 1915 determining the scope and collection of the Munitions Duty, two are of particular relevance to-day. It was provided that appropriate adjustments should be made to disallow any increase in salaries or other payments to managers or directors of controlled establishments and to disallow any steps taken since the end of the standard period which might operate to reduce net profits subject to Munitions Duty. Secondly, if the Minister concluded that a substantial sum would be payable as an excess on munitions profits, he could require a provisional payment on account, even though the precise amount of the excess had not been finally determined. Both provisions are relevant to the total levy of excess profits on all businesses. Moreover, all accounts and financial statements were to be subject to examination by an accountant nominated by the Minister, and proper facilities for inspecting books and records had to be afforded to such accountants by munitions undertakings. Some similar provisions might surely be considered for E.P.T. It is true, as the Chancellor pointed out, that the combination of control of expenditure by directors with the several checks which the Inland Revenue authorities can apply should limit wasteful spending. The main danger in a war economy is unnecessary new capital expenditure, but this is safeguarded by the control of resources for war production, and also by the strict principles applied by the Inland Revenue authorities in disallowing new capital expenditure, and elaborate repairs or renewals charged against profits. Hence any wasteful expenditure would be limited largely to undue increases in salaries and other payments to staff and to expenditure of a goodwill character. For director-controlled companies, payments to directors will be strictly limited under the general E.P.T. provisions, though the same tightness of control may not be so simple for large public undertakings. The safeguards for controlling salaries paid in family businesses are also to be strengthened by a new clause, giving the Inland Revenue Commissioners power to disallow any item of expenditure which is not reasonably necessary for the business. Further retrospective powers will be obtained, if necessary, to protect the tax from avoidance. But the most complete safeguard would be a comprehensive tax on all wartime increases in individual incomes. An Excess Income Tax thus becomes almost a necessity as well as desirable on general grounds.

Shorter Notes

From July 1st rationing of newsprint will come into force in Australia. Daily papers which have more than 72 pages in a week, weeklies exceeding 28 pages, and Sunday newspapers exceeding 38 pages, will have their supplies of newsprint reduced by 35 per cent. of the tonnage used in 1938-39. Smaller papers will suffer reductions of 25 to 30 per cent. This rationing will save Australia about £800,000 (sterling) in foreign exchange in a year.

*

The disposal of this season's West African cocoa crop has been seriously affected by the loss of important pre-war markets—Germany, Holland and Scandinavia, which took roughly a third of the Gold Coast's crop. The Under Secretary of State for the Colonies has said that the consequent accumulation of stocks has created serious pressure on storage space and that the Government, after consultation with the local Governments, has decided that the mid-crop must be destroyed as it is purchased. The policy of Government purchase has, therefore, prevented the loss of markets from touching the native grower, but it is a pity that efforts to increase sales elsewhere have not met with more success.

*

The New Zealand House of Representatives has passed the Emergency Regulations Bill; and the Government is now empowered to require that all persons should place themselves, their services and their property at the disposal of the State for the purposes of the war.

*

There is a danger lest the newly recognised needs of home defence should obscure the old, but even more vital, ones of civil defence. The fact that in April it was decided to dispense with the services of some 35,000 paid whole-time A.R.P. workers did not mean that A.R.P. as a whole was overstaffed; and, at the time the economies were made, it was announced that at least 250,000 more unpaid volunteers were wanted. To-day, some areas—and the most vulnerable ones—are still crying out for A.R.P. and A.F.S. workers. Air-raids will precede invasion; and the transfer of wardens and other civil defence workers to become Ironsides and parashooters, which is taking place in some districts, should be stopped immediately.

*

The enormous cost of workmen's compensation is revealed in the Home Office return for 1938. The total paid out in compensation for accidents and industrial diseases, in the seven big groups of industries alone, amounted to £6,765,067. But this figure only includes the payments to workers and their dependents, and taking into account charges and expenses, the total would be about £8,500,000. The total cost for all industry is estimated at £13,500,000.

Small Accounts

By tradition as well as by deliberate policy, the Westminster Bank has always aimed at fostering the 'small' account. Moreover, there is no sharper line of demarcation between 'big' and 'small' than between 'white' and 'black'; there are many greys between, and it has always been good business for the Bank to encourage the smaller account, with confidence in its growth later on.

Those, therefore, who may have felt that their means hardly warrant a banking account are invited to consult the Manager of any branch and to find that their hesitation may have been groundless.

WESTMINSTER BANK
LIMITED

Head Office: 41 Lothbury, London, E.C.2

THE WORLD OVERSEAS

The New Lithuania

(By a Correspondent)

DURING the last year Lithuania has passed through an unusual period of economic and social changes. The boundaries of that small country have changed twice during eight months. In March of last year Hitler marched into Memel and incorporated Memel and its district into the German Reich. This reduced the territory of Lithuania by 5 per cent. and its population by 6 per cent. The economic loss was, however, much greater; communication with the sea was interfered with, and a large part of the cellulose, fertiliser, plywood, timber and textile industries was left beyond the new borders.

Before the country managed to adapt herself to the new conditions and resume normal work in the new setting, a further change took place, which resulted in a greater dislocation of the country's economic, social and political life. In October last the Russians handed over to Lithuania the district of Vilna which they had taken from Poland, and received in exchange several military strategic bases along the Lithuanian Baltic coast and in the country. This increased Lithuania by 6,650 square kilometres and 460,000 people, which amounts to 13 per cent. of the country's total territory and 19 per cent. of the population, respectively.

The town and district of Vilna had, however, undergone two months of war, and their economic life was therefore completely destroyed. The retreating Polish and invading Russian armies had used up all the stores of food, and the Soviet authorities have also dismantled all works and removed as much factory equipment as possible to Russia. The population was deprived of all financial resources and, in addition, large numbers of refugees from German and Russian occupied Poland swarmed over the country.

The Lithuanian Government and population have done their best to supply food and necessities for the newly acquired territories. The Lietuvos Bankas has provided financial resources and made arrangements for the exchange of a large part of zlotys into litas, fixing the rate of exchange of one zloty to 0.50 litas. The Allies and the United States of America organised large-scale relief for the refugees and all the voluntary organisations have done their best to co-operate with the Lithuanian authorities.

Economic Revival

The restoration of the economic life of the new territories is making good progress, and the timber, plywood, paper, cardboard and flax industries show good prospects. Negotiations are now going on with the Russian authorities about the supply of timber from the Russian forests to the Vilna sawmills, and also about shipping arrangements for the output of the sawmills via Odessa and the White Sea ports to Great Britain, Palestine and the Near East.

The plywood factory in Vilna, with a production capacity of about 10,000 to 12,000 cubic metres per annum, is also starting work very shortly. This factory will take the place of the Memel plywood factory which is in the hands of the Germans. The plywood produced will cover the demand of the Lithuanian market and a large part of the output could be exported via Russia to different countries.

There are also four cardboard and three paper factories in the neighbourhood of Vilna with a productive capacity of about 10,000 tons of cardboard and 30,000 tons of paper. Before the war the Vilna factories used to supply about 50 per cent. of the cardboard demand of the Polish market and exported about 25 per cent. of their output to Great Britain. About 85 per cent. of the output is now available for export. The production and export of cardboard has hitherto been hampered by the abnormal war conditions and by transport difficulties, but the industry pins great hopes on the outcome of the British negotiations with Russia, as indeed does the whole Lithuanian business world. Meanwhile, representatives of both industries are collaborating with the Government in finding export markets.

Flax Industry Reorganisation

The flax industry has also suffered because of the war. It has been decided that the flax co-operative union "Linat" should complete this year the equipment of the large flax processing factory which is now being erected, and that two new factories should be built in the Mazaikai and Plunge districts respectively. Steps were also decided upon to ensure regular supplies for the proposed new flax processing concerns. A large part of the flax produced and processed in Lithuania would find its way to the English market.

June 1st.

The War and Chinese Trade

[FROM OUR SHANGHAI CORRESPONDENT]

EUROPE'S share in China's imports declined during the first seven months of the European war from 17 to below 10 per cent. The German invasion of Scandinavia, the Netherlands and Belgium further reduced this share to slightly less than 8 per cent.

Of the former neutral countries attacked by Germany, Belgium played the most important part in China's foreign trade. Shipments from Belgium, in the past few months, accounted for over 10 per cent. of all Chinese imports from Europe. In some categories of steel sheets and plates, steel bars, and electrical materials, Belgian merchandise dominated the China market. There seems to be no prospect of a continuation of these Belgian exports to the Far East, and they will probably be replaced by American products. Chinese imports from the Netherlands were and are insignificant.

Britain Supplants Germany

Great Britain now accounts for one-third of China's imports from Europe, but her share in China's total imports is less than 3 per cent. Chinese imports from the United Kingdom dropped heavily after the outbreak of the European war, and in the first quarter of this year their value was 25 per cent. lower than in the corresponding months of 1939. This decline was especially heavy in iron and steel, flax, hemp and jute goods, and woollen textiles. On the other hand, Great Britain managed to increase her exports to China of paper and paperware and also, by seizing some former German markets, of chemicals and dyes. Since March, 1940, she ranks ahead of Germany in Chinese imports.

Germany early in May still ranked second in Chinese purchases from Europe. Though in Shanghai and Free China the imports from Germany amount to less than half the value of imports from the United Kingdom, Germany sells more than Britain to the Japanese-occupied areas. The value of imports from Germany in all China is but slightly below that of imports from Great Britain. German goods, up to this spring, continued to arrive here in fairly large quantities. Bulky German goods were shipped here in Japanese, Italian and other neutral bottoms, while commodities of high value but small bulk such as pharmaceutical goods arrived via Siberia. China's imports of German chemicals have dropped 80 per cent., and of German dyes 40 per cent. since the beginning of the European war, but imports of German iron and steel, rails and motor vehicles have actually increased according to Chinese Maritime Customs figures. The

maritime section of this trade, however, now appears to have been stopped by the entry into the Allied ranks of Norway, the Netherlands and Belgium.

U.S.A. and Japan Supplant Both

Like the war of twenty-five years ago, the present European war is tending to accelerate the decline of Europe's China trade, and to increase instead China's economic intercourse with other Eastern countries and with America. The principal benefits from the recent decline of Chinese imports from Europe were reaped by Japan and the United States. The trade abandoned by Europe in the Japanese-occupied areas has been taken over chiefly by Japan, while in the open Shanghai market and in Free China the United States is replacing Germany, Britain and other European countries. Japan now supplies almost half of the chemicals and approximately one-third of the dyes imported by China, followed by the United States with shares of 20 and 25 per cent. respectively. Japan to-day accounts for 70 per cent. of the occupied areas' total imports, while the United States has first place with a share of 40 per cent. in the imports of Shanghai, which form more than two-fifths of China's total imports.

Not only the American Chambers of Commerce in China, but also the official trade representatives of Australia and Canada at Shanghai, are flooded by importers with inquiries for goods formerly imported here from Europe. While Australian and Canadian manufacturers show but little response to those inquiries, numerous United States industries formerly not interested in the China trade are now eager to secure suitable agents in China. Careful consideration, however, is being given to the selection of such agents, with a view to entrusting United States industrial agencies only to firms likely to continue business relations with the United States after the termination of the present wars in China and Europe.

Effect on Shipping

These changes in the distribution of China's trade are not yet fully reflected in the distribution of the China ports' foreign shipping, as far as the United States is concerned; but that country's tonnage in the China ports, in the first quarter of this year, was double that of the corresponding period of the previous year, and its share in the China ports' total foreign shipping rose from 2 to 5 per cent. There are now four American shipping lines regularly calling at Shanghai against two before the war.

British shipping in the China ports suffered a huge decrease, owing largely to the withdrawal of large British passenger boats and the requisitioning of a series of British freighters and other small vessels. The tonnage of British ships entered and cleared in China ports in January-March, 1940, was 1,160,000 tons only, half the tonnage registered during the first quarter of the past year. Japanese China shipping, on the other hand, in the same periods, increased by 600,000 to 3,103,000 tons, accounting for half the carrying trade in China ports and outdistancing the British shipping volume by almost 200 per cent.

May 15th.

The Next Move in France

[FROM OUR PARIS CORRESPONDENT]

EVERY week since the launching of the German offensive through the Low Countries and Luxemburg has brought its special shock to French public opinion. First was the German success in piercing the French line of fortifications along the Meuse. Then came the sweep to the Channel, dramatically announced in M. Reynaud's "La patrie est en danger" speech.

The major shock of the past week was the surrender of King Leopold, "le roi felon," as the French newspapers bitterly call him. Some of the despair, which was mingled with rage when the first news of this capitulation became known, has been relieved by the heroic quality of the fighting in Flanders and by the fact that the encircled British and French forces have fought their way to the sea and to embarkation.

Severe as these shocks have been, public opinion is braced to meet other, still greater blows in the near future. Italy never seemed so close to intervention; that issue may have been decided before these lines can be printed. And what may prove to be the decisive battle of the war, so far as France is concerned, will scarcely be postponed very long after the end

of the fighting around Dunkirk. General Weygand has taken advantage of the absence of severe pressure on other parts of the front to clear the left bank of the Somme of small German forces which had crossed the river and to establish the best possible front along the continuous water line of the Somme, the Oise-Aisne canal and the Aisne. Farther to the east is the still intact Maginot Line and then the Rhine.

Military Experience Gained

In the light of the experiences of the last few weeks, however, few military experts are inclined to place much dependence on the success of merely holding a line, however strong. The mass use of the tank has restored to war the element of mobility which it lost on the western front during the World War. In order to win, it is now obviously necessary to give blows as well as to parry them, and there is general confidence that Weygand, the disciple of Foch, will lose no opportunity to put this doctrine into practice.

A brief visit to the Aisne Front two or three days ago conveyed a few at least negatively reassuring impressions. There were no signs of panic or demoralisation among soldiers or civilians. The roads between Paris and Verdun were remarkably free from refugees, so that intensive military traffic could proceed unhindered.

Officers at the front were convinced that, severe as the German blow had been, it had taught certain useful lessons for the future. A machine gun capable of quick adjustments has been found efficacious against the low-flying aeroplane. The huge German tanks, impervious to the fire of ordinary anti-tank guns, can be smashed by the famous quick-firing French 75's and also by cannon of smaller calibre. And, of course, there has been an element of hardening under pressure, of becoming accustomed to offensive methods which, at the outset, possessed the quality of surprise which was attached to the use of gas and tanks in the World War.

Severe Economic Losses

No one has been thinking much of the economic losses entailed by the German invasion, just as a person whose life was in danger during a fire or an earthquake would not be likely to make an inventory of his property damages. But these economic losses have been heavy. The regions now under German occupation account for 70 per cent. of France's output of coal, for 90 per cent. of its textiles, apart from silk, for 65 per cent. of its sugar and the same percentage of industrial alcohol, for 12 per cent. of its iron and 16 per cent. of its steel.

The serious character of this picture is enhanced by the fact that 77 per cent. of France's iron and 70 per cent. of its steel come from the two Departments of Moselle and Meurthe et Moselle. While these latter Departments, covered by the Maginot Line, have not been penetrated except on the extreme outer fringes, the closeness of the front has caused the evacuation and stoppage of a number of their industries.

It has sometimes been said, in relation to the Sino-Japanese War, that China has sacrificed space to gain time. The French hope that the same principle may hold good in regard to their own struggle, that the vastly superior resources of the British and French Empires and of the United States will come into play after the first violence of the German onset has been checked. But France, with its modern network of railways and good roads and its comparatively small area, is not China, and there is a definite limit beyond which retreat could not be carried out with much prospect of ultimate victory. The supreme test, which seemed so unreal and far away during the eight months of shadow-war, may well now be a matter of a very few months, perhaps even of a very few weeks.

June 1st.

THE COMMERCIAL BANK OF SCOTLAND LIMITED

Incorporated by Royal Charter and Act of Parliament

PAID-UP CAPITAL . . . £2,250,000

RESERVE FUND . . . £3,150,000

ESTABLISHED 1810

United States Defence

[FROM OUR NEW YORK CORRESPONDENT]

ON May 16th the President asked Congress for appropriations approximating \$1,200 millions, nearly evenly divided between the Army and the Navy. The greatest emphasis was upon the proposed increase of the air force to a figure of ten times its present strength, but the other elements of the programme are capable of more rapid realisation. This appropriation is to be supplementary to the authorisation of about \$2,000 millions already outlined in the Budget, and brings the total allocated to national defence in the coming fiscal year to above \$3,000 millions.

On May 10th (the day of the invasion of the Netherlands)

BUSINESS INDICES (1923-5 = 100 (Unadjusted))

	April, 1939	March, 1940	April, 1940*
Industrial production (total) ...	95	106	104
Manufactures (total).....	96	105	103
Durable	84	102	99
Non-durable	106	108	106
Minerals.....	87	112	111
Construction contracts (total) ...	76	63	71
Residential.....	68	60	71
All other	83	65	72
Factory employment (total)	94.1	100.8	...
Durable goods	84.8	96.4	...
Non-durable goods	103.0	105.0	...
Factory payrolls (total).....	85.5	98.2	...
Durable goods	79.5	97.5	...
Non-durable goods	92.2	99.0	...
Freight car loadings (total)	58	67	67
Miscellaneous	72	74	76
Department store sales.....	88	86	86
Department store stocks	69	71	...

* Preliminary.

the share market developed acute weakness; since that date it has experienced one of the most severe declines ever recorded in an equal period of time. This weakness was communicated to the bond market (except Government securities and the highest grade corporates), and to a lesser extent to the commodity market; the break in wheat was so severe

that it was considered advisable to establish minimum prices. This decline has carried the averages back to about the level of April, 1939, and has more than erased the entire rise that took place last September in the "war market." There was no margin position to be liquidated; consequently it is argued that the deflationary consequences which have been the invariable sequel of comparable declines in the past will be avoided.

The actual business developments during April were not unfavourable. There was a small decline in the index of production, but much less than in any recent month; and during May it appears that the April level has been maintained or slightly improved.

Though the April figures are a little below those of March, they are about 10 per cent. above those of April last year. The increase is mostly accounted for by automobiles and steel. Automobile production was very high in April, but by the end of the month there was some evidence of over-stocking and price concessions appeared, with the intent of moving the market.

New York and Beyond

New York City has been almost continuously depressed since 1929, while in some parts of the country there is strong evidence that conditions are more prosperous than in the gala days of the New Era. This disparity is rather clearly marked in the data on debits:—

DEBITS TO INDIVIDUAL ACCOUNTS

(\$'000,000,000)

New York City

	\$		\$		\$
Nov., 1938	12,425	Mar., 1939	16,274	Jan., 1940	14,739
Dec., "	18,879	Apr., "	13,311	Feb., "	12,138
Jan., 1939	14,533	Nov., "	13,041	Mar., "	15,201
Feb., "	12,380	Dec., "	17,633	Apr., "	15,519

The rather strongly marked quarterly increases are partly tax rates and partly interest and dividend payments. But comparing recent months with the same months a year earlier, there is no evidence of any such upturn in production as was shown in the business indices. Even the strong Christmas trade did not raise the 1939 figures above the low level of a year earlier.

140 Cities Outside New York

	\$		\$		\$
Nov. 1938	17,039	Mar., 1939	18,211	Jan., 1940	19,978
Dec., "	21,087	Apr., "	16,832	Feb., "	17,344
Jan., 1939	17,860	Nov., "	18,636	Mar., "	19,537
Feb., "	15,201	Dec., "	22,386	Apr., "	19,250

Here, again, the figures do not show any such exaggeration as the production index last autumn; but there is also nothing indicative of the severe slump in the first quarter. After making allowance for the quarter dates and for Christmas, one still has the impression of a progressive movement, neither violent nor erratic, but well sustained. The dissimilarity in the combined New York and outside debits was formerly attributed to the consequences of the stock market, but over the period listed above only September, 1939, had any considerable stock market activity. It is difficult to reject the conclusion that the economy of New York City no longer runs parallel to that of the rest of the United States; and a pretty strong case can be made for the argument that the debits outside New York are a clearer, more consistent picture of the economy than the production index.

May 22nd.

Italy's Record Expenditure

[BY A CORRESPONDENT]

ON May 17th Signor Thaon di Revel, the Italian Finance Minister, made his annual review before the Senate. He gave revised estimates of revenue and expenditure during the current financial year ending on June 30th, putting revenue at 29,740 million lire and expenditure, ordinary and extraordinary, at the record figure of 56,140 million lire. If his estimate of the national income of 115,000 million lire is accepted, then even in a state of non-belligerency the Central Government alone, excluding local authorities, has been spending close on half the national income.

Draconian measures have already been taken to increase the yield of taxation. Tax collectors have not hesitated to use

unorthodox methods of extracting the maximum amount of money from private individuals. Loopholes through which taxation was being legally evaded have been closed. A tax is being imposed on incomes of over 12,000 lire which have benefited from war expenditure.

Nevertheless, the Finance Minister hinted at the possibility that new sacrifices might be required, and in the event of active participation in the present war they would certainly be necessary. It is, however, hard to see how the burden of taxation can be much further increased. Italy reached the stage of full employment some time ago. Measures to stop the rise in prices have been less successful than in Germany. Distrust of the currency is widespread. After five years of intermittent warfare, first in East Africa and then in Spain, few reserves are left. War with the Allies, unless it were a swift and victorious war, would bring the day of uncontrolled inflation very near.

May 24th.

Swiss Fears of Invasion

[FROM OUR GENEVA CORRESPONDENT]

SWITZERLAND experienced anxious days when important German concentrations along her border and other signs suggested that Germany intended breaking through. Though many inhabitants of the frontier districts hurriedly left their homes on their own initiative, the population remained calm and resolved. A few days before, the whole Army had been remobilised and, within twenty-four hours, the troops were all at their fighting stations. That mobilisation concerned about one-third of the Army which was on leave, as nearly 300,000 men were permanently guarding the frontiers.

The invasion of Holland and Belgium was a lesson for the Swiss, who at once took drastic measures with a view to coping with the fifth column and parachutists. Local guards were formed of men no longer liable to military service, of young men who already had some musketry training, and of members of the rifle clubs. Nearly 500,000 volunteers were thus recruited, who are patrolling the country day and night

with the police and special anti-parachutist army units. Switzerland has thus over one million armed men at her disposal, a splendid effort when one remembers that the population barely exceeds four millions.

At the same time, all foreign residents were ordered to hand over to the police any firearms and ammunition they possessed, and almost all willingly complied with the Government order. Though travelling by train and motor car remains unrestricted, the police and soldiers are stopping all passers-by on the roads and even in the towns, and foreigners are not allowed to move their residence from one Canton to another without a special permit. These measures have already made possible the discovery and arrest of a number of people who had so far escaped the control of the police or had no passports. Special measures have also been taken with a view to preventing foreign seaplanes from landing on the lakes.

Effect on Banks

The invasion menace resulted in heavy withdrawals from the banks, but there was no limitation on withdrawals, and the run did not last long. The report of the National Bank of May 15th shows that banknote circulation increased by Frs.162 millions and reached Frs.2,169 millions. That amount is less than that recorded at the time of the Sudeten crisis or in August, 1939. On the other hand, the gold reserve decreased by Frs.70 millions and stood at Frs.2,054 millions, so that it represented 73.76 per cent. of the banknote circulation, and, together with foreign currencies, it represented 98.79 per cent. of the engagements of the Bank. Since then banknote circulation has risen by a further Frs.56 millions, while the gold reserve showed a new drop of Frs.72 millions.

The threat to Switzerland has now somewhat abated, but precautionary measures have not been relaxed, and the Swiss people are more than ever unanimously resolved to defend their country and their liberties to the last drop of their blood. That is further proved by a manifesto issued by the Swiss Socialist Party, which says that all Swiss workers are ready to sacrifice themselves for the defence of the country and of freedom.

May 27th.

TURKS MAKE TALK



What a difference the accompaniment of fine Turkish cigarettes makes to the progress of a conversation! No other cigarettes can match their subtle, inspiring aroma. And yet you can buy them at the same price as ordinary Virginias if you ask for

De Reszke TURKS

THINGS YOU OUGHT TO KNOW. Turkish tobacco, of which the British Government have made large purchases from our ally Turkey, is the finest cigarette tobacco the world produces. The 'chain smoker' can confidently take to Turkish, which have less than half the nicotine content of Virginia cigarettes.



THE CHASE NATIONAL BANK

OF THE CITY OF NEW YORK

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

HEAD OFFICE: PINE STREET CORNER OF NASSAU, NEW YORK

Main London Branch:
6 LOMBARD STREET, E.C.3

Bush House Branch:
ALDWYCH, W.C.2

West End Branch:
51 BERKELEY SQUARE, W.1

also

The Chase National Executors & Trustees Corporation, Ltd.
6 LOMBARD STREET, E.C.3

Paris Correspondent:

THE CHASE BANK

41 RUE CAMBON & 29 AVENUE GEORGE V

Difficulties in Egypt

[FROM OUR ALEXANDRIA CORRESPONDENT]

THE boom in cotton and securities which marked the last two months of 1939 had already passed its peak by the end of the year. The reaction that set in early in 1940 gradually gathered momentum until it assumed the proportions of a regular depression and finally culminated, with the threat of an extension of hostilities to the Mediterranean, in the closing *sine die* of the Alexandria cotton and cottonseed futures market. As to transactions in securities, they were almost brought to a standstill at the officially pegged prices.

The fact that there did not develop a severer slump which would have wiped out all the gains since the start of the war is due to the substantial advance in minimum prices effected since last autumn for securities and especially cotton. The tactics of successively raising the peg for cotton futures, which might have worked smoothly right up to the end of the season had the war remained localised, ended by creating a very embarrassing situation for the Government. Since the beginning of May there were growing indications that a vast amount of cotton and cottonseed would be tendered to the Government in the course of the following weeks, an operation entailing the immobilisation of large public funds at a time when national defence needs are putting an increasing strain on the Treasury.

By closing the futures market and ordering the liquidation of all outstanding positions, the Government will avoid receiving actual cotton at the minimum prices which, incidentally, had been fixed also for the next crop. The spot cotton market remains open, but without any hedge protection, and heavy losses are being sustained by holders as the forced uncovering of their cotton has coincided with a world

slump in cotton values. Normally, however, very little cotton should remain unsold by the end of this season.

With the decline in price of cotton, hopes of a substantial export balance in 1940 have receded. Although cotton is still higher than a year ago, the gain is offset by the rise in price of imported goods. Foreign trade figures read as follows:—

	First three months	
	1939	1940
	£E	£E
Exports	9,804,080	10,841,935
Imports	8,097,065	10,739,268

Great Britain's share in Egyptian imports compares as follows with that of her principal competitors:—

	First three months	
	1939	1940
	£E	£E
Great Britain	2,013,142	3,183,053
Italy	562,918	754,406
Japan	207,170	331,283
U.S.A.	543,390	1,040,507

Up to last month the war had borne very lightly on Egypt. Economic gains accruing from hostilities by far exceeded inconveniences. Most domestic produce, especially foodstuffs, was only slightly dearer than before September, 1939; rationing was, and still is, unknown; labour was very peaceful. Defence measures scarcely interfered with civilian activities. With its easy-going nature, the nation tended to lose sight of the wider issues and increasingly to indulge in political squabbles. The present dramatic turn of events has, therefore, come as a shock, and the inherent perils of the situation have been brought home to the mass of the city population by the swift tightening of control in many walks of life.

May 20th.

Books and Publications

Shorter Notice

"Feeding the Nation in Peace and War." By George Walworth. London. Allen and Unwin. 546 pages. 18s. net.

The experience gained by the co-operative societies in the marketing of staple foodstuffs gives their managers a most wholesome respect for the wishes and purchasing power of the consumer. In support of his criticism of the marketing boards, with their emphasis on profits plus costs of production, and of the delay in introducing food rationing at the outbreak of war, Mr Walworth marshals an imposing array of facts and statistics, not always entirely relevant. His constructive proposals for reform also lack definition and detail, though the principles on which they are based are only too often ignored both in Whitehall and in the distributive trade itself.

Books Received

A Survey of the Social Services in the Oxford District. Vol. II. Local Administration in a Changing Area. By the Survey Committee of Barnett House, Oxford. (London) H. Milford. 494 pages. 21s. net.

THE ROUND TABLE

A Quarterly Review of the Politics of the British Commonwealth

THIRD WAR NUMBER
LEADING CONTENTS FOR JUNE:

THE DECISIVE HOUR
THE STRATEGY OF THE WAR—III
FINANCIAL AND ECONOMIC REALITIES
FRANCE AND THE FRENCH ARMY
THE AMERICAN MOOD
A SKETCH-MAP OF SOUTH-EAST EUROPE
SHIPPING CONTROL

Also articles from correspondents in Great Britain, Ireland, India, Canada, Australia, South Africa, New Zealand.

Price 5/- per copy or 20/- per annum. Post free

To be obtained through all Booksellers, Newsagents, and at
MACMILLAN & CO., LTD., LONDON, W.C.2

Wartime Economics. By E. R. Walker. (London) H. Milford. 174 pages. 5s. net.

Geography of the War. By J. F. Horrabin. (London) Gollancz. 144 pages. 3s. 6d. net.

Trustee Savings Banks Year Book, 1940. (Fakenham, Norfolk) Wyman and Sons, Limited. 228 pages. No price stated.

Les Nouveaux Courants de la Théorie Economique aux Etats-Unis. Vol. II. Second edition. By Gaétan Pirou. (Paris) Les Editions Domat-Montchrestien. 230 pages. 85 frs.

Methods of Collaboration between the Public Authorities, Workers' Organisations and Employers' Organisations. International Labour Office. (London) I.L.O., 12 Victoria Street, S.W.1. 346 pages. 7s. 6d. net.

Foreign Exchange Practice and Policy. By F. A. Southard. (London) McCraw-Hill Publishing Company. 215 pages. 16s. 6d. net.

A Lasting Peace. By M. Garnett. (London) Allen and Unwin. 288 pages. 7s. 6d. net.

Official Publications

Registrar-General's Statistical Review of England and Wales for the Year 1938. Tables. Part I. Medical. 6s. net.

Final Report on the Fifth Census of Production and the Import Duties Act Inquiry, 1935. Part III. The Food, Drink, and Tobacco Trades, The Chemical and Allied Trades, Miscellaneous Trades. 9s. net.

Bankruptcy, 1938. 56th General Annual Report by the Board of Trade. 9d. net.

Army Appropriation Account, 1938. 1s. 3d. net.

Eighty-Second Report of the Commissioners of H.M. Inland Revenue for the Year ended March 31, 1939. Cmd. 6099. 1s. 3d. net.

Air Services Appropriation Account, 1938. 1s. net.

Development Fund Accounts, 1938. 2d. net.

The German Aggression on Norway. Authorised English Translation of the White Paper issued by the Norwegian Government on April 14, 1940. 1d. net.

Second Report from the Select Committee on National Expenditure. 4d. net. *Fourth Report from the Select Committee of National Expenditure.* 1s. net.

Report of the Commissioner of Police for the Metropolis for the Year 1939. Cmd. 6201. 1s. net.

THE BUSINESS WORLD

Life Assurance Problems

IT has been said that life assurance is an amalgam of the law of averages with compound interest. The analogy is useful even if it ignores such factors as security values and expenses which have a subsidiary place in the equation—because it underlines the two main ingredients which are most affected by war. The destructiveness of total war upsets calculations based on the law of averages as applied to vital statistics, and its enormous cost means that assumptions regarding interest earnings may be falsified.

Two main problems confront the life offices to-day. They must face the possibility of large claims through war deaths, against which premiums until recently have made no specific provision. Secondly, they must adapt themselves to a net rate of interest lower than any previously recorded.

Of these twin problems, the second has received more actuarial discussion. Possibly actuaries, like other people, have been disarmed by the first quiet eight months of war, when war mortality was slight. They may have drawn comfort from experience "last time," for claims arising from war deaths in the last war were much less serious than, for example, difficulties caused by the depreciation on securities. If, however, present mortality expectations were based, in any significant degree, on such analogies they might well prove misleading. But in fact actuaries could advance more solid reasons for relegating the problem of war mortality below that of wartime interest rates—reasons which may explain their gratuitous undertaking of the war risk on all new policies underwritten up to September, 1939. They might stress the relatively small volume of assurances on the lives of men in the twenties who would form the bulk of combatant casualties. They may argue that estimates of civilian mortality are likely to be excessive, and that those involved would comprise a fair proportion of men in the older age groups, who have paid premiums for a considerable time and on whose account, therefore, the offices hold substantial reserves. They could show that with-profits contracts allow the offices to pass a part of the burden to the assured themselves. Finally, they would point out that, on new policies at least, the majority of life offices now demand extra premiums to cover the war risk.

The future will reveal the force of these various arguments. The fact remains that extensive war mortality affecting the life offices has fortunately not yet occurred. But the reduction in the rate of interest is not merely contingent—it has been operative since 1929. In 1938, the rate of interest earned on life funds was barely 3.95 per cent. after deduction of income tax. In 1939, it was in the region of 3.6 per cent. net. Already the yield on insurance investments has approached dangerously near the net rate of 3 per cent. still assumed by some offices for premium and valuation purposes. If a further increase in income tax is envisaged, the margin will become even more exiguous. The offices' tax liability is approximately equivalent to three-quarters of the standard rate. If income tax were raised to 10s. in the £ and gross interest rates remained unchanged, the net earned rate on the total funds could hardly exceed 3.1 per cent. The margin over assumed rates of 2½ per cent. and even 2½ per cent. would be smaller than a cautious office would like to contemplate. But even that tells only part of the story. The rate could be kept at 3.1 per cent., or thereabouts, only by virtue of the large funds invested on remunerative terms in the past. Present and future investments can expect no such return. Even the gross rate of 3 per cent. on gilt-edged is not, according to the Financial Secretary to the Treasury, to be regarded as "sacrosanct." And a gross rate of 3 per cent. on new investments means a net rate to the offices of only 2.2 per cent. at the present rate of tax and only 1.9 per cent. if tax is at 10s. in the £. Nor can far-

reaching relief be obtained by investment in other directions. The offices have at least a moral obligation to place funds in gilt-edged securities, and alternative outlets for funds which avoid undue risk are in any case extremely restricted.

In such circumstances the offices can do only two things: they can charge higher rates on new policies; and they can reduce the bonuses on existing with-profits policies, though holders of without-profits policies must continue to receive their fixed return. Increased premium rates for new policies were, in fact, well in evidence early in 1939. They applied at that date mainly to without-profits assurances, since for with-profits policies the offices could rely largely upon their power to vary bonuses. But the movement has now gone further. There is hardly a life office whose non-participating rates have not been increased since early 1939, and many have raised their with-profits rates also, though to a smaller degree.

The following table gives the rates of a number of representative offices on typical without-profits policies on May 1st in each of the years 1938 to 1940:—

LIFE ASSURANCE RATES PER CENT. OF SUM ASSURED FOR MAN AGED 30 YEARS (WITHOUT-PROFITS POLICY FOR £500)

	Whole Life			15-Year Endowment		
	1938	1939	1940	1938	1939	1940
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Alliance.....	1 14 4	1 14 4	1 16 10	5 17 11	5 17 11	5 17 8
Commercial Union..	1 12 6	1 15 0	1 15 0	5 13 6	5 17 8	5 17 8
Eagle Star.....	1 12 10	1 14 3	1 14 3	5 13 8	5 15 8	5 17 8
Equity and Law....	1 11 8	1 13 4	1 16 8	5 13 8	5 15 8	5 17 8
Friends Provident..	1 12 11	1 14 3	1 14 3	5 15 7	5 17 8	5 17 8
Legal and General..	1 13 10	1 14 3	1 14 3	5 16 3	(a)	(a)
London Assurance..	1 13 4	1 13 4	1 15 10	5 15 9	5 15 9	6 0 3
N. British and Mer.	1 13 3	1 14 3	1 16 9	5 16 10	5 16 10	6 0 4
Northern.....	1 12 9	1 12 9	1 16 9	5 16 7	5 16 7	6 0 1
Norwich Union.....	1 12 5	1 14 3	1 16 9	5 16 4	5 17 8	6 1 3
Phoenix.....	1 13 1	1 14 1	1 16 7	5 19 10	5 19 10	6 3 4
Prudential.....	1 13 8	1 13 8	1 15 8	5 16 8	5 16 8	5 18 8
Royal.....	1 13 2	1 13 2	1 14 4	5 16 2	5 16 2	5 17 8
Scott. Union and Nat.	1 13 9	1 15 2	1 17 2	5 16 1	5 18 3	(a)
Scottish Widows'...	1 11 11	1 12 5	1 12 5	5 14 0	5 15 6	6 0 0
Standard.....						
Percentage increases on 1938	...	2.5	7.2	...	1.0	3.3

(a) Rates not quoted in prospectus.

Over the first year from May, 1938, the average increase in rates on the whole-life policy selected for this example was 2.5 per cent. Over the two years, the increase was 7.2 per cent. The corresponding figures for the 15-year endowment, where compound interest accumulates for a shorter period, were 1.0 per cent. and 3.3 per cent. respectively. For some other types of whole-life policies increases in premiums are much more pronounced. Thus, on a limited payments whole-life policy, where an assured pays only a fixed number of annual premiums, say twenty, and the sum assured usually becomes payable a considerable time after the last payment, the average increase in rates for a man aged thirty amounts to 11.8 per cent. over the two years 1938-40. Further, certain policies, such as family income insurances, are not encouraged, and many offices will not quote a rate for very short term policies. On new with-profits policies, rates have also risen, though a few offices have not yet followed the majority in adjusting their premiums on this class of business.

This rise in premium rates cannot be regarded as extreme, for the most usual net rate of interest assumed by the offices in their premium calculations is probably 2½ per cent., and when this rate is compared with the net rates now obtainable on new investments, it would seem that the upper limit of premiums has not been reached. The offices naturally cannot

—and do not—expect to transact new business in 1940 of even last year's reduced volume, but at least they are not

BONUS DECLARATIONS AT PERIODICAL VALUATIONS

Office	Previous Bonus	Year of Previous Declaration	1939 Bonus
	Per cent.		Per cent.
Britannic	38—(s)	1938	25—(s)
Friends Provident and Century	35—(c)	1934	Nil
Guardian	Special basis*	1934	20—(c)
Law Union and Rock	32—(c)	1934	Nil
London Life	35—(c)	1938	Nil
National Provident	Special basis*	1936	20—(c)
North British and Mercantile	36—(c)	1935	20—(c)
Pearl	40—(s)	1938	30—(s)
Prudential	W.L. 46—(s) E. 40—(s)	1938	W.L. 34—(s) E. 30—(s)
Refuge	36—(s)	1938	Nil
Royal	45—(s)	1934	30—(s)
Wesleyan and General	38—(s)	1938	20—(s)

W.L. = Whole Life. E = Endowment. (s) = Simple. (c) = Compound. Not comparable with latest bonus, but higher in each case.

Courtaulds and British Celanese

AMONG "blue chip" British industrials, Courtaulds has many unique features. Their origins date from the company's dramatic discovery, when its research resources were almost exhausted, of the process which founded a new world-wide industry and made its own fortune. Vigorous use was made of its pre-eminence to foster a geometric increase in rayon consumption, by drastic price reduction, when numerous competitors were tempted to enter its field in the late 'twenties. It has subsequently pioneered new "derived" products like staple fibre, "Cellophane" and nylon. These features explain the hold which Courtaulds has gained on even the most conservative of British investors.

By contrast, the shares of British Celanese, preference and ordinary, have drawn their clientele from more speculative quarters, and critics—including *The Economist*—have said hard things of the way in which fortune has consistently remained beyond the company's grasp. Times change, however, and companies with them; and the working arrangement reached in February, 1939, after years of fierce competition between the viscose and acetate sections of the industry (represented chiefly by Courtaulds and British Celanese), invited a revision of traditional investment standards before the war broke out. The following table gives the background for that all-important agreement.

PROFITS, PRODUCTION AND PRICES

	1929	1931	1935	1936	1937	1938	1939
Courtaulds:							
Profit (£'000) (a) (b)...	6,224	3,133	4,169	3,145	3,430	500	2,599
1929 = 100	100	50	67(b)	51(b)	55(b)	8(b)	42(b)
British Celanese:							
Profit (£'000) (a) (c)...	771*	200	992	926	760	524	681
1929 = 100	100	26	129	120	99	68	88
General Figures:							
Brit. Rayon Yarn Output (million lb.)	52.7	52.7	112.3	116.8	119.7	106.4	116.0†
1929 = 100	100	100	213	222	227	202	220
Price (per lb.) (d) \ Viscose	7s. 1d.	4s. 9d.	3s. 3d.	3s. 3d.	3s. 3d.	3s. 2½d.	3s. 3½d.
Acetate	7s. 10d.	6s. 4d.	3s. 6d.	3s. 6d.	3s. 6d.	3s. 6d.	3s. 8d.
"Prosperity Index" (e)	100	67	99	107	111	99	114

* Sixteen months to June 30, 1930, reduced to equivalent twelve months' rate. † Estimated. (a) After depreciation; calendar years for Courtaulds, twelve months to June 30 (approx.) for British Celanese. (b) Comparability of figures is affected by change in accounting practice. (c) Profit up to 1935 is shown before, subsequent figures after, deduction of excise duty. (d) After deduction of general expenses, etc. (e) Prices of representative quantities. (f) Index of rayon yarn production % viscose price index, with adjustment, 1935 onwards, for production of staple fibre (rising from 11,520 thous. lbs. in 1935 to 60,000 thous. lbs. estimated in 1939, at average selling price of 10d.-11d.).

Between 1929 and 1935 rayon yarn output was doubled, but average selling prices were halved. Subsequently, prices have been steadier, but the sharp rise in production has been checked. From the "prosperity" index for the industry it appears that during the last decade the trend of net returns in the industry has been much less progressive than has been generally supposed. The profits of the leading companies have fluctuated widely, but in fact British Celanese profits have shown greater stability, and have come nearer to maintaining the "prosperity" level of 1929 than have those of Courtaulds, though comparison is, unfortunately, largely vitiated by the deduction, from 1935 onwards, of an undisclosed amount for excise duty from Courtaulds' profits.

unduly deterring it by current premiums. A further advance in premiums can hardly be avoided, at least by some offices.

For with-profits policies, assured persons who have shared in the fortunes of the life offices when times were good must now bear an equitable part of the burden when times are bad. The bonus declarations of the offices whose valuations fell at the end of 1939 show how this principle has been applied. These are given opposite.

A few offices have been able to maintain surprisingly large bonuses, considering, firstly, that many of them reduced the rate of interest assumed in their calculations (this is the equivalent of increasing their reserves), but, secondly, that the offices have also had to write off, in many cases, some depreciation on investments. But if there is one saving feature in the present situation, it is that the Government's war borrowing policy should strictly limit, if it may not avoid altogether, any depreciation on gilt-edged securities. To holders of life policies—especially of the with-profits type—and to shareholders in life companies, this is an extremely important factor, which may partially compensate them for the other adverse features of the life assurance situation.

If past results for British Celanese have been criticised as "disappointing," the explanation, it would seem, is twofold. First, investors have been encouraged to expect a higher return than the company has been able to secure. Secondly, the company's capital, unlike that of Courtaulds, includes prior charges and preference shares to a total which can only be regarded as disproportionately heavy in relation to the level of earnings actually achieved. The effect of the respective capitalisations of the two companies, in determining the market's attitude, may be surmised from the figures below:—

COURTAULDS AND BRITISH CELANESE: THREE YEARS' FIGURES (Amounts in £ thousands)

	Courtaulds (Dec. 31)			British Celanese (June 30 approx.)		
	1937	1938	1939	1937	1938	1939
Earned for deb. service	...	...	...	451	220	260
Required for deb. service	...	...	...	207	191	186
Earned for pref. div.	2,274	352	1,581	217	26	74
Required for pref. div.	300	290	260	370	358	321
Earned for ordinary	1,974	62	1,321	...	...	...
Paid on ordinary	1,890	696	1,128	...	...	...
Earnings (per cent.)	11.0	0.4	8.2	...	...	...
Paid (per cent.)	10½	4	7	...	...	...
Balance sheet figures:—						
Surplus liquid assets	13,957	11,847	11,307	1,860	1,896	2,264
Fixed assets*	27,340	29,438	30,009	9,712	9,546	9,278
Intangibles:—						
Commutation of royalties	...	...	...	978	917	856
Advertising and Research exp.	...	...	...	223	227	173
Profit (see first Table) as per cent. of fixed assets	12.5	1.7	8.7	7.8	5.5	7.3

Note.—Earnings (in £'000) are shown after income tax. * Less depreciation and specific reserves; including, for British Celanese, goodwill and patents valued at £1,913,000 in each year.

Even in 1938, when Courtaulds' profits fell to an abnormally low figure, preference dividend requirements were covered with something to spare, while in 1937 they were covered over seven times, and in 1939 about six times. In the case of British Celanese, however, little was earned for either class of preference capital in the unfavourable year 1938, while only 67 per cent. and 23 per cent. of total cumulative preference dividend requirements were covered in 1937 and 1939 respectively. Neither company has recently been short of working capital, though British Celanese has nothing comparable to the handsome gilt-edged portfolio of Courtaulds. But the profits return, expressed as a percentage of the written-down book value of fixed assets, is not so very much lower in the case of British Celanese than of Courtaulds, and the comparison would be still less unfavourable if nearly £2,000,000 of goodwill, now included among British Celanese assets, were omitted. The latter's balance sheet, in fact, is over-weighted on both sides. Its ordinary capital has never received a return, while its cumulative preference capital has hung a heavy millstone of arrears on the company's neck. On the other side, about £3,000,000 of "assets"—goodwill, commutation of royalties, advertising and research expenditure—have been unrepresented by earning power and might have been eliminated many years ago.

The effect upon a true investment comparison between the securities of the two companies of differences in their nominal capitalisation is evident from the next table:—

SHARE PRICES AND YIELDS

Security	Amount Outstanding	Denomination	Price	Yield	Arrears of Dividend
Courtaulds:—					
5% cum. pref. stk. ...	8,000,000	£1	22s. 6d.	4.4	None
Ordinary stock	24,000,000	£1	26s.	5.4*	...
British Celanese:—					
7% 1st. mort. deb. stk.	191,694	£100	109½	6.4	...
5½% mort. deb. stk.	2,754,243	£100	102½	5.3	...
7% cum. 1st. pref. sh.	2,500,000	£1	17s. 6d.	8.0	All paid
7½% part. 2nd cum. pref. sh.	4,250,000	£1	11s. 10½d.	...	9 years = 13s. 6d. gross
Ordinary sh.	2,211,333	10/-	3s. 0d.	...	...

* 6.3 per cent. on earnings.

The market values Courtaulds' ordinary stock at little more than a 5 per cent. basis, which in these times testifies to the investors' faith in the management. In the case of British Celanese, however, the 5½ per cent. debenture stock, which now has virtually a first charge on earnings, is a high-yielding industrial debenture, while the 7 per cent. first preference shares are still below par, despite the laborious over-taking of accumulated arrears. The 7½ per cent. participating second preference shares—the real equity security at the present level of earnings—are valued at less than the gross total of their nine years' arrears of dividends, which the management intends to fund as soon as conditions allow. The ordinary shares, which in their time have been over £6, are a

gambler's counter—at a price for which even a specious mathematical basis can hardly be found.

So far as it is possible to make any prophecy, it would seem that a thorough-going "clean-up" of the British Celanese balance sheet, writing off merely historical assets, and transforming preference capital on a graduated scale into one written-down class of ordinary capital (with some solatium for the existing ordinary shareholders) might give the company a representative investment position. Other companies in different trades, whose shares now enjoy established rank, have gone through the same mill. Its book-keeping character would not affect the company's earning power by one iota.

Both Courtaulds and British Celanese have a reasonable prospect of emerging from the war in a good position. Their plant capacity, since the period immediately preceding hostilities, has been well employed; the price level is firm; and wartime demand for their products (both for home demand and as part of an export drive) is likely to be well maintained. Their difficulties are likely to lie rather on the side of labour and—particularly—of raw materials, though a shortage of wood pulp would affect Courtaulds more than British Celanese. Courtaulds could, apparently, substantially increase both its profits and dividends above last year's level without becoming liable for Excess Profits Tax. If British Celanese secured an E.P.T. standard of anything like 6 per cent. on its paid-up ordinary capital it would be in clover. But war is hardly the time for carrying through major capital reconstructions. For the present, the first—and still more the second—preference shares of British Celanese are of interest chiefly to the speculative investor, with the tide running in their favour. But a price of 3s. seems distinctly high "option money" for the 10s. ordinary.

Finance and Banking

Circulation Record

The easier conditions experienced in the money market are fully reflected in the latest Bank return. Bankers' deposits have risen by £23,882,000 over the week to the ample total of £118,790,000. War loan dividend disbursements are in the main responsible for this movement, whose principal counterpart is thus to be seen in a reduction of public deposits. These are down by £22,503,000 on the week. The outstanding movement revealed by the Bank return is, however, the continued expansion in the note circulation, which over the week to last Wednesday rose by £12,398,000 to the new high record of £569,262,000. This movement may in part reflect the customary end-of-month influences, but in the main it must be attributed to the increased demand for currency, both by the public and by the banks, owing to the prevailing uncertainty. It may be assumed that the appointment of Regional Banking Commissioners, of whom Mr Atlee spoke in his remarks on the inclusion of the banks within the scope of the Emergency Powers Act, would imply a potential division of the banking structure, which, in turn, would involve a greater immobilisation of currency than obtains when the whole system of issue is centralised. One of the main problems to be considered in the event of an emergency that would necessitate government by district commissioners would be the provision of currency to each of the areas concerned. The banks have, no doubt, begun to make preparations for such an eventuality by strengthening considerably their holdings of till money in selected branches. The expansion in the circulation has almost obliterated the reserve of notes in the banking department. Last Wednesday these had fallen to £10,974,000, so that another week's expansion at the latest rate would clean out the reserve. In the circumstances another increase in the fiduciary circulation seems to be imminent. The big increase in the circulation would have had a pronounced effect on the monetary situation had it not been almost exactly offset by an increase in the Bank's holding of Government securities.

Towards Tighter Exchange Control

Free sterling continues to hold up well in the face of the rapid sequence of critical developments in the military situation. The rate in New York hovers around 3.20. With the Continental markets virtually closed and with little or no American capital remaining invested in sterling, the flow of sterling to the free market is almost exclusively restricted to the operations sanctioned through Form E.1, a flow over which the authorities have complete control. The main exception to this is the business in free sterling which

is of speculative character. New York and Far Eastern centres such as Shanghai continue to provide modest facilities for such speculation which must ultimately be based on overdraft facilities in London. The volume of such business is small, but none the less the infringement in the Defence regulations which its existence implies deserves the closest scrutiny of our authorities. The size of the free market is almost certain to suffer still further curtailment by an early extension of the list of commodities of which the export from the sterling area can only be made against payment in hard currencies—i.e. in United States dollars. With the rapid swing of opinion in the United States it should be possible to tackle with great hope of success the problem of concluding a commercial *cum* payments agreement between the sterling-franc countries and the United States. If that could be achieved the free market in sterling would have virtually disappeared and the whole problem of effective exchange control in this country would have been immeasurably facilitated.

Keen Bidding for Treasury Bills

With the promise of much easier conditions in the money market following the War Loan dividend disbursements, the applications for Treasury bills at last week's

KANSALLIS - OSAKE - PANKKI

(NATIONAL JOINT STOCK BANK)
ESTABLISHED 1889

PAID-UP CAPITAL AND FMK
RESERVES - - - 545,000,000
DEPOSITS AND CREDIT
BALANCES December, 1938 4,436,000,000

Head Office : HELSINKI (Helsingfors) FINLAND

Our large network of branches, comprising 208 BRANCHES, ensures prompt and efficient execution of your collections and payment orders

Telegraphic Address : KANSALLISPANKKI

tender suddenly jumped to record proportions. For the £65 millions of bills on offer the total applications amounted to £131,305,000, and the discount market syndicate had to be content with an allotment of 30 per cent. of its quota. As far as may be gauged from the outcome of Treasury bill tenders at quarterly intervals from this period there should be no special concentration of semi-official applications for bills at the present time. The factor which more than any other helped to swell the volume of applications at the latest tender was the hope that a reduction in short money and discount rates was imminent. On the expectation of a quick ½ per cent. turn on bills, there was probably a considerable volume of outside applications for the bills. The successful application price for the Treasury bills is now stereotyped at £99 14s. 10d., giving an average rate of discount of about 1½ per cent. There it will stay until there is a change in the basis of money rates, and this looks highly improbable over the near future. With the weekly offerings of Treasury bills now running at £15 millions in excess of maturities, the outstanding total of bills offered through the tender is rapidly climbing back towards the high levels of over £800 millions touched in the earlier weeks of this year. More interesting, however, is the rapid expansion which has in recent weeks been taking place in the total of tap bills. From a figure of £636,500,000 on April 20th last the total of these bills had by the end of last week jumped to £787,500,000—easily the highest level ever reached by them. This movement could be explained in three possible ways. The first is that the Exchange Equalisation Account may have been selling gold at a fair rate over recent weeks. The second is that the intervention of various public departments in the last issue of War Loan cannot have been considerable or that, if it was, there have been opportunities of unloading a fair amount of the stock in the market. The third is that funds may have been accumulating in extra-budgetary accounts at a rapid pace in recent weeks. Between them these three in-

fluences provide an adequate explanation of the considerable expansion in tap Treasury bills over the past six weeks.

Gold Exodus from Europe

The most massive international gold movement of all times has been proceeding during the past fortnight. It involves the transfer to Canada and the United States of the bulk of the gold reserves of Great Britain and France as well as the gold held here for Dutch, Belgian and Swiss official account. Most of the gold is, according to the United States reports, being sent direct to Canada. Since the shipments are made on Government account the problem of insurance does not enter into the operation, and the movement of the metal can therefore be concentrated to a degree which would be unattainable if the saturation point of the insurance market were its limiting factor. Thus in two days including Monday last, the amount of gold which arrived at the Federal Reserve Bank of New York totalled about \$500 millions. It need hardly be pointed out that this gold is being sent to Canada and the United States for earmark and safe custody and is not being sold to the United States Treasury against dollars. Such sales will continue to be made as in the past when the dollar balances of the Allies require replenishment. They constitute a far more modest current than that indicated by the size of recent shipments. When the movement is completed, the United States, to which most of the metal must be sent, given its possession of the requisite safe-keeping facilities, will hold virtually the whole of the world's monetary stocks of gold either as owner or as custodian. Out of these results of *force majeure* one may begin to discern the outlines of a new gold clearing machinery operated from the United States, which may well form part of the international monetary system of the post-war period.

INSURANCE NOTES

Norwich Union Life.—Reckoned by premium income, the Norwich Union Life is the sixth largest life office in the country. Aided by a large inflow of new business—new sums assured were £10,301,048, against £11,755,700, a fall less than that shown by most offices—premiums rose in 1939 from £4,317,315 to £4,542,717. Claims by death compared satisfactorily with expectations. The rise of nearly £300,000 in maturities was due to the earlier growth of endowment assurances now expiring. On the side of revenue, interest earnings fell from 4.13 per cent. net to 3.90 per cent. net, as a result of higher taxation. Total expenses remained almost unchanged, a saving of first year's commission being nearly offset by a rise in other expenses, but owing to higher premiums the expense ratio declined from 14.8 per cent. to 14.1 per cent. These changes produced a rise in the life fund from £43.6 millions to the high figure of £45.4 millions. Total assets were given in the balance sheet as £50.5 millions. Investments are valued as follows: securities at or under market price; other investments at or under the figures taken at the last valuation in 1935; subsequent investments at cost or under.

Commercial Union.—The Commercial Union group transacts the second largest non-life business in the country. Its important accident portfolio brought in premiums of more than £8 millions last year, of which the Ocean, the largest subsidiary, accounted for nearly £5 millions. Premiums in the fire department totalled nearly £5.4 millions and in the marine department nearly £0.9 million. Including life and capital redemption business, the total premium income was almost £17.2 millions. Profits on accident account were helped by a satisfactory experience in American casualty insurance and the balance was rather larger than in 1938. Though the fire profit was in itself satisfactory, it was not quite so large as in the previous year. Thus, given the justifiably cautious decision of the directors to transfer from the marine account no more to profit and loss than

in the previous year (owing to the uncertainties of marine underwriting), the profit transfers from the three accounts totalled £800,000 against £900,000. New life business was reduced, but in no larger measure than for the offices as a whole. The net rate of interest earnings also fell, in common with the general experience, to 3.11s. 3d. per cent., against 3.14s. 3d. per cent. in 1938. The results are summarised below:—

	Earned Premiums 1938	Earned Premiums 1939	Profit Balances* 1938	Profit Balances* 1939
Fire ...	5,407,894	5,373,380	454,119	362,613
Accdt. ...	8,163,610	8,172,318	414,212	451,054
Marine ...	683,961	896,228	75,000	75,000
	14,255,465	14,441,926	943,331	888,667
Life and annuities	2,707,376	2,643,244	99,451	99,451
Cap. red. ...	73,844	72,232	4,000	4,000
	17,036,685	17,157,402		
Interest (ex. life, annuities and cap. red.) and fees			736,281	688,548
			1,783,063	1,680,666
Less added to addl. reserves from fire and accdt. underwriting balances			43,331	88,667
Transfers to profit and loss			1,739,732	1,591,999

* The profit balances are shown before transfers to additional reserves.

Of the amount credited to the profit and loss account, £225,000 was transferred to the general reserve fund, raising it to £4,561,234. This is in addition to the departmental reserves of £14,457,055, which are much larger than required for unexpired risks. After other outgoings, including taxation, had been allowed for, £480,109 was carried forward (compared with £580,524 last time). The dividend for 1939 is 6s. 6d., against 8s. for 1938 (per £1 share). The directors decided to limit the distribution to the amount of the non-life interest plus life profits, thus releasing the general underwriting profits to swell the reserves. This is a prudent decision, dictated by the desire to conserve the group's resources against the uncertain future. It is also in accord with the reduction effected in the interim bonus on policies becoming claims.

Liverpool and London and Globe.

—This company and the Royal, with their subsidiaries, form a group transacting the largest non-life business of any combination in the United Kingdom. Last year the group's premium income on fire, accident and marine insurance was more than £24 millions. Over £9 millions of this total was contributed by the Liverpool and London and Globe and its associated companies. They also produced a fire profit of 7.8 per cent. and an accident balance of 9.6 per cent.; the latter result, though lower than the corresponding 1938 figure, was especially satisfactory, in view of the difficulties confronting casualty insurance in the United States.

	Earned Premiums 1938	Earned Premiums 1939	Underwriting Profits 1938	Underwriting Profits 1939
Fire ...	3,871,423	3,815,835	332,251	297,248
Accident ...	4,878,727	4,762,710	536,911	457,104
Marine ...	345,658	545,782	3,138	...
	9,095,808	9,124,327	872,300	754,352
Life ...	1,006,732	1,018,071	28,000	28,000
Annuities ...	30,975	49,007	...	...
Cap. red. ...	29,658	11,021	...	...
	10,163,173	10,202,426		
Interest (ex. life, annuities, and cap. red.)			407,981	399,584
			1,308,281	1,181,936

Life premiums expanded slightly, but new sums assured, at £2,444,917, were lower than in 1938 (£2,851,415), as with other offices. Interest was 3.44 per cent. net, against 3.78 per cent.

The amount carried to profit and loss, as shown above, added to the sum brought forward, gave a total of £2,088,142. After meeting dividends for 1939 at the rate of 27s. less tax per share (unchanged) and debenture interest, providing for taxation, pension fund and writing off £50,000 of house property, £1,338,888 was carried forward, against £906,205. The total assets were valued at £33.9 millions, which after taking into account the contingency reserve, was less than actual values; securities were entered at or below cost.

Investment

Check for Gilt-edged

Gilt-edged, which had previously maintained their progress while the Battle of the Ports was raging, have this week failed to pursue the same confident course. The market has watched Italy hovering on the brink of war. And it has seen the resumption of the battle in France within a few days of the withdrawal of the B.E.F. Moreover, the first concerted air attack on England has reminded investors of the shape of things to come in the near future. The best description of this week's dealings is "difficult." Except in equities, which fell to their lowest level since the most acute stage of the 1932 depression, prices have not shown any serious downward movement. Old War Loan, which stood at 99½ on Friday last week, closed at 98½ on Thursday, but this fall mainly reflected a weak display on Wednesday, when the crucial battle on the Somme began, and the first reports of its progress were attended by some recovery in the Funds from Thursday's lowest levels. In the industrial market, the threat of bombing on industrial plants is apparently being taken more seriously, and a partial recovery in ordinary shares on the withdrawal of the Dividend Limitation Bill was not sustained. Sir Kingsley Wood's appeal to directors to observe the principle of the Bill, coupled with their natural prudence at this juncture, suggest that its withdrawal may not affect the dividend prospects of more than a handful of companies. In equities, however, it is proving difficult to deal in either direction. The market is soft and unresistant, but there is only the most limited volume of shares on offer. A marked change in war news could obviously transform the temper of the equity market, but for the moment its part is still to stand uneasily and wait. For gilt-edged, there is no reason why the present check should be anything but temporary, except on days when the news is markedly adverse.

Dividend Limitation Abandoned

The hard-hit industrial shareholder may be forgiven any complaint against the tergiversations of official financial policy, of which the fate of dividend limitation is even more remarkable than N.D.C. Mark I. Six weeks, to the day, elapsed between the first vague outline of the dividend limitation rules in Lord Simon's Budget and the withdrawal of the Bill by the new Chancellor on Tuesday. By the middle of May, when the Bill was published, its scope had become fairly certain, and except for inevitable cases of hardship (for which redress was promised) there was no general disagreement with its principles. Companies such as Ford Motor, British United Shoe Machinery and Marks and Spencer had already complied with its provisions, by altering previously announced dividends to conform with the proposed rules. Shareholders in Lever and Unilever N.V. had to content themselves with a lower payment than was intended, because the British company's dividend was restricted. Among the hard cases, William Denny and British Electric Traction were perhaps outstanding, and these companies had already announced their intention of appeal. But the Bill did at least provide a specific maximum basis for dividend payments. Its withdrawal has been accompanied by the expression of hope by the Chancellor of the Exchequer that the great majority of undertakings will follow out the "underlying principles" of the Bill. Only a fortnight ago, he argued that the measure would assist to counter inflation, to provide savings for the support of war loans, and to strengthen the finances of companies against post-war difficulties. These arguments still hold good, and doubtless most industrial companies will frame their dividend policy on the principle of the Bill. For the investor, however, there is little ground for expecting significant increases in cash dividends—bonus issues are to be banned for the duration—save in a limited number of special cases. Among the latter, British Electric Traction deferred, which was restricted to a 5 per cent. cash payment (subject to appeal) is an obvious example. But what new standard will the directors feel justified in adopting? Perhaps this question was partly responsible for the failure of the stock to maintain its rise from 520 to 610 on Wednesday. Similarly, the jump in Lancashire Cotton ordinary stock to 17s. 6d. was followed by a reaction to 15s., and the rise in West African gold shares suffered a similar fate.

What Basis for Equities?

In the four weeks since Hitler invaded the Low Countries, leading industrial shares have fallen to the lowest level recorded since June, 1932. Gilt-edged, on the other hand, have conceded only a small fraction of their wartime gains. The margin between the yield basis on gilt-edged stocks and that of representative industrial ordinary shares now shows a wild disparity compared with any normal standards. The Actuaries' Investment Index, from which the accompanying figures have been extracted, shows that the margin between the yield on Old Consols and representative industrials, which was little more than 1 per cent. in June, 1937, and no more than 2½ per cent. even at the end of last September, widened by the end of last month to well over 3½ per cent. In view of the Government's repeated assurances that wartime borrowing is to be carried out as cheaply as possible—even a 3 per cent. basis is not regarded as sacrosanct—gilt-edged yields provide the only safe measuring-rod, despite the reaction caused by the military news of the past month. The yield on Old Consols suggests

ACTUARIES' INVESTMENT INDEX YIELDS

	June 29, 1937	Dec. 30, 1938	May 30, 1939	Sept. 26, 1939	Dec. 29, 1939	Mar. 26, 1940	April 30, 1940	May 28, 1940
2½% Consols	3.35	3.56	3.60	4.04	3.66	3.46	3.37	3.45
Home Corporations	3.53	3.64	3.86	4.08	3.91	3.63	3.63	3.70
Debs. (all classes)	4.03	4.15	4.32	4.79	4.53	4.26	4.25	4.35
Preference (all classes)	4.21	4.65	4.66	5.26	4.94	4.64	4.66	4.87
Insurance	3.55	3.78	3.80	5.09	4.76	4.23	4.33	4.74
Aircraft	...	...	9.48	13.96	12.37	10.48	10.73	13.81
Coal	3.66	6.73	7.03	6.88	6.00	5.74	6.06	6.93
Iron and steel	5.03	7.57	6.48	7.74	7.14	6.65	6.72	8.14
Motors	4.95	6.38	5.78	8.49	7.67	6.61	6.24	7.25
Oil	6.19	7.72	6.56	6.45	6.66	7.01	7.05	8.50
Rails	2.74	9.65	0.34	0.50	0.34	5.00	5.21	8.68
Stores	4.01	6.22	5.43	7.15	6.89	6.86	6.49	7.71
Breweries	4.40	6.11	5.49	7.05	6.53	6.23	6.30	7.05
Miscellaneous	4.57	5.42	4.69	5.69	4.96	4.86	5.20	5.99
Industs. (all classes)	4.39	6.13	5.53	6.77	6.16	5.85	5.98	7.03

that the Government could still finance its longest-term requirements at 3½ per cent. or less. Low interest rates have been diffused through home corporation stocks, industrial debentures and preference shares. But there is no indication that ordinary shares as a whole are beginning to find similar support from low interest rates, though there is plenty of past evidence to show that they are capable of doing so. The explanation of unduly high equity yields—oddly enough they are highest for shares in the aircraft, iron and steel, and oil industries, which are of vital importance in the war effort—lies partly in E.P.T. and dividend limitation. Yet the equity market was not sorely afflicted by the announcement of 100 per cent. Excess Profits Tax nor, on the contrary, has it been greatly cheered by the withdrawal of dividend limitation. Does this mean that the equity market's troubles are based on uncertainty regarding future profits and dividends as a whole rather than their partial reduction by increased taxation? Possibly the Stock Exchange, by refusing to observe the customary yield differentials between equities and gilt-edged, is showing a more profound insight into the investment prospects of civil industry now that total warfare has opened, and industrial mobilisation is being developed.

New Zealand Conversion Offer

Conversion terms have been offered to holders of New Zealand 3½ per cent. conversion stock 1939-45 in accord-

A REASONABLE PRECAUTION

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

NATIONAL PROVIDENT INSTITUTION

for
MUTUAL LIFE ASSURANCE

ESTABLISHED 1835

48 Gracechurch Street, London, E.C.3

ance with the prospectus provisions of July 26th last year. During the periods June 5th-20th and December 5th-20th in each year commencing with 1940 holders have the right to convert one-half of their stock into 3½ per cent. stock 1949-54 and one-half into 3½ per cent. stock 1955-60, at rates announced at the time. For the first exchange period, these are £52 10s. of 3½ per cent. stock 1949-54 (*ex interest* due August 1st next) and £52 10s. of 3½ per cent. stock 1955-60 (*cum* six months' interest due October 15th) per £100 Conversion stock. The former stock is now quoted at 92-95 and the latter at 91-94, while the current quotation for the conversion stock 1939-45 is 98-101. Taking middle prices in each case, the holder of £100 of conversion stock valued at 99½ would be entitled to two holdings worth approximately £97 14s. (without adjustment for the relatively small amount of interest accruing on the 1955-60 stock). Thus the authorities would not appear to have framed the terms of the offer to attract any large volume of conversions. They may perhaps argue that future offers in December next and twice yearly until December, 1944, may provide more favourable opportunities. The signal improvement in New Zealand's credit during the past year and the strengthening of her exchange resources in London offer support for this view.

Municipal Conversions Ban

The Treasury is not disposed to relax its ban on the conversion of municipal loans. The Financial Secretary to the Treasury, making this statement last week, repeated many of the familiar arguments against lifting the ban. They are, at first sight, fairly convincing. Most of the loans are trustee issues, and, if they were converted, the underwriting machinery which must now be reserved for Government issues would be brought into play. Moreover, the loans appeal to the same section of the investing public as Government loans. Neither of these arguments is entirely convincing. If corporation loans compete with Government issues, as to some extent they plainly do, their competition must be all the more effective when they carry 6 per cent. interest than if they were reduced to a contemporary trustee investment return. And since the bulk of municipal loans is held by trustees and long-term investors, holders would be hard put to it to find alternative investments, save perhaps in the gilt-edged market itself, if high interest-bearing loans were converted to a lower rate. The danger that conversion offers might make inroads on the net new investment funds which are steadily mounting up for subscription to new War Loans is more apparent than real in our closed new issue market. If the problem, however, is one of fitting municipal conversion operations to the Treasury's convenience, there is more to be said for the prolongation of the ban. For it so happens that although nearly £13 millions nominal of 6 per cent. stocks are optionally callable for the first time this year, while there is a large issue of £13,707,446 of L.C.C. 5 per cent. consolidated stock callable from October 31st, some of these issues are not finally redeemable until 1950 and the majority not until 1960. In these cases conversion facilities are not vitally urgent, but until the loans are converted they must continue to offer a yield entirely out of relation to the prevailing level of interest rates in the rest of the trustee market. Meanwhile, Bradford Corporation intends to redeem one-fifth of its outstanding £2 millions 4½ per cent. stock 1940-60 on September 1st. Bradford is more fortunate than other authorities, since it has free cash available and also has the option, under the original prospectus, to repay only part of the loan and not the whole. Edinburgh has recently called the whole of its £2 millions 4½ per cent. stock 1940-60, and the bulk of the 6 per cent. issues can be repaid or converted only in their entirety. It would obviously be impossible for most of the authorities, faced in some cases with additional capital requirements owing to the war, to find sufficient surplus funds to repay in whole their optional maturities this year.

Discouraging Bearer Bonds

The convenience of the bearer security in peacetime is lost in war. Further action has been taken this week to reduce the volume of bearer securities now in issue. Under the recent security dealing regulations, no further issue of bearer securities may be made, nor may they be split into smaller denominations. In a request to the Stock Exchange Committee, the Bank of England has urged that the volume of bearer securities held by private investors might be reduced by persuading them to exchange into registered or inscribed stock. The request was published simultaneously with the news of the first comprehensive bombing attacks on England. Investors should, therefore, need little further reminder of the difficulty of replacing lost bearer bonds in wartime. They

should be ready to exchange any bearer issues for registered or inscribed securities if only for their own protection. Meanwhile, the Bank of England has given notice that bearer bonds for 3 per cent. War Loan, 1955-59, and 2 per cent. Conversion Loan, 1943-45, will not be issued. The prospectuses of these loans, which provided for the issue of bearer bonds, have, of course, been overruled by the National Loans (No. 2) Act. This Act passed all its stages last week, and gave the Treasury power to disregard any contractual obligation to issue bearer bonds.

John Brown Profits

For the year ended March 31, 1940, John Brown and Company announce a fall in net earnings to the lowest figure recorded since 1936. Net profit, after charging fees, depreciation, taxation and debenture payments, amounts to £411,337, against £550,682 for the previous year. The ordinary dividend for the year, tax free, is reduced from 17½ per cent., which has been paid for the last two years, to 15 per cent. These rates, grossed up at the appropriate rates of tax, are approximately equivalent, but the latest year's dividend is covered by an earnings percentage of no more than 16.8 per cent., compared with 23.3 per cent. At a current price of 21s. 6d., the 10s. ordinary shares yield nearly £7 per cent. tax free. The company is engaged on a large number of Government contracts which should adequately maintain its earning capacity in the immediate future. Shareholders who are perplexed by the fall in net profits over the past year may expect to find in the full report evidence of rising costs and of increased tax provisions.

Higher Rubber Earnings

Further rubber company reports have confirmed the improvement in earnings last year, to which attention was drawn in *The Economist* of May 4, 1940. The five leading companies in the accompanying table show earnings substantially above those realised in 1938, although they were still below those of 1937. Among the Malayan companies whose results are summarised in the table the most striking improvement is shown by Kepong, whose estate profit of £118,129 was more than double that of £53,245 in 1938. The consequent rise in ordinary earnings from £43,646 to £100,968 fully justifies the substantial increase in the ordinary dividend from 4½ to 11½ per cent. At the current price of 2s. 1½d. the 2s. ordinary shares offer the satisfactory yield of £10 16s. per cent. Linggi Plantations has utilised a rise in equity earnings from £25,321 to £42,834 to resume dividends at the rate of 5 per cent. as paid in 1937. Drastic reductions in the book value of assets have resulted

Company	Crop	Price	Estate Profit	Earnings for Ordinary	Paid	Ord. Shares*	Price	Yield
			£	£	%	%		%
(Accounts to Dec. 31st)	'000 lb.	d. per lb.	£	£	%	%		%
G. Cen. (Ceylon)								
1937	5,892	8-56	207,603	99,779	7-7	6-9	7/6	13-3
1938	4,923	7-47	158,429	43,182	3-4	3		
1939	4,307	9-61	168,168	84,414	7-2	5		
Kepong (Malay)							2/1½	10-8
1937	9,334	8-50	130,092	114,712	16-2	13-5		
1938	9,019	7-70	53,245	43,646	6-4	4-5		
1939	7,351	10-26	118,129	100,968	14-8	11-5		
Allied Sumatra							10/3	7-8
1937	7,984	8-3	...	88,693	6-5	6		
1938	5,253	8-3	...	56,221	4-0	4		
1939	6,607	9-5	...	59,370	4-4	4		
Un. Sua Betong							42/6	5-9
1937	12,275	...	448,002	194,478	26-5	17-5		
1938	8,777	...	333,740	129,077	17-5	12-0		
1939	9,349	...	359,893	142,343	17-8	12-5		
Linggi Plantns.†							1/3	8-0
1937	4,134	...	147,744	62,516	13-5	5		
1938	2,931	...	102,456	25,321	6-2	Nil		
1939	3,275	...	121,556	42,854	17-4	5		

* £1 shares except Kepong (Malay) 2s. shares and Allied Sumatra £1,400,000 stock. † Earnings and dividends on £560,000 ordinary capital 1937-38, and on £336,000 in 1939.

from the capital reduction. This provided £224,000, which has been applied to write down the book cost of the rubber estates to £419,103, while general and contingencies reserves have been used to reduce the book cost of the investment in Oil Palms of Malaya from £330,293 to £250,000. Estate profits of United Sua Betong showed a less striking increase from £333,740 to £359,893, but the company replanted 1,074 acres, compared with 925 acres in 1938, and newly planted 1,890 acres, the first new planting undertaken since 1936. Thus the total planted area under rubber at the end

of 1939 amounted to 36,517 acres, compared with 34,859 acres at the end of the previous year. Allied Sumatra received in interest and in dividends from the two Dutch operating companies a total of £94,475, compared with £69,136 in 1938. The relatively small increase in the sum available for distribution on ordinary shares from £56,221 to £59,370 is due to the increase in taxation reserve from £5,000 to £26,000 to meet the heavy burden of double taxation. The management of Grand Central (Ceylon) has exchanged 1,016 acres of old estate for 950 acres of jungle land from which a considerably increased yield may be expected. The company has remained relatively unaffected by labour difficulties due to the decision of the Indian Government to restrict the emigration of Tamils to Ceylon. The rise in the amount earned for ordinary distribution from £43,182 to £84,414 has enabled the directors to declare a dividend of 5 per cent., against 3 per cent. in 1938. Thus at the current price of 7s. 6d. the £1 ordinary shares offer a yield of £13 6s. per cent. Rising costs of production, transport and insurance, the elimination of markets in countries now in German occupation, and double taxation for Dutch companies are adverse features in the rubber situation. But the maintenance of the quota and the extent of forward sales—in some cases based on the present price of over 1s. per lb.—should provide some compensation for the negative factors.

Burmah Oil

The reorganisation of the Burmah Oil Company from January 1, 1939, in the form of a group of subsidiaries, entirely controlled by the parent company, was a development with more formal than real importance. It has separated, on a functional and geographical basis, the main activities of production, pipe line transport, refining, shipping and marketing, and its convenience was dictated by the political and fiscal separation of Burmah and India. By the publication of a consolidated balance sheet, shareholders are provided with the same full information concerning operations as in earlier years. Profits for the past three years are analysed below:—

	Years ended December 31,		
	1937	1938	1939
Trading profit	2,856,436	2,520,092	2,298,328
Total profit inc. divs.	5,075,420	5,178,433	4,684,361
Depreciation	354,152	370,559	370,000
Taxation	538,581	731,813	673,051
Fees and other expenses	184,756	196,118	207,395
Preference dividends	300,000	300,000	300,000
Ordinary stock:—			
Earned	3,697,931	3,579,943	3,133,915
Paid	2,747,302	2,884,668	2,884,668
Earned %	40-4†	26-1†	22-8†
Paid %	30†	21†	21†
General reserve	960,513	100,000	250,000
Carry forward	637,271	702,154	701,401

† Without allowance for Dominion income tax relief. ‡ 22½ per cent. dividend and 7½ per cent. cash bonus in 1937; 15 per cent. dividend and 6 per cent. cash bonus in 1938 and 1939.

THE STOCK EXCHANGES

London

Note: all dealings are for cash

MARKET movements in the past week have been determined by the reactions of dealers to the Chancellor of the Exchequer's announcement of the decision to abandon the Limitation of Dividends Bill, and by the overshadowing influence of political and military developments. On Monday and Tuesday, buying was discouraged by uncertainty regarding the future of Italian policy. A short-lived rally in the middle of the week following the Chancellor's statement gave way to fresh selling in most sections on news of the new German offensive launched against the Weygand Line. The gilt-edged market, which opened firm, lost some support when the decision not to limit dividends became known, but no sustained rise in equity prices took place. Turnover in the industrial market remained slight and further considerable losses were experienced by home rails.

The gilt-edged market was supported at the beginning of the week by reinvestment of the June 1st interest payments on Government stocks. On Tuesday, the upward trend of the market was reversed as fears of aerial damage became more acute. In midweek falls again prevailed, on the renewed battle in France. Three and a half per cent. War Loan closed at 99 and 3½ per cent. Conversion at 99½, compared with 99½ and 99½, respectively, on Monday last. Although the market was in soft condition on Thursday morning, the limited effects of German bombing on England and the holding of French positions ensured a good close.

Political events naturally depressed the foreign bond market. Brazilian issues displayed some early firmness, but Far Eastern bonds were offered and losses were general. Weakness was exhibited by all securities directly affected by the war. After losses of 2½ points all round on

Trading profit of the wholly-owned subsidiaries, before charging depreciation, amounted to £2,298,328, the lowest figure since 1935. Income from dividends also fell from £2,657,080 to £2,384,997 and total profit, at £4,684,361 before depreciation, showed a fall of £494,072 compared with 1938. The taxation provision fell from £731,813 to £673,051, and the amount earned for ordinary stock was reduced to £3,133,915 compared with £3,579,943 in 1938 and the record figure of £3,697,931 in 1937. The ordinary stock distribution was maintained at 21 per cent., including a cash bonus of 6 per cent., and was covered with a smaller earnings margin. The consolidated balance sheet shows a fall in stocks of plant and stores from £1,147,692 to £1,026,801 and of stocks of crude oil and products at refineries from £1,134,976 to £1,093,252. Cash holdings and trade debtors both show striking increases from £330,798 to £631,132 and from £561,491 to £1,280,799 respectively. Obligations to current creditors rose only slightly from £1,176,876 to £1,340,453, leaving surplus liquid assets rather higher at £19,317,000 against £18,961,000. War has at least alleviated the pressure of competition in the company's important Indian market, but Burmah Oil has voluntarily agreed to limit for the duration of the war the prices of kerosene and petrol to the "normal peacetime economic level." The £1 ordinary stock units stand at 51s. 10½d. to yield £8 2s. per cent.

Selection Trust

The total income of Selection Trust from dividends and interest, less amounts written off or reserved, shows a fall of more than £80,000 for the year ended March 31, 1940, to £218,465. Net profit, after charging fees, administrative expenses and debenture service, amounted to £125,044, against £202,511. The sum earned for ordinary stock, after charging £36,000 to taxation reserve and before crediting £32,000 placed to reserve last year but not now required, totals £89,044—equivalent to a rate of 6.3 per cent., from which a dividend of 6½ per cent. is declared. Last year the trust paid an ordinary dividend of 7½ per cent. from earnings of 8.4 per cent. During 1939-40, Selection Trust suffered from falling profits on the part of various mining concerns in which it is interested. Of the main companies from which Selection Trust draws its income, two, the American Metal Company and Mufulira Copper, show slight increases in net profit, but three companies, Roan Antelope, Consolidated African Selection Trust and Trepca Mines, suffered heavy falls. The net profit of Trepca Mines declined from £202,139 to £40,091, owing to disputes and political factors, which were also responsible for the considerable depreciation in the value of Selection Trust investments in this company. This interest is the most vulnerable part of the Trust's assets, but happily not the most important. On March 31, 1940, the total market value of quoted shares and investments was above the book value of £2,206,264 (after writing off £807,799 from profits and reserve). A new subsidiary, Seltrust Investments, Limited, has been formed, to which has been sold the majority of holdings in American Metal and Consolidated African Trust. The 10s. stock units are quoted at 6s. 6d. to yield £9 12s. per cent.

Monday, French railway issues became idle. Italian bonds lost 5 points on both Monday and Tuesday, but recovered 2½ points in mid-week.

Losses in home rails followed slight but steady selling coupled with absence of demand. The hint of a rally on Wednesday was not maintained. Losses were particularly marked among the debenture and preference issues of the L.N.E.R. and the G.W.R. There were few dealings in marginal stocks. Argentine issues were weak.

In the industrial market, some relief from the heaviness of the beginning of the week was offered by the market reaction to the dropping of dividend limitation. Net gains were, however, confined for the most part to companies standing to gain directly by the change, such as B.E.T., Dunlop, Carreras and Lancashire Cotton. The behaviour of the market as a whole, is reflected by the *Financial News* in-

dustrial share index, which recovered on Wednesday to 61.9 from 61.2 on Tuesday, but fell to a new low of 60.8 on Thursday. Coal, iron and steel issues were depressed early in the week in sympathy with the Manchester Collieries' dividend decision. Electrical equipment shares were again marked out for selling and breweries remained depressed. The withdrawal of dividend limitation brought no relief to the shipping section. The stores group was irregular and turnover was slight.

Kaffirs remained dull and losses were sustained by many leading counters, including Daggafontein, East Geduld and Consolidated Main Reef. The Chancellor of the Exchequer's statement had, however, a tonic effect on West Africans where a recovery was led by Ariston and Bibiani. The news was also well received by the oil market, but gains were not fully maintained. Anglo-Iranian preference issues showed net gains on Wednesday, but Burmah Oil lost ground and Shell preference issues showed no change. Rubber companies derived some benefit from the strong commodity position. Kepong (Malay) and United Sua Betong were in demand, but the market as a whole remained dull and irregular.

"FINANCIAL NEWS" INDICES

1940	Approx. Total Bargains in S.E. List	Corres. Day 1939	Security Indices	
			30 Ord. shares*	20 Fixed Int.†
May 31 ...	2,925	7,095	62.6	121.5
June 3 ...	3,235	7,520	61.9	121.3
" 4 ...	2,507	6,295	61.2	121.0
" 5 ...	2,713	5,680	61.9	120.7
" 6 ...	2,603	5,870	60.8	120.2

* July 1, 1935 = 100. † 1938 = 100. 30 Ordinary shares, 1940: highest, 80.6 (Feb. 29); lowest, 60.8 (June 6). 20 Fixed Int., 1940: highest, 126.5 (May 9); lowest, 117.6 (Jan. 2).

ACTUARIES' INVESTMENT INDEX

The movements of the Actuaries' Investment Index in May throw into high relief the distrust with which the market has come to regard equities, and the extent to which it has retained confidence in gilt-edged during a critical month. The index of 2½ per cent. Consols fell by less than three points to 129.3 between the end of April and May 28, and the yield rose only from 3.37 per cent. to 3.45 per

Group (and No. of Securities)	Prices (Dec. 31, 1928 = 100)		
	May 30, 1939	Apr. 30, 1940	May 28, 1940
Fixed Interest—			
2½% Consols	123.9	132.2	129.3
Prod. ind. debts. (21) ..	107.5	109.3	107.9
Prod. ind. pref. (53) ..	99.5	103.1	99.1
Ordinary Shares—			
Insurance (10)	113.9	96.2	87.2
Aircraft Mfg. (5)	82.9	55.9	43.4
Coal (8)	83.6	94.5	82.6
Electrical mfg. (13)	118.5	118.6	105.8
Iron and steel (18)	58.4	54.7	44.2
Home rails (4)	49.2	56.9	34.1
Breweries (20)	120.0	101.9	91.3

Group	Yields (%)		
	May 30, 1939	Apr. 30, 1940	May 28, 1940
Fixed Interest—			
2½% Consols	3.60	3.37	3.45
Prod. ind. debts.	4.50	4.41	4.48
Prod. ind. pref.	4.61	4.63	4.79
Ordinary Shares—			
Insurance	3.80	4.33	4.74
Aircraft mfg.	9.48	10.73	13.81
Coal	7.03	6.06	6.93
Electrical mfg.	5.71	5.28	6.13
Iron and steel	6.48	6.72	8.14
Home rails	0.34	5.21	8.68
Breweries	5.49	6.30	7.05

cent. and was still lower than 3.60 per cent. at the end of May last year. Among equities, falls of ten points or more are commonplace. Aircraft and coal groups each lost approximately twelve points, reaching 43.4 and 82.6 respectively. The index of thirteen electrical shares fell from 118.6 to 105.8. Home rails were marked out for heavy selling, and the fall exceeded twenty points, from 56.9 to 34.1. None of the ordinary share indices stood as high as they did a year ago. The increases in yields, which are implied in these losses, appear to have lost relation with earnings prospects. The yield on aircraft shares rose by over 3 per cent. to 13.81 per cent. For all classes of industrial shares, the combined price index fell from 58.0 to 49.5, while the yield rose from 5.98 to 7.03 per cent.

New York

TRADING on Wall Street has been difficult and irregular throughout the week. Turnover has been slight with a downward trend. Despite a display of firmness on Tuesday, the uncertainty of news regarding the progress of the new battle on the Western Front, and of the intentions of the Italian Government, caused a break on Wednesday in steel, aircraft, copper and chemical issues. The Dow Jones industrial index slumped to 113.25 against 115.79 on Tuesday. *Iron Age* reports that the level of steel mill activity has reached 80.5 per cent. of capacity against 78 per cent. last week, and it is expected that the level will reach 90 per cent. during June.

STANDARD STATISTICS INDICES

(1926=100)

WEEKLY AVERAGES

	1940		May 22, 1940	May 29, 1940	June 5, 1940
	Low	High			
347 Ind'ls ...	80.9	111.4	81.8	82.3	80.9
32 Rails	20.74	30.7	20.7	21.8	21.3
40 Utilities ...	71.24	89.4	71.2	72.5	71.9
419 Stocks ...	69.9	94.8	70.3	71.1	69.9
Av. yield* ...	6.61%	4.30%	6.45%	6.43%	6.61%
	High	Low			

* 50 Common Stocks. a May 22nd.

DAILY AVERAGE 50 COMMON STOCKS

	May 23	May 24	May 25	May 27	May 28	May 29
	88.6	88.3	89.1	90.2	88.4	89.0
May 30	May 31	June 1	June 3	June 4	June 5	
Closed (c)	89.3	88.9	87.6	88.9	87.6	

1940 High, 123.7 Jan. 3. Low, 87.6 June 3.
(c) Memorial Day

New York Prices

Total share dealings:—May 30, Closed (c); May 31, 530,000; June 1, 270,000; June 3, 450,000; June 4, 410,000; June 5, 670,000.

(c) Memorial Day

Group	Close Latest			Close Latest		
	May 29, 1940	May 30, 1940	May 31, 1940	May 29, 1940	May 30, 1940	May 31, 1940
1. Railroads						
Balt. & Ohio	318	318	318	1014	1014	1014
G.N. Rly. Pl.	18	17½	17½	21½	20½	20½
Illinois Cent.	612	608	608	14½	14½	14½
Northern Pac.	5	5	5	22½	23¼	23¼
Pennsylv. R.	17½x	16½	16½	126	122	122
Southern Rly.	912	894	894	39½	39½	39½
2. Utilities, etc.						
Amer. Tel.	147½	149	149	12	11½	11½
Amer. W. & L.	612	614	614	13¼	12	12
Col. Gas & El.	432	432	432	18½	17½	17½
Int. Tel. For.	25	4½	4½	64¼	63¼	63¼
United Corp.	112	112	112	8	8	8
Utd. Gas Imp.	10½x	10½	10½	734	759	759
3. Commercial and Industrial						
Amer. Metal.	15½	13½	13½	109	109½	109½
				86	83	83
				30	30½	30½

Capital Issues

Week ending June 8, 1940	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	1,234,750	Nil	1,296,500
Savings Certs.†	4,850,000	Nil	4,850,000
3% Defence Bonds†	4,600,000	Nil	4,600,000

† Week to June 1, 1940.

Year to date	Including Conversions	Excluding Conversions
1940 (New Basis)...	781,688,815	428,733,682
1939 (New Basis)...	56,133,706	53,907,639
1940 (Old Basis)...	807,173,765	414,418,632
1939 (Old Basis)...	34,200,239	32,989,174

Destination (Conversions Excluded)

Year to date	U.K.	Brit. Imp. ex U.K.	Foreign Countries
1940 (New Basis)...	427,970,670	763,012	Nil
1939 (New Basis)...	30,919,053	22,668,586	320,000
1940 (Old Basis)...	406,122,676	142,456	Nil
1939 (Old Basis)...	18,260,333	14,408,841	320,000

Nature of Borrowing (Conv. Excl.)

Year to date	Deb.	Conv.	Ord.
1940 (New Basis)...	414,309,696	1,170,255	13,253,731
1939 (New Basis)...	30,357,893	3,000,856	20,548,880
1940 (Old Basis)...	413,404,500	77,500	886,632
1939 (Old Basis)...	25,609,935	928,447	6,450,792

"Old Basis" includes public issues and issues to shareholders. "New Basis" is all new capital in which permission to deal has been granted.

CONVERSIONS AND REPAYMENTS

Bradford Corporation.—Twenty per cent. of £2,000,000 4½ per cent. stock 1940-60 to be repaid at par, September 1, 1940.

Shorter Comments

The Week's Company Results.—Shipping profits, represented by ANCHOR LINE and CLAN LINE, show a significant fall. The former company's previous net profit of £37,764 has been converted into a loss of £26,376, while the latter's net profits are approximately halved at £171,090, although the dividend is maintained at 20 per cent. ASSOCIATED NEWSPAPERS net profits declined from £445,266 to £401,018. BRIGGS MOTOR BODIES dividend is maintained at 7 per cent. and profits have fallen significantly from £101,231 to £87,431. A substantial rise in net profits of SMITHFIELD AND ARGENTINE MEAT from £34,240 to £64,676 is not accompanied by any change in the dividend, which is maintained at 2½ per cent. An appreciable increase in trading profits of CONSETT IRON from £669,717 to £1,061,188 finds only a slight reflection in the net profits figure, which has risen from £220,168 to £264,341, and the dividend is maintained at 7½ per cent. There is little change in RUSTON AND HORNSBY profits at £221,310, which cover the repeated 12½ per cent. dividend with a satisfactory margin. No dividend is recommended by AMALGAMATED PRESS, though the fall in profits was of a moderate order, from £408,271 to £397,928. LONDON COUNTY FREEHOLD AND LEASEHOLD PROPERTIES have experienced a decline in net revenue from £340,794 to £294,156, and the dividend is reduced from 11 per cent. to 8 per cent.

Ruston and Hornsby, Ltd.—Profit year to March 31, 1940, £345,517 (£318,695). For E.P.T., £70,000. Net profit, £258,583 (£301,406). Contingencies reserves, £30,000 (£50,000). General reserve, £25,000 (£50,000). Charge for income tax against balance of profits, £7,273. Carry forward, £75,016.

London County Freehold and Leasehold Properties.—Total income year to March 31, 1940, £583,459 (£626,489). Net revenue, £319,156 (£374,794). N.D.C., £10,000 (£14,000). General reserve, £30,000 (£30,000). Repairs and renewals reserve, £15,000 (£20,000). Carry forward, £171,223 (£134,042). Ordinary distribution 8 per cent. (11 per cent.).

(Continued on page 1029)

Industry and Trade

A Census of Machine Tools

In a Note on page 639 of *The Economist* of April 6th it was pointed out that the scarcity of machine tools could be considerably alleviated by a redistribution and fuller utilisation of existing machines. What was urgent two months ago is absolutely imperative to-day, for it still cannot be said that every lathe, every press, every boring mill and every grinding, milling, planing and shaping machine is now being used as efficiently as possible and is doing duty for twenty-four hours a day. Measures are, however, now being taken to reduce the wastage of precious capacity. As a first step, a census of machine tools has been ordered in the engineering and allied industries. Information has been asked not only in respect of types and of the purposes for which existing tools are being used, but also on the number of hours per day during which they are in operation. On the basis of this survey it will at last be possible to make fuller use for essential purposes of the tools owned by the engineering and allied industries. Welcome though this measure is, it does not go far enough. It may have been expedient to limit the census to the engineering and allied industries as a first step. But a substantial proportion of the existing stock of machine tools is to be found in the maintenance shops of other industries; and the use of tools in maintenance shops is certainly much less intensive than in the engineering industry proper. It is to be hoped, therefore, that the census will be extended to maintenance and repair shops without delay. Steps will also be taken to co-ordinate purchases of machine tools in the United States with the object of concentrating them on the types most urgently required and of speeding up delivery. From June 17th, all purchases in that country will be made by the British Purchasing Commission on behalf of the British Supply Board. In view of the fact that the machine tool industry in the United States is operating at capacity, central purchasing has become quite essential. If, as has been reported, the American motor industry is willing to abstain from changing its models in 1942, the substantial section of the machine tool trade normally employed by that industry will be free to undertake other work when the machinery for the production of the 1941 models is completed towards the end of the summer.

Increasing Coal Production in Wales

A determined effort is to be made in South Wales to increase the output of coal. Representatives of the colliery owners and of the miners, in collaboration with Lord Portal, Chairman of the Coal Production Council, have provisionally agreed on the chief measures to be taken in order to attain the desired results. In the main, they follow the proposals outlined on pages 816-817 of *The Economist* of May 4th. While maximum working hours below ground are to remain unchanged at 7½, the operation of six afternoon and night shifts instead of five is to be adopted where the multiple shift system is now in force, and the Sunday night preparatory shift is to be made the rule. The available labour supply is to be better distributed and light work is to be provided for those who cannot be employed on the more strenuous tasks, while facilities for the transport of miners are to be improved. Working places and pits closed at present are to be reopened. The agreed measures also include the reduction of avoidable absenteeism, the abolition of all practices restricting output and the prevention of stoppages through industrial disputes. Further, the miners' representatives have agreed to the suspension of the consideration of the observance of the week's holiday with pay until August 1st. It is estimated that these and other changes in the methods and organisation of the industry will add about 7½ million tons to the annual output of South Wales, which amounted to 40.1 million tons in 1937 and 38.1 million tons in 1938. This substantial increase shows the size of the margin between the actual and potential output of the available labour force. It is also believed that a further 2½ million tons can be added to the annual output by the assistance of the Government in securing regular and adequate supplies of stores and materials and of railway and shipping facilities, as well as in facilitating the return of coal-mining of miners who took up other employment and the recruitment of men and boys at collieries where

immediate development is possible. It is expected that the details of the scheme, which is intended to remain in operation for the duration of the war, will be completed at a joint meeting between owners' and miners' representatives early next week. In view of the need for an expansion in coal production—which has been made even more urgent by France's loss of her chief coal-mining centre in the North—it is to be hoped that similar measures will be adopted in the other coalfields of this country without delay.

A Calcium Carbide Factory for Britain

None of the schemes put up in recent years for starting the production of calcium carbide in this country has been adopted, partly owing to opposition from groups with vested interests in the Scandinavian industry, Britain's chief source of supplies. Calcium carbide is manufactured by melting lime, the source of calcium, and coke or anthracite, the source of carbon, in electric furnaces at high temperatures; the resulting compound runs off and is then cooled and prepared for the market. While electric power is an important element in the cost, the quality of the raw materials also plays an important part in the location of the industry. The Dominion and Scandinavian concerns obtain electric current very cheaply, at about one-tenth of a penny per unit. But although electric power is more expensive in this country, the other raw materials are very readily available in South Wales. Calcium carbide is the source of acetylene gas, which is widely used in the metal cutting and welding industries and, to some extent, in portable lighting. It is also the root of an important chemical tree, whose branches spread into the chemical, explosives, fertiliser and rayon industries. In view of the importance of this product to the metal industries, a Canadian concern with experience in the electric power, chemical and carbide industries is now co-operating with a big domestic company in the erection of a plant in this country. It is proposed to instal a furnace with a capacity of 20,000 kw. to yield about 150 tons of carbide a day or some 55,000 tons per annum by continuous operation, and the plant is expected to come into production early next year. The output of the factory will more than bridge the gap caused by the loss of Norwegian supplies, which reached 42,500 tons in 1938. Pending the completion of the plant adequate supplies are assured from other sources.

The Course of Retail Trade

The average daily value of retail turnover, as calculated by the Bank of England, remains above last year's level. Thus, in March and April sales were 12.8 per cent. and 2.3 per cent. higher than in the corresponding months last year. The abrupt fall between March and April does not reflect a sudden deterioration, for the Easter holiday, which normally causes a spurt in sales, fell in March this year and in April in 1939. Taking the two months together, the increase over the corresponding period last year is 7.6 per cent., compared with 3.8 per cent. in January and 4.2 per cent. in February. In Central and West End London the value of sales in March and April was about 10 per cent. smaller than last year, while in Suburban London they showed a slight increase. In the other districts turnover was generally higher; the average rate of increase amounted to about 10 per cent. So far as the financial position of the trade is concerned, it is the value rather than the volume of

FAMOUS SINCE 1795

OTARD'S
COGNAC BRANDY

turnover which must be taken into consideration; the shops outside London have therefore probably suffered very little from the war. But while the value of sales remains above last year's level, its volume must have shown an appreciable decline, for retail prices are now substantially higher than a year ago. In the absence of a satisfactory price index, the decline in the volume of non-food merchandise is difficult to measure. In the case of food, however, changes in the volume of sales can be roughly calculated from their value by taking account of the variations in the official index of retail prices. On this basis, the volume of food sales in March and April was about 10 per cent. smaller than in the corresponding period last year, although their value was 5.6 per cent. higher. The fall in the volume of turnover in non-food merchandise may have been even more marked. Broadly, however, civil consumption remains at a high level; the volume of retail food sales in March-April, for example, though lower than in the corresponding periods of the four preceding years, was substantially higher than in the same months in 1932-35. Indeed, a substantial proportion of the resources at present devoted to the import, manufacture and distribution of consumption goods could be used for war purposes without causing any hardship to the civil population.

World Sugar Markets

In the past few years, the steady increase in the European sugar production from beet and the restriction of consumption by tariffs and high retail prices has led to an excess of world production of sugar. The cane-producing countries have suffered most, and even under the International Sugar Agreement countries such as Cuba and Dominica obtained the right only to a share in that part of the British market (the one remaining large importer of world sugar) which the Dominions and Colonies could not supply. The shortage of shipping and the introduction of sugar rationing have now still further reduced this market. Total sugar consumption in this country is not expected to exceed 1½ million tons, against a normal intake of about 2½ million tons. Of this amount, the British Empire will supply about 1¼ million tons, as well as smaller amounts to the non-sugar producing Dominions such as Canada and New Zealand. Consequently, if the British beet harvest can again provide some 500,000 tons of sugar, as it has in the current season, there will be no need for imports from foreign countries, which normally send about 1 million tons. This is a serious outlook for Cuba, who usually sends some 600,000 tons of sugar to this country. So far her exports have been well maintained by purchases made by the Ministry of Food over

the winter to build up reserves, but once this has been accomplished the British market may be virtually closed to foreign sugar.

South American Wool Exports

The contracts made by the Ministry of Supply to take all the surplus wool of New Zealand and Australia have necessarily affected British purchases from other wool exporting countries. The blockade has also deprived these countries of German purchases, which have been fairly considerable, particularly from South America. The following table (taken from *The Wool Record and Textile World*) shows wool exports from Argentina and Uruguay, in the season 1938-39 and in the six months to March:—

To:—	EXPORTS OF WOOL ('000 bales)			
	Argentina		Uruguay	
	Season 1938-39	Oct. to March 1938-39	Season 1938-39	Oct. to March 1938-39
U.K.	135	72	2	11
France ..	64	40	20	6
Germany ..	47	31	...	36
Poland ..	21	12	...	8
Italy ..	7	3	11	16
Belgium ..	25	17	4	18
Holland ..	8	5	10	8
Scandinavia }	66	44	100	5
U.S.A./Canada }	2	1	13	1
Japan ..	13	8	12	1
Other ..	...	...	...	...
Total	389	232	180	126

These two countries managed to export very considerable quantities of wool to neutral countries in Europe, such as Scandinavia and Holland. Now that these markets are also fenced off by the blockade, the United States, Canada and Japan remain the only important buyers of South American wool. A certain amount of competition with Dominion wools still remains in these markets, since arrangements have already been made for the usual re-export trade from London to be maintained, though the huge requirements of the Allies will probably diminish the amount available for this trade. But the outlook for the wool trade of South America is not very encouraging, unless a marked trade revival in the United States should lead to the rapid absorption of the wool stocks accumulated since last autumn.

COMMODITY AND INDUSTRY NEWS

The North American grain markets are now operating against minimum prices, and fixed prices continue for Liverpool cotton futures. The New York cotton market remains weak, but prices of tin, spelter and rubber were marked up.

Metals.—British maximum prices for copper, lead and spelter remained unaltered this week, but in the United States the price for spelter was advanced by another 0.25 cents to 6.25 cents per lb. In the past fortnight the quotation has thus been raised by 0.50 cents, due to the stronger demand for home and export deliveries. Imports into the United States of foreign zinc ore, formerly sent to Europe, are increasing, and no shortage of supplies is likely. Demand for copper and lead in the United States has also improved of late, and if it continues to do so for another few days an increase in prices may be expected. One feature on the United States copper market this week was the British demand for 25,000 tons of copper to increase emergency stocks. The present price of 11.50 cents per lb. corresponds to about £65 5s. per long ton f.o.b., while the current British price is £62 delivered consumer's stores. It is unlikely, however, that this difference will result in an increase of the British maximum price for the present, as the huge supplies of Empire copper, which cover our whole requirements, have been bought well below the maximum price.

Cotton (Manchester).—Futures trading in Liverpool continues at fixed prices. The raw cotton situation remains uncertain. Plentiful supplies are still available on this side, but imports at the moment are less than the consumption, which has been increased by the longer working hours in the mills. In the spinning section there has been a stronger call than ever for bigger supplies of yarn to meet the requirements of the Government. The Controller has instructed more spinners to put an increased amount of machinery on particular counts and qualities. Some spinners are now fully sold for six months ahead on Government work. Very little business has been done in cloth apart from the needs of the government, and orders for export have been few and far between.

Variety ('000 bales)	RAW COTTON delivered to Spinners			
	Week ended May 24, 1940	May 31, 1940	June 2, 1939	May 31, 1940
American	24.7	31.2	864	1,248
Brazilian	2.0	3.6	257	231
Peruvian, etc.	3.1	3.9	109	188
Egyptian	4.1	7.7	298	329
Sudan Sakel	1.4	2.0	119	127
East Indian	3.4	9.9	371	351
Other countries ..	1.4	5.4	162	142
Total	40.1	63.7	2,180	2,616

Source: Liverpool Cotton Association's Weekly Circular.

Tin.—The price of standard cash advanced by another £5 10s. to close at £275 10s. per ton after having touched £277 earlier in the week. There was again some American inquiry and in addition British consumers showed greater interest. World stocks with the exception of European smelter stocks (for which no figures are available) rose by 449 tons in May to 28,109 tons. New supplies, at 15,873 tons, exceeded deliveries by just over 2,500 tons.

TINPLATE PRODUCTION: PERCENTAGE OF S. WALES' CAPACITY IN OPERATION

Week ending	1939	1940
April 20	56.96	72.93
May 27	53.97	63.17
May 4	64.55	66.78
" 11	65.32	70.66
" 18	67.90	65.96
" 25	64.93	72.49

Grains.—Minimum prices for wheat and maize have now been fixed for the Buenos Aires market, at prices prevailing at the close of May 27th. As minimum wheat prices are also in operation at Chicago and Winnipeg, the international grain market is now well under control. Crop reports from the Danube continue unfavourable, and exports are likely to be much smaller than normal, so that competition from these countries will be very limited. The warning of the Minister of

(Continued on page 1024)

COMPANY MEETINGS

FRIENDS' PROVIDENT AND CENTURY LIFE OFFICE

INTERIM BONUS POLICY

The annual general meeting of the Friends' Provident and Century Life Office was held, on the 5th instant, at 7, Leadenhall Street, E.C.

Mr Hugh E. Seebohm, J.P. (the chairman), said: Before dealing with the business part of our agenda, I must refer to the loss of our chairman, Mr Harold Morland. He became a director in 1914 and was elected chairman in 1927. His death on October 9th last year came upon us suddenly.

The new life assurances were £2,010,356, annuity premiums £595,546 and sinking fund assurances £360,264. The annual premium income was increased by £8,724. The ratio of life expenses was moderately increased at 17.18 per cent. The gross rate of interest was £4 16s. per cent., which compares with £4 16s. 7d. per cent. for 1935, the first year of the quinquennium now closed. The increase of the standard rate of income tax in the autumn Budget of 1939 resulted in a fall in the net rate of 5s. 4d. to £3 11s. 5d.

In the past five years the development of the office has been progressive and profitable, and normally there would have been a declaration of bonus at a satisfactory rate. Under the conditions of a modern war, it is plainly unjustifiable to add to existing capital liabilities. Your directors have adopted the principle of restricting their action to the payment of interim bonuses under with-profit policies at the rate of £1 per cent. for each year's premium due and paid from January 1, 1935, to December 31, 1939, and 15s. per cent. for each premium due and paid from January 1, 1940, such interim bonus being calculated on the sum assured and existing declared bonuses.

CENTURY GENERAL ACCOUNTS AND DIVIDEND

All accounts earned profits. The marine profit was retained in the account, and in the profit and loss account; the underwriting profit from the fire and accident departments (including interest) was £37,922, while net interest was £34,554; £25,000 was transferred to investment and general reserve; £2,500 to the additional reserve in the accident department; a dividend of 20 per cent. costing £58,500 was declared and £98,262 carried forward.

We usually review the progress of the Century at the end of each five years' period. It is satisfactory to find that in the five years 1935-1939 the Century has earned for the shareholders £356,670 clear of taxation, of which £268,625 has been paid in dividends, yielding the Friends' Provident an average of £6 3s. 4d. per cent. per annum, and £88,045 has been added to reserves. At the end of 1939 there was a substantial surplus on valuation of the assets.

Much thought has been given to the recasting of the terms of our life assurance policies in order to make them more appropriate for the new circumstances arising from the war. At the outbreak of war all offices agreed to insert a stringent war clause in all new policies issued, the effect of which was to restrict payment in the event of death of the life assured by reason, directly or indirectly, of the war, to the amount of premiums paid, while the full sum assured would be disbursed in the ordinary way should death arise from normal causes. It is our desire that the benefits given shall be as liberal as due regard to the interests of the whole body of our members will permit, and we have now decided that, while continuing a war clause, we may suitably include war risks within the United Kingdom and Eire to persons who at the time of making the proposal are civilians, and have no present intention of joining the Forces in the near future, still excluding death from warlike operations abroad or in the Armed Forces. This liberalisation of the cover offered in respect of new assurances has been accompanied by a readjustment of our premium rates for without-profit policies, in order to make some small contribution towards the additional hazards incurred, and for the lower rates of interest which are likely to be obtained on our funds in the future.

In the with-profit section of our operations, rates of premium have not been generally increased, but it is provided that during the war no bonus will be distributed to new members, the benefits of the with-profit contract becoming operative so soon as peace returns.

The chairman concluded by moving the adoption of the report and accounts, which was seconded by Mr Robert H. Marsh, F.C.A. (deputy-chairman), and carried unanimously.

EVER READY

MANUFACTURERS OF BATTERIES

DRY CELLS - ACCUMULATORS - RADIO EQUIPMENT
MOTOR CAR ACCESSORIES - PORTABLE ELECTRIC LAMPS

Net Trading Profit for year to 31st

March, 1940	£632,105
Total Reserves and Carry Forward	£992,564
Dividends on Ordinary Stock	35% plus 5% Bonus

POINTS from the Speech of MR MAGNUS GOOD-FELLOW (Chairman) at the Annual General Meeting of THE EVER READY COMPANY (GREAT BRITAIN) LIMITED ON June 3rd, 1940.

ABNORMAL TRADING CONDITIONS

At the outbreak of war the "black-out" caused so great a public demand for our goods that, in spite of the preparations we had made, it was not until February that we were able to fill the demand. All requirements for the Services were, of course, always met. To-day, with trifling exceptions, we are in sufficient supply and, subject to the operations of war, we expect to be able to maintain this position during the present year.

During the period of shortage we found it necessary to ration rigidly the distributing trades of the country, and we attempted and, I believe, succeeded in doing this with fairness. I pay a warm tribute to the patience, reasonableness and helpfulness of our distributing friends in assisting us to grapple with a situation that at times grew almost impossible.

INCREASED PRODUCTION COSTS

The cost of production of our goods has risen steadily since September last. Apart from a few unimportant increases in our prices, such increases in cost have been borne by the margins on the greater volume of business done. It is our policy to keep the prices of our goods at the lowest possible level, and we do not at present contemplate any alteration, indeed we hope that the much larger business we continue to do will make unnecessary any increase for some time to come.

STRONG FINANCIAL POSITION

Turning to the accounts, there are one or two comments I think I should make. While our nominal Issued Capital is £1,210,402, the Capital really invested in the business is in excess of £4,500,000, for our Reserves total approximately £1,000,000, and we have written off over the past few years the cost of all Goodwill, Patents and Trade Marks—the cost of the Continental businesses—and large sums from our various Plants amounting in all to £2,354,000. The Reserve Account shows that we have removed the Special Trading Reserve of £100,000. No expenditure was incurred under this head during the year and, under present conditions, we have decided that this Reserve is unnecessary.

The liquid Asset position of the Company has been much improved in spite of the necessary provision of large sums for taxation and the increase in the proposed dividend for the year. You will observe that the surplus of liquid Assets over Current Liabilities has risen from £350,000 a year ago to £566,000 to-day.

You will, I know, join with me in expressing thanks to our Managers, Executive Staff and workpeople for their achievements during the past year.

SUEZ CANAL COMPANY

EFFECTS OF THE WAR ON TRAFFICS

EXTRACTS FROM DIRECTORS' REPORT

The following are extracts from the report of the directors of the Suez Canal Company, submitted at the annual meeting held, on the 3rd instant, in Paris:—The tragic events which have been taking place in Europe since last autumn have had on the traffic of the Suez Canal and on our results a direct and important repercussion.

During the eight months which, in 1939, preceded the opening of hostilities, the traffic of the Canal had only shown a very slight reduction as compared with that of the previous year. It has, on the contrary, since the beginning of the war, suffered a serious contraction. The fall was both sudden and acute; for September it exceeded 50 per cent.; then a revival took place, a revival which continued progressively until the end of the year.

During the whole of 1939 the traffic of the Suez Canal was 29,573,000 net tons, with 5,277 transits; it is a reduction of 4,845,000 tons, or 14 per cent., as compared with the tonnage of 1938. The net profit shows a reduction of 36 per cent.

The present financial year is more seriously affected by the war than was the previous one. At the middle of May transit receipts were only 73 per cent. of those for the corresponding period of 1939, and it is not at all certain that this proportion can be maintained during the coming months.

WORKING EXPENSES

Although our receipts have diminished, the same is not the case, unfortunately, with our expenses. We are doing out utmost to restrict these as far as possible. Our desire for economy is countered by the general rise in prices, particularly as regards fuel, which has seriously increased our working expenses.

Furthermore, the Egyptian Courts have recently decided that the payment of our debentures must be based upon the gold franc. The decision of the Courts will come into force as soon as notice of it has been served upon us and the methods of application have been finally determined. Our capital charges have always been calculated upon a gold basis, and therefore in principle nothing has been changed, but these charges would be liable to increase should the Egyptian gold rate rise.

These considerations are obviously such as to urge you to prudence in fixing your dividend. Therefore we do not hesitate to propose that you should deduct from the profits available for distribution the same amounts as last year for allocation to our various sinking and insurance funds. This having been done, the profits available for distribution will allow you to fix your dividend at 492.63f. which, with the addition of 87.37f. statutory interest, would bring the total revenue of the "Action de Capital" to 580f.

The full report may be obtained upon application at the company's inquiry office, 6 Bishopsgate, London, E.C.2.

BATANG CONSOLIDATED RUBBER
ESTATES, LIMITED

BIG FORWARD SALES

The annual meeting of this company was held, on the 5th instant, in London.

Mr E. F. Slade, J.P. (the chairman), who presided, said that for the actual rubber exported an average gross price of 9.95d. per pound had been realised compared with 7.679d. The net profit was £5,103, as compared with £3,297. Their standard assessment for 1940 remained unchanged at 921,100 pounds, but they would be able to export a far larger proportion than in 1939. Another favourable factor was that forward sales for 1940 had been effected to the extent of 324,800 pounds at the equivalent of 10.96d. per pound landed London.

Their visiting agent, Mr Jack Murray, had specially commented on the improvement shown in the mature rubber which had been

manured, and, as to the 181 acres replanted, reported that the growth was uniformly healthy and vigorous. With regard to the assessment for 1940, their manager and Eastern agents had expressed the view that it was not as high as it should be. An appeal not having produced any increase, the board had applied for an inspection of the estate, which was about to be made, and could only hopefully await the result.

The board had felt justified in recommending a dividend of 7½ per cent.; the dividend, if passed, would be paid as set forth in the report.

The report and accounts were unanimously adopted.

HUDSON'S BAY COMPANY

WARTIME TRADING PROSPECTS

The 271st annual general Court of the Governor and Company of Adventurers of England trading into Hudson's Bay was held, on the 31st ultimo, at the Leathersellers' Hall, London.

Mr Patrick Ashley Cooper (the Governor of the Company), in reviewing the operations of the company, said: Taking first the retail stores department, as it is on this department that the company now mainly depends for regular profits, the accounts for the year to January 31, 1937, showed that the profit earned in this department was the largest it had ever made. The accounts of the following year showed a further increase, and, although the figures of the year to January 31, 1939, did not come up to expectation, you will be pleased to know that the profit for last year sets up a fresh record for the retail stores.

FUR TRADE DEPARTMENT

The fur trade department reaped the benefit of advancing prices until 1937, when the effect of the business recession in the U.S.A. was felt in this market, where prices continued to fall until towards the end of 1938, entailing a corresponding sharp decline in the profits of the fur trade department. Meantime, we were building up a consignment business which makes a valuable contribution to the results of this department, chiefly from shipments of silver fox from Canada and Scandinavia and of Persian lambs from South-west Africa and Afghanistan, consigned for sale on commission in the company's auctions at Beaver House.

Exchange controls and import restrictions in various foreign countries and recurring crises on the Continent put obstacles in the way of our international trade in furs, and the outbreak of war has added greatly to these difficulties.

The war has seriously affected the operations of C. M. Lampson and Company, Limited. Owing to the U.S.A. Neutrality Act and the extension of hostilities to Norway, we have come to the conclusion, after careful consideration, that it is no longer a practical proposition to operate the Lampson business as a separate entity. It has, therefore, been decided to amalgamate this business with that of the Hudson's Bay Company, and steps are now being taken to effect this in a way that will enable the amalgamated business to offer the same efficient service and to maintain as far as possible the good name which has been so long maintained by C. M. Lampson and Company.

CURRENT YEAR

As to the current year, the prospects of the fur trade are uncertain. We have been able to continue business nearer normal than we had expected, but what the future will bring in the way of restrictions it is impossible to indicate. Conditions in Canada at the moment appear to be promising, though agricultural prospects, which still remain to a large degree the basis of our prosperity, depend on weather conditions, which have not been altogether satisfactory. The war, however, has given a stimulus to many branches of business activity in Canada, and there is a widespread belief that this will lead to a further improvement in conditions, in which the company should benefit. On the other hand, just as taxation this year has taken away a great part of our earnings, we must face the fact that taxes are likely to increase and to bear heavily upon us. The proprietors may rest assured, however, that all our problems are being watched with constant attention, and that while we may be carrying on with somewhat depleted staff those who continue at work are well equipped to safeguard the interests of the company.

The report and accounts were adopted.

TELEPHONE MANUFACTURING
COMPANY, LIMITED

WORKING TO CAPACITY

The tenth annual general meeting of Telephone Manufacturing Company, Limited, was held, on the 3rd instant, in London.

Mr Fred T. Jackson (chairman and managing director) said that the net profit, after charging all expenses, including depreciation, but before charging any form of national taxation, amounted to £51,572, as against £40,542 for 1938. The sum of £14,359 had been provided for taxation, and, after transferring £13,078 to the general reserve, the directors recommended a final dividend of 6½ per cent., making 9 per cent. for the year. The balance of the general reserve account at December, 1938, was £92,000, while they had transferred to the reserve the amount received by way of premium on the issue during the year of a further 100,000 shares, less the costs of issue. The accounts showed a satisfactory position, especially when it was remembered that two departments of the main factory in full production had had to be transferred to their new factory outside London.

Most of the development and research work carried on over the past few years had proved to be of great value at the present time, and he believed that when the war was over all of it would prove to be a great asset to the company and enable them to consolidate the position still further. All their departments were working to capacity on important work. The company had five factories working under the general direction from their head office.

During the year they had had to face very considerable A.R.P. expenditure. The whole of this expenditure had been written off, but a further amount would be incurred during the current year.

The company had organised a National Savings Group among their staff and employees, which continued to be supported in a very satisfactory manner, and, as far as he could judge, this group was likely to grow considerably.

In conclusion, the chairman paid a tribute to the employees and the staff of the company.

The report and accounts were unanimously adopted.

CALCUTTA TRAMWAYS COMPANY,
LIMITEDCAREFUL MANAGEMENT UNDER DIFFICULT
CONDITIONS

The ordinary general meeting of The Calcutta Tramways Company, Limited, was held, on the 4th instant, in London.

Sir Geoffrey R. Clarke, C.S.I., O.B.E., the chairman of the company, who presided, said that the profit for the year was £103,298, or £8,815 less than in the previous year.

Expenses were £9,995 higher and takings increased by only £1,180. The increase in expenses had been chiefly due to the improved scale of pay to the company's employees to which he had referred at the last shareholders' meeting, and the full effect of which had been felt during the year. During the current year they had found it necessary to grant employees a further increase as a war bonus and they would also have to meet the increased cost of stores and materials.

To meet further increase in expenses they had found it necessary to make small increases in the cost of monthly tickets and to raise slightly the low mid-day fares. There was an increased income tax charge of £6,414, and reduction in interest received owing to realisation of investments. The final result was a balance available of £62,892, compared with £78,032, allowing payment of 5½ per cent. on the ordinary shares for the year.

The takings in the current year showed a substantial increase, but were more than offset by increased expenses, so that publication of traffic receipts had been discontinued as likely to be misleading. Considerable expenditure had been incurred in remodelling the Nonapuker shops and on new extensions.

The conduct of public utility undertakings was not easy under existing conditions, and only by careful management could profit be earned. The excellent work done by Mr Pursell and the staff, both European and Indian, had earned the good will and support of the public, which was an important aid to their success. The company continued to have very satisfactory relations with the municipal authorities, who recognised the value of their transport system and had given careful consideration to their requests.

The report was unanimously adopted.

HOLYROOD RUBBER, LIMITED

PROFIT DOUBLED

The twenty-seventh annual general meeting of Holyrood Rubber, Limited, was held, on May 30th, in London.

Mr W. Arthur Addinsell, the chairman, said in the course of his speech: The profit for the past year was approximately double that of the previous year. There was practically no difference in the quantity of rubber harvested, and the larger profit was the result of a higher average net price of about 2d. per lb. Another factor in the successful year's working was the gratifyingly low cost of production, which reflects credit on the management. The directors recommend a dividend of 10 per cent.

The company's standard production for this year has been provisionally assessed at the same quantity as for the previous year, and an appeal has been lodged for a higher standard. We are advised that our tapping records provide ample evidence in support of our claim for a higher average rate. The assessment committee has arranged to send a representative to inspect the estate, and any increase that may result will be retrospective to January 1st last.

In November a contract was entered into to deliver 8 tons per month into godown in Malaya during January-June, 1940, inclusive. The sale price was 10d. per lb., equivalent to approximately 11½d. per lb. delivered in warehouse in London. The quantity contracted for represents about one-quarter of the exportable allowance.

Having regard to the strong financial position of the company I do not propose to detain you longer. We cannot foresee what the future has in store both as regards our national life and the prospects for the rubber industry. I fervently trust that we shall meet again twelve months hence with peace restored and with a favourable outlook.

The report and accounts were unanimously adopted.

WIGGINS, TEAPE AND COMPANY
(1919), LIMITED

CONDITIONS IN THE PAPER TRADE

The twenty-first annual general meeting of Wiggins, Teape and Company (1919), Limited, was held, on the 31st ultimo, at Winchester House, Old Broad Street, London, E.C.

Mr F. L. T. Barlow (deputy chairman), presiding in the absence of Lord Portal, the chairman of the company, read his speech, as follows:—Ladies and gentlemen, the report and accounts have been in your hands for the requisite period, and I propose, with your permission, to take them as read. (Agreed.)

On the occasion of our last annual meeting I was able to report that the aggregate sales for the first few months of 1939 were in excess of those for the corresponding period of 1938. Our paper mills continued to be exceedingly busy up to the outbreak of war, when the Government set up the Paper Control as a department of the Ministry of Supply. As from September 2, 1939, maximum prices for the sale of paper were fixed, and the demand for paper of all kinds exceeded the supply. Your mills therefore continued to run full time for the rest of the year.

You are probably aware that the greater part of the woodpulp used in the past in this country has been imported from Scandinavia. With the cessation of shipping from that country the paper trade lost the most important source of its supply of woodpulp, with the result that there must be a great curtailment of productive activity on the part of mills manufacturing papers from woodpulp. Your group of companies are fortunate in having an important part of their output produced from rags which are collected in this country, and certain of your mills should in future therefore be able to run a high proportion of normal full time.

It is in view of the uncertainty of the supplies of raw material as a whole and the necessity for conserving the finances of your group of companies that your directors have decided to pay no cash bonus for the year 1939.

I am pleased to inform you that, following the appeal of His Majesty's Government, a National Savings Association was commenced in every unit of our organisation, and I am pleased to state that this has met with the enthusiastic support of our employees. In many of the units up to 100 per cent. of the employees are contributors.

CURRENT YEAR'S OUTLOOK

As I have already stated, the volume of trade of your company for the current year is bound to show a reduction compared with that of the year 1939 in view of the scarcity of raw material and the paper-rationing scheme which has been operating as from the beginning of March this year. I am sure you will appreciate the impossibility of making any forecast of the trading results for the whole year, but I am able to state that they have been quite satisfactory to date.

You will see that we recommend the payment of a final dividend on the ordinary stock of 5 per cent., less income tax, which brings the dividend for the year 1939 up to 8 per cent. As I have already mentioned, we do not propose to recommend the payment this year of a bonus on the ordinary stock. Then we propose that £36,000 be transferred to the income-tax equalisation account. We also propose the transfer of £80,000 to general reserve, bringing that account up to £793,000.

The Chairman then moved the adoption of the report and accounts.

Mr F. D. Pirie seconded the motion, which was unanimously passed.

The dividend as proposed was approved, the retiring directors were re-elected, and the auditors were re-appointed.

THE MINING TRUST, LIMITED

EARL CASTLE STEWART'S REVIEW

The annual general meeting of The Mining Trust, Limited, was held, on the 6th instant, at Winchester House, Old Broad Street, London, E.C.

The Earl Castle Stewart, M.C., chairman of the company, in the course of his speech, said: Revenue for the year amounted to £124,648, which is practically the same as in the previous year. The balance of income over expenditure totalled £74,713 and has been applied to reducing the debit balance on income and expenditure account.

Our most important single investment is still represented by our interest in Mount Isa Mines, Limited. We own roughly £1,000,000 worth of first debentures and 80 per cent. of the ordinary share capital of this company. During the twelve months ended June 30, 1939, the price of lead was roughly £15 per ton and of zinc £14 per ton. This represents a considerable fall in prices as compared with the previous year—1938—when the average

for lead was £17 10s. and for zinc £16 15s. However, in the case of this heavy fall in prices of its products, Mount Isa not only was able to meet all debenture and loan interest, but showed a small profit of £18,000 before charging depreciation. At the present time practically all the lead and the zinc concentrates produced by this company are required for Government account. The prices for our products have been fixed by the Metal Controller and are virtually the same as those which are being given to all other Empire producers of these metals. It is not possible at the moment to forecast what the result of these arrangements may be, but it is expected that Mount Isa should not fare worse during the period of hostilities than it did last year.

We own 843,147 shares in New Guinea Goldfields, Limited, approximately 18 per cent. of the issued capital. You will have observed in the speech of the chairman of that company that profits were somewhat greater this year by £16,744, but that the directors considered it wise to limit their dividend to 5 per cent., which is the same as that declared for the previous year.

The Big Bell Mines, Limited, Western Australia, in which we have a share holding, milled 447,322 long tons last year, from which 59,727 ounces of gold were recovered. Four quarterly dividends aggregating 8s. 6d. Australian were paid during 1939, representing £170,000 Australian, of which the share accruing to Mining Trust was £6,720 sterling.

Our interest in the Saudi Arabian Mining Syndicate, Limited, was increased by a further 692 shares of £1 each at a cost of £19,192 11s. During the period from June to December, 1939, this company milled 43,060 tons of ore and produced 15,984 ounces of fine gold, 17,876 ounces of fine silver and 8,837 pounds of copper. Based on mine weights and assays and conservatively estimated prices to be realised for silver and copper, the estimated operating profit for the year 1939 is approximately £52,600 before deduction of depreciation but after deducting 5 per cent. of the gross value of the precipitates and concentrates as royalty payable to Saudi Arabian Government.

Last year I was obliged to inform shareholders that I did not think at that time that it would be practicable to carry out a scheme of capital reconstruction. I am afraid that any such reconstruction is quite out of the question until after the conclusion of the war. We can comfort ourselves with this thought—that never in the years since I had the honour to become your chairman have we been in such a strong financial position to meet any misfortune which might befall us.

The report was adopted.

AVERAGE DAILY VALUE OF RETAIL SALES AND OF STOCKS IN GREAT BRITAIN COMPARED WITH A YEAR AGO

	Average Daily Sales			Stocks (at cost) end Apr.
	Feb.	Mar.	Apr.	
1940				

(a) By Commodities

	%	%	%	%
Non-Food Merchandise				
Piece-goods	+20.9	+22.6	+38.5	+32.8
Women's wear	+7.9	+24.1	+1.7	+22.2
Men's and boys' wear	+5.7	+16.8	+4.0	+26.5
Boots and shoes	+5.4	+28.2	+2.1	+15.3
Furnishing departments	+7.4	+2.2	+0.8	+20.1
Hardware	+3.1	+8.3	+3.7	+18.1
Fancy departments	+13.0	+21.6	+3.1	+44.5
Sports and travel	+3.5	+15.5	+13.5	+22.1
Miscellaneous	+4.9	+5.8	+6.6	+32.6
Total — Non-Food Merchandise	+4.7	+17.1	+3.4	+25.9
Food & Perishables	+3.9	+10.0	+1.3	+31.2
Total — All Departments	+4.2	+12.8	+2.3	+26.2

(b) By Districts

	10.9	12.1	12.1	28.1
Scotland				
North-East	+4.8	+11.7	+9.9	+34.2
North-West	+6.6	+12.0	+10.4	+32.7
Midland & S. Wales	+3.5	+10.6	+8.8	+32.7
South England	+12.6	+16.8	+12.7	+38.6
Central & West End London	+10.4	+9.8	+10.6	+8.9
Suburban London	+0.1	+5.4	+3.3	+23.7

Source: Board of Trade Journal.

partly as a result of the fixing of minimum prices on the Buenos Aires market. Within a few weeks, the price of Plate linseed fell by £3 per ton and that of Calcutta by £2 per ton. This fall has been reflected in the new schedule of oil prices; raw linseed oil is cheaper by 30s. per ton, while other prices are unchanged. Trade in Egyptian cotton seed is hindered by the difficulties of shipping through the Mediterranean. The Ministry of Food has restricted the manufacture of compound feeding stuffs to two-thirds of that produced in the same quarter of last year.

Rubber.—The news that the Ministry of Supply was prepared to buy rubber f.o.b. for this country brought a firmer tone in the markets both in London and New York, although prices were little affected.

FORTNIGHTLY INDEX OF WHOLESALE PRICES IN U.K. AND U.S.A. (1927 = 100)

	Mar. 31, 1937	May 31, 1937	Aug. 31, 1937	May 31, 1940	June 4, 1940
The Economist Index (U.K.)					
Cereals and meat	93.0	70.6	66.9	85.5	85.4
Other foods	70.4	62.1	61.1	80.1	79.4
Textiles	74.2	54.2	54.3	89.1	89.4
Minerals	113.2	92.1	95.4	117.9	118.1
Miscellaneous	87.0	76.0	77.6	102.7	107.7
Complete Index	87.2	70.5	70.3	94.8	95.9
1913 = 100	119.9	97.0	96.8	130.5	132.0
Irving-Fisher Index (U.S.A.)	100.4	84.2	83.4	489.7	...

* This figure relates to May 4th reached during the 1932-7 recovery.

(Continued from page 1020)

Agriculture last Sunday that British imports of cereals are likely to be smaller even than last winter is a serious matter for the Argentine, since most of her normal markets for maize and wheat are now shut off by the British blockade.

WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week ended		From Aug. 1 to	
	May 25, 1940	June 1, 1940	June 3, 1939	June 1, 1940
N. America	798	715	26,398	22,999
Argentina, Uruguay	471	387	10,767	18,251
Australia	...	...	10,767	14,546
Russia	...	...	4,488	114
Danube and district	87	121	8,359	6,156
Other countries	...	...	1,803	345
Total	1,356	1,223	62,582	52,411

* Unobtainable. † Shipments up to Feb. 29, 1940. Source: The Corn Trade News.

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From ('000 quarters)	Week ended		From Apr. 1 to	
	May 25, 1940	June 1, 1940	June 3, 1939	June 1, 1940
Argentina	227	299	3,374	3,033
Atlantic America	...	...	380	149
Danube Region	70	31	585	352
S. & E. Africa	...	...	344	639
Indo-China, etc.	9	8	272	91
Total	306	348	4,955	4,264

Source: The Corn Trade News.

Oils and Oilseeds.—The fall in linseed prices appears to have been checked,

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week to June 1, 1940, total ordinary revenue was £9,541,000, against ordinary expenditure of £71,088,000 and issues to sinking funds of £250,000. Thus, including all sinking fund allocations, the deficit accrued since April 1st is £298,559,000, against £110,281,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)			
	Apr. 1, 1939, to June 3, 1939	Apr. 1, 1940, to June 1, 1940	Week ended June 3, 1939	Week ended June 1, 1940
ORDINARY REVENUE	10,186	20,912	6	3
Income Tax	5,600	5,370	460	480
Sur-tax	12,940	14,340	2,660	1,500
Estate, etc., Duties	2,500	2,300	270	660
Stamps	3,140	2,980	...	570
N.D.C.	...	820	...	430
E.P.T.	200	90	10	10
Other Inland Revenue	...	...	...	...
Total Inland Revenue	34,566	47,012	3,406	3,653
Customs	42,011	47,659	3,239	5,082
Excise	18,295	24,198	550	598
Total Customs & Excise	60,306	71,857	3,795	5,680
Motor Duties	4,151	5,151	...	...
P.O. (Net Receipt)	4,510	4,650	Dr. 20	Dr. 250
Crown Lands	290	240	...	...
Receipts from Sundry	266	266	...	...
Loans	828	3,878	...	458
Miscellaneous Receipts	...	...	...	...
Total Ordinary Revenue	104,917	133,057	7,188	9,541
SELF-BALANCING				
Post Office and Broadcasting	11,840	12,050	1,120	2,100
Total	116,757	145,107	8,308	11,641

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

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)			
	Apr. 1, 1939, to June 3, 1939	Apr. 1, 1940, to June 1, 1940	Week ended June 3, 1939	Week ended June 1, 1940
ORDINARY EXPENDITURE	68,336	64,453	28,494	22,803
Interest and Management of Natl. Debt	957	999	...	111
Payments to N. Ireland	396	376	32	29
Other Consolidated Fund Services	...	...	...	...
Total	69,689	65,828	28,526	22,943
Supply Services	144,160	164,709	14,897	48,145
Total Ordinary Expenditure	214,149	230,537	43,423	71,088
SELF-BALANCING				
Post Office and Broadcasting	11,840	12,050	1,120	2,100
Total	225,989	242,587	44,543	73,188

After decreasing Exchequer balances by £257,777 to £2,775,047, the other operations for the week (as shown below) raised the gross National debt by £61,605,000 to about £9,247 millions.

WEEK'S CHANGES IN DEBT

NET INCREASES		
	(£ thousands)	
3% War Loan	50	
National Savings Certificates	4,850	
3% Defence Bonds	4,600	
Treasury Bills	50,997	
Other debt	108	
Public Department Advances	1,000	
Total	61,605	

OTHER ISSUES (Net)		OTHER RECEIPTS (Net)	
Overseas	Trade	Tithe	Repayments
Guarantees	281		415
P.O. and Telegraph	200		
	481		

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1 to June 1, 1940, are:—

Ordinary Exp.		Ord. Revenue	
Misc. Iss. (net)	4,715	Gross bor.	303,654
Inc. in balances	380	Less:	
		Sinking fds.	1,079
		Net borrowing	302,575
	435,632		435,632

FLOATING DEBT

Treasury Bills		Ways and Means Advances		Total Floating Debt	Floating Assets
Date	Tender	Tap	Public Depts.	Bank of England	
1939					
June 3	459.0	535.3	41.1	...	1035.4
Feb. 24	801.0	621.9	53.4	...	1476.3
Mar. 2	791.0	651.0	54.1	...	1496.1
" 9	776.0	664.6	66.0	...	1506.6
" 16	761.0	673.6	56.3	...	1490.9
" 23	746.0	682.8	55.0	...	1483.8
" 31	731.0	696.7	61.5	...	1489.2
Apr. 6	716.0	706.3	55.0	...	1477.3
" 13	701.0	708.4	56.4	...	1465.8
" 20	686.0	637.5	38.9	...	1362.4
" 27	675.0	674.1	46.3	...	1395.4
May 4	675.0	707.9	49.3	...	1432.2
" 11	685.0	722.1	53.0	...	1460.1
" 18	695.0	736.6	40.3	...	1468.9
" 25	700.0	746.5	49.4	...	1495.9
June 1	710.0	787.5	50.4	...	1547.9

TREASURY BILLS

Amount		Average Rate %	Per Cent. Allotted at Minimum Rate
Date of Tender	Offered		
1939			
June 2	45.0	64.0	45.0
Feb. 23	60.0	112.1	55.0
Mar. 1	55.0	108.2	50.0
" 8	55.0	98.3	50.0
" 15	50.0	99.8	50.0
" 21	50.0	100.0	50.0
" 29	50.0	99.9	50.0
Apr. 5	50.0	94.5	50.0
" 12	50.0	90.6	50.0
" 19	50.0	111.8	50.0
" 26	55.0	115.7	55.0
May 3	60.0	113.2	60.0
" 10	65.0	111.6	65.0
" 17	65.0	116.0	65.0
" 24	65.0	117.7	65.0
" 31	65.0	131.3	65.0

On May 31st applications at £99 14s. 10d. per cent. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted at about 30 per cent. of the amount applied for and applications at higher prices in full. Applications at £99 14s. 11d. for bills to be paid for on Saturday were accepted in full. £65.0 millions of Treasury bills are being offered on June 7th.

NATIONAL SAVINGS CERTIFICATES AND 3% BONDS SUBSCRIPTIONS

Period		N.S.C.* 3% Bds.		Total
Week to May 21, 1940	2,628	2,037	4,665	
Week to May 28, 1940	4,850	4,892	9,742	
27 weeks to May 28, 1940	86,028	79,548	165,576	

* Revenue returns show repayment of principal amounting to £14,700,800 in the 27 weeks to May 28, 1940.

BANK OF ENGLAND RETURNS

JUNE 5, 1940

ISSUE DEPARTMENT

Notes Issued		Govt. Debt	
In Circulation	569,261,923	Other Govt.	11,015,100
In Banking	10,974,835	Securities	564,903,519
		Other Secs.	3,569,266
		Silver Coin	512,115
		Amt. of Fid.	
		Issue	580,000,000
		Gold Coin & Bullion (at 168s. per oz. fine)	236,758
	580,236,758		580,236,758

BANKING DEPARTMENT

OVERSEAS BANK RETURNS

NOTE.—The latest returns of the Bank of Germany appeared in The Economist of April 27th; Argentina, Java and Netherlands, of May 11th; Belgium, and Sweden, of May 18th; Australia, International Settlements, Iran, New Zealand and Turkey, of May 25th; Bulgaria, Canada, Egypt, Latvia, Roumania, South Africa, Switzerland, and Federal Reserve Reporting Members, of June 1st.

U.S. FEDERAL RESERVE BANKS

12 U.S.F.R. BANKS	June 8, 1940	May 29, 1940	May 5, 1940
RESOURCES			
Gold certifi. on hand and due from Treas.	13,392	16,497	16,935
Total reserves	13,751	16,872	17,304
Total cash reserves	350	366	349
Total U.S. Govt. secs.	2,564	2,467	2,477
Total bills and sec.	2,580	2,479	2,489
Total resources	17,030	20,074	20,555
LIABILITIES			
F.R. notes in circ.	4,476	4,955	5,038
Excess m. bank res.	4,280	6,130	6,360
Mr. bank reserve dep.	935	512	378
Govt. deposits	11,618	14,191	14,542
Total deposits	17,030	20,074	20,555
Total liabilities	85.4%	88.1%	88.4%
RESERVE RATIO	85.4%	88.1%	88.4%
BANKS AND TREASURY:			
RESOURCES			
Monetary gold stock	15,987	18,835	19,262
Treas. & bk. currency	2,864	3,004	3,007
LIABILITIES			
Money in circulation	6,986	7,589	7,685
Treas. cash and dep.	3,506	2,821	2,578

BANK OF FRANCE

Assets	June 1, 1940	May 1, 1940	May 1, 1940
Gold	92,266	84,615	84,615
Bills: Commercial	8,783	14,706	24,416
Bought abroad	726	46	46
Advances on securities	3,512	3,511	3,800
Thirty-day advances	358	971	2,821
State Loans without int.	10,000	10,000	10,000
Neg. Treas. Bonds	30,000	30,000	30,000
Provis. adv. to State	20,577	21,600	26,700
Bonds & other assets	10,189	11,821	12,337
LIABILITIES			
Notes in circulation	122,900	158,944	166,696
Deposits: Public	4,189	1,139	1,094
Private	16,405	13,385	23,643
Other liabilities	2,917	4,658	4,181
Gold to sight liabilities	64.3%	48.7%	44.1%

EXCHANGE RATES

Rates Fixed by Bank of England

The following official exchange rates fixed by the Bank of England remained unchanged between May 30th and June 6th. (Figures in brackets are par of exchange.)

U.S. \$ (4.862½) 4.02½-03½; mail transfers, 4.02½-03½. Can. \$ (4.862½) 4.43-47; mail transfers, 4.43-47¼. Fr. fcs. (124-20) 176½-34. Sw. fcs. (25-22½) 17.85-95. Sw. kr. (18-159) 16-85-95. Arg. pesos (11-45) 17-05-30; mail transfers 17-05-32. Batavia Fl. (12-11) 7-58-62; Mail transfers, 7-58-64.

Forward Rates

Forward rates for one month have remained unchanged as follows: America, ¼ cent pm.-par. Canada, ½ cent pm.-par. France, par. Switzerland, 3 cents pm.-par. Sweden, 3 ore pm.-par. Batavia 1½ cents pm.-par.

MARKET RATES

London on	Par of Exchange per £	May 31, 1940	June 1, 1940	June 3, 1940	June 4, 1940	June 5, 1940	June 6, 1940
Tallinn, Ekr.	18-159	12½*	13*	13*	13*	13*	13*
Riga, Lats.	25-22½	16*	16½*	16½*	16*	16*	16*
Budapest, Pen.	27-82	17½*	17½*	17½*	17½*	17½*	17½*
Kovno, Lit.	48-66	18*	18½*	18½*	18*	18*	18*
Milan, Lr.	92-46	61½-63½	62-64	62½-64	62-64	62-63½	62-63½
Belgrade, Din.	276-32	130*	135*	135*	135*	135*	135*
Sofia, Lev.	673-66	255*	260*	260*	260*	260*	260*
Helsingfors, Mk	193-23	180-210	180-210	180-210	180-210	180-210	180-210
Alexandria, Pst	97½	97½-98	97½-98	97½-98	97½-98	97½-98	97½-98
Madrid, Pst	25-22½	39-00(b)	39-00(b)	39-00(b)	39-00(b)	39-00(b)	39-00(b)
Lisbon, Esc.	110	96-98	96½-98½	96½-98½	96½-98½	96½-98½	96½-98½
Istanbul, Lt	110	510*	510*	510*	510*	510*	510*
Athens, Dr.	375	520*	520*	520*	520*	520*	520*
Bucharest, Lei	813-8	800*	800*	800*	800*	800*	800*
India, Rup.	718d.	17½-18	17½-18	17½-18	17½-18	17½-18	17½-18
Kobe, Yen.	24-58d.	17½-18	17½-18	17½-18	17½-18	17½-18	17½-18
Hongkong, \$	147-151	147-151	147-151	147-151	147-151	147-151	147-151
Rio, Mil.	899d.	33½*	33½*	33½*	33½*	33½*	33½*
Valparaiso, Pes.	40	95*	95*	95*	95*	95*	95*
Lima, Sol. (s)	17-38	19½-21½	19½-21½	19½-21½	19½-21½	19½-21½	19½-21½
Montevideo, \$	51d.	27½-29½	27½-29½	27½-29½	27½-29½	27½-29½	27½-29½
Singapore, \$	28d.	28½-29½	28½-29½	28½-29½	28½-29½	28½-29½	28½-29½
Shanghai, \$	34-41	34-41	34-41	34-41	34-41	34-41	34-41
Bogota, Pes.	5*	5*	5*	5*	5*	5*	5*

* Sellers. † Pence per unit of local currency. (b) Official rate for payment at the Bank of England for Clearing Offices. (c) Voluntary rate for payment at the Bank of England. (e) 90 days. (g) Trade payments rate.

BANK OF ESTONIA

Assets	Apr. 13, 1940	Apr. 20, 1940	Apr. 27, 1940	Apr. 30, 1940
Gold coin & gold bullion	40-90	40-90	40-90	40-90
Net foreign exchange	4-30	3-65	4-36	4-36
Home bills discounted	17-34	17-19	17-12	17-12
Loans and advances	25-94	25-77	26-85	30-83
LIABILITIES				
Notes in circulation	61-71	62-39	66-55	64-69
Sight dep., of which:				
(a) Government	14-39	13-55	10-24	10-74
(b) Bankers	10-07	9-99	8-87	13-62
Reserve ratio	49-7%	49-7%	50-3%	48-1%

Assets	Apr. 23, 1940	Apr. 30, 1940	May 7, 1940	May 15, 1940
Gold and for. exchange	4,678	4,820	4,878	4,956
State sec. in for. exch.	122	122	122	122
Bills discounted	664	663	656	670
Advances	12,587	12,702	12,885	13,004
State debt	3,983	3,983	3,983	3,983
LIABILITIES				
Notes in circulation	9,740	9,861	9,696	9,951
Dep. and current accts.	12,120	12,351	12,488	12,728
Foreign exch. liabilities	555	595	636	584

Assets	May 15, 1940	Apr. 7, 1940	May 7, 1940	May 15, 1940
Metal reserve:				
Gold coin and bullion	124-1	124-1	124-1	124-1
Foreign exchange	98-2	64-7	62-5	58-9
Int. bills, wts., & sec.	428-8	531-4	559-6	610-5
Advances to Treasury	299-2	343-0	343-1	343-1
LIABILITIES				
Notes in circulation	828-0	901-1	952-6	957-0
Sight liabilities	189-5	169-6	175-2	228-8
Cash certificates	99-0	93-5	93-5	93-5

Assets	May 15, 1940	Apr. 7, 1940	May 7, 1940	May 15, 1940
Gold coin and bullion	124-1	124-1	124-1	124-1
Rup. coin	658	525	513	507
Balances abroad	101	235	212	217
Investment securities	595	1,165	1,185	1,185
Indian Govt. rupee sec.	373	384	395	84
LIABILITIES				
Notes in circ.: India	1,791	2,294	2,312	2,308
Burma	105	136	136	135
Deposits: Govts.	116	122	115	119
Banks	142	201	181	181
Reserve ratio	50-2%	63-9%	64-2%	64-4%

BANK OF JAPAN.—Million yen

Assets	Apr. 13, 1940	Apr. 20, 1940	Apr. 27, 1940	May 4, 1940
Coin & bullion: Gold	501-3	501-3	501-3	501-3
Other	28-0	28-8	26-6	27-3
Foreign exch. fund	300-0	300-0	300-0	300-0
Discounts and advances	546-8	497-5	646-3	582-4
Government bonds	2454-7	2400-8	2725-7	2706-7
Agencies' accounts	236-4	268-7	280-1	246-8
LIABILITIES				
Notes issued	3110-9	3088-5	3225-9	3372-8
Deposits: Government	672-8	609-2	699-0	711-1
Other	92-6	107-0	114-9	88-2

Assets	May 22, 1940	Apr. 22, 1940	May 15, 1940	May 22, 1940
Gold	1,918	2,062	2,080	2,120
Other foreign exchange	478	930	1,839	1,982
Discounts and advances	1,819	1,807	3,073	3,073
Gov. adv. and credits	2,229	3,073	2,431	2,895
LIABILITIES				
Notes in circulation	5,985	10,530	10,946	11,300
Sight liabilities	2,504	2,071	1,703	1,912

Assets	Apr. 30, 1940	Mar. 31, 1940	Apr. 15, 1940	Apr. 30, 1940
Gold	63-24	53-03	53-03	57-45
Silver and other coins	15-12	7-17	7-08	6-78
Discounts	113-51	133-1	136-54	137-39
Advances	20-91	29-6	29-53	30-62
LIABILITIES				
Notes in circulation	181-65	167-6	167-35	171-39
Current accounts	23-61	50-3	54-00	54-95
Deposits	7-52	37-7	43-05	38-47

Assets	Mar. 20, 1940	Mar. 27, 1940	Apr. 3, 1940	Apr. 10, 1940
Gold	920-6	920-6	920-6	920-6
Balances abroad	415-2	418-3	420-1	418-9
Discounts	108-7	108-5	107-6	108-0
LIABILITIES				
Notes in circulation	2352-3	2358-0	2394-4	2359-4
Deposits: Government	391-3	386-2	394-9	400-4
Bankers	653-2	658-0	683-1	659-3
Other	70-1	52-5	61-5	54-9
Foreign commitments	318-2	292-6	261-9	261-8

PROVINCIAL BANK CLEARINGS (£ thousands)

Working days	Week ended June 3, 1940	Week ended June 10, 1940	Aggregate January 1 to June 1, 1940	Week ended June 3, 1940	Week ended June 10, 1940	Aggregate January 1 to June 1, 1940
Birmingham	5	6	129	129	Newcastle	1,585
Bradford	2,562	2,088	52,956	49,264	Nottingham	505
Bristol	735	2,141	18,580	33,078	9 Towns	21,262
Hull	1,048	1,911	28,827	36,218		25,607
Leicester	693	767	17,473	18,343		498,800
Liverpool	526	682	15,762	16,727		572,221
Manchester	4,648	5,399	109,277	129,679		14,239
	8,960	10,945	210,786	248,661		272

* Suburban cheque clearing discontinued Sept. 7, 1939.
† Clearing begun May 14, 1940. ‡ Not available.

MONEY RATES, LONDON

The following rates remained unchanged between May 30th and June 6th: Bank rate 2% (changed from 3% October 26, 1939). Discount rates: Bank bills 60 days, 1½%; 3 months, 1½%; 4 months, 1½-1½%; 6 months, 1½-1½%; Treasury bills: 2 months, 1-1½%; 3 months, 1½%; Day-to-day money 5½-1½%. Short loans, 1-1½%. Bank deposit rates, ½%. Discount deposits ½ call, ½% at notice, ¾%.

GOLD AND SILVER

The Bank of England's official buying price for gold remained at 168s. 0d. per fine ounce throughout the week.

Date	Cash	Two Months	Date	Cash	Two Months
May 31	211½	21½	June 5	22¼	21¼
June 3	23½	22½	June 6	23½	22½
June 4	23	22			

NEW YORK EXCHANGE RATES

New York on	May 30, 1940	May 31, 1940	June 1, 1940	June 3, 1940	June 4, 1940	June 5, 1940
London—						
Cables	322¼	322½	321(a)	319½	319½	319½
Demand	322¼	321½	320¼	318½	318½	318½
Paris, Fr.	182¼	182½	181¼	181¼	181¼	181¼
Switzerland, Fr.	22-42	22-42	22-42	22-42	22-42	22-42
Italy, Lire	5-04¼	5-04¼	5-04¼	5-04¼	5-04¼	5-04¼
Berlin, Mark	40-00(c)	40-00(c)	40-00(c)	40-00(c)	40-00(c)	40-00(c)
Stockholm, Kr.	23-85	23-85	23-85	23-85	23-85	23-85
Montreal, Can. \$	78-125	78-125	78-500	78-375	78-375	78-375
Japan, Yen	23-48	23-48	23-48	23-48	23-48	23-48
Shanghai, \$	5-55	5-55	5-30	5-25	5-25	5-25
B. Aires, Pso. (mkt. rate)	22-35½	22-45½	22-55½	22-50½	22-50½	22-50½
Brazil, Milreis	5-10	5-10	5-10	5-10	5-10	5-10

† Official buying rate 29-78. (a) Bid and offered. (c) Nominal.

Investment

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Total Profit	Deprecia- tion, etc.	Net Profit after Deb. Interest	Available for Distribu- tion	Appropriation					Preceding Year		
						Prof. Div.	Ord. Div.	Rate	To Free Reserves	Difference in Carry Forward (+ or -)	Total Profit	Net Profit	Ord. Div.
		£	£	£	£	£	£	%	£	£	£	%	
Financial Land, etc.													
Aboukir Co.	Mar. 31	23,371	128,3 74	5,337	7,753	...	...	...	+	5,337	16,326	Dr. 2,947	Nil
Dick (W. B.) Holdings ..	Mar. 31	44,808	...	38,563	65,476	11,035	17,531	10	...	+	9,997	59,472	53,151
Lon. County Properties	Mar. 31	583,459	...	294,156	425,008	28,655	198,320	8	30,000	+	37,181	626,489	340,794
St. Martin's Le Grand Py.	Mar. 25	64,412	...	21,057	27,290	...	18,092	6	6,000	+	67	66,336	24,693
Texas Land & Mortgage	Mar. 31	51,356	...	16,678	26,092	...	9,488	5 3/4	5,000	+	2,190	46,184	14,641
Iron, Coal and Steel													
Consent Iron	Mar. 31	1,061,188	125,000	264,341	450,461	40,000	210,000	7 1/2	...	+	14,341	669,717	220,168
Niddrie & Benhar Coal...	Mar. 30	55,064	13,733	41,331	79,103	...	37,500	15	...	+	3,331	64,017	51,727
Ruston and Hornsby	Mar. 31	275,517	...	221,310	277,267	23,500	153,750	12 1/2	25,000	+	19,000	318,695	221,406
South Hetton Coal	Mar. 31	137,850	24,683	46,208	90,902	8,438	15,625	5	20,000	+	2,145	171,165	72,009
Rubber													
Batang	Dec. 31	8,732	720	2,793	10,112	...	2,881	7 1/2(a)	...	-	88	15,989	8,471
Emerald	Jan. 31	29,053	500	19,747	31,779	...	17,200	8	2,500	+	47	22,274	13,106
Hongkong (Selangor)....	Dec. 31	27,877	...	19,830	27,967	...	18,000	40	...	+	1,830	14,169	5,347
Linggi	Dec. 31	73,370	6,000	28,554	58,563	700	16,800	5(a)	...	+	11,054	52,637	26,021
Matale Ceylon	Dec. 31	1,862	...	750	1,116	...	724	3	...	+	26	727	40
New Columbia	Dec. 31	11,937	...	5,873	26,516	...	4,410	10	700	+	754	7,290	4,596
Rosehaugh (Ceylon)	Dec. 31	27,052	2,306	11,576	16,016	...	9,000	3	2,500	+	76	16,870	7,618
Rubber Est. of Ceylon ...	Dec. 31	5,032	500	3,813	4,558	...	3,675	2 1/2	...	+	138	935	772
Tea													
Bamgaon	Dec. 31	9,786	497	1,639	5,737	...	1,523	7 1/2	1,000	-	884	5,723	2,119
Rosehaugh (Ceylon)	Dec. 31	32,594	5,190	13,170	18,259	...	8,000	4	5,000	+	170	22,748	10,853
Trusts													
Investment Trust Corp'n.	May 1	438,877	...	219,913	414,443	87,000	121,921	13	...	+	10,992	446,146	230,701
Second Scottish Amer....	Apr. 30	59,882	...	44,255	72,572	30,000	12,000	3	...	+	2,255	59,041	44,216
Nineteen-Twenty-Eight I.	Mar. 31	42,924	...	36,705	46,392	24,404	9,602	3	2,000	+	699	47,934	41,698
Other Companies													
Advance Laundries	Mar. 31	80,143	32,034	26,497	36,755	26,520	...	...	...	-	23	102,745	55,108
Amalgamated Press	Sept. 29	503,246	...	397,928	581,355	315,000	...	...	50,000	+	32,928	488,358	408,721
Anchor Line	Sept. 30	242,947	51,305	Dr. 26,376	16,934	...	...	...	...	-	26,376	252,505	23,764
Apollinaris and Presta ..	Dec. 31	20,535	...	Dr. 27,942	Dr. 65,186	...	...	...	...	-	27,942	26,688	20,684
Associated Biscuit	Mar. 31	147,598	...	147,558	168,245	25,350	35,702	4	...	+	86,506	57,536	57,534
Associated Newspapers ..	Mar. 31	407,398	...	401,018	858,749	25,596	263,226	6	100,000	+	12,792	452,353	445,266
Ballito Hosiery Mills	Dec. 31	141,769	...	20,885	29,792	...	5,328	12 1/2	9,000	+	39	107,972	22,479
Banister, Walton and Co.	Dec. 31	54,801	...	27,393	42,124	...	11,650	15	25,000	+	9,257	68,905	46,388
Briggs Motor Bodies	Mar. 31	336,455	...	87,431	128,676	...	45,500	7	40,000	+	1,931	272,467	101,231
Brincliffe and Co.	Mar. 31	86,652	...	76,769	131,303	2,999	45,353	14 1/4	15,000	+	13,417	75,473	69,949
Burmah Oil Co.	Dec. 31	4,314,361	...	3,499,551	4,201,705	300,000	2,884,668	21	250,000	+	64,883	4,807,874	3,515,246
Burton (Joseph) and Sons	Apr. 20	36,801	6,183	23,185	47,780	12,500	4,500	7 & 2	4,500	+	1,685	31,752	17,806
Clan Line Steamers	Dec. 31	593,021	367,989	171,090	267,361	49,879	78,000	20	50,000	+	6,789	723,506	346,269
Cons. Water of Rosario ..	Dec. 31	189,521	...	27,137	146,901	8,400	15,000	3	3,000	+	737	174,806	23,442
Cowburns and Scotts	Mar. 31	6,317	...	3,541	5,820	...	3,347	5	...	+	794	3,072	3,112
Harper (John) and Co. ...	Mar. 26	58,721	...	36,148	45,570	4,843	18,900	15	11,529	+	876	44,425	29,458
India Gen. Navigation	Dec. 31	164,706	99,171	42,751	62,529	14,642	32,779	5	...	+	4,670	144,541	31,480
Jury Holloware (Stevens)	Mar. 31	55,485	6,000	12,565	31,926	10,212	1,250	5	...	-	333	33,416	9,630
Mansfields, Ltd.	Mar. 31	8,835	...	11,442	13,922	...	1,250	5	...	-	320	13,397	10,825
McCull (R. S.) Ltd.	Apr. 26	33,550	...	19,027	22,764	7,200	4,687	5	5,000	+	2,140	24,100	12,690
Sena Sugar Estates	Dec. 31	186,257	20,000	92,834	132,066	22,500	63,000	9	...	+	7,334	172,497	94,984
Smithfield & Reg. Meat	Dec. 31	20,000	25,000	64,676	111,440	37,500	15,625	2 1/2	...	+	11,551	81,279	34,240
Stone (J.) and Co.	Dec. 31	320,303	106,771	204,013	421,086	39,000	150,100	25	...	+	14,913	307,990	208,678
Tweedales and Smalley ..	Apr. 30	56,148	...	52,792	109,627	...	45,000	10	7,500	+	292	88,382	82,229
Wallis (Costumiers)	Jan. 31	33,134	5,651	10,406	17,275	4,225	6,500	16	...	+	319	32,348	15,251
Totals (£'000's):													
Week to June 8, 1940 ...	No. of Cos. 47	11,247	899	6,766	9,745	1,165	4,633	...	670	+	298	11,339	7,049
Jan. 1 to June 8, 1940 ...	1,104	227,972	17,377	128,374	181,579	25,753	82,985	...	14,316	+	5,320	210,478	128,717

LONDON ACTIVE SECURITY PRICES AND YIELDS

Allowance is made for net interest accrued, and for redemption for fixed interest stocks and for changes in interim dividends for ordinary stocks.

Prices, Jan. 1 to June 5, 1940		Name of Security		Price, June 5, 1940	Ch'ge since May 29	Yield June 5, 1940	Last two Dividends		Name of Security		Price, June 5, 1940	Ch'ge since May 29	Yield June 5, 1940
High	Low	High	Low				(a)	(b)	(c)				
British Funds													
71 1/2	61	76 1/2	68 1/2	Consols 2 1/2%	73 1/2	+1 1/2	3 1/2	10	12	S. Durham Ord. £1	27 1/2	-1 1/2	4 1/2
107 1/2	98	110 1/2	103 1/2	Do. 4% (aft. 1957)	108 1/2	+1 1/2	3 1/2	10	12	Staveley Coal, etc. £1 ..	42 1/2	-1 1/2	4 1/2
96 1/2	90 1/2	100 1/2	95 1/2	Conv. 2% 1943-45	98 1/2	-1 1/2	2 1/2	10	12	Stewarts & Lloyds £1 ..	27 1/2	-1 1/2	4 1/2
99 1/2	92 1/2	103 1/2	97 1/2	Do. 2 1/2% 1944-49	98 1/2	-1 1/2	2 1/2	10	12	Swan, Hunter £1	27 1/2	-1 1/2	4 1/2
99 1/2	87	102 1/2	94	Do. 3% 1948-53	101 1/2	+1 1/2	2 1/2	10	12	Un. Steel Corp. Ord. £1 ..	18 1/2	-1 1/2	4 1/2
112 1/2	103 1/2	112	107 1/2	Do. 3 1/2% after 1961 ..	101 1/2	+1 1/2	3 1/2	10	12	Vickers 10%	12 1/2	-1 1/2	4 1/2
87 1/2	79 1/2	92 1/2	86 1/2	Do. 5% 1944-64	107 1/2	+1 1/2	3 1/2	10	12				
93 1/2	87 1/2	98 1/2	92	Fund. 2 1/2% 1952-57	96 1/2	-1 1/2	3 1/2	10	12				
97 1/2	91 1/2	99 1/2	92	Fund. 3% 1959-69	96 1/2	-1 1/2	3 1/2	10	12				
109 1/2	100 1/2	113 1/2	106 1/2	Fund. 4% 1960-90	110 1/2	+1 1/2	3 1/2	10	12				
99 1/2	94 1/2	102	98 1/2	Nat. D. 2 1/2% 1944-48 ..	99 1/2	-1 1/2	3 1/2	10	12				
96 1/2	91 1/2	103 1/2	95 1/2	Do. 3% 1954-58	100 1/2	-1 1/2	3 1/2	10	12				
108 1/2	102	111 1/2	105 1/2	Victory Bonds 4 1/2%	109 1/2	+1 1/2	3 1/2	10	12				
98 1/2	86	101 1/2	93 1/2	War L. 3 1/2% af. 1952 ..	99 1/2	-1 1/2	3 1/2	10	12				
93 1/2	73	90 1/2	80 1/2	Local Loans 3%	85 1/2	-1 1/2	3 1/2	10	12				
99 1/2	91	100 1/2	93 1/2	Austria 3% 1933-53	99 1/2	-1 1/2	3 1/2	10	12				
94	86	101 1/2	93 1/2	India 2 1/2%	68 1/2	-1 1/2	3 1/2	10	12				
115 1/2	104 1/2	115	105 1/2	Do. 3 1/2%	92 1/2	+1 1/2	3 1/2	10	12				
				Do. 4 1/2% 1958-68	111 1/2	+1 1/2	3 1/2	10	12				
Dom. & Col. Govts.													
106 1/2	95	107 1/2	101	Australia 5% 1940-60	102 1/2	+1 1/2	4 10 11	3	38/3	32 1/2	3 1/2	5 1/2	10 1/2
103 1/2	103	107 1/2	107	Nigeria 5% 1950-60	108 1/2	+1 1/2	4 10 11	3	27 1/2	28 1/2	10 1/2	5 1/2	10 1/2
103 1/2	92	105 1/2	100 1/2	N. Zealand 5% 1946	101 1/2	+1 1/2	4 10 11	3	18 1/2	19 1/2	2 1/2	5 1/2	10 1/2
110	102	108 1/2	103	S. Africa 5% 1945-75	104 1/2	+1 1/2	4 10 11	3	32 1/2	27 1/2	2 1/2	5 1/2	10 1/2
111 1/2	104	110 1/2	104	Corporation Stocks					21 1/2	15 1/2	2 1/2	5 1/2	10 1/2
81 1/2	72	85	78 1/2	Richman 5% 1946-56	105 1/2	+1 1/2	4 10 11	3	31 1/2	21 1/2	2 1/2	5 1/2	10 1/2
93 1/2	86	94 1/2	87 1/2	L.C.C. 3%	80	-1 1/2	3 15 3		42 1/2	28 1/2	4 1/2	5 1/2	10 1/2
102 1/2	95	104	98	Liverpool 3% 1954-64	91	-1 1/2	3 15 3		38 1/2	29	2 1/2	5 1/2	10 1/2
				Midx. 3 1/2% 1957-62	99 1/2	-1 1/2	3 11 6		39 1/2	31	3 1/2	5 1/2	10 1/2
Foreign Governments													
91 1/2	73 1/2	92 1/2	84 1/2	Argen. 4 1/2% Stg. Bds.	86 1/2	-1 1/2	5 4 0		17 1/2	12 1/2	30	15 1/2	10 1/2
65 1/2	34	58 1/2	40	Austria 4 1/2% 1934-59 ..	40	-1 1/2	8 8 9		16 1/2	9 1/2	7 1/2	15 1/2	10 1/2
95	50	64	35	Belgian 4% (36) 1970	30	-1 1/2	13 6 8		36 1/2	23 1/2	12 1/2	15 1/2	10 1/2
23 1/2	6 1/2	35 1/2	20	Brazil 5% Fd. 1914	22	-1 1/2	11 7 4		16 1/2	9 1/2	7 1/2	15 1/2	10 1/2
19	13	25	17	Chile 6% (1929)	13 1/2	-1 1/2	11 2 2		18 1/2	12 1/2	15 1/2	15 1/2	10 1/2
32 1/2	23 1/2	34	25	China 5% (1913)	22 1/2	-1 1/2	8 13 4		15 1/2	7 1/2	15 1/2	15 1/2	10 1/2
72 1/2	30	45 1/2	30	Czechoslovakia 8%	30	-1 1/2	15 15 0		60 1/2	33 1/2	12 1/2	15 1/2	10 1/2
84 1/2	58	79 1/2	62	Egypt Unified 4%	62	-1 1/2	13 13 4		58 1/2	47 1/2	25	40 1/2	10 1/2
12 1/2	9	10 1/2	9 1/2	French 4% (British)	9 1/2	-1 1/2	15 15 0		22 1/2	22 1/2	45	40 1/2	10 1/2
44 1/2	4	7 1/2	5 1/2	German Dawes 5%	6	-1 1/2	21 8 0		12 1/2	3 1/2	22 1/2	25	10 1/2
33 1/2	3	6 1/2	4 1/2	Do. Young Ln. 4 1/2%	6	-1 1/2	26 8 0		22 1/2	3 1/2	22 1/2	25	10 1/2
30	15	24 1/2	13 1/2	Greek 6% Stab. Ln.	14	-1 1/2	26 8 0		22 1/2	3 1/2	22 1/2	25	10 1/2
35 1/2	15	25	17	Hungary 7 1/2%	17	-1 1/2	11 2 2		22 1/2	3 1/2	22 1/2	25	10 1/2
61 1/2	33	65	48	Japan 5 1/2% 1930	49 1/2	-1 1/2	11 2 2		22 1/2	3 1/2	22 1/2	25	10 1/2
Shipping													
146 1/2	146	146 1/2	146	Furness & W. £1	146 1/2	-1 1/2	5 10 0		14 1/2	17 1/2	4 1/2	5 10 0	10 1/2
17 1/2	17 1/2	17 1/2	17 1/2	S. O. Def. £1	17 1/2	-1 1/2	5 10 0		14 1/2	17 1/2	4 1/2	5 10 0	10 1/2
17 1/2	17 1/2	17 1/2	17 1/2	Royal Mail Line £1	17 1/2	-1 1/2	5 10 0		14 1/2	17 1/2	4 1/2	5 10 0	10 1/2
17 1/2	17 1/2	17 1/2	17 1/2	Union Castle Ord. £1 ..	17 1/2	-1 1/2	5 10 0		14 1/2	17 1/2	4 1/2	5 10 0	10 1/2
Tea and Rubber													
11 1/2	7 1/2	11 1/2	7 1/2	Allied Sumatra £1	11 1/2	-1 1/2	5 10 0		14 1/2	17 1/2	4 1/2	5 10 0	10 1/2
18 1/2	14 1/2	18 1/2	14 1/2	Anglo-Dutch £1	18 1/2	-1 1/2	5 10 0		14 1/2	17 1/2	4 1/2	5 10 0	10 1/2
28 1/2	13	28 1/2	13	Java (Assam) £1	28 1/2	-1 1/2	5 10 0		14 1/2	17 1/2	4 1/2	5 10 0	10 1/2
27 1/2	27 1/2	27 1/2	27 1/2	London Asiatic £1	27 1/2	-1 1/2	5 10 0		14 1/2	17 1/2	4 1/2	5 10 0	10 1/2
25 1/2	25 1/2	25 1/2	25 1/2	Rubber Trust £1	25 1/2	-1 1/2	5 10 0		14 1/2	17 1/2	4 1/2	5 10 0	10 1/2
2 1/2	2 1/2	2 1/2	2 1/2	United Siam £2	2 1/2	-1 1/2	5 10 0		14 1/2	17 1/2	4 1/2	5 10 0	10 1/2
Miscellaneous													
37 1/2	30 1/2	37 1/2	30 1/2	Anglo-Iranian £1	37 1/2	-1 1/2	5 10 0		14 1/2	17 1/2	4 1/2	5 10 0	10 1/2
21 1/2	3 1/2	21 1/2	3 1/2	Apex (Trinidad) £1	21 1/2	-1 1/2	5 10 0		14 1/2	17 1/2	4 1/2	5 10 0	10 1/2
52 1/2	8 1/2	52 1/2	8 1/2	Burmah Oil £1	52 1/2	-1 1/2	5 10 0		14 1/2	17 1/2	4 1/2	5 10 0	10 1/2
60 1/2	4 1/2	60 1/2	4 1/2	Shell Transport £1	60 1/2	-1 1/2	5 10 0		14 1/2	17 1/2	4 1/2	5 10 0	10 1/2
62 1/2	8 1/2	62 1/2	8 1/2	Trinidad Leaseholds £1 ..	62 1/2	-1 1/2	5 10 0		14 1/2	17 1/2	4 1/2	5 10 0	10 1/2
Banks and Discount													
67 1/2	60 1/2	67 1/2	60 1/2	Alexanders £2, £1 pd.	62 1/2	-1 1/2	5 12 0		44 1/2	39 1/2	5 1/2	5 12 0	10 1/2
316 1/2	316 1/2	316 1/2	316 1/2	Bank of England	325	-1 1/2	5 12 0		44 1/2	39 1/2	5 1/2	5 12 0	10 1/2
45 1/2	45 1/2	45 1/2	45 1/2	Bank of Montreal \$100 ..	47	-1 1/2	5 12 0		44 1/2	39 1/2	5 1/2	5 12 0	10 1/2
30 1/2	24 1/2	30 1/2	24 1/2	Bank of N. Zealand £1 ..	26 1/2	-1 1/2	5 12 0		44 1/2	39 1/2	5 1/2	5 12 0	10 1/2
73 1/2	57 1/2	73 1/2	57 1/2	Barclays Bank £1	61 1/2	-1 1/2	5 12 0		44 1/2	39 1/2	5 1/2	5 12 0	10 1/2
92 1/2	8 1/2	92 1/2	8 1/2	Chd. of India £5	8 1/2	-1 1/2	5 12 0		44 1/2	39 1/2	5 1/2	5 12 0	10 1/2
32 1/2	45 1/2	32 1/2	45 1/2	Dist. B. £1, 1/2 pd.	50 1/2	-1 1/2	5 12 0		44 1/2	39 1/2	5 1/2	5 12 0	10 1/2
45 1/2	45 1/2	45 1/2	45 1/2	Hongkong and S. £125 ..	48 1/2	-1 1/2	5 12 0		44 1/2	39 1/2	5 1/2	5 12 0	10 1/2
40 1/2	40 1/2	40 1/2	40 1/2	Lloyds £5, £1 pd.	42 1/2	-1 1/2	5 12 0		44 1/2	39 1/2	5 1/2	5 12 0	10 1/2
85 1/2	79 1/2	85 1/2	79 1/2	Martins £20, £12 1/2 pd.	7 1/2	-1 1/2	5 12 0		44 1/2	39 1/2	5 1/2	5 12 0	10 1/2
85 1/2	72 1/2	85 1/2	72 1/2	Midland £1, 1/2 pd.	75 1/2	-1 1/2	5 12 0		44 1/2	39 1/2	5 1/2	5 12 0	10 1/2
5 1/2	5 1/2	5 1/2	5 1/2	Nat. Dis. £2 1/2 pd.	5 1/2	-1 1/2	5 12 0		44 1/2	39 1/2	5 1/2	5 12 0	10 1/2
32 1/2	28 1/2	32 1/2	28 1/2	N. of Ind. £25, £12 1/2 pd.	30	-1 1/2	5 12 0		44 1/2	39 1/2	5 1/2	5 12 0	10 1/2
69 1/2	52 1/2</												

THE JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY, LTD., GROUP DECLARATION OF DIVIDENDS

NOTICE IS HEREBY GIVEN that Dividends have been declared payable to Shareholders registered in the books of the undermentioned Companies at the close of business on 30th June, 1940, and to persons presenting the respective Coupons, detailed below, detached from Share Warrants.

The Dividends are declared in the currency of the Union of South Africa and become due on 1st July, 1940, but, unless prevented by irregularity in the mail service, warrants in payment will be posted both from Head and London Offices on or about 7th August, 1940, this interval being necessary for the balancing of the books and preparation of the warrants. Dividends payable from the London Office will be paid in British currency at par provided there is no material difference between South African and British currencies on 1st July, 1940. Should there be any material difference between the two currencies, the London Office will pay on the basis of the equivalent British currency calculated at the rate of exchange ruling on that date. Amounts payable to persons presenting Coupons will be on the same basis irrespective of the date of presentation of Coupons.

Warrants despatched from the London Office to persons resident in Great Britain or Northern Ireland will be subject to a deduction of United Kingdom Income Tax at rates to be arrived at after allowing for relief (if any) in respect of Dominion Taxes.

Shareholders with registered addresses outside South Africa who desire to have their dividends paid to an address therein, or *vice versa*, must give notice to the Companies to that effect on or before 30th June, 1940.

The Transfer Books and Register of Members will be closed in each case from 1st July to 6th July, 1940, both days inclusive.

The Dividends on the shares included in Share Warrants will be payable to the persons presenting the relative Coupons at the London Office, 10 and 11 Austin Friars, E.C.2, on or after 8th August, 1940, in accordance with a Notice to be issued by the London Office.

Coupons must be deposited FOUR CLEAR DAYS before being paid and, unless accompanied by Inland Revenue Declarations, will be subject to a deduction of United Kingdom Income Tax, as above.

NAME OF COMPANY (Each of which is incorporated in the Union of South Africa)	Dividend No.	Coupon No.	Rate of Dividend	
			Per cent.	Per share in the currency of the Union of S. Africa
The East Champ d'Or Gold Mining Co., Ltd.	7	...	40	1/- per 2/6 share
Government Gold Mining Areas (Modderfontein) Consolidated, Ltd.	46	46	37½	1/10½ per 5/- share
The Langlaagte Estate and Gold Mining Co., Ltd.	98	87	2½	6d. per £1 share
New State Areas, Ltd.	31	31	13¾	2/9 per £1 share
The Randfontein Estates Gold Mining Co., Witwatersrand, Ltd.	25	25	11¼	2/3 per £1 share
Van Ryn Deep, Ltd.	54	54	8¾	1/9 per £1 share
Witwatersrand Gold Mining Co., Ltd.	69	67	15	3/- per £1 share

By Order,
JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY, LIMITED,
London Agents.

A. W. CHRISTIE, Secretary.

10 and 11 Austin Friars, London, E.C.2.
7th June, 1940.

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 the 4th June, 1940, DRAWN for redemption at par in 1st July, 1940:—

Bonds numbered 41, 118, 128, 194, 226, 233, 275, 421, 454, 609, 658, 674, 881, 935, 956, viz.:—15 Bonds of £100 each.
Present, Josh. D. Watts, Notary Public, of the firm of Cheeswright, Casey, Duff, Watts and Company, 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 the 1st July, 1940, from which date the Bonds will cease to bear interest.

In addition to the above, Bonds amounting to £87,700 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.
4th June, 1940.

OTTOMAN BANK

(Incorporated in Turkey with Limited Liability)

NOTICE IS HEREBY GIVEN that, in accordance with Article 29 of the Statutes, the ANNUAL GENERAL MEETING OF SHAREHOLDERS will be held on Tuesday, the 25th June, 1940, at Winchester House, Old Broad Street, London, E.C.2, at 12.30 p.m., to receive a Report from the Committee, with the Accounts for the year ending 31st December, 1939, to propose a Dividend and to replace the retiring Members of the General Committee.

By the 27th Article of the Statutes, the General Meeting is composed of Shareholders possessing at least thirty shares, who, to be entitled to form part of the Meeting, must deposit their shares at the Chief Office of the Company, Istanbul, or at either of the several Branches or Agencies abroad (in London at 26 Throgmorton Street, E.C.2, and in Paris at 7 rue Meyerbeer, 9me), ten days at least before the day fixed for the Meeting.

W. STEWART MCKIM, Secretary to the Committee.

London, 3rd June, 1940.

MIDLAND ELECTRIC CORPORATION FOR POWER DISTRIBUTION LIMITED

NOTICE IS HEREBY GIVEN that the TRANSFER BOOKS of the 31 per cent. First Mortgage Debenture Stock, 1965-73, of the Company will be CLOSED from the 17th to 29th June, 1940, both dates inclusive, for the preparation of Interest Warrants.

Warrants will be posted on the 28th June.

By Order of the Board,

G. G. HEATHCOCK, Secretary.

Toll End Road,
Tipton, Staffs.
1st June, 1940.

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 July next for the half-year ending 30th June, 1940.

TERMS OF SUBSCRIPTION TO THE ECONOMIST

	INLAND	OVERSEAS
	£ s. d.	£ s. d.
12 Months	2 18 0	3 1 0
6 Months	1 9 0	1 10 6

Cheques to be made payable to The Economist Newspaper Ltd.

PUBLISHING OFFICE:

8 BOUVIERIE STREET, LONDON, E.C.4.
Telephone: Central 8631

OFFER TO NEW READERS

Any reader who makes his first acquaintance with this journal with this week's issue is invited to fill up the attached:

To The Publisher, Economist Newspaper Ltd.,
8 Bouverie Street, E.C.4.

In order to test the value of your publication I should like you to forward it to me by post for the next four weeks. If I then decide to become a subscriber, it is understood that there will be no charge for the copies thus received, but otherwise I shall be willing to pay 4s. to cover their cost.

Name.....

Address.....

THE ECONOMIST

Vol. CXXXVIII

JUNE 15, 1940

No. 5051

CONTENTS

LEADING ARTICLES

The Battle of France	1031
Belligerency At Last	1032
A Check on Production	1033
Wages and the Workers	1034

NOTES OF THE WEEK

The Fate of Paris	1035
The Mediterranean War Zone	1035
Non-Belligerent America	1036
Narvik Evacuated	1036
More Evacuation	1036
The Balkans on a Knife Edge	1036
Far Eastern Moves	1037
Service in Civil Defence	1037
Strength at Home	1037
Command in Britain	1037
Noises Off	1037
Industrial Welfare	1038
Reservation and Recruitment	1038
The Colonies' Help	1038
Milk—Cheap and Dear	1038
Holidays in Industry	1038
Official Waste	1039
Shorter Notes	1039

BOOKS AND PUBLICATIONS

Oil from Roumania	1040
France's Leaders	1040
United States Defence	1041

THE WORLD OVERSEAS—cont.

Russian Trade Possibilities	1041
Latin America and the War	1042
Italy's Finances	1043
More Exports to Brazil?	1043

THE BUSINESS WORLD

LEADING ARTICLE

Towards Real Exchange Control	1044
-------------------------------	------

FINANCE AND BANKING

The Fiduciary Issue	1045
Circulation Still Climbing	1045
Clearing Bank Statements	1045
By-passing the Discount Market?	1046
Belgium Joins the Monetary Alliance	1046
Anglo-Roumanian Payments	1046
Agreement	1046
Speculation in Silver	1046
Bank of New Zealand	1046

INVESTMENT NOTES

A Stoical Market	1047
The Investors' Part	1047
Moral Dividend Limitation	1047
Italy and the Investor	1047
Home Rail Recovery	1048
J. Lyons' Profits	1048

INVESTMENT NOTES—cont.

Guest, Keen and Nettlefolds' Profits	1048
Bleachers' Association	1049
Consent Iron Record	1049
Kaffir Mining Policy	1049
Venezuelan Oil Results	1049
THE STOCK EXCHANGES	1050
CAPITAL ISSUES	1050
SHORTER COMMENTS	1050

INDUSTRY AND TRADE

Unemployment and Munitions	1051
Mass Production of Aircraft	1051
Britain's Iron Ore Supplies	1051
Italy and Raw Material Markets	1051
Dislocation of Europe's Coal Trade	1052
South African Wool	1052
Labour Shortage in Cotton Industry	1052
Wheat Prices under Control	1052
Italy's Oil Supplies	1052

COMMODITY AND INDUSTRY NEWS	1053
-----------------------------	------

COMPANY MEETINGS

CURRENT STATISTICS	1059
--------------------	------

The Battle of France

THE Germans have reached the gates of Paris. The French Army, fighting the most magnificent battle of any in its long history of tremendous military engagements, has been forced back yard by yard from the original Weygand Line under the pressure of Germany's overwhelming superiority in numbers and machines. Every inch gained has cost Germany a holocaust of human life and mechanical destruction. One hundred and twenty German divisions are reported to be deployed in this engagement. The figure represents practically all the man power Germany has available at the present time. The material wastage, too, is tremendous. Training tanks sent post-haste from instructional centres have appeared among the relics of the battlefield. Hitler is using every ounce of man power and machine power to crush France's resistance and force a decision before the end of June.

But if France has taken a deadly toll of her enemy, she too is bearing the brunt of the most savage and desperate attack to which any nation has ever been submitted. To our deep distress she is facing this attack almost alone. No words can do justice to the courage and tenacity of the French Army and we, who for the time being must stand by and follow the fortunes of their struggle almost as on-lookers, can only vow to send every reinforcement of which we are capable now, and, when our time comes, to fight as doggedly and bitterly for France's independence as she is fighting for ours to-day.

There is little prospect of a slackening in the German onrush. The encirclement of Paris appears to be the immediate objective of the German advance and units on the right flank have crossed the Lower Seine. The developments in Champagne, however, suggest that the Germans are also trying to drive a wedge between the Maginot Line and the main body of the French Army.

Germany might not be able to keep up the intensity of this offensive were it not for a new military factor which emerged on the afternoon of June 10th, when Italy staged her entry into the war to coincide with the hour of France's greatest embarrassment. It is hardly worth while

to waste words of censure on Italy's despicable conduct. Mussolini, after all, has long since ceased to be a free agent. The decision of June 10th was taken not by the Fascist regime, but by the German General Staff. Those who accuse the Duce of playing the jackal to Hitler's beast of prey forget that the jackal, however despicable his activities, at least acts under no external compulsion. Germany has cast Italy for the rôle of a performing monkey.

Italy's offensive has yet to be launched. It may be delayed until the German army feels more confident of its ability to turn the Maginot Line; but even before it is launched, the jeopardy in which France, and therefore the Allies, stand to-day is clear enough. Our pressing danger has sounded like a trumpet across the Atlantic. In a revolution of opinion as spectacular and rapid as the *Blitzkrieg* itself, the American people is at last alive to the fact that their cause as well as ours is being decided on the battlefields of Northern France. President Roosevelt in his speech delivered on the night of June 10th echoed the opinion of a vast majority of the Americans when he said that the United States as "a lone island in a world dominated by the philosophy of force" was "a helpless nightmare of a people without freedom" and drew the conclusion that America's immediate task was to "extend to the opponents of force the material resources" of the American nation.

The help must come soon, for our plight is desperate. The plea made by M. André Maurois to England can be passed on by both Allies to the United States. Help sent now is infinitely more effective than help sent later, even though it might then be ten times more technically efficient. It is not a matter of months, but of weeks. Determined as we are to continue the war in Europe, on the seas, if necessary in our dependencies in the New World, the struggle can be resolved with an infinitely less costly outlay of life and goods if with the help of America's resources we can build up without delay a decisive superiority in material strength.

Belligerency At Last

MUSSOLINI'S declaration of war was from the immediate standpoint no surprise. Few Powers have so ludicrously paraded their bellicose intentions before bracing themselves for the decision to fight. Nevertheless, an element of surprise has not been completely banished. What, after all, has Italy to gain by sealing her enslavement to Germany with her own blood? Why has she disregarded the hand of genuine friendship, of patient conciliation stretched out to her by the Allied Governments? This way lay the possibility of expansion achieved by peaceful means and completed by a bond of co-operation and friendship. Yet Italy has chosen the way of treachery, cowardice and servitude.

The reasons for her choice lie deep in her historical development. We tend to forget that once Italian national unity had been achieved, it was not Germany but France and Britain that stood in the path of Italian aggrandisement. We forget, too, that Italy emerged from the Great War a frustrated and disappointed Power. While the Allies increased their colonial possessions at the expense of Germany and Turkey and added to their Mediterranean coastline, Italy came away from Paris almost empty handed. The fury of disappointment which followed Versailles gave Mussolini his opportunity and swept the Fascist Party to power.

There were two elements in the Fascist revolution: a stable conservative element which survived the first ebullience and was strong enough during the early years of the Fascist regime to influence Mussolini's foreign policy in the direction of moderation and co-operation; the nationalist ferment remained, however, and extreme Fascist circles never once abandoned the dream of imperial aggrandisement and Mediterranean hegemony.

The world economic crisis played into the hands of these extremists. The old bulwarks of Conservatism, business, the landowners, the peasants, the better-paid workers, felt the economic blight. The Fascist regime was faced with a revolutionary situation which could only be met by revolutionary expedients. But apart from nationalist ambition and imperial aggrandisement the Fascist Party had no particular programme. Hitherto Fascism had meant little more than the erection of Mussolini's personal dictatorship on the basis of the *status quo*. Now it had to find a programme and crusade. It sought them in the tradition of the extremists, in imperialism and aggrandisement. The decision was no doubt hastened by the emergence at about the same time of a similar though more virulent dictatorship in Germany.

The Abyssinian War and Sanctions are a turning point in post-war European history. Fascist extremists had always suspected France and Britain; sanctions confirmed their distrust. The action was sufficiently hostile to increase resentment, its result so ineffectual that Italy for the first time felt she could risk the hostility of the "decadent" West and even hope to oust France and Britain from the Mediterranean. Within a month of victory she was campaigning in Spain.

Here the bitter lesson of Guadalajara drove Italy into the Axis partnership as a junior member. The Spanish adventure taught her that she could not establish Mediterranean hegemony unaided. Her economic weakness was—and is—remarkable. Although in a good year she is all but self-sufficient in grain (her imports for 1938 were only 4 million quintals, against a home production of 127 millions), she depends upon outside supplies for a wide range of foodstuffs, including meat and sugar, while her position in the sphere of industrial raw materials is one of complete dependence. She can produce about half a million tons of iron a year, and needs some four millions. She cannot cover one-tenth of her oil requirements. She has no copper, no tin and none of the component metals of steel alloys; her minimum import figure for coal is 7½ million tons a year. Almost the only raw material that Italy has in plenty is marble, which can be used for triumphal arches but is more often used for tombstones. No Power, given

such economic handicaps, could face alone the grim struggle of totalitarian warfare. Italy had of necessity to seek an ally, and since the Democracies blocked her path of expansion in the Mediterranean, that ally could only be Germany.

The Axis alliance, by binding Italy to Germany in a species of *Niebelungentreu*, encouraged every aspect of Italian extremism. Under the influence of the German connection, some of the worst features of the Nazi revolution were transplanted onto Italian soil and Germany began an infiltration of the Fascist bureaucracy and officialdom which boded ill for the country's future independence.

Nowhere was the change more apparent than in the foreign sphere. Italy was soon playing the rôle of "brilliant second." She could not break with Germany, for Hitler was doing what the Duce would have greatly desired to do: he had driven the West into retreat and each new aggression was accomplished without resort to war. The new methods received a final vindication at Munich, where Italy acted as "honest broker" in a negotiation which betrayed the independence of Central Europe. The whole transaction was nicely calculated to excite Italy's envy and appetite. Hitler obtained all he desired without striking a blow simply by threatening the "decadent" West with war. It was a method which exactly squared with Italy's military and economic weakness and her Mediterranean ambitions. The plea for a "Mediterranean Munich" filled the Italian Press, and in November, 1938, the jackal cries of "Corsica, Tunis and Nice" were raised.

The year 1939 proved a cruel disappointment. The Nazis brushed aside Italy's reminders that her turn for territorial redistribution had come and swept forward on their path of aggrandisement. Czecho-Slovakia disappeared, Memel was seized and German pressure on Poland began. Italy signed a full offensive and defensive alliance with Germany at Milan in May, 1939, but she regarded this treaty as a pressure instrument against the craven pluto-democracies. They, however, were to provide Italy's second disappointment. In September, 1939, when Germany invaded Poland, they declared war.

From the hour in which war was declared Italy's policy towards the European struggle has been dictated by two different orders of fact. On the one hand, there are Germany's needs; on the other, the limitations and the ambitions of Italy. Of the two, Germany's needs have proved to be decisive. The war, by increasing Italy's isolation, has accentuated the process whereby the more powerful Nazi revolution has come to absorb the weaker Fascist experiment as the greater grain of mercury absorbs the lesser. Even had German and Italian interests clashed in September, 1939, it is extremely unlikely that Italy would have been able to assert her independence.

These interests did, in fact, coincide. The Nazis still believed that the Western Democracies would not fight over Poland. They hoped to round off a lightning victory in Poland by a shameful peace in the West. They were thus anxious to prevent at all costs a spread of hostilities and to keep Italy out of the conflict so that she might act as "honest broker" once the peace offensive was launched. The scheme broke on the reef of the Allies' decision to continue hostilities. Even so, Hitler still preferred a non-belligerent Italy. The war degenerated during the first eight months into an economic siege. The Allies' blockade was the only weapon of which they were making effective use, and in this static state of economic warfare Italy was an important gap in the Allied line.

Non-belligerency also fulfilled the necessities of Italy's economic and political situation. In September, 1939, she was in no position to fight. When Count Ciano divulged in his speech of December 16th that Italy had qualified the "Pact of Steel" with the proviso that Italy would need three years to be fully prepared, he was speaking the bare truth. War reserves were negligible, the army was in process of reorganisation, aircraft production had fallen, while in the vital sphere of public opinion the Polish campaign

had proved to be bitterly unpopular both with the conservative and with the people.

The eight months of siege warfare modified this position. The substitution of Signor Riccardi for Signor Guarnari was a signal for new activity in the sphere of supply. At fantastic cost to herself, Italy succeeded in building up considerable reserves of war materials, probably sufficient to last her through three or four months of war. The price entailed by these purchases caused a steep rise in the cost of living. Rationing was introduced and the Italian people began to feel the effect of a war in which they had hitherto felt themselves to have no share. Skillful propaganda attributed the new economic stringency to the Allies' contraband control. They were repeating Sanctions. Once more Italy's whole economic life was threatened by the wealthy West. Thus the war began to acquire a more popular appeal.

This period of non-war was brought to an abrupt close by the Allies' decision to close the leaks in the blockade and by Germany's violent reaction to the decision. Within six weeks Germany was at the gates of Paris and the war was transformed overnight from one of siege to one of the utmost mobility. Obviously both Germany's needs and Italy's reactions have also been modified.

Germany must force a decision at once. The titanic onslaught on the West cannot be maintained through another winter. Everything, therefore, depends upon complete

military victory now and Italy, the non-belligerent leak in the Allied blockade, must give place to a belligerent Italy throwing every ounce of her military strength into the scales on Germany's side.

On the Italian side, too, the desirability of intervention has taken on a new aspect. The series of smashing German victories has persuaded the Italian leaders that the possibility of a "Mediterranean Munich" is at last in sight. The Fascists can argue that Germany has so demonstrated the decadence and military inefficiency of the West that even should Italy have to fight for Mediterranean hegemony, the fighting would be so negligible that it could be concluded almost without cost.

Yet it is really Germany that has determined Italian intervention. Italy no longer enjoys effective freedom of action. Her country is flooded with Germans, "tourists" and otherwise, military, technical and economic missions swarm her Ministries, her police are "assisted" by German units, her foreign policy is dictated from the Wilhelmstrasse, and the Italian declaration of war, for all Italy's own ambition and cupidity, is essentially a decision of the German General Staff.

Should Hitler win, Italy's servitude will be the more complete. Should he lose, Italy will share in his degradation. In either case, the decision taken by the Duce on June 10th is an irreparable disaster for the patient, impotent and tragically irresponsible Italian people.

A Check on Production

RECRIMINATION about the past, we are told (and by none more earnestly than by those who have reason to fear it), is an unworthy dissipation of energy in a great national emergency. The doctrine is dangerous, since it would allow those whose essential frivolity and incompetence is now abundantly proved to remain in offices of trust and power. But whatever may be done about persons who have inadequately served the State in the recent past, there is not, and should not be, any protective ordinance for false and misleading ideas. Our safety now depends on a merciless impeachment of doctrines, if not of men. Many very dearly cherished notions have been swept aside by a month of *Blitzkrieg*. We no longer believe that we have only to sit tight to win; that Germany's effort of production has been no greater than our own; that the war can be fought without the utmost sacrifice of blood and treasure; that a single scrap of virtue resides in caution. In these and in many other ways we have awakened and are now, at last and at length, setting ourselves with all our strength to the task of production.

But there is another set of ideas, just as false and as enervating, which has not been abandoned, partly because its roots lie deeper in self-interest, partly because the proofs of its failure, though decisive, are not publicly apparent. This is the set of ideas that has been the dominant economic philosophy of the Conservative Party in the past nine years, the set of notions that sees its ideal of an economic system in an orderly organisation of industries, each ruled feudally from above by the business firms already established in it, linked in associations and confederations and, at the top, meeting on terms of sovereign equality such other Estates of the Realm as the Bank of England and the Government. Each British industry, faithful to the prescription, has spent the past decade in delimiting its fief, in organising its baronial courts, in securing and entrenching its holdings and in administering the legal powers of self-government conferred on it by a tolerant State. This is the order of ideas that has transformed the trade association from a body of doubtful legality, a conspiracy in restraint of trade, into a favoured instrumentality of the State, until membership in such a body has become as necessary to the business man who wishes to be successful as an old school tie has been to the ambitious Conservative politician. It is the order of ideas that led to the Import Duties Act being drafted in such a way as to put a premium on self-seeking monopolies and a discount on the public interest; that turned "high profits and low turnover" into the dominant slogan of British business;

that raised the level of British costs to the highest in the world. It is a set of ideas that is admirable for obtaining security, "orderly development" and remunerative profits for those already established in the industry—at the cost of an irreducible body of general unemployment. It is emphatically not a set of ideas that can be expected to yield the maximum of production, or to give the country wealth in peace and strength in war.

Nevertheless, when the war broke out and it became obvious to all but the purblind that maximum production had become the one object that superseded all others, this anti-productive system was carried to its highest point. The noble army of controllers was recruited from organised industry; the rings, from being tolerated, became endowed with all the power of the State. The result has been what could have been, and was, predicted—not so much an unfair advantage to certain private pockets as a sluggish tempo of advance and a low limit to what was considered possible. British industry, by and large, has, until recent weeks, been making the maximum effort compatible with no disturbance to its customs now or to its profit-making capacity hereafter. There is no accusation of unpatriotism in this; on the contrary, business men, placed in an impossible position of divided loyalties and contradictory intentions, have done their best. But the result has been what we see—a startling inadequacy of production. What was formerly prophecy is now fact: the men who run the existing organisations of their industries have not been the best men to organise their industries for war. The best of them have been only partial successes; the worst have been failures. Both in tanks and in aircraft (to take only the two outstanding cases) the existing rings have failed to produce the goods and, nine months too late, outsiders have had to be brought in.

What needs to be realised, however, is that this is not a case of individual failures but of a system that is wrong. It could not be expected to work satisfactorily. In really totalitarian war, every industry must change its shape and size. If it is unnecessary, it must disappear; if it is essential, it must vastly increase its capacity. Every industry, that is to say, must either suppress its present profits or run the risk of finishing the war with that business man's bugbear, excess capacity. What is more, industries that continue to be active in wartime must make different things for different purchasers; the more they disappoint their regular clients and disturb their normal channels of trade, the more, in most cases, they are serving the State. Every industry, in short, must jump through some hoop or

other. How could it have been imagined that the best method was to leave each to whip himself on? The system, as a method of control, was only compatible with the general attitude of mind that looked on the war as a spare-time hobby. We have abandoned that disastrous attitude; cannot we get rid of its no less disastrous offshoot?

Let it not be thought that this is an attack on the business man as such. On the contrary, it was the energetic, open-minded, efficient business man who rescued England in the last war and will do it again. There are few things more urgent than to find a supply of first-class business men and to put them to work. What is here being argued is that it is a waste of talent to use a business man where his experience prevents him from being open-minded, and where his inescapable self-interest is a drag on that energy in ruthlessness that is so often needed. Still less is the present argument an advocacy of *laissez faire*. Far from it; the need of the hour is for more organisation and more control—but inspired by the paramount needs of the pub-

lic safety, without any of the hindrances imposed (subconsciously more often than deliberately) by habit of mind or instinct of self-preservation.

A great effort of mind and will is needed to rid ourselves of these disastrous doctrines. What distinguishes a democracy from a dictatorship is the voluntary effort of its citizens. But that does not mean that we leave the paying of taxes or the giving of military service to the voluntary decision of those whom they affect; freedom is combined with efficiency when each man obeys the orders of an authority which he voluntarily accepts. It is time we applied the doctrine of democratic efficiency to our industry and appointed impartial authorities to give orders instead of issue appeals. There will be as little diminution in loyal co-operation and as much increase in effectiveness as when taxes are substituted for conscience money or conscription for volunteering. Only so shall we raise our production of the materials of war with that rapidity which is now our sole salvation.

Wages and the Workers

THE outlines of the Government's wages policy can now be seen. Wages are to go up. Both the Amalgamated Engineering Union and the National Federation of Building Trade Operatives are applying for an increase of 3d. an hour. In cotton weaving, a new minimum wage is being sought. The disparity between the wages of building and civil engineering workers on similar jobs is to be solved by raising the lower paid. In fact, in nearly all the major industries negotiations for higher pay have either been concluded recently or are likely to start soon; agricultural wages have been fixed at the startlingly high national minimum of 48s. a week; and Mr Bevin, it is understood, has not discouraged the unions from going ahead with further claims.

Mr Bevin is a trade unionist himself. He is actually leader of the largest trade union in the world and, at the Ministry of Labour, he looks at wages from the trade union point of view, the point of view of the most highly organised independent working class in the world. That is not to say that his attitude is necessarily sectional or contrary to the national interest. Over two-thirds of Britain's adult population are manual wage earners; and it is they who must mainly man our armies as well as our munitions works. Among insured workers about one in three belongs to a trade union.

The union view on wages is simple. They should be settled by collective bargaining. The argument is that, so long as industry is run by private people free to make what profits they can, the workers should be free in turn to squeeze out what wages they can by the pressure of their organised bargaining power. So long as there are private profits, the claim runs, there must be bargaining; and a system in which profits continue without collective bargaining is regarded as the framework of Fascism.

War has not altered this view. On the one hand, it is argued, the workers must make sacrifices in terms of toil, long hours, speeding-up, physical exhaustion and the loss of individual liberty. They do that willingly; and, by reason of their numbers, they must do most of the fighting at the front as well as most of the war work at home. On the other hand, the rich must hand over their wealth. That is the division of sacrifice in the unions' analysis; money from the rich, blood and sweat from the poor. That is where Mr Bevin stands when he says that there is to be "no mucking about with the workers' pennies." They must be paid for their extra labour.

The argument is natural as well as naïve. It is naïve because it hardly comprehends the difference between money wages and real wages, between the size of the pay envelope and what in fact its contents will buy. All-round increases in wages and earnings may undo the wage-earners themselves, for their added purchasing power, bidding for scarcening civilian goods and competing with military claims for materials, may simply drive up prices and costs.

Their power to buy may be less, not more, and they will want more wages still—to repeat the same fruitless process. This is the notorious "vicious spiral."

In the months of *Sitzkrieg* after September the unions refused to believe in the "vicious spiral." The warning of inflation seemed a trick to hold down wages while incomes and profits were rising. Sir John Simon's dictum that wages should not move on a sliding scale with the cost of living was greeted with deep suspicion; and, despite the greater perception of Labour economists like Mr G. D. H. Cole, Mr Keynes's plan to avoid inflation, by forcing extra earnings to be saved, was widely damned. The only argument from the economists that was palatable was the claim by some that, so long as there was unemployment, there could not be inflationary dangers.

The scene has changed. A desperate shortage of war workers is more weighty than the unemployment figures; and the war has become a life and death battle. It is still the unions' view, and Mr Bevin's, that collective bargaining should determine wage rates. It is still their view that the labourer is worthy of extra pay for extra work. But the broader economic context is better appreciated. The urgent need to cut down civilian consumption sharply, in order to release resources for the war, is seen, and with it the impossibility of increasing real wages. The pay envelope may swell. They think it should, and they know the psychology of the working millions. But actual consumption must shrink.

That is the brutal point. The nation, as a whole and class by class, has not got to consume more, but less. There are two roads to this end. One is to fix wages. The other is to let wage rates and earnings rise as the volume of work and the level of prices go up, and then to fix consumption; price rises will limit it, rationing will restrict it, the control and prohibition of raw materials for civilian use will hold it down.

The second is the path Labour has chosen. By it they retain their crucial right to bargain for their remuneration. And it will be the duty of the Government, in which Labour itself holds key commands, so to plan the distribution of materials and the output of industry in real terms that civilian consumption is in fact cut down to the level required to make sure of an efficient flow of economic resources into war production.

By this choice consumption and not wages would be controlled. Its basis may be fallacious, for it is real wages, the power to buy, that count, not money wages; but its roots lie deep in history; trade unions have always put money wages first. Moreover, there is rough justice in it. The machinery of wage negotiation is kept running. The function of the individual union to look after its members' interests is preserved. The doctrine that wages can be fixed from outside is rejected. And there may be some good sense in it, too. In Germany, when war started, wages

were cut and fixed. Then, to lessen popular discontent, overtime increases, bonuses, etc., were restored, while comprehensive rationing and restrictions prevented the increases from pushing up consumption.

At any rate, there is a wages policy here, where there had been none for nine months. Born in the gravest of emergencies, when unprecedented calls are being made upon the workers, and willingly answered, it is naturally not the same as the considered programme (probably on Keynesian lines) that might have been worked out in the earlier, quieter months. And if the controls are made rigid, ruthless and embracing enough, the danger in monetary terms is hardly vital, certainly not great enough to justify delay and wrangling now.

The trade unions have their way. Whatever work they are asked to do they are doing; their members and fellow-workers are filling the factories and the Forces. In return they bargain freely for higher pay—with one crucial prohibition, essential for non-stop output. They must not strike in disputes, but must accept arbitration; and they are no longer at liberty to change their jobs at will. Consumption (the real crux) is to be held down by other means. War profits are to be taxed away; and the incomes of middle- and upper-class people, people whose standard of living will in any circumstances be higher than that of the mass of wage-earners, will be steeply shorn by direct

taxes. It is a compromise; but in the unions' eyes it is a fair bargain.

It has obvious weaknesses. It will become increasingly hard to hold down the prices of necessities, of food and clothing. There is no comprehensive labour front, no nation-wide machinery or policy: bargaining is always on a craft, industrial, sectional or local basis; and a host of workers, unorganised or in weak unions, and generally ill-paid, will tend to fall behind. The task of making sure that no one falls into hardship below the minimum standard that allows reasonable health and nutrition will be made very much harder. Schemes to subsidise food prices or, as in the new milk proposals, to furnish cheapened foods for specially necessitous categories of consumers will be both much more necessary and much more difficult.

In short, the compromise has all the defects of traditional trade union policy, the policy that, in the cause of collective bargaining and money wages, has always opposed family allowances or fostered savings. Economically, it is second or third best. But it is practicable, and if its result is to key labour up to the gigantic efforts that can alone save the Allies from defeat now, the gains will exceed the losses. The danger of runaway inflation if wages rise beyond quite narrow bounds persists; the unions have opted to risk it with open eyes. But it can be averted; and, meanwhile, it is work that will win the day.

NOTES OF THE WEEK

The Fate of Paris

With Germany's advance columns at the gates of Paris it seemed likely for a time that the French would decide to defend their city street by street and transform their capital into a field of battle. Now the decision has been reached to declare it an open city. The French army will defend the outskirts and, if too severely pressed, will retire behind the town and establish a new line to the rear. The decision is obviously sound. The total destruction of one of the world's most beautiful and historic cities would have been a loss not only to France but to all those countries which can still call themselves civilised. This, however, was not the reason for the decision. Had there been any military purpose to be served in contesting every yard of the city, the French would have sacrificed their capital without hesitation. But such was not the case. The German mechanised columns, if not held along the Seine, will sweep not through but round Paris, leaving the city behind them as they left Liège and Namur. Paris would have been submitted to the horrors of bombardment and blockade, and the German advance would not on that account have been checked. The Government have left the city and have established their seat elsewhere. There is no thought of capitulation. In M. Reynaud's words, "We shall fight in front of Paris, we shall fight behind Paris. We will shut ourselves into one of our provinces, and if we are driven out, we will go to North Africa and if necessary to our possessions in America."

* * *

The Mediterranean War Zone

The initiative in the Mediterranean fighting has been left to the Allies. Within the first forty-eight hours Italy's only contribution was a few air raids on Malta and a certain amount of confused fighting in the Somaliland area. The Allies, on the other hand, had bombed the north of Italy and carried out extensive raids on Libya, bombing air bases and harbours with some success. In Abyssinia and Italian Somaliland, bombing raids were carried out by South African squadrons. It is still too early to comment on the military situation. Neither Italy nor the Allies have yet shown their hand. It is possible that Italy's rôle, for the time being, is still to be a passive one. She has experimented in so many kinds of belligerencies that a full but non-fighting belligerency should not be beyond her powers, provided she is not attacked. Germany may prefer to use Italian troops for garrison duty, thus setting free fresh German divisions for the onslaught on France. The Allies' aerial activity suggests, however, that Italy will not be left in a state of passive belligerency. Not only the Mother Country, but large and

vulnerable areas in Africa are now legitimate targets of attack. Libya's armies depend entirely upon provisioning from Italy. Even water has to be imported. The seizure of Tobruk would break one of Italy's most important offensive lines. Abyssinia is still largely unpacified. Here, surely, we have an opportunity of making good an injustice which we helped to bring about. There are also the Dodecanese Islands, inhabited entirely by Turks and Greeks. We must surely avoid the military disadvantage of allowing Italy to choose the place and hour for her blow. In the Mediterranean, at least, we can force the pace.

*

Any hesitations we may show spring, no doubt, from the need to consider interests other than our own. Mussolini has disclaimed his intention of making war on any Power save the Allies. The independent Mediterranean States have to make up their minds what attitude they will adopt towards a war which, however much it passes them by, will still be waged along their frontiers and round their coasts. Egypt has already taken her decision and has broken off diplomatic relations with Italy. Consultations are continuing in Turkey, but commercial relations are already severed, Turkish ships have been advised to make for the nearest ports and the Turkish fleet is at the Dardanelles. The Turks are staunch friends, fearless fighters and bitter opponents of the Italians,

INSURE WITH



7, CHANCERY LANE, LONDON, W.C.2

whose amalgam of individual military incapacity and general expansiveness and bombast they have long despised. There remains the problem of Spain. Sir Samuel Hoare received a very cordial official reception. Yet the Government has proclaimed Spain's "non-belligerency," and the street cries for Gibraltar do not abate. Italian influence is strong in the Spanish Army, and some 60,000 German "residents" still survive from the Civil War. No one doubts the Caudillo's genuine desire for peace, but the Nazis have developed the technique of infiltration to such a pitch that he may not be able to restrain his own extremists. The situation is obviously delicate and will become more so as France's jeopardy increases.

Non-Belligerent America

Mussolini's declaration of war completed the process of converting the United States from a neutral into a non-belligerent, anxious to give her utmost aid to one side in the struggle. The change was recorded in President Roosevelt's speech at Charlottesville on Monday evening, when he not only pledged American assistance to the Allies and identified their cause with America's own, but used language about Mussolini of a bitterness that can rarely before have been used, in conditions of formal peace, by the head of one Government of the head of another. But the flow of practical help had started several days earlier. The American Government have discovered a way by which their "surplus" stocks of aircraft, guns, rifles, ammunition and even naval vessels can in effect be sold to the Allies. Formally, they are sold to American firms as advance payments for new equipment; but the re-sale to the Allies follows at once and the word "surplus" is being elastically interpreted. By this means several hundred aircraft have already gone to Canada, and much more is to follow. There can no longer be any question that action of this nature is approved by the vast majority of the American people, even though, with that curious time-lag that is so characteristic of American statecraft, it is apparently still impossible to persuade Congress to change the legal formula of neutrality, though it will vote large sums for America's own re-armament. This is, of course, a reflection of the critical state of domestic politics. Within the next month both the nominating conventions are to be held, and the sudden boiling-over of Europe's pot has upset a number of calculations. The Republicans will hardly dare, in the country's present mood, to nominate an isolationist like Mr Dewey. They may find themselves, as in 1936, trying to defeat Mr Roosevelt with a pale imitation of his own policy. After the conventions, however, there will be the long hiatus until the election in November, and though neutrality is already dead we may have to wait until then for the funeral.

Narvik Evacuated

The decision to evacuate Norway was inevitable in view of the desperate situation on the Western Front and of the Allies' need to make immediate use of all their available military resources at the focal point of the struggle. The task of supplying Narvik would have immobilised certain vitally important naval units and, since we have frankly to admit our deficiencies in the sphere of armaments, the despatch of war material to the Arctic Circle represented a diminution of our effort in other theatres of war which we could not afford. Yet it is hard not to regret the necessity. The Narvik area was the only part of Norway's soil still unconquered. It symbolised the tenacity of the Norwegians' desire for independence and the heroic courage of their King. It might have proved an effective base against German aerodromes on the Norwegian coasts. It might have hampered Germany in her manoeuvres to secure a monopoly of Sweden's iron ore. As it is, the area has, within a fortnight of its capture, been abandoned, the Norwegian Government has transferred its seat to British soil, and the struggle for Norwegian independence is merged militarily and geographically with the struggle on the Western Front. An incidental tragedy of the evacuation is the heavy loss which it entailed. An aircraft carrier, two destroyers, a troop transport and a supply ship are all reported lost, and as yet there is no indication that the Navy were able to inflict commensurate damage on the enemy.

More Evacuation

On Thursday evacuation began of the 120,000 London children who were registered under the Government's second scheme. One of the original features of the scheme was that evacuation would not take place until serious air raids had

actually begun; but though this may have been a reasonable condition in so far as it abolished many parents' reluctance, it is very doubtful whether it would have been possible to effect an orderly exodus while bombing was in progress. As it is, the transfer of the 120,000 children will take six days to complete. No decision to move the children of the other big towns, such as Manchester, has yet been taken; but three more South and East Coast towns have been declared evacuation areas, and registration of the children is now taking place. In addition, parents in the other towns along those coasts are being given another chance to change their minds about sending their children away. Meanwhile, the demand for compulsory evacuation is growing, if only because of the extent to which private and disorderly evacuation in the middle of raids will hamper defence operations. But it should be made quite clear that compulsion would not apply to emigration to the Dominions, which, by the publicity it has received in the last few days, has bred confusion in the minds of many parents. An Inter-Departmental Committee has now been formed to consider the offers which have been received from the Dominions to look after children from this country for the duration of the war. The Government is confident that a practicable scheme can be devised, although there are many obvious difficulties. One question to be decided will be whether parents who can make their private arrangements to send their children abroad will be able to use the official transport arrangements, and whether those who wish to will be allowed to contribute to their children's support.

The Balkans on a Knife Edge

The Balkan countries still hope to keep out of the war. While a decision is being forced on the Western Front, there is a respite from German pressure. The concentrations of German troops in Carinthia or Slovakia are reported to have dispersed for the time being and the situation along the Yugoslav frontier is definitely easier. A new menace, however, has arisen in the shape of Italy's declaration of war on Britain and France. A new zone of hostilities has been opened up which fringes the Balkan peninsula and threatens at any moment to expand and engulf it. Italy's plan of campaign is still obscure, but her present passivity and the Duce's speech suggest that she has no immediate intention of launching an offensive to the East. Mussolini solemnly declared that "Italy does not intend to drag other peoples who are her neighbours by sea and by land into the struggle." And Greece and Yugoslavia were among the Powers warned that their continued neutrality would depend on their continued good behaviour. Neither State is at all likely to take any provocative step, and Greece at least is relieved by reports that Italian effectives in Albania are being reduced. Yugoslavia still regards with understandable anxiety the presence of something like a quarter of a million Italian soldiers along her frontiers, but at least the manner of Italy's entry into the war, an open declaration to France and Britain, makes it less likely that she contemplates a lightning stroke against Yugoslavia, a manoeuvre whose only real advantage lay in the chance that Italy could have achieved a quick or spectacular success without the risk of war with the Allies.

The Balkan States, however, do not put any faith in Italy's assurances. Too many small neutrals have undergone similar assurances with notorious results. The Balkans' hope of keeping clear of the conflict lies more and more in the attitude of Russia. The Soviet appears to have made it clear that an Italian move would be immediately countered by Russian intervention and the Red Army has some 40 divisions posted along the Hungarian and Roumanian frontiers. Italy's only chance of Balkan aggrandisement thus seems to depend upon achieving a division of spheres of influence between Russia and the Axis Powers, a possibility which has been more or less continuously under discussion since the Brenner meeting. The despatch of Signor Rosso as Italy's Envoy to Moscow is doubtless a new move in the diplomatic game. It is impossible to say what the Kremlin makes of the manoeuvring. The arrival of new British and French Ambassadors has coincided with that of the Italian Ambassador. All three received a cordial if Soviet reception. Only one thing is clear. Stalin is in a highly favourable strategic position. He is wooed by both belligerents. He is extraordinarily well placed to play his own hand and he has a number of the trumps. The Balkans are thus likely to remain peaceful just so long as Russia's interests dictate, but there is no saying how long that will be.

Far Eastern Moves

Thailand has signed non-aggression pacts with France and Britain and a treaty of "friendly relations and mutual respect for each other's territorial integrity" with Japan. The facts are an interesting reminder that it is not only in Europe that small States must worry over their status and try as best they can by complete impartiality to preserve an independence they are physically unable to defend. No one at present has any hostile intentions towards Thailand. The Allies' concept of stable world order precludes any violation of the rights of weaker peoples, and while the Allies' imperial strength remains unimpaired, Singapore defends Thailand's integrity as much as that of any Allied dependency. If, on the other hand, the stability based on our peaceful might is disturbed, then Thailand's security goes with it. The new expansive militarisms know no national boundaries, and whether their symbol is *Lebensraum* or *Mare Nostrum* or "East Asia," they entail slavery for the smaller or weaker Powers who have the misfortune to come within their scope. China is a melancholy example of this fact. In about a month she will enter the third year of her struggle with Japan. This week brings news of the fall of Ichang and of a renewal of mass air raids on Chungking. The Japanese are possibly not much nearer the end of their task than they were two years ago, but the material ruin and useless suffering of the Chinese and Japanese peoples is on a catastrophic scale. Nor, given the Allies' weakness and the state of the war in Europe, are the Chinese likely to receive much help from the West. The terms of the new Tientsin agreement, reached at last after months of bargaining, show that Britain, so heavily engaged and so hardly pressed on other fronts, has felt impelled to give way on several points.

Service in Civil Defence

Sir John Anderson's broadcast appeal last Sunday for more part-time volunteers for civil defence did not mince matters. The danger of tremendous bombing attacks seems imminent, and experience across the Channel—and in Germany—has revealed something of their likely consequences. The Home Secretary appealed especially to two categories, young men who for one reason or another could not join the fighting forces and men and women trained in A.R.P. work who had resigned from their defence units during the nine months of "quiet war." The demands of the front line in France, in the air and at sea, as well as the new call for military defenders at home, make it impossible to make up the deficient strength of civil defence by whole-time enlistments. Any waste of man-power for passive defence duties would be criminal at this moment, and the duty of safeguarding our homes and workplaces against air raids rests on the shoulders of those citizens who have time to spare and no more active rôle to play in the national effort. Rightly, Sir John—while favouring voluntary means—threatened compulsion. If the worst dangers were realised some sort of *levée en masse* could not be avoided. The chief obstacles to recruitment are two. There are, first of all, the obstinate relics of the complacent apathy spread abroad after last September by a section of the Press which regarded A.R.P. in all its forms as an unseemly brake on the business activities of its advertisers; and, secondly, there are far too many self-centred and short-sighted firms—many of them great powers in the business and financial world—who forbid their staffs, by direct or indirect pressure, to take up any kind of part-time defence work—on the plea that, in a grave emergency, their businesses might be seriously incommoded if such work had to be made temporarily whole-time. Obstructionism like this should be ruthlessly ridden down.

Strength at Home

It would be very wrong to overstate the weakness in civil defence due to shortages of personnel here and there. On Wednesday Sir John Anderson told a reassuring story in the Commons. The total establishment, paid and unpaid, in the A.R.P. services is just under a million; 180,000 are whole-time workers. Local authorities and employers have furnished shelter for 20 million people. The provision of shelter in factories and mines is completed. Sir John could rightly claim that his first duties had been fulfilled. The existing gaps in domestic shelter, the main line of protection for a majority of the population, are very largely due to the reluctance of households to take ordinary precautions themselves, though the absence of safeguards in many private hotels and flats can be traced back to the short-sighted

parsimony or laziness of proprietors and landlords. The important point has been realised, in high places and low, that the aim of A.R.P. is not to keep the population safe and immobilised, but to enable them to go to work in reasonable safety. The test of the system, when it comes, will be tremendous. Nothing will be spared against the Nazis' final foe in Europe; and it is encouraging to know, for instance, that 60 million gas masks have been issued, though a scandalously large number of people still do not carry them about. The new problem is the likely combination of air raids and air invasion, and everything points to the urgent necessity of bringing A.R.P. and the Army much closer in their direction than previously seemed desirable.

Command in Britain

The shuffle of high military offices which began with the appointment of General Sir John Dill as Chief of the Imperial Staff, in place of General Sir Edmund Ironside, who became Commander-in-Chief of Home Forces, has been carried a stage further. General Sir Robert Gordon-Finlayson, who was once in command in Egypt, has relinquished the post of Adjutant-General to the Forces to become G.O.C. Western Command. Major-General (acting Lieutenant-General) H. C. B. Wemyss becomes Adjutant-General; while Lieutenant-General Sir Ronald F. Adam, who has been in France with the B.E.F., has been appointed G.O.C. Northern Command. Mainly, the changes concern home defence, which has never been more important; and the crucial test of British military talent in the times of trial to come is likely to be the extent to which home commanders can devise means to counter the enemy's novel assaults and preserve these islands' centuries-old immunity from invasion—of any kind. For the moment they are screened by the French Army before Paris, the Royal Navy and the R.A.F. It is a precious breathing space. The combination of mobile regulars, volunteer vigilantes and local fortification that is being worked out appears to be on the right lines. Every soldier who can be spared must go to France; occasional reports that too many trained troops are still being kept back in England cannot but be disquieting; and the embodiment of enlisted youths aged 18 to 19 in home defence battalions is adding to the personnel available at home. The chief doubt is whether fortification has gone far enough. To the lay eye there still seems to be over-reliance upon barbed wire and rifles to cope with the grenades and automatic arms of airborne invaders. Strong points are being established all over the country, but they must be really strong, in the light of Dutch, Belgian and French experience; and, should the time come to bring all the defence into play, land, sea, air and civil, they must have a single plan and a common commander.

Noises Off

This week's secret session of the Commons to discuss defence was not held. Mr Churchill and Mr Eden were in France discussing the defence of Paris. All that emerged, therefore, from the proposal to hold such a session was a remarkable outburst of backbiting and innuendo in a certain section of the Conservative Press and in letters and speeches

HOW YOU CAN

DOUBLE YOUR PRIVATE INCOME

PURCHASE AN ANNUITY FROM THE

SUN LIFE ASSURANCE COMPANY OF CANADA

(Incorporated in Canada in 1865 as a Limited Company)

Write for particulars to H. O. Leach (General Manager for British Isles)

141 SUN OF CANADA HOUSE, PALL MALL EAST, LONDON, S.W.1

by impenitent supporters of the old regime. Their case was that the secret debate had been worked for by their political enemies with the intention, in the depths of emergency, of bringing certain Ministers and Members to book for past errors, vindictively and uselessly. Actually, this outburst was due to fear. The pressure for a debate was not of party origin. Mr Churchill himself, remembering that a secret session had been promised by his predecessor, offered it for this week, and it was well-known that the frankest criticisms were going to come, not from Labour or Liberal members, but from serving Members, mainly Conservatives, men who had come from Flanders or who claimed to speak for those who had gone through the ordeal there. The fact is that there has been a spontaneous and mainly unpolitical uprising of popular opinion against the men responsible for that famous Army's deficiencies in equipment and supplies. Mere recreation would indeed be intolerable at a time like this. Mr Churchill and, for the Labour leaders, Mr Morrison have made this plain. But it is not a political vendetta that is in train. There is an honest desire to recall the past only to make sure that similar fatal mistakes are not made in the future; and, while it would be criminal waste of time on the part of any group to manoeuvre to oust any Minister or Ministers left over from the bad old days, it would still be wise, discreet and patriotic for such Ministers to consider speeding their own departure.

* * *

Industrial Welfare

One of the chief gains of the last war was the establishment of the Ministry of Labour. Now, as a direct result of the strain that is being imposed upon working people by the call for ever more arms and aircraft, another new department has appeared. The Ministry of Labour has taken over the responsibility of the Home Office, under the Factory Acts, to watch over the health, welfare and safety of workers. A Factory and Welfare department in the Ministry will be aided by a Factory and Welfare advisory board; and in these new arrangements there is the makings of a new Government function in the field of labour as important as any that has been assumed in the past. The new department and advisory board, in addition to implementing existing factory and workshop law, will have special war duties. Workers are moving into growing aircraft and munitions centres. They are employed for arduously long hours. Accordingly, billeting, housing and rest periods will be the department's main concern; and it is a clear advance, administratively, that the supply and care of labour should be entrusted to the same public office. The Ministry of Labour under Mr Bevin is being transformed. The old-established employment exchanges are being given their due rôle in vacancy work. The Ministry has become one of Labour Supply and Industrial Welfare; and it only needs to become a Ministry of Industrial Training as well to round off its task.

* * *

Reservation and Recruitment

The plight of Paris and the loss of more British units, cut off in Normandy, emphasises more painfully than ever the need to waste not a single man here in Britain. The Schedule of Reserved Occupations, always provisional, has again been altered. Some changes take effect now, others on August 1st. In two months 30,000 "black-coated" workers now exempted will be liable for military service. An extra 12,000 agricultural workers, stewards, bailiffs, foremen, carters, ploughmen, machine attendants, market gardeners and nursery workers, become reserved. Startlingly, about 100,000 workers in the distributive trades, mainly owners or managers of businesses, are made exempt. In several industries, the age for reservation will not be raised until August, so that between now and then skilled men in them will have the chance of moving from their present non-essential jobs into war work, where they will be reserved. Skilled woodworkers, joiners and carpenters can go into aircraft factories, metal workers into munitions. This process of forcing men into actual war work will be invaluable and should be extended. It has been ludicrous that men in reserved occupations and exempt from military service should have been allowed to go on in non-essential jobs. It is also obviously more important than ever that farm workers should be reserved. But, on balance, the adjustments hardly face up to the magnitude of the present crisis. Their net effect is to reserve more, not fewer, men; and the time is surely very near to put a plain choice before every able-bodied man of military age; either they must be prepared to fight or

they must do indispensable war work. There is no room for tenderness towards any individual who is doing work that is not needed—and there are still millions of these.

* * *

The Colonies' Help

With the entry of Italy into the war, the battlefield has extended to the colonies. Thirty-five civilians were killed in the first air-raids on Malta; fighting is reported to have occurred in British and French Somaliland; and Kenya, Cyprus and Gibraltar are other potential military zones. But the chief contribution of the colonies still lies in the economic field, and Lord Lloyd has addressed a dispatch to all Colonial Governments indicating how the war effort of their territories can best be applied. The general aim of policy must be to bring to the maximum the amount of supplies which they can contribute and to reduce to the minimum their demands on this country's resources in men, materials and money. Non-essential imports should be curtailed, especially those involving the use of iron and steel; self-sufficiency in food must be achieved as far as possible; and colonies which produce raw materials of importance to the war effort, including those sold for "hard" currencies, should aim at the optimum level of production—though it is difficult to see how they can vary the amounts of their agricultural and plantation products to meet the inevitably rapid changes in that level. Any diversion of man-power from the war effort at home is to be reduced as far as possible by the release of civilian officers for local military duties, and by the curtailment of leave and longer hours of work among the consequently depleted staffs. As a corollary to this concentration on what will be the most effective immediate contribution the colonies can make, the new policy heralded by the Colonial Development Bill, which passed its third reading in the House of Commons this week, will be shelved for the time being; but assistance will be given for schemes which can be carried out from local resources, and Governments are urged not to close down social services indiscriminately, but, where finance is the chief stumbling block, to consider the possibility of increasing direct taxation upon those best able to bear it. The immediate future for the colonies is, therefore, a grim one, especially for those producing unessential commodities, for which markets and shipping are to be curtailed. But their spontaneous support from the very beginning of the war justifies the assumption that they will be encouraged, not dismayed, by the greater effort they are now called upon to make.

* * *

Milk—Cheap and Dear

Mr Boothby announced on Tuesday that the retail price of milk would be raised by 4d. per gallon from July 1st. This increase is designed not, as might be imagined, to compensate farmers for the rise in agricultural wages, or to reduce the Government subsidy for milk production, but to cover increased distributive costs. These costs have apparently increased since last autumn, in spite of the reduction in the number of deliveries and other simplification of services. But the increase in distributive margins is to be a temporary measure, valid until the end of September, by which time the Ministry of Food will have completed its review of the possible ways of cheapening distribution. This increase will raise the price of milk in London to 8d. a quart, but the rise is to be accompanied by a comprehensive national scheme for supplying milk at 2d. per pint to expectant and nursing mothers and to children under school age. Free milk will also be available for households which cannot afford to buy it, this inability to be determined by a "simple criterion of need." In addition, the provision of cheap milk in schools is to be extended. The Ministry will no doubt shortly make public the details of these arrangements for cheap milk to those most in need of it, but as a part of a policy of improved nutrition it can only be heartily approved. A vigorous advertising campaign should be immediately begun, so that households eligible for this new social service may know how to obtain it.

* * *

Holidays in Industry

At this grave hour in the history of the French and British Empires every additional aircraft and gun or tank that can be thrown into the battle now is worth more than large numbers of them later on. The leaders of the Labour

Party have been quick to appreciate this, and they have urged the munition workers to produce to the limit of their physical capacity during the next few weeks and to forgo, for the time being, their usual summer holidays. As Mr Herbert Morrison pointed out in a speech on Wednesday, the munition workers have responded to this call without hesitation. But while the output of munitions must be speeded up as much as is physically possible, there is no reason why workers in the less essential trades should work on Sundays, for it is essential that the standard of health and physical fitness of the nation should be maintained at the highest possible level. This principle has been recognised by the Trades Union Congress and by the Ministry of Labour in announcements made this week. Moreover, in order to avoid fatigue, the Ministry of Labour's consultative committee has recommended that there should be frequent rest periods, that two or three shifts should be worked where practicable and that production should be reorganised in order to ensure the early restoration of a weekly day of rest. As Mr Ascheton, Parliamentary Secretary to the Ministry of Labour, pointed out on Thursday, adequate rest periods are necessary, even on urgent priority work, if output is to be maintained at the highest level. But as work in the essential industries cannot now be interrupted at this stage, the weekly day of rest of individual workers will not necessarily fall on Sunday. Much as the leisurely pace of our effort on the home front during the first eight months of the war is to be deplored, and encouraging as is the willingness of the working population to work to exhaustion, the unnecessary expenditure of physical energy is not in the interests of the country and is not conducive to maximum efficiency.

* * *

Official Waste

Extravagant mistakes made by the Air Ministry in the leisurely days before the war, or before the war gathered its real momentum, may seem stale news just now. Nevertheless, the statements in the fifth and latest report of the Select Committee on National Expenditure (to take only one or two examples) that £250,000 was wasted last year in the attempt to site an aerodrome and dépôt on an undrained Scottish bog, that land in Kent was bought in a "careless and haphazard" way at £144 and £220 an acre, and that estimates made in these and other cases were "little better

* * *

Books and Publications

"Raw Materials and Foodstuffs." Economic Intelligence Service, League of Nations. Allen and Unwin. 75 pages. 2s. 6d.

The Economic Intelligence Service of the League of Nations has been a veritable pioneer in assembling and publishing statistics hitherto inaccessible or scattered over hundreds of periodicals and statistical returns. Apart from bringing up to date its many annual statistical volumes, the League's Intelligence Service frequently adds to the series. The latest addition contains statistics of the production (in 1935 and 1938) and of the import or export surplus (in 1935) of some 128 raw materials and foodstuffs in 95 countries or areas. It is thus possible to see the position of each country at a glance. The new work is a most valuable reference book, and it is to be hoped that, like the other series, it will be brought up to date every year.

"The Insurance Directory and Year Book (Post Magazine Almanack) 1939-40." (London). Buckley Press, Limited, 20 St. Andrew Street, E.C.4. 568 pages. Price 7s. or 6s. net (according to binding).

All who are interested in insurance business will find in this year-book an unusually complete set of statistics, relating alike to insurance business in general over a long period, and to individual offices for recent years. The book is also a comprehensive directory to the personnel of all offices and institutions—whether British or foreign—in any way connected with this country. The student of insurance history will find something of more than ephemeral interest in a number of lists of companies and diaries of events.

than a mere formality" should not pass unnoticed. They are plain evidence in a single small corner of the national effort of the sort of inefficiency that has sapped the country's war potential until now, and pointers to the errors of attitude and action that must be ruthlessly rooted out. Money was grudged for vital needs and thrown away on details. It is not merely that public money was ill-spent. More important, labour and materials were in many cases squandered fruitlessly—in tune with the reckless complacency that has only just been banished, it is hoped, from high places.

* * *

Shorter Notes

Under the Government's scheme of compensation for war damage to property, payment will not normally be made till after the war, although essential repairs to buildings and plant will be made at once, the cost being met out of Government loans. Arrangements have now been made, however, for advance payments of compensation, up to limited amounts, in respect of damage to essential household furniture and clothing. For furniture, the advances will only be made where the total income of the claimant's household does not exceed £400 a year; and for clothing where the total income of the claimant does not exceed £250 a year—or £400 a year if there are dependants. The maximum sums advanced will be £50 for furniture, and for clothing £10 if there are no dependants, and £20 where one dependant, or £30 where more than one dependant, has also suffered damage.

*

The Compensation Board to assess the amount of loss or damage to property, arising from enemy action or from counter-action against hostile attacks, has been appointed. "Property," for the purposes of the Government's scheme, is defined as real and personal property within the United Kingdom, but excluding property and goods insurable under the War Risks Insurance Act, 1939, property belonging to local authorities and public utility undertakings, and money, valuable securities, jewellery or works of art which are not at the date of the loss or damage insured specifically against loss or damage by fire, burglary or theft.

Books Received

Cambi e Clearings nella Politica Autarchica. By Giovanni Demaria. Published by S.A. Editoriale del Commercio. 70 pages. 8 lire.

Signor Demaria is mainly concerned with German clearing methods in the Balkans and Italian methods of exchange control, with particular reference to the cotton trade.

Oil and Petroleum Year Book, 1940. Compiled by Walter E. Skinner. (London) 15 Dowgate Hill, E.C.4. 392 pages. 10s. net.

The Problem of Japanese Trade Expansion in the Post-War Situation. (New York) Institute of Pacific Relations. 93 pages. \$1.00.

Work, Wages and Education. By A. W. Williams. (London) H. Milford. 57 pages. 6s. net.

Official Publications

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

Workmen's Compensation: Statistics of Compensation, 1938. Cmd. 6203. 6d. net.

Sinking Funds, 1939. 1d. net.

THE WORLD OVERSEAS

Oil from Roumania

(By a Correspondent)

THE war has brought prosperity to many branches of Roumanian industry. The Germans are turning increasingly to Roumania and other countries of South-Eastern Europe in a desperate effort to close the gap between supplies and requirements; and every artifice has been employed to induce these countries to speed up their deliveries. Britain and France, on the other hand, have striven by pre-emptive purchases and other means to divert the flow of essential materials from the Reich to themselves. The Balkan exporter has naturally been making hay while the sun shines.

Nowhere has economic warfare been waged more keenly than in the case of Roumanian oil. Roumania supplied just under 1,000,000 tons of mineral oil to Germany, Austria and Czecho-Slovakia in 1938, when the aggregate consumption of these countries was in the neighbourhood of 7,000,000 tons and their combined imports about 5,000,000 tons. Since the blockade has severed Germany's connections with all other oil exporters except Russia, the relative importance of Roumanian oil has been considerably enhanced. After prolonged negotiations, Roumania undertook last December to supply 1,560,000 tons of oil to Germany this year, besides certain unspecified additional quantities on account of previous arrears. Since the war began, however, Britain and France—to which countries Roumania consigned 540,000 and 289,000 tons of oil respectively in 1938—have been competing strongly for Roumanian petroleum products, and prices for many products are double those ruling a year ago. Though the Government has taken a substantial share of the resulting profits, the oil companies have naturally benefited considerably from this price boom.

Diminished Surplus for Export

The boom cannot, however, be attributed to the intensified demand alone. It results in part from the shrinkage of the surplus for export, due in turn to the growth of home requirements and dwindling crude oil production. Home consumption is estimated to have advanced from 1,674,000 metric tons in 1938 to 1,936,000 tons last year, and from 462,600 tons in January-March, 1939, to 582,600 tons in the first quarter of this year. Production, on the other hand, fell from a peak figure of 8,704,000 metric tons in 1936 to 6,240,000 tons last year. That the tendency persists, in spite of the stimulus of war demand, is evident from the fact that only 1,525,500 tons were produced in the first three months of 1940, against 1,571,800 tons in the corresponding period of 1939. As a result of these complementary influences, exports and bunker sales accounted for only 68 per cent. of total demand last year, compared with 82 per cent. five years earlier.

The downward trend in Roumanian crude oil production which must be accounted a bull point for the Allied cause, is due to the gradual exhaustion of many of the older fields. Notwithstanding the persistence of the decline, it is probable that it could have been offset by the opening up of new fields, were it not for the fact that exploratory drilling has been discouraged by restrictive legislation. Deprived of the incentive to embark upon large-scale prospecting work, the oil companies have confined their activities in the main to proved areas. The amount of drilling consequently fell from 940,000 feet in 1939 to 845,000 feet last year; and the latest statistics show that the same tendency has been in evidence during the first quarter of the present year.

With a falling production and expanding home requirements, it has been impossible for the Roumanian oil industry to raise its exports in response to the increased call from abroad. Indeed, so far from increasing, the country's oil exports have actually been appreciably smaller during the war months than in the corresponding period of 1938-39. They amounted in the first four months of the war to 1,223,500 metric tons, compared with 1,468,200 tons in the same period of 1938; and in the first quarter of this year

823,500 tons were sold abroad, compared with 1,130,800 tons in January-March, 1939.

Germany's Diminished Share

In determining the distribution of these diminished exports between the belligerents, the Allied contraband control has played an important part; in normal times about one-half of the oil sent from Roumania to the Greater Reich went via the Black Sea and the Mediterranean. Now, however, the bulk must be shipped up the Danube and the remainder sent by rail; and the capacity of these routes has been strained to the utmost. Frost and subsequent floods rendered the Danube impassable for shipping for a much longer period than usual. While supplies to Germany were thus greatly reduced, Britain was taking much larger quantities. The following figures speak for themselves:—

ROUMANIAN MINERAL OIL EXPORTS

	(Metric Tons)			
	Greater Germany	U.K.	France	Total*
1939—				
September	69,691	32,974	4,120	205,911
October	83,713	29,772	21,624	305,286
November	88,835	37,010	15,188	299,905
December	81,923	139,880	33,566	412,443
1940—				
January	28,246	118,956	34,482	307,849
February	30,778	75,536	408	217,190
March	44,797	122,504	10	298,468

* Including other countries.

In the light of these figures, it is interesting to speculate on the possibility of the German-Roumanian oil agreement being fulfilled this year. Official export statistics are not yet available for April, but the quantity consigned to Greater Germany in that month is estimated at 90,000 tons. Excluding the unspecified arrears, this would leave a balance of rather more than 1,366,000 tons to be shipped to Germany in eight months. The likelihood that the Danube will again be frozen during part of December should be borne in mind; but, ignoring this factor, the required monthly average shipments for the fulfilment of the agreement works out at a little over 170,000 tons, or approximately twice as much as Germany has received from Roumania in the best month since the war began. To assert that the required rate of shipment is impossible would, perhaps, be unwise; but some authorities claim that a monthly average of 130,000 tons represents the practicable limit, and it is certain from the known facts of the case that the maintenance of supplies at the higher rate for the eight months would tax the available transport facilities to breaking point. It is thus highly probable that the quantity actually received by Germany this year will fall well below that specified in the agreement of 1939.

June 11th.

France's Leaders

[FROM OUR PARIS CORRESPONDENT]

EVER since the German break-through at Sedan, now a name of doubly ill omen for every Frenchman, Paris has been living through a drama of such high intensity that a supreme climax always seemed just around the next corner. With the great struggle that is sometimes called the Battle of Paris and sometimes the Battle of France in full course, it would seem that this climax cannot now be very long deferred.

There are causes for hope and causes for apprehension in connection with the latest great German drive. Perhaps the chief reason for optimism is the magnificent leadership of

United States Defence

[FROM OUR NEW YORK CORRESPONDENT]

THE programme of national defence is now the most important influence in United States economy. On May 16th the President recommended additional appropriations of about \$1,200 millions for accelerating a programme that already budgeted something over \$2,000 millions for the coming fiscal year. Two weeks later, in another message to Congress, he asked for approximately \$1,000 millions more. At the same time, he asked authority to call into active service all or part of the National Guard and the Organised Reserves. This may have been no more than a precautionary measure; but, if exercised, it seems probable that it would require another appropriation.

These measures have been accompanied by proposals for increased taxation. The only suggestion so far advanced is for a flat 10 per cent. increase on all, or nearly all, existing Federal taxes. Such a method might be expected to produce between \$600 and \$700 millions. It has at least the merit of simplicity—no small concern for legislators at the moment, especially since an early adjournment of Congress is still on the schedule.

The programme outlined does not go to the extent of transforming the United States into a "war economy," but it is of sufficient magnitude completely to alter the present economy. In initiating this programme, the President laid down these general principles: that the programme must not be allowed to create any millionaires; that the social legislation adopted in recent years was not to be suspended; and that he hoped that labour would not take advantage of the situation by striking.

June 1st.

Russian Trade Possibilities

[BY A CORRESPONDENT]

THOUGH the prospects of an effective trade agreement as a result of Sir Stafford Cripps's journey to Russia are all too easy to exaggerate, it is worth while examining them. On the principle that "the more there is of mine, the less there is of yours," any goods we can secure from Russia represent the stopping of some leak in the economic blockade of Germany. Moreover, to set against the many considerations which make the conclusion of an agreement difficult and its implementation problematic, there is one circumstance which should make it easier than it was at the time of Mr Hudson's visit to Moscow: the fact that the British Government now has powers not merely to discuss general terms but to place and accept orders.

The following table shows the value of United Kingdom imports from and exports and re-exports to Soviet Russia, and the percentages which these constitute of our total trade with all countries:—

('000's omitted)						
Year	Imports		Exports		Re-exports	
	£	%	£	%	£	%
1933	17,491	2.59	3,341	0.91	957	1.95
1934	17,326	2.37	3,640	0.92	3,905	7.62
1935	21,763	2.88	3,482	0.82	6,243	11.29
1936	18,903	2.23	3,507	0.80	9,838	16.19
1937	29,096	2.83	3,083	0.59	16,432	21.86
1938	19,543	2.12	6,433	1.37	10,985	17.83
1939 (1st quarter) ...	1,626	...	1,889	...	3,351	...

Imports have been fairly constant; the large increase in 1937 was mainly due to the general rise in prices.

The table below shows the proportion of British imports from Russia represented by the six main items:—

('000's omitted)									
Commodity	1935		1936		1937		1938		
	£	%	£	%	£	%	£	%	
Timber & plywood	7,600	34.9	7,682	40.6	11,125	38.2	6,316	32	21
Grain and flour ...	3,597	16.5	575	3.0	4,465	15.3	3,187	21	22
Furs and skins ...	1,553	7.1	2,057	10.9	3,750	12.9	3,630	18	18
Butter	1,670	7.7	1,644	8.7	1,258	4.3			
Oil	1,284	5.9	1,477	7.8	1,729	5.9	1,415	7	7
Flax (inc. tow) ...	1,533	7.0	1,253	6.6	1,146	3.9	376	1	1

Timber and plywood were the most important Russian exports to Great Britain and represent between 33½ and 40 per cent. of the total. The group is comprised chiefly of

General Weygand, who has already communicated a new atmosphere of confidence both to the front and to the rear.

Weygand has already achieved two very difficult tasks. He has restored a morale that was inevitably shaken after the German break through and the subsequent sweep to the Channel. The stout defence of Dunkirk, in which the French Admiral Jean Abrial played such a prominent part, and the rescue of a far larger proportion of the French and British forces in Flanders than had seemed possible after the abrupt capitulation of the King of the Belgians, was another steady-going factor.

Weygand's second achievement has been that, within the very brief period of his command, he has grasped what his predecessor unfortunately failed to understand during the respite of eight months which followed the declaration of war: the tremendous offensive rôle of the tank and the best means of counteracting it. The world war idea of linear defence, foredoomed to disastrous failure in the face of the terrific shock of massed aeroplanes and tanks, has given way to a supply system of defence in depth, in which those tanks which penetrate the advanced line are subjected to the harassing fire of many "points of support," established in hills, woods and other favourable natural obstacles. The destruction of a very large number of tanks during the first days of the present battle has been the reward of the new tactics.

Another favourable sign is the rumoured deterioration in the quality of the German pilots. It is hoped here that both the human and material resources of the German military machine may be approaching exhaustion under the stress of the terrific activity of the last weeks.

At the same time there is no reason for not regarding the situation as extremely grave. France to-day faces the formidable problem of fighting alone, apart from the co-operation of the R.A.F., against an enemy that possesses twice its population and more than double its potential output of war industries. In man-power, in tanks, in aeroplanes the material odds which France must face are cruelly heavy. Typical of this situation was the remark of a French aviator attached to a squadron of pursuit planes:—

At a conservative estimate we shoot down five enemy aeroplanes for every two of our own that we lose. But that proportion is not favourable enough.

Cabinet Reconstruction

As the military drama seems to be approaching a climax the tempo of activity is quickening in the fields of internal politics and of diplomacy. There has been another important shake-up in the Cabinet, the effect of which is to concentrate still more power in the hands of M. Reynaud. The Prime Minister now holds the two key portfolios of Defence and Foreign Affairs, and one of his intimate associates is Minister of Finance. All this follows the familiar historical law of concentration of authority and responsibility in moments of great crisis.

Two significant eliminations from the Cabinet were those of Anatole de Monzie, formerly Minister of Public Works, and Edouard Daladier, the former Premier, who has now been dismissed from the Ministry of Foreign Affairs. M. De Monzie was rumoured, rightly or wrongly, to be doubtful about the prospects of the successful prosecution of the war, and even such a suspicion is enough to end a man's usefulness as a Cabinet Minister at a time like the present. The personal relations between M. Reynaud and his predecessor, M. Daladier, have never been cordial, so that the disappearance of M. Daladier will presumably make for greater Cabinet unity. Moreover, M. Daladier, in view of his long tenure of office as Minister of War and his close association with General Gamelin, can scarcely escape some measure of responsibility in the public mind for the disaster of mid-May.

Ambassador to Russia

France has followed the British lead in seeking prospects of accommodation with the Soviet Union by appointing a new Ambassador to that country, M. Erik Labonne. There is no serious expectation here of positive anti-German action from the Soviet side. But there is a hope that supplies of petrol and other material to the Reich may be slowed down or stopped. Stalin, originally, in the opinion of many of the best informed observers of Soviet affairs, based his policy on the idea that the war would lead to stalemate, exhaustion and all-round social and economic collapse in Central and Western Europe. Now he may well be alarmed at the outlook for the Soviet Union in the event of a clear-cut German victory. Despite the existence of a strong *a priori* anti-Communist feeling in French conservative circles, M. Reynaud evidently feels that every possibility of help, however small and indirect, is worth exploring at the present time.

June 8th.

sawn softwoods, pit props and plywood, together with a certain quantity of hewn soft woods and sleepers. Timber is still the commodity of greatest interest to the British market.

Poor Import Prospects

The import of grain from Russia has varied considerably according to the harvest; the prospects of an increase of Russian exports of grain this year are slight, as the occupation of Poland has increased the home demand and will contribute little to the supply.

The imports of furs and skins have recently increased, but as luxuries their import is not likely to be encouraged by the British authorities. The import of flax has dwindled since 1935, as it is required by the greatly expanded Russian textile industry, and standard flaxes are now being removed from the list of goods offered for export from Russia. Butter imports are also declining as the needs of the Russian home market increase.

Oil imports remained fairly constant during the whole period, and Russia is even in a position to increase her exports, especially since new wells have lately been drilled in the districts of Ural and Baku. The question of oil supplies will, however, be decided more by political than economic considerations.

Supplies for the Soviets

British exports to the U.S.S.R. remained fairly constant up to 1937. A large increase was observed in 1938 as a result of large shipments under the Credit Agreement of July, 1936. The following table gives the values of the four main groups of exports to the U.S.S.R., together with the proportions of the total British exports to the U.S.S.R. which they represent:—

(‘000’s omitted)

	1935	1936	1937	1938
Machinery	£ 902	£ 689	£ 818	£ 3,353
Non-ferrous metals & manufactures	474	754	986	1,329
Rags, woollen and hair, not pulled	166	252	387	390
Iron & steel manufactures	951	598	407	326
	25.9	19.6	26.5	52.1
	13.6	21.5	32.0	20.6
	4.8	7.2	12.5	6.1
	27.3	17.0	13.2	5.1

The chief main groups of commodities exported from the United Kingdom to the U.S.S.R. were machinery, including machine tools, and non-ferrous metals (unwrought nickel and tin). All these commodities are now available for export from Great Britain in comparatively small quantities, and it is unlikely that the Ministry of Supply will be inclined to release considerable quantities of them. Moreover, since Russia is looked upon by the trade as a very difficult customer, no machine and tool-making firm would be keen to accept new Russian orders. The same applies to other commodities exported to Russia, so that it will not be easy to promote a larger export to the U.S.S.R.—especially in times of war, when the country needs for the prosecution of the war exactly the same goods Russia is prepared to buy.

These difficulties do not, however, apply to re-exports, because the articles involved are mostly standardised and the inspection and receiving of goods more simplified. Re-exports from the United Kingdom to the U.S.S.R. consisted mainly of non-ferrous metals, raw rubber, raw wool, and tea, as shown in the next table.

The re-exports of non-ferrous metals were by far the largest group from 1935 onwards, and they consisted mainly of unwrought copper, nickel and lead. The re-export of raw rubber has somewhat declined in the years 1937-38. The Russian demand for wool and tea remains as high as

(‘000’s omitted)

	1935	1936	1937	1938
Non-ferrous metals	£ 2,823	£ 5,000	£ 11,287	£ 7,783
Rubber, raw, incl. crepe and latex	1,715	2,819	2,681	1,056
Wool, raw	627	609	1,115	995
Tea	463	573	543	553
	45.2	50.8	68.7	70.8
	27.5	28.7	16.3	9.6
	10.0	6.2	6.8	9.1
	7.4	5.8	3.4	4.9

in pre-war years, and these goods would be willingly accepted by the Soviet Trade Delegation in exchange for other goods.

Though the increased powers of the British Government in the control of foreign trade make the position in some ways more favourable to an agreement than it was a year ago, there have, on the other hand, been such changes in our import requirements and in the goods we have available for export that it seems hardly likely that such an agreement, even if concluded and faithfully executed, could have any very considerable importance, except in so far as it contributed to the blockade of Germany.

June 10th.

Latin America and the War

[BY A CORRESPONDENT]

THE effect of the European War upon South American conditions has not been at all what was expected. Exports of primary products have been much reduced by the extension of the Allied blockade to Germany and the countries which she has overrun, and this has not been compensated by higher commodity prices.

The Allies are benefiting by a wider spread of their purchases of wheat, meat and wool at lower prices over certain of the Republics. Britain normally is Argentina's largest market, and record meat shipments will probably be registered this year, but the loss of the German and Scandinavian markets is not negligible, and Argentina, in present world conditions, is alive to the necessity of conserving her resources.

Britain's latest purchase from Uruguay consists of 8,000 tons of corned beef for about £660,000, but the outlook for wool, the chief product, is not favourable; Scandinavia and the Low Countries had purchased important quantities which still await shipment and for which many orders have been cancelled.

Difficult Coffee Position

The adverse effect of the spread of German occupation, however, is mainly felt in Brazil and the other "coffee" countries. The value of Brazil's exports to Germany and the countries which she has now brought within the operation of the blockade amounted in 1939 to 25 per cent. of the total. Brazil's adverse trade balance at the end of February was about £113,000 (gold), since when there has been a considerable decline in exports, including coffee, cotton, hides and skins, cocoa and tobacco. It is now thought that exports of Brazilian cotton to Europe may be reduced by about 47 per cent., whilst the production of coffee in São Paulo alone is at least 6,000,000 bags per annum in excess of war-time demands, and the Coffee Department's decisions as to "sacrifice" quotas for the next crop year are being awaited with intense anxiety by planters.

Brazil is giving strong hints that she intends to restrict imports, and although exchange so far continues to be available under permit, it is significant that no credits may now be opened without special permission for imports from countries other than the United States of America, while permission has been suspended for the closing of exchange against imports from all European countries, except the United Kingdom, France and Portugal.

Exchange Difficulties

The expected announcement has not yet been made by the Bank of Brazil regarding the distribution of the second instalment of milreis against remittances of profits.

In Chile, there are liberal supplies of sterling exchange as the result of Britain's recent large purchases of Chilean products, but in Peru, although exchange control is still

avoided, heavy imports have led to considerable stringency in the foreign exchange market and weakness in the sol.

Among the smaller "one-product" countries, Ecuador is suffering from failure of the cocoa crop and over-importation, so that the Central Bank has been unable to hold the rate of exchange and a decree of June 4th re-established exchange control with the Central Bank as the sole buyer and seller at rates of 17.90 and 18.00 sucres per dollar. In Nicaragua, there is increasing delay in obtaining exchange and import permits, while Salvador has sold much coffee to Norway against credits, but this has not been shipped. The outlook in Colombia is increasingly uncertain, as the severe fall in coffee prices abroad has already nullified the effects of a Government bonus to producers. A short-term credit of U.S.\$10 millions has been made to Colombia by the Export-Import Bank of Washington, but as this is to pay for future imports from the United States, it is hardly likely to relieve the present exchange stringency, and exchange permits are being granted more and more sparingly for essential imports only.

June 12th.

Italy's Finances

[FROM OUR TURIN CORRESPONDENT]

THE report of the Governor of the Bank of Italy, Signor Azzolini, to the annual meeting contained the following figures for December 31st, except this year:—

In millions of lire

	1937	1938	1939	Mar. 20, 1940
Circulation	17,468	18,955	24,432	22,644
Deposits	1,465	1,721	2,486	1,917
	18,933	20,676	26,918	24,561
Gold	3,996	3,674	2,738	2,602
Foreign exchange	32	152	393	
	4,028	3,826	3,131	
Ratio of cover to sight liabilities	21.3%	18.5%	11.6%	
Discounts	2,544	3,704	4,833	
Advances	4,508	3,686	2,992	
	7,052	7,390	7,825	
Ways and means advances:—				
Short dated	1,000	1,000	1,000	
Extraordinary	...	2,000	8,000	
	8,052	10,390	16,825	

The gold reserve has steadily fallen and there has been an increase in sight liabilities. If it is assumed that discounts and advances correspond to the demand for money on the private market, while ways and means advances vary according to the needs of the public Exchequer, the major part of the increase in the note circulation can be explained by the exigencies of the State.

Increased State Requirements

This assumption requires, however, some qualification, since discounts and advances also reflect the increasing intervention of the State in economic activity. For example, the decrease in advances is entirely due to decreases of 330.8 and 381.9 million lire in the advances guaranteed by the Redeemable Compulsory Immobiliare, 1936, Loan and the 5 per cent. Rentes, respectively, both of which advances were made to facilitate the issue of the loans. The increase of 1,129 millions in discounts is mainly due to the financing of the purchase and processing of wheat by public State bodies, to purchases of cocoons, wool, hemp, rice and other materials, and to the discount of short-dated Exchequer bills.

The new State economic activities are in fact the best source of profit to the Bank of Italy. Trade discounts proper seem to be diminishing, in accordance with the policy of making the Bank of Italy a true central bank, and were only 149.5 millions at the end of 1939. Except in September, however, the banks, being in funds, did not offer their commercial paper for rediscount, and the Bank of Italy's best customers are now the public bodies which finance armament and other essential industries and the purchase of agricultural products.

The requirements of the State are, however, the principal cause of the increase in circulation. Advances to the Treasury increased by 2,000 million lire in 1938 and by 6,000

millions in 1939. Ordinary expenditure in 1938-39 was 33,353 million lire, and extraordinary revenue 6,500 million lire, while revenue amounted to 27,576 million lire, leaving a deficit of 12,278 millions against 11,174 millions in the preceding year. Assuming that the advances by the bank to the Government were divided evenly between the half-years concerned, the Budget deficit of 1938-39 was covered as to 32½ per cent. by the issue of bank notes, compared with a corresponding percentage of just under 9 the year before.

Cost of Living

Signor Azzolini stoutly denies that the increase in circulation is inflationary, alleging that it was preceded and caused by the rise in prices. Prices have undoubtedly increased: the 1939 index number of wholesale prices at 99.4 (1928 = 100) was 4.3 per cent. higher than that of 1938, and from August, 1939, to February, 1940, the increase was 14 per cent. The cost of living increased by over 17 per cent. between March, 1939, and March, 1940. Average wages during the first ten months of 1939 were 10 per cent. higher than in the corresponding period of 1938. There was a general upward revision of wages and salaries amounting to 6-10 per cent. in March, 1939, and another of 10-15 per cent. in March, 1940. When allowance is made for the increase in employment, Signor Azzolini maintains that working class real income has remained stable.

June 1st.

More Exports to Brazil?

[FROM OUR RIO DE JANEIRO CORRESPONDENT]

THERE is a strong impression in Brazil that Great Britain, in her drive to increase exports in order to finance the war, is showing an extraordinary indifference to the largest potential market in South America. The British Chamber of Commerce in São Paulo observes:—

Apart from the question of transport facilities, the essentials necessary to secure a much larger volume of orders for British goods, and to take advantage of the excellent opportunity which now presents itself for the expansion of our trade with this country, are so simple that they should really not need enumeration. During such time as prices remain competitive—and they are competitive (when compared with prices of similar imported goods) for a large range of articles—these essentials are that manufacturers should be able to quote fixed prices and give a guarantee as to delivery. In the case of contracts for long-term delivery and where it is possible, and probable, that prices will be modified, there is much to recommend the introduction of a variable price clause, so that the prospective client might be aware of the maximum increase that he could be called upon to pay. But when goods for short-term delivery are in question it can be said categorically, and without fear of contestation, that the "prices ruling clause" will not only prevent an expansion in Britain's foreign trade but will make difficult the maintenance of that done in the past.

Regrettable as delay in delivery is, the handicap it inflicts on importers here is insignificant in relation to that imposed by the impossibility of getting firm prices for most articles.

The feeling that British exporters are not really interested in this market is intensified by the almost complete absence of advertisements by British firms in the local papers; many American firms spend more on advertising in a month than the whole British industry does in a year. Many manufacturers seem to think that if they appoint an agent on a commission basis, orders should come rolling in without any further effort on their part.

May 27th.

The MERCANTILE BANK of INDIA LIMITED

Head Office: 15 Gracechurch St., London, E.C.3

Branches and Agencies throughout the East

EXECUTORSHIPS AND TRUSTEESHIPS ACCEPTED

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 \$40,265,700
TOTAL ASSETS IN EXCESS OF \$1,025,000,000

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

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

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

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

THE BUSINESS WORLD

Towards Real Exchange Control

EXCHANGE control in the United Kingdom and throughout the sterling area has been made a far more efficacious instrument by the various measures taken by the Government towards the end of last week. In judging them we must ask whether they fulfil two fundamental conditions: firstly, do they ensure that the terms of trade between the sterling area and the neutral world are as favourable as they can be; and secondly, do they ensure that the full proceeds of our export trade are, in fact, canalised to the central authority and are not dissipated to any appreciable extent in financing the exodus of capital from the sterling area? Those must be the main objectives of our system of exchange control. Other considerations such as the standing of sterling as an international currency are of altogether subsidiary importance. The best way to ensure the future of sterling as an international currency is to win the war, and the working of our system of exchange control should therefore be guided with that all-embracing objective in view to the exclusion of all others.

Judged by these fundamental criteria, the measures announced by the Treasury last week must—so far as they go—be given approval. They can be briefly summarised. No licences will for the time being be given for the sale in the United Kingdom of securities owned by persons resident outside the sterling and franc areas. All exports from the United Kingdom to the United States and Switzerland will have to be paid for in sterling obtained from the Exchange Control or else in United States dollars or Swiss francs respectively. Current commercial and financial payments (such as interest and dividends) due to residents in the United States of America and Switzerland will be eligible for exchange at the official rates. As regards transactions with other neutral countries, the same canalisation of exchange operations into official channels will be achieved by the extension of the network of payments agreements, special accounts and fixed rates of exchange. If such agreements defy the efforts of amicable negotiation, the principles of exchange clearing will be applied unilaterally from our side. All these arrangements, in so far as they apply to the United Kingdom only, will be matched at an early date by similar arrangements by other countries in the sterling area.

By these measures an encircling attack is being made on what remains of the free market in sterling. The supply of sterling in the free market will lose one of its main sources by the blocking of sterling securities owned by non-residents. It will be further depleted by making financial payments to the two remaining hard currency countries, the United States of America and Switzerland, eligible for exchange at the official rates. The flow of sterling transferred to foreign account by way of Form E. 1 will thus suffer a major diminution. On the demand side the free market in sterling will suffer almost equal curtailment. This will be achieved by the compulsion to invoice in hard currencies or official sterling all exports from this country to the United States and Switzerland. The trade with the two free currency countries will thus yield no demand for free sterling. When the chain of payments agreements with the controlled-currency neutrals is completed, the commercial demand for free sterling will, it is hoped, have been reduced to negligible proportions. The invasion of the Low Countries and the extension to all commodities of the compulsion to invoice exports to the United States and Switzerland in hard currencies have involved the repeal of the earlier regulations relating to the exports of jute, rubber, tin, whisky, furs and diamonds; but the experience gained in working this selective control of export proceeds will undoubtedly have proved extremely valuable in applying the more comprehensive

scheme. As for trade between the sterling-franc area on the one hand and what remains of the Belgian franc-guilder area on the other, this is being satisfactorily settled by the formal inclusion of these two currencies within the bloc of Allied currencies.

The new regulations may be said to hinge on the decision to block the really material part of the foreign assets remaining in this country. The bank balances of non-residents remain free; but their total may be regarded as exceptionally small and as representing the minimum required for the normal financing of trade between the countries concerned and the sterling area. There will be no appreciable leakage to the free market from that source. The securities are the important factor. If they had not been blocked and if at the same time the other features of the tightened exchange control scheme had been applied, the result would have been another slump in the free sterling rate and the consequent deterioration of the terms of our trade with all soft currency countries temporarily outside the circle of payments agreements. The decision to block such assets has been facilitated by the temporary immobilisation of Dutch and Belgian assets following the German invasion of those two countries, whose sterling holdings represented a not inconsiderable part of the total of foreign investments in this country. Even more important as a factor in the decision has been the rapidity of the change in American opinion in favour of the Allied cause in recent weeks. A few weeks ago it would have been highly dangerous to block American investments here, for such a move might well have been followed by retaliatory and far more painful action on the part of the United States.

While we may assume that the new regulations will drastically curtail the volume of business handled by the free market in sterling, it is still too early to compute with complete confidence what their ultimate effect on the free rate will be. That consideration is of importance, since the regulations leave some function to be played by the free market. Financial remittances to this country in respect of invisible exports, such as dividend payments, insurance premiums and freight charges, will continue to be allowed to use the free-market route. If the rate obtaining in this market is unduly low, there will be some loss in foreign exchange to the country as a whole, though it should be remembered that the loss will in the main fall on those non-residents to whom sterling is accruing and who are given permission to convert it into other currencies at the free rate. It may, in fact, be hoped that the new regulations, by cutting off the whole of the investment supply of free sterling while leaving an appreciable demand for financial sterling to reach the free market, will make for a much narrower margin between free and official rates than we had become accustomed to before the new announcement was made. This conclusion seems to be that to which the market has been driven, for despite decidedly discouraging military news, the free sterling rate in New York has since Thursday of last week recovered from 3.20 to around 3.80 and is holding its recovery in the most remarkable manner.

This jump in the free rate is partly an acknowledgment of the contraction which an already narrow market is suffering as a result of the stricter regulations. It is also a reflection of the technical position in the free market which obtained when the news of the regulations burst upon it. For some weeks past that position has been persistently oversold. There have been some out-and-out bear speculative positions, many commercial firms operating in both sterling and non-sterling areas have as far as possible financed themselves by sterling overdrafts, and all concerns having remittances to make to

this country have in the recent past tended to defer covering their requirements as long as possible. This accumulated short position, though not substantial when judged by normal standards of the pre-war exchange market, was sufficient to provide a considerable factor of support in the market when news came that a contraction of the free market would occur, especially as the first rumours of the new regulations hinted at the virtual elimination of the free market. The rush to cover the open position and to provide for future requirements of sterling was sufficient to cause the exchange rate to stage its remarkable recovery. The chances are that the narrowing of the gap between official and free rates is of more permanent character than the nature of the immediate forces at work in the recovery would suggest. But in a market so narrow as the free market in sterling is likely to become, inordinate movements must be expected. And in view of the relative unimportance to which the operations in that market are likely to sink, those movements will not cause our authorities serious concern.

The advance which the latest regulations represent towards a reasonably watertight and effective system of exchange control is thus considerable. But it would be false optimism to suggest that they constitute the ideal beyond which it is needless to strive. Our exchange relations with the United States—and they are the vital factor in the whole exchange position—are placed on a more satisfactory basis. The vital distinction between pounds that originate in commercial transactions and pounds arising from capital holdings has, by inference, been clearly made. Our exports to the United States should henceforth be entirely financed at the official rate, though it is still possible that imports into this country

may be financed at the free rate and therefore at unfavourable terms of trade. This gap still remains to be closed.

The weak point in the structure of our exchange control will remain in the relations with the soft currency countries. On present evidence it is likely to remain a weak point even when the chain of payments agreements is completed. That is partly because these agreements are payments and not full clearing agreements. They leave too much room for evasion and for contravention of the spirit of the agreements on the non-British side of the account. Full clearing is the only effective solution to the problem of watertight control. There are welcome indications in the agreement signed this week with Roumania that this is the road towards which we are travelling. But why not faster? If the reason be administrative laziness or unwillingness to discard old orthodoxies, they are wholly inadequate to the urgencies of the present situation. Stricter application of the principle of bilateral clearing would also remove one of the present weaknesses of the present control system, namely, the possibility for neutral creditors of this country to switch from soft to hard currencies. The potential of that danger has been increased by the favourable terms on which financial remittances to the hard currency countries are to be made from the sterling area. This will undoubtedly increase the temptations of our creditors in soft-currency countries to evade their own regulations and register their claims under one of the hard-currency flags. These points may be unimportant in relation to the considerable advance which the new regulations constitute; but they should be kept in mind and militate against any feeling of complacent gratification at the progress which has been achieved.

Finance and Banking

The Fiduciary Issue

Last week's Bank return pronounced the urgency of an increase in the fiduciary issue. The expansion in the active circulation had reduced the reserve of unissued notes in the banking department to £10,975,000 and the ratio of the reserve to liabilities to the unprecedented figure of 6.8 per cent. This week the fiduciary issue of the Bank of England has by authorisation of the Treasury been increased by £50 millions to £630 millions, and, in accordance with the Currency and Bank Notes Act of 1928, the required Treasury minute is being laid before Parliament. The note circulation is being subjected to two kinds of influences, both making for expansion. In the first place, the secular trend in the system of currency issue in the event of a serious emergency, are increasing and prices are still inclined to rise. Secondly, the arrangements which are being made to decentralise the system of currency issue in the event of serious emergency, such as invasion, have involved considerable increases in the total amount of till money maintained by the clearing banks. In addition, the renewal of movements of population from evacuation areas has immobilised some currency, while the uncertainties of the war situation have undoubtedly caused a larger amount of currency to be held by the people as a precaution against sudden emergencies. Part of the recent expansion in the circulation is thus of essentially temporary character. In view of this fact, the decision to increase the fiduciary circulation by as much as £50 millions should meet the situation for a long time ahead.

Circulation Still Climbing

The latest Bank return, which gives effect to the increase in the fiduciary issue, reveals a further jump of £9,103,000 in the active circulation, which in the space of three weeks has risen by £31,868,000. The increase in the fiduciary total has been effected by a transfer of £50,000,000 of Government securities from the banking to the issue department. Apart from this transaction, the banking department has acquired additional securities in order to offset the effect of the expanding active circulation on the volume of bank cash. Consequently the net reduction in the holding of Government securities amounts to £37,755,000 only. In spite of this more than adequate offsetting operation, bankers' deposits show a reduction of £15,632,000 over the week, but this is explained by the rise of £21,278,000 in public deposits. This last movement must, in the face of the continuing revenue deficit, be explained in terms of the additional

issues of Treasury bills both through the tender and through direct sales of tap bills to the banks. The clearing banks have shown some diffidence this week in buying bills from the market, an attitude which is adequately explained by the reduction in bankers' deposits at the Bank of England. Though there has been no scarcity of loanable funds in the money market, the margin on which the market has been working has narrowed sufficiently to cause some apprehensive queries as to the facility with which the end of June will be financed by the market. One may confidently assume that all the necessary arrangements will be made to avoid any appreciable pressure over this period, even though the market will once again be unable to pass the burden of the half-yearly window-dressing to the Treasury by deferring payment for its bills during the crucial week until the first day of July, which falls on a Monday.

* * *

Clearing Bank Statements

The clearing bank statements for May reveal the biggest movements that have taken place since the war. The expansion of the money supply to cope with the quickened war effort is now influencing the whole credit structure of the

(In £ millions)						
	May, 1939	Jan., 1940	Feb., 1940	Mar., 1940	Apr., 1940	May, 1940
Capital and reserves	138.8	139.3	139.3	139.3	139.3	139.3
Acceptances, etc. ...	127.6	119.8	117.5	119.2	120.1	120.2
Notes in circulation	1.4	1.4	1.4	1.4	1.4	1.4
Current, deposit and other accounts ...	2,166.8	2,409.5	2,365.6	2,363.3	2,353.9	2,413.4
Total liabilities	2,434.6	2,670.0	2,623.8	2,623.2	2,614.7	2,674.3
Cash	236.1	241.5	247.3	248.6	253.9	257.0
Cheques, balances, & items in transit	65.8	91.2	80.2	92.5	79.6	78.8
Money at call	143.5	154.0	149.1	141.5	153.4	143.7
Discounts	200.7	387.8	353.1	335.7	338.4	408.7
Investments	604.5	610.3	608.6	611.2	617.6	633.2
Loans and advances	988.0	997.2	999.8	1,006.2	983.4	964.3
Investments in affiliated banks	24.2	23.5	23.5	23.5	23.5	23.5
Cover for acceptances, premises, &c.	171.8	164.5	162.2	164.0	164.9	165.1
Total assets	2,434.6	2,670.0	2,623.8	2,623.2	2,614.7	2,674.3

country. Last month the basis of bank cash expanded by £3,099,000, and, on this, the total deposits rose by about £60 millions to £2,413,339,000. The pace and volume of

Government disbursements are the dominant factor in the changes of banking assets, while the methods chosen to bridge the deficit are for the time being the main influence making for an expansion in the total volume of these assets. As was to be expected it is in the growth of the Treasury bill holding that the principal motive force of the expansion in the credit structure is to be found. The bill portfolio last month rose by no less than £70,361,000, and as commercial paper is still on the decline one may assume that more than this figure was contributed to the total by Treasury bills. The rate at which bills had to be marketed reflects the considerable acceleration which has recently taken place in the flow of payments to various Government contractors. The quickening of Government disbursements is partly reflected in the increase in deposits, but it is also apparent in a surprising reduction of loans and advances. These fell last month by £19,079,000 to £964,281,000, a total appreciably lower than obtained on the outbreak of the war. An interesting movement in the latest return is the increase of £15,603,000 in the banks' investments. The banks were persistent buyers of gilt-edged during May, the main supply coming from various public departments. This movement helps to explain the exceptional strength of gilt-edged during this period.

* * *

By-Passing the Discount Market ?

The large increase in the banks' holdings of Treasury bills opens up some interesting queries on the mechanism of Treasury bill issue. It should be noted in the first place that the increase of £70,361,000 (and probably more) in the banks' holdings of Treasury bills compares with an increase of £35 millions only in the total of bills issued through the weekly tender over the same period. The banks may to some extent have increased their holdings of bills at the expense of discount market portfolios and the reduction of £9,732,000 in their money at call and short notice suggests that, to approximately this extent, such a movement has occurred. But the unaccounted for balance of the banks' increased holdings of bills must have come from the official seller. The exceptionally close touch maintained between the clearing banks and the Bank of England in the matter of open market operations has been in ever increasing evidence since the outbreak of the war, and the latest clearing bank figures suggest that it is being carried forward to the point at which a considerable part of the supply of Treasury bills reaching the clearing banks does so direct through the "tap" issue and by-passes the discount market altogether. The authorities may feel that the discount market does not merit its turn on the volume of bills that would have to pass through its hands now if the whole of the bills marketed were to be made available through the weekly tender. Moreover, there is some measure of precaution in gradually forging and putting into motion the machinery of direct sales of bills to the banks that would come to be used exclusively in the event of such an emergency as would cause the City of London to be abandoned.

* * *

Belgium Joins the Monetary Alliance

The formal adhesion of Belgium to the Anglo-French monetary agreement was announced at the end of last week. The new tripartite agreement differs in one important respect from the provisional arrangements made on the invasion of the Low Countries to regulate the exchanges between Belgium and the Allied Powers. That agreement had necessarily to be based on the level of rates obtaining immediately before the invasion and fixed the Belgian franc at 120 to the £. By the new agreement the value of the Belgian franc has been levelled with that of the French franc, and both are fixed, for the duration and six months after, at 176½ to the £. It is interesting to note that the text of the agreement refers only to Belgian francs and omits mention of the "belga," that comparatively recent currency innovation which never entered into popular usage in Belgium and to some extent symbolised Belgium's ill-fated attempts to sever herself from the French alliance. The Belgian franc now ranks in the tripartite agreement equally with the French and British currencies. The authorities of each of the three countries will make their currencies available to those of the other two without immediate settlement in gold. Moreover, as a result of the new agreement, there will be "an equitable division" between the three countries of the charges in gold or foreign exchange resulting from the war. The main operations on the Belgian side will be those concerned with the Belgian colony. The

signature of a similar agreement between the Allied Powers and the Netherlands Government is expected within the next few days.

* * *

Anglo-Roumanian Payments Agreement

A new agreement has been concluded between the British and Roumanian Governments covering the trade and payments between the two countries. This may be regarded as the first of the new batch of payments agreements, the accelerated output of which was announced last week with the tightening of the Exchange Control regulations. The new agreement supersedes that which was signed last July and which had ceased to be altogether suitable to war conditions. It differs in the main from its predecessor in covering payments for freight, insurance and other financial transactions as well as for the visible trade between the two countries. It stipulates that no part of the sterling which will be paid into the payments account will be at the disposal of the Roumanian exporter for sale at market rates, since he is now obliged under the Roumanian regulations to surrender the whole of the sterling to the National Bank of Roumania at the official rate of exchange. Another important extension of the agreement is the provision that part of the sterling arising from Roumanian sales in this country will be available to pay for purchases by Roumania from the whole of the sterling area.

* * *

Speculation in Silver

As one of the few free markets remaining in the City, the silver market must continue to attract special attention—certainly greater attention than the size of its turnover justifies. The position remains decidedly intriguing. A fortnight ago it was learned that the reason why the United States House of Representatives had sent the Townsend Bill back to the Senate was that the measure infringed the prerogative of the lower House to institute measures of taxation. The Townsend proposals did not merely affect the powers of the Treasury to purchase imported silver, they also provided for the abolition of the 50 per cent. duty on the profits made by silver arbitrage. If the whole difference between the House of Representatives and the Senate merely concerns this technical infringement of the United States Constitution, it should be rapidly remedied, and we may yet see the essential part of the Townsend Bill passed into law before the end of the present session. The London market has, however, been moved by influences quite other than this fundamental question of American attitude and policy towards silver. The military news from France and especially the entry of Italy into the war has been causing some nervousness in India and has led to attempts to cover bear positions which Bombay operators had opened in London on anticipations of a reversal of American silver policy. The attempts to cover or extend these positions have led to a serious shortage of spot silver and to an inordinate widening of the spread between cash and forward quotations. This was narrowed on Monday when the small demand was almost entirely for forward; but on Tuesday more forward selling from India caused the forward price to fall to a discount of 1½d. and this spread has since been maintained. The experience of the market in the past two weeks has revealed the exceptional meagreness of the stocks held in this country. It is estimated that the stocks held in other than official quarters do not exceed 2,000,000 ounces—and a substantial part of this is earmarked for industrial requirements. The Indian Government's London stocks cannot be more than about 8,000,000 ounces at the moment. It was from these stocks that most of the recent demand for cash silver had to be satisfied.

* * *

Bank of New Zealand

The chief changes in the balance sheet of the Bank of New Zealand at March 31st last, compared with 1939, are a rise of £3,147,190 in cash to £10,825,109 and a big fall in discounts and advances from £27,202,740 to £22,959,596, most of the latter movement being explained by falls in advances to primary producers and wholesalers. Profits, however, are only some £5,000 lower at £580,926, so that the dividend is again 10 per cent.; and the rise in cash, money at call, investments and remittances in transit to a total which is equal to 77 per cent. of deposits shows a highly liquid position.

Investment

A Stoical Market

The Stock Exchange concluded long before the Italian Government that the latter would enter the war, and the event proved an anti-climax rather than a new shock. Despite the predicament of France, by which the Italian decision was cynically timed, the reaction of the market was not so far-reaching as on the occasion of the attack on the Low Countries four weeks earlier. Gilt-edged closed unchanged, or at worst fractionally lower. And by Thursday, War Loan, which closed at 99 last Friday, stood at 99½, unchanged after a day of serious news. The gilt-edged market, indeed, remains unshakeable—an excellent portent for the reception of the next War loan. Home rails found a strong point, and defended it to good advantage. And even industrial shares, as measured by the *Financial News* index, recovered Tuesday's loss on the following day, though they reacted again on Thursday. The obvious victims of the week are to be found in the foreign bond market. French railway bonds inevitably showed a further decline, and the two Italian issues were marked down sharply to a nominal basis. With such exceptions, the investment bearings of the market are unaltered. Gilt-edged remain steady and firm. Industrials still defy investment calculation. Commodity shares refuse to respond to the sharp rise in prices. But where a case can be made out for a positive investment policy—as it could in home rail prior charges at the end of last week—the market is still capable of response.

* * *

The Investor's Part

The sharp improvement in the sales of Savings Certificates and 3 per cent. Defence Bonds during the fortnight to June 4th provided an excellent curtain-raiser for this week's National Savings drive. The total sales of £9,742,000 for the week to May 28th and £9,490,000 for the week to June 4th are reminiscent of the figures which were achieved at the beginning of the campaign last November, and they mark the willingness of the small saver to respond at a time when support for the National Savings Campaign is vital and urgent. Opening the campaign at the Guildhall on Monday, the Chancellor of the Exchequer reminded large investors that he had under constant consideration the time and form of the next market issue. That issue will probably appear at no distant date. Supply costs for the financial year to date have amounted to £424.7 millions. In the same period total sales of Savings Certificates and Defence Bonds have provided £54.7 millions towards the cost of war, while the 90 per cent. call on the 3 per cent. War Loan, which was finally payable on April 15th last, provided £270 millions. Despite the funding of Treasury bills as a result of this issue, the total volume of bills issued through the tap and tender has increased since March 31st to the extent of £106.1 millions. Moreover, approximately £100 millions is payable to holders of 4½ per cent. Conversion Loan who exercised the option not to convert into the 2 per cent. issue on July 1st. These figures clearly indicate the measure of the financial burden and it is increasing fast. For seasonal reasons tax revenue is not throwing its full weight into the revenue returns, but its turn will come later in the financial year, and may well include revenue from new imposts. Meanwhile, the fullest support for the National Savings Campaign is required, and it should be forthcoming from every class of investor. It may, perhaps, be significant that sales of Defence Bonds, after running for some weeks below those of Savings Certificates, have in the last two weeks drawn abreast. The 3 per cent. bond is unquestionably an attractive security. It may be purchased up to a limit of £1,000; it is redeemable seven years after purchase at a premium of 1 per cent.; interest is subject to tax but not deducted at the source; and the redemption yield of £3 2s. 7d. per cent. is obviously attractive, considering its short life. Even the largest investor would serve himself and his country well by investing the maximum sum in Defence Bonds.

* * *

Moral Dividend Limitation

There is further evidence this week that a finite rule, subject to reasonable facilities for appeal, would have been preferable to an exhortation to company directors to observe the spirit of the dividend limitation provisions. In so technical a matter, to place a moral responsibility on directors who are, in fact, answerable to their shareholders, may impose on them an invidious choice. A further case of this sort, in

addition to British Electric Traction, to which reference was made in last week's issue, is Linggi Plantations. The directors intended to pay, and actually announced, a dividend of 7½ per cent. The rate was later reduced to 5 per cent., for on considering the Bill and taking account of the reduction in the company's capital, the directors concluded that the payment must be confined to that rate. They do not propose to alter the revised declaration, but they intend to declare in about two months' time an interim dividend of 2½ per cent., treating the amount involved as a deduction from the balance carried forward from last year, and not as an appropriation from the current year's profits. In the company's circumstances, this appears to be a reasonable compromise, but the directors might well have wished to be spared the necessity for evolving it. Ballito Hosiery Mills provides another example of revision. The board originally intended to pay 17½ per cent., but reduced the rate to 12½ per cent. to conform to the Bill. In finally recommending a payment of 15 per cent., therefore, the company has followed a middle course, in an attempt to satisfy its shareholders and the Chancellor. In all cases where, despite the incidence of 100 per cent. E.P.T., companies find themselves with an appreciable margin of profits, the willingness of directors to follow the Chancellor's wishes will have to be weighed against their responsibilities to shareholders. Such cases will probably be sufficiently numerous to make their task unenviable.

* * *

Italy and the Investor

No investor will complain that Italy's intention to enter the war was not fully advertised in advance. The direct consequences of her long-delayed decision, therefore, would have been small, even had British interests in Italy been appreciable. In fact, they are of a most limited order. Italy's direct sterling obligations are restricted to the £1,119,340 5 per cent. Maremma Railway bonds, and £562,600 7 per cent. bonds of the Consortium for Public Works. The former, which touched 52½ last year, are now quoted at 5-15, while the latter stand at 15-25 against last year's high of 89. Certain lira obligations may also be held by British investors, but they have never been a popular security. Among Italian industrial concerns, only one is of outstanding interest to British investors—"Snia Viscosa," of whose 2,660,000 shares of L.250, some 396,812 are officially listed in London. In each of the past two years, dividends of 10 per cent. have been paid on these shares, but the transfer of payment to British holders has been possible only through the Anglo-Italian Clearing. Courtaulds has a substantial investment in and working agreements with "Snia Viscosa." At the meeting in March, Mr Samuel Courtauld referred to

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 satisfactory trading of "Snia Viscosa" last year—when profits were, in fact, the highest since the reorganisation in 1931—and to the "cordial relations" between the two concerns. But although direct British interests in Italy are small, the extension of the war to the Mediterranean profoundly affects Allied interests in Egypt and the Suez Canal. The Egyptian public debt, managed with exemplary care, has preserved a high place in the foreign bond list. French and British interests preponderate in the Suez Canal Company. Participation in the Iraq Petroleum Company is distributed among Anglo-Iranian, Royal Dutch, Compagnie Française des Pétroles, and Near Eastern Development Corporation, all of which hold a 23½ per cent. interest. British investments in Palestine and Egyptian undertakings are also considerable. These are tempting prizes; they are also repositories of economic and strategic power which the enemy must first overthrow before he may enjoy the spoils.

Home Rail Recovery

On Tuesday, the home railway market at last stood its ground at an effective resistance point. The rally in prices which then occurred was due not to any sudden decision of the public to buy, but rather to a simple test which dealers themselves applied. A slight raising of quotations brought out no further supply of stock, and proved that the recent selling had exhausted itself. But the rally evidently provided a signal for which investors had been waiting, and even a small amount of buying on Wednesday, coupled with the absence of any appreciable supply of free stock, caused a further rise throughout the market. There can be no doubt that this recovery, at least in the senior issues, is well deserved, for the debentures and senior prior charges have suffered most conspicuously and least justifiably in the recent retreat. A yield basis of nearly 4½ per cent. for L.M.S. 4 per cent. debentures and over 5 per cent. for L.N.E.R. debentures was plainly out of touch with the returns offered by the gilt-edged market. Recent falls, and the extent of recovery, are shown below:—

HOME RAIL MOVEMENTS

	May 23	May 31	June 7	June 10	June 11	June 12	June 13	Change since June 7
L.M.S. ord.	153½	121½	121½	123½	13	131½	13	+ 1½
" 4% deb.	96	87	86	86½	86½	87½	87½	+ 1½
" 4% pref.	56	47½	46	46½	46½	47	46½	+ 1½
L.N.E.R. 2nd pref.	13	9½	9	9	9	9½	9	...
" 4% deb.	86	80½	80½	*79½	*79½	80½	81	+ 1½
" 4% 1st gtd.	74½	65	64½	65	65	66	65	+ 1½
G.W.R. ord.	36	30	30	30½	31	32½	31½	+ 1½
" 4% deb.	98½	95	96	95½	96	96	97½	+ 1½
" 5% cons. gtd.	108	105½	101½	100½	100½	101½	101½	...
Southern pref.	56	42	43	45	45	46	46½	+ 3½
" 4% deb.	98½	94	92	91*	91*	92	92	...
" 5% gtd. pref.	110½	107½	104	104	104	104	104	...

* Ex interest.

Depression in home rail prior charges is a serious matter for stockholders, but it also has wider implications. The structure of interest rates in a controlled capital market must hang together satisfactorily if control is to be effective. Home railway prior charges, though not supported by minimum prices, nevertheless cover such a wide investment area that some correction was inevitable, either through the natural process of the market or through official intervention, unless their prices were to be allowed to fall grossly out of line with those of protected stocks. Possibly the fact that the L.M.S. 5 per cent. redeemable preference stock was marked xd. last Monday—which implies that the much larger 4 per cent. preference issue, which ranks *pari passu* with the redeemable issue, will receive its due payment on August 24th



**FOR ALL
INSURANCE
NEEDS**

Head Offices:
LIVERPOOL LONDON
North John St. Lombard St.

—encouraged the market to take a less despondent view about war damage and any additional reserves which the companies might make voluntarily to cover damage in excess of the guaranteed £10 millions. The prices of certain junior prior charges suggested an attempt to discount the possibility of heavier damage according to the geographical position of the lines. That policy depends on the assumption that damage exceeding £10 millions will fall upon the individual companies concerned and will not be shared. Since, however, the precise terms of the railways' financial agreement have still to be fixed, and published, the assumption is quite unconfirmed. In fact, it would seem more probable to assume that excess damage will be shared in the pool proportions, for the loss sustained by any one line will be a purely arbitrary consequence of war, whose consequence in other matters of railway operation and railway finance has been to put the four main lines and London Transport on a co-partnership basis. Investors who have been attempting to value the relative vulnerability or immunity of the undertakings to excess war damage might therefore reconsider their policy.

J. Lyons' Profits

Despite the reduction of the ordinary and "A" ordinary dividend to 20 per cent. less tax, for the year to March last, from the traditional payment of 22½ per cent., the annual report of J. Lyons shows that net profits, after making the usual undisclosed provisions, have been well maintained. After charging debenture and mortgage interest, administration expenses, depreciation, taxation, and providing for contingencies, net profits at £1,024,623 are only £1,067 below those of 1938-39 and exceed the 1937-38 figure by £163. Seven months of war have not affected the stability of J. Lyons' profits, as disclosed in the accounts:—

	Years ended March 31, 1938	1939	1940
Profit	1,024,460	1,025,690	1,024,623
Directors' fees.....	13,460	13,710	13,171
Pref. dividends	462,353	462,353	462,353
Pref. ord. div.	28,000	28,000	28,000
Ord., "A" ord., and proportional profit shares:—			
Earned	520,647	521,627	521,099
Paid	417,661	417,661	371,255
Earned %*	29.9	30.2	32.9
Paid %*	22½	22½	20
A.R.P. provision	...	100,000	...
Carry forward	145,189	149,154	298,998

* On ordinary and "A" ordinary; each proportional profit share ranks for one-fifth of dividend on an ordinary share.

The report, indeed, gives only the broad indication that business done in the war months may be considered satisfactory, and that lower profits due to war disturbance were quickly countered by reorganisation. The latter, coupled with a subsequent improvement in trade, provided approximately unchanged net profits, after making an "adequate provision" for contingencies. The sum earned for the ordinary, "A" ordinary and proportional profit shares amounts to £521,099 against £521,627 last year. The reduced dividend of 20 per cent. on ordinary capital is covered by earnings of 32.9 per cent. compared with 30.2 per cent. in 1938-39. Thus the decision to reduce the ordinary dividend and the consequent raising of the carry forward from £149,154 (after providing £100,000 for A.R.P.) to £298,998, provides evidence of a conservative policy which is prepared for the possibility of a deterioration in earning conditions as the war develops. It is worth noting in this connection that while equity capital represents only 21½ per cent. of the total debenture and share capital, it absorbed 34 per cent. of last year's earnings. The balance sheet position shows little change, although stocks, despite higher prices show a slight reduction at £2,630,475, while the surplus of liquid assets has risen from £945,000 to £1,011,000. At a current price of 81s. 3d., the £1 ordinary shares yield £4 18s. 5d. per cent.

Guest, Keen and Nettlefolds Profits

The directors of Guest, Keen and Nettlefolds announce an increase in earnings for the year ended March 31, 1940, from £985,785 to £1,003,000, after charging £200,000 to depreciation and £98,964 to debenture and sinking fund service. These latest profits are only £72,467 lower than the

record net profit of 1937-38. After deducting £326,732 for preference dividends, equity earnings would amount to £676,268, equivalent to 10½ per cent. tax free, against 10.2 per cent. last year. By raising the tax free dividend from 6 per cent. to 6½ per cent., the directors have preserved the previous year's margin of undistributed profits. Allocations of £100,000 to contingencies account and of £150,000 to reserve fund have been made, compared with £300,000 to reserve in the previous year. At 19s. 3d. ex dividend, the £1 ordinary stock yields £6 15s. 2d. per cent. tax free.

Bleachers' Association

Bleachers' Association shareholders will be encouraged by the substantial improvement in earnings for the year ended March 31, 1940. Earnings have recovered from the record low level touched in the previous year to the scale—still a depressed scale—which ruled between 1935 and 1938. Total profit, after charging general expenses and taxation, amounted to £453,351 against £332,422 in 1938-39, excluding £15,000 credited from tax reserve in that year. The provision for repairs and maintenance has been raised from £157,010 to £160,031. After allocating £140,000 for depreciation, as in the previous year, and charging the normal £2,349 for directors' fees, the sum of £150,971 is available to meet fixed charges, the highest figure since 1936-37, when £178,400 was earned. The amount earned for dividends, after debenture interest, totals £49,721, compared with a debit balance of £68,187 in 1938-39. From this sum the directors have decided to pay off one quarter's arrears of dividend on the 5½ per cent. cumulative preference stock, which absorbs £34,203. This payment, the first since 1937, will leave six years' arrears of dividends on the preference stock amounting to £820,875 gross, or 6s. 7d. per £1 of stock. The amount carried forward is raised from £134,173 to £149,691. Despite the improvement in earnings during the past year, the trading position of the company (which has not paid an ordinary dividend since 1929-30) may be affected by the isolation of many export markets and by the check to the export drive. At home, the restriction on textile supplies will also be operative, and Bleachers may not be able to obtain from war work the return which would have attended a successful expansion of export trade. There is no evidence, at least, that the Association will earn sufficient during the course of the war to escape the burden of over-capitalisation and capital reconstruction. Net current assets have increased from £1,493,000 to £1,749,000. The 5½ per cent. cumulative preference stock at 8s. 1½d. yields £3 7s. 6d. per cent. on the basis of the 1½ per cent. distribution paid last year, without allowance for accrued dividends.

Consett Iron Record

Despite heavily increased provision for taxation and rising costs, the Consett Iron Company achieved higher gross and net profits during the year to March 31, 1940. Trading profit rose by £369,307 to £982,615. Though the latter sum is struck after charging large black-out and A.R.P. expenditure, it came close to the record figure of £983,229 in 1937-38. Total income reached £1,061,188, against £669,717 last year, and actually exceeded the 1937-38 figure by £23,235. The advance in trading profits, however, is largely absorbed by an increased allocation for taxation, which has been raised from £120,000 to £428,000. As a result, earnings for ordinary capital amount to only £347,341, compared with £554,453 in 1937-38 and £280,168 in the following year. The ordinary dividend has been maintained at last year's level of 7½ per cent., less tax, but is covered by earnings of 15.3 per cent., against 11.0 per cent. This decision has evidently been influenced by the need to place a further £100,000 to the reserve for improvement of plant and machinery, which now stands at £800,000. The directors emphasise that consideration is being given to the task of modernising blast furnaces and sectional mills, and the reserve will be of the utmost value for this purpose, not least because the company has been working to full capacity throughout the past year. Any new plant can be financed comfortably from the company's own cash resources, which have increased from £1,033,089 to £1,567,521 during the year. The rolling mills of the New Jarrow Steel Company, which is controlled by Consett Iron, have commenced operations. The amount carried forward is raised from £186,120 to £200,461. At the current price of 6s. 3d. ex div., the 6s. 8d. ordinary stock stands to yield £8 per cent.—a return which is little higher than the average return on steel shares.

Kaffir Mining Policy

Spokesmen at recent Kaffir mining company meetings have naturally welcomed the new legislation which allows the mines to obtain the full benefit of gold at 168s. per ounce, although the companies are subjected to increased taxation and charges. The chairman of Rand Mines has shown that the change would lengthen the lives of mines, without, generally speaking, having any material effect on future dividend prospects. This point has been confirmed at the recent annual meetings of such mines as East Rand Proprietary, Crown Mines, City Deep and Durban Roodepoort Deep, among others. The native labour shortage throughout the Rand during last year was emphasised, and the agreement reached some weeks ago between the Union and the Portuguese Governments to increase from 80,000 to 100,000 the number of Portuguese natives which could be recruited from Mozambique has been welcomed. For many years past, the incidence of pneumonia amongst tropical natives working on the Rand has received most intensive medical research, and mortality has fallen to a very low figure. It is interesting to note, therefore, that the chairman of Rand Mines has indicated that it might be possible shortly to obtain increases in quotas of tropical natives from territories north of Latitude 22° South. Labour-saving devices on the Rand are being improved continually and, in due course, the labour shortage, which has so hampered underground and surface operations at times in the past, should be overcome. At the Robinson Deep meeting the chairman referred to the future of deep level mining. It would be physically possible to work to a depth of 12,800 feet in this mine, provided that suitable shafts were sunk. With the present shaft system, however, the limit is 9,000 feet. The cost of sinking such new deep shafts would be extremely heavy and unjustifiable with mining taxation at its present level. Sooner or later, however, the Government may have to reconsider the relation of its tax policy to deep mining, for certain great mines of the Central Rand will, in due course, be faced with problems similar to those of Robinson Deep. A series of new deep level mines might be of inestimable value to the Union at some future date. At the Simmer and Jack meeting the chairman confirmed that, despite delay in delivery of plant, the mill should be operating at the full rate of 180,000 tons a month by the end of the year, thus fulfilling the original estimates. At the Government Areas meeting the chairman again emphasised the irregularity of the Black Reef formation, and stated that the importance of these conglomerates could only be indicated by development from year to year. A lens is being opened up in the north-west section of the mine, and another lens in the north-eastern section has been indicated by boring, but in other parts of the property the prospects of the Black Reef formation are unpromising.

Venezuelan Oil Results

V.O.C. enjoyed a rise in gross income for the year ended December 31, 1939, from £6,478,489 to £7,114,798. The sum available for dividend distribution fell, however, from £1,482,829 to £1,281,984, the lowest figure since 1935. This divergence between gross and net receipts is due, first, to the fall of sterling against the United States dollar, on which currency the company's crude oil sales are based, and, secondly, to the unfavourable course of the sterling-bolivar exchange, through which large sterling sums are converted for meeting its costs in Venezuela. Expenses reached a new record level, and the company was obliged to increase its taxation provision from £296,000 to £850,000. The sum of £1,281,984 earned for dividends represents 18.4 per cent. for the ordinary and 7 per cent. participating preference shares, against 22.0 per cent. in 1938. The reduction in the rate of earnings, however, has not affected the directors' decision to maintain the dividend at 16½ per cent. No sums are transferred to exploration or general reserves, compared with £250,000 in 1938 and £500,000 in 1937, and the balance carried forward amounts to £243,193, against £175,767. For reasons of public policy, no figures for production or shipment of crude oil have been included in the report. Exploitation of all the company's oilfields was pushed forward vigorously during the past year. Progress has been made with the construction of a coastal dyke in the Bolivar district and the drilling of exploration wells is continuing. Although the report lacks statistical evidence of increased output—which since 1936 has grown at a remarkable rate—it is a fair inference from the general character of the report that the undertaking is maintaining its progress. At the present price of 21s. 3d., the 13s. 4d. ordinary shares yield £10 13s. per cent.

THE STOCK EXCHANGES

London

Note: all dealings are for cash

THE tone of the gilt-edged market has remained firm and unwavering in the face of news of Italian intervention, the effects of which had, in fact, been discounted long ago. Though sharp falls were experienced in the foreign bond market by those stocks especially affected, the undercurrent of confidence was sufficient to produce a significant rise in home rails. Industrials remained uninspired and the mining, oil and rubber markets failed to profit from higher commodity prices.

At the beginning of the week, the strong French resistance to the German offensive helped to maintain prices in the gilt-edged market, though turnover remained slight. National Defence 2½ per cent. and Conversion 2½ per cent. alone lost ½ on the day. After the news of Italy's declaration of war various falls of ½ were recorded by short-dated issues, but irredeemable stocks showed no change. Later in the week small gains were recorded by 3½ per cent. Conversion and 3 per cent. War Loan, though 4 per cent. Consols lost ½ on Wednesday. Despite the threat to Paris, the market regained its early losses on Thursday.

Falls were heavy in the foreign bond market. Nervous selling due to political developments in South America, caused Chilean, Brazilian and Argentine bonds to slump. French railways and Seine "four and a half" were weak on Tuesday, when Italian bonds slumped 7½ points, followed by a further fall of 5 points on Wednesday. Spanish bonds also fell.

The home rail market staged a welcome recovery this week, numerous buyers being attracted by the low prices ruling. Great Western and L.M.S. ordinary stocks were in demand and showed substantial gains. In midweek, Southern preferred and deferred gained one point and Great Western and L.N.E.R. preference and debenture issues also improved.

Throughout the week, the small amount of business transacted in the industrial market has had little influence on prices. A tendency among international stocks to rally in midweek, under the influence of Wall Street, was not maintained. On Monday breweries were in demand and Charrington, Courage and Distillers all showed gains of the order of 2s. Later in the week, the downward trend was especially marked among electrical supply shares, aircraft issues and shipping companies. Carreras and J. and P. Coats were firm. Improvements occurred in iron and steel issues on Wednesday, and among stores Harrods and Woolworths improved.

The oil, rubber and Kaffir markets have shown a minimum of movement. Rubber shares remained uninfluenced by the strength of the commodity, and quotations remained virtually unchanged. Kaffirs showed some firmness on Wednesday, when gains were realised by "Sallies," Robinson Deep, "West Wits," and on a smaller scale by a number of dividend paying companies. Slight gains were also shown by market leaders in the oil market, including Shell Transport, Burmah Oil and Canadian Eagle.

"FINANCIAL NEWS" INDICES

1940	Approx. Total Bargains in S.E. List	Corres. Day 1939	Security Indices	
			30 Ord. shares*	20 Fixed Int.†
June 7 ...	2,704	5,675	61.9	120.3
" 10 ...	2,803	5,875	61.9	120.1
" 11 ...	2,323	4,875	61.5	119.9
" 12 ...	2,320	4,585	62.0	120.0
" 13 ...	2,498	4,585	61.4	119.8

* July 1, 1935 = 100. † 1938 = 100. 30 Ordinary shares, 1940: highest, 80.6 (Feb. 29); lowest, 60.8 (June 6). 20 Fixed Int., 1940: highest, 126.5 (May 9); lowest, 117.6 (Jan. 2).

New York

ANXIETY with regard to Italian policy was responsible for a critical opening on Wall Street on Monday. The market closed above the worst, but falls of one point were general. The tone became firm, however, and activity increased on news of Italian intervention. Steel and aircraft shares led the market, rising several points on Tuesday and Wednesday. Investors were encouraged by news of the readiness of Ford Motors to undertake mass production of planes and by indications that steel activity would reach 90 per cent. of capacity in certain districts in the present week. The *Iron Age* estimates steel activity at 85.5 per cent. of capacity, against 80.5 per cent. last week. The Dow Jones industrial index, which fell from 115.36 to 111.84 on Monday, recovered to 121.46 on Wednesday.

New York Prices

Total share dealings:—June 6, 430,000; June 7, 470,000; June 8, 200,000; June 10, 970,000; June 11, 760,000; June 12, 1,360,000.

	Close Latest			Close Latest	
	June 6, 1940	June 13, 1940		June 6, 1940	June 13, 1940
1. Railroads			Am. Roll. Mill	100½	12
Balt. & Ohio	31½	32½	Am. Smelting	34½	38½
G.N. Rly. Pt.	18	20¾	Anaconda	20½	22½
Illinois Cent.	6¼	7½	Briggs	14¼	17¼
Northern Pac.	5	5¾	Celanese of A.	23¼	26¼
Pennsylv. R.	16½	18	Eastman Kdk.	123½	125½
Southern Rly.	8¼	10¼	Gen. Motors	39¼	43¾
2. Utilities, etc.			Glidden	11¼	12
Amer. Tel.	149½	157½	Nat. Dairy	12¼	13½
Amer. W'ks.	61½	7	Nat. Distillers	17¼	18½
Col. Gas & El.	45½	47½	Scars Roebck	63½	68½
Int. Tel. For.	2¼	2¼	Shell Union	7½	8½
United Corp.	15½	15½	Socony Vac.	7½	8½
Urd. Gas Imp.	10½	10½	Stan. Oil N.J.	34½	36½
3. Commercial and Industrial			20th Cen. Fox	5½	6
Amer. Metal.	13½	16¼	U.S. Steel pf.	109	111¼
			West-hse Elec	84½	92½
			Woolworth	30½	31¼

STANDARD STATISTICS INDICES

(1926=100)

WEEKLY AVERAGES

	1940		May 29, 1940	June 5, 1940	June 12, 1940
	Low	High			
347 Ind'ls ...	80.9	111.4	82.3	80.9	87.4
32 Rails ...	20.7a	30.7	21.8	21.3	23.1
40 Utilities ..	71.2a	89.4	72.5	71.9	75.5
419 Stocks ...	69.9	94.8	71.1	69.9	75.2
Av. yield* ...	6.61%	4.30%	6.43%	6.61%	6.06%

* 50 Common Stocks. a May 22nd.

DAILY AVERAGE 50 COMMON STOCKS

June 6	June 7	June 8	June 10	June 11	June 12
89.1	90.2	90.1	86.7	91.3	96.0

1940 High, 123.7 Jan. 3. Low, 86.7 June 10.

Capital Issues

Week ending June 15, 1940	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.†	4,400,000	Nil	4,400,000
3% Defence Bonds†	4,900,000	Nil	4,900,000

† Week to June 8, 1940.

Year to date	Including Conversions	Excluding Conversions
1940 (New Basis)...	790,988,815	438,033,682
1939 (New Basis)...	58,978,805	56,747,538
1940 (Old Basis)...	816,473,765	423,718,632
1939 (Old Basis)...	34,683,773	33,472,708

Destination (Conversions Excluded)

Year to date	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1940 (New Basis)...	437,270,670	763,012	Nil
1939 (New Basis)...	33,283,352	23,143,586	320,000
1940 (Old Basis)...	415,422,676	142,456	Nil
1939 (Old Basis)...	18,228,867	14,883,841	320,000

Nature of Borrowing (Conv. Excl'd.)

Year to date	Deb.	Prof.	Ord.
1940 (New Basis)...	423,609,696	1,170,255	13,253,731
1939 (New Basis)...	30,265,100	3,168,856	23,313,582
1940 (Old Basis)...	422,704,500	77,500	886,632
1939 (Old Basis)...	25,409,935	1,096,447	6,966,326

"Old Basis" includes public issues and issues to shareholders. "New Basis" is all new capital in which permission to deal has been granted.

SHORTER COMMENTS

The Week's Company Results.—

A reduction in output, due to shortage of labour, coupled with rising costs, has resulted in a fall in net profits of MANCHESTER COLLIERIES from £217,747 to £106,328; in consequence the dividend is sharply reduced from 5 per cent. to 2 per cent. PARTRIDGE, JONES AND PATON, however, have maintained the tax-free dividend at 5 per cent. and report an increase in net earnings from £162,890 to £170,512. Rubber companies again report higher profits and dividends. Among them, CENTRAL PERAK reports an increase in net profit from £18,687 to £27,110 and in dividend from 2½ per cent. to 6 per cent., but GORDON (MALAYA), with a fall in net profit from £20,765 to £15,237, due to increased taxation and to the fall in production from 1,923,000 lbs. to 1,407,000 lbs., is a notable exception to the trend. Two provision firms, C. AND E. MORTON and SAMUEL HANSON, realised striking improvements from a debit of £8,200 to a credit of £48,853 and from profits of £12,143 to £21,787 respectively. Neither company, however, resumed dividends. Net earnings of JOHN I. JACOBS, at £29,988, have been based on a conservative estimate of Government rates of hire for the company's tanker fleet. This fact explains the maintained dividend of 12½ per cent., despite the nominal drop in profits of £39,083. GREENE, KING has maintained its dividend at 18 per cent., despite a fall in net income of £9,408 to £9,563. The net loss of PARA ELECTRIC RAILWAYS has risen from £32,790 to £36,458, mainly on account of motor bus competition. In spite of deteriorating conditions of world trade, WHITEAWAY, LAIDLAW have converted a loss of £13,645 into a net profit of £32,429 for the year ended February 29, 1940.

MISCELLANEOUS

Butterley Company, Ltd.—Net profit, year to March 31, 1940, after taxation and preference dividend, £120,344 (£146,105); ordinary dividend 10½ per cent., less tax (6½ per cent. tax free).

Modern Machine Tools, Ltd.—Trading profit, 1939, £51,792 (£26,852); taxation, £26,783 (£9,100); net profit, £23,250 (£16,872); ordinary dividend maintained at 15 per cent.; investment reserve, £2,000 (nil); carry forward, £43,957 (£34,857).

Partridge Jones and John Paton, Ltd.—Net profit year to March 31, 1940, £207,211 (£162,890), after taxation £130,000 (£61,000); ordinary dividend 5 per cent. tax free as before; carry forward £270,414 (£170,512).

Liverpool and London and Globe.—The assets of this company are in the aggregate fully of the value of £33.9 millions as shown in the balance sheet without taking into account the general contingency fund of £2 millions, which is therefore a freely available fund. The reference to this company's assets in last week's issue of *The Economist*, page 1014, was incorrect in stating that, after taking into account the contingency reserve, total assets stood in the balance sheet below actual values.

Allied Ironfounders.—Net profit, year to March 31, 1940, £112,424 (£198,428). Ordinary dividend, 5 per cent. (9 per cent.).

Industry and Trade

Unemployment and Munitions

On May 20th the number of registered unemployed in Great Britain was still 881,000, including 731,000 wholly unemployed. So large a figure is an indictment of the economic policy that has been pursued since September. It is true that unemployment had been rapidly declining since February, and that a further fall of 92,000 took place between April 15th and May 20th. But by no means all of those who found employment were engaged by the munition and ancillary trades. The main changes in unemployment between April 15th and May 20th are shown below:—

CHANGES IN UNEMPLOYMENT BETWEEN APRIL 15TH AND MAY 20TH
(Industries chiefly affected)

Decreases:—	
Building.....	16,994
Distributive trades	16,184
Hotel, boarding house, etc., service.....	10,992
Public works contracting	7,588
Agriculture, horticulture, etc.	6,278
Local government service	5,373
Coal mining	4,217
Motor vehicles, cycles and aircraft	2,580
Metal goods manufacture	2,378
Road transport.....	2,182
Engineering, etc.	2,008
Increases:—	
Dock, harbour, etc., service.....	4,956
Cotton.....	3,924
Paper and paper board	2,786
Textile bleaching, printing, dyeing, etc.	2,302

The rate of transfer of labour from unessential to essential work, moreover, has been much too slow up to the present. With the new Government, the absorption of labour into the munitions industries is now being rapidly speeded up. But owing to the previous failure to perceive the size and urgency of the task, the attainment of maximum striking power has been seriously delayed.

Mass Production of Aircraft

The mass production of aircraft, which is now a matter of vital urgency, calls for more imagination than has hitherto been shown. First, it is necessary to select the categories and types which are to be produced in large numbers. So far as individual categories of aircraft are concerned, the choice must be influenced by geography. Long-range bombers can be flown across the Atlantic; fighters and short-range bombers cannot. Fighters must therefore be produced here, while long-range bombers might best be manufactured in large quantities in North America. (This does not mean, of course, that we should make all the fighters on the spot or that we should cease the construction of long-range bombers.) So far as types of fighters, bombers or trainers are concerned, the choice must depend on military considerations. Secondly, it is essential to simplify as much as possible the type or types selected for mass production, for the wings and fuselage of the modern military aircraft consist of thousands of small parts of duralumin or other alloys. Their rapid manufacture on a large scale requires batteries of press tools; while the manufacture of the dies for these tools—which must be made by hand—requires a large number of highly-skilled die-makers. Next, the rapid assembly of all the separate parts, with the assistance of jigs—a kind of scaffolding or framework—requires large numbers of jig draughtsmen and jig makers. If Britain's engineering industry had been famous for its typewriters and its cash registers rather than for its turbines, locomotives and bridges, there would have been no difficulty in securing a more rapid expansion in the output of aircraft. But owing to its concentration on the "individual job," the speeding-up of production has been hampered by the lack of sufficient press tools, die-makers and jig-makers, and hitherto far too many parts of our aircraft have been made laboriously by hand, chiefly by general precision fitters working from drawings with file, vernier and vice. But while the concentration of large-scale production on as few types as possible and their simplification should enable total output to be speeded

up rapidly, this will not be enough. As a third step it will be necessary to draw considerably more than hitherto on the abundant supply of skilled workers available in the mass production engineering plants of the United States and Canada, either by the import of skilled fitters or by the extension of the manufacture of parts across the Atlantic or by both methods. Indeed, if the output of aircraft is to be multiplied as quickly as possible—as it must—close collaboration between the industries in this country and in North America is now absolutely essential.

Britain's Iron Ore Supplies

The raw materials required in 1937—the best pre-war year—for the production of 13 million tons of crude steel included 6¼ million tons of pig iron and 7½ million tons of scrap. Again, to produce 6¼ million tons of pig iron the industry used 14 million tons of the comparatively low-grade domestic iron ore and 6¼ million tons of (chiefly high-grade) imported ore. These figures, together with the table below, show the quantitative effect of the loss of the Swedish and Norwegian iron ore, which is one of the consequences of the withdrawal from Narvik, in its true perspective:—

U.K. IMPORTS OF IRON ORE

(In thousands of tons)

	1913	1929	1937
Foreign Countries:—			
Sweden	367	724	1,729
Norway	488	513	657
Holland	27	50	65
Germany	10	14	1
France	327	240	408
Algeria	759	927	1,451
Tunis	279	427	715
Spain	4,526	2,619	930
Spanish ports in N. Africa	...	68	185
Brazil	(a)	(a)	94
Other foreign countries ...	335	32	103
Total	7,119	5,615	6,339

British Countries:—

	1913	1929	1937
Newfoundland and Coast of Labrador.....	100	5	259
Sierra Leone	...	...	337
Other British countries ...	12	4	16
Total	112	9	611
Total imports	7,231	5,624	6,950

(a) Negligible.

As our sources of imports are widely dispersed, the loss of Scandinavian ore is unlikely to have a very serious effect on our output of pig iron. The position would become more serious if shipments from Algeria and Tunis were also interrupted. But even then it would be possible to draw bigger supplies from other countries. And in any case America's steel-producing capacity is so big that she could easily spare us several million tons per annum.

Italy and Raw Material Markets

The declaration of war by Italy had little immediate effect on international commodity markets, with the exception of those for tin and rubber. The blockade of Italy will reduce the annual demand for these commodities by some 5,000 tons for tin and some 25,000 tons for rubber, but, in spite of this loss of trade, their prices turned upwards, in the expectation of large purchases by the United States. Italy herself produces only one commodity of international importance in excess of her own needs—quicksilver, but the demand of the Allies for this metal can be adequately met, although at high prices, from Spain, so long as that country remains neutral and her Atlantic ports are open to trade. The extension of the war to the Mediterranean will, however, increase the difficulties of shipping between the Allied countries, the Balkans, and the North African coast. There will be delays in exporting iron ore and phosphate rock from Algiers, Tunis and French Morocco, esparto from Algiers and Tunis, chrome ore from Turkey and Greece, oil from

Russia, Roumania and Iraq, manganese from Russia, cotton from Egypt and the Sudan; the competitive position of Germany in the Balkans will be strengthened by the added difficulties of sea communications with these countries. But even if none of these raw materials could be shipped from the Mediterranean area, alternative sources of supply are available elsewhere, though their use may involve the expenditure of more American dollars and the diversion of ships to longer sea routes.

Dislocation of Europe's Coal Trade

Of the major branches of Europe's international trade there are few whose direction and volume have been as greatly affected by the war as that of the coal trade. Continental countries are now almost entirely dependent on coalfields under German military occupation, and the United Kingdom has been deprived of markets which before the war were absorbing from one-third to one-half of its total cargo coal exports. In 1937 and 1938 shipments from this country to the Baltic region amounted to nearly 10 million tons per annum, and to the North Sea markets of Germany, Holland and Belgium about 5½ million tons. It is difficult to foresee to what extent our exports to the Mediterranean will be affected by Italy's declaration of war on France and the United Kingdom, but in 1938 our trade with countries possessing Mediterranean seaports, or passing through the Mediterranean to Egypt and as far as Aden, totalled about 6½ million tons. Of this traffic Italy and her Colonies took in that year about 2½ million tons, but during the first quarter of 1940 Italy herself had been taking supplies from the United Kingdom at the rate of 4 million tons per annum. Thus, the closing to us of the Italian, the North Sea and the Baltic markets affects nearly 20 million tons of our shipments; this is equivalent to about 55 per cent. of our total cargo exports of 35.8 million tons in 1938. If coke and patent fuel are included, the percentage would be still higher. On the other hand, our trade with France and French Possessions has enormously increased, particularly since the occupation by Germany of the Nord and Pas-de-Calais coalfields, which were responsible for roughly three-fifths of France's production. Indeed, the quantity of coal which we now have to send to France is substantially in excess of our aggregate average annual exports in recent years to the Scandinavian, North Sea and Italian markets. As our domestic consumption is also increasing the urgency of an expansion in output needs no emphasis.

South African Wool

While the British Wool Control has agreed to take all the surplus wool of Australia and New Zealand, the agreement with South Africa was limited to the acquisition by the Control, at certain minimum prices, of not less than the normal British purchases from South Africa. The primary purpose of this agreement was "to put a bottom" into the South African wool market, since it was feared that the loss of the German purchases might cause a collapse in prices. So far, however, purchases at the South African wool auctions have been much larger than was expected and prices have been 4d.-5d. per lb. higher than in the previous season. The following figures relate to the period from July to April and are taken from *The Wool Record and Textile World*:

SOUTH AFRICAN WOOL SALES (million lb.)		
	July to April 1938-9	1939-40
Received into store.....	221	210
Unsold in store (at end April)	10	7
Sold, awaiting shipment (at end April)	22	54
Exports, greasy	205	147
of which to U.K.	35	28
France	44	28
Germany.....	79	1
Belgium	16	12
Italy.....	20	17
Japan	2	14
U.S.A.....	1	32

Increased purchases by America and Japan have partly compensated for the loss of trade with Germany. The quantity unsold in store at the end of April, 1940, was rather smaller than in April, 1939, but it will be seen that the amount of sold wool in store was considerably greater; shipping difficulties rather than lack of demand are responsible for the smaller volume of exports.

Labour Shortage in Cotton Industry

Although there are still some 24,200 workpeople formerly engaged in the cotton trades registered as unemployed, there is a definite shortage of various skilled grades of labour in spinning mills in many parts of the North of England. In some cases the lack of skilled workers is causing a hold-up of the urgent orders which are now on hand for the fighting forces, not only of Great Britain, but also of her Allies. Appeals have been made to the Government to arrange for a transfer to this country of some of the French refugees who are skilled textile operatives. Many of the refugees in Northern France, who had to leave their employment and homes when the German invaders reached the industrial regions and large cotton spinning districts around Lille, could quickly fill the gaps which now exist in the British textile trades, and thus join the other skilled refugees from Poland and Czecho-Slovakia who have already been absorbed. It is probable that the 5½-hour week will be continued after the expiry of the original four-week period for which it was instituted.

Wheat Prices under Control

The collapse of wheat prices which was noted on page 944 of *The Economist* of May 25th was finally checked by the imposition of minimum prices in the three principal markets, those of Chicago, Winnipeg and Buenos Aires. In North America these prices were fixed at about the level reached on May 16th or 17th; in Buenos Aires minimum prices for wheat and maize futures were fixed at the level of those ruling at the close of trading on May 27th. These prices are given below, together with those of the week preceding the break:—

	Prices on Minimum May 9 Prices	
Wheat:—		
Chicago, cents per bushel, May futures....	105½	79
Winnipeg, cents per bushel, May futures	88½	70½
Buenos Aires, pesos per quintal, June futures	9.76	8.46
Maize:—		
Buenos Aires, pesos per quintal, June futures	4.58	4.09

There has since been some recovery in North American prices above these minimum levels, but the prospects for "dollar" wheat, so anxiously wanted by wheat growers, are not at all hopeful. The United Kingdom, France and Spain are now the only countries in Europe who are likely to import grain, and realisation of the fact that the bulk of these purchases will be supplied from the huge Canadian stocks has kept wheat and maize prices at Buenos Aires down to the minimums recently imposed.

Italy's Oil Supplies

Italy is notoriously deficient in essential war materials; but nowhere is this deficiency more apparent than in the case of oil, which plays such a vital rôle in modern warfare. Consumption of petroleum products in Italy—including the bunker oil requirements of the naval and mercantile marine—has lately been running at about 3½ million tons a year, and virtually the whole of this consumption has been covered by imported supplies—including imported crude oil for treatment in the domestic refineries. Despite intensified prospecting work, the domestic output of natural petroleum has been dwindling of late and is not expected to contribute more than 10,000 tons this year. To this must be added the output of Albania, which has been steadily expanded in recent years, and which may provide a maximum of 300,000 tons of low-quality crude oil during the current year. Owing to her lack of coal and lignite, Italy, unlike Germany, has no appreciable output of synthetic motor fuels, though she has striven to increase her production of such substitutes as alcohol (from agricultural produce) and natural gas. From all these sources, however, including Albanian crude, she is unlikely to obtain more than the equivalent of 450,000 tons of oil this year—say, 13 per cent. of her normal peacetime requirements. Well over two-thirds of her peacetime imports came from sources outside the Mediterranean, and these are now cut off by the Allied blockade. Apart from Albania, the only producers to which she will have access will be Roumania and Russia (which together supplied about 17 per cent. of last year's imports); and if she cannot keep open her sea communications, her receipts from these sources will be confined to the small quantity that can be sent via the Danube and by rail. Civilian consumption of petrol may, it

is true, be reduced by further economies—though, in view of the recent drastic restrictions, there would appear to be little scope for further saving—while requirements of bunker fuels will undoubtedly show a sharp decline. But it seems unlikely that consumption for normal purposes can be cut below 2-2½ million tons, while it is not impossible that military requirements might double this figure. It is thus apparent that steady inroads will have to be made into

accumulated stocks from now on. These stocks are known to be considerable—and have been unofficially estimated at approximately one year's normal consumption—but with consumption on a wartime basis, they cannot last for long. If, as may be expected, they are subjected to aerial attack, their life will be considerably shortened, and, in the absence of replenishment, Italy's war machine may be brought to a standstill within a few months for lack of oil.

COMMODITY AND INDUSTRY NEWS

IN expectation of large American purchases, prices of tin and rubber have risen sharply since the Italian declaration of war. There has also been an improvement in the volume of cotton dealings, which induced the directors of the Liverpool Cotton Exchange to reopen futures dealings on Thursday. Elsewhere, prices are little changed.

Cotton (Manchester).—There has been a fairly encouraging demand for actual cotton, particularly for Egyptian and South American varieties. The directors of the Liverpool Cotton Association decided to permit from Thursday morning the resumption of trading in cotton futures. Minimum prices have been fixed on the basis of the closing values on May 17th, and daily fluctuations will be limited to 25 points for American and 50 points for Egyptian contracts. The longer working hours are having some effect upon the output of yarn. The Government demand for cloth tends to increase and substantial contracts have again been given out. The most hopeful export trade is at present with South America. Reports from the home trade are less favourable than a little time ago, and some buyers have been trying to cancel contracts.

RAW COTTON delivered to Spinners				
Variety ('000 bales)	Week ended May 31, 1940	Week ended June 7, 1940	From Aug. 1 to June 9, 1939	From Aug. 1 to June 7, 1940
American	31.2	33.7	881	1,282
Brazilian	3.6	4.1	265	235
Peruvian, etc.	3.9	3.7	113	191
Egyptian	7.7	10.6	306	340
Sudan Sakel	2.0	6.1	127	133
East Indian	9.9	5.4	384	356
Other countries	5.4	2.1	165	145
Total	63.7	65.7	2,241	2,682

Source: Liverpool Cotton Association's Weekly Circular.

Metals.—Rhodesian copper mines are now working a seven-day week, so that purchases from non-Empire sources will be small, although the placing of certain refining contracts for Empire ore in the United States can be expected. On the New York market demand was stronger but prices remained unchanged. American stocks of spelter fell by about 6,000 tons to 75,000 short tons in May, owing to an increase in deliveries.

Tin.—The price of standard cash tin gained £10 10s. this week and closed at £286 per ton. The backwardation (premium on cash) almost disappeared in the course of this week, though it stood at £2 per ton a week ago. The advance was due to both British and American buying after Italy's entry into the war. There is a widespread belief that the United States will greatly increase its stocks in the immediate future in order to be prepared for any emergency, and prices are correspondingly affected.

TINPLATE PRODUCTION: PERCENTAGE OF S. WALES' CAPACITY IN OPERATION			
Week ending	1939	1940	
April 27	53.97	63.17	
May 4	64.55	66.78	
" 11	65.32	70.66	
" 18	67.90	65.96	
" 25	64.93	72.49	
June 1	64.37	70.82	

Grains.—Markets have been very quiet in the last week, and the entry of Italy into the war had little effect. The

United States Crop Reporting Board has now estimated the winter wheat crop at 489 million bushels, an increase of 30 million bushels from the May forecast. The Argentine maize market has been steadied by the decision of the Government to raise the loans to growers from 2 to 3 pesos per quintal; the second official estimate of this crop was also slightly below the first.

WORLD SHIPMENTS OF WHEAT AND FLOUR				
From ('000 quarters)	Week ended June 1, 1940	Week ended June 8, 1940	From Aug. 1 to June 10, 1939	From Aug. 1 to June 8, 1940
N. America	715	613	27,009	23,612
Argentina, Uruguay ..	387	407	11,375	18,658
Australia	...	...	11,167	14,546
Russia	...	...	4,488	114
Danube and district ..	121	179	8,520	6,335
Other countries	...	...	1,878	345
Total	1,223	1,199	64,437	53,610

* Unobtainable. † Shipments up to Feb. 29, 1940. Source: The Corn Trade News.

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL				
From ('000 quarters)	Week ended June 1, 1940	Week ended June 8, 1940	From Apr. 1 to June 10, 1939	From Apr. 1 to June 8, 1940
Argentina	299	251	3,716	3,284
Atlantic America	10	48	384	197
Danube Region	31	100	685	452
S. & E. Africa	...	...	348	639
Indo-China, etc.	8	...	295	91
Total	348	399	5,428	4,663

Source: The Corn Trade News.

Oils and Oilseeds.—Shipments of linseed from the River Plate have fallen to the low level of 4,000 tons, but very large quantities are afloat, some of which was originally destined for Belgium and Holland. The new Indian crop is officially estimated at 467,000 tons, compared with 445,000 tons last season, in spite of a considerable reduction in acreage.

Rubber.—The markets both in London and New York were very firm in the past ten days, and after Italy's declaration of war there was a considerable rise in prices. On Wednesday standard smoked sheet on the spot rose to 13½d. per lb. in London and to 22½c. per lb. in New York. Although the blockade of Italy will reduce world demand by some 25,000 tons a year, the market expects a large spurt in American buying and some delays in shipping.

Export Groups.—The following export groups have been formed since the last list was published in *The Economist* of May 25th:—

Aluminium Hollow-ware.
Architectural Craftsmen's.
Bakers' Sundries.
Beer.
Brush.
Chemical Traders.
China Clay.
Chocolate and Sugar Confectionery Machinery.
Dairy Equipment.

Drawing Office Materials and Equipment.
Dried Salted Fish Curers.
Elastic Textile.
Electric Lamp Manufacturers.
Electro-Plating, Polishing and Finishing Equipment.
Ferrous and Non-ferrous Valves.
Food Preparation Machinery (Miscellaneous).
Foundry Equipment.
Gin Distillers.
Iron, Steel and Metal Work Equipment.
Laundry Blue.
Lead Traps and Bends.
Lock and Allied Manufacturers.
Machine Knife and Allied Trades.
Marine Boilers.
*Meters and Measuring Apparatus.
Needles, Fish Hooks, Fishing Tackle and Allied Industries.
Perfumery and Toilet Preparation.
Pigment Colour Makers.
Plastics:
Moulding Powder Manufacturers.
Moulders.
Reinforcement Manufacturers.
Roadmaking Machinery and Contractors' Plant.
Roll Makers.
Scientific Instruments and Appliances.
Scythe, Sickle and Hook.
Shoe Machinery and Accessories Manufacturers.
Silk.
Stationers' Sundries.
Steam Engine.
Surgical Dressing and Adhesive Strap.
Water Purification Plant.
Wedge Wire Manufacturers.
Wheelbarrow Manufacturers.
Winding Engine.

The Cooking Apparatus Group has been formed as a Sub-Group of the Ironfounders' (Light Castings) Export Group.

*Apparatus for industry and public works, excluding electricity and domestic gas.

UNEMPLOYMENT IN GREAT BRITAIN

Date of Return	Registered unemployed aged 14 and over (incl. agriculture)		Of whom wholly unemployed	Percentage of insured persons (aged 16-64) unemployed (incl. agriculture)
	Total	Index, adjusted for seasonal variations		
	Number			
1939	'000	1935 = 100	'000	%
May 15	1,492	74.7	1,234	10.1
June 12	1,350	67.6	1,099	9.2
July 10	1,236	62.2	1,014	8.4
Aug. 14	1,232	60.7	968	8.2
Sept. 11	1,330	65.9	1,052	8.6
Oct. 16	1,431	70.8	1,222	9.1
Nov. 13	1,403	69.1	1,213	9.0
Dec. 11	1,362	68.4	1,171	8.7
1940				
Jan. 15	1,519	68.8	1,220	9.9
Feb. 12	1,504	69.4	1,141	10.0
Mar. 11	1,121	54.7	966	7.4
Apr. 15	973	48.1	840	6.5
May 20	881	44.3	731	...

Publication of estimates of number of insured persons aged 16-64 in employment in Great Britain suspended in September, 1939; number employed on August 14, 1939, was 12,100,000.

Source: Ministry of Labour.

COMPANY MEETINGS

ASSOCIATED NEWSPAPERS LIMITED

THE HON. ESMOND HARMSWORTH'S SPEECH

STRONG FINANCIAL POSITION

The thirty-fifth annual ordinary general meeting of Associated Newspapers, Limited (proprietors of *The Daily Mail*, the London *Evening News*, and the *Sunday Dispatch*), was held, on the 11th instant, in the Memorial Hall, Farringdon Street.

The chairman (the Hon. Esmond C. Harmsworth) said:—Ladies and gentlemen, the profit of the company for the year to March 31st last, after providing for interest on the 3½ per cent. registered notes, depreciation of plant and machinery, National Defence Contribution and income tax, was £401,018 6s. 7d., which compares with £445,266 1s. last year.

The fixed rates of dividends on the 5 per cent. preference and 7 per cent. ordinary shares have been paid. Shareholders were informed at last year's annual meeting that the directors proposed paying one interim dividend on the deferred shares in January and this was done, the rate of dividend being restricted to 2 per cent. on account of the obscurity of the general situation. It is now proposed to pay a final dividend of 6 per cent., making 8 per cent., less tax, for the year.

Your directors considered it advisable, owing to present circumstances, to transfer from appropriation account a further £100,000 to reserve for contingencies.

THE DAILY MAIL

The position in regard to the advertising side of our business in the present crisis may be regarded as very satisfactory.

The reduction in the sizes of the newspapers produced a proportionate reduction in the space available for advertising purposes. It was inevitable, therefore, in view of the supreme position of *The Daily Mail* in the advertising field, that the demands for space should exceed the supply. Our policy has been to limit the size of advertisements with a view to accommodating the largest number of advertisers, and it is very gratifying to note that the advertisement revenue has not decreased in proportion to the reduction in the amount of space available.

THE EVENING NEWS

The Evening News continues to hold its dominant position both in regard to sales and revenue.

The lead over its competitors has become even more pronounced during the period under review, and has been reflected in the fact that it continues to carry its full quota of advertising in the sizes now being published.

SUNDAY DISPATCH

With the *Sunday Dispatch*, sales have been mounting steadily, while the demand for advertising space in this great Sunday newspaper has greatly exceeded the space available; there again our policy has been to limit spaces and preserve good will by carrying the largest number of advertisers.

The Overseas Daily Mail is playing its part in the "Export for Victory" campaign, particularly with its important supplements for British engineering and other trades.

I shall refer later to our staff serving with the Colours, but would like to add here that on the outbreak of war our advertising department responded nobly to the call for service. Practically the whole of the men of military age joined up, and to-day much more than half of the entire staff of this department are serving in the Forces.

NEWSPRINT

When we met in June last year we were at peace, and I referred at some length to the subject of newsprint. The events which followed, wherein this country was plunged into war, naturally put an entirely different complexion on the whole question of newspaper production. It has, indeed, proved fortunate that, owing to the foresight of your company, we found ourselves at the outbreak of

war not only with a considerable stock of newsprint on hand, but with a large interest in the Anglo-Newfoundland Development Company's mill in Newfoundland and in possession of the Empire Paper Mills at Greenhithe.

The Government has laid it down that the production of newspapers is essential to the country in wartime, and with the disappearance of the Scandinavian countries as suppliers of pulp for the production of paper by the home mills, the problem of acquiring sufficient supplies of newsprint to keep the newspapers going has been an ever-increasing one.

Arrangements are being made at present to import a large tonnage of newsprint from Newfoundland and Canada for the benefit of all the newspapers in the country, and here I might say that your company has at no time attempted to exploit its more favourable position in regard to paper supplies to the detriment of its competitors.

STAFF WITH THE FORCES

At the present time 340 members of our staff are serving with the Forces, and it has been our concern to ensure that they and their families receive adequate allowances from the company whilst they are away. Ever since the outbreak of war up to date all members of our staffs who have joined up have continued to receive a substantial percentage of their salaries, and it is our intention to continue this arrangement as long as possible. In the schedule of allowance due regard is paid as to whether a man is married or single.

PRESTIGE

I believe that your newspapers have more than maintained their prestige and position during the war. Our policy is, as always, to tell the public the truth, fearlessly as possible consistent with the national interests, and to give what leadership we can with one object in view—the successful, victorious, and speedy prosecution of the war.

For years before the war broke out our newspapers fearlessly warned the country of the approaching cataclysm and urged that we should make all preparations. We foretold the importance of the air, and emphasised that victory would go to the side that won predominance in that sphere. We were only partially successful owing to the unaccountable blindness of many of our leading men and contemporary newspapers. Had we been adequately prepared it is unlikely that the war would ever have broken out. Unfortunately, we were a voice almost alone, and although undoubtedly we accomplished much, it was not enough.

I would like to thank all those who so loyally stood by us when we became unpopular because we spoke the truth. Our newspapers have always striven for the best interests of the country, irrespective of popularity or circulation. It is a tradition we inherited from the late Lord Northcliffe. We shall continue in the same way—we know you would not have it otherwise.

I cannot close without a warm tribute of thanks to my colleagues on the board, and to the staff. Sacrifices, financial and otherwise, have been demanded and willingly given, and every new problem has been faced with energy and cheerfulness, all of which have contributed so largely to the present position of your company.

All our loyal friends on the advertising and distributing sides of the business have, as always, stood by us. They have all had new problems to face, and I wish to extend to them our warm thanks for their co-operation.

The Chairman concluded by moving the adoption of the report and accounts.

Mr Stanley Bell (managing director) seconded the resolution, which was carried unanimously.

The retiring directors were re-elected and the auditors, Messrs Lever, Honeyman and Company, were reappointed.

The proceedings terminated with a vote of thanks to the chairman and directors.

BOOTS PURE DRUG COMPANY, LIMITED

RECORD SALES AT HOME AND ABROAD

LORD TRENT'S REVIEW

The Fifty-second Annual Ordinary General Meeting of Boots Pure Drug Company, Limited, was held, on the 6th instant.

The Right Hon. Lord Trent, chairman of directors, said:—Freehold properties are up £120,668, plant and fittings £86,220, stock-in-trade shows the substantial increase of £743,423.

Sundry debtors are up £188,531, whilst amounts owing by subsidiary companies show a reduction of £93,698.

On the other side of the balance sheet sundry creditors and provision for contingencies show an increase of £762,634. Up to date we have spent more than £150,000 on A.R.P. We have made up the works development reserve to £100,000. The freehold property reserve has been increased by £29,298.

Last year I said that under the conditions then obtaining your directors considered it prudent to have a substantial contingencies reserve. To-day, that is, obviously, even more desirable and we have accordingly transferred £250,000 to that fund, bringing it up to £750,000.

Let me now revert to the matter of our stock-in-trade. You will appreciate that essential medicines are a vital need for the country alike in peace and in war. Therefore your directors regarded it as their duty to make sure, as far as was humanly possible, that the supplies would be in the right place when they were wanted.

It was in order to safeguard the supplies to the public that we built up a substantial increase in stock, a large proportion of which has already been turned into finished products and is stored all over the country. Following our established policy, our prices have only been increased and will only be increased when our costs make it necessary.

PROFIT AND LOSS ACCOUNT

Turning now to the profit and loss account, you will see that our trading profit, after providing for contributions to staff pension funds, management remuneration, compulsory war risks insurance and all forms of taxation, i.e. income tax and E.P.T., amounts to £980,851, an increase of £29,842.

Repairs and renewals and provision for depreciation all show increases, and we are left with a net profit for the year of £782,467, an increase of £6,175.

After payment of all preference and preferred ordinary dividends, and of four quarterly dividends of 6 per cent., less tax on ordinary shares, we have a balance of £301,717, which together with the balance brought forward amounts to £550,441, against £642,272.

For many years your directors have recommended the payment of a bonus of 3d. per share (free of tax) on the ordinary shares, but the introduction of the Limitation of Dividends Bill made this no longer possible, since the rise in income tax has the effect of increasing a tax-free bonus.

Your directors, therefore, recommend the payment of 4.1379 pence per share (less tax) on the ordinary shares, which is the gross value of a bonus of 3d. per share (free of tax at 5s. 6d. in the £). This absorbs £68,965, which together with the allocations already mentioned will leave £199,711 to be carried forward to next year.

We have easily had a record year for sales both at home and abroad, but practically the entire profit on the increased volume has been absorbed, as I have said, by increased taxation, etc., and we are left with a smaller net profit than in 1937, when both our volume of trade and trading profit were considerably less than this year.

These results have been achieved under quite exceptionally arduous working conditions and with a staff inadequate for our requirements, for already over 1,300 have left to join the Forces. There is all the more reason, therefore, to pay a special meed of praise this year to the staff of the offices, laboratories, warehouses and shops for their excellent work in most trying circumstances and I know that you would like me to place on record our thanks for and appreciation of what they have done. You will be glad to know that we have instituted a system of allowances for all married men serving with H.M. Forces and in certain other special cases we are supplementing Army pay.

One very important way in which the firm are helping the national war effort is in the matter of War Savings Certificates.

The various savings groups which have already been formed have 10,236 subscribers, and it is hoped that there will be a material increase in the individual holdings in the next few months.

During the year we have opened 25 new branches and, owing primarily to war conditions, have closed 10. The total number open at the end of March was 1,210.

As you will be aware, owing to the control of timber as well as of other building requisites, it is now practically impossible to carry out any alterations beyond those absolutely necessary on the medicinal side of the business. Our shopfitting works, however, are being kept employed on Government work.

DEVELOPMENT OF COMPANY'S EXPORT TRADE

Last year I referred in my speech to the steady increase which had taken place in our export trade. This year I am glad to be able to report further substantial development. The figures for the first four calendar months of this year are more than double those of the corresponding period of last year.

As you know, the Government have asked all companies to pay particular attention to the development and expansion of their export business. We have taken our responsibilities in this connection very seriously, and are only too anxious to play our part in association with export groups, to several of which we already belong. We are also co-operating with other exporting pharmaceutical organisations to the same end.

MEDICINAL RESEARCH

The undesirability of perpetuating the goodwill in enemy proprietary medicines has led us to elaborate processes for the manufacture of British-made equivalents, and in several cases our products are now on the market. Methods of manufacture of other foreign-made drugs have also been under investigation by our research department since British manufacture would both save import and therefore shipping space, and also give us further lines to export.

All these tasks have thrown a very large amount of work on our research department, and we have consequently expanded it very considerably.

The processes elaborated in our research department lead to production in the fine chemical department, and this has consequently also been extended. It is now a valuable asset not only to the firm but also to the nation, particularly in its capacity for producing medicinal chemicals for home and export.

AGRICULTURE AND VETERINARY

We are conducting a considerable volume of research on the influence of nutrition and the special significance of trace elements on the health of farm stock as well as on the treatment of various diseases of animals. In this work we are co-operating with agricultural colleges, and also with individual veterinarians. We regard this side of our work as so important that we have now increased our staff on this side by the addition of a full time veterinary surgeon of the highest standing to advise us.

Following researches on chemicals which stimulate the root-growth of plants, carried out in association with high authorities on the biological side, we have introduced a new product, "Harvesan," containing these "growth hormones" in addition to the mercurial salts which protect crops from certain diseases. Extensive field experiments have proved that higher yields of grain and other crops can be obtained by the use of this preparation.

HORTICULTURE

During the last few years we have been busy building sound foundations on the horticultural side of our business, the consequence being that when the call came for the nation to grow more of its own food we were in a position to give real help, and this has led to a rapid expansion on that side of our business.

Nobody to-day would forecast the business future, but our shareholders can rest assured that they have a sound business, well distributed for retail sales, and an organisation determined under all circumstances to live up to the slogan "Chemists to the Nation."

The report was unanimously adopted.

UNION CORPORATION, LIMITED

POSITION MAINTAINED — INCREASED PROFITS

MR P. M. ANDERSON'S REVIEW

The ordinary general meeting of shareholders of the Union Corporation, Limited, was held in Johannesburg on the 23rd ultimo. Mr P. M. Anderson presided.

The Chairman, in the course of his remarks, said:—The accounts accompanying the annual report of the directors show that a profit of £618,296 was made for the year. That profit is slightly higher than the sum earned in 1938, and I think we have a right to be satisfied with having maintained our position so well in a critical period.

By the declaration of a final dividend of 5s. 6d. United Kingdom currency per share, the total for the year, including the interim dividend of 2s. 6d. declared last October, amounts to 8s. and absorbs £616,000. We thus repeat our 1938 performance and increase by £2,297 our carry-forward, which now amounts to £126,637.

The reserve account remains at £2,000,000, but the exploration reserve account has been reduced by the expenditure during the year on exploration work amounting to £56,517. You will remember that the exploration reserve account was set up in 1937 to meet the heavy outlays on exploration then anticipated. It is, therefore, being employed for the purposes for which it was intended.

The Union of South Africa Companies Amendment Act, No. 23 of 1939, has necessitated some changes in the form of the balance sheet. In particular, you will notice that the balance sheet sets out on the one side the corporation's shareholdings in subsidiary companies and the amounts they owe to us and on the other side the amounts we hold on current account for subsidiary companies. We continue to maintain a strong liquid position. Our liquid assets, including debtors, exceed £6,000,000 and cover all our liabilities.

CORPORATION'S GOLD INTERESTS

After reviewing the Witwatersrand gold mining industry generally and the effects of the new taxation, the Chairman then proceeded: I will now deal briefly with the gold mining companies under our administration and in which our share interests are principally centred. Marievale Consolidated Mines, Limited, reached the production stage on November 1, 1939. This marked the completion of an extensive development programme upon which the corporation entered some eight years ago and which has resulted in the opening up of Van Dyk Consolidated Mines, Limited, Grootvlei Proprietary Mines, Limited, and finally, Marievale Consolidated Mines, Limited. It covers an additional mining area equivalent to 16,136 claims, and has involved a total expenditure for development and equipment of more than £7,000,000.

Van Dyk reached the production stage on May 1, 1938, Grootvlei on September 1, 1938, and Marievale on November 1, 1939. The reduction plants of Van Dyk and Grootvlei were originally designed to deal with 60,000 tons a month, but, soon after those plants were in full operation, the development results in both mines gave sufficient encouragement for the companies to decide upon extending the plants to a nominal capacity of 80,000 tons per month, both of which extensions came into operation in 1939. Since then each of these plants has in fact been milling well over 90,000 tons per month. It is contemplated further to increase the crushing capacity of Grootvlei to 120,000 tons a month. When this further extension has been completed the mines of the Union Corporation Group will be dealing with 7,000,000 tons of ore per year, representing over 11 per cent. of the total tonnage dealt with by the whole of the Rand gold-mining industry.

The total yield of the mines of the group is estimated to amount to 1,700,000 fine ounces of gold per annum, representing nearly 13 per cent. of the present total gold production of the industry; while the working profits estimated to be earned by the mines of the group will, at the present price of gold, total some £7,000,000 per annum, equivalent to about 15 per cent. of the profits at present being earned by the whole of the industry. These figures do not take into account increases in the crushing capacity of Van Dyk and Marievale, which may well be justified in the not too distant future.

The chairman then reviewed the main features of the operating results of the gold mining companies on the Witwatersrand under the administration of the corporation—namely, the Modderfontein

Deep Levels, Limited (in liquidation), Geduld Proprietary Mines, Limited, East Geduld Mines, Limited, the Grootvlei Proprietary Mines, Limited, Marievale Consolidated Mines, Limited, and Van Dyk Consolidated Mines, Limited, and also dealt with the affairs of the Withok Proprietary Company, Limited, and later those of South African Pulp and Paper Industries, Limited, all of which were fully reviewed in the addresses from the chair at the respective annual meetings held recently. He then proceeded:—

ORANGE FREE STATE

Northern Area: Options are still retained over farms in the northern portion of the Free State which lie just south of the property of Western Reefs Exploration and Development Company.

Sand River Options Area: Geological and geophysical surveys and eight boreholes have been completed. Of the latter, five boreholes were south of the Sand River. No payable values were encountered in any of these five holes and the larger part of the area has been abandoned. Three boreholes were completed north of the river, in two of which low or marginal values were encountered at depths of 4,500 feet and 5,000 feet respectively. A portion of this area has already been abandoned.

Two further boreholes are being drilled south of the Sand River and one borehole north of it.

Western Holdings, Limited, with whom the corporation is collaborating, is drilling the area north of our Sand River Area. The drilling has proved the presence of the Upper Elsburg Reef Zone of the Witwatersrand System at comparatively shallow depth. This Reef Zone is of considerable extent, and at least two of the reefs in it appear to be of considerable promise. A limited amount of shaft-sinking and underground exploration is justified when world conditions permit.

By arrangement with Western Holdings, a large area has recently been acquired under option extending north from the previously held areas to the Vaal River. While the corporation and that company will have interests in the whole area, each will prospect, at its own expense, certain defined portions of this area. The area taken over by the corporation for investigation is the middle portion which lies east of Bothaville and north of the Valsch River.

OTHER INTERESTS

Bay Hall Trust continues to function satisfactorily as an investment trust.

British Enka has benefited materially by a cessation of the violent competition among rayon producers that prevailed in the United Kingdom for many years, during which time no producer was able to earn a fair profit from its British production. At long last the producers are co-operating wholeheartedly, with benefit to producers and consumers alike.

San Francisco Mines, of Mexico, is having a bad time. The policy pursued by the authorities in Mexico continues to be antagonistic to foreign enterprise, with the consequence that operations are plagued by labour troubles and by taxation imposed on production whether it be profitable or not.

Our Rhodesian interests are represented directly by our holdings in Roan Antelope and Rhodesian Selection Trust and indirectly by our holdings in Selection Trust. Selection Trust has an important shareholding in American Metal Company, which, in turn has a preponderating interest in the two Rhodesia copper companies I have just named. Rhodesian copper production is sold, by agreement with Great Britain, at approximately the price which ruled at the outbreak of war, and consequently much below the world price; nevertheless, good profits are being earned. Unfortunately, the amounts available for dividend distribution have been sadly whittled down by the extraordinary effects on profits of retrospective and double taxation, relief in regard to which is being sought.

We have a holding in Consolidated African Selection Trust, which is a successful West African diamond enterprise. Here, again, we are also indirectly interested through the Selection Trust, which has a very large interest in this diamond venture. The report and accounts were adopted.

BRITISH AND CHINESE CORPORATION, LIMITED

JAPANESE INTERFERENCE WITH CORPORATION'S RIGHTS

SIR JOHN PRATT'S SPEECH

The forty-second ordinary general meeting of The British and Chinese Corporation, Limited, was held, on the 12th instant, at 3 Lombard Street, London.

Sir John Pratt, K.B.E., C.M.G. (chairman), who presided, said that the year 1939 must have claims to being the most unsatisfactory year ever experienced by the Corporation. Not only had there been an almost complete cessation in the servicing of the loans in which the Corporation was interested, but also an unprecedented interference with the rights of the Corporation under its agreements with the Chinese Government.

All the railways in which the Corporation was interested were in Japanese hands, and all were being operated by the Japanese. Their protests against the many contraventions of their rights, made through diplomatic channels to the Japanese Government, had met with no satisfaction. The damage done to the railways in which the Corporation was interested had greatly impaired the security for the loans in which the bondholders had invested their money. The interests of the bondholders had suffered even greater injury from the action of the Japanese military authorities in completely ignoring the rights both of the bondholders and the Corporation under the loan agreements in question. Every opportunity had been taken to protest in the strongest terms against all such infringements of their rights and the Corporation gratefully acknowledged the assistance and support they had received in this matter from the Foreign Office and the representatives of His Majesty's Government in China and Japan. The directors were considering what further steps it was possible for them to take to protect the interests of the bondholders and the legal questions involved, which were of great complexity, were under examination.

THE RAILWAY POSITION

With regard to the actual railways themselves the Peking-Mukden line was being operated, together with certain other railways in North China, by the North China Railway Company—a Japanese-sponsored subsidiary of the North China Development Company. Actual figures as to the earnings of the line were not available, but the loan service instalments had continued to be paid on due dates.

The Shanghai-Nanking Railway and the Shanghai-Hangchow-Ningpo Railway from Shanghai to Hangchow remained under the control of the Japanese during the whole year, and were now administered by the Central China Railway Company, a Sino-Japanese concern formed by the Japanese Government. On the Shanghai-Nanking line passenger and freight traffic had been maintained mostly with Japanese rolling stock and locomotives; the trains ran frequently and were freely patronised, but reliable information as to the earnings was not available. No payments of loan service were made during 1939. The Canton-Kowloon Railway was in a very bad state and had probably suffered worse than any of the railways in which they were interested. A very large sum would be required if it was ever to be restored to its former condition.

An Agreement was signed at Chungking on December 11, 1939, and ratified on March 1, 1940, under which a group of French banks agreed to provide against promissory notes to be issued by the Chinese Government the materials required for a railway from Kunming (Yunnanfu) to Suifu on the Yangtze. The credits for the railway materials in question were guaranteed by the French Government through the French counterpart of the Export Credits Guarantee Department. A strong desire was expressed by the Chinese Government and in various other quarters that British interests should participate in the Burma-Yangtze Railway by entering into a similar agreement with respect to the section running from Kunming (Yunnanfu) to Burma. The matter received the earnest and prolonged consideration of the directors and was the subject of much correspondence and many discussions. It was frankly admitted, however, by the Chinese Government that the capital required for the construction of such a railway could not be raised on a commercial basis.

Eventually, however, it was found that credits extended to the Chinese Government under the Export Credits Guarantee scheme

could not be employed for the materials required for the Burma-Yunnan Railway and this, apart from the many other difficulties inherent in this scheme, rendered any immediate participation by the Corporation impossible. The political and commercial advantages to China, and indirectly to the British Empire, of improved communications by road and rail with Burma and the south-west were not in dispute. It was to be hoped that the present check was only temporary and that the Corporation might in the not too distant future find the occasion to co-operate in a project so much in the interests of all concerned.

THE YEAR'S RESULTS

The report and accounts which the directors presented for consideration this year were an eloquent testimony to the injury that had been inflicted on them, in common with all other commercial interests in China—not only foreign but Chinese, and they believed Japanese as well—by the conflict that had now been dragging on its dreary course for nearly three years. At the moment this conflict was overshadowed by the greater tragedy that was now being enacted in Europe. It was evident that no improvement in the position of the Corporation could be expected until peace and sanity returned to the world once more.

Turning now to the Corporation's financial position it would be readily appreciated that the loans in which they were interested, with one exception, were not being serviced, and their revenue in China might therefore be said to be in abeyance. There was, however, a profit of £1,701 2s. 1d. on the year's operation, but after providing £53,522 15s. 7d. for depreciation on investments, £41,909 6s. for loss in exchange and £12,110 13s. 9d. for loss on sales of investments, there was a debit balance to profit and loss account of £105,841 13s. 3d. Including the debit brought forward there was a total debit balance of £181,868 5s. 9d. In view of the uncertain future the directors had considered it advisable, instead of carrying forward that substantial loss, to transfer to profit and loss account £200,000 out of the £325,000 at credit of general reserve account, leaving £125,000 general reserve and a credit balance of £18,131 14s. 3d. in profit and loss account, which it was proposed to carry forward.

The report was unanimously adopted.

ANTOFAGASTA (CHILI) AND BOLIVIA RAILWAY COMPANY, LIMITED

PAST YEAR'S OPERATIONS

The fifty-second ordinary general meeting of the Antofagasta (Chili) and Bolivia Railway Company, Limited, was held, on the 11th instant, in London.

Mr A. W. Bolden (chairman and managing director) presided and, in the course of his speech, said that a decrease in gross receipts of £23,000 for the year 1939 had been made worse by an increase in working expenses of £37,000, so that the net receipts from the operations of the railway and waterworks were some £60,000 less than for the previous year. With regard to goods tonnage, there had been increases in nitrate, tin, sulphur, general merchandise, cereals and sugar, with decreases in copper bars, blends, mining articles, coal and fuel oil.

Passenger traffic on the Chilean section was less in numbers by almost 10 per cent., but had given slightly higher receipts expressed in sterling by reason of a more favourable exchange. In Bolivia both numbers and receipts were more.

Dealing with their decision to redeem the 4½ per cent. debenture stock and to submit a scheme to the 5 per cent. debenture stockholders under which 60 per cent. of their holdings would be paid off at par and the date of the repayment of the balance extended, he said that as a result by the realisation of the greater part of their investment in the Andes Trust and of their general investments they had liquidated a liability of some £2,200,000 and reduced by rather more than £100,000 the annual charge for interest on their debenture stocks.

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.

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.

SELECTION TRUST, LIMITED

MR A. CHESTER BEATTY'S SPEECH

The seventh ordinary general meeting of Selection Trust, Limited, was held, on the 11th instant, in London.

Mr A. Chester Beatty presided, and said:—The net profit, before providing for taxation, was £125,044, compared with £202,511 for the preceding year.

We have written down the book values of our investments by a total of £807,799, and to do this we have utilised £662,845 from reserve and £144,954 from the balance of profit brought forward. The greater part of this sum has been employed in writing down our large holding in Trepca Mines, Limited. At yesterday's prices the market valuations of the quoted investments of the company and its subsidiaries were, in the aggregate, in excess of the values at which they are stated in the books.

A subsidiary company named Seltrust Investments, Limited, has acquired from Selection Trust, Limited, the bulk of its holdings in American Metal Company and Consolidated African Selection Trust.

COPPER AND DIAMOND BUSINESS

Operations at the mines of both the Roan Antelope and Mufulira Companies in Northern Rhodesia are proceeding satisfactorily. Since the outbreak of war these companies have been working at an increasing rate and at the present time they are operating seven days a week in order to produce for the British Government every ton of copper possible with the labour and supplies available. The staff and employees are making a very important contribution towards the war effort.

The Consolidated African Selection Trust, Limited, and its wholly owned subsidiary (Sierra Leone Selection Trust) have maintained active production of diamonds at their mines on the Gold Coast and in Sierra Leone. Notwithstanding war conditions, the market has been absorbing considerable quantities of diamonds, but, with the recent invasion of Holland and Belgium and the consequent disorganisation of the cutting industry, there must inevitably be a setback for the time being in the demand for diamonds of certain categories.

At our meeting last year I mentioned that Trepca Mines, Limited, might have to pay a lower rate of dividend in 1939. Actually the company paid no dividend. The main factors contributing to this result were, firstly, the closing down of the Stan Trg Mine from June 19th to September 3rd on account of a strike of workmen, with consequent loss of output; and, secondly, the low metal prices before the war. Apart, however, from the strike period, the mine and plant have continued to operate at normal capacity and the staff are doing excellent work under difficult conditions.

GENERAL POSITION

Reviewing our interests as a whole, one very satisfactory feature is that the principal companies in which we are interested have built up substantial liquid resources which give them added stability in these difficult times. Regarding our diamond interests, they have had a better year than the preceding one, although at the moment it seems unlikely that they will do so well in the coming months. Our Yugoslavian business is affected by the one outstanding consideration at the present time—namely, its geographical position—and given once again stable conditions in Europe, there is no reason why our holding in Trepca Mines, Limited, should not continue to be an asset of considerable value. Our copper-mining interests are in companies which have established themselves among the leading producers of the world. They are of great importance to the Empire, especially at a time like the present, when they are making maximum efforts in the production of metal required for our war supplies.

In conclusion, I should like to say that we and our associated interests and the employees are contributing in every way we can to the great national war effort and I am sure that in these days that fact is of far more concern to all of us than any other consideration. You will not expect me to venture any forecasts. We have, however, excellent grounds for confidence in the enterprises with which we are associated and I hope that our next meeting will be under happier conditions.

The adoption of the report and accounts and the payment of a dividend of 7½d. per unit of ordinary stock, less tax at 6s. in the £, were approved.

A hearty vote of thanks to the Chairman, directors and staff concluded the proceedings.

BURMAH OIL COMPANY, LIMITED

PAST YEAR'S PROFITS

SIR JOHN CARGILL'S REVIEW

The thirty-eighth annual general meeting of the members of this company was held, on the 7th instant, in Glasgow.

Sir John T. Cargill, Bt., chairman of the company, presided, and in the course of his speech said: Before proceeding to to-day's business it is my colleagues' desire, as they feel it will also be yours, that expression be given to our deep regret at the death, since we last met, of Mr David Cargill.

Our thoughts and energies to-day are directed not to matters of profit or loss for ourselves but to the struggle in which our country and Empire, with our Allies, are engaged in the defence of everything which makes life itself worth while, and in these anxious and critical times I propose to confine my remarks to-day to the essential business of taking you as shortly as possible through the accounts which record the results of your company's activities in 1939 and show how the profits arising from them have been already dealt with and what your board recommends should be done with the remainder of them.

THE OPERATING COMPANIES

For reasons fully explained in the report transfer was effected as from January 1, 1939, to new subsidiary wholly-owned companies of the benefits and obligations in respect of the production of natural petroleum and natural gas, their transport, their refining into products, their ocean shipment and their distribution, and sale which we ourselves hitherto respectively enjoyed and were responsible for in Burma and India. From that date, therefore, your company ceased trading in these countries, and the net 1939 results of these various activities of the new companies, after provision by them for their administration expenses and for depreciation, have reached your company in the form of dividends by them. The producing companies have charged all their fields' expenditure to revenue, as we ourselves were in the habit of doing, and depreciations at £370,000 provided by them and by the other subsidiaries are on the same conservative and ample scale of our own past practice.

By providing you with a consolidated balance sheet and, as in the past, segregating in the profit and loss account the income which we receive from the new companies, we have done everything possible, and I venture to think you will agree that we have succeeded, to prevent these changes depriving you of any of the very full information with regard to your business and the results of our conduct of it which you have received in the past.

PROFITS

When we met last year I warned you that profits for 1939 were likely to be down both in respect of our own activities in Burma and India and in respect of our investments. In the sequel the overall reduction in profits was, as you have seen, £391,527, but since we bring in from the 1938 carry-forward £64,883 more than was brought into 1938 from the carry-forward of 1937 the reduction in the amount disposable in respect of 1939 is actually £326,644.

You will not expect me and I certainly would not venture to prophesy what the current year's results may be. Our interests in Burma and India have so far escaped the sorts of disturbances to which unhappily our largest investments elsewhere have been subject, and so long as this comparative immunity continues and costs can be kept within reasonable control we may expect them to contribute satisfactorily to our profits. It is, however, quite impossible for me to give any idea of what our very substantial interests in the Anglo-Iranian Oil Company, Limited, and the Shell Transport and Trading Company, Limited, may yield in the conditions of these times and we must wait on what their chairman may have to say at their annual general meetings in due course.

The report and accounts were unanimously adopted.

DIVIDEND

The resolution authorising payment of the final dividend of 2s. and the bonus of 1s. 2½d. per £1 unit on the ordinary stock, both less income tax at 5s. 6d. in the £, was approved.

The election of Sir William Fraser to the board was confirmed; Sir John T. Cargill, Bt., and Colonel Hugh B. Spens, D.S.O., the directors retiring by rotation, were unanimously re-elected; and the auditors, Messrs Brown, Fleming and Murray, were re-appointed for the current year.

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week to June 8, 1940, total ordinary revenue was £12,767,000, against ordinary expenditure of £68,927,000. Thus, including all sinking fund allocations, the deficit accrued since April 1st is £354,719,000, against £119,826,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)			
	Apr. 1, 1939, to June 10, 1939	Apr. 1, 1940, to June 8, 1940	Week ended June 10, 1939	Week ended June 8, 1940
ORDINARY REVENUE				
Income Tax	10,192	20,925	6	13
Sur-tax	5,940	5,910	340	340
Stamp Duty	13,350	16,290	410	1,950
Stamp Duty Reserve	2,760	2,550	260	250
Stamp Duty Reserve	3,460	3,350	320	370
N.D.C.	210	2,510	10	1,690
E.P.T.	210	90	10	...
Other Inland Revenue	35,912	51,625	1,316	4,613
Total Inland Revenue	47,363	53,956	5,352	6,297
Customs	19,330	24,880	1,035	682
Excise	66,693	78,836	6,387	6,979
Total Customs & Excise	4,371	5,302	220	148
Motor Duties	5,810	5,350	1,300	700
P.O. (Net Receipt)	290	240	...	...
Crown Lands	356	358	89	92
Receipts from Sundry Loans	828	4,114	...	235
Miscellaneous Receipts	114,260	148,525	9,342	12,767
Total Ordinary Revenue	11,840	12,950	...	900
SELF-BALANCING Post Office and Broadcasting	126,100	158,775	9,342	13,667
Total				

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)			
	Apr. 1, 1939, to June 10, 1939	Apr. 1, 1940, to June 8, 1940	Week ended June 10, 1939	Week ended June 8, 1940
ORDINARY EXPENDITURE				
Interest and Management of Natl. Debt	72,196	73,084	3,860	8,631
Payments to N. Ireland	1,235	1,295	278	296
Other Consoltd. Fund Services	396	376	...	...
Total	73,827	74,755	4,138	8,927
Supply Services	159,209	424,710	14,750	60,000
Total Ordinary Expenditure	233,036	499,465	18,888	68,927
SELF-BALANCING Post Office and Broadcasting	11,840	12,950	...	900
Total	244,876	512,415	18,888	69,827

After increasing Exchequer balances by £129,897 to £2,904,944, the other operations for the week (as shown below) raised the gross National debt by £56,739,000 to about £9,304 millions.

WEEK'S CHANGES IN DEBT

NET INCREASES (£ thousands)		NET REPAYMENTS	
Nat. Sav. Certs.	4,400	Pub. Dept. Adv.	2,450
3% Def. Bonds	4,900		
Treasury Bills	49,886		
Other debt	3		
	59,189		2,450

OTHER ISSUES (NET) (£ thousands)		OTHER RECEIPTS (NET) (£ thousands)	
Overseas	116	Settlement	17
Land Guarantees	350		
P.O. and Telegraph	466		

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1 to June 8, 1940, are:—	
Ordinary Exp.	499,465
Misc. Iss. (net)	5,164
Inc. in balances	510
Ord. Revenue	145,825
Gross borrs.	360,393
Sinking fds.	1,079
Net borrowing	359,314

FLOATING DEBT

Treasury Bills		Ways and Means Advances		Total Floating Debt	
Date	Tender	Tap	Public Depts.	Bank of Eng-land	Floating Assets
1939					
June 10	461.0	539.3	43.1	...	1016.4
1940					
Mar. 2	791.0	651.0	54.1	...	1496.1
" 9	776.0	661.0	66.0	...	1506.6
" 16	761.0	673.6	56.3	...	1490.9
" 23	746.0	682.8	55.0	...	1483.8
" 31	731.0	696.7	61.5	...	1477.3
Apr. 6	716.0	706.3	55.0	...	1465.8
" 13	701.0	708.4	56.4	...	1459.2
" 20	686.0	637.5	38.9	...	1362.4
" 27	675.0	674.1	46.3	...	1395.4
May 4	675.0	707.9	49.3	...	1432.2
" 11	685.0	722.1	53.0	...	1460.1
" 18	695.0	733.6	40.3	...	1468.9
" 25	700.0	746.5	49.4	...	1495.9
June 1	710.0	787.5	50.4	...	1547.9
" 8	725.0	822.4	47.9	...	1595.3

TREASURY BILLS

Date of Tender		Amount		Average Rate		Per Cent. Allotted at Minimum Rate	
		Offered	Applied for				
1939				s.	d.		
June 9	45.0	66.8	45.0	14	5.23	65	
1940							
Mar. 1	55.0	108.2	50.0	20	4.81	34	
" 8	55.0	98.3	50.0	20	5.30	45	
" 15	50.0	99.8	50.0	20	5.23	43	
" 21	50.0	100.0	50.0	20	4.92	38	
" 29	50.0	99.9	50.0	20	7.76	49	
Apr. 5	50.0	94.5	50.0	20	8.33	51	
" 12	50.0	90.6	50.0	20	8.16	52	
" 19	50.0	111.8	50.0	20	6.87	31	
" 26	55.0	115.7	55.0	20	4.98	36	
May 3	60.0	113.2	60.0	20	4.81	45	
" 10	65.0	111.6	65.0	20	4.82	52	
" 17	65.0	116.0	65.0	20	4.86	47	
" 24	65.0	117.7	65.0	20	4.81	45	
" 31	65.0	131.3	65.0	20	4.11	30	
June 7	65.0	116.4	65.0	20	4.77	46	

On June 7th applications at £99 14s. 10d. per cent. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted as to about 46 per cent. of the amount applied for and applications at higher prices in full. Applications at £99 14s. 11d. for bills to be paid for on Saturday were accepted in full. £65.0 millions of Treasury bills are being offered on June 14th.

NATIONAL SAVINGS CERTIFICATES AND 3% BONDS SUBSCRIPTIONS

Period		N.S.C.* 3% Bds.		Total
Week to May 28, 1940...	4,850	4,892	9,742	
Week to June 4, 1940	4,773	4,717	9,490	
28 weeks to June 4, 1940	90,801	84,265	175,066	

* Revenue returns show repayment of principal amounting to £15,300,000 in the 28 weeks to June 4, 1940.

BANK OF ENGLAND RETURNS

JUNE 12, 1940

ISSUE DEPARTMENT

Notes Issued: £		Govt. Debt: £	
In circula. 578,365,130		Other Govt. Securities	11,015,100
In Bnkg. Department... 51,871,628		Other Secs. 615,209,019	
		Other Secs. 3,262,076	
		Silver Coin... 513,805	
		Amt. of Fid. Issue	630,000,000
		Gold Coin & Bullion (at 168s. per oz. fine)	236,758
			630,236,758

BANKING DEPARTMENT

Props' Capital: £		Govt. Secs.: £	
Rest ... 3,281,424		Other Secs.: 123,977,838	
Public Depts. * 34,890,624		Discs, etc. 3,888,102	
		Securities... 22,992,563	
Other Depts.: 103,158,032			
Bankers' ... 151,518,218		Notes... 26,880,665	
Other Accts. 48,360,186		Gold & Silver Coin ... 1,513,135	
			204,243,266

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

THE WEEK'S CHANGES

Both Departments		Compared with	
		June 12, 1940	Last Week
COMBINED LIABILITIES			
Note circulation	578,365	+ 9,103	- 83,413
Deposits: Public	34,891	+ 21,279	+ 12,812
Bankers'	103,158	- 15,633	- 2,861
Others	48,360	- 1,254	- 11,961
Total outside liabilities..	764,774	+ 13,495	- 111,047
Capital and rest	17,834	- 23	- 37
COMBINED ASSETS			
Govt. debt and securities	750,202	+ 12,551	- 33,4795
Discounts and advances	3,881	- 998	- 1,744
Other securities	26,255	- 123	- 3,259
Silver coin in issue dept.	514	- 2	- 297
Gold coin and bullion	1,750	- 91	- 22,5003
RESERVES			
Res. of notes and coin in banking department...	53,385	+ 40,988	- 21,584
"Proportion" (reserve to outside liabilities in Bnkg. dept.)	28.6%	- 21.8%	- 6.4%

COMPARATIVE ANALYSIS*

		1939		1940	
		June 14	May 22	May 29	June 12
Issue Dept.:					
Notes in circ.	495.0	546.5	557.9	569.3	578.4
Notes in banking dept.	31.3	33.7	23.4	11.0	51.9
Govt. debt and securities	299.1	576.2	576.2	575.9	626.2
Other sec.	0.0	3.3	3.3	3.6	3.3
Silver coin	0.8	0.5	0.5	0.5	0.5
Gold, valued at s. per f. oz.	226.3	0.2	0.2	0.2	0.2
Deposits:					
Public	22.1	32.8	36.1	13.6	34.9
Bankers'	100.3	103.1	94.9	118.8	103.2
Others	36.4	46.1	50.5	49.6	48.4
Total	158.8	182.0	181.5	182.0	186.5
Bkg. Dept. Secs.	116.3	137.9	148.9	161.7	12

OVERSEAS BANK RETURNS

NOTE.—The latest returns of the Bank of Germany appeared in *The Economist* of April 27th; Java and Netherlands, of May 11th; Belgium, and Sweden, of May 18th; International Settlements, Iran and New Zealand, of May 25th; Egypt, Rumania, and Federal Reserve Reporting Members, of June 1st; Estonia, Greece, Hungary, India, Japan, Yugoslavia, Lithuania, France and Portugal, of June 8th.

U.S. FEDERAL RESERVE BANKS

Million \$'s	June 15, 1940	June 5, 1940	June 1, 1940	June 1, 1939
12 U.S.F.R. BANKS	15, 15, 15, 15	15, 15, 15, 15	15, 15, 15, 15	15, 15, 15, 15
RESOURCES				
Gold certifs. on hand	19,939	19,940	19,940	19,940
and due from Treas.	13,421	16,692	17,053	17,201
Total reserves	33,360	36,632	36,993	37,141
Total cash reserves	376	370	349	368
Total U.S. Govt. sec's.	2,564	2,474	2,477	2,477
Total bills and sec's.	2,580	2,485	2,489	2,489
Total resources	17,274	20,479	20,700	21,019
LIABILITIES				
F.R. notes in circn.	4,438	4,969	5,065	5,081
Excess m. bank res.	4,260	6,300	6,530	6,610
Mr. bank reserve dep.	10,101	13,094	13,387	13,511
Govt. deposits	928	425	308	265
Total deposits	11,743	14,996	14,643	14,790
Total liabilities	17,274	20,479	20,700	21,019
Reserve ratio	85.3%	88.2%	88.4%	88.5%
BANKS AND TREASURY:				
RESOURCES				
Monetary gold stock	16,027	18,949	19,281	19,427
Treas. & bk. currency	2,868	3,004	3,008	3,009
LIABILITIES				
Money in circulation	6,936	7,598	7,712	7,717
Treas. cash and dep.	3,498	2,643	2,513	2,465

PRAGUE NATIONAL BANK

Million Crowns	Jan. 31, 1940	Apr. 30, 1940	May 31, 1940	May 31, 1939
ASSETS				
Gold	1,602	1,596	1,596	1,596
Foreign exchange	802	739	722	717
Other cash	2,298	2,263	2,290	2,372
Bills and securities	333	362	302	102
Advances	825	535	525	524
Other assets	4,264	5,217	5,407	5,218
LIABILITIES				
Note circulation	5,911	5,522	5,446	5,354
Cash certificates	523	1,335	1,452	1,421
Clearing deposits	1,675	1,394	1,261	1,241
Other liabilities	1,473	1,919	2,131	1,971

EXCHANGE RATES

Rates Fixed by Bank of England

The following official exchange rates fixed by the Bank of England remained unchanged between June 6th and June 13th. (Figures in brackets are par of exchange.)

U.S. \$ (4.862) 4.021-0312; mail transfers, 4.0212-0314. Can. \$ (4.862) 4.43-47; mail transfers, 4.43-4714. Fr. fcs. (25.42) 17612-54. Sw. fcs. (25.42) 17.85-95. Sw. kr. (18.159) 16.85-95. Arg. pesos (11.45) June 6-10, 17.05-30; mail transfers 17.05-32. June 11-13, 17.00-13; mail transfers, 17.00-15. Batavian Fl. (12.11) 7.58-62; mail transfers, 7.58-64.

Forward Rates

Forward rates for one month have remained unchanged as follows: America, 4 cent pm-par. Canada, 12 cent pm-par. France, par. Switzerland, 3 cents pm-par. Sweden, 3 ore pm-par. Batavia 112 cents pm-par.

MARKET RATES

London on	Par of Exchange per £	June 7, 1940	June 8, 1940	June 10, 1940	June 11, 1940	June 12, 1940	June 13, 1940
Tallinn, Ekr.	18-159	1412a	1432a	1412a	1352a	1412a	1412a
Riga, Lats.	25-2212	1712a	1912a	1812a	1752a	1852a	1852a
Budapest, Pen.	27-82	192a	2032a	202a	192a	202a	202a
Kovno, Lit.	48-66	192a	2112a	2032a	192a	2072a	2072a
Milan, Lr.	92-46	73-25(b)	73-15(b)	71-25(b)	71-25(b)	71-25(b)	71-25(b)
Belgrade, Din.	276-32	1802a	1952a	1902a	1802a	1902a	1902a
Sofia, Lev.	673-66	2802a	2802a	2952a	2852a	2952a	2952a
Helsingfors, Mk	193-23	1902a	1902a	1902a	1852a	1902a	1902a
Alexandria, Pst	9712	972a	972a	972a	972a	972a	972a
Madrid, Pt.	25-2212	39-00(b)	39-00(b)	39-00(b)	40-50(b)	40-50(b)	40-50(b)
Lisbon, Esc.	110	97-101	9812a	9812a	9812a	9812a	9812a
Istanbul, L.T.	110	510*	510*	510*	510*	510*	510*
Athens, Dr.	375	520*	520*	520*	520*	520*	520*
Bucharest, Lei	813-8	800*	800*	800*	800*	800*	800*
India, Rup.	184	1712a	1712a	1712a	1712a	1712a	1712a
Kobe, Yen.	24-584	1472a	1472a	1472a	1472a	1472a	1472a
Hongkong, \$	15-899	312a	312a	312a	312a	312a	312a
Rio, Mil.	17-38	1052a	1102a	1102a	1052a	1102a	1102a
Valparaiso, Pes.	40	1912a	1912a	1912a	1912a	1912a	1912a
Lima, Sol. (c)	51d.	212a	212a	212a	212a	212a	212a
Montevideo, \$	28d.	2812a	2812a	2812a	2812a	2812a	2812a
Singapore, \$	28d.	2812a	2812a	2812a	2812a	2812a	2812a
Shanghai, \$	28d.	312a	312a	312a	312a	312a	312a
Bogota, Pes.	28d.	532a	612a	612a	612a	612a	612a

* Sellers. † Nominal. ‡ Pence per unit of local currency. (a) Approximate rate. (b) Official rate for payment at the Bank of England for Clearing Offices. (c) Voluntary rate for payment at the Bank of England. (d) 90 days. (e) Trade payments rate.

AUSTRALIAN COMMONWEALTH BANK.—Million £'s

Assets	May 15, 1939	Apr. 15, 1940	May 6, 1940	May 13, 1940
Gold and English stg.	16-03	16-08	16-08	16-08
Other coin, bullion, etc.	5-73	6-17	5-68	6-14
Call money, London	17-21	42-58	43-14	44-50
Secs. and Treas. bills	94-30	83-81	83-81	83-86
Discounts and advances	17-33	35-64	34-73	34-41
LIABILITIES				
Notes issued	47-78	52-53	52-53	52-53
Deposits, etc.	84-64	113-21	112-27	114-37

CENTRAL BANK OF ARGENTINA

Million paper pesos	Apr. 15, 1939	May 15, 1940	Apr. 15, 1940	Apr. 30, 1940
ASSETS				
Gold at home	1,224	1,224	1,224	1,224
Other gold & for. exch.	80	168	176	178
Non-int. Govt. bond	118	119	119	119
Treasury bonds	397	396	396	396
LIABILITIES				
Notes in circulation	1,123	1,174	1,173	1,176
Deposits: Government	171	100	127	107
Banks	413	480	457	434
Certs. of participation	119	139	153	198
Reserve ratio	76.3%	79.0%	79.4%	81.3%

BANK OF LATVIA.—Million lats

Assets	May 15, 1939	May 13, 1940	May 20, 1940	May 27, 1940
Gold coin and bullion	92-83	71-53	71-53	71-54
Foreign currency	39-01	26-80	27-80	29-91
Short-term bills	52-13	58-67	58-85	58-37
Loans against securities	101-72	161-36	159-31	156-32
LIABILITIES				
Notes in circulation	87-25	106-23	106-53	104-71
Deposits & current accs.	138-40	126-55	127-66	127-89
Government accounts	69-82	66-43	66-70	69-88

SWISS NATIONAL BANK

Million francs	May 31, 1939	Apr. 30, 1940	May 31, 1940	May 31, 1939
ASSETS				
Gold	2,471	4,212	4,191	2,168
Foreign exchange	265-7	258-9	246-8	360-6
Discounts, etc.	55-8	269-8	391-6	174-3
Advances	33-0	82-2	148-4	143-8
Securities	93-9	85-7	86-6	86-9
LIABILITIES				
Notes in circulation	173-9	203-1	222-5	221-4
Deposits & current accs.	1137-3	719-5	564-7	565-1
Other liabilities	1137-3	719-5	564-7	565-1

N.B.—Exchange Equalisation Fund and the assets representing it now stand at 533,469,058 frs.

SOUTH AFRICAN RESERVE BANK

Assets	May 19, 1939	May 3, 1940	May 10, 1940	May 17, 1940
Gold coin and bullion	26-43	34-04	34-48	35-60
Bills discounted	8-14	8-41	8-40	8-43
Inves. & other assets	14-92	22-84	22-98	23-56
LIABILITIES				
Notes in circulation	16-77	20-18	18-94	18-30
Deposits: Government	3-51	8-08	8-10	9-27
Bankers'	21-02	27-58	31-30	31-86
Others	4-10	5-06	3-75	4-80
Reserve ratio	57.1%	55.4%	55.4%	55.6%

CENTRAL BANK OF TURKEY

Million Turkish pounds	July 22, 1939	May 11, 1940	May 18, 1940	May 25, 1940
ASSETS				
Gold	36-90	115-89	111-54	111-62
Clearing and other exch.	3-35	38-61	38-99	38-87
Treasury bonds	141-52	139-87	139-87	139-87
Commercial bills	128-48	24-10	24-08	24-34
Securities	50-99	56-09	56-36	56-35
Advances	11-87	11-56	18-27	18-36
LIABILITIES				
Notes in circulation	229-52	321-87	323-87	327-87
Deposits	31-05	131-02	130-84	131-18
Clearing & other exch.	36-20	36-66	35-95	32-61

NATIONAL BANK OF BULGARIA

Million levas	May 23, 1939	Apr. 15, 1940	May 23, 1940	May 23, 1939
ASSETS				
Gold holdings	2,036	2,006	2,006	2,006
Balances abroad, etc.	834	1,800	1,782	1,831
Discounts and advances	981	1,095	984	1,226
Advances to Treasury	3,441	3,393	3,393	3,393
LIABILITIES				
Notes in circulation	2,301	4,577	4,514	4,467
Sight liab. and deposits	3,490	3,335	3,251	3,537
Cover	31-8%	27-0%	27-5%	26-6%

BANK OF CANADA.—Million Can. \$

Assets	May 24, 1939	Apr. 24, 1940	May 22, 1940	May 22, 1939
ASSETS				
Gold	205-9	225-8	244-4	14-3
Reserve: Gold	39-3	48-7	44-4	14-3
Other	166-8	215-1	488-3	488-2
LIABILITIES				
Note circulation	166-8	215-7	222-5	221-4
Deposits: Dom. Govt.	28-6	35-3	52-4	51-5
Chartered banks	204-7	209-0	210-6	218-8

† Gold & foreign ex. transferred to For. Ex. Control Board against securities.

PROVINCIAL BANK CLEARINGS (£ thousands)

Working days	Week ended	Aggregate January 1 to		Week ended	Aggregate January 1 to				
	June 10, '39	June 8, '40	June 10, '39		June 8, '40	June 10, '39	June 8, '40		
Birmingham	2,042	2,661	54,998	52,125	Newcastle ...	1,294	1,285	35,372	32,578
Bradford	737	1,044	19,317	34,122	Nottingham	379	484	11,480	10,144
Bristol	1,334	2,082	30,161	38,300	9 Towns	19,925	28,135	51,877	60,106
Hull	630	722	16,392	17,449	Dublin	5,988	6,144	14,476	13,888
Leicester	44	758	18,263	19,101	Sheffield	838	96	24,891	15,367
Liverpool	5,196	5,858	14,433	13,557	South'mpton	91			
Manchester	7,569	13,041	218,355	261,703					

* Suburban cheque clearing discontinued Sept. 7, 1939. † Clearing begun May 14, 1940. ‡ Clearing in week ended June 1, 1940, was £5,549,000.

MONEY RATES, LONDON

The following rates remained unchanged between June 6th and June 13th: Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank bills, 60 days, 112%; 3 months, 112%; 4 months, 112%; 6 months, 112%; Treasury bills, 2 months, 112%; 3 months, 112%; Day-to-day money, 52-112%. Short loans, 1-14%. Bank deposit rates, 12%. Discount deposits at call, 12%; at notice, 34%.

GOLD AND SILVER

The Bank of England's official buying price for gold remained at 168s. 0d. per fine ounce throughout the week. In the London silver market prices per standard ounce have been as follows:—

Date	Cash	Two Months	Date	Cash	Two Months
June 7	233	218	June 12	231	218
" 10	23	218	" 13	233	214
" 11	23	218			

NEW YORK EXCHANGE RATES

New York on	June 6, 1940	June 7, 1940	June 8, 1940	June 10, 1940	June 11, 1940	June 12, 1940
London:—	Cents 350½	Cents 363	Cents 371¾	Cents 352	Cents 375	Cents 375
Cables	350½					
Demand	1-99	2-17	2-11	2-00	2-13	2-18
Paris, Fr.	22-42	22-41	22-41	22-42	22-42	22-42
Switzerland, Fr.	5-04½	5-04½	5-04½	5-04½	5-05(0c)	5-05(0c)
Italy, Lire	40-00(0c)	40-00(0c)	40-00(0c)	40-00(0c)	40-10(0c)	40-10(0c)
Berlin, Mark	23-85	23-85	23-85	23-85	23-85	23-85
Stockholm, Kr.	80-00	79-00	78-80	78-125	78-250	78-250
Montreal, Can. \$	23-48	23-48	23-48	23-48	23-48	23-48
Japan, Yen	5-85	6-50	6-25	6-85	6-85	6-85
Shanghai, \$	Unq'd	22-50	22-35	22-20	22-10	21-60
B. Aires, Pso. (mkt. rate)	5-10	5-10	5-10	5-10	5-10	5-10
Brazil, Milreis						

BRITISH WHOLESALE PRICES

June 4, June 11,
1940 1940

CEREALS AND MEAT

GRAIN, etc.—				
Wheat—	s.	d.	s.	d.
No. 1, N.Ms. 496 lb. f.o.b.Mt.	31	3	30	7
Eng. Gaz. av., per cwt.	7	1	7	1
Flour, per 280 lb.				
Straights, d'd London	25	6	25	6
Bayley, Eng. Gaz., av., per cwt.	15	9	15	11
Oats	11	5	11	5
Maize, La Plata, 480 lb., f.o.b.	12	6	12	6
Rice, Burma, No. 2, per cwt.	9	0	9	0
MEAT —Beef, per 8 lb.—				
English long sides	4	8	4	8
Imported hinds	6	0	6	0
Imported	5	4	5	4
Mutton, per 8 lb.—English	8	0	8	0
Imported	4	4	4	4
Pork, English, per 8 lb.	8	0	8	0
BACON (per cwt.)—Wilts. cut sides	113	6	113	6
HAMS (per cwt.)—Green	118	6	118	6
OTHER FOODS				
BUTTER (per cwt.)—All Grades	143	0	143	0
CHEESE (per cwt.)—				
Canadian (new)	78	0	78	0
New Zealand	85	0	85	0
COCOA (per cwt.)—				
Accra, g.f.	34	6	33	6
Grenada	35	0	34	6
.....	60	0	60	0
.....	65	0	65	0
COFFEE (per cwt.)—				
Santos supr. c. & f.	45	0	45	0
Costa Rica, medium to good	70	0	70	0
.....	102	0	102	0
EGGS (per 120)—English (Std.)....	19	0	19	6
LARD (per cwt.)—Imported	64	0	64	0
POTATOES (per cwt.)—				
English, King Edward, Siltland	8	6	8	6
.....	8	9	9	0

SUGAR (per cwt.)—			
Centrifugals, 96", prpt. shippm.		7 6	7 6
c.i.f. U.K./Cont.			
REFINED LONDON —			
Granulated, 2 cwt. bags	36 10		36 10
West India Crystallised	36 9		36 9
	37 9		
TOBACCO (per lb.)—			
Virginia, stemmed and un-	...		...
stemmed, common to fine	...		...
Rhodesian, stemmed and un-	1 0		1 0
stemmed	2 6		2 6
TEXTILES			

	June 4, 1940	June 1, 1940
COTTON —continued.		
Cloth, 36 in. Shirtings, 75 yds.,	s. d.	s. d.
19 x 19, 32's & 40's ...	36 0	35 9

"	38 in. ditto, 38 yds.,	13 10	13 8
"	18 x 16, 10 lb.		
"	39 in. ditto, 37½ yds.,	12 10	12 8
"	16 x 15, 8¼ lb.		
FLAX (per ton)—	£ s. d.		
Livonian ZK	200 0	200 0	
Pernau HD	180 0	180 0	
HEMP (per ton)—Manilla, spot "J"	26 0/0	26 0/0	
JUTE (per ton)—			
Native 1st mks., c.i.f. London	Nom.	Nom.	
May-June			
Daisee 23, c.i.f. Dundee,	32/10/0	30/15/0	
May-June	£ s. d.	£ s. d.	
SISAL (per ton)—African, May-July	26 0	26 0	
No. 1	s. d.	s. d.	
SILK (per lb.)—			
Japan	17 6	17 6	
China fil	d. d.	d. d.	
WOOL (per lb.)—			
Lincoln wethers, washed	19	19	
Selected blackfaced, greasy	14	14	
Australian scrd. fleece, 70's	35½	35	
Cape scrd. average snow white	28½	28	
N.Z. scrd. 2nd pieces, 50-56's	23	23	
 Tops—			
64's warp	42½	42	
56's super carded	36½	36	
48's average carded	29½	29	
44's prepared	28	28	
MINERALS			
COAL (per ton)—	s. d.	s. d.	
Welsh, best Admiralty	28 3	28 3	
Durham, best gas, f.o.b. Tyne	28 9	28 9	
IRON AND STEEL (per ton)—	23 6	23 6	
Pig, Cleveland No. 3, d/d	111 0	111 0	
Bars, Middlesbrough	282 6	282 6	
Steel rails, heavy	223 0	223 0	
" 14 x 20	24 9	24 9	

NON-FERROUS METALS (per ton)—		
Copper (<i>d</i>)—Electrolytic.....	62/0/0	62/0/0
Tin—Standard cash	277/0/0	284/15/0
Three months	277/5/0	285/5/0
(<i>e</i>)—Soft foreign, cash	274/15/0	284/10/0
Spelter (<i>e</i>)—G.O.B., spot	284/15/0	284/15/0
Aluminium, ingots and bars	25/0/0	25/0/0
(<i>e</i>)—Soft foreign, cash	25/15/0	25/15/0
Nickel, home delivery	190/0/0	190/0/0
(<i>e</i>)—Soft foreign, cash	195/0/0	195/0/0
Antimony, Chinese	99/0/0	99/0/0
Wolfram, Chinese	99/0/0	99/0/0

June 4, 1940 June 11, 1940

MISCELLANEOUS

CEMENT, best Eng. Portland, d/d site, London area, in paper bags 20 to ton—(b)			
	s. d.	s. d.	
4-ton loads and upwards per ton	48 6	44 6	
CHEMICALS—			
Acid, Oxalic, net	per ton	60/0 0	60/0 0
„ Tartaric, English, less 5%	per ton	1 6½	1 6½
Ammonia, Sulphate	per ton	9/6 0	9/6 0
Nitrate of Soda	per ton	9/10 0	9/10 0
Potash, Sulphate	per ton	11/18 0	11/18 0
Soda Bicarb.	per ton	10/15 0	10/15 0
Crystals	per ton	11/0 0	11/0 0
.....	per ton	5/5 0	5/5 0
.....	per ton	5/10 0	5/10 0
COPRA (per ton)—S.D. Straits, c.i.f.		13/10 0	13/10 0
HIDES (per lb.)—			
Wet salted Austria—		s. d.	s. d.
„ lian, Queensland	40, 50 lb.	0 6½	0 6¼
Cape, Jo'burg Ord.		0 7½	0 7 8
Dry Capes, 18/20 lb.		0 9½	0 9
English & Welsh Market Hides—			
Best heavy ox and heifer		0 7 7	0 7 8
		0 8½	0 8 5
LEATHER (per lb.)—			
Sole Bends, 8 14 lb.		2 0	2 0
		3 0	3 0
Shoulders		1 3	1 3
		0 11	0 11
Insole Bellies		1 5	1 5
		2 0	2 0
Dressing Hides		2 4	2 4
PETROLEUM PRODUCTS (per gill.)			
Motor Spirit, England & Wales		1 8	1 8
(c) Kerosene, Burning Oil		0 10½	0 10½
„ Vaporising Oil		0 10¾	0 10¾
(c) Automatic gas oil, in bulk, ex road tank waggons		1 5½	1 5½

Furnace.....	0	7 1/4	0	7 1/4
Diesel.....	0	8	0	8
ROSIN (per ton)—American.....	25	0	25	0
	35	0	35	0
RUBBER (per lb.)—	s.	d.	s.	d.
St. ribbed smoked sheet.....	1	0 3/4	1	0 3/4
SHELLAC (per cwt.)—TN Orange.....	81	0	80	0
	84	0	83	0
TALLOW (per cwt.) London Town.....	22	10	22	10
VEGETABLE OILS (per ton net)				
Linsed, raw.....	46	0	46	0
Rape, crude.....	44	5/0	44	5/0

COTTON (per lb.)—			
Raw, Mid-American	7 42	7 42	10 18
" Giza, E.C.E.	10 18	10 18	
Yarns, 32's Twist	14 30	14 30	15 30
" 40's Welf.....	15 55	15 55	
" 60's Twist (Egyptian) ..	24 85	24 85	
Cloth, 32 in. Printers, 116 yds. ..	s. d.	s. d.	
16 x 16, 32's & 50's ..	25 0	24 9	

(b) + 5s. per ton net paper bags or jute sacks, charges included.

(c) Including import duty and delivery charges.

A.

	June 5,	June 12,
	1940	1940
GRAINS (per bushel)—	Cents	Cents
Wheat, Chicago, July.....	82½	82½
	79½	79½
	74½	73½

Platinum, refined	per oz.	9/10/0	9/10/0
Quicksilver	per 76 lb.	51/0/0	51/8/0
		52/10/0	51/18/0
		s. d. s.	
GOLD , per fine ounce		168 0	168 0
SILVER (per ounce)—			
Cash		1 11	1 11

1 s. 9d., credited 1s. 6d. on return. (c) Higher Price

AMERICAN WHOLESALE P

METALS (per lb.)—cont.	June 5,	June 13,
Spelter, East St. Louis, spot ..	1940	1940
MISCELLANEOUS (per lb.)—	Cents	Cents
	6 25	6 25

Cotton-seed, crude	31 2/6	31 2/6
Coconut, crude	28 2/6	28 2/6
Palm	18 15/0	18 15/0
Oil Cakes, Linseed, Indian.....	8 5/0	8 5/0
Oil Seeds, Linseed.....	...	...
La Plata	15 2/6	...
Calcutta	18 2/6	17 7/6

prices in some zones. (d) Price is at buyers' premises.

ICES

MISCELLANEOUS (per lb.)	June 5, 1940	June 12, 1940
—cont.		
Petroleum, Mid-cont. crude	Cents	Cents
per barrel	102	102
B. pher. N.Y. smdk. sheet spot	21	22 5/8

	June 5, 1940	June 12, 1940
1. <i>Chrysomelids</i>	1	1
2. <i>Curculionids</i>	1	1
3. <i>Chrysomelids</i>	1	1
4. <i>Chrysomelids</i>	1	1
5. <i>Chrysomelids</i>	1	1
6. <i>Chrysomelids</i>	1	1
7. <i>Chrysomelids</i>	1	1
8. <i>Chrysomelids</i>	1	1
9. <i>Chrysomelids</i>	1	1
10. <i>Chrysomelids</i>	1	1
11. <i>Chrysomelids</i>	1	1
12. <i>Chrysomelids</i>	1	1
13. <i>Chrysomelids</i>	1	1
14. <i>Chrysomelids</i>	1	1
15. <i>Chrysomelids</i>	1	1
16. <i>Chrysomelids</i>	1	1
17. <i>Chrysomelids</i>	1	1
18. <i>Chrysomelids</i>	1	1
19. <i>Chrysomelids</i>	1	1
20. <i>Chrysomelids</i>	1	1
21. <i>Chrysomelids</i>	1	1
22. <i>Chrysomelids</i>	1	1
23. <i>Chrysomelids</i>	1	1
24. <i>Chrysomelids</i>	1	1
25. <i>Chrysomelids</i>	1	1
26. <i>Chrysomelids</i>	1	1
27. <i>Chrysomelids</i>	1	1
28. <i>Chrysomelids</i>	1	1
29. <i>Chrysomelids</i>	1	1
30. <i>Chrysomelids</i>	1	1
31. <i>Chrysomelids</i>	1	1
32. <i>Chrysomelids</i>	1	1
33. <i>Chrysomelids</i>	1	1
34. <i>Chrysomelids</i>	1	1
35. <i>Chrysomelids</i>	1	1
36. <i>Chrysomelids</i>	1	1
37. <i>Chrysomelids</i>	1	1
38. <i>Chrysomelids</i>	1	1
39. <i>Chrysomelids</i>	1	1
40. <i>Chrysomelids</i>	1	1
41. <i>Chrysomelids</i>	1	1
42. <i>Chrysomelids</i>	1	1
43. <i>Chrysomelids</i>	1	1
44. <i>Chrysomelids</i>	1	1
45. <i>Chrysomelids</i>	1	1
46. <i>Chrysomelids</i>	1	1
47. <i>Chrysomelids</i>	1	1
48. <i>Chrysomelids</i>	1	1
49. <i>Chrysomelids</i>	1	1
50. <i>Chrysomelids</i>	1	1
51. <i>Chrysomelids</i>	1	1
52. <i>Chrysomelids</i>	1	1
53. <i>Chrysomelids</i>	1	1
54. <i>Chrysomelids</i>	1	1
55. <i>Chrysomelids</i>	1	1
56. <i>Chrysomelids</i>	1	1
57. <i>Chrysomelids</i>	1	1
58. <i>Chrysomelids</i>	1	1
59. <i>Chrysomelids</i>	1	1
60. <i>Chrysomelids</i>	1	1
61. <i>Chrysomelids</i>	1	1
62. <i>Chrysomelids</i>	1	1
63. <i>Chrysomelids</i>	1	1
64. <i>Chrysomelids</i>	1	1
65. <i>Chrysomelids</i>	1	1
66. <i>Chrysomelids</i>	1	1
67. <i>Chrysomelids</i>	1	1
68. <i>Chrysomelids</i>	1	1
69. <i>Chrysomelids</i>	1	1
70. <i>Chrysomelids</i>	1	1
71. <i>Chrysomelids</i>	1	1
72. <i>Chrysomelids</i>	1	1
73. <i>Chrysomelids</i>	1	1
74. <i>Chrysomelids</i>	1	1
75. <i>Chrysomelids</i>	1	1
76. <i>Chrysomelids</i>	1	1
77. <i>Chrysomelids</i>	1	1
78. <i>Chrysomelids</i>	1	1
79. <i>Chrysomelids</i>	1	1
80. <i>Chrysomelids</i>	1	1
81. <i>Chrysomelids</i>	1	1
82. <i>Chrysomelids</i>	1	1
83. <i>Chrysomelids</i>	1	1
84. <i>Chrysomelids</i>	1	1
85. <i>Chrysomelids</i>	1	1
86. <i>Chrysomelids</i>	1	1
87. <i>Chrysomelids</i>	1	1
88. <i>Chrysomelids</i>	1	1
89. <i>Chrysomelids</i>	1	1
90. <i>Chrysomelids</i>	1	1
91. <i>Chrysomelids</i>	1	1
92. <i>Chrysomelids</i>	1	1
93. <i>Chrysomelids</i>	1	1
94. <i>Chrysomelids</i>	1	1
95. <i>Chrysomelids</i>	1	1
96. <i>Chrysomelids</i>	1	1
97. <i>Chrysomelids</i>	1	1
98. <i>Chrysomelids</i>	1	1
99. <i>Chrysomelids</i>	1	1
100. <i>Chrysomelids</i>	1	1

	June 5, 1940	June 12, 1940
GRAINS (per bushel)—	Cents	Cents
Wheat, Chicago, July.....	79½	82½
" Winnipeg, July.....	74½	73¾
Maize, Chicago, July.....	62½	63½
Oats, Chicago, July.....	33¼	33¼
Rye, Chicago, July.....	44½	44½
Barley, Winnipeg, May.....	36½	37
METALS (per lb.)—		
Copper, domestic.....	11-50	11-50
Lead, N. Y., Straits, spot.....	54-12½	57-00
Tin, N. Y., spot.....	5-00	5-00

	June 5, 1940	June 1, 1940
METALS (per lb.)—	Cents	Cents
Spelter, East St. Louis, spot ..	6 25	6 25
MISCELLANEOUS (per lb.)—		
Cocoa, N.Y., Accra, July	4 54	4 66
Coffee, N.Y., cash—		
Rio, No. 7	518	518
Santos, No. 4	73	73
Cotton, N.Y., Am. mid., spot	10 18	10 85
Cotton, Am. Mid., June	9 67	10 37
Cotton Oil, N.Y., July	5 95	6 24
Lard, Chicago, July	5 12½	5 55

MISCELLANEOUS (per lb.)		June 5, 1940	June 12, 1940
—cont.			
		Cents	Cents
Petroleum, Mid-cont. crude		102	102
per barrel			
Rubber, N.Y., smkd. sheet spot		21	22½
Do. do. July-Sept.		20	21½
Sugar, N.Y., Cuban Cent.,			
96 deg. spot		2 70	2 68
Sugar, N.Y., 96 deg. No. 4,			
f.o.b. Cuba, July		1 22	1 22½
Moving Index of staple com-			
modities, Dec. 31, 1931 = 100		152.8	157.4

(000's omitted)

(000's omitted)												
MAY, 1940	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
ASSETS	£	£	£	£	£	£	£	£	£	£	£	£
Coin, bank notes and balances with the Bank of England	47,847	2,309	9,714	3,425	42,841	12,899	55,852	3,355	36,648	37,702	4,421	257,013
Balances with and cheques in course of collection on other banks in Great Britain and Ireland	14,664	660	2,850	3,320	10,924	2,024	14,294	299	8,628	11,720	2,181	71,564
Items in transit.....	20,772	5,520	6,066	4,855	5,255	2,004	24,952	2,675	16,942	24,350	8,378	143,654
Money at call and short notice	80,374	2,445	13,394	1,024	76,288	12,714	110,019	1,302	54,903	53,030	3,234	408,727
Bills discounted	104,852	6,816	30,067	14,877	109,316	36,060	121,927	14,624	79,515	102,885	12,254	635,142
Investments	200,506	9,290	31,590	9,133	165,333	44,815	209,227	17,086	132,821	130,899	13,491	964,281
Advances to customers and other accounts	..	..	..	..	..	..	..	..	..	..	..	..
Liabilities of customers for acceptances, endorsements, etc.	16,928	672	4,285	4,507	32,404	9,033	17,950	176	11,953	19,666	2,321	119,895
Bank premises account	8,089	412	1,593	740	7,459	2,775	9,742	572	7,347	5,394	1,022	45,145
Investments in affiliated banks and subsidiary companies.....	6,276	...	...	...	3,670	...	8,101	...	2,514	2,992	...	23,553
	500,308	28,124	99,559	41,881	477,254	127,704	572,064	40,089	351,271	388,728	47,302	2,674,284
Ratio of cash to current, deposit and other accounts...	10·49	9·07	10·88	9·65	10·21	11·63	10·61	9·35	11·40	10·76	10·47	10·65
LIABILITIES												
Capital paid up.....	15,858	1,000	2,976	1,060	15,810	4,160	15,159	1,500	9,479	9,320	1,875	78,197
Reserve fund.....	11,250	1,000	2,976	530	9,500	3,600	12,410	1,160	8,500	9,320	900	61,146
Current, deposit and other accounts	456,272	25,452	89,322	35,474	419,533	110,892	526,545	35,897	321,339	350,407	42,206	2,413,339
Acceptances, endorsements, etc.	16,928	672	4,285	4,507	32,404	9,033	17,950	176	11,953	19,666	2,321	119,895
Notes in circulation	..	..	..	..	7	19	..	1,356	..	15	..	310
Reduction of bank premises account	..	..	..	..	..	..	..	..	..	..	..	..
	..	..	28,550	41,881	477,254	127,704	572,064	40,089	351,271	388,728	47,302	2,674,284

(a) Interim dividend. (b) Final dividend. (c) Last two yearly dividends. (d) Worked on 9% basis. (e) Allowing for exchange. (f) Flat yield
(g) Worked on 22½% basis. (h) Yield on 4½% basis. (i) Annas per share. (j) Yield worked to average redemption—end 1960. (k) Based on redemption at price
in 1946. (l) Yield based on 75½% of coupon. (m) Including bonus of 5% free of tax. (n) Yield on 1-52½% basis. (o) For 15 months to December 31, 1939. Also call
dividend 10 per cent. out of capital reserve. (p) Yield based on 43% of coupon. (q) Yield worked on 15% basis. (r) Yield on 2½% basis. † Free of Income Tax.

BANK OF NEW ZEALAND

Incorporated with Limited Liability in New Zealand by Act of the General Assembly, 29th July, 1861.

Abridged Balance Sheet as at 31st March, 1940.

LIABILITIES			ASSETS		
	£	s. d.		£	s. d.
Capital—			Coin, Reserve Bank Notes and Deposits with Bankers	10,825,108	16 8
Preference Shares issued to the New Zealand Government	1,875,000	0 0	Notes of Commonwealth and Fijian Governments and Samoan Administration	85,493	0 0
C Long-Term Mortgage Shares issued to the New Zealand Government	234,375	0 0	Balances due by Other Banks	154,930	0 0
D Long-Term Mortgage Shares	468,750	0 0	Money at Call and Short Notice, Government and Other Securities, and Bills Receivable in London and in transit	6,241,132	2 5
Ordinary Share Capital	3,750,000	0 0	Investments in Government, Municipal and other Local Bodies' Securities in New Zealand and Australia	9,238,877	10 10
	6,328,125	0 0	Remittances in transit between Branches	1,869,458	18 7
Reserve Fund (Invested in British Government Securities)	3,575,000	0 0		28,405,000	7 0
Long-Term Mortgage Debenture Stock	500,000	0 0	Bills Discounted and other Advances and Securities and Debts due to the Bank	22,959,595	18 3
Notes in Circulation	627	0 0	Landed Property, Premises, etc.	753,158	13 11
Deposits	36,422,293	4 11	Liabilities of customers for acceptances, per contra	75,988	16 8
Balances due to Other Banks	22,286	0 1	Long-term Mortgage Department	1,203,125	0 0
Bills Payable and Other Liabilities	4,981,663	19 4			
Reserve for Taxes	426,000	0 0			
London Office acceptances under credits	75,988	16 8			
Transfers from Long-Term Mortgage Department	391,715	8 6			
PROFIT AND LOSS					
	£	s. d.			
Net Profit for Year	580,928	8 4			
Brought forward from last year	385,602	5 6			
	966,528	13 10			
Less Interim Dividend	293,359	7 6			
Balance of Profit and Loss Account	673,169	6 4			
	£53,396,868	15 10		£53,396,868	15 10

LONG-TERM MORTGAGE DEPARTMENT.

LONG-TERM MORTGAGE FUND—			Loans		
	£	s. d.		£	s. d.
Capital	703,125	0 0	Transfers to Bank	811,409	11 6
Debenture Stock	500,000	0 0		391,715	8 6
	£1,203,125	0 0		£1,203,125	0 0

London Office: 1 Queen Victoria Street, E.C.4.

THE SUMITOMO BANK, LIMITED

(Incorporated in Japan)

Head Office: OSAKA, JAPAN

Capital Subscribed ... Yen 70,000,000.00
Capital Paid-up ... Yen 50,000,000.00
Reserve Fund ... Yen 52,000,000.00

HOME OFFICES:—Amagasaki, Fukuoka (2), Hiroshima (3), Kobe (3), Kokura, Kumamoto, Kure, Kurume (2), Kyoto (3), Moji, Nagoya (2), Niihama, Okayama, Onomichi, Osaka (30), Shimonoseki, Tokyo (20), Wakamatsu, Wakayama, Yanai and Yokohama.
FOREIGN OFFICES:—Dairen, Shanghai, London, New York, San Francisco, Los Angeles, Seattle, Sacramento and Honolulu.
OFFICES IN PACIFIC LINERS:—M.S. "Asama Maru," M.S. "Kamakura Maru" and M.S. "Tatsumi Maru."

Correspondents in all important places at Home and Abroad
London Office: 67 BISHOPSGATE, E.C.2
Telephone: London Wall 4955 (2 lines).

M. MAYE, Manager.

TERMS OF SUBSCRIPTION TO THE ECONOMIST

	INLAND		OVERSEAS	
	£	s. d.	£	s. d.
12 Months	2	18 0	3	1 0
6 Months	1	9 0	1	10 6

Cheques to be made payable to The Economist Newspaper Ltd.

PUBLISHING OFFICE:

8 BOUVERIE STREET, LONDON, E.C.4.
Telephone: Central 8631

THE SOUTH AFRICAN JOURNAL OF ECONOMICS

(Published Quarterly for the Council of the Economic Society of South Africa)

Editors: S. HERBERT FRANKEL R. LESLIE
Joint (Business) Editor: C. S. RICHARDS

CONTENTS OF VOL. 8, No. 1

MARCH, 1940

MONOEXPORT IN AFRICA C. J. Robertson
SOME NOTES ON THE DISTRIBUTION OF MEAT IN DURBAN WITH SPECIAL REFERENCE TO BEEF I. G. Halliday

ECONOMISTS' PROTEST: THE OPERATION OF THE WHEAT MARKETING SCHEME, 1938-1939: MEMORANDUM OF OBJECTIONS Thomas H. Kelly, H. M. Robertson, G. P. Thirley, Sheila T. Van Der Horst, and Professors W. H. Hunt and R. Leslie

NATAL AND INDENTURED INDIAN IMMIGRATION I. G. Halliday

NOTE ON THE NATIONAL INCOME OF THE UNION OF SOUTH AFRICA, 1927/28, 1932/33, 1934/35 S. Herbert Frankel, S. D. Neumark

Reviews: Official Publications of the Union of South Africa: Recent Periodicals and New Books.

Single copies at 6s. per copy obtainable from the Central News Agency Ltd., and all leading booksellers.

Subscriptions to the Journal, £1 1s. 0d. per annum, and enquiries re advertisement tariffs to the Chairman, Board of Management, P.O. Box 5316, Johannesburg.

Overseas Agents for subscriptions (£1 1s. 0d. per annum) and single copies (6s. each) Messrs. P. S. KING & SON, LTD., Orchard House, 14 Great Smith Street, Westminster, London, S.W.1.

THE ECONOMIST

Vol. CXXXVIII

JUNE 22, 1940

No. 5052

CONTENTS

LEADING ARTICLES

Once to Every Nation	1065
The Fate of France	1066
A People's War	1067
Salvation for India	1068

NOTES OF THE WEEK

Italian Belligerency—	1069
—and Egyptian Non-Belligerency	1069
Russia Makes Hay	1069
Turkey and the Soviets	1069
Bombs on England	1069
Balance Above Ground	1070
Hitler's Monroe Doctrine	1070
Spain Finds Her Non-Belligerent Feet	1070
The French Navy	1070
Financing the Fortress	1071
The Wider Dispersal	1071
Japan Blows Hot and Cold	1071
The Empire Fights On	1072
The Spectre of Famine	1072
Welfare Organisation	1072
Milk—Free and Cheap	1073
Social Research in Merseyside	1073
Soviet Manpower	1073
Shorter Notes	1073

THE WORLD OVERSEAS

Russia's Baltic Policy	1074
Canada Goes All Out	1074

THE WORLD OVERSEAS—cont.

Occupied Holland	1075
The Mood of Eire	1076
Steel Drive in Italy	1076
British Opportunities in Chile	1077

BOOKS AND PUBLICATIONS

THE BUSINESS WORLD

LEADING ARTICLE

Defending Gilt-Edged	1079
----------------------	------

FINANCE AND BANKING

Prospects for Funding	1080
The Demand for Bills	1080
The Fate of French Balances	1080
Migration of French Banks	1081
Holland Joins the Allied Bloc	1081

INVESTMENT NOTES

Equities Take the Strain	1081
War Loans Without Interest	1081
Dealings Suspended in Restricted Securities	1081
E.P.T. and Wasting Assets	1082
Canadian Loan Requisition	1082

COMPANY NOTES

John Brown Report	1082
Guest Keen and Nettlefold Report	1083

COMPANY NOTES—cont.

Lever and Unilever Rearrangements	1083
B.E.T. Dividend Decision	1083
"Shell" Shock	1084
Whitehead Iron and Steel	1084
London and Thames Haven Reconstruction	1084
Electric Cable Profits	1084
June Kaffir Dividends	1084
THE STOCK EXCHANGES	1085
CAPITAL ISSUES	1085
SHORTER COMMENTS	1092

INDUSTRY AND TRADE

France's Raw Materials	1086
Mineral Resources of French Empire	1086
France's Oil Position	1086
Italy's Metal Supplies	1086
Overseas Trade in May	1087
Coal Exports	1087
Exports of Wool Textiles	1087
Increasing Cotton Output	1087
Farm Wages and Prices	1087
The Fur Trade in War	1088
COMMODITY AND INDUSTRY NEWS	1088

COMPANY MEETINGS

COMPANY MEETINGS	1089
CURRENT STATISTICS	1093

Once to Every Nation

BRAVE words are cheap. We have had too much already of the frantic boast and foolish word; let us test each sentence to be sure that we do not deceive others about our intentions or ourselves about our powers. For never in the long history of the British race has there been a more momentous decision to take—a decision which every citizen must help in taking and help in carrying out. This is our moment to decide—the moment that comes but once to every man and nation.

There can be no doubt about our decision. We must fight on. We have pledged ourselves before all history to save Western civilisation from the menace of Nazi barbarism; we are in no way released from our bond merely because the menace has grown larger. To give up the struggle now would be to admit for all time the truth of the jibe that England is ready to fight to the last Frenchman.

The arguments of honour would, indeed, lead to the conclusion that we must fight on however desperate the outlook. The Prime Minister told the country in his broadcast speech on Tuesday that he would be of that opinion even if the odds against us were infinite. Fortunately, however, there are arguments of expediency to fortify hearts that are less stout than Mr Churchill's. Not only should we fight on; we can do so with high hopes, soundly based, of ultimate success. This island is now the frontier bastion of liberty; but it is not the last fortress. We have accepted the great sacrifice of the Czechs, the Poles, the Norwegians, the Dutch, the Belgians—and now the French. They have laid down their lives and their liberty to gain time for us; could we do less to give the Americas time to stretch out a hand and take the torch from us?

But matters are not at so desperate a pass. There are many sound reasons for hoping that we can not only win the war for liberty, but hold its English bastion. Before Hitler can gain control of this island he must either bomb

us out or starve us out or drive us out. The bombing has already started, but our defences are strong and we can retaliate with a force that will constantly grow. Hitler has been trying since September to starve us out, with the result that there is probably more food in the country now than ever before. The only trick that has not yet been tried in force is the bombing of our ports; and a port is a small target to attack and a small area to defend. As for driving us out, the one thing that we might possibly not possess the means to repel—the landing and continuous reinforcement of a large and heavily armoured force—is the one thing for which Hitler, who has no Navy, is not equipped.

The chances of war are infinite, and Hitler has a way of upsetting the rules. But at least we are not deluding ourselves, as General Gamelin did, with a tactical theory; we are comforting ourselves with physical facts, such as the difference between land and water. We cannot exclude the possibility that Hitler may be such a skilful military alchemist that he can interchange the elements, but the burden of evidence, weighed dispassionately, gives us every chance of resisting with success. Resistance, admittedly, is not itself victory, though it is an essential prelude. But a draw, if that is what it comes to in the end, will be better than the terms of submission we could now expect from a tyrant drunk with conquest. Moreover, the blockade remains, and though it is unlikely ever to lead to a German collapse, it does set limits of time and extent to Hitler's effort, while we shall form part of the military machine of the free outer world, to whose expansion no limits can be set.

There are no illusions left anywhere about the cost of the victory we are determined to achieve. But there is no flinching from it either. It is our duty and privilege "so to bear ourselves that if the British Commonwealth and Empire lasts a thousand years, men will still say, 'This was their finest hour.'"

The Fate of France

WHATEVER the outcome of the negotiations between France and Germany, the fate of France is for the time being determined. The French people, the freest, most intellectual, most cultured people of Europe, are to pass under the tyranny of a ruler whose chief aim since he achieved power has been to banish liberty, degrade reason and destroy civilisation. The eclipse, however temporary, of France means more to Britain than the military loss of an ally. We lose part of ourselves when France's liberties are trampled underfoot. We know that our reeling Western society has taken one further step towards the abyss of annihilation when the mechanised columns of a slave State can crush out the resistance of a nation whose very name is incorporated in the idea of enfranchised liberty. We grieve with France in this her darkest hour and with all the more resolution we devote ourselves to the task of securing Germany's defeat and her liberation.

The final military collapse was not unexpected. In the first days of the German onslaught on the Weygand Line, the inability of the French troops to dislodge the German army from a number of bridgeheads on the Somme was the preface to the Nazis' powerful thrust on the Western flank of the French army which brought their motorised columns to the Seine and threatened an immediate encirclement of Paris. Before the French could deploy their forces to meet this drive, a virulent attack was launched on the Langres plateau and the French line to the east of the capital was pierced.

The decision to abandon Paris might not have entailed complete disaster had the French troops thereby gained sufficient respite to reach the Loire and establish new positions, even though such a line would have placed the Maginot Line in jeopardy. But an effective withdrawal was made totally impossible by the mass evacuation of Northern France and the cluttering of all the roads to the south with civilians in flight. As it was, the German army caught up the French retreat and German tanks, French supply columns and helpless panic-stricken refugees made a hideous confusion on the roads between the Seine and the Loire.

Neither the piercing of the Weygand Line nor the decision to abandon Paris shook the determination of the Reynaud Government to continue the struggle. M. Reynaud himself pledged his country to carry the fight if necessary "to one of our provinces . . . to North Africa . . . to our possessions in America." But his appeal first to Britain then to the United States to increase both the speed and bulk of their military help was a clear indication of France's desperate straits.

The answer to his appeals was a pledge from Mr Roosevelt to redouble America's efforts in the Allied cause, while Britain despatched all the troops and equipment which she could muster from the wreckage of the Flanders campaign. The military insufficiency of this reply is a tragic commentary on the long months consumed in complacency in this country, and on the time-lag in both democracies between their first realisation of danger and any subsequent mobilisation of their national resources. Britain and the United States, the two greatest industrial nations of the world, could not provide France with enough machines. And all the time the machines of Germany were pouring through the cracks in the disintegrating French line. The Nazi advance guards were in Champagne, they had crossed the Loire, on June 15th came the news that the Rhine had been forced at Neuf Brisach and the Maginot Line outflanked. France's military effort, magnificent and sustained though it had been, was nearing its end.

It was at this point that, with dramatic suddenness, the Reynaud Government submitted its resignation, and late on June 16th a new Ministry was formed under the leadership of the veteran Marshal Pétain, which included many of France's highest military authorities, among them General Weygand and Admiral Darlan. This change immediately gave rise to uneasy suspicions. M. Reynaud, who had sworn resistance to the end, was gone. Yet the

presence of the military chiefs was reassuring, and it was therefore with stunned surprise that Great Britain received the news that Marshal Pétain had determined France "must cease the fight" and had applied to Germany "to sign . . . as between soldiers after the fight and in honour, a means to put an end to hostilities." About the same time it became known that in this hour of extremity Britain had offered France an Act of Union of the most complete and far-reaching kind. It proposed to substitute for the two separate nations a Union based on a common policy for defence, foreign affairs, finance and economics and on immediate and complete interchangeability of citizenship. A single war Cabinet would be set up, the Parliaments would be associated, the two Empires would share equally the burden of arms and the responsibilities of victory. As a proposal, the British scheme was a milestone in the slow journey away from frenzied and stultifying nationalism. As a practical possibility, it depended upon its reception in France. But France's reaction remained in doubt, as did everything else in the first days of the calamity.

The week which has passed has shed only the faintest glimmerings of light on the situation. The two dictators met at Munich on June 19th to discuss the terms to be imposed on France, and the following day France sent her plenipotentiaries to receive the *Diktat*. It was obviously no question now of honourable surrender. The German Press and wireless maliciously recalled the Armistice of 1918 and threatened reprisals. But in France the tone was changing. Marshal Pétain's speech had seemed to imply that France had already ceased fighting. Such was not the case. Their line broken, their armies isolated, their munitions nearing exhaustion, the French carried on the struggle with hopeless but unrelenting courage. The French Foreign Minister corrected the impression that France would surrender on any terms. Only honourable conditions, he said, would be accepted. The armies and colonies of Northern Africa and Syria pledged their fidelity and support. Discipline among the refugees was improving. There were signs that the first shock of collapse had been overcome.

Yet the situation remains very grave. Whatever the fate of all France's armed forces, the Allies are weaker now by the loss of the strong, valiant and highly trained French army, of France's war industries, of our most important foothold on the European continent. The task of defeating Hitlerism is rendered many times more arduous. It must also take years longer to bring about.

Again, whatever the outcome, Germany will now be in physical possession of the soil of France and the Nazis' strained resources will receive the welcome addition of France's annual output of over 30 million tons of iron ore and 683,000 tons of bauxite. France, it is true, is only just self-supporting in food supplies. She has exportable surpluses of grain only in years of exceptional harvest, and this year's crops are poor. This fact, coupled with the serious devastation due to tank warfare, will make France an economic liability from the point of view of food. It is also true that France has to import one-third of her coal requirements and virtually all her oil supplies, non-ferrous metals and textile raw materials, but the stocks are large (some estimates place the oil reserves at about one million tons) and, whatever the difficulties of compelling the industrial system of a conquered nation to work for a hated overlord, the Nazis have their own hideous means of compulsion. We do not know to what extent the French military authorities have been able during their retreat to destroy stocks and plant which would assist the enemy, but the bombing by the R.A.F. machines of oil stores in Rouen and the extreme rapidity of the drive which carried Germany's motorised columns into Le Creusot, centre of one of France's biggest groups of armament factories, suggests that to some extent France's war reserves are falling intact into the hands of the invader.

France has borne the brunt of the military struggle. She has received little help from her neighbour and ally, and

if we point out that a mere 12 divisions was all that we undertook to provide from the start, the French can reply with every justification that it was not at their suggestion, but in spite of their constant complaint, that the number was fixed at so low a level and that so little effort was made during the long months of waiting to increase it by speedier calling-up or greater drive in our armaments production. There can and must be no recrimination. France has fought a gallant fight. If outnumbered in men and machines, she decides that her sacrifices for the common cause have surpassed the limits of her endurance, then we in Great Britain will fully accept the validity of the reasons which have led her to this tragic decision.

Nevertheless, we can plead that no step be taken which will render even more difficult and dangerous the military ordeal which confronts this country. It is not a question either of sentiment or even of treaty obligation. It is true that France and Britain have contracted towards each other a solemn obligation not to conclude a separate peace, an obligation from which, in Mr Churchill's words, we are unable to release France. But it is also true that if France,

by concluding a separate peace, could save her country from ruin and secure such a measure of independence that she could of her own efforts rise again to the stature of a great and free people, then it would be difficult to cavil at her decision, whatever the cost to ourselves.

But clearly France's only hope of ultimate independence lies in our victory. If, hoping to alleviate her present misfortunes, she agrees to terms which in any way jeopardise our chances of success, then she is purchasing temporary relief at the price of permanent enslavement. Whether France continues the struggle or no, Germany's treatment of the French homeland will be merciless. France's best hope is to break in the quickest and most effective way the power of her enslaver, in other words to continue to contribute with all her power to an Allied victory. Her armies in North Africa are undefeated, her navy is intact, her air force battered but still powerful and undaunted. In company with her Ally she can help to spread this war to the seven Seas and the five Continents until all the resources of the world's greatest Empires have been mobilised to wipe Hitlerism from the face of the earth.

A People's War

BRITAIN will fight on, and on Tuesday the Prime Minister told the people why. It is because cold calculation has decided that the defence of these islands is practicable. Beside the trained and equipped fighting men, on whom the chief burden of defence must fall, is the civilian population, over forty millions of them, and it is about their duties in the coming siege that debate has become most keen. Clearly their rôle is crucial. They can buttress or undo the work of the fighting men. On the one hand, their labours to supply the Forces with weapons and munitions, and to feed and clothe every soul within our frontiers, are the foundation of the national effort. On the other hand, as tragic experience has shown in France and Flanders, their behaviour under fire may determine the very issue of the conflict.

The wish to serve is unanimous among civilians. There has been an outcry, in the Press and wherever men meet to talk, for an immediate *levée en masse*, for the calling up now of every able-bodied man not busy on war work, even for the arming at once of the whole population. The reasons for these demands are plain. They are due to the deficiencies in manpower revealed in the great battles the Allies have lost and to the perils that are now imminent in Britain. They represent a civilian revolt against military failures and a determination, by making this what is called a People's War, to prevent the happening here of the civilian tragedies witnessed on the Western Front.

The outcry is understandable—even laudable. It is true that the key to future successes must be the better and fuller use of Britain's manpower, first and foremost now in the factories. But the lessons of the war so far are still imperfectly understood. Every man must, indeed, be used wherever he can be useful and effective, whether at work or in battle, but the Nazis cannot be driven back by amateurs, by bill-hooks and staves and broomsticks. The Allies were beaten in France by superior equipment and better training in more effective tactics, and it would engender a false, and possibly fatal, sense of security if our chances of success now were measured merely by the counting of heads.

We can only call up for military service the men we can train and equip. That is hard fact. To arm untrained civilians with simple firearms—quite apart from the fact that all the arms we have are needed for instructed soldiers—would be to invite their destruction at the hands of ruthless and heavily armed invaders, and to court defeat.

The voluntary physical training scheme now set on foot for men of military age is a good start. There are many labour tasks and fatigues, now done by soldiers, that might be done by civilians not on war work. There is room in our city parks for exercise and drill; they should be made compulsory for all. But these steps will not make soldiers

capable of holding ground. They are only preliminaries. And it would be a national tragedy to rely upon anything but instructed firepower and mobile armour for the country's defence.

The rate of registration for military service is being accelerated. More important, the rate of calling-up for actual training is to be speeded up something like five-fold. If the Ministers of Supply and Labour, Mr Morrison and Mr Bevin, can give these men the arms and mechanised weapons they must have, the steady flow of trained recruits may in time accumulate the effect of an ordered *levée en masse*; every source of supply for Tommy-guns, grenades, tanks and planes is now being combed, including Russia. There is the plainest room for extending and intensifying the whole scheme of training for the Forces. Nevertheless, training, equipment and tactics—these are the limiting factors, and no amount of enthusiasm can burst their bonds. To deal with wreckers from the air, no less than to repel boarders at our coasts, heavily armed, extremely mobile and subtly disposed bodies of troops are needed. Anything less will stop nothing; and to arm housewives with hand grenades, as has been suggested, would be to add nothing to our ability to resist an invasion but to make certain that it would be a massacre. Let us by all means demonstrate the courage of every last citizen. But let us not lose our heads.

To say this is not to deny that the only sure defence is to make this a nation in arms. It is only to admit, quite frankly, that we are burdened with the legacy of a slothful past, to confess that we still lack the wherewithal to arm many more troops effectively. The popular instinct is sure and right in its view that total war, brought to our own shores, requires the mobilisation (for work or fighting) of every able-bodied man between, say, 16 and 60 years of age; and the need to raise the rate of war supplies to make this process possible is bitterly urgent.

Indeed, one might go further and say that the time has come to abandon the voluntary principle altogether in national defence. A resolution adopted by an all-party meeting of Members of Parliament this week makes this point. It is an anachronism, with grave danger in it, that the Ministry of Home Security should only this week have put out a pamphlet of advice on invasion which leaves it to factory managers, shopkeepers and garage proprietors to organise some system of protection for their premises—for themselves without compulsion. And it is similarly perilous to allow ourselves, for instance, to regard the Local Defence Volunteers as an effective striking force, instead of the invaluable observers and obstacles they should prove to be. It is a welcome augury of fresh firmness that travellers are now instructed, and no longer simply asked, not to visit the defence areas between the Wash and Sussex.

Military training for all—outside the war workshops

whose output is the core of our defence—for whom we can furnish supplies; military discipline and instructions for all who have defence duties to perform—these surely are the principles of policy for a nation preparing for siege. And, for the rest, the civilian's duty is not spectacular. It is simply to obey orders, orders that must be given now. Rightly, the Ministry of Home Security has told civilians to "stay put if invaders come," to remain where they are, and give what aid is asked to the military authorities. Everyone in a danger zone who should be evacuated should be instructed to go now; but chaotic, unorganised evacuation might well be the instrument of defeat, as it was in France, if refugees in flight were to block the roads and impede the swift, free movement of troops which is a chief weapon of defence. The feeling that ten miles away is safer than where one is may be very natural, but it is quite unsound. The time has surely come when, even apart from the need to conserve fuel supplies, private motoring for any but quite essential purposes should be stopped and long-distance travel sharply restricted. The means of panic flight must be taken away.

The old-style evacuation from crowded areas vulnerable

Salvation for India

THE elements of the Indian problem are clear and wearisomely familiar. Congress saw in the war an opportunity to constrain the British Government into con-
vinving at the establishment of what would have been virtually Congress Party dictatorship—disguised in parliamentary forms. The other great party in India, the Moslem League, fearful that the British, for the sake of peace and out of weariness with the whole Indian problem, would yield, made it clear that, if that happened, it would adopt unconstitutional means of obstruction. Furthermore, it took a leaf out of the book of Congress in adopting a policy of co-operation—in saying, that is, that it would refuse to co-operate with Congress. This is the significance of the Moslem League resolution on the setting up of independent Moslem States which it passed at its recent Lahore conference. In default of co-operation between Congress and the League, a constitution for a united India becomes unworkable.

The Congress tactics have surprised those who sympathised with its national ideals, who admired its past endeavours, and who had in the past two years watched with admiration the working of the seven provincial Congress Governments. These friends have been bewildered and embarrassed, as by the sudden development of eccentricities in an old and respected friend. By a leadership which it would not be too strong to describe as crazy, Congress has thrown away the commanding position which it had built up in the country, converted Mr Jinnah from a comparatively minor politician into one who, as Hyder Ali once over the Carnatic, looms like a thunder cloud over all India, forfeited much of the sympathy of Great Britain, and jeopardised the unity of India. Moreover, though it professes to outdo all others in its detestation of Nazism, Congress could not, until very recently, have conducted itself in a way which better suited Hitler's book.

About the reason for this strange and unexpected behaviour it is hard to be precise. It may be that Congress leaders have been so misinformed about sentiment in London that they believed that, by maintaining their pressure long enough, they could force London to capitulate—even though such capitulation meant the appalling risk, or even the certainty, of communal civil war. It may be, as is sometimes suggested, that they were fatally misled in this respect by the unhappy visit of Sir Stafford Cripps. It may be that they built upon the coercive power of American opinion, which is uninformed about the Moslem viewpoint and, since the publication of Gunther's book, "Inside Asia," is convinced that Jawaharlal Nehru is a kind of Asiatic demi-god. Or it may merely be that, after two years of office and great power, Congress leaders have been carried away by a kind of Hitlerian megalomania.

What has been the rôle of Mr Gandhi in these trans-

to air attack has still good grounds, better grounds than ever, as this week's widespread bombing raids have plainly shown. The removal of children and non-workers, not only from air targets but from the coastal areas where the enemy may seek bridgeheads, may aid defence, if it is done now and by order. Plans are already prepared to move people from areas likely to become the scene of military operations. It is for the Government to decide, not parents or individuals; and it would be shirking of public duty to hold, as Mr MacDonald hinted last week, that compulsion is not feasible. The Government must make up its mind what amount of movement is practicable and desirable (it may, in fact, at this stage, prove to be only small); then, having ordered and arranged it, the Government should permit no more. There must be no delay; "go now or never" must be the rule.

A nation in arms is not yet a practicable proposition, though vast defence forces are and more arms should flow in fast. Defence is a soldier's task. A nation at work and under orders is possible—and imperative. To achieve this will be the acid test both of the Government's decision to fight on and the people's wish to serve.

actions is one of the enigmas. Those who still respect his statesmanlike instincts are inclined to think that he has been in the position of the gentleman at the Paris Revolution in 1848 who, found wandering alone in a back street, cried out: "Where is the crowd? I am their leader. I must not be left behind"—though it is only fair to add that Mr Gandhi, like other individual Indian leaders, seems to have been startled into greater reasonableness by recent developments in Europe. The growing danger of their own position is being borne in upon Indian Nationalists. India is becoming alive to the need for putting her house in order and for strengthening her defences. Congress has markedly stiffened its attitude towards Germany. Hostility towards Nazism is greater than ever. But it is still opposition to Germany, rather than support of Britain, that is stressed.

Meanwhile, the task of repairing the damage falls to Great Britain. For, as much as Congress, we are interested in the unity, contentment and good government of India. Our task is therefore to guide both Congress, with its heady and reckless mood and its amateurish and infatuated notions about tactics, and the Moslem League, in its long-headed determination to make the most of the mistakes of Congress and to remove all possibility of government by a Congress majority, in such a way that they do not fly at each other's throats. On the contrary, they must come together once again on the basis of co-operating in a coalition government of India.

The task is appallingly difficult, but not hopeless. In all camps there is a strong body of opinion alarmed by the drift of events, exasperated by the follies of the extremists, and ready to call a plague upon both houses. At present, these sections are ineffective because they are disunited and have no common programme. One of the most disturbing features of the situation is a bankruptcy of thought, a despair on all sides of being able to formulate any policy or suggest any compromise which might stop the drift to calamity. But if proposals could be submitted, moderate, reasonable, and practicable, they might well rally all this broad central section of opinion, with the result that the atmosphere would become favourable to discussion and compromise. Extremism would be put at a discount.

Here surely is a chance for British intervention. What is needed is a great intellectual effort, first to devise the principles of a constitution (perhaps involving very radical amendments of the Act of 1935) which would assure all parties of a share in the central Government and none of a monopoly of power; and, secondly, to commend the solution thus arrived at to a sufficient body of opinion in both camps to provide a backing in the country for a revival of constitutional government. Such an initiative might possibly come less effectively from the Government

than from private agencies, from eminent individuals, from research and study institutions. It is impossible not to feel surprised at the way in which these agencies in England have recently ignored the Indian question; and, in blaming Congress, it is fair to attach scarcely less blame to the British intellectual public which has left Congress to its own devices.

The British Commonwealth, if it means anything at all, should mean a common intellectual life, and inter-communion of minds, a mutual awareness of ideas, and action guided by deliberation in which all participate. To bring about this state of affairs as far as India is concerned,

Great Britain seems to have made the slenderest efforts. India is the intellectual desert of the British Empire, and Congress, for all its folly, can be excused for its ignorance of the ideas informing Commonwealth policy, since so few have troubled to expound them on Indian soil.

A happy issue of the present crisis can hardly come about except as the result of the joint labours of British and Indian statesmen, constitutionalists, students and publicists. From this co-operation might well grow the common intellectual life and common point of view which would be the surest guarantee of India's continuing connection with the British Commonwealth.

NOTES OF THE WEEK

Italian Belligerency

The suspicion that Italy had yet another type of belligerency up her sleeve has been confirmed by the week's events. Allied bombers have attacked Milan and Turin, but Italy has taken no reprisals. Reports from the Mediterranean suggest that, apart from some slight submarine activity (our losses have included *H.M.S. Calypso*, a veteran cruiser on the retired list), the Italian navy has not left its bases; and the warfare in Africa appears to be developing very favourably from our standpoint, while meeting with only limited opposition. Italy has been either unable or unwilling to submit our bases to severe punishment, whereas the Italian air force operating in Africa has gone through a gruelling week. This may be belligerency, but it is so far of a very pallid kind. It is possible that Hitler has better uses for Italy's war machines than to risk them in the hands of their own personnel, or very possibly this 'canny' period is the prelude to a vast concerted offensive, once French resistance has been finally crushed. But France's powers of resistance may still be effective in the Mediterranean and the Near East, and the Nazis are likely to have their hands more than full in other areas for many weeks to come. Italy's passive belligerency in the Mediterranean may therefore continue.

— and Egyptian Non-Belligerency

Nowhere would this possibility be more welcome than in Egypt, where a situation of extraordinary delicacy has been brought about by the Italian declaration of war. Egypt is frankly unwilling to risk belligerency at this uncertain moment in the war, yet she feels compelled to fulfil her treaty obligations to this country and place air and naval bases at our disposal. Italy has retaliated by frontier raids, during which specifically Egyptian objectives have been attacked. Egypt is thus faced with the decision whether or not she should make war. Diplomatic relations are severed, but, over the more drastic step, political opinion is so divided that a Cabinet crisis threatened at one time to develop. For the time being, however, the Prime Minister, Ali Maher Pasha, is likely to remain in office and to pursue a policy of loyalty to the British treaty, combined with the avoidance of any provocation to Italy. Egyptian troops have been withdrawn a certain distance from the Libyan frontier to avoid further incidents. There can be no doubt that our cause is preferred in Cairo as in Ankara. But our physical means of defending it is for the time being in doubt, and until we can put a check to Hitler's sweeping victories we shall continue to pay the penalty of ill-success.

Russia Makes Hay

Russia is steadily pursuing her "reinsurance" policy. Her troops along the German-Polish frontier have been reinforced, 120 divisions are said to be massed on the Hungarian and Roumanian borders, and the week-end has seen the completion of the Soviet occupation of the Baltic States. Early in June, using alleged attacks on Soviet garrisons in Lithuania as a pretext, the Soviet Government began to demand the removal of various Lithuanian ministers and the substitution of a Government subservient to the Kremlin. The demands increased in intensity until, on the night of June 14th, Lithuania received an ultimatum to remove the offending Government and permit a Soviet military occupation of her territory. The Lithuanian Government accepted Russia's terms and Soviet troops marched across the frontier

next day. Having secured her German flank, Russia then turned her attention to Latvia and Estonia, and on June 17th and 18th Soviet troops occupied all the chief centres, while negotiations were opened with the Soviet authorities in Riga and Tallinn to decide the composition of new Governments acceptable to Moscow. It remains to be seen whether Russia will be able to make as full a use of Germany's preoccupation in the West when she turns to the lands lying beyond her southern and western frontiers. Germany's interests are too closely bound up with the Balkan States, and particularly with Roumanian oil, to make a Russian occupation at all feasible, short of war. On the other hand, Germany dare not risk direct intervention in an area which might embroil her with her Russian "friend." Thus, between German pressure and Russian counter-pressure, the Balkans will probably remain neutral until Germany is either so powerful that she can risk Russian opposition or so exhausted that Russia can risk hers.

Turkey and the Soviets

Russia has shown much greater interest in Turkey's policy in recent weeks. Since October last, Turkey has been bound by treaty to France and Britain, and from the first Russia looked on the alliance with some suspicion. Under certain circumstances, it provides for Turkish help to the Allies should they find it necessary to go to the aid of Roumania in accordance with their guarantee. The most obvious form of help would be the opening of the Straits to the Allied Navies, and Russia is determined to keep foreign battle fleets out of the Black Sea. Even if the issue were not Balkan but Mediterranean, a belligerent Turkey would, in the view of Moscow, still offer a certain threat to Russian security, a belief which the tone adopted by the Turkish press during the Finnish war and the accompanying talk in the West of attacks on Baku only helped to confirm. There is therefore nothing unexpected in Russia's diplomatic activity since Italy's entry into the war, and its aim, though undeclared, is obvious enough: to keep Turkey neutral. Russia's pressure has apparently been successful. Although it is over ten days since Italy's declaration of war, Turkey's attitude is still undefined; and now reports suggest that the Turkish Foreign Minister will go to Moscow to complete the negotiations for a non-aggression pact which were broken off last October. If the new conversations follow the lines of the old, Russia may be offering a guarantee of the Balkan *status quo* in return for the abrogation of the Treaty of Ankara or, at the very least, for a guarantee to close the Straits to the Allied Navies. It is difficult to forecast Turkey's reaction, but France's defeat has had an obviously discouraging effect.

Bombs on England

Real air raids have started, though not even yet in full force, and the anxieties that flared up in September, only to die away again, have returned. There is no sense of surprise—which is greatly helpful in meeting the danger—and false illusions about this island's immunity are swiftly fading. Beyond the bombers there is the larger danger of invasion, a realisation which renders the air raids oddly more tolerable; and soon the population will have learned the day-to-day common-sense routine of raided people: to take cover at once and keep still. On Tuesday night, something like 100 bombers raided districts from Yorkshire to the Thames. Twelve people were killed, nine, including six children, in one Cambridge-

shire street; three died; and thirty were injured. An oil pipeline on the Thames was damaged, but the raiders' targets seem to have been our eastern air bases. The attack failed, and a certain seven of the German planes were shot down—in conditions unusually favourable for fighter action. On Wednesday, the raiders ranged more widely. Alarms were sounded from Scotland down East England to the South Coast, in North-West England and in South Wales. Bombs were dropped on the North-East Coast, in Lincolnshire, in the South of England and in Wales. Six civilians were killed and 60 injured; at least three raiders were shot down. This time the objectives seem to have included more than airfields, and it appears sure that these raids have raised the curtain on the many-pointed assault we have so long expected against the nation's vitals.

* * *

Balance above Ground

Mr Churchill forecast early air raids in his speeches on Tuesday, and he gave two reasons for facing them with confidence. Britain's fighter strength, relative to Germany's, was greater now than ever before, and Britain had many bombers. The Prime Minister expected the R.A.F., operating from close home bases, to take heavy toll of any raiders, heavier even than the destruction wrought at Dunkirk, and the events of Tuesday night in a clear, bright sky pointed his prophecy. His reference to Britain's bomber strength was not prophetic. For weeks now heavy bombers of the R.A.F. have been hammering at German communications, key stores and industrial centres far back into Germany; and the people of the Ruhr Valley, the Rhineland and West Germany have already grown to expect what has burst upon Britain this week. Even so, these reasons for confidence furnish no grounds for complacency. Since May 10th aircraft production in every category has exceeded all losses of every kind. More planes are now in use than before Hitler broke loose. This is a tribute to Lord Beaverbrook, Minister of Aircraft Production, and the aircraft industry; and the number of aircraft from North America, now and in coming months, is rising. But Germany is still left with superiority in the air. Concentrated operations over our own soil may enable the R.A.F. to prevent the *Luftwaffe* from making that superiority effective at any particular locality; and the other defences, anti-aircraft artillery, searchlights, balloons, observers and A.R.P., are strong. But the whole future of the war turns upon the balance of power in the air being decisively tipped in our favour; quality we already have in superior measure, both in machines and men; now it is numbers we need. Aircraft gain no ground, it is true. They win no battles. But they can strike at the heart of production; they can bring in wreckers; and, as auxiliaries in naval and military operations, they can blast a way clear for invaders' bridgeheads.

* * *

Hitler's Monroe Doctrine

The collapse of France has removed any lingering doubts the Americans may still have felt about the world-wide scale of the present struggle. If France accepts the spoliation of her Empire, transfers of sovereignty become possible in areas within the United States' immediate sphere of interest. If France continues the struggle in her colonial empire, the theatre of actual warfare is likely to spread to every quarter of the globe. The war has, in fact, become an oceanic and continental war, and, however much Congress may resolve not to "acquiesce" in any transfer of possessions from one non-American Power to another in the Western hemisphere, this Western hemisphere is itself surely and with a quickening tempo being drawn into the struggle, and America realises that to will the end of security is also to will the means. There is now virtual unanimity over the increase in the United States' armed forces. Even such staggering demands as that of Admiral Stark, that the U.S. Navy be increased by 70 per cent., are unlikely to rouse much opposition. There is growing unanimity that "everything except men" must be sent across the Atlantic to assist the Allies. President Roosevelt's telegram to M. Reynaud, in which he promised redoubled efforts to provide the Allies with the machines of war, troubled only the extreme isolationists, a dwindling group. The country, as a whole, accepts the view that the Allies are fighting America's battle, and is ready to recognise that arms sent across the Atlantic will be used in the defence not only of the Allies but of America. The inclusion of two leading Republicans, Mr Stimson and Colonel Knox, in Mr Roosevelt's Cabinet does not have the same significance as a British Coalition. But it is nevertheless a clear indication that Mr Roosevelt's policy holds the country and a promise that it will continue.

German propaganda has therefore taken on a new twist. The pretence is no longer that the war in Europe is of no interest to America, but that any intervention on the part of the United States would come too late to have any effect on the issue of the struggle, and that war material dispatched to an already defeated belligerent is so much waste; let America, therefore, recognise a new version of the Monroe doctrine, "America for the Americans and no Americans anywhere else," and come to terms with the new situation. Europe will be virtually a "centralised German State." Between the two great economic systems of the Old and the New World profitable commercial operations will be possible; the United States might, for example, inaugurate the new era by a vast loan to Germany to enable her to exploit her subject peoples. This propaganda touches only a fringe of the American people. The vast majority agree with the cryptic comment—"that rouses recollections"—with which President Roosevelt greeted Hitler's alleged promise not to intervene in America. The extent and ingenuity of Nazi intrigues in Uruguay, where fully organised "shock troops" have been discovered, is an apt illustration of Hitler's pledge. Against this background of German encroachment, there must be set the proposal to create a vast trading corporation, financed largely by the United States and designed to dispose of the surplus stocks of all the South American States. Centralised control of this sort would put an effective obstacle in the way of Nazi commercial penetration. It is in these terms rather than in terms of German propaganda that the American business world is likely to react to the German challenge.

* * *

Spain Finds Her Non-Belligerent Feet

Spanish non-belligerency has had a successful first week. The occupation of the internationalised zone at Tangier, although it was apparently carried through with the consent of the French and British authorities and was specifically limited to "the preservation of law and order," is hailed in the Spanish Press as a territorial conquest and is obviously whetting Spain's appetite for more. Bills have appeared on the streets claiming Gibraltar, Casablanca, Fez, Oran and Algiers, and the *Giornale d'Italia's* statement that Spain should be given French Morocco has been quoted with exultant approval. That Italy would like to help Spain at the expense of France is obvious enough, but Italy has little say in the matter. Berlin is deciding the extent and nature of any redistribution of French territory, and although the Caudillo appears to have acted as Marshal Pétain's intermediary in the first inquiry on the possibility of an armistice, there is as yet no evidence to suggest that this service was in itself sufficient to earn territorial compensation, even though any territory secured in this way would be held, whether by Italy or Spain, in only very precarious fief. However, whether or no Spain joins the vultures round the body of France, her co-operation with our enemies is surely sufficient for us to study in a very serious light the nature of her non-belligerency. Italy's non-belligerency enabled her to stock her own war reserves and pass on a considerable surplus to Germany. Are we to repeat the same miserable comedy with Spain? The Iberian peninsula is now Hitler's chief avenue to the Western World and the vast supplies of the Americas. We cannot suppose that Spain, simply for the *beaux yeux* of Sir Samuel Hoare, will put a ban on Hitler's vital supplies. The mistake of Italy must not be repeated.

* * *

The French Navy

In strength the French Navy is the fourth in the world, with no superior in the continent of Europe. In the present war, its efficiency has been proved more than once to stand at a higher level than in 1914-18; and its fate now, whether or not it is to stay by its Allies' side and under its British command, is still not sure. A considerable proportion of its material is of up-to-date design, French naval constructors having shown themselves to be both enterprising and resourceful. From capital ships to destroyers their productions have been uniformly successful at sea. There are eight battleships in completed condition, of which five are relics of the last war, though three of these have undergone extensive reconstruction and modernisation. Two of 26,500 tons, completed in 1937-38, the *Dunkerque* and *Strasbourg*, have exceeded a speed of 31 knots and are armed with eight 13-inch guns each; they are undoubtedly better ships than Germany's only two battleships, the 26,000-ton *Scharnhorst* and *Gneisenau*. One new battleship of 35,000 tons, the *Richelieu*, was finished recently but is not yet officially in

service. A sister ship, the *Jean Bart*, was floated out of dry dock in March, and is reported to be nearing completion. A third, the *Clémenceau*, has been building at Brest for 18 months past, while a fourth, the *Gasconne*, should have been begun at St. Nazaire by now, though little progress is likely to have been made with her. There are 18 cruisers of from 5,886 to 10,000 tons, completed between 1926 and 1937; 49 destroyers of from 1,319 to 2,884 tons; 12 sea-going torpedo boats of 610 tons; and 76 submarines of varying types. Exceptionally useful craft are the 29 heaviest destroyers, all well over 2,000 tons (which, under the system of classification at one time obtaining, would have been classed as cruisers). There is also an aircraft carrier of 22,146 tons, the *Béarn*, completed in 1927 and thoroughly refitted in 1935, and a 10,000-ton seaplane carrier, the *Commandant Teste*. Eight modern vessels of 1,969 tons and 18 recently completed *avisos-dragueurs* (patrol minesweepers) of 630-647 tons are other useful units of the fleet. Small craft include over 20 modern submarine chasers of between 100 and 150 tons, and a number of fast motor torpedo boats. French naval personnel, which numbered some 87,000 officers and men when war began, has been expanded considerably since. Compared with French naval man-power in 1914-18, the percentage of long-service ratings is decidedly higher. In dealing with the U-boat menace and in the operations off the coast of Norway the French Navy has shown itself to be keen, well-trained and reliable, and its future rôle in the war is crucial.

* * *

Financing the Fortress

Slowly, the minimum requirements of financial policy appear to be dawning. This is a department of defence in which scandalously little has been done—and that under unremitting pressure—by those formerly responsible. Sir Kingsley Wood told the nation no more than it already knew when he disclosed, on the third reading of the Finance Bill last Wednesday, that a second Budget must be introduced this year. Sir John Simon's Budget, with its round figures and telephone numbers, was out of date even before the Finance Bill was printed. It merely imposed income tax burdens which had already been discounted, and which do not become payable until next year, and postponed for a further period increases in surtax. It introduced the principle—a good principle—of dividend limitation, which has been gratuitously abandoned, though E.P.T. has been raised to 100 per cent. It introduced the proposal for a Purchase Tax, about which nothing has been heard for several weeks. When the Upper House has concluded its consideration of the Finance Bill, this measure, inadequate when it was first outlined on April 23rd, will become law something like two months afterwards. Military events, however, have not moved with the same leisure. The nation is now faced with the most unrelenting and arduous military task which it has ever undertaken. We cannot afford to fight shy of the financial burden which that task dictates, as though by sparing the rod of taxation we could avoid the fundamental economic burden of short commons which all wars, and especially this war, inevitably involve. Our financial strength is an asset if it is fully used. If not, it may become an encumbrance and an anachronism in the total war which is now starting at our very gates. No considerations of normal budgeting.

no questions of institutional privilege, no tenderness towards any section for the wrong-headed purpose of preserving business "confidence," should be tolerated. The nation was ready to be taxed hard before Sir John Simon's Budget, and it was frustrated and disappointed. Sir Kingsley Wood must not lose a similar opportunity.

* * *

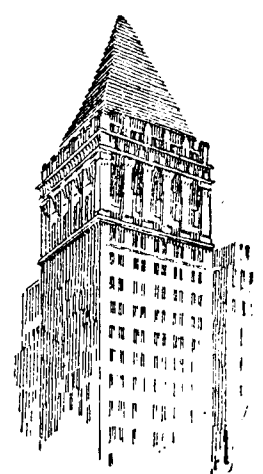
The Wider Dispersal

The Government has adopted the Inter-Departmental Committee's scheme for sending children to safety in the Dominions for the duration of the war, and discussions have already taken place with the Governments concerned to implement it. Briefly, it proposes that a Board should be set up under the chairmanship of Mr Geoffrey Shakespeare, Parliamentary Under-Secretary for Dominion Affairs, who will be assisted by an advisory committee composed of representatives of the various organisations experienced in the migration of children; and similar central organisations are already being set up in the Dominions to administer the scheme at their end. Over here, the Board will receive applications in respect of children between the ages of 5 and 16 living anywhere in Great Britain, including refugee children from Allied countries, and attending any kind of school. Contributions from parents both for the transport and the upkeep of their children will be according to their means. Those of children from grant-aided schools will be asked to make the same contribution towards upkeep as if their children were evacuated in this country, and will receive free transport for their children. Other parents may in general be asked to pay a larger contribution towards expenses and will, in addition, be asked to pay steamship fares at a reasonable migrant rate, although the discretion of the Board may be exercised in respect of these contributions. Mothers will not at first be allowed to accompany their children, although an exception may be made later in the case of war widows, but the children will be escorted by qualified and experienced persons, including doctors and nurses. One question has been answered by allowing parents with friends or relatives in the Dominions to nominate them to receive their children; but, in order that shipping facilities will be adequate to ensure that a fair balance between the various categories of children will be maintained, private evacuation can only take place after the consent of the Board has been obtained. On the basis of the offers already received from the Dominions about 20,000 children could be sent off immediately, of whom half would go to Canada, and these could be sent without any alteration in the present shipping schedules. But it is not intended that there should be any limit fixed at this end, and now that large-scale bombing has begun it is probable that the first quota will be rapidly exhausted.

* * *

Japan Blows Hot and Cold

The Tientsin settlement appears to be more satisfactory than the time at which agreement was reached—in the midst of Britain's enormous difficulties in the West—appeared at first to suggest. The concessions made touch British rather than Chinese rights, and on the crucial question of the £1 million of silver coin and bullion in the



BANKERS TRUST COMPANY

NEW YORK

Complete banking facilities

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

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

Chinese Bank of Communications, the Government of Chungking have been consulted and given their consent to the placing of the money under the joint seal of British and Japanese Consul-Generals at Tientsin, with the exception of some £100,000, which will be distributed for famine relief. Where Britain has given way is in the matter of the policing of the British Settlement, and here there is no question of a breach of faith with a friendly Government fighting for its life. Japan's readiness for compromise on the Tientsin issue does not, however, denote any general change in her attitude towards "East Asia." The collapse of France has brought up in a new and urgent form the question already raised by Holland's eclipse: who is to be the heir of the older Imperial powers? From the Japanese standpoint there is only one answer. Fear of United States intervention was a restraining influence in the Dutch crisis, but the Japanese Government may argue that the United States would be less interested in developments on the Asiatic mainland. A powerful, if secondary, reason for action is the extent to which Chungking depends upon Indo-China to maintain its communications with the outside world. Japan is already demanding that all transit traffic shall cease. The next step may well be an accusation that, in spite of the demand, traffic has not ceased; thereafter the third step—judging by European precedents—will be occupation without delay.

* * *

The Empire Fights On

The Prime Ministers of the Dominions have endorsed Mr Churchill's decision to continue the war, declaring themselves ready "to share our fortunes and to persevere to the end." And in support of this declaration comes more news of the redoubling of the war effort throughout the Empire. Australia and Canada have followed the example of New Zealand in introducing Bills giving the Government complete power over men and property for the prosecution of the war, with the proviso that conscription for military service would not extend to service overseas. But it is in South Africa, which so nearly assumed a non-belligerent rôle last September, that a change of spirit is most clearly seen. The entry of Italy into the war has revived the old hostility which underlay the Union's uncompromising attitude over sanctions; South African aeroplanes, together with Southern Rhodesian ones, have been bombing Italian East Africa from the word "go"; and a South African mobile field force is serving with the British East African forces in East Africa. Of all the Dominions, South Africa, as General Smuts has pointed out in a broadcast, is in the most immediate danger. For as a colonial power France has a greater territorial stake in the African continent than even the United Kingdom, and her suing for peace has brought home to the isolationists the consequences for South Africa if the French collapse were to be followed by a British one. General Smuts has now been assured of the support of many who last September believed that the Union could remain neutral, and his personal position is becoming stronger every day. As officer commanding the Union Defence Forces, this one-time enemy of England is for the second time taking up arms in her cause.

* * *

The Spectre of Famine

The organisation of scarcity has long been one of the chief occupations of the Nazi regime. With each extension of their power over Europe, the area of created scarcity extends, until to-day most of Continental Europe is faced with the prospect of famine. The severe winter, the late spring and the mobilisation of peasant labour for attack or defence

limited, particularly in Western Europe but also in Germany and the Danubian grain lands, both the area sown to food crops and the intensity of cultivation. The tenth of the cereal supplies of Continental Europe that is normally imported across the sea is now shut off by blockade and in the last two months such crops as were growing in Norway, Belgium, Holland and North-Eastern France (the main French cereal district) have been drowned, burnt, shelled, crushed and destroyed. Livestock must also have largely disappeared and equipment been destroyed; and the tragic exodus of refugees that blocked the routes of the French Army bears ghastly witness to the depopulation of once busy towns and well-tended farms. But whether the local population stayed, as in Denmark, or fled, as in France, famine seems their inevitable prospect. Such food as can be spared from the Balkans, together with the herds of Denmark and the rye of Poland, will go to feed the undernourished Germans; and German *Lebensraum* becomes synonymous with starvation, disease and sickening misery.

* * *

Welfare Organisation

On Tuesday the Minister of Labour met the representatives of over 120 voluntary organisations to ask for their help in organising welfare facilities. Billeting arrangements, communal feeding, the care of children and young people, and a wide range of other services clearly require to be organised at once. But with the threat of invasion and heavy bombing, the scale on which these things will have to be done is hard to determine. So long as there is no havoc or ruin, welfare is concerned with services for special classes of the population, such as factory workers, their wives or their children. So long as things remain fairly quiet, the various groups of society can be attended to by different Government Departments, local authorities and other bodies, each with its own resources and limited powers. But in any real emergency, all these piecemeal, departmentalised welfare services would prove either inadequate or unworkable. In the event of invasion, the military authorities would have to take over in the threatened areas, and the organisation of food, shelter and other necessities for refugees would become their responsibility. Meanwhile, Mr Bevin has arranged for the setting up of a National Consultative Council, representing all the voluntary organisations from the Y.M.C.A. to PEP, to deal with welfare under five main heads—health, juveniles, recreation, professional workers and "general." This will be a help. The Minister of Labour now has a sort of Brains Trust, to examine and sift all the ideas coming forward daily from bodies all over the country. Devoted and hard-working people in voluntary organisations who have been burning their hearts out ever since war began will be able to make themselves heard. In the localities also voluntary effort is to be co-ordinated. The Minister of Labour has appointed Chief Welfare Officers to serve on the Labour Supply Committees attached to the employment exchanges in a number of important industrial areas. These officers, responsible for arranging all welfare services in such a way as to assist the Labour Supply Officers in making labour available, will be concerned with the health, feeding and general welfare of workers inside the factories and of their families and dependants outside the factories. Communal feeding, billeting, domestic difficulties, recreation and the care of young people—all will be their responsibility; and they are expected to make the fullest use of every available voluntary organisation in their districts.

*

It is not difficult to think of a great many steps that might be taken. The children of married women recruited for war work might be housed in large suburban dwellings, away from the factories. Arrangements will have to be made for the care of children whose parents have been killed in air raids. Halls could be used as canteens, where well-cooked food could be provided in the evenings for workers whose wives are no longer at home to do the cooking. Feeding problems arise, especially in connection with shift work, which may completely disrupt the domestic arrangements of workers. For many workers to maintain their efficiency under the strain of disturbed living conditions, it is essential for them to be able to find proper sleep and rest; and it may even be desirable to house people in hostels, away from the noisy centres of towns. And there is the organisation of rest periods. In all this there are two vital points. First, the Minister must take almost unlimited powers to get things done. There is a danger that the Chief Welfare Officers and the Ministry as a whole may slip into the pace set by the myriad committees of voluntary organisations. Secondly, the scope of the Ministry's competence should be made clear. In the event of the country being turned into a battlefield,

it will be impossible to leave the frontiers between the local authorities, the voluntary bodies and the various departments obscure. One department, and one only, should give orders, and the others should obey.

* * *

Milk—Free and Cheap

The details of the new milk scheme were published on Thursday. One pint of milk a day will be available at the price of 2d. per pint (the ordinary price will be 4d. from July 1st) for every expectant and nursing mother and for each child under five that is not attending school; there will be no means test or income limit for this service. This allowance of milk can be obtained free if the income of the two parents is less than 40s. per week (with an allowance of 6s. per week for each non-earning dependant) or if the head of the household is receiving unemployment or public relief or a supplementary old age pension. With children of school age getting milk in schools, this bold scheme of the Ministry of Food should do much to improve the nutrition of the rising generation, if, and only if, housewives will co-operate by applying for the milk. The mistakes and carelessness of which the public have been guilty over the sending-in of applications for the new ration books, in spite of clear instructions from the Ministry of Food, emphasise the need for this new health service to be well advertised—officially, by posters and the press, and unofficially by the pressure and advice of social workers, health visitors, doctors and teachers.

* * *

Social Research in Merseyside

The war has dealt a serious blow at social research work, since, for one thing, many research workers have been drawn into the Government service. But such work should not be regarded as a luxury we can easily forgo, for post-war reconstruction will be easier if it can be based upon detailed knowledge of pre-war conditions and the effects of the war upon them. The Social Science Department of the University of Liverpool is, therefore, to be congratulated for continuing its series of studies into the social life of Merseyside. The latest publication gives full statistics of population, trade, employment and unemployment, and rates, and in some cases they are brought up to date to show the effect which the war has already brought about. In a time of approaching labour shortage, the employment statistics are naturally the most interesting. At the outbreak of war the unemployed totalled 80,000, compared with a peak of 101,000 in the depression and 57,000 in the pre-depression years. Out of this 80,000 unemployed, 35,000 may be regarded as normal, 8,400 as the result of the abnormal times common to all parts of the country, and 36,600 as a result of the peculiar character of Merseyside. And of this last figure, 11,400 were in the shipping and shipbuilding industries, 8,900 in transport and distribution, and 6,400 in building and furnishing. In the opinion of the authors of the survey, there can be no doubt that the war is reducing considerably the unemployment in these industries, either directly or by diversion to war work. So far as total unemployment is concerned, its effect is seen in the decline in those registered as unemployed at employment exchanges from 94,667 in February, 1939, to 70,966 in February of this year. But the decline is entirely accounted for by men and boys; unemployment among women and girls rose in the same period from 15,650 to 22,132. Already, however, the labour thus set free by non-essential industries, in which most of the women were employed, is being absorbed; and in April of this year the number of women unemployed was only 33 per cent. greater than in the same month of 1939, compared with 38 per cent. in February and slightly over 40 per cent. in March.

* * *

Soviet Manpower

More details of Soviet manpower at the date of the last census on January 17, 1939, have now become available. Of the 170 million inhabitants of the Soviet Union, excluding territory acquired from Poland and Finland, 61 millions are children under 15 and 71 millions are men and women between the ages of 15 and 39. Thus there are more Soviet children than can be found in all Germany, Great Britain, France and Italy put together; and, as far as the numbers of men of military age are concerned, the Soviet Union could face with confidence the combined forces of all the European belligerents. This Russian superiority in men is, of course, not new, but the gap has grown.

Shorter Notes

In last week's debate on the war services of the Ministry of Health, almost the whole of the time was spent in discussing evacuation. Only one speaker dealt with the emergency hospital scheme in any detail, although the time is rapidly approaching when it will be severely tested. The criticism made was that decentralisation has gone too far—at least, so far as the treatment of air-raid casualties is concerned—and that more attention should be paid to the necessity of ensuring an adequate supply of skilled surgeons in London and other bombworthy places, instead of sending them to await casualties in the country. The experience of Barcelona was cited; and the lesson learned from over 340 air raids by the Spanish surgeon, Professor Trueta, that surgical attention must be immediate or it is often quite useless, should awaken doubts whether we have not concentrated too much on first-aid posts under the charge of one or two general practitioners, where cases will, perhaps, be "doctored," instead of providing facilities for highly skilled surgical aid on which alone the saving of life will mainly depend.

*

The second evacuation of London's schoolchildren is now completed with the removal of 105,000 children of the 120,000 who were registered. But there are still 345,000 children of school age left, and some provision must be made for continuing their education. It is announced that London schools, closed while evacuation was in progress, are to reopen as soon as possible, but instruction will be at the best half time. At the end of May 8.3 per cent. of London's elementary schoolchildren were receiving no instruction at all, 15.9 per cent. were receiving a home teaching service and 42.7 per cent. were having only half-time instruction. Now that precautionary evacuation is at an end, the authorities ought to arrange for enough schools to be open to secure full-time attendance from the children left behind. They will be safer there than in the streets.

* * *

The appearance of the annual report of the Racecourse Betting and Control Board coincides with an announcement that horse-racing under Jockey Club rules is to be stopped until further notice. The recent heated arguments have included greyhound racing; but the Government's view is that the workers' entertainment should be restricted as little as possible, and it has so far been content to restrict greyhound racing to non-working hours. There is certainly no reason on moral grounds why racing should be prohibited any more than cinemas or theatres, and workers will work all the better if they can go to the dogs in their leisure time if they wish. A more serious argument is that scarce materials are consumed. The cancellation of horse-racing is probably mainly due to the use of petrol in transporting spectators; and greyhounds, it appears, eat vast quantities of eggs. But dogs are as rationable animals as men, and the public interest and the public conscience might both be satisfied by cheapening and reducing their diet.



MARTINS BANK LIMITED

EXPORT BUSINESS

Martins Bank can advise on Exchange Control and on financial and economic conditions in the Dominions, Colonies and neutral countries

London District Head Office: 68 LOMBARD ST., E.C.3
Head Office: WATER ST., LIVERPOOL 2

THE BRITISH LINEN BANK

Incorporated by Royal Charter, 1746

Head Office: 38 St. Andrew Square, Edinburgh

OVER 210 BRANCHES IN SCOTLAND

LONDON OFFICES:

City Office: 38 Threadneedle Street, E.C.2
West End Branch: 198 Piccadilly, W.1

THE WORLD OVERSEAS

Russia's Baltic Policy

(By a Correspondent)

FOR the second time in nine months the Baltic States have had to yield to Russian demands, and in both cases the demands came at a time when German armed forces had scored military successes on the battlefields. Russia's new move in the Eastern Baltic is fresh proof of her intention of safeguarding her frontiers against surprise attack from any side, and particularly from Nazi Germany.

The developments in the small Baltic States during the past year were conditioned by the general international situation. The long struggle for centuries between the two great Baltic Powers, Germany and Russia, has become again the driving force behind these important political moves, and Stalin has again shown clearly that Russia is not prepared to tolerate any weakening of her defence on any of her frontiers.

After Hitler's invasion of Prague and Great Britain's guarantee to Poland, the Eastern Baltic States became the main point of bargaining between Russia and the Western Powers. The Soviet Government then expressed their willingness to participate in an agreement with the Western democracies, on the condition that the guarantee given to Poland should be extended to the Eastern Baltic States, and that Russia as a signatory of such an agreement should have the right to establish military, naval and air bases in these countries and safeguard herself in that way against any attack from Germany. The British and French Governments were unwilling to agree to such terms, especially in view of the strong opposition from the States concerned. Meanwhile, Hitler decided to invade Poland, and offered not to interfere with Russian policy in the Eastern Baltic in exchange for the Russo-German pact. The Baltic was then divided into two zones: the Western Baltic, which was left entirely under German influence, and the Eastern part, which the Germans left to the Russians.

Military Agreements

After the German advance into Poland the Red Army occupied the eastern parts of that country up to the Curzon line. The establishment of their garrisons at strategic points in the three Baltic States was achieved, thanks to the foreign policy of Molotoff, with the full consent of the Governments concerned. The arrangement with Lithuania was based on a mutual agreement, according to which Lithuania allowed the Soviets to establish air bases and military garrisons in exchange for the Vilna territory which the Russian forces transferred to them from Poland.

The escape of the Polish submarine *Orzel* from internment in Tallinn on September 18th last year served as a pretext for securing from the Estonian Government a pact permitting Russia to lease military, naval and air bases on the islands Hiiuma and Saaremaa, at Paldiski and at certain points between Tallinn and Parnu. Russia then undertook not to interfere with the internal affairs of Estonia, and a trade agreement was also signed with the intention of quadrupling the commerce between the two countries. On the other hand, Estonia was bound to render military assistance to Russia in the event of aggression or the threat of aggression by any great European power. A similar pact was made with Latvia and Lithuania. Stalin had by these treaties openly revived the policy of Peter the Great and Catherine by opening the window to the Baltic. The same policy resulted in the Russo-Finnish war, which further strengthened the Russian position on the Eastern Baltic, and helped to safeguard the approach to Leningrad.

Germany acquiesced and suddenly reversed her Baltic policy. An order calling on the German-speaking peoples to leave the Baltic States and return to the Fatherland was enforced on pressure from Moscow, and about 80-90 per cent. of the German minority in Lithuania, Latvia and Estonia migrated to Germany, where they were mostly settled in the Polish Pomorze districts and round Gdynia.

No Internal Interference

The relations between the small Baltic States and Russia have since then been normal. The countries felt safe against any German aggression, and Russia fulfilled her undertaking not to interfere in their internal affairs. The garrisons stationed in different places were mostly isolated from the general public, and the members of the Red Army serving in these garrisons were under strict orders not to mix with the local population and not to try to enforce Socialism in the countries where they were stationed.

The closer trade relations which followed greatly improved the economic position of these small States. The new Russian market is a good substitute for the Western European export and import markets. Russia also encouraged greater political and economic collaboration between the three Baltic States and raised no objection to the military alliance between Estonia, Latvia and Lithuania.

Change of Policy

The advance of the German armies on the Western Front however, has changed the Russian attitude towards the three Eastern Baltic States. The Soviet authorities have decided to reinforce further the garrisons stationed there and to make the north-eastern frontiers of Russia impregnable against a sudden attack through the three small countries.

There is no doubt that the three States on the Baltic play the same rôle with regard to Russian safety as the three Northern countries, Belgium, Holland and Denmark, towards the safety of England and France. East Prussia could always serve as a perfect base and springboard for German forces to attack Russia via Lithuania, Latvia and Estonia. The Russian tendency to strengthen her armies in these countries, at a time when the potential aggressor can be only Germany, shows clearly how far Russia distrusts her partner in the non-aggression pact.

The "kidnapping" of a Russian officer has been the direct cause for new demands in Lithuania, the military pact between the Baltic States has served as a pretext for strengthening the Russian hold on Latvia and Lithuania. This time the military demands were coupled with political requests, that new Governments friendly to Soviet Russia should be established in all these countries.

These requests for a change of Government and the tendency to control the political life of the countries concerned are the result of the experience with Fifth Column activities in different countries in Europe. It is difficult to forecast what the future has in store for the three small Eastern Baltic States. One thing is, however, certain; the present Russian move is not directed so much against the countries involved as against Germany.

June 15th.

Canada Goes All Out

[FROM OUR OTTAWA CORRESPONDENT]

THERE is a widespread demand for an enlargement of the war programme, and the King Ministry has responded to it by instalments. It has authorised the recruitment of a Third Division and nine rifle battalions for a Fourth Division; it has decided to accelerate the dispatch overseas of the Second Division, which has been training in Canada, and of reinforcements for the First Division now in Britain; and to raise corps troops for a Canadian corps which is to be formed; it is also organising a veterans' home guard and reserve companies of veterans and increasing the personnel of the Navy.

The Commonwealth air training scheme, which was planned on a long-range basis, is to be speeded up; the construction of its 70-odd training establishments, which was to have been spread over two years, is to be rushed to completion before the end of this year, and 5,000 recruits whose names have been kept on a waiting list are to be called up at once. When the recruits are secured for the new units now authorised, Canada will have about 135,000 men in her military, naval and air forces.

Demand for Leadership

The burdens of the Minister of National Defence have been lessened by the creation of a separate Ministry of Air, and the Ministry of Munitions and Supply is to be given a full-time Minister and armed with very drastic powers to stimulate the production of war materials. The Government finds itself confronted with a rising tide of popular agitation in the English-speaking provinces for more vigorous leadership at Ottawa. It is now beginning to take the form of a demand for a reorganisation of the Federal Government on the lines of the reconstruction which has taken place in Britain, and, since Mr King has always set his face against any coalitions, his retirement is being openly called for in various quarters.

Britain's Unhelpful Attitude

The Opposition groups have been arraigning the Government for its failure to mobilise the industrial resources of Canada for the production of munitions and war equipment on a much larger scale than has been attempted. In reply, Ministers have shown a disposition to blame the non-cooperative attitude of the British Government and British industrialists, and some of the statements which they have made have created a very unfortunate impression throughout Canada. Apparently the military authorities here agreed to the British suggestion that the mechanical equipment of Canada's troops should be identical with the British equipment, so that it should be interchangeable, and this meant that British designs had to be followed. According to Mr Howe, the acting Minister of Munitions, difficulty was experienced in securing these designs. Speaking in the House of Commons on May 22nd he said:—

One of our chief difficulties has been to obtain the latest British designs for mechanical equipment used by our troops. British industry has not been too willing to part with these designs, many of which represent years of study and development by private manufacturing firms. The fact that to date Britain and France have been satisfied to rely largely on their own production and mechanical equipment, and have not been disposed to encourage Canadian production of heavy equipment to the extent of furnishing up-to-date plans and specifications, has undoubtedly prevented Canadian industry from playing its full part in mechanical warfare. I am happy to say that there are now indications that this will not continue.

On May 29th, Mr Howe, answering complaints that no tanks were being manufactured in Canada, told another disquieting story. He said that on October 20, 1939, the British Supply Mission had filed with the Canadian War Supply Board a requisition for 100 infantry tanks Mark III, but specifications and plans were not forthcoming until January 27, 1940. Arrangements were made for the tanks to be constructed at the Montreal shops of the C.P.R., but suddenly, on April 2nd, the requisition was withdrawn on the understanding that there would be a fresh requisition for tanks of a later design. However, up to date there had been no further communication on the subject from Britain. The comments of the Canadian papers upon these revelations have been very severe.

Government Borrowing

The Government has secured authority from Parliament to borrow an additional 700 million dollars for war purposes, and on May 28th the Minister of Finance announced the sale of 65 million dollars' worth of five-year 2 per cent. bonds to the Bank of Canada and the chartered banks, the price being 99.375 per cent. and accrued interest, which makes the yield 2.3 per cent. The proceeds will be used to help the redemption of an issue of 80 million dollars' worth of 1½ per cent. bonds due June 1st. The Government has also announced the details of its plan for the sale of War Savings certificates. They will be issued in multiples of \$5 at a discount of 20 per cent., and as they will be redeemable in 7½ years, they will yield the purchasers 3 per cent. compound interest. There will also be issued War Savings stamps purchasable for 25 cents each, and 16 of these will buy a War Savings certificate for \$5.

Increased Munitions Production

Before the German drive eight Canadian plants had orders for 2½ million shells, but now orders have been given to six more firms and the prospective output of shells increased to 4½ millions; 30 million dollars are being spent on enlarging the capacity of Canada's explosive plants, and contracts totalling more than 40 million dollars have been placed for their products. The primary iron and steel industries are working nearly at capacity, and the output of pig iron and steel for April amounted respectively to 84,210 and 153,451 tons, as compared with 99,752 and 46,254 tons last year, while the production figures for the first four months of 1940 were respectively 367,717 and 617,616 tons, compared with 185,970 and 350,826 tons last year.

May 29th.

Occupied Holland

[BY A CORRESPONDENT]

It is five weeks since the main Dutch armies had to give up all resistance to the invaders. The German air force, which had destroyed half Rotterdam in an afternoon, was threatening to destroy Amsterdam, The Hague and Utrecht as well unless the army surrendered. The military situation was hopeless and, as there was no prospect of sufficient Allied reinforcements, General Winkelman decided to save the lives of the soldiers as well as of the civilian population.

Heavy damage had been done, although the war had only lasted four days. Almost all the important bridges had been destroyed in the centre and south of the country, where fighting had been most severe. Even in the west, there were parts where not a house was undamaged. This was due to the action of parachutists and Fifth Columnists and to the measures taken against them. The devastation cannot possibly be repaired within a few weeks or even months. The situation is still so critical that all children under six have been sent to other parts of the country.

A National Assistance Committee has been founded which will collaborate with the Reichskommissar Herr Von Seiss Inquart and with various other committees. Their object is to give assistance to those whose possessions were destroyed during the war. The wives, children, parents and grandparents of the fallen soldiers—estimated at between 25 and 80 thousand—will have a right to some kind of pension.

According to Dr Fischbach, one of the four German higher officials who act as personal collaborators of the Reichskommissar, there are still some 295,000 unemployed. Dr Fischbach has declared that he will solve the unemployment problem within a short time by prohibiting dismissals and transferring to Germany those who do not find any kind of work in the Netherlands. The reconstruction of the devastated parts of the country will provide work for tens of thousands of labourers.

Rations and Restrictions

The whole Dutch economic system will now be incorporated into the Reich. Stocks of industrial raw materials and foodstuffs will be laid aside for the needs of the German military machine. It is highly significant for the precarious oil position of Germany that one of the first measures taken in the Netherlands was the rounding up of all oil barrels fit for transport. Stocks of petrol are stated to be very low. Only those who have no gas or electricity for cooking may be able to get some petrol for domestic use. Gasoline is scarce. In the provinces of Utrecht and Noord-Brabant a Central Transport Board has been organised to avoid waste of gasoline. The use of private cars is no longer permitted.

The NATIONAL BANK of NEW ZEALAND, Limited

Established 1872

Head Office: 8 MOORGATE, LONDON, E.C.2

Temporary Address: BRAMLEY CROFT, HINDHEAD, SURREY

Tel. No.: HINDHEAD 680

Subscribed Capital	-	£6,000,000
Paid-up Capital	-	£2,000,000
Reserve Fund	-	£1,000,000
Currency Reserve	-	£500,000

The Bank has branches throughout New Zealand and conducts every description of Banking business with that Dominion.

A similar system was inaugurated in Germany shortly after the outbreak of war.

Several measures will be taken to secure for Germany all Dutch agricultural exports. The execution of this scheme is severely hampered by the difficulties of transport, but the Germans are buying lorries on a vast scale. The use of some raw materials, notably oil, rubber and hides, which are particularly important to Germany and whose import is prevented by the British blockade, is to be restricted. Shoes have been rationed. Wooden shoes (*klompen*), the symbol of poverty in some parts of the Netherlands, are produced in increasing quantities. All textile products have been rationed. The same severe restrictions which have existed in Germany since September last year will no doubt be imposed upon the population of the Netherlands. Tea, coffee and bread are rationed, and there are indications of scarcity of food in some parts of the country, probably due to difficulties of transport.

On the whole, the Dutch economy presents the picture of a people which is earnestly trying to make the best of it, to repair the damage done and to restore the economic life of a once prosperous country. There is no doubt, however, that they cannot themselves reap the fruits of their labour as long as the German domination lasts. Reichskommissar Von Seiss Inquart knows his task very well indeed. The Dutch people will have to increase their working hours and to lower their living standard according to the wishes of Berlin.

June 19th.

The Mood of Eire

[BY A CORRESPONDENT]

As the tide of war advances Britain is thrown back for its food supplies more and more upon the resources of the family "estate"—bacon from Canada, butter from New Zealand, eggs from Australia. So confident are we in the British Navy, and so complacent about the ties of Empire, that we are apt to take this for granted, and to treat as of little account the loss of Denmark, and now Holland, as a source of supply.

It is probably not generally realised that the chief contribution to the English breakfast-table is furnished by Ireland—a country whose whole national idiom is flavoured with anti-British sentiment. Northern Ireland supplies its quota of eggs and bacon, it is true, but Eire provides the main contribution. In the year ending 1938 the United Kingdom imported from Eire eggs in the shell to the tune of 22 millions, bacon to the value of £2,188,343, and butter to the extent of 326,604 cwts. These figures compared favourably with the amounts from any other country except Denmark.

Officially, Anglo-Irish relations are excellent these days. And the nation as a whole is no more morally neutral than the United States. For the first time in history Britain is engaged in a war which the mass of Irish people, whatever they may say, want her to win. This does not alter the fact that the centuries-old sense of grievance persists. So long as the problem of partition remains unresolved, the state of mind of the Irish people is a positive danger to Britain's war effort. Three months, two months, ago, Ireland was a playboys' paradise—the only European country where one did not feel the shadow of war. Now, indeed, the pos-

sibility of invasion has dawned on the citizens of Eire. Identifiable Nazi agents are few and discreet; but it is not necessary to give credence to the alarmist stories to appreciate the chances of German intrigue. There is the same ground-work of sentimental idealism, the same complete unreadiness for the craft and stratagems of the new war-making which was to be the downfall of Norway and Holland. At the same time there has been, at any rate until recently, a feeling that Eire should make the most of her economic opportunity.

This, then, is the background of the Anglo-Irish trade conversations in London. The Irish believe our food position to be desperate, while we on the other hand imagine that, because of the utter dependence of Eire on British sea-power, in any economic bargaining we are in a position more or less to dictate our terms.

Dr Ryan has had to tell the Irish farmers that, so far, he cannot get them better prices for butter, nor an increase in the export quota for bacon. Irish delegates in London were pressing for most-favoured-nation treatment, and for a long-term arrangement such as has been denied to our own farmers. Eire, that is to say, is claiming the same standing as Northern Ireland, without being prepared to accept the political status even of a Dominion. (She is already on the "home" price level as regards cattle and pork, and on the same footing as New Zealand in regard to butter.)

This attitude is just typical of the peculiar position of Mr de Valera's Ireland. The President knows his people, and we should be continually thankful to him for his discovery of the talisman of External Association which has unquestionably brought good fortune to Anglo-Irish relations. As things are, psychologically, in Eire there was no other way of ensuring Eire's present condition of benevolent neutrality; and any presumption by Whitehall of Irish loyalty might well have kindled again the flames of civil war.

In existing circumstances, an increase of supplies from Eire is surely vital. British official circles in their dealings with Eire may fairly be asked to relax ordinary "commercial" standards and actively assist Mr de Valera in his efforts for national unity. If we fail to meet him half way we may be sure that sooner or later Eire will go the way of all the other protagonists of "neutrality."

June 12th.

Steel Drive in Italy

[BY A CORRESPONDENT]

THE State holds the controlling share of the steel industry and through the company *Finsider* controlled in 1938 70 per cent. of the ore production, 76 per cent. of the pig iron output, and more than 45 per cent. of the steel production. These figures must since have, if anything, increased, as the various decrees aimed at raising production have mainly benefited the State concerns. *Finsider*, with 1,800 million lire, owns the largest capital of any company in Italy.

A large programme of increased production is to be put into action during this year. According to the autarkic programme, a steel output of 2.5 million tons is to be obtained during 1940, but this figure had already been nearly reached in 1938, and in view of the greatly increased demand can hardly be regarded as adequate, despite far-reaching decrees which forbid the use of steel for private or civilian requirements. Actually, the industry will be able to produce nearly double the quantity.

Improved Raw Material Supplies

The most remarkable fact in the latest annual report of *Finsider*, published last summer, was the statement that the existing capacity of the Italian steelworks had only been utilised to 55 per cent. The reason given was that the ore-producing plants had not kept pace with the growth of the steelworks. On the other hand, the position of Italian foreign currency, as well as the scarcity on the world market, made it impossible to import sufficient scrap iron or foreign ore. Meanwhile, the Italian domestic ore position has greatly improved, largely owing to the Albanian mines, whose ores possess a very high iron content, on an average about 60 per cent. Italy has, during the last few years, preferred ore imports from the Mediterranean countries, which, including Spain, have an average total annual output equivalent to about 6,000,000 tons pig iron. In addition, there has been an increase in domestic scrap iron deliveries.

According to the new production schedule, the "highly autarkic" plants must each produce a daily output of 1,000

tons of steel. Recently, furthermore, a group of comparatively new and small plants has come to the fore which produce steel in electric smelting ovens, thereby helping to make manufacture less dependent on imported industrial coal. These are usually works with comparatively small figures of production, but, owing to preferential treatment with regard to taxation and other concessions, their number will, even during 1940, increase sufficiently to make them of essential importance. Their especial advantage is to be found in the fact that, technically, they can more easily smelt the inferior domestic ores than is possible in the blast furnace of the large-scale concern. The chief incentive to this new construction programme was provided by the new price increase ranging from 8 to 52 per cent., under an order of January 1, 1940, which allows the producer and manufacturer to pass on the increased costs to the consumer.

The control and supervision of the entire change-over process, which will still have to face many difficulties, especially with regard to raw materials, has just been transferred from a committee of manufacturers to the Iron and Metal Corporation, which formerly had had no direct influence on the process of production. By this measure it may now be possible to safeguard the interests of the workers. Such protection is imperative in view of the prevailing tendency to lengthen the working hours and to speed up work.

June 16th.

British Opportunities in Chile

[FROM OUR SANTIAGO CORRESPONDENT]

THE Exchange Control Board has asked all importers wishing to import a large specified range of goods from Great Britain to register their requirements without delay. It is thought that the Board's object is to guarantee supplies of sterling for future imports, or to allow funds to be remitted on placing an order, since there is an ample supply of sterling on the market, and this must be used for purchases of goods from the sterling area. No arbitrage for dollars is allowed. This large supply of sterling, after months of scarcity, has been received through the action of the British authorities in placing large orders, especially for wool and frozen meat. All requests to the Board for sterling to cover imports have so far been satisfied, and a substantial balance remains for future imports.

The time is ripe for British exporters to take full advantage of ruling conditions to replace those markets formerly enjoyed by Germany. Particularly is this so in the heavy goods trade, hardware, metal industries, etc., and no time should be lost in ascertaining local requirements. The light car market opens up an important field which has been dominated by Germany in recent years, but in this case imports are subject to quota. The increased cost of living in Chile has driven people to purchase an economical car. To meet this demand the quota for Italian light cars has been increased, and it only requires effort on the part of British exporters, coupled with an energetic and reliable sales organisation in Chile, to introduce the well-known British counterpart to the Chilean market. Bicycles have become very popular in recent months, and here again there is scope for British manufacturers. It is impossible to overstress the fact that price, not quality, is the ruling factor in the Chilean market.

The demand for coal in Chile has outstripped production, and a Bill was recently passed exempting foreign coal from an import duty in an endeavour to make up the deficiency. A similar step has been taken with regard to cement. In these and other cases there is ample scope for British exporters. The outlook for British trade is helped by the fact that the United States, which is trying to obtain the bulk of Germany's lost trade, has not notably increased its purchases of Chilean goods, and there is, therefore, an acute scarcity of dollar exchange.

Imports from Great Britain into Chile for January and February, 1940, show a small increase over the figures published for the same period of 1939. Exports to Great Britain show a considerable decrease. This poor showing will, however, be rectified when statistics are published for the months of March and April, in which months Great Britain commenced large-scale buying of Chilean produce.

Imports from Germany continue to arrive, and their value during January and February was \$3.6 millions of gold pesos. By comparison with the first two months of 1939, Italy doubled her purchases of Chilean goods.

May 16th.



Think of Great Britain as one great Factory. Working at full pressure its output of goods can be vastly increased. But from this entire output must come both the needs of the fighting services and the requirements of the rest of us. The Services must come first.

The war must be won and in the shortest possible time. This means—and we must face the hard fact—that you and I must go without many of the things we used to enjoy in peace time.

The vitally necessary war supplies must be produced in ever increasing quantities.

The money we don't spend on our own personal requirements and pleasures can then be lent to the Nation to be devoted to Britain's vast war effort.

If everyone with good pay coming in continues to spend on things they can do without, our resources will be in danger of speedy exhaustion. Prices will go rocketing up, and the arming and equipment of our forces will be seriously hampered.

We must make ends meet—but not by the method of burning the candle at both ends.

There is no time to be lost. Lend the full weight of your money to the struggle now. Invest as much as you possibly can in National Savings Certificates, Defence Bonds and in the Post Office and Trustee Savings Banks.

NATIONAL BANK OF GREECE

Established in 1841

Capital paid up and Reserves Drs. 1,205,000,000
Deposits (30th June 1939) Drs. 10,665,000,000

Head Office in Athens.

Branches and Agencies throughout Greece
Correspondents in all parts of the World

Complete international banking service

Books and Publications

Shorter Notices

"Food Production in Western Europe." By P. Lamartine Yates. London. Longmans, Green & Co. 572 pages. 15s. net.

An account of the agricultural development and policy of six European countries—Germany, France, Denmark, Holland, Switzerland, Belgium—in the last ten years. Mr Yates takes for his subject not only the technical and economic changes in agriculture in this period, but also the whole field of rural sociology, including housing, education, distributive margins, retail food prices, agricultural co-operation, rural incomes and comparative standards of living. The descriptive parts of the book suffer from the disadvantages inevitable to the attempt to include such an enormous field within the limits of a single volume, but the necessary compression has been excellently done. In the last section Mr Yates draws his conclusions, which reinforce the age-old dilemma of agricultural policy—the choice between a large rural population at a low standard of life, or mechanised farming with high wages and incomes. But since this book was written, the agriculture of four of these countries lies ravaged and destroyed by mechanised hordes of mental robots bringing desolation and famine in their train.

"Basic Theories of Distribution." By B. F. Catherwood. P. S. King. 262 pages. 12s.

This is an exposition by an American professor of the theories of distribution of Adam Smith, Malthus, Ricardo, Nassau Senior and John Stuart Mill. Mr Catherwood states in his introduction that his intention is to expound their ideas by reference to their own words. His path is beset with difficulties from the beginning. In the first place, the selection of a single subject—that of distribution theory—and the attempt to pass judgment on each author's treatment of that subject alone must encounter the obstacle that not one of them attempted to treat distribution in isolation. Mr Catherwood

takes this fence after a slight scramble. But he falls heavily when he attempts to evaluate these classical doctrines in the light of modern theory. This is a task which requires a sympathetic touch and sound historical perspective, and it is to be feared that Mr Catherwood lacks the first and is not convinced of the importance of the second. There can be no other explanation of the constant intermixture of passages from the original works with comment which is on an entirely different plane of discourse. This method has the dual defect of obscuring the exposition of the original while laying the commentator open to the accusation that he is reading history backwards. The book is excellently printed and illustrated, but is not in any other sense a notably successful work.

"A Railroad Crisis." By William James Cunningham. University of Pennsylvania Press and Oxford University Press. 84 pages. 4s. 6d.

The British railway problem, as it existed before the war began and as it will no doubt re-emerge when the war is over, is merely one instance on the national scale of a world-wide difficulty of economic change in the organisation and methods of transport. This fact is continually illustrated by literature from all parts of the world. Mr Cunningham's book, although it contains no more than a passing reference to British experience, is a forcible illustration of the closeness of the parallel. It includes a historical sketch of the American railroads; an examination of their present plight with one-third of the existing mileage in bankruptcy, one-third on the verge of bankruptcy, and only one-third financially sound; a concise and unequivocal outline of the defects of their present capital structure; and an assessment of remedial legislation in and since the New Deal. The book is outstanding among American studies of practical economic questions in that it is both short and free from any semi-legalistic padding. It will provide a useful guide to reorganisation when the war is over and the tide of artificial prosperity falls back to reveal the stubborn rocks of railway depression.

POPULATION POLICIES AND MOVEMENTS IN EUROPE

by
D. V. GLASS
25/- net

This book begins by examining population movements in England and Wales since the middle of the nineteenth century, and attempts to evaluate the means by which the recent decline in fertility has been brought about, and the general social and economic factors which may have been responsible for the development of the small family of to-day. The major part of the book then discusses in detail the development and present position of population policies in France, Belgium, Italy, Germany, and the Scandinavian countries. An Appendix contains a brief account of the most important statistical methods used in analysing reproductive trends

(27th June)

Oxford University Press

An invaluable reference book for bankers, business men, journalists and all concerned with International Finance and Affairs.

STATESMAN'S YEAR-BOOK 1940

Edited by
M. EPSTEIN, M.A., Ph.D., F.R.G.S.
1526 Pages. With Map. 20s. net.
MACMILLAN & CO. LTD., LONDON, W.C.2

Three Reprints from The Economist

THE ECONOMIC FRONT

Six Articles from the issue of December 9, 1939

THE ECONOMIC ALIGNMENT

A statistical survey of the economic strength of the nations of the world.

THE FINANCE OF WAR

Four articles from the issues of January, 1940.

PRICE 6d. each

THE ECONOMIST, 8 BOUVERIE ST., LONDON, E.C.4

THE BUSINESS WORLD

Defending Gilt-Edged

THERE can be no illusion about the military and economic task which confronts the nation following the military exhaustion of France. Defensive and economic ties between the two Allies have been suddenly snapped. It is too early to attempt to define the new financial lines which must be improvised, but some strong points must be set up immediately. Among these, the maintenance of adequate dealing facilities in gilt-edged and other securities is indispensable. To the market's credit, it has remained possible to deal, though with some difficulty, in most sections of the Stock Exchange this week. The gilt-edged market fell back to a wall buttressed by the schedule of minimum prices introduced last March. Trustee stocks have retreated to similar prepared defences, and though the market was at first numbed, it never became frozen. It has not infrequently been difficult to deal in home corporation and some Dominion issues. Home rail prior charges have become increasingly abject. And where dealing in industrials has been possible—that is, where jobbers have been able to find a buyer for stock offered to them—prices have suffered severely.

Yet a market has been maintained, at a time when it is crucially important. In gilt-edged, the subsequent course of prices after Monday's shock has been uninterruptedly progressive, despite the opening of aerial bombardment. Fortunately, the Stock Exchange Committee did not listen for one moment to suggestions that the "House" might close for a short period to take new bearings. Except in circumstances of the most compelling necessity, such a step would damage investment morale; it would do a grave disservice to the nation's financial effort; and it would offer the poorest example to other sections of the community who are fully mobilised for war production. It is one thing, however, to keep the doors of the Stock Exchange open; it is quite another thing to maintain an effective market. That could not be done if the gilt-edged market were to remain impaled on the palisade of minimum prices for any length of time. The limited number of frozen stocks among the Funds has, however, since disappeared, thanks to the steady recovery which has occurred since the darkest hours of last Monday. That recovery has to be made decisive, before the full force of the *Blitzkrieg* is unleashed. Plainly, it is desirable to examine the function of minimum prices critically, with an eye to even more disturbed conditions in the near future.

Controlled prices always carry some disadvantages, and of minimum gilt-edged prices it may be paradoxically said that they are most useful when they remain ineffective. Their part is to provide a defence against severe but essentially temporary aberrations of prices in wartime. As soon as they become operative, they must be rendered irrelevant as quickly as possible by a general recovery in prices. The existence of a minimum price schedule, of course, may itself play a part in recovery, if it prevents "snowball" selling and rallies support. But the raising of the price pegs last March to a considerably higher level than that prevailing immediately before war broke out was intended to do more.

The Government nailed a 3 per cent. banner to the mast. This was supported by a general structure of interest rates, whose maxima were determined by the minimum price schedule, and which corresponded to 2 per cent. on a five-year bond, 2½ per cent. for 5-10-year stocks, 3½ to 3¾ per cent. for 15-20 year issues, and about 3½ per cent. for "irredeemables." By providing this firm basis for dealing in gilt-edged for the duration of the war, protection should be afforded to collateral security and to the investment portfolios of financial institutions. But to implement such assurances, leading gilt-edged stocks must have both legs well free of minimum prices.

The task can be measured from the accompanying table, which sets out minimum prices at September, 1938, end-August, 1939, and mid-March this year, together with more recent comparisons of prices and redemption yields. Gilt-edged are now defending relatively advanced lines, compared with August last year, but they are lines which could not be abandoned without calling into question the assurances of the Government last March that they measured the determination of the authorities concerned to maintain low interest rates. More recently, the investor has been warned that no rate of interest is considered sacrosanct; in other words, that these are maximum and not minimum rates for war borrowing. New powers over property, wielded by a new administration, must surely imply that there will be no departure from this clearly defined and widely approved policy. And investors this week have been quick to take a hint from the appeal for interest-free loans that the principle of low interest rates will be properly enforced.

To make it effective, gilt-edged must stand firm at some level above minimum prices, though perhaps below the high quotation, before Germany invaded Holland and Belgium on May 10th. Otherwise, the attributes of minimum prices will be mere accounting make-believe. Doubtless there will be considerable support for the Chancellor's appeal on Tuesday for loans free of interest, and the Dominions have shown how such appeals can be successfully combined with open-market issues at interest. But the way to adequate war finance lies not through patriotic benevolence, but through a market marshalled and organised for the war effort. To equip the gilt-edged market for the war loans which will be needed in the very near future is an immediate task arising from the events of the past week.

It should be accompanied by closer consideration of the technical problem of security dealing, as far as that problem can be foreseen. The scheme for carrying out Stock Exchange business at Denham, if the City of London becomes untenable, is a clearing scheme, designed to maintain public confidence in the machinery of the Stock Exchange at a time when dealing will no longer be possible in the "House." It is an air-raid scheme, rather than an invasion scheme, and it is not intended, in the first instance at least, to provide anything more than the machinery for clearing bargains which members can make by telephone. But it may be necessary to widen the scope of the scheme in two ways—firstly,

THE COURSE OF GILT-EDGED

Stock and Redemption Date	Minimum Prices		Market Prices							Redemption Yields (%)		
	Sept. 27, 1938	Aug. 23, 1939	Mar. 18, 1940	Mar. 15, 1940	May 9, 1940	May 28, 1940	June 14, 1940	June 17, 1940	June 20, 1940	Mar. 6, 1940	May 9, 1940	On Min. Prices
Conversion 5% 1944-64	105	106¼	107½	110½	109	107½	108½	107¾	107¼	£ s. d.	£ s. d.	£ s. d.
N. Defence 2½% 1944-48 ...	93	96	98	99½	100½	100¼	98¾	98½	98¼	2 7 7	2 11 11	2 19 7
Conversion 2½% 1944-49 ...	91	94½	96½	98½	99½	98¼	96¾	97	96¾	2 10 0	2 12 6	2 18 10
Conversion 3% 1948-53	93	94½	99	100¼	101½	100¾	100	99½	100¾	2 13 2	2 15 9	3 1 11
Funding 2½% 1952-57	90	88½	94½	96½	96½	95½	94½	95	95½	2 17 3	2 19 7	3 3 5
Nat. Defence 3% 1954-58 ...	94	92	100	101¼	100½	98¾	98½	98½	99	3 0 2	2 19 0	3 2 11
War Loan 3% 1955-59	83	81	88½	90½	91½	89½	89¼	89	89½	3 1 2	3 1 3	3 2 5
Funding 2½% 1956-61	91	89	95	97½	98¾	96¼	96	95½	96½	3 1 10	3 1 10	3 5 4
Funding 3% 1959-69	102	102½	108½	112	112¼	110	109½	109	100	3 2 9	3 5 6	3 10 0
Funding 4% 1960-90	103	102	107	109½	111¼	109	108½	107½	108½	3 5 11	3 4 7	3 11 2
Victory 4%	101	98½	105½	108½	110½	108	107½	106	107½	3 10 2f	3 8 0f	3 13 8f
Consols 4% after 1957	93	88½	95	99	101¼	98½	98¼	95¼	95¼	3 10 6f	3 8 0f	3 13 8f
War Loan 3½% after 1952 ...	92	89	95	98	102½	98¾	98¾	95¼	95¼	3 9 7f	3 8 0f	3 12 9f
Conversion 3½% after 1961 ...	79	74	82½	85½	88½	85¼	84¼	83	84	3 7 7f	3 5 9f	3 10 11f
Local Loans 3% after 1923	66	62½	70½	73	76¼	73	71½	70½	71¾			

(f) Flat yield.

by providing an alternative to Denham, whose limited natural advantages have not been improved by the prospect of attempted invasion; and secondly, by devising some facilities for dealing by personal contact between brokers and jobbers in a new dealing centre. The task will not be a light one, but unless and until normal financial business breaks down, and the nation is forced to accept real rather than monetary standards, the need for a gilt-edged market which functions will continue to be paramount. The objection to Denham is not that the scheme is unnecessary, but that it may prove insufficient to achieve this essential object. Meanwhile, how is the recovery in gilt-edged, already well advanced, to be further encouraged? The authorities need few lessons to-day in the art of market control, and their power to intervene should not be minimised. Prices fell at first as a result of selling, but the unwillingness of jobbers to take any significant amount of stock on their books also accentuated the fall. Hence, the market was soon ripe for a technical response, and in fact it staged such a response after Mr Churchill's speech on Tuesday. It may well be, further, that some institutional buyers of gilt-edged tend to wait for opportunities to obtain stock near minimum levels. If so, their duty and interest is plain. But the price pegs could be made more firm, and dealing conditions encouraged, if specific assurances could be given to jobbers, protecting them against the possibility of frozen "books" in the Funds. That suggestion may seem unorthodox, but the authorities are committed to a schedule of gilt-edged prices, and if necessary they must be prepared to reinforce them. A congealed market at minimum prices might be a worse evil than a free market at sadly depressed prices.

In other markets, as in gilt-edged, the investor's fate is the nation's fate. There is a case for extending some form of minimum price control to important groups of fixed-interest securities outside the trustee investment circle. Home railway

prior charges, for example, are still being subjected to heavy pressure from a volume of selling which in normal conditions would be regarded as ludicrously small. When a selling order for £1,500 of a senior debenture has to be split between three jobbers—an actual case this week—it is obvious that some protection is needed for a section of the market which, in everything but legal qualification, ranks side by side with trustee investments.

There is no counsel for total war which can be usefully given to the equity shareholder, save that he should hold his stock. That is the sober duty of citizenship. It is also an appeal to self-interest, for on any rational weighing of the alternative possibilities of the war situation this is the wrong time to sell. Even in the short run, any selling of industrials, caused by temporary immobilisation of gilt-edged stocks, should soon be arrested. In the longer run, when national resistance can be transformed into initiative, the position of equities may be much more favourable than it is to-day. Admittedly, there are risks which cannot be minimised. The threat of air attack on specific industrial plants is responsible, for example, for yields of 15 per cent. on aircraft shares. And, in general, the equity interest in British industry is now vested in the nation as a whole, and not in a group of shareholders. But unless one outcome of the war is the supersession of equity capital, the ordinary shareholder must be content to await the outcome of the war with the same personal courage and spirit of sacrifice as other sections of the community. There are two paramount tasks. The first is production for war needs, without count of profits or dividends. The second is the fullest mobilisation of savings and our financial resources to finance the productive machine. Under both heads, the rôle of equity investment is of minor importance. But under the second task, the need for the continuous and efficient functioning of the gilt-edged market is inescapable.

Finance and Banking

Prospects for Funding

Expectations of an early Defence Loan have been revived by the official support for the gilt-edged market. The need for a second major funding operation is emphasised by the recent sharp upturn in national expenditure. The Supply Services, whose total costs during April and May averaged only just over £40 millions, spent £60 millions in each of the first two weeks of June. As revenue is now seasonally small—from £10 millions to £15 millions per week—the deficit is rising at the rate of around £50 millions per week. Fortunately, receipts from the savings drive have spurred sharply, the total for the second week of June being over £11 millions, but the Treasury bill issue is still expanding at the rate of £40 millions per week. The Floating Debt had risen to £1,636 millions by mid-June, some £130 millions beyond the figure reached before the launching of the first War Loan. The Treasury tender issue at £740 millions is nominally £31 millions lower than in mid-March, but, in fact, the quantity of bills held by the market and the banks is probably much greater than at that time. Many of the bills acquired by the authorities from the market for various reasons in the early months of the year have not been renewed upon maturity. Again, the fact that the bill portfolios of the clearing banks have recently increased at a much greater pace than the Treasury tender issue makes it clear that the clearing banks have also been absorbing substantial quantities of paper through the "tap." In addition to providing for the growing excess of expenditure over revenue, the authorities have also to meet the redemption of about £100 millions of dissented 4½ per cent. Conversion Loan on July 1st next. A big funding operation in the near future is thus necessary if the Floating Debt is to be kept under control.

* * *

The Demand for Bills

Despite the approach of the last week of the banking half-year, there has been no sign of preparations to meet any credit stringency, and the market knows full well that no serious stringency will be allowed to develop. The only reflection, so far, of the approach of the half-year has been the contraction in applications for Treasury bills. These fell to £102 millions at the mid-June tender from the record figure of £131 millions touched a fortnight earlier. The market syndicate could doubtless achieve some improvement in the rate by taking advantage of the contraction in the demand for bills. Fortunately, it fully understands the inappropriateness of any such course. The recent sharp decline

in applications for Treasury bills is not due wholly to seasonal influences. Apart from the war situation, probably the most important factor has been the absence of the much-discussed cut in the banks' short-term money rates. This possibility resulted in considerable speculative buying of bills some weeks ago, and outside quarters are probably now reluctant to add further to portfolios. It now seems fairly clear that no move to bring about a reduction in short-term rates is officially contemplated at present. Replying to questions on the point early this week, the Chancellor put the now familiar case that while it is the policy of the Government to secure that interest rates shall always be the lowest which circumstances permit, it was necessary to hold a fair balance between the factors involved.

* * *

The Fate of French Balances

One of the questions resulting from the dramatic developments in France is the fate of French assets abroad. Although, at the time of writing, it is not yet known on what terms the Pétain Government will surrender, it is safe to assume that the Nazi Government will insist upon huge reparations, and will demand the surrender of French gold and foreign exchange assets as a first instalment. As far as the gold reserve of the Bank of France is concerned, the bulk of it is beyond the reach of the present French Government or of the Nazi army of occupation. During the fortnight or so that preceded the occupation of Paris, the gold reserve was evacuated, and the major part of it is already in New York. Since President Roosevelt issued an order on June 17th freezing all French assets in the United States, the Pétain Government will not be in a position to surrender this gold, or the official or unofficial dollar balances. On Tuesday last, the British authorities followed the American example, and temporarily blocked French accounts, pending a clarification of the situation. The amounts involved are known to be very substantial indeed. Official sterling balances alone must run into a big figure, as a result of the surrender of large amounts by private holders since the beginning of the war. Only part of the amount thus obtained was spent on French official purchases in this country and in the British Empire, and in any case this expenditure was partly offset by the outlays of the B.E.F. in France and British official purchases in France and in the French Empire. There are, moreover, still many private French accounts in London, and substantial French holdings of South African gold shares in bearer form, in which dealing is now carefully restricted.

Migration of French Banks

The evacuation of Paris resulted in the transfer of the head offices of most French banks to provincial centres. Most banks were realistic enough not to attempt to re-establish themselves in Central France, but chose southern cities such as Bordeaux or Marseilles. The German advance threatens, however, even the southernmost districts of France. If the Government should decide to try to defend the North African French possessions, then the head offices of most leading French banks will probably be transferred to Algiers or French Morocco. Never in the history of banking has there been a migration of banks on a comparable scale. The banking centres of Amsterdam and Brussels were overwhelmed in May too suddenly, and in any case there was nowhere for the banks to go. In the case of France, even if the banks had to move to Algiers, they would still remain on French territory, for Algiers is not a colony but forms part of the French metropolis.

Holland Joins the Allied Bloc

On Monday it was announced that Holland had joined the Allied monetary bloc. The completion of arrangements for Belgian participation had been announced some days earlier. Although this strengthening of the Allied monetary structure may afford small compensation for the possible loss of French co-operation, it is none the less of great importance. In particular it ensures that the resources of the rich Dutch possessions in the East are at the disposal of the Allied cause, without the necessity for payment in gold or foreign exchange, apart from its possible value in post-war reconstruction. Although the belga has been brought under the pact at a materially lower rate than the former official rate, the level of 7.60 for the N.E.I. guilder is little changed. It was, however, generally acknowledged that, while the fall in the pound at the outbreak of war left the belga at an unjustifiably high level against sterling, the new relationship with the N.E.I. guilder was reasonable.

Investment

Equities Take the Strain

The gilt-edged market (as we show on page 1079) quickly recovered from last Monday's shock, but for the leading equities there has been no similar relief, despite the fact that the gilt-edged market later in the week was quite capable of taking the strain of any necessitous selling. On Tuesday, when the number of bargains in the Stock Exchange Official List shrank near the lowest, if not to the lowest, recorded total of 1914 bargains, *The Financial News* Ordinary Share Index also touched a new low of 55.9 and this was succeeded by further falls to 55.7 on Wednesday and to 54.4 on Thursday. Evidently the industrial market is making an attempt to reckon with the threat of air damage to industrial plants. It is doing so, however, without any knowledge either of the extent or of the dispersion of damage, though it may well be justified in taking a sober view of the aerial risk. It is impossible to deal with accustomed freedom even in the leading stocks, and except in certain lines in which jobbers happen to be short of stock they have usually preferred to restrict their operations to shares for which they already have buyers. The accompanying table measures the extent of the latest falls against prices which prevailed on May 9th, immediately before the *blitzkrieg* started, and on May 28th, when its progress was assisted by the surrender of the Belgian army:—

	High 1940	May 9	May 28	June 14	June 17	June 18	June 19	June 20	Change since June 14
L.M.S. —	60½	52	32½	30½	27½	26½	26½	26	-4½
4½ 1923 pref.									
L.N.E.R. —	77½	71	57½	51	49	48	46	46½	-4½
4½ 2nd grtd.									
G.W.R. —	52	44¼	32	29½	28	25½	25½	25½	-4
Ord.									
Southern —	79	69½	50	45	42	40	39	39	-6
Pid. ord. ...									
Ass. Cement £1	62/6	47/6	43/9	43/9	42/6	42/6	41/3	41/3	-2/6
B.A. Tobacco	107/6	102/6	91/3	82/6	75/-	71/3	72/6	68/9	-13/9
J. & P. Coats	38/6	37/4½	30/-	28/1½	26/9	25/9	25/9	26/-	-2/1½
Courtaulds ...	39/10½	37/9	28/6	26/-	23/3	22/3	22/9	22/3	-3/9
Distillers	70/3	65/-	60/-	54/6	51/6	52/-	53/-	52/6	-2/-
Dunlop	38/9	34/-	31/6	27/6	24/6	22/3	22/-	21/6	-7/-
General Elec.	83/-	79/6	75/6	67/-	64/-	61/-	61/-	60/-	-7/-
I.C.I.	33/9¾	31/9	27/6	25/9	24/3	24/-	24/6	23/3	-2/6
Tate and Lyle	57/9	53/3	50/6	48/-	43/-	40/-	40/-	40/-	-8/-
Turner and Newall	68/-	65/9	60/-	55/-	52/6	51/10½	53/11½	52/6	-2/6
<i>Financial News</i> Ord. Share Index	80.6	74.2	64.5	60.1	57.3	55.9	55.7	54.4	-5.7

The yield basis of equities has now been driven up to a point at which, on any normal basis, even in wartime, equities would seem attractive. But, in truth, nice calculations of comparative yields give no air raid protection to the investor, and there is no assurance in these critical days that a share bought to-day will not be represented by destroyed plant and stock to-morrow. But the converse is hardly true for the would-be seller. If he reinvests in equities, he still faces the same risk. If he reinvests in gilt-edged, he must be prepared to forgo a substantial part of his investment income. In fact, the equity market is to-day a frozen market which fails to attract buyers, but yet provides no alternative refuge for sellers.

War Loans Without Interest

With recent examples from the Dominions before us, it is satisfactory that the Chancellor has made a general appeal to citizens, who are able to do so, to make interest-free loans to the Exchequer. The machinery which Sir Kingsley Wood has outlined this week is simple. He asks persons or companies willing to advance money to the State without interest for the duration of the war to send it direct to the Treasury. A certificate will then be issued to the lender, which will entitle him to repayment three months after the conclusion of a peace treaty. For smaller investors who can spare less than £100 the Chancellor has suggested that the sums might be deposited with the Post Office Savings Bank, with instructions that interest is to be surrendered to the Exchequer. These arrangements are precise, and they have already produced a considerable response. But there are funds, probably large, which will be untapped by the scheme, though they would be willingly lent to the State without interest for shorter periods than the duration of the war. Information has been invited by the Chancellor of such funds. But if the response to the main scheme is satisfactory—and it has had a good start—it should surely be a simple administrative matter to make arrangements for receiving interest-free loans for various fixed periods. A uniform term for the duration of the war, plus three months, is doubtless a convenience to the Treasury. But it may not be convenient for a citizen who is prepared to lend money for nothing for a shorter term.

* * *

Dealings Suspended in Restricted Securities

Notice was given by the Bank of England on Monday that permission to transfer securities which come within the scope of the Securities (Restrictions and Returns) Order of August 26th last year will be withheld until further notice. Dealings in American and other securities which are affected have accordingly been discontinued. The ban applies to all transfers, whether between residents or from residents to non-residents, of securities of which the principal or interest is payable in the currencies of Argentina, Belgium, Canada, France, Holland and the Dutch East Indies, Norway, Sweden, Switzerland and the United States, either directly or at the option of the holder. Permits for sales abroad not already acted upon are no longer valid, and must be returned in exchange for the registration certificates which were issued when the securities were originally declared by the holders to the authorities. Some United States and Canadian dollar securities have already been requisitioned under vesting orders, at prevailing market prices, and the suspension of transfers in the entire list of restricted securities may be the preliminary to further requisitioning. An alternative suggestion, which has found some currency in the market, is that a loan scheme may be evolved by which restricted securities may be taken over by the authorities in exchange for deposit receipts.

E.P.T. and Wasting Assets

The amendments to the Excess Profits Tax which were moved by the Chancellor on Wednesday met, in principle, the point that extractive industries should be entitled to a higher minimum profits standard for E.P.T. than other businesses. In the debate, however, the Chancellor deferred to the contentions of Labour spokesmen that the present was an inappropriate time for concessions, though the criticisms were founded, in many cases, on a misreading of their effect. But it was plainly better to defer the matter to the next Finance Bill—due at no distant date—to give an opportunity for full consultation with the critics. The changes would have given power to the Board of Referees, upon an application made on behalf of any class of business which gets minerals or oil from "a natural source of a wasting nature" to direct that the minimum rates of 6 per cent. and 8 per cent. allowable to companies and director-controlled companies should be further increased by not more than 4 per cent. The concession to extractive industries was not hailed with great enthusiasm in the market for West African gold shares, on the ground that a 4 per cent. allowance would amortise the wastage of assets at too low a rate. Nor would such relief have extended to the numerous special cases under the Excess Profits Duty in the last war. The concessions were strictly limited to the extractive industries; they did not apply to companies which undertake any exceptional industrial risk.

Canadian Loan Requisition

A second Canadian sterling issue, called for redemption by the Dominion Government, is now requisitioned by the Treasury. Holders of Canada 4 per cent. stock, 1940-60 (which will be repaid by the Dominion on October 1st next) are required to make returns of their holdings to the Bank of England not later than June 29th, and dealings in the stock are now restricted by Order. The stock, of which £19,300,000 is in issue, will be taken over by the Treasury at the price of £100 12s. 6d. per £100 stock, and will be paid for on July 1st if delivery has been made by June 21st. It will be recalled that a similar method was employed last October, when the

Treasury acquired British holdings of Canada 3½ per cent. stock, 1930-50, which the Dominion repaid on April 17th last. The clearing of such large transactions between the two exchange controls provides evidence of their smooth functioning, and cannot fail to be advantageous to both the British and Canadian authorities.

Company Notes

John Brown Report

The accounts of John Brown and Company for the year ended March 31st throw little direct light on the sharp fall in profits revealed in the preliminary statement, which was discussed in *The Economist* of June 8, 1940. The latest year's profits of £566,595 are shown after undisclosed provision for taxation and are therefore comparable not with the record gross profits of £925,032 for 1938-39, but with £687,819, after provision for taxation and N.D.C. Thus the fall in trading profits after taxation amounts to £121,224. The figures are analysed below:—

	Years to March 31		
	1938	1939	1940
Gross profit	817,544	925,032	...
Profit after provision for taxation and N.D.C.	676,301	687,819	566,595*
Depreciation	49,787	64,317	58,372
Fees	5,867	5,868	6,653
Debt service	93,674	91,952	90,232
Preference dividend	49,010	49,010	49,010
Ordinary shares:—			
Earned	477,963	476,672	362,328
Paid	376,931	376,931	323,084
Earned "†"	22.2	22.4	16.8
Paid†	17½	17½	15
Reserve	100,000	100,000	Nil
Carry forward	163,392	163,133	202,376

* After providing for contingencies.

† Free of tax.

The latest results, however, are struck after providing for taxation and also for contingencies, to which no allocation was apparently made in the previous year. As a guide to trading conditions, probably the directors' report, which records full employment at the shipyards and engineering works and larger coal production, is a better indicator than the disclosed profit figures. It seems probable that the directors have pursued a deliberately conservative policy in striking available profits, which are equivalent to 16.8 per cent. tax free against 22.4 per cent. for 1938-39. Although the amount carried forward shows a substantial increase from £163,133 to £202,376, no allocation has been made to reserve, against £100,000 in each of the two previous years. The undisclosed provision to contingencies, however, may have provided an adequate substitute for an allocation to free reserve. The balance sheet shows some striking changes. Creditors have increased from £705,335 to £1,662,131—a rise which may be accounted for, in part, by increased tax and contingencies provisions. Cash holdings have jumped from £832,280 to £1,862,930, while Government securities have fallen from £1,000,000 to £413,200. Since the board has clearly revealed its intention to observe the spirit of dividend limitation by maintaining its dividend at a stable gross rate the equity element in the 10s. ordinary shares at the current price of 18s. 6d. appears limited. The shares, however, offer the satisfactory yield of £8 2s. per cent. tax free.

Guest, Keen and Nettlefolds' Report

The annual report of this company (whose preliminary figures were discussed in *The Economist* of June 15th) provides additional information regarding the allocation of increased income which the company obtained in the year to March 31st. The preliminary statement showed an increase in net profit from £985,786 to £1,003,169, accompanied by an increased tax-free distribution of 6½ per cent. against 6 per cent. The advance in net profit provided an increase of £16,236 in ordinary earnings to £675,290, and the 6½ per cent. tax-free payment absorbs £32,172 more at £418,240. Subject to the provision of £250,000 for reserves and contingencies, the dividend was well within the company's earnings, which were equivalent to 10½ per cent. tax free, though it is close to the "moral maximum" for dividend limitation. The balance sheet shows greater liquidity than in 1938-39. The rise in the total of net current assets from £1,057,000 to £1,405,000 is accounted for by an increase in cash and bill holdings of £310,000, in trade debtors of £374,000 and in stocks from £535,000 to £624,000. On the other hand, there is a marked rise in provisions for taxation and contingencies from £461,000 to £792,000. At the current price of 15s. 9d. the £1 ordinary stock now yields £8 5s. per cent. tax free, or as much as £13 4s. per cent. gross. The company is largely engaged in war production, but its equity possibilities are probably limited.

Lever and Unilever Rearrangements

The devastation of war has severely afflicted the Lever Brothers and Unilever Group's interests in Holland, Belgium and France. Oil stocks have been destroyed; at least three plants out of fifteen in Holland have been seriously damaged; and important quantities of vegetable oils have probably been seized by the enemy. With the Dutch company's European interests so largely under the German heel, some rearrangement of the group's interests obviously became necessary. The company has therefore transferred its United States, South American and other world interests outside the British Empire to a South African subsidiary company, operating from Durban. This latter concern was formed about two years ago, when the exchange of interests between the British and Dutch Unilever companies took place. The shares which "N.V." then acquired have now been taken over by the South African company, together with a debt of approximately £11 millions owing by the Dutch to the British company. The Dutch company transferred its French interests to the British company last year, and its assets outside German-occupied territory are vested in the Netherlands Government for the duration of the war. The extent of this reorganisation measures the disturbance which war has inflicted upon the Dutch group. It is not intended, however, to depart from the dividend equalisation arrangement which has always subsisted between "Limited" and "N.V." "Limited" is to make a sufficient provision out of its 1939 profits to cover a dividend to "N.V." shareholders equivalent to the 10 per cent. dividend already announced by "Limited." The reserve will be used only if no dividends or smaller

dividends are paid by the Dutch company, and the distribution of this and any further sums so reserved will not be made until after the war. No information is available regarding any payment which may have been made by the Dutch company since the invasion of Holland. The 10 per cent. dividend of "Limited," announced before that event and now confirmed by the directors, would have been equivalent to a 6½ per cent. payment for the Dutch company.

B.E.T. Dividend Decision

The main interest in the British Electric Traction report for the year to March 31, 1940, lies in the decision to raise the deferred dividend from 5 per cent. to 45 per cent. For many years past, the company has paid 5 per cent. in cash and has distributed a 10 per cent. capital bonus. The latter is now prohibited for the duration, and consequently the company is a very special case under dividend limitation. Total income reached a new high level of £745,874, against £728,513 for 1938-39. The increased cash distribution is largely responsible for the sharp reduction in the company's income tax provision from £104,709 to £4,306, though the directors have earmarked £50,000 for E.P.T. Earnings of £385,427 for the deferred stock represent 50.9 per cent. against 59.4 per cent. for the previous year. A balance of undistributed profit, amounting to £29,789, raises the total sum carried forward to £1,962,514. The directors state that the adjustment of the dividend—the first to be declared entirely in cash—has proved a difficult matter, and they might well have preferred to leave the decision to the Treasury on appeal, rather than face the moral obligation imposed by the Chancellor to limit dividends in the spirit of the abandoned dividend limitation Bill. The directors claim that the distributions of recent years have had a "grossed up" value far in excess of the 45 per cent. cash dividend now recommended, and that their dividend proposal is well within the principle laid down by the Chancellor. This statement evidently employs the term "grossed up" in a different sense from that implied in the dividend limitation discussions, where it was always applied to the calculation from net or tax-free dividend pay-

TURKS AT THE OFFICE



It is interesting to note how many business men have taken to smoking Turkish cigarettes these days. They find the matchless aroma of these fine cigarettes helps them greatly in their affairs. And they have also found they can get them at the same price as ordinary Virginias by asking for

De Reszke TURKS

THINGS YOU OUGHT TO KNOW. Turkish tobacco, of which the British Government have made large purchases from our ally Turkey, is the finest cigarette tobacco the world produces. The 'chain-smoker' can confidently take to Turkish, which have less than half the nicotine content of Virginia cigarettes.



THE
STANDARD BANK
OF SOUTH AFRICA LIMITED

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

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

BOARD OF DIRECTORS

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

General Manager in South Africa—Milton Clough

Deputy General Manager in South Africa
R. W. Normand

Assistant General Managers in South Africa
J. F. Gardner W. A. Coombs C. M. Hutchinson J. T. Jurgens

London Manager—Ralph Gibson

Secretary—H. Dales

Head Office: 10 CLEMENTS LANE, LOMBARD STREET
and 77 KING WILLIAM STREET, LONDON, E.C.4

Telegraphic Address: Africorum, London

London Wall Branch: 63 LONDON WALL, E.C.2

West End Branch: 9 NORTHUMBERLAND AVENUE, W.C.2

NEW YORK AGENCY: 67 WALL STREET

EXECUTOR AND TRUSTEE BUSINESS CONDUCTED

COMMERCIAL SERVICE

The Bank has over 380 Branches in Africa, and Agents and Correspondents throughout the world. The closest touch with Trade and Industrial conditions is maintained, with special attention to Commercial and Credit Intelligence. This service is available to Exporters, Importers and others wishing to develop trade with South, East and Central Africa.

ments of equivalent gross sums, by reference to the standard rate of tax. The directors of B.E.T. appear to apply the term to a calculation of the equivalent cash value of the annual share bonus, which is determined, not by the standard rate of tax, but by the market price of the deferred stock. The resulting increase in the cash distribution is very considerable—£355,838 in 1939-40 against £35,943 in 1938-39. In this connection, it may be recalled that one important feature of dividend limitation was to limit the purchasing power which comes into the hands of the consuming public in the form of dividends. B.E.T. is a unique case, for which some degree of special treatment was justified. The directors were faced with an invidious decision, and deferred stockholders at least should not be dissatisfied with their recommendation. The stock rose from £500 to £600 on Wednesday on the announcement, and at the later price of 540 yields £9 2s. per cent.

* * *

"Shell" Shock

The decision of the directors of "Shell" Transport and Trading Company to pass the final dividend came as a blow to the market on Thursday afternoon. The £1 stock units collapsed from 57s. 6d. to 37s. 6d., and Burmah Oil, which has substantial holdings in "Shell," were also markedly depressed. The over-running of Holland affected the "Shell" company's prospects, though it retained its 40 per cent. interest in combined Royal Dutch Shell business outside Holland. But the direct losses incurred by the company in France must have been extremely heavy, and these no doubt account largely for the directors' decision.

* * *

Whitehead Iron and Steel

Trading profits and total income of Whitehead Iron and Steel reached record levels for the year ended March 31, 1940. Total income at £565,480 exceeded by £47,262 the previous record set up in 1937-38. All the main items of expenditure, however, markedly increased. The provision for taxation is raised from £40,525 to £202,000, and for depreciation from £25,000 to £90,000. Hence, ordinary earnings, despite the record trading figures, amount to £264,902 against the previous record of £397,875 for 1937-38, though they are £35,326 higher than those of 1938-39. The 20 per cent. ordinary dividend maintains the total distribution on a capital increased by the previous year's bonus of 25 per cent., but the directors could still conform to the spirit of the dividend limitation rules if they were to pay up to 28 per cent. on the increased capital. Earnings were, in fact, equivalent to 42.1 per cent., so that the directors are evidently pursuing a conservative policy. After placing £100,000 to general reserve, which is raised to £295,000, the balance of £33,613 is carried forward. Evidently the company's earning capacity last year benefited considerably from the modernisations and extensions carried out in recent years, and a new factory will come into full production towards the end of the present year. As a re-roller, Whitehead Iron and Steel has on past occasions had reason to complain of shortage of semi-finished supplies. But under present conditions it is evidently maintaining a very high rate of output. The £1 ordinary stock at 52s. 6d. ex div. yields £7 12s. per cent.

* * *

London and Thames Haven Reconstruction

The scheme for the reorganisation of London and Thames Haven Oil Wharves and C.I.M. Holdings recommended by the shareholders' committee attempts to solve two immediate problems. The first task of the committee is to liquidate unprofitable interests in the network of oil companies controlled by London and Thames Haven's subsidiary, Patent Petroleum Interests. The second is to liquidate the Holding Company formed to acquire London and Thames Haven shares in the Compagnie Maritime Industrielle, a concern with important concessions in the port of Le Havre. To achieve the first object, the committee recommends the sale to Andrew Weir and Company of the London and Thames Haven Company's shares in, and debt owing by, P.P.I., in the formation of which Andrew Weir was interested and in which it is already a shareholder. In consideration, Andrew Weir undertake to discharge bills and assume liabilities outstanding on the Irish Refineries project, and to reduce the company's bank loan by £400,000. The second task is to be carried out by merging London and Thames Haven with C.I.M. Holdings. London and Thames Haven will thus revert to its original oil storage and wharf-

ingers' business and will have direct control of C.I.M. The scheme will involve a reduction of the issued share capital of London and Thames Haven from £1,300,000 to £780,000 by cancelling 8s. on the £1 shares and dividing the resulting 12s. shares into 4s. units. The preference capital of £1,000,000 4 per cent. £1 shares is to be allotted to the preference shareholders of C.I.M. Holdings. To provide working capital, an arrangement has been made with the company's bankers for loans up to a limit of £900,000. According to the *pro forma* balance sheet, the bank overdraft will be reduced from £1,053,834 to £653,834 and the total of investments, loans and advances from £1,576,432 to £955,060. The reconstruction should do much to clarify the London and Thames Haven position. For the present, however, while Le Havre is in enemy occupation, the company's interest in C.I.M. has conjectural value, and future income will be determined by the storage business of London and Thames Haven itself.

* * *

Electric Cable Profits

In 1939, both Callender's Cable and W. T. Henley's Telegraph enjoyed satisfactory trading conditions. Callender's Cable, indeed, achieved a record total profit of £989,157, against £723,307 in 1938 and £924,990 in 1937. Henley's Telegraph gross earnings, however, showed a further moderate fall from £445,159 to £415,204, but increased taxation is evidently mainly responsible. Comparative results for the two companies are set out below:—

	Years to December 31			
	Callender's Cable		W. T. Henley's	
	1938	1939	1938	1939
Profit	723,307	989,157	415,159*	415,204*
Expenses, fees and pensions...	274,695	282,881	13,605	10,105
Taxation and N.D.C.	75,000	230,000		
Depreciation	60,000	70,000	61,012	61,246
Debt service	13,500	13,500	Redeemed	Redeemed
Preference dividends	56,000	56,000	9,000	9,000
Ordinary stock:—				
<i>Earnings</i>	244,112	330,776	361,542	334,853
<i>Paid</i>	168,587	168,587	260,000	260,000
<i>Earnings %</i>	24.3	33.9	30.8	28.2
<i>Paid %</i>	15	15	20†	20†
Reserve	250,000		100,000	100,000
Carry forward	390,548	398,369‡	411,894	384,331§

* After adjustment for taxation, bad debts and contingencies. † Including 5 per cent. cash bonus. ‡ After £ 15,169 for A.R.P. expenditure and £125,000 to dividend equalisation and war contingencies. § After charging £2,416 net loss on sale of trustee securities.

Callender's Cable have maintained their customary conservative distribution policy. Depreciation absorbs £70,000, against £60,000, and taxation requires £230,000, against £75,000 in the previous year and £100,000 in 1937. Thus ordinary earnings at £336,776, represent 38.9 per cent., against 24.3 per cent. for 1938, so that the 15 per cent. ordinary dividend is very satisfactorily covered. It may be significant of the directors' intentions that the 5 per cent. cash bonus paid in 1936 and 1937 has not been resumed, although earnings exceed the level of these years. Some £125,000 has been transferred to dividend equalisation or war contingencies. The directors state that the substantial increase in profits was attributable to trading before the war, but war production and export trade are now providing the bulk of turnover. The directors of Henley's Telegraph have maintained the 20 per cent. distribution, which is covered by slightly reduced earnings of 29.2 per cent., against 30.8 per cent., and reserve again receives £100,000. At 55s., Callender's Cable £1 ordinary stock offers £5 8s. per cent. Henley's Telegraph 5s. units at 16s. 3d. yield £6 3s. per cent.

* * *

June Kaffir Dividends

The table opposite shows the June Kaffir dividends compared with those of December, 1939, and a year ago. In general, the new tax legislation has not had a material effect on dividends, and a conservative wartime policy has probably been adopted. The reduction in the Brakpan dividend is not surprising, but the repetition of the December distribution by South African Lands is highly satisfactory. East Daggafontein now enters the dividend list, and promises well. City Deep has fulfilled the best expectations by repeating the 2s. 6d. dividend and should be able at least to maintain this payment over a long period. Other mines in the Central Mining group maintain their dividends, except

	June, Dec., June, 1939	1939	1940
<i>Anglo-Am. Corp.</i>			
Brakpan	1/9	1/9	1/6
Daggafontein	1/3 1/4	1/6	1/6
East Daggafontein	1/3 1/4	1/4 1/2	1/3 1/4
Springs	2/3	3/6	3/6
S. A. Lands	1/4 1/2	1/4 1/2	1/4 1/2
West Springs	1/4 1/2	1/4 1/2	1/4 1/2
<i>Central Mining</i>			
City Deep	1/6	2/6	2/6
Cons. Main Reef	3/-	3/-	3/-
Crown Mines	9/6	9/6	9/6
Durban Deep	1/3	1/6	1/6
E. Rand Prop.	1/9	1/9	1/9
Geldenhuis	2/-	2/6	2/-
Modder, "B"	1/3	1/3	1/3
Modder, East	4/-	4/-	4/-
Nourse Mines	2/3	2/3	2/3
Rose Deep	1/6	2/-	2/-
<i>Cons. Gold Fields</i>			
Luipards V.	-6	-6	-6
Robinson D. "B"	2/6	2/6	2/6
Simmer and Jack	-7	-7	-7 1/2
Sub Nigel	7/6	7/6	7/6

* And 6d. bonus.

June, Dec., June, 1939 1939 1940

<i>Cons. Gold Fields—cont.</i>			
Vogelstruisbult	-6	-9	-9
Venterspost	-6	-3	-3
<i>General Mining</i>			
Van Ryn	1/-	1/-	1/6
W. Rand Cons.	1/-	1/6	1/-
<i>"Johnnies"</i>			
Govt. Areas	1 7/2	1 9	1 10 1/2
Langlaagte	-6	6*	-6
New Modder	2/6	2/6	2/3
N. State Areas	3/-	3/-	2/9
Randfontein	2/3	2/3	2/3
Van Ryn Deep	1/9	1/9	1/9
Wit. Gold (Knights)	2/6	3/-	3/-
<i>Union Corp.</i>			
E. Geduld	6/6	7/-	7/-
Geduld Prop.	8/-	8/-	7/6
Grootvlei	1/-	2/-	2/3
Van Dyk Cons.	-9	-9	-10 1/2
<i>Miscellaneous</i>			
New Klein	2/3	2/3	2/3
Rand Leases	1/3	1/6	1/6
Wit. Deep	1/6	1/9	1/9

THE STOCK EXCHANGES

London

Note: all dealings are for cash

THE outstanding feature of the gilt-edged market this week has been the progressive recovery from minimum levels to which the market immediately fell on the news of the French decision to cease fighting. The market has already discounted some portion of the losses implied in the start of large-scale bombing raids. Business in many sections has been restricted by the Government decision to prohibit dealings in securities registered at the Bank of England under Treasury Order. Dealings in the foreign bond market were nominal. Home rails slumped throughout the week and industrials, after a firmer tendency at midweek, gave way again on the commencement of aerial warfare.

On Monday, restricted dealings in *gilt-edged* were based on minimum price levels. An improvement in sentiment throughout the week affected all securities. Gains in the order of 1/2 on Tuesday were followed by substantial rises of more than one point and by Wednesday 3 1/2 per cent. War Loan had risen 2 1/2 to 97 1/2; 3 1/2 per cent. Conversion to 97 1/2 and 2 1/2 National Defence Bonds to 99 1/2.

Most prices remained nominal in the foreign bond market, but Japanese bonds came on offer and French issues slumped heavily, Nord bonds falling from 70 at the beginning of the week to 50 on Wednesday. Italian bonds lost 5 points and closed at 10 on that date.

Home rails were sold on an unwilling market and losses were general throughout the week. Southern preferred lost three points to 41 on Monday and Great Western ordinary lost the same amount in the first two days of the week. Falls of two points were common among the debenture and preference issues.

In the industrial market falls were severe and dealing was difficult. Tobacco and brewery shares have been outstandingly depressed, although Distillers held up against the trend. B.E.T., which at one time touched 600 on the news of the dividend decision, failed to maintain its gain. Electrical equipment shares experienced heavy selling. In the iron, coal and steel group, losses, if less severe, have been steady. There was some demand for Stewarts and Lloyds on Wednesday, and in the stores group, Marks and Spencer and Woolworths also recovered slightly. Dealings in shipping shares were very restricted.

Kaffirs fell heavily on Monday, with Sub Nigel, the Gedulds and Crown Mines leading. By midweek a better sentiment prevailed and gains of 1/2 were recorded by a number of dividend paying companies, including "Sallies," East Daggafontein and Randfontein. In the rubber market dullness was relieved only by small falls. The

low price of oil shares induced some buying on Wednesday, when Attock and V.O.C. showed gains. The market was, however, severely shaken on Thursday by the passing of the final dividend by "Shell" Transport, which slumped heavily.

"FINANCIAL NEWS" INDICES

1940	Approx. Total Bargains in S.E. List	Corres. Day 1939	Security Indices	
			30 Ord. shares*	20 Fixed Int.†
June 14 ...	2,496	5,035	60.1	119.5
" 17 ...	2,439	5,572	57.3	118.0
" 18 ...	1,914	5,105	55.9	116.4
" 19 ...	2,218	4,910	55.7	116.4
" 20 ...	2,632	4,390	54.4	116.6

* July 1, 1935 = 100. † 1938 = 100. 30 Ordinary shares, 1940: highest, 80.6 (Feb. 29); lowest, 54.4 (June 20). 20 Fixed Int., 1940: highest, 126.5 (May 9); lowest, 116.4 (June 18).

New York

AFTER a sharp setback caused by the news on Monday last of the French decision to seek an armistice, trading on Wall Street has shown a steady improvement. Dealers were encouraged by the British decision to take over French war orders and by the scale of war spending in Great Britain and the United States. Steel shares were active and rail issues improved on traffic prospects. Aircraft issues were also in demand, but copper shares, influenced by the scrap position, were weak on Wednesday. The Dow Jones industrial index improved from 122.80 on Monday to 123.86 in midweek. Steel mill activity is estimated at 87 per cent. of capacity by the Iron Age, against 85.5 per cent. a week ago.

New York Prices

Total share dealings:—June 13, 880,000; June 14, 950,000; June 15, 560,000; June 17, 1,210,000; June 18, 720,000; June 19, 560,000

	Close June 13, 1940	Close June 14, 1940	Close June 15, 1940	Close June 17, 1940	Close June 18, 1940	Close June 19, 1940
1. Railroads						
Balt. & Ohio	3 3/8	3 3/8	3 3/8	3 3/8	3 3/8	3 3/8
G.N. Rly. Pf.	19	21 1/4	21 1/4	21 1/4	21 1/4	21 1/4
Illinois Cent.	6 3/4	7 1/2	7 1/2	7 1/2	7 1/2	7 1/2
Northern Pac.	5 3/8	5 7/8	5 7/8	5 7/8	5 7/8	5 7/8
Pennsylv. R.	17	18 1/2	18 1/2	18 1/2	18 1/2	18 1/2
Southern Rly.	9 5/8	11 3/8	11 3/8	11 3/8	11 3/8	11 3/8
2. Utilities, etc.						
Amer. Tel.	157	157	157	157	157	157
Amer. W'ks.	6 1/2	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4
Col. Gas & El.	4 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4
Int. Tel. For.	24	31 1/2	31 1/2	31 1/2	31 1/2	31 1/2
United Corp.	11 1/2	17 1/2	17 1/2	17 1/2	17 1/2	17 1/2
Utd. Gas Imp.	10 3/4	11	11	11	11	11
3. Commercial and Industrial						
Amer. Metal.	15 1/2	14 3/4	14 3/4	14 3/4	14 3/4	14 3/4
Am. Roll. Mill	11 1/8	11 1/8	11 1/8	11 1/8	11 1/8	11 1/8
Am. Smelting	36 3/4	38 3/8	38 3/8	38 3/8	38 3/8	38 3/8
Anaconda	21 1/8	21 1/8	21 1/8	21 1/8	21 1/8	21 1/8
Briggs	16 1/2	16 1/2	16 1/2	16 1/2	16 1/2	16 1/2
Celanese of A. 23 1/2	25 1/8	25 1/8	25 1/8	25 1/8	25 1/8	25 1/8
Eastman Kod. 125 1/4	126 1/2	126 1/2	126 1/2	126 1/2	126 1/2	126 1/2
Gen. Motors	42 1/2	44 1/8	44 1/8	44 1/8	44 1/8	44 1/8
Glidden	11 3/4	12	12	12	12	12
Nat. Dairy	13 1/8	13 1/2	13 1/2	13 1/2	13 1/2	13 1/2
Nat. Distillers	18 1/8	19 1/4	19 1/4	19 1/4	19 1/4	19 1/4
Sears Roebck.	68 1/2	71 1/4	71 1/4	71 1/4	71 1/4	71 1/4
Shell Union	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2
Socony Vac.	8 1/4	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2
Stan. Oil N.J.	35 1/4	35 3/8	35 3/8	35 3/8	35 3/8	35 3/8
20th Cen. Fox	5 5/8	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4
U.S. Steel pf. 11 1/2	11 1/2	11 1/2	11 1/2	11 1/2	11 1/2	11 1/2
West'hc Elec	89 1/2	91 1/4	91 1/4	91 1/4	91 1/4	91 1/4
Woolworth	31 1/4	31 3/8	31 3/8	31 3/8	31 3/8	31 3/8

STANDARD STATISTICS INDICES

(1926=100)

WEEKLY AVERAGES

	1940		June 5, 1940	June 12, 1940	June 19, 1940
	Low	High			
347 Ind'l's ...	80.9	111.4	80.9	87.4	88.3
32 Rails	20.7a	30.7	21.3	23.1	23.9
40 Utilities ..	71.2a	89.4	71.9	75.5	77.4
419 Stocks ...	69.9	94.8	69.9	75.2	76.3
Av. yield* ...	6.61%	4.30%	6.61%	6.06%	6.03%
	High	Low			

* 50 Common Stocks. a May 22nd.

DAILY AVERAGE 50 COMMON STOCKS

June 13	June 14	June 15	June 17	June 18	June 19
94.0	96.5	96.9	96.5	96.5	96.5

1940 High, 123.7 Jan. 3. Low, 86.7 June 10.

Capital Issues

Week ending June 22, 1940	Nominal Capital	Conversions	New Money
To the Public	Nil	Nil	Nil
To Shareholders	Nil	Nil	Nil
By S.E. Introduction	Nil	Nil	240,867
By Permission to Deal	179,300	...	5,450,000
Savings Certs.†	5,450,000	...	5,450,000
3% Defence Bonds†	5,625,000	...	5,625,000

† Week to June 15, 1940.

Year to date	Including Conversions	Excluding Conversions
1940 (New Basis)	802,304,682	449,349,549
1939 (New Basis)	66,116,801	67,446,720
1940 (Old Basis)	827,548,765	434,793,632
1939 (Old Basis)	39,791,055	36,140,976

Destination (Conversions Excluded)

Industry and Trade

France's Raw Materials

Germany's immediate gains in munitions and munition materials in France are likely to be large by reason of the heavy war reserves accumulated since 1938. Although a substantial proportion of France's military equipment has been destroyed, large stocks of tanks, guns and other stores, as well as of raw materials, such as oil and metals, may be expected to fall into Germany's hands. But as France, like the United Kingdom, has to feed the major part of her industries with imported raw materials, many of them will become idle as soon as existing stocks are exhausted. And as Germany is already short of most of the essential materials that France lacks, her ultimate economic gains derived from the control of French industry must not be exaggerated. France has to import one-third of her coal requirements, the bulk of her needs in steel alloy and non-ferrous metals, as well as the greater part of the raw materials for her textile industries. But there are a few important exceptions, such as iron ore, bauxite and potash. Thus, France is the largest producer of bauxite in Europe; in 1938 she produced 683,400 metric tons of this raw material. Access to it will add substantially to Germany's aluminium supplies. Most important, however, for Germany are the French iron-ore deposits south of Luxembourg. In 1937, a reasonably good year, France produced 37 million long tons of iron ore, with a metal content of 13 million tons. The control of France's iron ore deposits will appreciably strengthen Germany's steel position. But the French iron and steel industry is almost completely dependent on imported supplies of manganese, nickel and the other ingredients essential in the manufacture of the kind of steel used in munitions. These supplies will now presumably be cut off; and as Germany already suffers from a shortage of steel-alloy metals, she will not be able to use the French iron and steel industry to full advantage.

Mineral Resources of French Empire

A substantial proportion of France's raw material requirements are derived from her Empire. The output of some of the more important minerals is shown below:—

OUTPUT OF MINERALS IN 1937

Metric tons		Metric tons	
Algeria—		Morocco—	
Iron ore	2,372,000	Anthracite.....	107,200
Lead ore	7,295	Manganese ore	79,100
Zinc ore	17,690	Iron ore	66,900
Antimony ore ...	2,160	Molybdenum ore	196
		Cobalt	5,280
Tunis—		Indo-China—	
Iron ore	947,000	Anthracite.....	2,265,000
Lead ore	21,000	Zinc ore	11,100
		Tin ore	2,600
		Tungsten ore	498
		New Caledonia—	
		Nickel ore	249,000
		Chrome ore ...	48,000

Algeria and Tunis are rich in iron ore, of which metropolitan France has already substantial supplies; these two, as well as Morocco, Indo-China and New Caledonia, also produce steel alloy and non-ferrous metal ore, but mostly in small quantities. Apart from Canada, New Caledonia is the most important source of nickel supplies. But with a few exceptions France has to purchase most of her requirements in steel alloys and non-ferrous metals outside her empire.

France's Oil Position

Though Germany's economic resources will be considerably increased as a result of her victory in France, there is some consolation in the knowledge that her oil position will, fairly soon, be weakened by the past week's tragedy. France produces a negligible quantity of crude oil, output having fluctuated between 70,000 and 80,000 metric tons annually during the past few years; practically the whole of this quantity is obtained from the old Pechelbronn field in Alsace. She is consequently compelled to cover practically the whole of her requirements by purchases overseas. French mineral oil imports in 1938, the latest year for which complete statistics are available, amounted to

8,136,000 metric tons, of which practically 7,000,000 tons (86 per cent.) consisted of crude oil for treatment in the country's modern refineries. Relying as they do almost exclusively upon imported raw materials, these refineries will be of no use to Germany, so long as Britain can enforce a blockade of French territory. Thus the only contribution which France will be able to make to the German oil economy will be the stocks of crude oil and finished products which the oil companies have been forced to accumulate over a period of years. These minimum stocks were at first equivalent to three months' normal supplies, but the limit was raised some time before the war began and there is no doubt that a further considerable increase has taken place since last September. A clue to the magnitude of these reserves is given by a comparison of imports and estimated home consumption. Thus, whereas a total of 8,136,000 tons of mineral oil was imported in 1938, domestic requirements (including bunkers) are put at only 6,500,000 tons. Allowing for refinery losses and for exports, this would leave at least 850,000 tons available for additions to the quantity already in storage. As the growth of stocks has been considerably speeded up since 1938, there must have been several million tons of oil in storage when the *Blitzkrieg* began. How much of this oil has been used or destroyed by the French and how much has fallen into the Nazis' clutches it is impossible to say. But it is certain that if the country's economic machine is to be allowed to function at all it cannot be wholly starved of oil; and when present reserves have run out the Germans themselves will have to find the required oil—provided, of course, that the British blockade is effective. On this latter point, however, there seems to be little doubt, for Britain and the United States control virtually the whole of the free tanker tonnage available on the world market. The loss of French demand will strike a further blow at the American oil market, for over one-third of the Republic's oil imports came from this source. Other suppliers were Iraq (39 per cent. of the 1938 total), Venezuela-Dutch West Indies (9 per cent.), Colombia (5 per cent.), Peru (4 per cent.), and Roumania (3 per cent.).

Italy's Metal Supplies

Italy is deficient in most of the raw materials needed in modern metal industries. She has no copper or tin, little iron ore, no coking coal and hardly any of the ferro-alloy minerals. She is a net exporter of aluminium, worked by cheap hydro-electric power, and has also developed her zinc smelting capacity by Government subsidies to about 45,000 tons per annum; she exported 88,000 tons of zinc concentrates in 1938. She produces a considerable quantity of lead, as a by-product of the zinc industry, but still needs imports from Mexico and Spain; about 13,600 tons of lead ore were also imported in 1938 from Australia and Yugoslavia:—

ITALIAN NET IMPORTS OF METALS

	1936	1937	1938
Base Metals ('000 metric tons):—			
Copper	82.8	80.8	74.3
Lead	5.5	4.8	3.9
Tin	3.5	2.9	3.5
Zinc	4.3	0.6	1.6
Aluminium	0.5	2.5	0.5(a)
Ferro-Alloys (metric tons):—			
Molybdenum	296	253	202
Tungsten	6	34	89
Vanadium	7	14	12
Chrome	...	...	865
Nickel	...	...	3,694

(a) Net export.

In the last pre-war year the Italian output of aluminium amounted to 25,800 tons, and this was to be increased to 40,000 tons in 1941, in the hope of diminishing the need for copper, imported from Chile, the United States and Portuguese West Africa. The minute production of magnesium was also to be raised to 6,000 tons by this year, using dolomite and seawater as raw materials. Output of manganese ore amounted in 1938 to some 50,000 tons, and a further 58,000 tons of high-grade ore were imported, mainly from British India. Production of nickel is negligible, though there is a reserve of some 3,000 tons in the nickel coins now being withdrawn from circulation. Germany cannot make good the Italian deficiencies in these metals; Yugoslavia and Turkey can supply some chromite and Roumania has a small

surplus of manganese, but the available amounts will not supply all the Italian requirements. The blockade of the Mediterranean may have, therefore, a very serious effect on the Italian metal industries, once accumulated reserves have been exhausted.

Overseas Trade in May

There was a slight fall in the value of both imports and exports in May compared with April, though imports remained considerably higher than in May, 1939. The fall in the value of British exports—they were only 7.6 per cent. higher than a year ago—is particularly disappointing, since in April the corresponding increase was 33 per cent. But the suspension of trade with the greater part of Continental Europe was undoubtedly responsible for most of this fall, and it is hoped that the goods which might have found a market in Europe will be sold elsewhere. The import figures give reassuring evidence of the huge supplies of food and raw

	1938	1939	1940	Change between 1939 and 1940	%
May					
Total imports.....	75,369	78,509	105,553	+ 27,044	+34.5
British exports	38,165	42,273	45,500	+ 3,226	+ 7.6
Re-exports	7,177	5,012	3,214	- 1,798	-25.9
Total exports	45,342	47,286	48,714	+ 1,428	+ 3.0
Excess of imports over exports	30,057	31,223	56,839	+ 25,616	+82.1
Transshipments under bond	2,563	2,735	2,029	- 706	-25.8
Five Months ending May					
Total imports.....	393,455	366,059	522,309	+ 156,251	+42.7
British exports	196,306	196,477	213,706	+ 17,229	+ 8.8
Re-exports	27,933	23,816	17,337	- 6,479	-27.2
Total exports	224,239	220,293	231,043	+ 10,751	+ 4.9
Excess of imports over exports	169,216	145,766	291,266	+ 145,500	+89.9
Transshipments under bond	13,457	13,549	11,226	- 2,319	-17.1

materials that are coming into the country. Compared with last year, the value of imports of the following classes had increased in May by more than £5 millions: grain and flour, meat, dairy produce, other food, cotton and wool, oils and oilseeds, metals and metal manufactures (both of iron and non-ferrous metals), textile goods other than cotton, woollen and silk, and manufactured oils. Details of the trade in the most important classes are given on page 1097. It will be noticed from the table above that the import surplus in the first five months of this year is still almost exactly double that of the corresponding period of 1939.

Coal Exports

The defeat of France has deprived the United Kingdom of its principal coal export market, and as a result of the German occupation of the whole of the coastline between Narvik and Bayonne and the entry of Italy into the war, we have lost, temporarily, approximately 75 per cent. of our normal outlets for coal exports. In 1938 the Baltic absorbed 24.8 per cent. of the total quantity of coal exported as cargo from the United Kingdom, the North Sea 40.1 per cent., the Mediterranean 20.7 per cent., North and Central America 4.2 per cent., and South America and other regions 10.2 per cent. In Europe and the Mediterranean the principal markets which remain open to us are Portugal, Spain, and Egypt, to which shipments from the United Kingdom in 1938 totalled about 3.3 million tons; and the extent to which we may be able to retain or expand trade with these markets will depend partly on military and naval operations and partly on the efficiency of our convoy system. The quantity of coal shipped in 1938 at the ports of the United Kingdom as bunkers for the use of foreign-going vessels was about 10½ million tons. No statistics are available of the volume of this branch of the trade since last August. It has necessarily suffered from the decrease in the employment of tonnage normally engaged in the commerce between the United Kingdom and countries now in enemy occupation, and from the ban on the employment of American ships in the war zones; on the other hand, it has benefited from the closing of the competitive bunkering ports in the North Sea (including particularly Rotterdam, Antwerp and Hamburg), from the diversion to Allied control of a large proportion of the mercantile marines of Norway, Holland and Denmark, from the additions which have been made to our own merchant ships by new coal-driven vessels and captures from the enemy, and, until this week, from the greatly intensified traffic between our ports and those of France. It is difficult to estimate the extent to which the coal import trade of neutral countries has been adversely affected by the war, but exports from Germany,

Poland, Belgium and Holland to neutral countries that are still open to us exceed 5,000,000 tons per annum, and with a larger surplus available for export than we have possessed at any time during the war the recapture of a considerable proportion, if not the whole, of this trade should be possible. Our increasing industrial needs have, of course, chief claim on our output, and in recent weeks the home market has been absorbing between 83 per cent. and 84 per cent. of our total output.

Exports of Wool Textiles

Despite the enormous demands made upon the wool textile industry by the Services, it has not neglected the export trade. As the table below shows, the volume and value of exports recovered rapidly after the first two months of war:—

EXPORTS OF WOOL TEXTILES

	Woollens		Worsted	
	sq. yds. ('000's)	£ ('000's)	sq. yds. ('000's)	£ ('000's)
Sept. 1939	3,553	504	1,626	284
October	3,476	517	2,103	365
November	5,647	848	3,358	569
December	4,110	634	3,667	709
January 1940	4,299	725	4,148	772
February	5,287	888	4,400	842
March	4,789	869	3,640	713
April	4,796	910	4,446	909

Exports of worsteds during the first eight months of the war were appreciably higher in volume than during the same period in 1938-39; they amounted to 27.3 million square yards, against 20.5 million square yards, in the eight months ended April, 1939. Shipments of woollens, on the other hand, declined somewhat in volume during this period, from 40.3 million square yards to 35.9 million square yards. As a result of Germany's offensive, a number of markets have been closed to the industry since April, and a temporary decline in total exports may therefore be expected.

Increasing Cotton Output

In response to the appeals of the Minister of Labour and the Cotton Controller, the cotton industry is increasing its output. In mills making aeroplane and barrage balloon cloths work is proceeding in double shifts, thus raising the working hours of the machinery from 5½ to 90 per week; trade union objections to the two-shift system have been waived for the time being. Weavers are also being transferred from work on civilian fabrics, since the rationing of the home trade has restricted the inflow of orders. The new standstill order prohibits operatives from seeking employment in other trades and joint area committees are regulating the flow of labour within the cotton industry. Although, therefore, there is a shortage of certain types of skilled and juvenile labour, the output of cotton textiles needed for service contracts has enormously increased in the past week or two.

Farm Wages and Prices

The Agricultural Wages Boards have gone through the formalities necessary to bring into operation the minimum agricultural wage of 48s. per week imposed by the Government. The new regulations take effect at the end of the month, so that within a fortnight farmers will be called upon to pay wages considerably higher, by one-third in some counties, than those now in force. The Minister for Agriculture specifically stated that prices of agricultural products would be raised to enable farmers to pay the higher wages, but so far not one of the new prices has been announced. Farmers are naturally anxious over the delay; apart from dairying, whose returns are evenly spaced throughout the year, there will be considerable time-lag between the rise in wages and the sale of the products, and during this period farmers will

FAMOUS SINCE 1795

OTARD'S
COGNAC BRANDY

have to draw on their own resources. It is clearly essential that the new prices should be known before the end of the harvest, and the sooner they are published the better. In some cases it may be necessary for the county committees to use their powers of advancing credit to farmers to tide them over until the harvest has been gathered and sold. The Ministry of Agriculture is also making valiant attempts to stimulate the output from pasture, from which our cattle must now be largely fed. A campaign has started to popularise the making of silage from the autumn-grown grass; two pasture farms in the Midlands have been acquired by the Ministry and handed over to Sir George Stapledon for him to demonstrate the new methods of grassland improvement in ordinary commercial conditions.

The Fur Trade in War

The German occupation of Norway and the isolation of Sweden from western trade will greatly affect the supply

of raw furs in London. In 1938, some 21,400 cwt. of undressed furs were imported from Russia and Scandinavia out of total imports of 77,000 cwt. The fall in imports has not yet reduced the amount available for sale, and both in volume and prices, the recent spring sales held in London were the best since 1929. But the prospect of diminished supplies has induced the Hudson's Bay Company to absorb the fur business of Messrs C. M. Lampson and Company, one of the oldest firms in the trade, with whom it has been financially connected for some years. Some of the trade that London has lost will be gained by Leipzig, which has already benefited by the large supplies of undressed Russian furs imported by Germany since the war for re-export to neutral countries. Shipping and exchange difficulties have also led to some transference of trade from London to New York. These shifts are inevitable in war, but the importance of London as the centre of the Empire fur trade, its close connections with Scandinavia, together with the immigration of many Leipzig merchants, should enable London to resume its leading position in the fur trade for a post-war world.

COMMODITY AND INDUSTRY NEWS

MARKETS reacted in very varying fashions to the news that France had asked for an armistice. Grain prices in North America again relapsed, and there was also a fall in both London and New York in the level of tin prices on the assumption that French purchases would be discontinued. Cotton prices in America are higher than a week ago, and rubber prices were only slightly lower. Dealings in some of the British markets have been very small in the past few days.

Cotton (Manchester).—Output in the cotton trade is being enlarged. The Controller has asked numerous spinners to produce additional quantities of certain counts and qualities of yarn; the Ministry of Aircraft Production has made an urgent request for bigger supplies of fabrics and in addition to Sunday work at certain mills it has now been agreed that workpeople engaged on this class of trade should work two shifts.

In the Liverpool cotton market, trading in futures has been allowed on the basis of minimum prices with a maximum advance or decline in prices each session. The longer working hours in the mills are having an effect upon raw cotton consumption and last week the total deliveries to spinners were 85,143 bales, the biggest total in any week for the last 13 years. Yarn counts and qualities that are required for Government contracts have continued in active demand, but some spinners that cannot turn to this class of work are not doing too well. The export trade in piece-goods is negligible and home trade buyers have also been cautious.

Variety ('000 bales)	Week ended		From Aug. 1 to	
	June 7, 1940	June 14, 1940	June 16, 1939	June 14, 1940
American	33.7	37.4	901	1,319
Brazilian	4.1	4.7	273	240
Peruvian, etc.	3.7	3.0	118	195
Egyptian	10.6	9.1	312	349
Sudan Sakel	6.1	10.5	130	144
East Indian	5.4	16.4	403	373
Other countries ..	2.1	3.1	176	147
Total	65.7	85.1	2,313	2,767

Source: Liverpool Cotton Association's Weekly Circular.

Metals.—The prospects of the copper market in the United States have been much affected by the possibility of a French surrender. The French Government has placed contracts for the delivery of about 350,000 tons of copper per year in the United States, which will now most probably be terminated. This means a further serious contraction in American exports and in the demand for Chilean copper, on which the American output is based. Copper prices in New York may be maintained for the time being by heavy domestic purchases for the armament trade, but the copper producers will be well satisfied if they can maintain the present price of 11.50 cents per lb.

Tin.—After a further rise in the standard cash price for tin to a maximum of £290 5s. per ton on Friday, the market suffered a serious reverse early this week. By Tuesday the quotation was down to £264, but on Wednesday it recovered slightly to £266 10s. per ton. Although the break was stimulated by the French request for an armistice, it was primarily due to a sudden stoppage of American buying, which brought about the liquidation of substantial speculative accounts. It is possible that buying both on British and American account will be resumed on a large scale before long; but, on the other hand, consuming markets have been narrowed further by the exclusion of France.

TINPLATE PRODUCTION: PERCENTAGE OF S. WALES' CAPACITY IN OPERATION

Week ending	1939	1940
May 4	64.55	66.78
" 11	65.32	70.66
" 18	67.90	65.96
" 25	64.93	72.49
June 1	64.37	70.82
" 8	63.13	63.05

Grains.—With the news that France had asked for an armistice, grain prices at Chicago again relapsed; July wheat futures were quoted at one time at 74 cents per bushel, though purchases by the Government for relief brought a slight recovery later. With the occupation of the greater part of industrial France, it is to be presumed that the United Kingdom is now the sole importer of grains from

From ('000 quarters)	Week ended		From Aug. 1 to	
	June 8, 1940	June 15, 1940	June 17, 1939	June 15, 1940
N. America	613	371	27,663	23,983
Argentina, Uruguay ..	407	372	12,351	19,030
Australia	...	...	11,334	14,546
Russia	...	...	4,488	114
Danube and district ..	179	219	8,775	6,554
Other countries	...	...	1,971	345
Total	1,199	962	66,582	54,572

* Unobtainable. † Shipments up to Feb. 29, 1940. Source: The Corn Trade News.

From ('000 quarters)	Week ended		From Apr. 1 to	
	June 8, 1940	June 15, 1940	June 17, 1939	June 15, 1940
Argentina	251	141	4,231	3,425
Atlantic America	48	101	388	298
Danube Region	100	...	784	452
S. & E. Africa	...	...	375	694†
Indo-China, etc.	...	...	317	91
Total	399	242	6,095	4,960

Source: The Corn Trade News. † Incomplete since May 25.

overseas, and even her demand is likely to be much smaller, since her own output has been increased.

Oils and Oilseeds.—There has been a continuous fall in linseed prices in the past week, both in North America and for Indian varieties. The fall in American prices was due mainly to the influence of the recent decline in the grain markets, which has been checked by minimum prices. Exports of linseed from Argentina are still continuing.

Rubber.—There was a sharp rise in the price of standard ribbed sheet over last weekend, but business was nearly suspended on Monday. The Committee of the London Rubber Exchange then requested members to refrain until further notice from new speculative commitments, except in liquidation of existing contracts. Prices in New York have been fairly steady throughout the week.

FORTNIGHTLY INDEX OF WHOLESALE PRICES IN U.K. AND U.S.A. (1927 = 100)

	Mar. 31, 1937	June 14, 1939	Aug. 30, 1939	June 18, 1940
The Economist Index (U.K.):—				
Cereals and meat	93.0	67.6	66.9	85.4
Other foods	70.4	61.9	61.1	79.4
Textiles	74.2	51.4	54.3	80.4
Minerals	113.2	91.8	95.4	118.1
Miscellaneous	87.0	75.8	77.6	107.7
Complete Index	87.2	69.7	70.3	95.9
1913 = 100	119.9	96.0	96.8	132.0
Irving-Fisher Index (U.S.A.) ..	100.4	84.0	83.4	89.4*

* This figure relates to May 11th. † Highest level reached during the 1932-7 recovery.

MERCHANT SHIPPING LOSSES THROUGH ENEMY ACTION

	Totals, Sept. 3, 1939-June 2, 1940	
	No.	Tons gross
British—		
Merchant Ships	229	831,611
Naval Auxiliaries	45	37,471
French	274	869,082
Polish	17	74,486
Other Allies	15	14,294
Total Allied	307	1,029,513
Neutral	220	598,869
Grand Total	527	1,628,382

The casualty figures include only losses suffered through German action, and not those suffered through any other war action. Ships which have disappeared without a trace are included, the presumption being that they have been mined or torpedoed. Norwegian and Danish losses before April 9, and Belgian and Dutch losses before May 10, are classed as Neutral. Italian losses are also classed as Neutral. Source: The Shipping World.

COMPANY MEETINGS

VENEZUELAN OIL CONCESSIONS, LIMITED

PROBLEMS OF EXCHANGE

DIVIDEND 2s. 3d. PER SHARE

The twenty-fourth ordinary annual general meeting of this company was held, on the 18th instant, in London, Sir Andrew Agnew, C.B.E. (chairman of the company), presiding.

The chairman, in the course of moving the adoption of the report and accounts, said:—Shareholders will be aware from our experience during the past several years that exchange rates have a considerable influence on the results of our operations. In the case of 1939, although this influence was stronger than ever before, the two tendencies which were operative were to some extent of a compensating nature.

Oil proceeds and value of oil stocks have increased from £6,450,000 to £7,080,000. This improvement, namely, some £630,000, can be attributed almost entirely to the more favourable dollar-sterling exchange rate. On the expenditure side of the account the first two items, comprising the sterling required to finance our expenditure in Venezuela, amount to £4,131,733, as against £4,051,086 in 1938, an increase of some £80,000 or 2 per cent.

A summarised comparison of our 1939 profit and loss account with that of the previous year is provided by the fact that the increase of £630,000 in our revenue is almost exactly offset by additional expenditure in the fields and for extra taxes. There remains the increase of £200,000 in the year's allowance for depreciation. Against this it has not been considered necessary to make any provision for 1939 to exploration and general reserve, compared with £250,000 set aside last year, thus also enabling us to increase the profit by £50,000, which is available to increase the carry-forward. Our cash position at the end of 1939 was a strong one, with cash on deposit and current accounts and in hand totalling £953,000, and our cash position to-day is adequate.

CURRENT EXPENDITURE

As regards current operations in our fields, you will likewise not expect me to give you so much information as is customary at these meetings. Our expenditure is being confined to what is strictly necessary for the production and delivery of crude oil and the maintenance of essential requirements and commitments.

For the purpose of doing our utmost to avoid the use of foreign currency, every endeavour is being made, in close co-operation with the Petroleum Ministry and the Ministry of Supply, to purchase the maximum proportion of our requirements of materials and equipment in the United Kingdom. Under normal conditions a large proportion of our needs is obtained from the United States.

Our drilling programme now comprises eight strings of tools, all of which are employed in the Bolivar District. The string which was previously operating in the Concepcion field in the Maracaibo District has recently been transferred to the Bolivar District, where it can be employed to better advantage.

Our policy of electrifying our principal fields is being extended to Cabimas, since although this field has passed its peak as a source of production, it has, we consider, sufficient useful life still before it to reap the benefits of economy and flexibility made possible by the use of electric prime movers in the pumping of wells, the gathering of oil, and other similar phases of our operations.

FIELD PROTECTION WORKS

The coastal dyke to counteract the effect of subsidence at Lagunillas, to which reference was made in the report, has now been completed in the central part of the Lake shore frontage, and should give adequate protection for a considerable number of years. Additional work to maintain the existing flood protection and drainage schemes is being carried out as necessary in other parts of the field. It has recently become apparent that appreciable subsidence is taking place at Tia Juana, and to a lesser degree at Cabimas. In the former field conditions are such that large expenditure will be necessary, either this year or next year, for the purpose of providing the necessary protection from flooding. At Bachaquero, no subsidence has yet become apparent, but in the light of our experience in other fields a system of periodic surveys has been instituted, so that immediate steps may be taken should subsidence commence. We must thus be prepared for continued heavy expenditure for the purpose of maintaining the surface condition of our fields.

As regards our one-third participation in the Venezuelan Oil Development Company, Limited, you will have seen from the report that no success has yet been obtained by that company in its exploration for oil-producing territory on its concessions, and that since the war its exploration programme has been suspended. In consequence of this our expenditure commitments in this direction are reduced to comparatively small sums.

As you will see from the accounts, our exploration and general reserve as at the end of 1938 stood at £1,000,000, while our contribution to V.O.D. expenditure as at the end of 1939 amounted to £550,000. For this reason it has not been considered necessary to set aside any further sum to exploration and general reserve in respect of last year. Nevertheless, as explained in previous years, it must be appreciated that this reserve, besides providing for our interest in V.O.D., is intended to contribute to writing off the value of our wasting assets and other intangibles. Your directors will have the question of the exploration and general reserve constantly before them and additions will be made to it in future years whenever this is justified.

The report and accounts, with the recommendation of a final dividend of 1s. 7d., making 2s. 3d. per share for the year, were unanimously adopted.

GEDULD PROPRIETARY MINES, LIMITED

SATISFACTORY RESULTS

The thirty-ninth ordinary general meeting of shareholders in Geduld Proprietary Mines, Limited, was held at Johannesburg, on the 16th ultimo.

Mr P. M. Anderson, chairman of the company, presided, and in the course of his remarks said:—The results achieved in the course of the year's operations have again been satisfactory.

The milling record of the previous year was improved upon by 36,500 tons, the total for the past year being 1,365,000 tons. Working revenue improved by £16,734 owing to the increased tonnage milled and the higher average price obtained for gold. On the other hand, working costs increased by £45,821, or 3d. per ton milled, leaving a working profit of £1,326,530, as compared with £1,355,617 for the previous year.

Increased dividend income from our shareholdings in East Geduld Mines and Grootvlei Proprietary Mines substantially improved our sundry revenue, which amounted to £489,313. After setting aside £606,176 to meet taxation liability and providing for other items detailed in the profit and loss account, the net profit was £1,194,759, or £59,017 more than in the preceding year. The addition of £247,791 brought forward from the previous year made available for disposal a sum of £1,442,550, and £1,168,686 was absorbed in the payment of two dividends totalling 16s. per share.

DEVELOPMENT WORK

The results of development work during the year showed little variation from those of the preceding year. Apart from a small footage preparatory to Black Reef development, 13,070 feet were driven, of which 9,145 were on reef and sampled and 3,350 were classed as payable with an average value of 6.6 dwt. over 37 inches. This work was insufficient to fully maintain the ore reserves, which, on being re-estimated at the end of the year, showed a decrease of 150,000 tons to 8,900,000 tons, averaging 4.7 dwt. over 56 inches. This value was one-fifth of a pennyweight lower and the width one inch less than when calculated a year previously.

During the first three months of the current year development results have been well maintained. Of the 2,000 feet sampled in the Main Reef Leader, 1,175 feet, averaging 8.6 dwt. over 32 inches, were classed as payable. The ore milled totalled 336,500 tons, and the working revenue, based on selling gold to the Treasury at 150s. per ounce fine, amounted to £566,739. After deducting working costs, which averaged 16s. per ton milled, the working profit was £296,786, which is somewhat below the average of the previous year.

TAXATION AND PROFITS

The full price of gold as from January 1, 1940, has been reinstated to the producers, who will have to bear increased taxation imposed on profits and additional realisation charges. As the

result, the published gross profits of all mines will be greater, but on average the profits distributable to shareholders will be unchanged unless the price of gold exceeds 168s. per ounce.

As an example of how our company is affected by this change, for the first quarter of this year our working profit under the new scheme showed an increase of £55,500 over the old, but taxation is increased by £58,200, so that the net working profit to our shareholders is slightly lower. On the other hand, it is estimated that the ore reserve tonnage as calculated at the end of last year could be increased by about 20 per cent.

Our shareholdings in East Geduld Mines, Limited, and the Grootvlei Proprietary Mines, Limited, remain intact.

The report and accounts were adopted.

EAST GEDULD MINES, LIMITED

CONTINUED PROGRESS

The thirteenth ordinary general meeting of shareholders in East Geduld Mines, Limited, was held at Johannesburg, on the 16th ultimo.

Mr P. M. Anderson, chairman of the company, presided, and in the course of his remarks said:—Results for the year 1939 present a gratifying record of continued progress and efficient conduct of operations.

The reduction plant treated a record total of 1,829,000 tons, or 77,200 more than in the previous year, the average yield per ton milled, at 5.74 dwt., being slightly lower. Working costs per ton milled were reduced by 6d. to the low level of 15s. 8d., two-thirds of the decrease being due to a lower charge for development redemption.

INCREASED OUTPUT

The output of gold increased by 19,798 ounces fine to 525,247 ounces fine, and the average price realised was 6s. 5d. per ounce fine more than in the previous year. The working profit increased by £290,604 to £2,476,316, and the gross profit, including sundry revenue and dividends on our shareholding in the Grootvlei Proprietary Mines, Limited, amounted to £2,505,610. Out of this £1,167,040, or 47 per cent. of the working profit, had to be provided for taxation, the net profit amounting to £1,320,203. Including the balance brought forward at the beginning of the year, there was available for disposal an amount of £1,540,335, of which £1,215,000 was distributed in two dividends totalling 13s. 6d. per share, an increase of 2s. per share over the previous year.

The development footage during the year amounted to 18,713 feet and, of 12,615 feet on reef and sampled, 7,500 feet, or 59 per cent., were payable, the average value being 13.2 dwt. over 33 inches, equivalent to 434 inch-dwt. The payable footage was sufficient to maintain the ore reserves, which, based on a slightly lower pay limit, amounted at the year end to 11,500,000 tons, the value of 5.7 dwt. being three-tenths of a pennyweight lower and the estimated stoping width of 56 inches two inches less than at the end of the previous year.

CURRENT YEAR'S DEVELOPMENT

During the first quarter of the current year the development footage driven amounted to 5,843 feet, of which 4,010 feet were on reef and sampled, the payable reef being 2,550 feet, or 64 per cent., having an average value of 15.0 dwt. over 34 inches, equivalent to 511 inch-dwt. The tonnage milled during the quarter totalled 461,000 tons, or an increase of 17,000 tons over the corresponding period of last year, and the yield per ton milled showed a slight increase above the average of the previous year. Working costs per ton milled, at 16s., were 4d. above the average of last year, the increase being due to the rising cost of stores and materials. The working profit amounted to £627,191, on the basis of a gold price of 150s. per ounce fine. The full price of gold as from January 1, 1940, has been reinstated to the producers, who will have to bear increased taxation imposed on profits and additional realisation charges. As the result the published gross profits of all mines will be greater, but on average the profits distributable to shareholders will be unchanged unless the price of gold exceeds 168s. per ounce fine.

So far as our company is concerned the effect of this change for the first quarter of this year is that the distributable profit is decreased by about £15,000. However, as the rate of net profit at

present being earned is approximately the same as last year, shareholders should suffer no diminution in the dividend rate. On the other hand, the life of the mine will be considerably lengthened, as it is estimated that the ore reserve tonnage as calculated at the end of last year could be increased by over 40 per cent. by the addition of low-grade ore.

Your company's share interest in the Grootvlei Proprietary Mines, Limited, remains intact, and I feel sure shareholders will have observed with satisfaction that the company has entered the ranks of dividend payers.

The report and accounts were adopted.

MARIEVALE CONSOLIDATED MINES, LIMITED

IMPROVEMENT IN DEPTH

The fifth ordinary general meeting of shareholders in Marievale Consolidated Mines, Limited, was held at Johannesburg, on the 17th ultimo.

Mr P. M. Anderson, chairman of the company, presided, and, in the course of his remarks, said:—With regard to capital expenditure, it has been necessary to make use of the arrangements, previously announced, to obtain temporary finance from Union Corporation, Limited. Since the close of the year the loan has reached a maximum of £104,974, which is about £45,000 less than the estimate I gave at our last meeting and at the end of last month it had been reduced to about £43,000.

Milling on a regular basis commenced on November 1st, eleven months after the decision to erect a plant was made by your board. The full nominal capacity of the reduction plant—40,000 tons per month—was reached in December.

Due to the inevitable absorption of gold in the plant and the milling of a high percentage of comparatively low-grade development rock, the yield for the first two months of production was only 3.55 dwt. per ton milled, and with the inclusion of initial starting-up expenditure a working loss of £20,709 was incurred by the year end. During the first quarter of the current year a total of 120,000 tons were milled, the yield being 4.50 dwt. per ton. Working costs per ton milled, which included an average development redemption charge of 7s. 8d., were 28s. 10d., and the working profit for the quarter—declared on the basis of selling gold to the Government at 150s. net per ounce fine—was £29,284, or 4s. 11d. per ton milled. In April the yield had risen to 5.2 dwt. per ton and further improvement in accordance with the ore reserve value may be expected.

THE NEW TAX BASIS

The new tax basis, although a severe one, is a superior form of impost in many respects and results in some saving to our company compared with the amount which would have accrued to the Government under the Gold Price Levy. For example, under the new arrangement, which came into force as from January 1st, the working profit for the first quarter of this year, after allowing for extra taxation and charges, becomes £44,926, as compared with £29,284 previously published, being an increase of £15,642.

During last year 35,723 feet of development, exclusive of work on stations, were accomplished, which represents an increase of 7,806 feet over the previous year. 22,915 feet were on reef and sampled and, of this, 12,760 feet were found to be payable, averaging 9.6 dwt. over 26 inches. Ore reserves were increased by 600,000 tons, and at the year end were calculated at 1,700,000 tons, having an average value of 5.3 dwt. over an estimated stoping width of 40 inches. Development footage for the first three months of this year amounted to 9,707 feet, of which 6,560 feet were on reef and sampled. The 2,890 feet payable averaged 10.9 dwt. over 23 inches.

GRATIFYING DEVELOPMENT RESULTS

I have previously informed shareholders that development results, particularly in the No. 1 Shaft area, showed definite signs of improvement in depth, and it is gratifying to be able to state that subsequent development in this area does not give me any grounds to change my opinion. Unfortunately, the development of the lowest levels has been retarded owing to the downthrow of the reef

by the dyke to which I referred at our last meeting. Consequently, the results of the year, although satisfactory, do not fully reflect the improved values encountered in depth because the bulk of the work has necessarily been restricted for the time being to the levels above the dyke. The opening up of the area below the dyke, however, will be facilitated by two inclines from No. 1 Shaft, which are being pushed forward as rapidly as possible.

Development in the No. 2 Incline Shaft area has been delayed from time to time by water-bearing fissures and last month an abnormal flow of water was encountered in the 12th Level Drive. This additional flow exceeded the limited pumping capacity at this shaft, consequently all perishable equipment was withdrawn and the water allowed to rise to the 7th Level on which it was transferred to the main pumping station at No. 1 Shaft. Additional pumping equipment has been obtained and is being installed in No. 2 Incline preparatory to dewatering this incline to the 12th Level. This mishap has not affected the output and in no way endangers the rest of the mine, but will involve some additional expenditure and delay development in this section.

The mine is opening up very well and I feel confident that shareholders can look forward to improving profits until normal production is reached on full scale operations.

The report and accounts were adopted.

THE GROOTVLEI PROPRIETARY MINES, LIMITED

SATISFACTORY DEVELOPMENT RESULTS

The thirty-third ordinary general meeting of The Grootvlei Proprietary Mines, Limited, was held at Johannesburg, on the 16th ultimo.

Mr P. M. Anderson, chairman of the company, presided, and in the course of his remarks, said:—The reduction plant, which has now been in commission for some twenty months, has operated most satisfactorily, and last year the ore milled totalled 947,500 tons. In the early part of 1939 the plant was extended to a rated capacity of 80,000 tons per month, but results have shown that the actual capacity is well above that figure; in fact last month 97,000 tons was reached. You will be glad to hear that, owing to satisfactory development results, it has been decided to proceed immediately with extension of the plant to a rated capacity of 120,000 tons per month and the main items of additional machinery and equipment have been ordered.

The working revenue totalled £1,669,916, or 35s. 3d. per ton milled, and working costs amounted to £1,066,603, or 22s. 6d. per ton milled, leaving a working profit of £603,313 and a net profit of £517,721 which, together with the carry-forward from the previous year, made £529,740 available for disposal, of which £408,750 was absorbed in the payment of the two dividends of 1s. and 2s. per share.

The capital funds on hand at December 31, 1938, totalled £403,658, which should be sufficient to finance the extension of the reduction plant to which I have already referred.

ACCELERATION AND DEVELOPMENT

The main haulage between Nos. 3 and 4 shafts was completed in May last year and this assisted considerably in the acceleration of development in that section of the mine. Altogether 64,272 feet were driven during the year, which is almost double the footage accomplished in the preceding year, 44,590 feet were on reef and sampled and, of this, 25,350 feet, or 57 per cent., were payable, having an average value of 12.5 dwt. over 28 inches, equivalent to 350 inch-dwt.

The ore reserves, when recalculated as at December 31st last, showed an increase of 40 per cent. and amounted to 5,250,000 tons with an average value of 5.5 dwt. over 52 inches. This compares with 3,750,000 tons having an average value of 5.5 dwt. over 55.5 inches at the end of 1938.

The results of the company's operations during the first quarter of the current year show that satisfactory progress is being maintained. Development work totalled 15,893 feet, of which 10,365 feet were on reef and sampled. 4,950 feet, or 48 per cent., were payable, having an average value of 13.1 dwt. over 29 inches, equivalent to 380 inch-dwt. The ore milled totalled 277,500 tons and the working revenue was £536,942, or 38s. 8d. per ton milled.

Working costs amounted to £315,524, or 22s. 9d. per ton milled, leaving a working profit of £221,418, which is substantially above the rate for last year. These figures are based on a gold price of 150s. net per ounce fine.

TAXATION AND FUTURE PROFITS

The full price of gold as from January 1, 1940, has been reinstated to the producers, who will have to bear increased taxation imposed on profits and additional realisation charges. As the result, the published gross profits of all mines will be greater, but on average the profits distributable to shareholders will be unchanged unless the price of gold exceeds 168s. per ounce.

As an example of how our company is affected by this change, for the first quarter of this year our working profit under the new scheme showed an increase of £52,600 over the old, but taxation is increased by £50,000, so that the net working profit to our shareholders is much the same. On the other hand, it is estimated that the ore reserve tonnage as calculated at the end of last year could be increased by over 30 per cent.

The financial resources of the Palmietkuil Gold Mining Company, Limited—in which your company's shareholding remains unchanged—became exhausted during the year, and, as the present state of world affairs made the raising of further capital impracticable, mining operations have been suspended and the mine placed on a caretaking basis.

The report and accounts were adopted.

VAN DYK CONSOLIDATED MINES, LIMITED

YEAR OF STEADY PROGRESS

The sixth ordinary general meeting of Van Dyk Consolidated Mines, Limited, was held at Johannesburg on the 17th ultimo.

Mr P. M. Anderson, chairman of the company, presided, and in the course of his remarks, said:—The year under review is the first complete year of milling operations, and steady progress has been made towards full scale production. Although the extension to the reduction plant from 60,000 to 80,000 tons per month was not brought into commission until the end of February, the ore milled during the year reached the satisfactory figure of 1,026,600 tons, which is substantially above the rated capacity of the plant.

The yield per ton milled continued to show improvement throughout the year and averaged 4.80 dwt., an increase of about two-thirds of a pennyweight, and revenue improved by 5s. 9d. per ton milled compared with the previous year. Working costs per ton milled, which averaged 22s. 10d. and included a charge for development redemption averaging 5s. 2d., showed a reduction of 5d.

The increases in tonnage milled, yield and price of gold, coupled with the decrease in working costs, accounted for the working profit being increased, compared with the previous year, by nearly half a million pounds to £664,550, the net profit transferred to the appropriation account being £476,645. With the balance unappropriated from last year of £95,858, there was thus a total of £572,503 to be dealt with. Of this, two dividends, each of 9d. per share, absorbed £412,500.

INCREASED ORE RESERVES

Development accomplished during 1939 amounted to 73,205 feet, which was an increase of 22,849 feet over 1938. Due to the large footage of incline haulage ways and to broken ground in certain areas, a considerable portion of the development was off reef. Of the 37,700 feet on reef and sampled, 15,725 feet were found to be payable averaging 12.5 dwt. over 20 inches. The ore reserves were increased about 15 per cent. during the year, and at December 31st were estimated to amount to 2,600,000 tons, having an average value of 5.6 dwt. over an assumed stoping width of 40 inches.

During the first three months of the current year, 20,738 feet of development were accomplished, of which 11,270 feet were on reef. Of the footage sampled 2,800 feet were payable, with an average value of 10.7 dwt. over 21 inches. The ore milled amounted to 274,200 tons, the average yield per ton milled being 4.94 dwt. Working costs, at 23s. 3d. per ton milled, were 5d. higher than the average of the past year, due in part to increasing the charge for development redemption to 5s. 6d. per ton. The working profit was esti-

mated at £189,229. This figure is based on a gold price of 150s. net per ounce fine.

TAXATION AND FUTURE PROFITS

As from January 1, 1940, the full price of gold has been reinstated to the producers, who will have to bear increased taxation imposed on profits and additional realisation charges. As the result, the published gross profits of all mines will be greater, but on average the profits distributable to shareholders will be unchanged unless the price of gold exceeds 168s. per ounce.

As an example of how our company is affected by this change, for the first quarter of this year our working profit under the new scheme showed an increase of £49,800 over the old, but taxation is increased by £46,000, so that the net working profit is much the same. On the other hand, it is estimated that the ore reserve tonnage as calculated at the end of last year could be increased by about 35 per cent.

The report and accounts were adopted.

FORSTER'S GLASS COMPANY, LIMITED

PROFIT MORE THAN DOUBLED

The twenty-first annual general meeting of Forster's Glass Company, Limited, was held, on the 20th instant, in London.

Col. Charles E. Ponsonby, T.D., M.P. (the chairman), said he was sure it would be agreed that the report and accounts were very satisfactory. The profit for the year, after meeting all expenses, but before providing for taxation, was £115,233 as against £54,020 last year. This showed a very large increase over last year, but in order to cover estimated liabilities for taxation it had been found necessary to provide £64,519 as against £9,600 last year. Included in this provision was an amount for excess profits tax calculated on the 60 per cent. basis. After deducting the preference dividend for the year and bringing in a balance of £16,701 from last year, the amount available for distribution was £54,290. The directors recommended a dividend of 6 per cent. and a cash bonus of 5 per cent. on the ordinary shares.

The increase in profits was remarkable, and was accounted for in several ways. The sales of the company for the year under review were the largest in the company's history, and were roughly an increase of 30 per cent. on those of the previous year. In order to meet the enormous demand the plant had been working almost to capacity during the whole period.

During the year only one small increase in sale prices had taken place, and this increase only applied to a relatively small proportion of the company's sales. On the other hand, costs of production, both in the way of materials and wages, had increased considerably, but, so far, it had been possible to carry these increases by reason of the greater volume of sales.

The great increase in sales had been due partly to an increase in

their general trade, especially in the mineral water trade owing to the satisfactory weather conditions during last summer, but also to a considerable increase in the demand for containers to be packed with goods for export, and in response to the request of the Government the company had been pushing the sale of empty containers for export purposes, and they had met with satisfactory success in this field. As to the current year, at the moment the plant was fully employed, and they were doing a considerable amount of work for the Government.

The report was unanimously adopted.

LISBON ELECTRIC TRAMWAYS, LIMITED

RECORD TRAFFIC

The forty-second ordinary general meeting of this company was held, on the 19th instant, in London.

Mr A. Newcombe Rye, M.I.E.E., the chairman of the company, who presided, said that traffic during the past year had constituted another record. 134,238,698 passengers having been carried, against 131,087,670, an increase of 3,151,028. The profit at £161,688 was, however, £9,810 lower owing to increased expenditure, largely due to the cost of removing and relaying track, the continued increase in the car mileage run and higher taxation. The board now recommended the declaration of a final dividend of 4 per cent. net, making, with the interim dividend, 6½ per cent. net for the year.

As to exchange, the escudo, for some years past linked to sterling at about 110 escudos to the £, in the latter part of last year was related to the United States dollar, and was now about 100 escudos to the £. It was satisfactory to note, however, that there was a free market for all currencies in Portugal, and no difficulty had been experienced in making remittances.

The period covered by the accounts included only the first four months of the war, and as the company carried substantial stocks purchased at pre-war rates, the war had had only a small effect during the period under review. In 1940 they must expect heavy additional expenditure. Coal was now double the price of 1939, difficult to obtain and poor in quality. Also the majority of the materials required showed a substantial increase.

This year Portugal was holding a series of centenary celebrations and an exhibition in Lisbon, showing the many resources and products of the various territories of its Empire. They had made a substantial contribution to the amenities of the exhibition by diverting certain sections of their tramway track and providing additional facilities for the rapid handling of passengers. The cost of these works, which would be substantial, the company was bearing as its contribution to the Portuguese national celebrations. In view of the difficult times he felt shareholders would agree that the results of the year's working were as satisfactory as could have been expected.

The report and accounts were unanimously adopted.

Shorter Comments

Company Results of the Week.—The BUTTERLEY COMPANY has realised an increase in trading profit from £287,288 to £343,714. Net profit, however, is £25,761 lower at £141,594. The company has made no allocation to reserve, against £30,000 in the previous year. The 10½ per cent. ordinary dividend absorbs a slightly larger sum than the 6½ per cent. tax free dividend paid in 1938-39. **ANGLO-EGYPTIAN OILFIELDS** earned a trading profit of £831,397, nearly double the 1938 figure. After making a taxation provision of £200,000 and placing £100,000 to exploration reserve, net profits amounted to £223,940 against £188,993. In 1938, the net profit figure was augmented by a transfer of £50,000 from stock reserve no longer required. The ordinary dividend has been maintained at 12½ per cent. W. J. BUSH, with a trading profit of £142,581, has also nearly doubled the 1938 total, but has maintained the ordinary dividend at 10 per cent. **MARSTON THOMPSON AND EVERSHED** net profits show a slight decline from £104,404 to £101,292. The company has in effect reduced the total dividend distribution by changing the rate from 15 per cent. tax free to 20 per cent. less tax. **TRUST HOUSES** realised an increase in trading profit of some £70,000 to

£297,203. The increase in net profit at £139,534 amounts to only £13,654, and the 7 per cent. dividend was maintained. The previous year's dividend of 5 per cent. is maintained by GRIFITHS HUGHES despite lower net profits of £82,835 against £89,252. **HALL AND COMPANY**, with a total income of £98,952, also enjoyed a less successful year than in 1938-39. Net profits at £50,129 showed a fall of £4,116. A 25 per cent. dividend is announced as before. Pending the announcement of the Government terms of hire for requisitioned tonnage, an element of estimate enters into the calculation of ROYAL MAIL trading profits, at £1,002,218 against £980,222 in 1938. After placing £508,714 to depreciation, net profit is £29,019 lower at £110,048. The 5 per cent. dividend is maintained.

MISCELLANEOUS

Royal Mail Lines.—Total revenue year 1939, £1,002,218 (£980,222). Trading profit, £915,616 (£903,187). Administration and taxation, £356,950 (£345,017). Fleet replacement account, £502,394 (£136,166). Depreciation, nil (£317,700). Ordinary dividend, 5 per cent. as before. Carry forward, £14,344 (£29,296).

Griffiths Hughes Proprietaries.—Total income year to March 31, 1940, £87,719 (£94,418). Net profit, £82,835 (£89,252). Ordinary dividend, 5 per cent. as before. Carry forward, £4,446 (£2,236).

Doncaster Amalgamated Collieries.—Trading profit, year to March 31, 1940, £427,830 (£216,650). Net profit, £289,250 (£120,115). General reserve, £100,000 (nil). Additional depreciation, £40,000. Ordinary dividend, 4 per cent. against nil. Carry forward, £85,922 (£125,013).

Rhodesia Broken Hill Development.—Net profit, 1939, £177,892 (£158,105), after charging £29,858 (£7,370) for tax. Written off development expenditure, £12,115 (£13,156). Capital expenditure, £300,000 (nil). Carry forward, £137,996 (£272,219).

Anglo-Egyptian Oilfields, Ltd.—Total revenue, 1939, £1,331,661 (£714,282), including credit from stock reserve, £50,000. Depreciation, £132,373 (£104,270). Taxation, £200,000 (nil). Exploration reserve, £100,000 (nil). Net profit, £223,941 (£238,993). "B" shares dividend, 12½ per cent. (unchanged). Carry forward, £141,249 (£150,808).

Primitiva Holdings, Ltd.—Net profit year to April 30, 1940, £65,333 (£81,022). Ordinary dividend maintained at 3½ per cent. Reserve, £5,000 (£10,000). Carry forward, £122,108 (£123,297).

Zinc Corporation.—Net profit, 1940, £142,575 (£184,422). Ordinary dividend, 30 per cent. Transfer from £ reef equalisation reserve, £42,240. Carry forward, £58,437 (£57,584).

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week to June 15, 1940, total ordinary revenue was £10,763,000, against ordinary expenditure of £62,971,000, and allocation to sinking funds of £250,000. Thus, including all sinking fund allocations, the deficit accrued since April 1st is £407,178,000, against £127,299,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)			
	Apr. 1, 1939, to June 17, 1939	Apr. 1, 1940, to June 15, 1940	Week ended June 17, 1939	Week ended June 15, 1940
ORDINARY REVENUE				
Income Tax	10,207	20,980	15	55
Sur-tax	6,260	6,180	320	270
Estate, etc., Duties	15,620	18,350	2,270	2,060
Stamps	3,100	2,550	340	...
N.D.C.	3,940	3,700	480	350
E.P.T.	...	3,590	...	1,080
Other Inland Revenue	210	90	...	...
Total Inland Revenue	39,337	55,440	3,425	3,815
Customs	51,564	58,801	4,201	4,845
Excise	24,860	26,306	5,530	1,126
Total Customs & Excise	76,424	85,107	9,731	6,271
Motor Duties	4,629	5,428	258	126
P.O. (Net Receipt)	6,060	5,900	250	550
Crown Lands	290	240	...	...
Receipts from Sundry Loans	356	358	...	...
Miscellaneous Receipts	1,086	4,114	258	1
Total Ordinary Revenue	128,182	156,587	13,922	10,763
SELF-BALANCING Post Office and Broadcasting	12,790	13,850	950	900
Total	140,972	170,437	14,872	11,663

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)			
	Apr. 1, 1939, to June 17, 1939	Apr. 1, 1940, to June 15, 1940	Week ended June 17, 1939	Week ended June 15, 1940
ORDINARY EXPENDITURE				
Interest and Management of Natl. Debt	74,391	76,456	2,195	3,371
Payments to N. Ireland	1,235	1,295	...	...
Other Consolidated Fund Services	395	376	...	...
Total	76,021	78,127	2,195	3,371
Supply Services	179,460	484,309	20,250	59,600
Total Ordinary Expenditure	255,481	562,436	22,445	62,971
SELF-BALANCING Post Office and Broadcasting	12,790	13,850	950	900
Total	268,271	576,286	23,395	63,871

The 1939 figures include expenditure out of defence loans.

After decreasing Exchequer balances by £347,066 to £2,557,878, the other operations for the week (as shown below) raised the gross National debt by £52,158,000 to about £9,356 millions.

WEEK'S CHANGES IN DEBT

(£ thousands)			
Period	N.S.C.*	3% Bds.	Total
Week to June 14, 1940	4,773	4,717	9,490
Week to June 11, 1940	4,999	4,648	9,647
29 weeks to June 11, 1940	95,800	88,913	184,713
Defence Bonds	5,450	...	...
Treasury Bills	35,019	...	...
Public Dept. advances	5,950	...	...
Total	...	...	52,158

OTHER ISSUES (Net) (£ thousands)

Overseas Trade Guarantees 46

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1 to June 15, 1940, are:—

(£ thousands)		(£ thousands)	
Ordinary Exp.	562,436	Ord. Revenue	156,587
Misc. Iss. (net)	5,210	Gross borr.	412,551
Inc. in balances	163	Less—	...
		Sinking fds.	1,329
		Net borrowing	411,222
	567,809		567,809

FLOATING DEBT

(£ millions)		Treasury Bills		Ways and Means Advances		Total Floating Debt		Floating Assets	
Date	Tender	Tap	Public Depts.	Bank of Eng-land					
1939									
June 17	469.0	541.9	43.9	0.5	1055.3	585.8			
1940									
Mar. 9	776.0	664.6	66.0	...	1506.6	730.6			
" 16	761.0	673.6	56.3	...	1490.9	729.9			
" 23	746.0	682.8	55.0	...	1483.8	737.8			
" 31	731.0	696.7	61.5	...	1489.2	758.2			
Apr. 6	710.0	708.4	56.4	...	1477.3	761.3			
" 13	686.0	637.5	38.9	...	1465.8	764.8			
" 20	675.0	674.1	46.3	...	1362.4	676.4			
" 27	675.0	674.1	46.3	...	1395.4	720.4			
May 4	675.0	707.9	49.3	...	1432.2	757.2			
" 11	685.0	722.1	53.0	...	1460.1	775.1			
" 18	695.0	733.6	40.3	...	1468.9	773.9			
" 25	700.0	746.5	49.4	...	1495.9	795.9			
June 1	710.0	787.5	50.4	...	1547.9	837.9			
" 8	725.0	822.4	47.9	...	1595.3	870.3			
" 15	740.0	842.4	53.9	...	1636.3	896.3			

TREASURY BILLS

(£ millions)		Amount		Average Rate		Per Cent. Allotted	
Date of Tender	Offered	Applied for	Allotted	%	Minimum Rate		
1939							
June 16	50.0	70.1	50.0	16	7.81	60	
1940							
Mar. 8	55.0	98.3	50.0	20	5.30	45	
" 15	50.0	99.8	50.0	20	4.28	43	
" 21	50.0	100.0	50.0	20	4.92	38	
" 29	50.0	99.9	50.0	20	7.76	49	
Apr. 5	50.0	94.5	50.0	20	8.33	51	
" 12	50.0	90.6	50.0	20	8.16	52	
" 19	50.0	111.8	50.0	20	6.87	31	
" 26	55.0	115.7	55.0	20	4.98	36	
May 3	60.0	113.2	60.0	20	4.81	45	
" 10	65.0	111.6	65.0	20	4.82	52	
" 17	65.0	116.0	65.0	20	4.86	47	
" 24	65.0	117.7	65.0	20	4.81	45	
" 31	65.0	131.3	65.0	20	4.11	30	
June 7	65.0	116.4	65.0	20	4.77	46	
" 14	65.0	102.0	65.0	20	5.41	59	

On June 14th applications at £99 14s. 10d. per cent. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted as to about 59 per cent. of the amount applied for and applications at higher prices in full. Applications at £99 14s. 11d. for bills to be paid for on Saturday were accepted in full. £65.0 millions of Treasury bills are being offered on June 21st.

NATIONAL SAVINGS CERTIFICATES AND 3% BONDS SUBSCRIPTIONS

(£ thousands)			
Period	N.S.C.*	3% Bds.	Total
Week to June 14, 1940	4,773	4,717	9,490
Week to June 11, 1940	4,999	4,648	9,647
29 weeks to June 11, 1940	95,800	88,913	184,713

* Revenue returns show repayment of principal amounting to £15,850,000 in the 29 weeks to June 11, 1940.

BANK OF ENGLAND RETURNS

JUNE 19, 1940

ISSUE DEPARTMENT

(£ thousands)		(£ thousands)	
Notes Issued:		Govt. Debt.	11,015,100
In circula.	589,051,306	Other Govt. Securities	615,281,250
In Bnkg. Department	41,185,452	Other Secs.	3,194,092
		Silver Coin	509,558
		Am't of Fid. Issue	630,000,000
		Gold Coin & Bullion (at 168s. per oz. fine)	236,758
			630,236,758

BANKING DEPARTMENT

(£ thousands)		(£ thousands)	
Props' Capital	14,553,000	Govt. Secs.	130,552,838
Rest	3,294,968	Other Secs.	3,536,108
Public Depts.*	35,276,644	Discs., etc.	26,074,980
		Notes	30,511,088
Other Depts.:		Gold & Silver Coin	1,475,286
Bankers' ...	103,727,407		
Other Accts.	46,872,645		
	150,600,052		
	203,724,664		203,724,664

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

THE WEEK'S CHANGES

OVERSEAS BANK RETURNS

NOTE.—The latest returns of the Bank of Germany appeared in The Economist of April 27th; Netherlands, of May 11th; Belgium, of May 18th; Roumania, of June 1st; Greece, India, Japan, Yugoslavia, Australia and France, of June 8th; Argentina, Australia, Bulgaria, Canada, Latvia, Prague, South Africa, Turkey and U.S. Federal Reserve Banks, of June 15th.

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

	May 31, 1939	Mar. 31, 1940	Apr. 30, 1940	May 31, 1940
ASSETS				
Gold in bars	64.7	30.6	28.2	28.9
Cash	6.8	34.8	33.5	46.1
Sight funds	16.3	16.3	16.9	16.4
Commercial bills	143.9	93.5	117.0	113.3
Treasury bills	76.1	68.4	45.4	30.5
Time funds at interest	31.5	17.4	22.0	21.8
Sundry bills & invests.	232.2	206.6	195.1	211.3
LIABILITIES				
Deposits—Annuity	153.1	153.1	153.1	152.7
German	102.0	76.5	76.5	76.3
Central banks	111.0	33.6	23.6	34.5
Other	3.6	1.2	1.2	0.9
Gold	13.2	12.9	12.6	12.0

NATIONAL BANK OF HUNGARY
Million pengos

	May 31, 1939	Apr. 30, 1940	May 31, 1940	May 31, 1940
ASSETS				
Metal reserve	31.3	30.0	23.1	31.1
Gold coin and bullion	124.1	124.1	124.1	124.1
Foreign exchange	9.4	63.2	59.1	59.1
Int. bills, w.s., & secs.	458.6	529.0	615.6	646.5
Advances to Treasury	299.2	343.5	343.1	343.1
LIABILITIES				
Notes in circulation	868.0	975.8	948.1	1039.7
Sight liabilities	191.6	119.7	244.9	186.4
Cash certificates	99.0	93.5	93.5	93.5

BANK OF JAVA.—Million florins

	May 31, 1939	Apr. 30, 1940	Apr. 30, 1940	May 31, 1940
ASSETS				
Gold and silver	134.9	153.6	166.2	166.7
Discounts, advances & other investments	79.4	74.5	80.7	85.3
Foreign bills	12.2	11.9	20.0	16.8
Other assets	71.7	85.6	76.8	81.1
LIABILITIES				
Notes in circulation	197.7	205.8	206.0	212.7
Deposits and bills	86.9	104.0	123.0	122.6

EXCHANGE RATES

Rates Fixed by Bank of England

The following official exchange rates fixed by the Bank of England remained unchanged between June 13th and June 20th. (Figures in brackets are par of exchange.)

U.S. \$ (4-86½) 4-02½-03½; mail transfers, 4-02½-03½. Can. \$ (4-86½) 4-43-47; mail transfers, 4-43-47½. Fr. fcs. (124-20) 176½-34; dealings suspended between June 15-18. Sw. fcs. (25-22½) 17-85-95. Sw. kr. (18-159) 16-85-95. Arg. pesos (11-45) June 6-10, 17-05-30; mail transfers 17-05-32. June 11-13, 17-00-13; mail transfers, 17-00-15. Batavian Fl. (12-11) 7-58-62; mail transfers, 7-58-64.

Forward Rates

Forward rates for one month have remained unchanged as follows: America, ½ cent pm.-par. Canada, ½ cent pm.-par. France, par. Switzerland, 3 cents pm.-par. Sweden, 3 ore pm.-par. Batavia 1½ cents pm.-par.

MARKET RATES

London on	Par of Exchange per £	June 14, 1940	June 15, 1940	June 17, 1940	June 18, 1940	June 19, 1940	June 20, 1940
Tallinn, Ekr.	18-159	13½*	14½*	14½*	14½*	14*	13½*
Riga, Lats.	25-22½	18½*	18½*	18½*	18½*	18½*	18½*
Budapest, Pen.	27-82	19½*	19½*	19½*	19½*	19½*	19½*
Kovno, Lit.	48-66	20½*	20½*	20½*	20½*	20½*	20½*
Belgrade, Din.	276-32	145*	145*	145*	145*	145*	145*
Sofia, Lev.	673-66	185*(g)	185*(g)	185*(g)	185*(g)	185*(g)	185*(g)
Heligoland, Mk	193-23	290*	290*	290*	290*	290*	290*
Alexandria, Pst	97½	97½-58	97½-58	97½-58	97½-58	97½-58	97½-58
Madrid, Pt.	25-22½	40-50(b)	40-50(b)	40-50(b)	40-50(b)	40-50(b)	40-50(b)
Lisbon, Esc.	110	98½	98½	98½	98½	98½	98½
Istanbul, LT	110	510*	510*	510*	510*	510*	510*
Athens, Dr.	375	520(b)	520(b)	520(b)	520(b)	520(b)	520(b)
Bucharest, Lei	813-8	800*	800*	800*	800*	800*	800*
India, Rup.	118d.	17½½	17½½	17½½	17½½	17½½	17½½
Kobe, Yen.	24-58d.	15½-17½	15½-17½	15½-17½	15½-17½	15½-17½	15½-17½
Hongkong, \$	147½-15½	147½-15½	147½-15½	147½-15½	147½-15½	147½-15½	147½-15½
Rio, Mil.	15-89d.	3½*	3½*	3½*	3½*	3½*	3½*
Valparaiso, Pes.	40	110*	110*	110*	110*	110*	110*
Lima, Sol. (s)	17-38	19-22½	19-22½	19-22½	19-22½	19-22½	19-22½
Montevideo, \$	17-38	22-26½	23-26	23-26	23-26	23-26	23-26
Singapore, \$	28d.	28½-5½	28½-5½	28½-5½	28½-5½	28½-5½	28½-5½
Shanghai, \$	31-44	31-44	31-44	31-44	31-44	31-44	31-44
Bogota, Pes.	6½	6½	6½	6½	6½	6½	6½

* Sellers. † Nominal. ‡ Pence per unit of local currency. (a) Approximate rate. (b) Official rate for payment at the Bank of England for Clearing Offices. (c) Voluntary rate for payment at the Bank of England. (d) 90 days. (e) Trade payments rate.

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

	May 31, 1939	May 31, 1940	May 22, 1940	May 29, 1940
ASSETS				
Loans, total	8,126	8,643	8,562	8,475
Investments	13,554	14,949	14,982	15,049
Reserve with F.R. bks	8,449	11,050	11,196	11,203
Due from domestic bks	2,702	3,281	3,269	3,285
LIABILITIES				
Deposits: Demand	16,965	19,928	20,201	20,287
Time	5,235	5,315	5,312	5,312
U.S. Govt.	559	580	577	581
Inter-bank	7,310	9,323	9,178	9,138

NATIONAL BANK OF EGYPT
Million £'s

	Apr. 30, 1939	Feb. 29, 1940	Mar. 31, 1940	Apr. 30, 1940
ASSETS				
Gold	6-24	6-21	6-21	6-24
Brit. Govt. Secs.	15-36	16-46	18-56	18-76
Egyptian Govt. Secs.	1-50	2-20	1-50	1-50
Cash	2-25	1-93	1-95	1-61
Investments	13-16	12-62	11-99	13-05
Bills and Advances	7-99	11-76	10-73	10-32
LIABILITIES				
Notes issued	23-10	25-90	26-30	26-50
Deposits: Govt.	2-76	3-39	2-31	2-39
Other depts. and accs.	17-91	21-10	21-34	21-29

BANK OF ESTONIA
Million Estonian kroons

	May 23, 1939	May 15, 1940	May 23, 1940	May 23, 1940
ASSETS				
Gold coin & gold bullion	40-86	40-90	40-90	40-90
Net foreign exchange	15-65	3-78	3-36	4-27
Home bills discounted	12-96	16-20	16-67	17-21
Loans and advances	13-34	27-10	27-16	27-47
LIABILITIES				
Notes in circulation	54-54	62-18	61-24	64-73
Sight dep., of which:	35-08	24-83	26-18	26-32
(a) Government	20-98	13-80	15-18	15-61
(b) Bankers	11-70	6-49	6-99	6-39
Reserve ratio	63-0%	51-4%	50-6%	49-6%

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

	May 31, 1939	May 20, 1940	May 27, 1940	May 27, 1940
ASSETS				
Gold and stg. exch.	16-46	16-13	16-04	15-52
Advances to State	22-87	22-90	23-15	23-18
Investments	2-54	2-54	2-54	2-54
LIABILITIES				
Bank Notes	17-93	17-86	17-87	17-95
Demands and State	5-93	6-37	6-19	6-19
Banks and others	15-86	15-21	15-41	15-77
Reserves to sight liab.	41-4%	40-7%	40-4%	41-2%

BANQUE MELLÉ IRAN
Million rials

	Apr. 5, 1939	Feb. 5, 1940	Mar. 6, 1940	Apr. 4, 1940
ASSETS				
Gold	1939	1940	1940	1940
Silver	310-7	310-8	310-8	310-8
Balances, home & abroad	406-3	408-7	408-7	408-7
Discoun.	76-3	285-9	283-8	302-5
Public departments	295-3	394-6	394-8	406-2
Other debit accounts	760-6	762-3	762-3	1116-0
LIABILITIES				
Notes in circulation	828-8	990-2	972-8	977-5
Public departments	507-0	473-6	565-0	527-1

N.B.—Market value is: † 378.9 million rials.
‡ 305.0 millions rial. (Based on Lond. price and rate.)

BANK OF PORTUGAL
Million escudos

	Apr. 17, 1939	Apr. 21, 1940	May 1, 1940	May 8, 1940
ASSETS				
Gold	920-6	920-6	920-6	920-6
Balances abroad	854-4	817-1	786-0	788-9
Discounts	414-0	411-1	416-0	416-5
Securities	107-8	107-7	107-7	107-4
LIABILITIES				
Notes in circulation	2325-4	2319-8	2384-0	2379-2
Deposits: Government	457-7	455-4	464-2	446-3
Bankers	681-0	691-5	589-3	605-1
Other	55-0	59-5	57-9	61-4
Foreign commitments	254-4	254-3	254-4	254-6

BANK OF SWEDEN.—Million kronor

	Apr. 30, 1939	May 7, 1940	May 15, 1940	May 23, 1940
ASSETS				
Gold reserve	752-5	764-4	764-3	780-7
Secondary cover	880-8	953-8	994-4	986-4
Swedish assets	453-5	441-1	449-3	435-8
LIABILITIES				
Notes in circulation	1536-9	1439-9	1420-0	1394-3
Deposits: Government	301-0	162-5	189-0	164-7
Banks & others	73-8	50-9	65-4	95-6

‡ Including "gold abroad not included in gold reserve."

PROVINCIAL BANK CLEARINGS (£ thousands)

	Week ended June 17, 1939	Week ended June 15, 1940	Aggregate January 1 to June 15, 1940
Working days: 6	6	6	141
Birmingham	2,221	1,905	57,219
Bradford	606	3,070	19,928
Bristol	1,496	1,811	31,677
Hull	812	644	19,039
Leicester	721	853	17,113
Liverpool	6,343	4,878	120,776
Manchester	9,179	10,957	227,535
Newcastle	1,433	1,064	36,804
Nottingham	427	357	11,907
9 Towns	232,38	255,39	541,973
Dublin†	5,436	6,558	150,198
Sheffield*	842	471	25,733
South'mpton†	114	...	47

* Suburban cheque clearing discontinued Sept. 7, 1939. † Clearing begun May 14, 1940. ‡ Clearing in week ended June 1, 1940, was £5,549,000.

MONEY RATES, LONDON

The following rates remained unchanged between June 13th and June 20th: Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank bills, 60 days, 1½%; 3 months, 1½%; 4 months, 1½%; 6 months, 1½%; Treasury bills: 2 months, 1-1½%; 3 months, 1½%; Day-to-day money, ¾-1¼%. Short loans, 1-1¼%. Bank deposit rates, ½%. Discount deposits at call, ½%; at notice, ¾%.

The Bank of England's official buying price for gold remained at 168s. 0d. per fine ounce throughout the week.

In the London silver market prices per standard ounce have been as follows:—

Date	Cash	Two Months	Date	Cash	Two Months
June 14	23½	21½	June 19	23½	21½
" 17	23½	21½	" 20	23½	21½
" 18	23½	21½	" 21	23½	21½

NEW YORK EXCHANGE RATES

New York on	June 13, 1940	June 14, 1940	June 15, 1940	June 17, 1940	June 18, 1940	June 19, 1940
London:—						
Cables	370½	367	365½	366½	362½	358½
Paris, Fr.	2-18	2-18	2-18	Unq'd	Unq'd	Unq'd
Switzerland, Fr.	22-42	22-42	22-42	22-42	22-42	22-50
Italy, Lire	5-05(c)	5-05(c)	5-05(c)	5-05(c)	5-05(c)	5-05
Berlin, Mark	40-10(c)	40-10(c)	40-10(c)	40-10(c)	40-10(c)	40-0
Stockholm, Kr.	23-85	23-85	23-85	23-85	23-85	23-85
Montreal, Can. \$	81-125	81-125	80-125	80-250	80-000	80-250
Japan, Yen	23-48	23-48	23-48	23-48	23-48	23-48
Shanghai, \$	6-30	6-25	6-15	6-05	6-05	5-10
B. Aires, Pto. (mkt. rate)	21-90†	22-00†	22-10†	22-00†	22-10†	22-10†
Brazil, Milreis	5-10	5-10	5-10	5-10	5-10	5-10

† Official buying rate 29-78. ‡ Offered. (c) Nominal.

Investment

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Total Profit	Depreciation, etc.	Net Profit after Deb. Interest	Available for Distribution
---------	-------------	--------------	--------------------	--------------------------------	----------------------------

LONDON ACTIVE SECURITY PRICES AND YIELDS

Allowance is made for net interest accrued, and for redemption for fixed interest stocks and for changes in interim dividends for ordinary stocks.
Dealing in stocks marked * suspended by Treasury Order.

Prices, Year 1939		Prices, Jan. 1 to June 19, 1940		Name of Security	Price, June 19, 1940	Ch'ge since June 12, 1940	Yield June 19, 1940	Prices, Jan. 1 to June 19, 1940		Last Dividends	Name of Security	Price, June 19, 1940	Ch'ge since June 12, 1940	Yield June 19, 1940
High	Low	High	Low					High	Low					
British Funds														
71 1/2	61	76 1/2	68 1/2	Consols 2 1/2	71	1 1/2	3 10	34 1/2	25 1/2	10	Iron, Coal, &c. cont.			
107 1/2	98	110 1/2	103 1/2	Do. 4 1/2 (alt. 1957)	106 1/2	2	3 15	9 1/2	47 1/2	31 1/2	S. Durham Ord. £1	25 1/2	-2 1/2	9 12 0
96 1/2	90 1/2	100 1/2	95 1/2	Conv. 2 1/2 1941-45	98 1/2	2	2 0	6 1/2	47 1/2	31 1/2	Staveley Coal, etc. £1	37 1/2	-4 1/2	5 6 1/2
99 1/2	92 1/2	103 1/2	97 1/2	Do. 2 1/2 1944-49	98 1/2	2	2 16	0	24 1/2	15 1/2	Stewarts & Lloyds £1	31 10 1/2	-1 1/2	7 16 0
99 1/2	87 1/2	102 1/2	94 1/2	Do. 3 1/2 1948-53	99 1/2	1 1/2	3 2	0	21 10 1/2	11 0	Swan, Hunter £1	25 0	-1 1/2	12 0 0
112 1/2	103 1/2	112 1/2	107 1/2	Do. 5 1/2 1941-61	107 1/2	1 1/2	3 12	6 1/2	11 0	4 1/2	Un. Steel Cos. Ord. £1	15 17 1/2	-3 1/2	10 9 0
87 1/2	79 1/2	92 1/2	86 1/2	Fund. 2 1/2 1956-61	89 1/2	1 1/2	3 0	8 1/2	8 10 1/2	Nil	Vickers 10%	11 1/2	-1 1/2	8 17 1/2
93 1/2	87 1/2	98 1/2	92 1/2	Fund. 2 1/2 1952-57	95 1/2	1 1/2	3 2	8 1/2	21 1/2	2 1/2	Textiles			
95 1/2	87 1/2	98 1/2	92 1/2	Fund. 3 1/2 1959-69	95 1/2	1 1/2	3 5	2	35 1/2	2 1/2	Brit. Celanese 10%	3 1/2	-1 1/2	Nil
109 1/2	100 1/2	113 1/2	106 1/2	Fund. 4 1/2 1960-90	109 1/2	1 1/2	3 7	10	24 1/2	12 1/2	Brit. J. & P. £1	26 1/2	-3 1/2	7 12 0
99 1/2	94 1/2	102 1/2	98 1/2	Nat. D. 2 1/2 1941-48	98 1/2	1	2 17	0 1/2	61 1/2	46 10 1/2	Courtaulds £1	26 10 1/2	-1 1/2	5 11 1/2
96 1/2	91 1/2	101 1/2	95 1/2	Do. 3 1/2 1954-58	99 1/2	1 1/2	3 1	0	Nil	Nil	English Swg. Ctn. £1	13 9	-7 1/2	10 18 1/2
108 1/2	102 1/2	111 1/2	105 1/2	Victory Bonds 4 1/2	107 1/2	1 1/2	3 10	4 1/2	43 1/2	30 6	Lancs. Cotton Corp. £1	13 1/2	-4 1/2	4 4 3/4
98 1/2	86 1/2	101 1/2	93 1/2	War L. 3 1/2 1955-59	97 1/2	2 1/2	3 12	2 1/2	92 1/2	72 1/2	Patons & Baldwins £1	47 6	-4 1/2	6 8 0
83 1/2	73 1/2	89 1/2	80 1/2	Local Loans 3 1/2	83 1/2	1 1/2	3 11	10	69 1/2	53 1/2	Associated Elec. £1	31 1/2	-4 1/2	6 8 0
99 1/2	91 1/2	100 1/2	95 1/2	Austria 3 1/2 1933-53	98 1/2	1 1/2	3 5	6	20 1/2	11 1/2	British Insulated £1	72 6	-5 1/2	5 8 0
64 1/2	55 1/2	71 1/2	59 1/2	India 2 1/2	68 1/2	1 1/2	3 13	6	33 1/2	20 1/2	Callenders £1	55 1/2	-4 1/2	8 0 0
90 1/2	78 1/2	97 1/2	82 1/2	Do. 3 1/2	92 1/2	1 1/2	3 15	8	83 1/2	60 1/2	Crompton Park A 5	22 6 1/2	-1 10 1/2	8 17 1/2
115 1/2	104 1/2	115 1/2	105 1/2	Do. 4 1/2 1958-68	110 1/2	1 1/2	3 14	9	39 1/2	29 1/2	English Electric £1	61 3	-8 1/2	6 10 0
Dom. & Col. Govts.														
106 1/2	95	107 1/2	101 1/2	Austria 5 1/2 1945-75	102 1/2	1 1/2	4 11	2	38 1/2	29 1/2	Gas & Electricity			
103 1/2	98 1/2	102 1/2	99 1/2	Canada 4 1/2 1940-60	100 1/2	1 1/2	4 0	7 1/2	36 1/2	30 6	Clyde Valley Elec. £1	30 1/2	-2 1/2	5 6 0
112 1/2	103 1/2	110 1/2	106 1/2	Nigeria 5 1/2 1950-60	106 1/2	1 1/2	4 6	9	18 1/2	11 7 1/2	County of London £1	25 1/2	-3 1/2	5 8 0
103 1/2	92 1/2	105 1/2	100 1/2	New Zealand 5 1/2 1946	101 1/2	1 1/2	4 14	2	21 1/2	13 1/2	Edmundsons £1	21 1/2	-3 1/2	5 14 0
110 1/2	102 1/2	108 1/2	103 1/2	S. Africa 5 1/2 1945-75	104 1/2	1 1/2	3 19	10	32 1/2	24 1/2	Gas Light & C. £1	12 1/2	-3 1/2	13 6 0
Corporation Stocks														
111 1/2	104	110 1/2	104 1/2	Birmingham 5 1/2 1946-56	105 1/2	1 1/2	4 1	8	31 1/2	23 1/2	Imp. Cont. Gas Sks.	45 1/2	-2 1/2	6 0 0
81 1/2	72	85	78	L.C.C. 3 1/2	91 1/2	1 1/2	3 15	11	34 1/2	23 1/2	Lancashire Elec. £1	25 1/2	-2 1/2	6 0 0
93 1/2	86 1/2	94 1/2	87 1/2	Liverpool 3 1/2 1954-64	98 1/2	1 1/2	3 12	2	38 1/2	27 1/2	London Ass. Elec. £1	13 1/2	-2 1/2	6 0 0
102 1/2	95 1/2	104 1/2	98 1/2	Midpool 3 1/2 1957-62	98 1/2	1 1/2	3 12	9	39 1/2	3 1/2	North-East Elec. £1	26 3	-3 1/2	7 12 0
Foreign Governments														
91 1/2	73 1/2	92 1/2	81 1/2	Argentina 4 1/2 Stg. Bds.	82 1/2	4	5	9 1/2	17 1/2	10 1/2	Scottish Power £1	27 6	-2 1/2	5 6 0
65 1/2	34	58 1/2	28 1/2	Austria 4 1/2 1934-59	30 1/2	10 1/2	11	5 0 1/2	16 1/2	8 1/2	Yorkshire Electric £1	30 1/2	-1 10 1/2	5 6 0
95 1/2	50 1/2	61 1/2	25 1/2	Belgian 4 1/2 (36) 1970	25 1/2	1 1/2	4 0	10 1/2	16 1/2	8 1/2	Aircraft			
23 1/2	6 1/2	35 1/2	20 1/2	Brazil 5 1/2 Id. 1941	11 1/2	2 1/2	13	0 10 1/2	36 1/2	23 1/2	Austin 5	10 1/2	-2 1/2	7 10 0
19 1/2	9 1/2	23 1/2	17 1/2	Chile 6 1/2 (1929)	20 1/2	1 1/2	4 1	10 1/2	16 1/2	8 1/2	Bristol Aero. 10%	8 1/2	-2 1/2	10 2 1/2
55 1/2	23 1/2	45 1/2	17 1/2	China 5 1/2 (1913)	70 1/2	1 1/2	4 1	10 1/2	16 1/2	8 1/2	De Havilland Air. £1	24 1/2	-9 1/2	13 3 1/2
86 1/2	70 1/2	80 1/2	65 1/2	Czechoslovakia 8 1/2	59 1/2	3	6	15 1/2	60 1/2	7 1/2	Fairley Aviation 10%	9 1/2	-1 1/2	7 5 1/2
12 1/2	9 1/2	10 1/2	8 1/2	Egypt Unified 4 1/2	5 1/2	1 1/2	4 1	10 1/2	15 1/2	7 1/2	Hawker Siddeley £1	16 6	-1 1/2	20 16 1/2
44 1/2	4 1/2	7 1/2	5 1/2	French 4 1/2 (British)	5 1/2	1 1/2	4 1	10 1/2	27 1/2	2 1/2	Lucas, J. £1	50 1/2	-2 1/2	6 8 0
33 1/2	3 1/2	6 1/2	4 1/2	German Dawes 5 1/2	17 1/2	1 1/2	26	9 4 1/2	22 1/2	5 1/2	Leyland Motors £1	42 6	-7 1/2	6 0 0
30 1/2	15 1/2	24 1/2	12 1/2	Do. Young Ln. 4 1/2	17 1/2	1 1/2	26	9 4 1/2	22 1/2	5 1/2	Morris Motors 5-Ord.	20 1/2	-2 1/2	6 0 0
35 1/2	15 1/2	25 1/2	17 1/2	Greek 6 1/2 Sub. Ln.	17 1/2	1 1/2	26	9 4 1/2	22 1/2	5 1/2	Rolls-Royce £1	27 1/2	-2 1/2	6 0 0
61 1/2	33 1/2	65 1/2	44 1/2	Hungary 7 1/2	17 1/2	1 1/2	26	9 4 1/2	22 1/2	5 1/2	Standard Motor 5	6 1/2	-1 1/2	19 0
Shipping														
10 1/2	4 1/2	Nil	Nil	B.A. Gt. Sthn. Ord.	5 1/2	1 1/2	26	9 4 1/2	22 1/2	5 1/2	Burness, Withy £1	13 6	-6 1/2	5 19 1/2
9 1/2	4 1/2	Nil	Nil	Can. Pac. Com. \$25	25 1/2	1 1/2	16	0 0	32 10 1/2	16 1/2	P. & O. Def. £1	15 6	-1 1/2	8 7 1/2
52 1/2	24 1/2	31 1/2	12 1/2	Gt. Western Ord.	45 1/2	1 1/2	16	0 0	34 1/2	21 1/2	Royal Mail Lines £1	15 1/2	-6 1/2	6 13 1/2
80 1/2	45 1/2	55 1/2	31 1/2	L.N.E.R. 5 1/2 Pref. 1955	45 1/2	1 1/2	16	0 0	34 1/2	21 1/2	Union Castle Ord. £1	5 1/2	-1 1/2	Nil
60 1/2	21 1/2	31 1/2	12 1/2	Do. 4 1/2 1st Pl.	22 1/2	1 1/2	18	3 1/2	31 1/2	19 1/2	Tea and Rubber			
24 1/2	11 1/2	18 1/2	8 1/2	L.M.S. Ord.	11 1/2	2 1/2	13	0 10 1/2	60 3 1/2	34 0 1/2	Allied Sumatra £1	8 1/2	-1 1/2	9 2 1/2
60 1/2	21 1/2	31 1/2	12 1/2	4 1/2 Pl. 1923	26 1/2	2 1/2	13	0 10 1/2	60 3 1/2	34 0 1/2	Anglo-Dutch £1	16 10 1/2	-1 1/2	8 0 0
70 1/2	38 1/2	48 1/2	22 1/2	China 5 1/2 (1913)	40 1/2	6 1/2	9 17 1/2	6 1/2	27 1/2	18 1/2	Jokai (Assam) £1	25 1/2	-1 1/2	8 0 0
65 1/2	29 1/2	38 1/2	18 1/2	Do. 4 1/2 Pl.	30 1/2	2 1/2	18	3 1/2	46 1/2	5 1/2	London Asiatic 2	22 6	-1 1/2	8 0 0
22 1/2	7 1/2	14 1/2	8 1/2	Lon. Trans. "C"	8 1/2	2 1/2	15	0 0	81 10 1/2	46 1/2	Rubber Trust £1	22 6	-1 1/2	8 17 1/2
79 1/2	38 1/2	48 1/2	22 1/2	Southern Def.	40 1/2	6 1/2	9 17 1/2	6 1/2	27 1/2	18 1/2	United Serdang 2	1 1/2	-3 1/2	5 15 1/2
104 1/2	65 1/2	72 1/2	32 1/2	Do. 5 1/2 Pl. Ord.	67 1/2	12 1/2	7 8 0	0	62 1/2	40 1/2	Oil			
67 1/2	55 1/2	62 1/2	40 1/2	Do. 5 1/2 Pl.	67 1/2	12 1/2	7 8 0	0	62 1/2	40 1/2	Anglo-Italian £1	35 1/2	-2 1/2	11 8 1/2
342 1/2	316 1/2	326 1/2	216 1/2	Bank of England	325 1/2	5 1/2	6 7 1/2	10	44 1/2	26 1/2	Apex (Trinidad) 5	20 1/2	-6 1/2	7 10 1/2
451 1/2	433 1/2	451 1/2	316 1/2	Bk. of Montreal \$100	447 1/2	3 1/2	13 10	0	56 1/2	40 1/2	Burma Oil £1	47 6	-6 1/2	7 10 1/2
30 1/2	23 1/2	26 1/2	5 1/2	Bk. of N. Zealand £1	23 1/2	2 1/2	6 16	0 0	107 1/2	67 1/2	Shell Transport £1	47 6	-6 1/2	7 10 1/2
73 1/2	55 1/2	62 1/2	7 1/2	Barclays Bank £1	57 1/2	3 1/2	4 17 1/2	6	40 1/2	7 1/2	Trinidad Leachilds £1	47 6	-6 1/2	7 10 1/2
9 1/2	7 1/2	10 1/2	5 1/2	Chtd. of India £5	7 1/2	5 1/2	6 13 1/2	3	34 1/2	4 1/2	Miscellaneous			
52 1/2	45 1/2	55 1/2	5 1/2	District B. £1 fy. pd.	50 1/2	4 1/2	0 0	0	34 1/2	4 1/2	Assoc. P. Cement £1	42 6	-2 1/2	7 1 1/2
470 1/2	451 1/2	470 1/2	316 1/2	Hongkong and S. \$125	470 1/2	3 1/2	2 9	0	65 1/2	15 1/2	Barker (John) £1	27 1/2	-2 1/2	6 15 1/2
84 1/2	62 1/2	72 1/2	6 1/2	Lloyds £5, £1 fy. pd.	38 1/2	3 1/2	6 3 1/2	9	10 1/2	4 1/2	Boots Pure Drug 5	40 1/2	-3 1/2	6 5 1/2
85 1/2	70 1/2	85 1/2	5 1/2	Martins £20, £12 1/2 pd.	61 1/2	6 1								

GRESHAM LIFE

Established 1848

Ask for the

Plus Policy

Maximum Cover • Valuable Option

GRESHAM LIFE ASSURANCE SOCIETY LIMITED

Head Office: 188-190 Fleet Street, London, E.C.4

THE MITSUBISHI BANK, LIMITED

(Incorporated in Japan)

SUBSCRIBED CAPITAL YEN 100,000,000
PAID-UP CAPITAL YEN 62,500,000
RESERVE FUND YEN 68,211,463 (June 1939)

GENERAL BANKING AND FOREIGN EXCHANGE BUSINESS
DEPOSIT RATES ON APPLICATION

Head Office: TOKYO

Branches: TOKYO (15), OSAKA (5), KOBE (3), KYOTO, NAGOYA (2),
OTARU, KOKURA, SHANGHAI, DAIREN, NEW YORK, LONDON
London Office: 3 BIRCHIN LANE, CORNHILL, E.C.3

Telephone: MANSHON HOUSE 5531-5532.
Telegraphic Address: Inland, "IWASAKIBAK," STOCK, LONDON."
Foreign: "IWASAKIBAK, LONDON."

IMPERIAL JAPANESE GOVERNMENT

FOUR PER CENT. STERLING LOAN OF 1890
COUPONS DUE 30th JUNE, 1940

IMPERIAL JAPANESE GOVERNMENT

FIVE AND A HALF PER CENT. CONVERSION LOAN OF 1930
COUPONS DUE 1st JULY, 1940

NOTICE IS HEREBY GIVEN that the above COUPONS will be PAID on and after the 1st July, 1940 (Saturdays excepted), between the hours of 11 and 2 at The Yokohama Specie Bank, Limited, where lists may be obtained.
Coupons must be left three clear days for examination prior to payment.

For THE YOKOHAMA SPECIE BANK, LIMITED,

H. KANO, Manager.

7 Bishopsgate, London, E.C.2.
15th June, 1940.

CITY OF TOKYO

FIVE AND A HALF PER CENT. STERLING LOAN OF 1926

NOTICE IS HEREBY GIVEN that the COUPONS due 30th June, 1940, will be PAID on and after the 1st July, 1940 (Saturdays excepted), between the hours of 11 and 2 at The Yokohama Specie Bank, Limited, where lists may be obtained.
Coupons must be left three clear days for examination prior to payment.

For THE YOKOHAMA SPECIE BANK, LIMITED,

H. KANO, Manager.

7 Bishopsgate, London, E.C.2.
15th June, 1940.

CITY OF YOKOHAMA

FIVE PER CENT. STERLING BONDS FOR £716,500

NOTICE IS HEREBY GIVEN that the COUPONS due 5th July, 1940, will be PAID on and after that date (Saturdays excepted) between the hours of 11 and 2 at The Yokohama Specie Bank, Limited, where lists may be obtained.
Coupons must be left three clear days for examination prior to payment.

For THE YOKOHAMA SPECIE BANK, LIMITED,

H. KANO, Manager.

7 Bishopsgate, London, E.C.2.
20th June, 1940.

THE BANK OF ADELAIDE

Incorporated with Limited Liability in Australia

Established 1865

Paid-up Capital £1,250,000
Reserve Fund £1,000,000
Reserve, Liability of Shareholders £2,250,000
..... £1,250,000
..... £3,500,000

Head Office: ADELAIDE, SOUTH AUSTRALIA

SYDNEY OFFICE: 279 George Street. MELBOURNE OFFICE:
267 Collins Street. PERTH (W.A.) OFFICE: St. George's Terrace.
BRISBANE OFFICE: 305 Queen Street. FREMANTLE OFFICE:
78-80 High Street.

Bills on Australasia purchased or collected. Drafts issued and
Remittances cabled. Deposits received for fixed periods at rates to
be ascertained on application. Accounts opened in Australia for
Overseas Banks. Enquiries invited regarding Australian Trade.

London Office: 11 LEADENHALL STREET, E.C.3
A. BUTTERWORTH, Manager.

REFUGE ASSURANCE COMPANY LTD.

Chief Office: OXFORD STREET, MANCHESTER, 1

ANNUAL INCOME EXCEEDS - £13,300,000
ASSETS EXCEED - £72,400,000
CLAIMS PAID EXCEED - £125,100,000

ECONOMIST BINDING CASES

Attractive binders to hold three months' issues of *The Economist* are still available. These binders have no wires, clips or metal contrivances so that each issue can be bound in an instant for permanent reference. Reading Cases to hold two issues, and made on similar lines, are also available. Both are bound in full cloth (blue) and lettered in gilt. The price of the Binder is 5s. 6d. post free (Overseas 6s. 6d.) and of the Reading Case 4s. post free (Overseas 4s. 6d.).

from

THE ECONOMIST

8 BOUVERIE STREET, LONDON, E.C.4

**TERMS OF
SUBSCRIPTION
TO
THE ECONOMIST**

	INLAND	OVERSEAS
	£ s. d.	£ s. d.
12 Months	2 18 0	3 1 0
6 Months	1 9 0	1 10 6

Cheques to be made payable to The Economist Newspaper Ltd.

PUBLISHING OFFICE:

8 BOUVERIE STREET, LONDON, E.C.4.

Telephone: Central 8631

OFFER TO NEW READERS

Any reader who makes his first acquaintance with this journal with this week's issue is invited to fill up the attached:

To The Publisher, Economist Newspaper Ltd.,
8 Bouverie Street, E.C.4.

In order to test the value of your publication I should like you to forward it to me by post for the next four weeks. If I decide to become a subscriber, it is understood that there will be no charge for the copies thus received, but otherwise I shall be willing to pay 4s. to cover their cost.

Name.....

Address.....

THE ECONOMIST

Vol. CXXXVIII

JUNE 29, 1940

No. 5053

CONTENTS**LEADING ARTICLES**

The French Collapse 1099
Go To It 1100
The Secret Weapon 1101

NOTES OF THE WEEK

The Armistice Terms 1102
The Franco-British Negotiations 1103
France d'outremer 1103
A Bigger Army 1103
Industrial Man-Power 1104
Isolation versus The Monroe Doctrine 1104
The Mediterranean Front 1104
Kremlin and Axis 1104
Japan's New Demands 1105
Two Blockades 1105
A Food Plan 1105
The Defence of Ireland 1106
Purchase Tax Discussions 1106
Higher War Pensions 1106
Maintenance of Work 1106
The Londoner's Fares 1106
Eyes Open 1107
Reward for Valour 1107
Shorter Notes 1107

THE WORLD OVERSEAS

Germany's Non-Ferrous Metals... 1108
Denmark After the Occupation... 1109

THE WORLD OVERSEAS—cont.

Financing America's Re-armament 1109
Greater Unity in Canada 1110
Poland Fights On 1110
Indian Railway Problems 1111

LETTERS TO THE EDITOR 1112**BOOKS AND PUBLICATIONS** 1112**THE BUSINESS WORLD****LEADING ARTICLES**

National War Bonds 1113
British and German Steel Supplies 1114

FINANCE AND BANKING

Unusual Credit Shortage 1115
Rising Note Circulation 1115
The French Gold 1116
Rally in Free Sterling 1116
Canada and Sterling Bloc 1116
Transfer Agreements 1116
Assisted Finance for External Trade 1116

INSURANCE NOTES

Friends' Provident and Century... 1117
Gresham Fire and Accident 1117

INVESTMENT NOTES

Plumbing the Depths 1117
Thursday's Recovery 1117
Minimum Prices for Equities? 1117
National Savings 1118
Eclipse of the Bearer Security 1118
Metal Box 1118
J. Lyons in Wartime 1118
Colliery Profits 1120
Great Boulder Proprietary 1120
Attock and Phoenix Oil 1120
Union Corporation Group 1120
THE STOCK EXCHANGES 1121
CAPITAL ISSUES 1121
SHORTER COMMENTS 1135

INDUSTRY AND TRADE

The French Merchant Navy 1122
France's Food Production 1122
Europe's Food Supplies 1122
America's Lost Oil Markets 1122
Europe's Lack of Oil 1123
Unemployment and Munitions 1123
Cotton Yarn Margins 1123
Cotton Export Trade 1123
American Apples 1123

COMMODITY AND INDUSTRY NEWS 1124**COMPANY MEETINGS** 1125**CURRENT STATISTICS** 1131**MONTHLY TRADE SUPPLEMENT**

The French Collapse

THE full dimensions of the French collapse become daily more apparent. What was, only two months ago, a Great Power, strong and proud, is now so shattered that there is no entity to which the name of France can be attached. The French people, it is true, are still there, with their honour and their courage intact; but the people of Gaul are once more divided into three parts: one occupied, one muzzled, one exiled. The Government of France is a clique of generals and politicians at Bordeaux, whose actions are disowned by every organ of French opinion that still retains its freedom to speak. The soldiers and statesmen who are outside metropolitan France are still without any cohesive organisation. The whole structure of the French State is either captive or shattered.

It is a spectacle that has shocked the world. To those who took the Nazis at their word the brutal severity of the Armistice terms came as no surprise. The "grief and amazement" which have been felt both in Great Britain and throughout the world rather arose from the discovery that there was any group of Frenchmen—let alone a Government with a semblance of constitutional origin—who would accept such terms while they had an atom of free choice left to them. Even if Marshal Pétain and his colleagues were determined to ignore their treaty obligations and their ties of honour and loyalty, even if they were concerned only with the narrow interests of metropolitan France, it is hard to see why they should not prefer to fight on from North Africa. Severer terms could scarcely be imposed if German and Italian troops were to occupy every inch of French territory. It is difficult to understand why there was such ready, almost eager, acceptance of anything that Hitler and Mussolini chose to demand, such anxiety on the part of the men of Bordeaux to prostrate themselves before their country's enemies, such willing-

ness to strip themselves of the last vestige of dignity and courage.

One thing is quite certain: this is not France. If Britain has been betrayed by the men of Bordeaux, how much worse has been their disloyalty to France. There will never be a word of recrimination from this side of the Channel against the people of France, who have fought and laboured and died for the cause we share with them—who have given it much more than we have. We know there is a real France, which will one day be restored and with which we shall resume, as a matter of course, the ties of increasingly intimate friendship that joined us a few weeks ago. But in the meantime it is essential that we should make the most searching enquiry into the causes of the collapse. How did it happen that men who could act like this were in control of the State and its armed forces at the crucial moment? Was it a ghastly accident? Was it part of some sinister plot? Or are other free countries subject to the same fate? Could it happen here?

Dr Goebbels and his new French accomplices are, of course, already proclaiming that the whole episode merely exposes the fundamental rottenness of democracy. But, apart from the fact that all history refutes the argument, there is no evidence for it in the facts of the French collapse. It cannot even be argued that the Parliamentary system contributed to the weakness of French equipment. The people and the politicians were not responsible for the faulty tactical ideas of the French army; it was not the things that Parliament or the people could give—money and man-power—that were at fault. When the crisis came, it was not pressure from Parliament or the electors that determined the actions of the Government. M. Reynaud was not defeated in Parliament; he was dismissed by the President and his successors never consulted

Parliament. As for the people, the Armistice terms had to be kept from them until it was too late for them to make any protest, and Mussolini was apparently instructed to make his conditions moderate—for the time being—lest the French people should rise in their wrath and throw Marshal Pétain into the Gironde. It was not the people, nor even the Army, but the generals whose morale cracked. One of the clearest lessons to be drawn is that the surest way of preventing such a surrender is to keep Parliament in session and leave the Press unmuzzled.

Nor can the tragedy be explained by the temporary panic of men who have been bombed or shelled without mercy. The men who surrendered had not been in the front line; they had not undergone more than one or two air raids, none of them of particular severity. The men who *were* the targets of the dive bombers,

Nous, les petits, les obscurs, les sans-grades,
Nous qui marchions fourbus, crottés, malades

—they fought on with undiminished courage for ten days after Marshal Pétain begged for peace. The operations of the Army and the nerve of the commanders may have been affected by the vast host of refugees clogging every channel of communication. There is a warning in this for us—civilian movement in a theatre of war must be completely prohibited—but it can hardly be a sufficient explanation.

Must we, then, put it down to Fifth Column tactics, to the deliberate preference of some Frenchmen for Fascism, even if it is German, over liberal or socialist democracy, even if it is French? Undoubtedly this played a part. There are many circles of French politics where patriotism has for decades been at a discount, since it implied loyalty to

the detested Third Republic. In this respect France was far weaker than Britain, for with us it is the Right that has built the State and largely runs it, and the overwhelming majority of the Right are British first and capitalists second. But even in the French case it would be a gross over-simplification to say that the Right seized control and betrayed the nation. For there are many men of the Right, like M. Marin, whose courage was undaunted, while the men of Bordeaux include Socialists like M. Faure and former Socialists like M. Marquet.

The final truth seems to be that neither dialectical materialism nor military strategy can provide a complete answer; what was fundamentally at fault was the personal characters of the ruling men. And why was it that so many among the eminent characters of the Third Republic cracked under a strain less severe than other groups of statesmen have successfully withstood? Marshal Pétain himself has almost provided the answer. He said that France was defeated because she had too few children; he would have been nearer the truth if he had said that she had too many old men in high places. We have suffered from the same blight in this country in the recent past; we ought to be ready to learn our lesson now. We must put a premium on youth and vigour and courage rather than on "experience" and "judgment." We must be quite unsparing in rooting out of positions of trust all those whose resolution cannot be relied upon. These are tasks for the Prime Minister—and we may be thankful that we have a Prime Minister whose stoutness of heart none can question. There is nothing in the collapse of France that cannot be avoided here by vigilance and precaution.

Go To It

ON May 10th Mr Chamberlain resigned. He and the men about him had failed. The prologue to military disaster had begun abroad, and at home a sense of impending tragedy was awakening an anxious public to what was amiss in high places, to the lack of vision, courage and competence, to the phrase-bound timidity that was fast allowing the willingness of a united people run to waste.

Inevitably Mr Churchill took over and, since then, the character of our leadership has entirely changed; it is no longer a confidence trick. The spirit of Mr Churchill's administration is as different from that of Mr Chamberlain's as petroleum is from bilge water. The Prime Minister and the new men he has called in are not afraid to make war. They have no sworn tenderness for things as they are, for the mere habits of peace and the soft, seductive phrases of property and interest. They know the enemy's strength and colossal skill; and the old false-coloured picture of an enfeebled Nazi gambler tottering month by month to his certain doom has been packed away. In a mere six weeks, six weeks that shook the world, the new Government has shown itself not shy of taking the powers needed for meeting the most formidable menace this country has ever faced. The Emergency Powers Act in itself is a monument to the resolution of the new regime.

Even so, even though it is with a sense of gratitude and real confidence that the country can contemplate its new leaders, it would be a false and dangerous step to suppose that Britain's disjointed and tawdry war programme has yet been set right and made effective. If Mr Bevin, Mr Morrison and the rest are not shy of taking strenuous powers, they still seem slow to use them. Even in the new order of government, the phrases of Ministers still outstrip their performance. It is still not proved, as it could and should be, by hard deeds, that democracy in its British form is capable of meeting the totalitarian threat with an equal firmness and greater flexibility.

Illustrations are not hard to find. The prime subject of debate and argument at the moment is home defence. The Government has rightly rejected schemes to provide the entire population with weapons. To arm the people would be nonsense; and a people's war, in the vague catchpenny sense of the phrase, might prove to be no less than a people's massacre. But to enrol and train the people is

vital. A nation of grenade throwers is a figment of fancy; a nation of soldiers and munition makers is a necessity. The key to the achievement of this great army of defenders lies in the multiplication of equipment, and it will take time to raise the supply of arms from the pitifully low level at which it was allowed to rest for nine months of pseudo-war. Yet there are prior steps that could and should be taken; and first and foremost among them is the speedier summoning of men of military age for drill and training. To fight with shovels and broomsticks would be ludicrous, but to train with them, as the men of Kitchener's Army did during dark days in the last war, is not only feasible but imperative.

There is a point of great technical importance which strongly reinforces the demand, now widespread, for speedier calling up. At present, there is not the equipment to supply a great army. But the wheels are being set in motion, the men and machinery enlisted, for pouring out a flood of arms and munitions. On Thursday, Mr Morrison reported big gains in output. The time will come, if the mobilisation of men and machinery is carried through now with sufficient daring and completeness, when the furnishing of a great army will be possible. Then the need will be for men. We must see to it that the men are ready, fit, disciplined and made used to the exercise of arms.

This necessity for long sight and timely planning runs through the whole range of war organisation in these critical days. Powers have been taken in the field of production to employ all property and all persons as the Government may choose for the prosecution of the war. There is need to use those powers now, even though the immediate military effort that can be made is plainly limited by the shortcomings of past organisation and the grievous setback of disastrous defeats in Germany's chosen battlefields. We may ask whether these powers are being used as they should be. Arms factories and munition makers are working harder and more continuously than ever before. We know that a count has been made of the machine tools, skilled labour and plant available for war work, but it is hard to be certain yet that the widest possible immediate effort is being made. Have all the precious machine tools in existence been effectively marshalled for

war work, and war work only? Is it not true that, despite the recent speeding up, too many factories are still working only one shift daily? Is it not true that a great number of small firms and works which were used on war contracts in the last war are not being used now?

The same doubts apply to labour. Mr Bevin has talked well and finely. He has been given authority to deploy the country's workers as and where he thinks fit. But it is still his boast that his aims can be sufficiently gained by voluntary means without the use of these powers. It is true that some use of them has been made, largely to meet local difficulties, as in the redistribution of skilled labour between neighbouring works; but no steps have yet been taken sufficient to set on foot the recruitment of an Industrial Army, big enough to meet every need of the nation in arms that we have now to build. It is not enough simply to juggle locally, or even nationally, with the scarce supplies of skilled labour that are available. What is needed is a great increase in the labour force available for war purposes, skilled and semi-skilled; and the only way to do this, as in the creation of a great army, is to begin now with enrolment, enlistment, drill and training. Men must be ready when the need arises.

In all these fields the new Government has eyes to see what is wanted, but the advance towards that goal has not yet taken on that mounting speed which alone will bring this nation first to the winning post. To take but one more example: there is finance, the measure and mechanism of the translation of national resources into the sinews of war. Sir Kingsley Wood has pledged himself to undo the perilous leniency of his predecessor. But there is no tangible sign yet of the broad new conception of war finance that is now a sore and urgent need. The outline of the financial planning that total war economy requires is stated yet again in a leading article on page 1113. All that need be said here is that the single, simple truth that every possible useful resource must be taken away from civilian and non-necessary use and mobilised for war employment has not yet begun to permeate official policy. It has proved, perhaps understandably, impossible to limit civilian con-

sumption by clamping down wages. It is proving impossible to meet the needs of the expanded war effort solely by the transfer of purchasing power to the Government through taxes and loans. More loans and more taxes there must be, but the direct instrument whereby the nation's wealth can be dedicated to war, and to no other purpose, is the instrument of rationing and restriction. The aim should be to leave for civilian use only what is absolutely and barely necessary and every means to that end, including ruthless taxation and forced saving, in addition to the widest feasible system of rationing, should be employed.

It is widely and rightly held that this is no time for recriminations. Still less is it any time for captious criticism of a new and able Government which is facing a tremendous task with clear eyes and courage. It is only with the desire to help that we ask these questions. Why is the flow of deeds still seemingly retarded? It is not, as some think, because the old gang of politicians still holds some sway in the councils of State. Physically they are still there, but their influence is at present sterilised. It is not they, but men and methods not open to public criticism or responsible to the people's will, who probably stand most stubbornly in the way now. Mr Churchill and his new men have not yet found it possible to remove the bureaucratic inertias upon which the political sloth of the past fed and waxed fat. The qualities of timid caution and negative thinking, always a danger in a bureaucracy, have been encouraged in the past two decades both by unadventurous Ministers and by the overstrict control of the Treasury. Feather-bed obstacles of this sort are hard to overcome; but in every vital matter of war organisation, in home defence, production, labour and finance alike, Ministers should ask themselves one question, and one only. Could Hitler do it? If Hitler could, then they can. The mood of the people now is such that they, unlike Hitler, can do it without the aid of any Gestapo or concentration camps. "Go to it," Mr Morrison has urged the nation. The nation is now echoing back to the Government itself the Government's own appeal. "Go to it"—and let nobody stand in the way.

The Secret Weapon

HITLER'S training ground for a propaganda which has just scored its most astonishing triumph in the collapse of France was his own unfortunate nation. The Nazi campaign began to gain momentum during the world economic crisis. The complete irrationality of the world's economy and the meaninglessness of its local manifestations in Germany induced in the German masses a mood of irrational despair and a corresponding hope in some equally irrational deliverance. The Nazis exploited this mood. They had no rational programme, and, having abandoned reason, inevitably they fell back on a programme of naked power unjustified by any consecration to particular ends. Interpreted in terms of a national movement, this programme spelt unlimited German domination.

As a programme it lacked popular appeal. The German people were not interested in world empire. They wanted bread, work, security or defence against rival interests. Hitler had to find other means of persuasion. He therefore promised everything to everybody—freedom to the employers, equal freedom to the workers, security for the small tradesman, security for the big trust, peace for the pacifists, war for the soldiery, nationalised industry to the Socialists, economic feudalism to the capitalists. At the same time he played off these groups against each other, fomenting Communism, for example, to frighten the business world into submission and promising to destroy capitalism in order to content the "little man." The dual method was on the whole successful. Such was the mood in Germany during the crisis years that Hitler's wildly inconsistent programme was believed because of, rather than in spite of, its inconsistencies, and the increase in mutual fear and distrust which Nazism engendered played into the hands of the man who had promised each group salvation from all the rest.

Thus, almost without a blow, Hitler undermined Ger-

man society before he captured it. His policy with other societies has been no different. There is a bitter analogy between Nazi propaganda and the Nazis' mechanised columns nosing their way along the enemy lines, thrusting here, thrusting there to find the weak spot in the defences, and once the weak spot has been discovered concentrating all their power and strength and venom on that particular point, bursting through and spreading out behind the gap they have created. So it is with their propaganda. There is not a body politic in the world whose spiritual defences are not being felt and tested by the Nazi propaganda machine. The weak spots of treachery, cowardice, avarice or honest prejudice are carefully marked. At the appointed time the flying columns of bribery, lies, threats and promises are launched and the bridgeheads fall. Perhaps it is the head of a Government department, a distinguished publicist, an ex-Cabinet Minister, a disgruntled general, the director of some important industrial concern. Through these men in key positions the propaganda passes and spreads out—to the Government department, to the political coterie, to the military clique, to directors and shareholders or to other members of the same industry.

The aim of German propaganda never varies. It is the forwarding of German power. The content varies considerably, according to the group under attack. The technique, too, has as many forms as it has victims, but the appeal is invariably launched at a sub-rational level. The Nazis do not, in the first place, seek to convince. Their aim is to create an atmosphere in which half-submerged phobias, hates and fears can be brought to the surface and there guided towards the desired end. They play on prejudice, increase distrust, whisper suspicion, sow doubt. They act as a dissolvent force on principle, faith and honest conviction. It is an incredibly skilful exploitation

of psychology, of the semi-unconscious, semi-automatic instincts of the human mind.

The Nazis have probably scored their easiest triumphs by exploiting human vice and weakness. Their commercial penetration, for example, has been powerfully aided by bribing important business men into profitable but illegal operations and then using the threat of exposing this illegality to turn the frightened industrialist into a Nazi agent. There is hardly a Balkan country which does not offer examples of this method. Dissatisfied ambition has also played an important part, especially once the possibility of German domination of Europe turned to certainty. Many men prefer a position of quasi-authority under German rule to obscurity under their own national Government. Major Quisling is an example of this, and a host of other instances could be cited in the Low Countries or South America.

The exploitation of vice is not, however, either the most horrifying or most skilful side of Nazi propaganda. The Nazis have secured their greatest successes by exploiting honesty. Any society is divided and subdivided into different groups of interest or opinion. Between the various groups, tension exists. Where the differences go deep, as, for example, with racial differences or economic cleavages, the tension can be great enough to destroy social cohesion. It is the Nazis' first aim to make use of all these differences, and by increasing tension to cracking point to create a moment of anarchy in which the intervention of extraneous force is welcomed by some while the rest are powerless to resist. In the early years of Nazidom, national differences were most fully exploited, not only among German groups outside the Reich, but Czech against Slovak, Magyar against Roumanian, or Serb against Croat. For the last year or so, however, the differences played upon have been mainly in the sphere of ideology and of the economic and social ferment from which the ideologies have sprung.

Two of the strongest motive forces in the Europe Hitler found were hatred of capitalism and fear of Communism. He has made good use of both. Right Wing groups have been encouraged to look to him as the bulwark of Western civilisation, and Spain, and to a lesser extent and more cynically Italy, have been brought into his orbit on this basis. But the Communism from which he offered to protect timid industrialists, Right Wing Catholics, traditionalists and Conservatives was, more often than not, being backed by Nazi funds and carried on by Nazi agents provocateurs. The play on these rival fears was so skilful that Hitler has—as the last weeks show—actually brought off the *tour de force* of keeping intact, simultaneously, the Anti-Comintern Front and the Pact of Friendship with Russia. France, to-day, is a pitiful example of this technique. Since the beginning of the war, Thorez, the Communist leader, has been in Germany, and German propaganda among the French troops has followed the lines of "plutodemocratic capitalist Britain" and "Ger-

many linked with revolutionary Russia for the destruction of world capitalism." On the other hand, the Pétain Government, like the Franco Government, represents those forces of the Right which prefer the European hegemony of Germany to collaboration with the "Liberal-bourgeois-Socialist democracy of Great Britain, carrier of Bolshevism."

Nor is the chronicle ended with Right and Left. The British imperialist who thinks that Europe is no concern of Britain's finds an enthusiastic response and more support than he is aware of in Berlin. The American isolationist who prides himself on his power of resistance to Allied propaganda is permeated with Germany's. The pacifist who, with religious conviction, denounces the wickedness of war may well find his honest peace propaganda sheet financed out of Nazi funds. At another level, groups and societies of every sort—anti-vivisectioners, missionary societies, health and sports and beauty leagues—can find themselves being used as centres for a propaganda of which they are almost unconscious.

The danger to democratic society of Nazi methods is so obvious that it need hardly be stressed. Unlike the totalitarian dictatorship, democracy admits and recognises the fact that any healthy society is composed of different groups of interest and opinion, and that tension between these groups is possible and must be met not by suppression but by the discovery of a *via media*. But a condition of this method is that no differences shall be allowed to grow into unbridgeable gulfs and no group shall entertain feelings of hostility deep enough to defeat all hopes of compromise. Nazi tactics are exactly designed to undermine these safeguards of liberty. The whole aim of Nazi propaganda is to exacerbate differences, fan hostility, breed distrust and create fear. Its business is to see that men are divided from their fellows, that interests clash and differences of opinion grow into the conflicts of rival fanaticisms. The unity of democratic society, which is above all a unity of tolerance and balance, is peculiarly vulnerable to a propaganda which threatens to destroy both.

We need not suppose that our own country has escaped the dangers of Nazi infiltration or that war with Nazidom has rendered us immune. We have our cowards and our ambitious men; we have our extremists to Right and Left; we have our anti-war groups—all real or potential instruments of Nazi propaganda. In spite of our representative and truly national Government, in spite of the overwhelming loyalty of the mass of the people to the cause of freedom for which we took up arms, in spite even of the age and stability of our national traditions of unity and liberty, we must remain unceasingly alert to counteract in others and crush in ourselves the fears, suspicions, resentments and prejudices on which Nazism hopes to feed. To sap our moral resistance first is a condition of any Nazi victory, but this is a front on which we are all mobilised for the fight. Here, in a valid sense, it is a people's war where "nothing but ourselves can beat us."

NOTES OF THE WEEK

The Armistice Terms

France's armistices with Germany and Italy, signed on June 22nd and June 24th respectively, have brought her into complete subjection "under the German jackboot and the Italian dancing pump." According to the terms of the German armistice, Germany is to occupy a large part of France, north and west of a line running from Geneva through Chalon, Moulins, and Bourges to St. Jean Pied de Port and the Pyrenees frontier. Germany can demand the surrender and delivery of armaments from non-occupied territory and all fortifications are to be handed over intact. "The French fleet, except that part left free for the safeguard of French interests in the Colonial Empire, shall be collected in ports to be specified, demobilised and disarmed under German or Italian control." Germany gives a guarantee not to use the French fleet in the war "except those units necessary for coast surveillance and minesweeping" (a proviso whose application can be extended almost indefinitely). All French naval vessels outside territorial waters are to be recalled. No French soldiers are to leave

France, no Frenchman may fight Germany in the service of other Powers, no war material is to go to Britain. French merchant shipping must remain in harbour and resumption of commercial traffic will be impossible without German and Italian permission. Aircraft is to remain on the ground and all aerodromes will be under enemy control. All armament works, stocks, naval yards and so forth must be abandoned intact. France is to have no wireless transmitting stations. Refugees are to be returned to occupied France and German prisoners of war must be given up. French prisoners will not regain their liberty. France is to pay for the German army of occupation and "the present armistice is to be valid until the conclusion of a peace treaty and to be denounced at any moment if the French Government do not fulfil their obligations."

The Italian armistice terms repeat such provisions as the handing over of military stocks, war material, naval bases and aerodromes, the demobilisation of the French Fleet, the immobilisation of the merchant fleet and of all aircraft.

the release of prisoners and internees and the conditions regulating the duration of the armistice. Italy's own terms are largely concerned with the French Colonial Empire. Italy is to have full rights over the port of Jibuti and the French section of the railway to Addis Ababa. Various zones in France, Tunisia, Algeria and French Somaliland are to be demilitarised to a depth varying from 30 to 120 miles. For the duration of the war, the naval bases of Toulon, Bizerta, Ajaccio and Oran are to be demilitarised and the process must be complete within fifteen days. Italy's direct territorial claims are limited to the "advance lines" on which the Italian armies were standing at the close of hostilities. The frontier town of Mentone will thus presumably be handed over. In fact, however, reports suggest that the Italians are interpreting the "advance lines" elastically and are swarming into French Savoy. These then are the terms to which the Pétain Government has agreed. It is difficult to imagine a capitulation more complete or terms which cripple more effectively the nation's life and liberty.

The Franco-British Negotiations

"No doubt," in Mr Churchill's words, "a much fuller account will be given by history" of the tragic events of the last fortnight, but a fairly full account has already come from the Prime Minister himself, and it is possible to give at least an outline of the progressive stages of France's collapse. General Weygand was summoned to Tours by M. Reynaud, and on June 12th he gave his opinion that France could not escape total occupation. M. Reynaud invited Mr Churchill to consult with him, and on June 13th, accompanied by Lord Halifax and Lord Beaverbrook, the Prime Minister flew to Tours. Here M. Reynaud explained the plight of France and pleaded to be released from the undertaking not to seek a separate armistice. Although Mr Churchill fully realised that France had borne the brunt of the fight and that "we had not so far endured equal trials or made an equal contribution in the field," he could not consent to the request, and M. Reynaud agreed to make another appeal to the United States. It was decided that if the answer was unsatisfactory, then the situation would be reconsidered. M. Prouvost, speaking for the Pétain Government, would have the world believe that, at this point, Britain consented to the possibility of a separate armistice "against her will" but understanding France's difficulties. However, a Cabinet record has been kept of the meeting, and we have no reason to doubt Mr Churchill's version of the conversations. On the 16th M. Reynaud, now in Bordeaux, told the Prime Minister that the American response was inadequate, and asked for a formal release from the agreement. Our reply was to consent, subject to one proviso, "that the French fleet would be despatched to British ports and remain there while the negotiations continued," and to dissociate ourselves from the armistice. That same evening, Mr Churchill was about to set out for France when news of the fall of M. Reynaud reached him. With the Pétain Government it was impossible to establish anything like satisfactory relations. The First Sea Lord, the First Lord and Lord Lloyd all went to Bordeaux to urge the importance of the French fleet, but "everything was fusing into collapse at that time." Nevertheless, "many solemn assurances" were received that the fleet would not be allowed to fall into Germany's hands. It was this breach of faith and not (as Marshal Pétain so ungenerously suggested) "fear lest the same fate should overtake" their own country that caused the "grief and amazement" of the British Government on reading Article 8 of the Armistice.

France d'outremer

The continuance of any armed resistance on the part of France depends upon the attitude of the Colonial Governors and in particular upon the High Commands in overseas territory. As soon as the extent of France's capitulation became known the Prime Minister issued an appeal "to all Frenchmen outside the power of the enemy to aid . . . to the utmost of their strength the forces of liberation" and, on the same day, it was announced that General de Gaulle would, in agreement with the British Government, set up a Provisional French National Committee to carry on the struggle and "to take under its jurisdiction all French citizens at present on British territory." The composition of the National Committee, in spite of a promise of immediate publication, has not yet been made public, and a good deal of uncertainty still prevails over its status and its connection with the French colonies and armies overseas. There can

be no doubt that *France d'outremer* is anxious to continue the struggle, and is outraged by the humiliating terms of the Armistices, particularly the Italian terms. Yet there are a number of obstacles in the way of co-operation and action. There is, first of all, loyalty to the Pétain Government, which includes General Weygand and may still include Admiral Darlan. General de Gaulle is a general of very recent standing, and difficulties of military status may well prevent General Nogues in Morocco and General Mittelhauser in Syria from accepting his leadership in place of that of the Bordeaux Government. His presence on British soil is also a handicap, since resistance must ideally be organised from French territory. Again, the colonies are still in the dark over the nature of the threat which they are to meet. General Nogues, the Resident General of Tunis, and the High Commissioner of Syria have declared their refusal to surrender territory and their determination to defend their lands against attack. Does this, however, cover active and offensive co-operation with the British Forces? The latest reports from North Africa suggest that General Nogues has determined that resistance must continue and is prepared to lead it, but much depends on the amount of assistance in money and war material that Britain can provide. Everything suggests the colonies will fight on, provided we can reassure them that their intervention will be effective and contribute to the final liberation of France.

A Bigger Army

Last Saturday the registration of just under 333,000 more men (born in 1911) for military service brought the total number of registrations since conscription began up to over 2,800,000. Next month four further age classes will be registered, bringing the total up to about 4,000,000. Even if due allowance is made for the fact that in the thirties more men are likely to be engaged in reserved occupations than at the earlier ages, the number of men liable to be called up will be formidable by the end of July. Actually, these figures of registrations have been dangerously bemusing in the past. They have hidden—even been used to hide—the slowness of the actual call-up. Up to now, in spite of the introduction of conscription, Britain has been planning to have a relatively small army (by Continental standards) at a fairly late date. The rate of calling-up is determined by two things: the projected size of the army at some fixed future date; and the rate at which supplies and equipment are forthcoming. The first has been too small—and too late; the second too slow. There are some who say that the loss of a battlefield in France absolves us from the need to carry on with the expansion that the defeats there appeared for a spell to make imperative. On the contrary, the need for a big army is greater than ever. Not only a battlefield was lost with the French capitulation, but the French army as well, an army of millions, an army that must now be replaced by the free peoples, if the double task of defending Britain and then of striking at Germany is ever to be achieved.

The call-up in June was speeded up; and the restrictions on voluntary enlistment have been somewhat eased. But registrations are still too far ahead of summonses to serve;



EQUITY & LAW

LIFE ASSURANCE SOCIETY

Established 1844 Funds exceed £30,000,000

All Classes of Life Assurance transacted

ANNUITIES

This Society has specialised in the granting of Annuities and at present pays out over £1,000,000 each year. Quotations will be sent on application to the Manager.

20 Lincoln's Inn Fields, London, W.C.2

Telephone: Holborn 7612

and it is only a very partial explanation to say that the men who opt on registration for the Navy or the Air Force are kept back to be called upon when they are wanted. The Schedule of Reserved Occupations has always been a monument to the meagre imagination of Britain's war chiefs, and the latest revision (now available in detail at any bookseller) is no conspicuous exception. The idea of scientifically sorting out, and exempting from soldiering, men whose abilities and experience must be of more use in essential work at home is excellent—in fact, indispensable. But the Schedule is too swollen with trimmings, with occupations that a beleaguered nation could do without to-morrow; all sorts of academic and professional people are unaccountably reserved; workers in non-essential trades, or in trades like distribution which, though essential, could bear cutting down drastically, are protected. In the beginning, when we were starting to organise for war, this was understandable. Now, when we are fighting for our lives, it is hardly credible that an appreciable part of the male adult population should be established by law (however provisionally) in a barren limbo, neither fighters nor war workers. There is a vicious circle here that *can* be squared. The barrier to a bigger army is the lack of supplies and equipment; if every useful man—and woman—were put to produce war goods, then the rest could be made ready, in their hundreds of thousands, for fighting.

* * *

Industrial Man-Power

Mr Bevin is beginning to repeat himself. "There will be a wider call (he said again last week) for labour from less essential industries and for women to go into munitions . . . we are all one army." This is pease pudding in the pot nine months old. The new Minister of Labour has complete powers, not only to enlist unemployed people and women for war industries, but also to transfer workers from employment that is not needed into employment that is. Yet there is small evidence that these powers are being at all widely used, or likely to be so used. Mr Bevin has shown energy. His words have been blunt and frank. He has in mind an important scheme to bring women into factories for one or two days a week to relieve the workers there and to accustom the women to industrial employment. But, though it is too soon yet to pass judgment when much greater schemes may be swiftly ripening, the Minister's deeds still fall short of his exhortations. There has been an appreciable voluntary increase among firms in the unskilled men and women put under practical instruction; and the training of unemployed workers has quickened; but the chief actual and direct consequence of Mr Bevin's administration so far is the unremitting toil that the existing staffs of war factories have willingly consented to put in. There are two possible reasons for the seemingly slow progress, both disquieting to a nation on the point of siege. One emerges from the stock answers still being given to Mr Keynes's plea that workers should be forced out of non-essential trades *en masse* and made available for war work: namely, that the people put out of work would not be suitable for war work; that private and public enterprise are too precious to stop; even that the whole business of cutting civilian consumption to the bone can, and should, be left to "private retrenchment and the good taste of the mass of the public." The notion that workers of all sorts can, and must, be *made* suitable for war work spreads only slowly, and the hard fact that civilian consumption and, *pari passu*, civilian manufacture and services must be drastically lopped by force is not found uniformly palatable. The second possible reason for timidity might conceivably lie in the Government's own planning. If the Government were not making every effort to raise the output of aircraft, tanks and every sort of war supplies to the absolute maximum possible, if it were still the view that more than a limited effort to increase productive capacity was not necessary, then it would indeed be no use Mr Bevin ruthlessly transferring workers and enlisting new ones, because there would be no work for them—and no security for these islands, let alone a chance of victory.

* * *

Isolation *versus* the Monroe Doctrine

The centre of American politics has shifted from Congress to the Republican Party Convention at Philadelphia. The Republican Party finds itself in a very uncomfortable position with regard to foreign politics, for the Republicans must either plump for isolationism, a step which would alienate millions of voters to-day and untold more millions once London has been bombed, or else launch a "help for the Allies" campaign on which they have long been forestalled

by the President. The election "platform" prepared by the Resolutions Committee of the National Convention is an uneasy compromise between the two courses—with its talk of preparedness, no war and help for oppressed peoples. But the American public is on the whole in no mood for compromise, and the only hope the Republicans have of victory is to nominate a personality with a policy, which is one reason why Mr Wendell Willkie, with his uncompromising championing of the Allied cause and his equally uncompromising attacks on the New Deal, stands a chance of nomination. Whether the other Republican aspirants, Messrs Dewey, Taft, Vandenberg and possibly, after his important speech this week at the Convention, Hoover, will be able or anxious to manoeuvre Mr Willkie out of the running remains to be seen. Certainly he seems to be the only man of a stature sufficient to make the attempt to stand up to President Roosevelt's popularity and prestige. A recent Gallup survey showed that, if the President were to stand again, 49 per cent. of the electorate would vote for him in spite of the vexed question of a third term. The same survey, however, prophesies a landslide for the Republicans if any other Democrat is nominated.

*

The international situation continues to play into the hands of those who support the Allied cause. The extent to which Germany's success has encouraged Japan's extremists and has led to a delicate situation in the Pacific is a reminder to the United States that, in a world given over to the robber States, American interests might, indeed most likely would, suffer along with those of Britain and France. The reason behind the movement of important naval units from Honolulu is still obscure. Possibly the United States is anxious to reinforce the Atlantic fleet in face of the menace from Germany. Another likely explanation is that the ships have been sent to keep watch on the Japanese naval units off Indo-China. A third possible destination is South American waters. The reports of Nazi activity below Panama grow graver every week. On top of the Uruguay scare comes news from Brazil which suggests that German propaganda—on the lines of the British blockade ruining the market for South America's agricultural exports—is making considerable headway in Brazil and the Argentine. Anti-United States propaganda—Yankee imperialism, dollar diplomacy—is also prevalent. The Navy Department appears to take these threats to the Monroe Doctrine very seriously indeed, and talks of "trouble" in terms of months, not years. The cruiser *Quincy* is remaining at Montevideo, and the flagship *Wichita* is at Rio de Janeiro. The battleships *Arkansas*, *Texas* and *New York* put into La Guaira in Venezuela during the week, and now the cruiser *Phoenix* has been despatched to Valparaiso. This use of sea power to shore up South American independence may help to remind the United States that the British Navy is still the first bulwark of the Monroe doctrine.

* * *

The Mediterranean Front

The future course of the war in the Mediterranean obviously depends on the degree to which the French Colonies decide to carry on the struggle, but our air raids continue, and a number of towns in South Italy, including Naples, have been bombed. The week's fighting in Libya and Abyssinia has been in the shape of local skirmishes, in which the morale of Italy's native levies appears to have left something to be desired. The Italians themselves are too busy organising victory marches at home to do much fighting, and, in any case, they are waiting to see if the demilitarisation clauses of the French armistice are carried out. Then presumably they hope to stage other victory marches—into France's disarmed territories. The state of non-war makes Egypt's position easier for the time being, but Alexandria has been bombed, and Egypt cannot hope to postpone a decision indefinitely by steadily increasing the distance between her troops and the Libyan frontier. The Egyptian Cabinet has resigned, and there is a possibility that an All-Party Cabinet under the leadership of Ali Maher Pasha's brother will be set up to take a more decided line over the present crisis. The Egyptians are naturally reluctant to commit themselves with the war in its present fluid state, but not all Italy's propaganda can convince them that they would be better off as an Axis fief than as a free associate of Great Britain.

* * *

Kremlin and Axis

There is perhaps rather too much wishful thinking in the country on the subject of Russia. We have Mr Churchill's

word for it that our relations with the Soviet Government are "agreeable," and it is certainly true that, in the long run, the Soviets and Britain have this in common, that neither in Europe nor in the Far East does the hegemony of a single warlike Power increase their security. But the run is very long, and, for the time being, we have to reconcile ourselves to a large measure of Russo-German collaboration in the political sphere. It springs from the fact that, however fundamentally hostile their outlook, for the time being Germany is too heavily engaged elsewhere to resist Russia's defensive expansion, while Russia's relative unpreparedness, which her new seven-day-week armament drive will not remedy for months to come, fixes a limit beyond which she dare not tempt Germany's patience. Within these limits, the "reinsurance" policy goes merrily forward, if not with German connivance at least without formal protest from the Reich. King Carol's transformation of his country into a totalitarian State, with Axis affiliation, has not saved his country from Russia's advance. After an ultimatum delivered, it seems, by the Kremlin on June 26th, Bessarabia and part of the Bukovina appear to have been ceded, and it is even reported that Constanza and possibly other Black Sea ports will be given up as well. What Germany's *quid pro quo* will be remains to be seen. Very possibly it will take the form of an exclusive lien on Roumanian oil. On the other hand, the landslide of Balkan revisionism may now have been set in motion, and what territories will be redivided and to whom the sovereignty will pass *may* be decided by force of arms, but a division on the basis of pre-agreed spheres of influence is a possibility confirmed by the rumour that Turkey's abstention from the war in the Mediterranean on the grounds of Protocol 2 of the Treaty of Ankara (which absolves Turkey from any intervention which might involve her in hostilities with Russia) was dictated by Russia in direct understanding with Germany.

* * *

Japan's New Demands

Japan is making the most of the Allies' embarrassment. The extremists are once again urging a close alliance with Germany and Italy to drive Great Britain and France from the Far East and the papers are full of "East Asia" and Japan's "Monroe Doctrine." Probably the only restraint at this moment is uncertainty over Russia's reactions and the likelihood of the United States' grave concern over any alteration of the *status quo* in the Far East, a concern which might be translated into terms of a trade embargo. But there are obvious concessions which can be wrung from the Allies, short of actual territorial modifications of the *status quo*. France is, militarily speaking, non-existent for the time being. Hence the confidence and effrontery with which Japanese inspectors are supervising on Indo-Chinese soil the stoppage of China's supplies and the speed with which Japanese warships have arrived off the Indo-Chinese coast. Great Britain's forces and particularly her naval forces are heavily engaged in the defence of her own security. The Japanese fleet, let loose in Far Eastern waters, threatening Australia's lines of communication and the integrity of the Netherlands Indies, would be an added embarrassment in a military situation which is already quite delicate enough. It is therefore likely that Britain will seek some sort of compromise with Japan over the three recent demands that the passage of arms to Free China via Burma and Hongkong should cease, and the troops at Shanghai be withdrawn.

* * *

Two Blockades

Invasion may still not be the chief weapon in the enemy's armoury against us. Counter-blockade accords even better with Hitler's will to turn back the pages of history and re-write them, and attacks upon British trade and shipping were the one consistent element in Germany's waging of the war before the land battles in the West began. Then they failed, and the crisis of 1917, when the submarine menace threatened Britain with speedy defeat, never seemed likely to be repeated. Now Germany, with air and sea bases from Norway to Spain, is better placed to renew the campaign to fray our vital sea-routes. Already, as the latest published figures of sinkings (for the week ended June 16th) show, submarine activity has restarted, and the recent regular air raids on this country have included the tentative bombing of certain ports. Indeed, according to a significant new propaganda chorus in the Reich, Britain is already blockaded. This claim is based, first, on our loss of imports from Europe, and, secondly, on the new vulnerability of the English Channel and East Coast ports. On the first count,

the loss of European eggs, bacon, vegetables and (perhaps most important) vegetable seeds has undoubtedly been inconvenient; but there has been no serious loss whatever that cannot be substantially replaced from other sources beyond the German grip. Actually, incoming food supplies as well as stocks of vital foods are strikingly high. It is the rate of supply from overseas that really matters over any period longer than several weeks, and so far this has not been appreciably disturbed. Here Dr Goebbels's second count comes in. If recent events prove to have improved Germany's naval, as well as her topographical, position in the war, then the threefold task of British sea-power, to protect shipping, to blockade German Europe and to defend these islands (to say nothing of offensive and defensive obligations in the Mediterranean), will admittedly become much harder. The French Navy, for instance, has done notable work up to now in both convoy and interception. Even so, there is no evidence—and small reason—to suppose that Germany will in fact be able to turn the tables of blockade on Britain. Since the beginning of the war, 25,473 ships have been convoyed, with a loss of only 36, and the flow of food and materials has been unceasing. At the worst, so far as we can tell yet, intensified enemy action should only cut down the luxurious margin of imports we have so far allowed ourselves; and the fact that our blockade of Germany is operated on the ocean highways, at long distances from European shores, should make the enemy's acquisition of a vast Western seaboard of relatively minor moment. The peril is undoubted, but the remedy is within our power.

* * *

A Food Plan

Shipping losses are likely to go up in the near future, but it is not losses that we have most to fear. The chief check on our imports will probably be the need to re-route our shipping and to reshape the present arrangements for unloading and distribution. Steps to minimise the delays and brief shortages that this will cause are already being taken. The long-seen necessity to make larger use of every available port and harbour in the West is, belatedly, inspiring action—though it should be emphatically denied that the Port of London and the East Coast have fallen out of busy use. And arrangements for distributing and stocking foodstuffs are being strategically decentralised to fit new channels of entry, to serve each locality from near at hand and to make use of every possible place of storage right down to the whole congeries of retail shops. Even so, the flow of imported foodstuffs which is our life-line, whatever the size of our stocks may be, must necessarily be slowed down and reduced in volume; and, as a striking letter from a group of research economists to the *Manchester Guardian* urged a few days ago, the need for an immediate and "drastic extension of the rationing system in order to conserve food supplies" seems plain. Officially, there is "no suggestion of an immediate extension of rationing." Stocks and supplies are at present excellent, and facilities for really large-scale storage are unfortunately not sufficient to permit the simple transfer of foodstuffs from consumption to stock. Nevertheless, it would obviously be possible, for instance, to go some way in the direction of concentrating current consumption as far as practicable on perishable foodstuffs, setting aside more

FOR ALL INSURANCE NEEDS

THE
LIVERPOOL
AND
LONDON
AND
GLOBE
INSURANCE COMPANY LTD.

Head Office:
1 Dale Street,
Liverpool, 2



London;
(Chief Office):
1 Cornhill, E.C.3

durable foods for future use; and even more obviously possible actually to cut down the quantity of food needed to be imported by sternly reducing the amount consumed now or at any time. Combined with the Government's new agricultural policy, which is to rush up home output and sharply curtail imports of feeding stuffs, as well as with a much-needed nutrition policy, which would concentrate our eating on a restricted range of basic foods balanced to maintain health and strength, some such programme of deferred consumption, storage and extended rationing must be a main buttress of home defence. The only really difficult problem then would be a social one, not one of absolute shortage at all. As a nation we eat far too much, just as we consume far too many other things that should also be ruthlessly rationed now; but the poor cannot afford to indulge themselves at any time, and the strictly limited basic ration—of food or anything else—must be kept within everyone's reach.

* * *

The Defence of Ireland

The peril to this country of the continued neutrality of Eire is causing grave concern, and signs are not lacking that Eire realises the peril it involves for herself. At a recent all-party meeting in Dublin a strong appeal was made for recruits for the defence forces, and the people as a whole were urged to respect and support legally constituted authority. Not only is there a ready-made Fifth Column in the persons of the I.R.A. and the members of the German Embassy, but neutrality forbids any staff talks with Great Britain (or even Ulster alone) on the best means of defence. Many recruits have stipulated that they must not be asked to fight on the side of Britain so long as partition exists. In the meantime, the physical division between Eire and Ulster has been made more real by the closing of the frontier between them—visitors from Eire are now required to prove that they are entering Ulster for purposes of national importance to the United Kingdom. The Ulster leaders, for their part, have expressed a willingness to drop the partition controversy during the present danger, a concession which manifestly comes easier to them than it would to their neighbour. They are anxious to discuss mutual defence measures, and it has, in fact, been reported that unofficial talks with Eire have been held. The sense of injustice which Eire nourishes is understandable, but she must realise that at any time now she may have to make a stand, and, unaided, will certainly fall. In this war of non-neutrality, even America has abandoned many of neutrality's prescriptions. Cannot Eire do likewise and drop the self-evidently absurd pretence that Great Britain is as likely to invade her as Germany is? There is no doubt that Irishmen will readily spring to arms in defence of Ireland. But the fact remains that an alliance between Eire, Ulster and Great Britain is the only way of making the defence effective.

* * *

Purchase Tax Discussions

It is reported that consultations between the Customs and Excise and trade organisations to thrash out the method of applying the Purchase Tax have been largely completed. Such consultations were obviously necessary if the tax was to be equitably administered. In normal circumstances, the fullest opportunity would be required to establish precisely what firms should be allowed to register as wholesalers, and ample time could have been given to the innumerable marginal cases. Trades are complex, and their complexities differ so widely that no hard and fast definition of wholesaler and retailer could be applied to them all. In each case, it is a question of fact. That being so, can we afford to waste any further time and effort in devising a tax which will involve a tremendous administrative problem; will react uncertainly and unfairly on small firms in many trades; will seriously assist the already strong forces which are working for a rise in prices; and, withal, will produce no volume of revenue sufficient to justify its adoption, even if the tax is inflicted at the stiffest conceivable rate? If we are serious in our protestations that prices must be kept as low as possible, we shall avoid this gratuitous measure to increase them. If we are serious in our efforts to bridge the gap between revenue and expenditure by sterner means than inflationary borrowing, we shall eschew any new tax whose contribution to revenue is measured by a paltry hundred millions, at most, and obtained only at great administrative cost. Dividend limitation had merits, but it was abandoned. In our present situation a Purchase Tax would be an untried instrument for producing a fraction of the revenue which is needed. It, too, should be replaced by simpler and more fruitful measures, accompanied by a stringent extension of rationing.

Higher War Pensions

Before the war the Ministry of Pensions was a slowly dying Department. Now it covers the pensions and allowances for members (and their dependants) of the fighting Services, the Mercantile Marine and the fishing fleet, and it administers the Personal Injuries (Emergency Provisions) Act, by which pensions and allowances are paid to civil defence volunteers suffering physical injuries in the performance of their duties and to gainfully occupied civilians suffering physical injuries as a result of enemy action. In addition, it is responsible for the War Service Grants Advisory Committee, which considers claims for allowances in respect of serious hardship, that is, inability to meet commitments as a result of calling-up. The rise in the cost of living since last September, when the new Royal Warrant for war pensions was introduced, has strengthened the opinion generally expressed at the time that the rates were fixed far too low, and they have now been revised. In the House of Commons on Tuesday, the Minister of Pensions said that the new rates would mean a rise from 32s. 6d. to 34s. 2d. for a totally disabled private soldier, from 5s. to 8s. 4d. for a wife, from 5s. to 6s. 3d. for the first child and from 3s. 4d. to 5s. for the second and all other children—the ridiculous provision under which children's allowances stopped at the third child has, therefore, been abolished. The new rates have been based on the cost-of-living index number at the end of May and are liable to adjustment in the event of a sustained rise in it. Another amendment enables pensions to be paid to parents not only if they were actually dependent upon their son's allowances at the time he was killed, but also if they should subsequently be in need; that is, prospective contributions from a son to his parents are taken into account. The chief objection is not that they will have to pass a needs test as such, but that it introduces another needs test. It is now possible that in the same household there will be a means test for an unemployed member, a means test for old-age assistance and a means test for pensions of war. The case for bringing all social service allowances and pensions into line, on the basis of a minimum below which no household should be allowed to fall, is getting stronger every day.

* * *

Maintenance or Work

The Unemployment Insurance Bill introduced in the Commons on Wednesday has two objects. One, in line with the general upgrading of social allowances and pensions that has proved necessary since September, is to counter the effect of a 17 per cent. increase in the cost of living on the purchasing power of insured unemployed. The other is to bring into the insurance scheme nearly half a million workers with incomes between £250 and £420 a year, workers who have long lived in an uneasy no-man's-land between the State-aided poor and the independent well-off, and who are now liable, with the cutting-down of non-necessary civilian trades, to fall out of work and into distress. This latter change (carried out two years ago in health insurance, has long been advocated, and after the war, when all the hard problems of remobilisation for peace work come up for solution, the extended structure of the unemployment insurance scheme should prove invaluable. In future, single men over 20 years of age in benefit and out of work will get £1 a week instead of 17s. and unemployed women of the same age will get 18s. instead of 15s. Under 20 the all-round increase will be 2s. a week. Now that minimum agricultural wages have been put up to 48s. a week, the maximum amount of weekly benefit (including all allowances) that can be paid under the agricultural scheme has been raised from 35s. to 38s. This is not mere largesse. Unemployment insurance is actuarially based. That basis has been broadened by the inclusion of new classes. Contributions (from workers, employers and the Exchequer alike) are to be increased by one penny a week in the general scheme and ½d. in the agricultural scheme. The number of unemployed a month ago was still over 900,000, and Mr Bevin's amelioratory changes will bring very widespread relief. The real trouble is that there are far too many unemployed—or, rather, since large numbers of workers in civilian trades must lose their jobs, too few openings for them to find war work.

* * *

The Londoner's Fares

From Wednesday next, the Londoner will pay more for his transport. The suburban railway traveller has been paying 10 per cent. more for his ticket since May 1st, and the new increases relate to the road and rail fares of London Transport. The late Minister of Transport was willing to order a general 10 per cent. increase in charges on the main

line railways, but he preferred to refer the question of London fares to the Charges Consultative Committee—which is the Railway Rates Tribunal bereft of its executive powers. The Committee has accepted the London Transport case that no increase in receipts can be obtained without first tackling the 1d. fare, and has recommended the increase of the minimum road fare (covering two fare stages) to 1½d. The small number of 1½d. fares will be raised to 2d., and existing 2d. fares covering three stages will remain unchanged. For four stages, however, the fare will be increased to 2½d. Among other alterations of road fares, the Committee recommended an increase in 2d. workmen's fares to 2½d., compared with the Board's proposal of a 3d. minimum. Similar changes in fares on the Board's railways are to be made. The total result of these increases is estimated to produce £2,070,500, which is slightly more than the 10 per cent. increase in receipts to which the Board is entitled. But the figures are obviously subject to considerable reservation. Even the Board's most expert officers could not know the extent to which revenue may be lost as a result of the increase in fares on its most remunerative, but most sensitive, short-distance traffic. The 1½d. minimum, again, is somewhat at odds with arguments put forward on behalf of the Board at the fares inquiry in March last year that the halfpenny was an unmitigated nuisance to the quick clearance of passengers. There is plainly a risk, too, that the Board's 1,580,269,440 passengers who travel at penny fares during the year may find themselves short of halfpennies. These increases are ordered to take effect from July 3rd. But actually there is this consolation: the Board cannot prepare 2½d. tickets before the first week in September. Until that time, the passenger who has to contemplate paying 1½d. for two stages will be able to double the length of his journey for another halfpenny.

* * *

Eyes Open

There are suggestions to curb the Press still more. Rightly, it is argued that irresponsibility and wrangling controversy on the part of newspapers have no place in a state of siege; and it is undeniable that, in the first half-year or more of war, some of the most widely-read newspapers in the country did the national cause a grave disservice by consistently attacking (with at least the sympathy of their advertisers) most of the economic restrictions and defence precautions that are now seen to be vitally necessary. Actually, however, these suggestions are misconceived. Mr Churchill himself paid tribute on Tuesday to the vital rôle of Parliament and a free Press in national defence. The Government has already ample power, through the censorship and by the use of new defence regulations, to put a stop to both irresponsibility and obstructionism. Indeed, the chief safeguard against blindness and obstruction in places higher even than the Press is the maintenance of a free forum for all news and views which do not stand in the way of waging the war. The fact is that the lesson of France has to be learned. There, a main cause of collapse was the double failure of the men in charge either to face the facts themselves or to permit the French people to know them. The recent picture of France's citizens left unaware of the slavery into which they were being led was the tragic symbol of France defeated. If the people and rulers of this country are to go "eyes front" to face their greatest peril, they must go with their eyes open.

* * *

Reward for Valour

The wholly inadequate accommodation for the rest and refreshment of troops at large railway stations, in the provinces as well as in London, has been a consistent scandal ever since the war started. Now the Commons has taken up the case, and all that Mr Richard Law, for the War Office, has to say in reply is that "measures are being taken." Elsewhere in this issue the need for swift decisions and speedy action in all branches of administration is emphasised. There could be no better example in small of the prevailing inertia arising from routine and habit than this callous offence against serving men. It is easy for official spokesmen to multiply difficulties. They say that provision for troops might impede railway traffic, as if unfed and weary soldiers littered about the stations did not already impede it to the maximum. There are solemn discussions with the railway companies about the hire of rooms, as if all property were not *in posse* at the State's disposal already and the railways already under Government control. There is not a single good reason why the problem, which we are told is "regarded seriously by the War Office," should not be solved in a few hours. Every

available space for rest, refreshment and washing should remain open, day and night and free of charge, so long as there are waiting soldiers to use them. In addition, since English stations are notoriously lacking in the ordinary amenities of a decent and sanitary life, temporary and mobile facilities, canteens, mattresses, blankets and so on, should be made ready forthwith in a sufficient number—quite regardless of whether or not railway caterers may be afraid of competition—to be rushed at once to stations whenever troops congregate there. Anything less will be sheer neglect of the Government's plain duty. Some voluntary bodies, such as, notably, the Y.M.C.A., and some stationmasters have done their best, but the responsibility is a public one, and only the provision of Government-directed and Government-financed amenities can fully and satisfactorily discharge it.

* * *

Shorter Notes

With the rest of civilised Europe crumbling about her and with refugees, driven ever further by the westward drive of Nazi barbarism, pouring in upon her, peaceful and happy Portugal continues her centenary celebrations. This week the Duke of Kent, as the special ambassador of her oldest ally, arrived in Lisbon, to join the other diplomatic missions which are presenting their countries' congratulations on the eight hundredth anniversary of her independent existence. That this should continue must be the wish of all who are now fighting for their own.

*

On Wednesday, the Indian and Burma (Emergency Provisions) Bill passed through all its stages in Parliament. It is, as Mr Amery, the Secretary of State, pointed out, chiefly an insurance measure against an interruption of communications between this country and India, and gives the Viceroy and the Governor of Burma power to take certain actions that would normally be referred to the British Government. One of the actions contemplated is the conscription of European British subjects, which by the 1935 Act is at present excluded from the purview of the Indian Legislature, and consequently from the ordinance-making power of the Viceroy. The conscription of Indian British subjects is already within his competence, and the appropriate ordinance is to be issued shortly.

*

The entry of Italy into the war lends more interest than usual to the annual return of shipping and tonnage for the Suez Canal. For Italy takes second place in the nationalities of vessels using the Canal, and last year 866 Italian merchant vessels with a net tonnage of 4,154,285 passed through it. Italy has frequently complained of the amount she is consequently mulcted in dues, but by far the greater part of the Canal's revenue is provided by Great Britain. Last year the number of British merchant ships using the Canal was 2,469 with a net tonnage of 14,486,352.

*

The scheme for evacuating children overseas has achieved considerable popularity. So far, 20,000 are covered both by offers and by shipping facilities, and it is probable that lack of shipping, not lack of offers, will be the ultimate limiting factor. On Wednesday, Mr Geoffrey Shakespeare announced the personnel of the Advisory Council. The chairman is Lord Snell, and he will be assisted by four Government officials, representatives from virtually every voluntary organisation even remotely connected with emigration, and members of such bodies as the headmistresses' association, the Boy Scouts' and Girl Guides' Association, the Free Church Council and the Salvation Army—making a Council of 32 members in all. The Government has evidently been anxious not to cause offence by omitting any body of importance, but such an abundance of "expert advice" will surely defeat its own ends.

VOLUME CXXXVIII

With next week's issue of *The Economist* the half-yearly index (January to June, 1940) will be published. Normally, *The Economist* index is distributed to every reader, but on this occasion, in view of the shortage of paper, it is proposed to supply copies of the index (post free) only to readers who apply for it. Applications should be made to

THE ECONOMIST, 8 Bouverie Street, London, E.C.4 and no charge will be made.

THE WORLD OVERSEAS

Germany's Non-Ferrous Metals

(By a Correspondent)

GERMANY'S drive for self-sufficiency in non-ferrous metals began long before Hitler took over, for up to the depression she had been developing the extensive use of light metals and plastics as substitutes for copper and tin, her domestic supplies of which were hopelessly short. But in 1934 the so-called Metal Plan imposed direct control of imports and exports of non-ferrous metals and manufactures with the ultimate aim of making Germany independent of imports in any future blockade. This policy was based on a system of quotas for manufacturers as well as on opening up new sources of supply in countries likely to be neutral in a war against Great Britain and France. At the same time, the use of copper, tin and lead was restricted for a steadily increasing number of civilian articles, and stocks were accumulated, especially in 1938 and the early months of 1939.

Since the beginning of the war, the Government, which had already assumed direct control of the metal industry through the *Reichsstelle für die Metallwirtschaft*, has imposed complete rationing of non-ferrous metals; and the metal industries of Czecho-Slovakia and Poland have been incorporated in Germany's industry. So far as her recent conquests are concerned, Germany will benefit to the extent of a little copper and nickel in Norway, and in Belgium and Holland she will have been able to seize accumulated stocks. In France, however, she will gain the large bauxite output, which in 1938 amounted to 683,400 metric tons, although the fate of the French colonial production of other non-ferrous metals, such as molybdenum, which is produced in French Morocco, is still in doubt. But, whatever her conquests in Europe, Germany's shortage of copper, tin and nickel remains, because by far the greater part of the world's production of these metals is in non-European countries. Only Yugoslavia from countries near at hand might be developed into a larger producer.

The Supply Position

The size of Germany's consumption of non-ferrous metals can be seen from the following table, which was compiled by *Metallgesellschaft* of Frankfurt:—

CONSUMPTION IN 1938 ('000 Metric Tons)					
	Copper	Lead	Zinc	Tin	Aluminium
Germany & Austria	446.9	260.9	269.4	20.2	176.6
Czecho-Slovakia ...	35.1	18.0	16.0	1.6	3.5
Poland	26.1	13.5	53.0	1.8	2.4
Total	508.1	292.4	338.4	23.6	182.5
<i>Total as percent. of world consumption</i>	<i>26.6</i>	<i>18.2</i>	<i>23.7</i>	<i>14.3</i>	<i>35.5</i>

For the first four of these, the proportion to total consumption in terms of metal content of imports of crude metal and ores was as follows:—

	Per cent.		Per cent.
Copper	92.0	Zinc	8.0
Lead	64.1	Tin	99.0

These percentages would be slightly reduced if it were possible to calculate the output of metal from scrap, but recent figures of the recovery of metal from scrap have been kept secret. With regard to aluminium supplies, home production is nearly 100 per cent. dependent on imports of bauxite, though this dependence will be substantially reduced by the seizure of France's output. In magnesium, on the other hand, Germany is a net exporter.

In 1938 accessible neutral countries supplied the following proportions of crude metals:—

PERCENTAGE OF TOTAL IMPORTS			
Copper	10.9	Tin	34.5
Lead	10.7	Bauxite	75.0
Zinc	94.0		

The occupation of France will more than assure Germany of her bauxite supplies; and the annexation of Austria, Czecho-Slovakia and Poland has made her self-sufficient in zinc and magnesium. But her weakness *vis-à-vis* the blockade in copper and lead is very apparent—and the proportion of her tin imports shown to have come from accessible sources is misleading, for it is really accounted for by re-exports from Holland of tin from the Dutch Colonial Empire.

Efforts to reinforce supplies of non-ferrous metals include the complete prohibition of the use of copper, lead, tin and aluminium in civilian industries. In addition, scrap metal and unnecessary metal articles were the object of an intensive collection campaign carried out in March and April of this year. The result of this campaign has not been published, but it was probably not very satisfactory. For even if church bells and public monuments had been included, the result would hardly exceed a total for all metals of some 150,000 to 200,000 tons, and it is not enough church bells have been spared to ring out the fall of France. Moreover, it was proved during the last war that metal collection cannot replace imports. The third and most important means of reinforcing supplies, however, is the substitution of light metals—aluminium and magnesium—and plastic materials for copper, tin and lead in which supplies are badly deficient.

The Use of Substitutes

In Germany (including Austria) aluminium accounted for 38 per cent. of the total consumption of the five non-ferrous metals, copper, lead, tin, zinc and aluminium, in 1938, compared with only 14 per cent. in 1929. On the other hand, the proportion of copper fell from 28 to 24 per cent.; of lead from 22 to 13 per cent.; of zinc from 33 to 23 per cent.; and of tin from 3 to 2 per cent. Unfortunately, there are no figures showing the consumption of magnesium, but the importance of this metal, whose specific gravity is considerably lower than that of aluminium, has grown considerably in recent years, and it is now used extensively in the manufacture of aeroplanes, motor vehicles, munitions and as a structural material for movable hospitals or other temporary buildings. The relative importance of the various non-ferrous metals in the German motor vehicle industry is shown by the following figures for 1938: lead, 7,500 tons; aluminium, 7,000 tons; copper, 6,600 tons; zinc, 2,100 tons; magnesium, 1,400 tons; tin, 900 tons; and nickel, 100 tons. In the munitions industry, both magnesium and aluminium are good substitutes for copper, one use of magnesium being in the manufacture of the outer shell of bombs. Aluminium is also extensively used to replace copper in the electrical industry. Other means of economising the consumption of metals are the use of ceramic pipes instead of metal pipes in house-building, in the substitution of slate roofing for zinc roofing, and in the prohibition of the use of tinsplate for food containers. Finally, there is the ever-increasing use of plastic material in the engineering industry. For instance, the heaviest types of machinery used in rolling mills have been equipped with bearings made of plastic material; and plastic structural material has been introduced into the aircraft industry. In fact, light metals and plastic material between them have ousted copper, tin and lead to a very large extent.

This policy of substitution has been made possible by the complete State control of every stage in the production and consumption of all metals. The aluminium and magnesium industry, for instance, is highly centralised, and the State-owned *Vereinigte Aluminium Werke* produce roughly three-quarters of the total output. It may be assumed that the production of these two metals and of plastic material has increased considerably since the beginning of the war. It must also be assumed that certain quantities of copper, tin and lead have reached Germany in spite of the blockade. The *Blitzkrieg* may have made a big inroad on stocks, estimated on an average at some three-quarters of the 1938 consumption figures, but it would be futile to suppose that Germany's war machine will be held up for lack of copper and tin for some time to come.

Denmark after the Occupation

[BY A CORRESPONDENT]

THE German occupation of April 9th has threatened Denmark with economic chaos, for she was cut off overnight from three-quarters of her normal export markets and from more than one-half of her sources of supply. Two-thirds of her agricultural exports had gone to Great Britain alone, and she took third place among Great Britain's European customers.

The German-controlled Copenhagen radio has openly admitted the financial and transport difficulties involved when, after the occupation, stocks destined for Great Britain were suddenly diverted to Germany. The value of these goods amounted to £2½ millions, and they were paid for by German exports. New trade agreements between Denmark and the Baltic countries, including Soviet Russia, have been, or will be, concluded on a clearing basis, but otherwise Denmark is reduced economically, as well as politically, to a part of Germany; and Danish agriculture and industry, cut off from feeding stuffs and raw materials from the West, are consequently facing insoluble problems.

The Agricultural Crisis

Denmark's agricultural production was like a huge factory converting imported feeding stuffs into livestock products for export. All small and medium-sized farms had to supplement their own crops by purchases of grain, the country's total import surplus of grain and feeding stuffs being approximately 1.2 million to 1.4 million tons in a year. As Germany cannot provide them with feeding stuffs, the Danish farmers have already begun the slaughter of the 3 million pigs and the 28 million hens, although the summer grass and the existing stocks have saved the cattle for the time being. Denmark's constant supply to Germany of agricultural products was dependent on the maintenance of her imports from Great Britain and the West, and this had inspired false hopes that Germany would forbear to kill the goose which laid the golden eggs. As it is, when the shortage of feeding stuffs is felt, which must be at the latest in the autumn, the farmers will have to begin the sad task of mass slaughtering.

Danish agriculture has been organised on a co-operative basis ever since the time, 60 to 70 years ago, when her farmers, of their own accord, switched over from grain producing to grain importing and the more profitable livestock industry. To-day the growing crisis is threatening to destroy this co-operative basis by splitting the farmers into two extreme political groups for and against the Nazis. If conditions get much worse, the anti-Nazi farmers may resort to ca' canny methods in the hope that by so doing they may shorten their period of slavery.

Attempts to Avert Collapse

Meanwhile, the Prime Minister, Hr. Stauning, is striving hard to prevent the economic collapse of his country. He has again and again appealed over the wireless to all political parties and classes to share the burden. In May, after broadening his Socialist-Radical Government by inviting representatives of the two other big political parties, the Left and the Conservatives, to join the Cabinet, he tabled a whole set of economic emergency Bills which were rushed through the Rigsdag at unprecedented speed. The new laws provide for severe anti-inflationary measures. The automatic adjustment of wages according to an official cost-of-living index number has been abolished. The index itself had risen to 168 in April, compared with 109 in April of last year, but the rise has now been checked by refusing to allow wages to move with it. Another measure fixes the prices of commodities, and yet another attempts to reduce the number of unemployed by making industry share out the work available. Some compensation is given to the workers whose working hours are cut as a result of this measure, and the cost of it is to be met partly from a special tax on all wages and partly from the Government's unemployment fund. The number of registered unemployed was 116,000 in May, an increase of 50,000 on May, 1939. But the Germans have been quick to reap the advantages to them of the large number of unemployed. A German labour exchange has been opened in Copenhagen, and many unemployed Danes have already left for Germany, so that the problem of unemployment has taken on a new national and political aspect.

In the financial sphere, dividends are limited to 5 per cent. of the company's capital plus two-thirds of the average dividend above 5 per cent. for the last three years. Many companies, however, especially in the shipping industry, will not be in a position to pay as much as this. The Copenhagen Stock Exchange, which had been closed since April 8th, reopened on May 28th, after the discount rate of the National Bank had been reduced from 5½ to 4½ per cent. This reduction gave a stimulus to fixed-interest bonds, which have continued to show good resistance, but the quotations for other shares are substantially lower than before the German invasion.

June 20th.

Financing America's Re-armament

[FROM OUR NEW YORK CORRESPONDENT]

EXTENSIONS of the armament programme have now lifted the total for the coming fiscal year to the vicinity of \$5,000 millions, or some \$3,000 millions above the initial Budget estimate of about \$2,000 millions. It is by no means certain that the full appropriations have yet been called for, and this figure seems not unlikely to be revised upwards. There are, however, as yet no visible impacts on our economy of the programme, the initial phase of which was launched less than a month ago, except possibly some anticipatory ordering of steel.

The accompanying tax proposals, now before Congress, are expected to raise about \$1,000 millions, mostly by levying flat-rate increases on existing taxes. By the lowering of the income tax exemptions some 2,000,000 additional income tax payers will be brought in, but, in the main, the increase in income tax will fall in the form of increased surtaxes on the \$15,000-\$50,000 income grades.

At the same time the debt limit will be increased from \$45,000 millions to \$49,000 millions, but it is stipulated that this increase shall take the form of "National Defence" notes of a maturity not to exceed five years. In other words, the defence budget is considered a special budget of about \$5,000 millions, to be financed one-fifth by taxation and four-fifths by a special issue. By shifting \$2,000 millions of defence expenditure out of the regular Budget and increasing taxes by \$1,000 millions, the regular Budget is practically balanced and most, if not all, of the deficit becomes chargeable to defence. At the same time, however, the proposed appropriations use all or virtually all of the \$4,000 millions increase in the debt limit, and this suggests that the limit will not prove very permanent.

Sterling's Spectacular Recovery

Financially, the principal feature of the week was the rebound in free sterling. From early March it sank rapidly from about \$3.85 to nearly \$3.00; about a week ago it began its erratic and spectacular climb from about \$3.11 to \$3.85 again, the quotations being extremely erratic. Several rumours have accompanied this advance—that the short position was being run in, that the supply of free sterling had diminished to scarcity, that the control intended to end the free market, etc. Perhaps all of them are true. It has always been claimed that the supply of free sterling was so small that the market could be controlled at will. Indeed, New York has never quite grasped the *raison d'être* of the free market, with its extreme gyrations, and would be quite glad if it were abolished. It has been argued by some that the free rate constituted a sort of subsidy to British exporters.

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 \$40,265,700
TOTAL ASSETS IN EXCESS OF \$1,025,000,000

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

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

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

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

In this respect its efficiency was doubtful, because of the uncertainties of the market and because only the official rate was recognised by the Customs.

Less important, but even more spectacular, was the arrival of \$533 millions of gold in a single week; but most of this seems to have been scheduled for earmark. Total sums under earmark are now nearing \$2,000 millions.

High Share Yields

While the complete May data are not available, it is clear that in that month the sharp decline in the production index was reversed. Perhaps this is attributable to an increase in Allied orders; possibly it indicates that the corrective movement had been overdone. So far the upturn has been most visible in the steel industry, although the motor output has been well maintained. The share market, which remained horizontal while business was receding in the late winter, slumped badly in May, about the time that business began to improve. As yet it has shown no response to the evidence of more active production. The position of the share market is not readily explicable. Yields on fairly well secured issues are rarely under 6 per cent. and commonly 8 or 10 per cent. The wide disparity between the institutional rate and the non-institutional, which was striking in the early spring, is now even wider. There are few features of our economy more arresting than this spread between the institutional and the non-institutional rate of interest; yet, conspicuous as it is, it has almost entirely passed unnoticed by theoretical commentators.

June 12th.

Greater Unity in Canada

[FROM OUR OTTAWA CORRESPONDENT]

THE Canadian people and their Government had been fully prepared for the entry of Italy into the war on Germany's side, but now that it has actually occurred, they share the indignation of the rest of the Anglo-Saxon world, and there were anti-Italian demonstrations in Toronto and other places. The great majority of the 120,000-odd Canadians of Italian blood are completely loyal to the British Commonwealth. They resent the course taken by Mussolini, and some of their organisations have passed resolutions condemning it and urging their younger members to enlist. But there is an element of more recently arrived immigrants from Italy, who have been organised in active Fascist cells, the largest being in Montreal, and the authorities lost no time in internment their ringleaders. The general effect of Italy's action has been to strengthen the Canadian people in their determination to stand firmly by Britain and France until victory over the two dictators is achieved, and French-Canadian opinion was greatly impressed last week-end when Cardinal Villeneuve, Archbishop of Quebec, who is head of the Roman Catholic Church in Canada, issued a *pronunciamiento* denouncing Hitler and all his works in forthright language.

The Government Wakes Up

The King Government has suffered a serious loss through the tragic death of its youngest member, Mr Norman Rogers, the Minister of National Defence, in an aeroplane accident, but the Prime Minister has won commendation by inducing Colonel Ralston, now Minister of Finance, who had a fine record in the last war and held the portfolio of Defence from 1926 to 1930, to resume charge of it as soon as he has delivered his Budget speech. His probable successor in the Department of Finance is Mr Ilsley, the Minister of National Revenue. The Government now realises that there is widespread indignation in the country over its complacent acceptance of the thesis of the Chamberlain Ministry, that the war could be won cheaply by the persistent application of the sea blockade, and its consequent failure to mobilise the industrial resources of Canada for the production of essential war supplies on the same scale as in the last war; and it has now begun zealously to enlist the co-operation of the manufacturers, who made known their exasperation at the slackness and dilatoriness of both it and the British Government at their annual convention held in Winnipeg in the closing days of May. The production of munitions and war equipment in Canadian plants is being rapidly speeded up, and the Canadian Government has arranged to build, in association with the British Government, a shell-filling plant to cost \$8 millions. Recruiting of the new units which have been authorised is being pushed vigorously, and

aeroplanes from Britain, which were about to be delivered in Canada, have been turned back for British use, while all the military equipment which can be spared is being shipped overseas.

Favourable Crop Prospects

The crop reports from the prairie provinces are very optimistic; the young crop has been favoured with ideal growing conditions, warm weather and generous rains at regular intervals in the past fortnight, and the rains have been particularly good in the central and northern areas of Manitoba and Saskatchewan, which needed moisture badly. In the Eastern Provinces fine weather since the beginning of June has enabled leeway lost through delays in planting in May to be made up and helped the growth of crops and pastures. In British Columbia crop conditions are satisfactory, with growth more advanced than usual, and there is so far a good prospect of abundant harvests this year.

The yield of the Federal revenues for May was \$137½ millions, compared with \$105½ millions in May, 1939. For the first two months of the present fiscal year their yield was \$178 millions, compared with \$135½ millions; in the same period expenditure totalled \$102½ millions, compared with \$79½ millions. May also witnessed a gratifying increase in Canada's export trade, its value being \$109,852,171, compared with \$83½ millions in April and \$80 millions in May, 1939; for the first four months of 1940 the total value of exports was \$437½ millions, compared with \$327½ millions.

In the first four months of 1940 the physical volume of business in Canada showed a gain of 19.5 per cent., compared with the figure for the same period of 1939, while industrial production was up 27.5 per cent. The following table gives data about the *Index of Statistics' weekly economic index* and three of its components:—

Week ended	Car-loadings	Wholesale Prices	Bank Clearings	General Index
May 27, 1939 ...	70.9	73.5	93.9	102.1
May 18, 1940 ...	83.2	81.9	103.9	105.4
May 24, 1940 ...	85.2	81.2	103.9	105.9

The large expansion of the flow of war contracts promises to cause a great increase of industrial activity in the coming months, and there is already in some industries a shortage of skilled labour.

June 14th.

Poland Fights On

[BY A CORRESPONDENT]

WHEN the German and Russian forces overran and occupied Poland in September last, the Polish people did not give up their struggle. The Government left the country and crossed to Roumania; but before doing so, everything was arranged for a new and legally appointed Government to carry on from France. The former Polish President, Dr I. Moscicki, resigned office before leaving Polish soil, and, in accordance with the Polish constitution, he designated his successor, M. Z. Rackiewicz. This act was fulfilled with all necessary formalities, and there was no legal excuse for the enemy to institute a new head of the State.

The Government of General Skladkowski, known as the Government of the Colonels, also resigned, and General Sikorski took office as Prime Minister and Commander-in-Chief of the Polish forces. Neither task was easy; the Government was formed on foreign soil—in France—and the army had to be created from Poles living abroad and refugee soldiers and war prisoners who managed to escape either from the Germans and Russians or from the internment camps of neutral countries.

The new Polish Government was based on more democratic principles than the Government of the Colonels, and included representatives of all the political parties, from the reactionary National Democratic Party to the leaders of the Peasant and Polish Socialist Parties. The French Government put at its disposal a castle and several houses in Angers; all the buildings in which the offices of the Polish Government were situated were given extra-territorial rights, so that in theory it was established on its own territory.

The authority of the Government was reinforced when General Sikorski created the National Council, consisting of 24 members representing all political parties, with the world-famous Polish pianist, Paderewski, as its President. Most of the neutral States have recognised the Polish Government in

exile as an official and legal body, and the former Ambassadors to Warsaw, among them also the United States and British Ambassadors, followed the Government to Angers. The people in Poland also looked upon the Sikorski Government as their only legal and official Government, and in spite of pressure from the German authorities, nobody in Poland was Quisling enough to create a puppet government.

The first task of General Sikorski was to create a Polish Army and to continue the fight against Germany side by side with the Allies. On the call of the Polish Prime Minister, tens of thousands of Poles living abroad and many thousands of former soldiers in different neutral countries went to France and joined the Polish legion, which was equipped by the Allies and started training a month after the occupation of Poland. General Sikorski did not limit his activities to the creation and training of the army; he also organised the Polish Navy and Air Force, which became a part of the British Navy and the Royal Air Force, and were trained in ports and airfields of Great Britain.

The Polish Navy, though small in numbers, has distinguished itself. Many Admiralty dispatches have mentioned the skill and daring of Polish seamen and naval officers, and the exploits of the submarine *Orzel* became world-famous.

Escape to England

When the German attack on France started at the beginning of May, Polish forces took up their positions with their Allies. But the capitulation of France came too soon for them. To prove their fighting qualities; and as soon as the news of the French negotiations for an armistice was known, General Sikorski had to make the necessary preparations for their evacuation from France. The Polish Merchant Navy, which at the beginning of the war escaped from the Baltic ports of Gdynia and Danzig, played an important part in that evacuation scheme. All available boats were employed, and thousands of Polish soldiers with their equipment sailed from Bordeaux and Bayonne to safety in British ports. The Polish airmen stationed in France also lost no time and flew their machines to England. But a large part of the Polish Army in France, the divisions under General Duch and General Prager which were fighting near the Maginot Line, had, unfortunately, no time to withdraw further than to Switzerland, where they were disarmed.

Marshal Pétain's Government broke France's promise not only to Great Britain, but also to her second ally, Poland. France solemnly agreed in the treaty with Poland not to make a separate peace, but she did not even trouble to ask the Polish Government to release her from her obligations.

General Sikorski has decided to carry on the struggle, and he is again reorganising his army, this time on English soil. Nearly all the members of the Polish Government and National Council are now in London; arrangements are being made with the British authorities to create a seat for the Polish Government somewhere in the provinces; and it is expected that most of the ambassadors to Warsaw who followed it to Angers will follow it to England. Its organisation will, however, be different from its organisation in France: the big administrative staff will be cut down to a skeleton, and the main effort will be concentrated on the participation of the Polish Army in the home defence of Great Britain. Details are not yet available, but it seems that the Polish Army will exist as an independent unit and will fight under its own command and preserve its individuality. This is similar to the arrangement made some time ago with regard to the Polish Navy and Air Force trained in Great Britain.

Poland fights on and is prepared to carry the struggle to final victory. The disappointment in France has not discouraged her leaders. The Government and the Army are supremely confident in their ally, Great Britain, with whom they are now going to share all the fortunes of war.

June 26th.

Indian Railway Problems

[FROM OUR CORRESPONDENT IN CALCUTTA]

DOMESTIC manufacture of locomotives has been one of the unfulfilled ambitions of Indian industrial enterprise during the last twenty years. The report of two experts appointed by the Railway Board states that there are no difficulties of a mechanical or technical character standing in the way of locomotive building in India. According to the experts' estimates, the annual requirements of the Indian railways, stated in terms of complete locomotives, would amount to 108 broad-gauge and 28 metre-gauge locomotives, which

would be adequate to provide the economic output for a new factory.

The actual proposal is to convert the Kanchrapara locomotive shops of the Eastern Bengal Railway, about 28 miles from Calcutta, into a manufacturing shop at a cost of Rs. 47½ lakhs. The total cost of production of an "XE" type locomotive is estimated at Rs. 98,000, which is about 20 per cent. cheaper than the imported locomotives. From the references made to this subject in the speeches of the Railway Member and the Chief Commissioner of Railways in the Central Legislature, it is to be inferred that detailed proposals may be expected before long.

Railway Budget

The Railway Budget estimates were introduced in the Assembly on February 16th and revealed certain characteristics of a war budget. The actual figures for 1938-39 were 0.1 the whole a disappointment and yielded a smaller surplus than was expected. The current year, 1939-40, judging from the traffic trends down to August, foreshadowed a further deterioration, but the effect of the war since September has proved stimulating. The principal features of the estimates are the increase in traffic due to war and the increases, effective from March 1st, of rates and fares.

The estimates for 1940-41 reflect the full effects of the increases in the rates and fares. The increase in the rates amounts to 12½ per cent. on all goods, except food grains, fodder, manures and military traffic. A partial exception is made for coal on which, besides removing the maximum, the surcharge is raised from 12½ per cent. to 15 per cent. till November and to 20 per cent. thereafter. Passenger fares exceeding a rupee have been increased by 6½ per cent. The Budget estimates, with the actual figures for 1938-39 and revised figures for 1939-40, are summarised below:—

INDIAN STATE-OWNED RAILWAYS

	1938-39	1939-40	1940-41
	(In crores of Rs.)		
Gross traffic receipts	94.48	97.30	103.00
Working expenses (including depreciation)	64.04	65.35	66.64
Net revenue (including miscellaneous transactions)	30.67	32.53	37.11
Interest charges	29.30	28.92	28.82
Surplus	1.37	3.61	8.29

Criticism of the estimates has been directed mainly against the increases of the freight rates and fares, the case for which, judging from the Railway Member's speech and the traffic trends, does not appear to be as strong as is claimed. In view of the abstention of the Congress Party in the Assembly, the Government had a smooth sailing for all its proposals.

May 10th.

Books Received

The United States. Picture Post Special. Hulton Press, Limited. 172 pages. 1s.

A remarkable, vivid and timely glimpse at a few striking facets of the United States' multi-sided existence, including in charts and diagrams some impression of their economic wealth and resources. The contrast between these pictures with their pointed captions and the world we know would always be striking. Now, when it is the difference between peace and war, it is almost sensational—and not a little disturbing.

International Relations since the Peace Treaties. 2nd Edition. By E. H. Carr. (London) Macmillan. 317 pages. 6s. net.

British Industry. By M. Compton and E. H. Batt. (London) Lindsay Drummond, Limited. 304 pages. 15s. net.

The Working Constitution in India. By S. M. Bose. (London) H. Milford. 677 pages. 30s. net.

The Jewish War Front. By V. Jabotinsky. (London) Allen and Unwin. 255 pages. 7s. 6d. net.

The Slavonic Year-Book. (London) Eyre and Spottiswoode (Publishers), Limited. 346 pages. 8s. 6d. net, paper.

Finance Under Provincial Autonomy. By C. N. Vakil and M. H. Patel. (London and Calcutta) Longmans, Green and Company. 200 pages. Rs. 4.

Official Publication

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

Special Report from the Select Committee on National Expenditure. 1d. net.

turnover which must be taken into consideration; the shops outside London have therefore probably suffered very little from the war. But while the value of sales remains above last year's level, its volume must have shown an appreciable decline, for retail prices are now substantially higher than a year ago. In the absence of a satisfactory price index, the decline in the volume of non-food merchandise is difficult to measure. In the case of food, however, changes in the volume of sales can be roughly calculated from their value by taking account of the variations in the official index of retail prices. On this basis, the volume of food sales in March and April was about 10 per cent. smaller than in the corresponding period last year, although their value was 5.6 per cent. higher. The fall in the volume of turnover in non-food merchandise may have been even more marked. Broadly, however, civil consumption remains at a high level; the volume of retail food sales in March-April, for example, though lower than in the corresponding periods of the four preceding years, was substantially higher than in the same months in 1932-35. Indeed, a substantial proportion of the resources at present devoted to the import, manufacture and distribution of consumption goods could be used for war purposes without causing any hardship to the civil population.

World Sugar Markets

In the past few years, the steady increase in the European sugar production from beet and the restriction of consumption by tariffs and high retail prices has led to an excess of world production of sugar. The cane-producing countries have suffered most, and even under the International Sugar Agreement countries such as Cuba and Dominica obtained the right only to a share in that part of the British market (the one remaining large importer of world sugar) which the Dominions and Colonies could not supply. The shortage of shipping and the introduction of sugar rationing have now still further reduced this market. Total sugar consumption in this country is not expected to exceed 1½ million tons, against a normal intake of about 2½ million tons. Of this amount, the British Empire will supply about 1¼ million tons, as well as smaller amounts to the non-sugar producing Dominions such as Canada and New Zealand. Consequently, if the British beet harvest can again provide some 500,000 tons of sugar, as it has in the current season, there will be no need for imports from foreign countries, which normally send about 1 million tons. This is a serious outlook for Cuba, who usually sends some 600,000 tons of sugar to this country. So far her exports have been well maintained by purchases made by the Ministry of Food over

the winter to build up reserves, but once this has been accomplished the British market may be virtually closed to foreign sugar.

South American Wool Exports

The contracts made by the Ministry of Supply to take all the surplus wool of New Zealand and Australia have necessarily affected British purchases from other wool exporting countries. The blockade has also deprived these countries of German purchases, which have been fairly considerable, particularly from South America. The following table (taken from *The Wool Record and Textile World*) shows wool exports from Argentina and Uruguay, in the season 1938-39 and in the six months to March:—

To:—	EXPORTS OF WOOL ('000 bales)			
	Argentina		Uruguay	
	Season 1938-39	Oct. to March 1938-39	Season 1938-39	Oct. to March 1938-39
U.K.	135	72	2	11
France	64	40	20	6
Germany	47	31	...	36
Poland	21	12	...	8
Italy	7	3	11	16
Belgium	25	17	4	18
Holland	8	5	10	8
Scandinavia	66	44	100	5
U.S.A./Canada	2	1	13	1
Japan	13	8	12	1
Other	...	...	...	...
Total	389	232	180	126

These two countries managed to export very considerable quantities of wool to neutral countries in Europe, such as Scandinavia and Holland. Now that these markets are also fenced off by the blockade, the United States, Canada and Japan remain the only important buyers of South American wool. A certain amount of competition with Dominion wools still remains in these markets, since arrangements have already been made for the usual re-export trade from London to be maintained, though the huge requirements of the Allies will probably diminish the amount available for this trade. But the outlook for the wool trade of South America is not very encouraging, unless a marked trade revival in the United States should lead to the rapid absorption of the wool stocks accumulated since last autumn.

COMMODITY AND INDUSTRY NEWS

The North American grain markets are now operating against minimum prices, and fixed prices continue for Liverpool cotton futures. The New York cotton market remains weak, but prices of tin, spelter and rubber were marked up.

Metals.—British maximum prices for copper, lead and spelter remained unaltered this week, but in the United States the price for spelter was advanced by another 0.25 cents to 6.25 cents per lb. In the past fortnight the quotation has thus been raised by 0.50 cents, due to the stronger demand for home and export deliveries. Imports into the United States of foreign zinc ore, formerly sent to Europe, are increasing, and no shortage of supplies is likely. Demand for copper and lead in the United States has also improved of late, and if it continues to do so for another few days an increase in prices may be expected. One feature on the United States copper market this week was the British demand for 25,000 tons of copper to increase emergency stocks. The present price of 11.50 cents per lb. corresponds to about £65 5s. per long ton f.o.b., while the current British price is £62 delivered consumer's stores. It is unlikely, however, that this difference will result in an increase of the British maximum price for the present, as the huge supplies of Empire copper, which cover our whole requirements, have been bought well below the maximum price.

Cotton (Manchester).—Futures trading in Liverpool continues at fixed prices. The raw cotton situation remains uncertain. Plentiful supplies are still available on this side, but imports at the moment are less than the consumption, which has been increased by the longer working hours in the mills. In the spinning section there has been a stronger call than ever for bigger supplies of yarn to meet the requirements of the Government. The Controller has instructed more spinners to put an increased amount of machinery on particular counts and qualities. Some spinners are now fully sold for six months ahead on Government work. Very little business has been done in cloth apart from the needs of the government, and orders for export have been few and far between.

Variety ('000 bales)	RAW COTTON delivered to Spinners			
	Week ended May 24, 1940	May 31, 1940	June 2, 1939	May 31, 1940
American	24.7	31.2	864	1,248
Brazilian	2.0	3.6	257	231
Peruvian, etc.	3.1	3.9	109	188
Egyptian	4.1	7.7	298	329
Sudan Sakel	1.4	2.0	119	127
East Indian	3.4	9.9	371	351
Other countries	1.4	5.4	162	142
Total	40.1	63.7	2,180	2,616

Source: Liverpool Cotton Association's Weekly Circular.

Tin.—The price of standard cash advanced by another £5 10s. to close at £275 10s. per ton after having touched £277 earlier in the week. There was again some American inquiry and in addition British consumers showed greater interest. World stocks with the exception of European smelter stocks (for which no figures are available) rose by 449 tons in May to 28,109 tons. New supplies, at 15,873 tons, exceeded deliveries by just over 2,500 tons.

TINPLATE PRODUCTION: PERCENTAGE OF S. WALES' CAPACITY IN OPERATION

Week ending	1939	1940
April 20	56.96	72.93
May 27	53.97	63.17
May 4	64.55	66.78
" 11	65.32	70.66
" 18	67.90	65.96
" 25	64.93	72.49

Grains.—Minimum prices for wheat and maize have now been fixed for the Buenos Aires market, at prices prevailing at the close of May 27th. As minimum wheat prices are also in operation at Chicago and Winnipeg, the international grain market is now well under control. Crop reports from the Danube continue unfavourable, and exports are likely to be much smaller than normal, so that competition from these countries will be very limited. The warning of the Minister of

(Continued on page 1024)

COMPANY MEETINGS

FRIENDS' PROVIDENT AND CENTURY LIFE OFFICE

INTERIM BONUS POLICY

The annual general meeting of the Friends' Provident and Century Life Office was held, on the 5th instant, at 7, Leadenhall Street, E.C.

Mr Hugh E. Seebohm, J.P. (the chairman), said: Before dealing with the business part of our agenda, I must refer to the loss of our chairman, Mr Harold Morland. He became a director in 1914 and was elected chairman in 1927. His death on October 9th last year came upon us suddenly.

The new life assurances were £2,010,356, annuity premiums £595,546 and sinking fund assurances £360,264. The annual premium income was increased by £8,724. The ratio of life expenses was moderately increased at 17.18 per cent. The gross rate of interest was £4 16s. per cent., which compares with £4 16s. 7d. per cent. for 1935, the first year of the quinquennium now closed. The increase of the standard rate of income tax in the autumn Budget of 1939 resulted in a fall in the net rate of 5s. 4d. to £3 11s. 5d.

In the past five years the development of the office has been progressive and profitable, and normally there would have been a declaration of bonus at a satisfactory rate. Under the conditions of a modern war, it is plainly unjustifiable to add to existing capital liabilities. Your directors have adopted the principle of restricting their action to the payment of interim bonuses under with-profit policies at the rate of £1 per cent. for each year's premium due and paid from January 1, 1935, to December 31, 1939, and 15s. per cent. for each premium due and paid from January 1, 1940, such interim bonus being calculated on the sum assured and existing declared bonuses.

CENTURY GENERAL ACCOUNTS AND DIVIDEND

All accounts earned profits. The marine profit was retained in the account, and in the profit and loss account; the underwriting profit from the fire and accident departments (including interest) was £37,922, while net interest was £34,554; £25,000 was transferred to investment and general reserve; £2,500 to the additional reserve in the accident department; a dividend of 20 per cent. costing £58,500 was declared and £98,262 carried forward.

We usually review the progress of the Century at the end of each five years' period. It is satisfactory to find that in the five years 1935-1939 the Century has earned for the shareholders £356,670 clear of taxation, of which £268,625 has been paid in dividends, yielding the Friends' Provident an average of £6 3s. 4d. per cent. per annum, and £88,045 has been added to reserves. At the end of 1939 there was a substantial surplus on valuation of the assets.

Much thought has been given to the recasting of the terms of our life assurance policies in order to make them more appropriate for the new circumstances arising from the war. At the outbreak of war all offices agreed to insert a stringent war clause in all new policies issued, the effect of which was to restrict payment in the event of death of the life assured by reason, directly or indirectly, of the war, to the amount of premiums paid, while the full sum assured would be disbursed in the ordinary way should death arise from normal causes. It is our desire that the benefits given shall be as liberal as due regard to the interests of the whole body of our members will permit, and we have now decided that, while continuing a war clause, we may suitably include war risks within the United Kingdom and Eire to persons who at the time of making the proposal are civilians, and have no present intention of joining the Forces in the near future, still excluding death from warlike operations abroad or in the Armed Forces. This liberalisation of the cover offered in respect of new assurances has been accompanied by a readjustment of our premium rates for without-profit policies, in order to make some small contribution towards the additional hazards incurred, and for the lower rates of interest which are likely to be obtained on our funds in the future.

In the with-profit section of our operations, rates of premium have not been generally increased, but it is provided that during the war no bonus will be distributed to new members, the benefits of the with-profit contract becoming operative so soon as peace returns.

The chairman concluded by moving the adoption of the report and accounts, which was seconded by Mr Robert H. Marsh, F.C.A. (deputy-chairman), and carried unanimously.

EVER READY

MANUFACTURERS OF BATTERIES

DRY CELLS - ACCUMULATORS - RADIO EQUIPMENT
MOTOR CAR ACCESSORIES - PORTABLE ELECTRIC LAMPS

Net Trading Profit for year to 31st

March, 1940	£632,105
Total Reserves and Carry Forward	£992,564
Dividends on Ordinary Stock	35% plus 5% Bonus

POINTS from the Speech of MR MAGNUS GOOD-FELLOW (Chairman) at the Annual General Meeting of THE EVER READY COMPANY (GREAT BRITAIN) LIMITED ON June 3rd, 1940.

ABNORMAL TRADING CONDITIONS

At the outbreak of war the "black-out" caused so great a public demand for our goods that, in spite of the preparations we had made, it was not until February that we were able to fill the demand. All requirements for the Services were, of course, always met. To-day, with trifling exceptions, we are in sufficient supply and, subject to the operations of war, we expect to be able to maintain this position during the present year.

During the period of shortage we found it necessary to ration rigidly the distributing trades of the country, and we attempted and, I believe, succeeded in doing this with fairness. I pay a warm tribute to the patience, reasonableness and helpfulness of our distributing friends in assisting us to grapple with a situation that at times grew almost impossible.

INCREASED PRODUCTION COSTS

The cost of production of our goods has risen steadily since September last. Apart from a few unimportant increases in our prices, such increases in cost have been borne by the margins on the greater volume of business done. It is our policy to keep the prices of our goods at the lowest possible level, and we do not at present contemplate any alteration, indeed we hope that the much larger business we continue to do will make unnecessary any increase for some time to come.

STRONG FINANCIAL POSITION

Turning to the accounts, there are one or two comments I think I should make. While our nominal Issued Capital is £1,210,402, the Capital really invested in the business is in excess of £4,500,000, for our Reserves total approximately £1,000,000, and we have written off over the past few years the cost of all Goodwill, Patents and Trade Marks—the cost of the Continental businesses—and large sums from our various Plants amounting in all to £2,354,000. The Reserve Account shows that we have removed the Special Trading Reserve of £100,000. No expenditure was incurred under this head during the year and, under present conditions, we have decided that this Reserve is unnecessary.

The liquid Asset position of the Company has been much improved in spite of the necessary provision of large sums for taxation and the increase in the proposed dividend for the year. You will observe that the surplus of liquid Assets over Current Liabilities has risen from £350,000 a year ago to £566,000 to-day.

You will, I know, join with me in expressing thanks to our Managers, Executive Staff and workpeople for their achievements during the past year.

not, in all probability, offer the same measure of market-ability as the general range of Government issues, while the "tap" is open.

These technical points are of importance in gauging the measure of response to the first "tap" issue of the war. But larger problems of war finance are also involved. The prime object of financial policy is to deny the people by taxation, or to persuade them to forgo by lending, purchasing power which would otherwise be spent upon consumption, and would thus compete with essential war industries for labour, raw materials and productive capacity. If sufficient taxation and saving are performed in advance of the Government's spending on war services, there will be no inflationary consequences. But if the Government spends first, and thus creates new purchasing power which will soon find its way into personal incomes, then the saving of even the entire excess of money incomes over the previous level will not suffice to prevent a rise in prices; the same real sacrifice will have been borne through that rise in prices, though its incidence will be different. This test may be applied to the National War Bonds. Will subscriptions represent new savings? Clearly, if they represent merely a rearrangement of existing assets, the answer will be "No." If the banks, for example, decide to reduce their Treasury bill holdings to take up an equivalent amount of the new Bonds, the result will be an exercise in book-keeping, which increases the return on their investments, but contributes nothing on balance to the sinews of war, real or nominal. The same conclusion holds for all subscriptions made from funds already accumulated. What is needed is an unremitting, deliberate forgoing of purchasing power on the part of all sections of the community. In general, the character of the new War Bonds is not designed to produce a maximum response of this sort.

Unless, at this late stage, a far more vigorous curtailment of purchasing power can be achieved than has yet been attempted, the forces of inflation may burst out of their insubstantial fetters. In wages policy there appears to be no desire to contain them under control. The worker's pennies, rather than his real income, are the criterion, and those pennies are substantially increasing at a time when the available volume of consumption goods is falling, and will fall more sharply still in the near future. Meanwhile, financial policy is committed to low interest rates for war loans. But would these rates be proof against an appreciable rise in prices? Would investors, like wage-earners, be content to think in money rather than real terms? The answers to these questions may eventually affect the assurances implicit in the 3 per cent. war-borrowing schedule. And once there is any deviation from that schedule, unless towards still lower rates,

no declaration regarding interest rates would be accepted as convincing. The train would be laid for a repetition of the excessive interest rates and febrile finance which characterised the last war.

The alternatives to a more vigorous financial policy are clear, and in the end they involve a heavier economic sacrifice. They include a very great extension of rationing, and the prospect of rocketing prices for such unrationed goods as are still obtainable. It may be true that, in the early stages at least, inflation on this scale would not affect the scope of war production. But its indirect economic consequences, to say nothing of its effects on morale, might ultimately become crucial. The current measure of war finance is equally clear. In recent weeks expenditure on the forces has been running at £3,120 millions a year, and total expenditure at, say, £3,750 millions. If tax revenue fulfils Sir John Simon's estimates, the current deficit would be of the order of £2,500 millions, and although Sir Kingsley Wood has promised stiff increases in taxation to reduce that figure, the balance will still be most formidable. We should face frankly the possibility that it will be too formidable to be satisfied by the voluntary system. For the moment, we have got into the *impasse* that the only sort of voluntary loan that is technically possible is one that contributes little to the fundamental problem. The *impasse* may only be temporary, and it may soon be possible to issue a loan of a character that will absorb genuine savings. But it is quite obvious that it is not going to be possible to cover the deficit by means such as these. Our present methods of finance, in short, are proved inadequate. We have reached the stage when compulsion becomes necessary. We may be able to avoid forcing the public to lend its savings to the Government—which would come up against strong institutional resistances as well as ruining the excellent work of the National Savings movement. But we can no longer avoid forcing the public to increase its savings by compelling it to reduce its spending.

"It is high time that the heroism which is fighting our battles at the front should be supported by some attempt to imitate it by those of us who are left at home in the use that we make of our money. Financial heroism, if it can be so described, will pay us directly and indirectly. Not many of us can flatter ourselves that we have made any such effort. Plenty of people have suffered privation and cut down expenditure, but in most cases when this has been done drastically it has happened through compulsion. The revolution in our spending habits which has been preached as essential to the sound finance of the war has not yet been accomplished." These words appeared in *The Economist* in October, 1917. Have we learned nothing in the 23 years which have since elapsed?

British and German Steel Supplies

AT the beginning of the war one of the weakest links in Germany's armour was her shortage of iron ore. In 1938, the combined crude steel output of Germany, Czechoslovakia and Poland exceeded 26½ million metric tons. The cessation of imports of iron ore from France and an efficient blockade of Narvik were bound to reduce Germany's output of crude steel well below that level. The position of the Allies was then comparatively much more favourable. France, with her enormous iron ore deposits in Lorraine, was in a position to produce some ten million tons of crude steel. The United Kingdom's capacity was rated at 14½ million tons and that of Australia, Canada, India and South Africa at nearly 4 million tons per annum. Moreover, the Allies were in a position to draw on the enormous steel supplies of the United States. If the war was to be decided by the weight of steel that could be produced, as distinct from the steel already accumulated in the form of tanks, guns, aircraft and other munitions, the dice were heavily loaded in favour of the Allies.

These long-term calculations have been completely upset by the superior weight of metal that Germany was able to throw into the balance *immediately*. As a result of the conquest of Norway, Holland, Belgium, Luxembourg and France, virtually the whole of the iron ore deposits (excluding those of Spain) and of the pig-iron and steel-producing capacity of Continental Europe have passed under the Nazis' control. They have also secured access, through the occupation of France, to the iron ore fields of "non-belligerent" Spain, and they hope to be able to tap the rich ore deposits in French and Spanish North Africa. Italy's entry into the war has added steel-producing plant capable of turning out at least 2½ million tons and iron ore deposits yielding more than half a million tons per annum to the resources of the

enemy. The magnitude of the resources that have passed under Germany's control and of those to which she hopes to obtain access is indicated in the following table, which shows the metal content of the output of iron ore and the production of crude steel in the countries concerned in the best year between 1929 and 1938:—

(a) PRODUCTION OF IRON ORE (METAL CONTENT)			
(Thousands of metric tons)			
Countries under German Control	Other Countries		
Germany	Spain†	3,100 (1938)	3,185 (1929)
Austria*	Spanish Morocco	672 (1937)	782 (1937)
Czecho-Slovakia*	Algeria	595 (1937)	1,640 (1938)
Poland	Tunis	270 (1938)	508 (1929)
Norway	French Morocco	1,030 (1938)	140 (1938)
Sweden		9,136 (1937)	
Luxemburg		2,287 (1929)	
France		18,000 (1929)	
Total†	Italy	35,090	510 (1937)

(b) PRODUCTION OF CRUDE STEEL			
(Thousands of metric tons)			
Countries under German Control	Other Countries		
Germany and Austria	Luxemburg	23,208 (1938)	2,702 (1929)
Czecho-Slovakia	France	2,315 (1937)	9,716 (1929)
Poland		1,542 (1938)	
Sweden		1,106 (1937)	
Belgium		4,110 (1929)	
	Italy		2,323 (1931)

* Latest year available. † Present capacity below this level.
‡ Excluding certain smaller producing countries.

Source: *Statistical Yearbook of the League of Nations*.

The control of the iron-ore resources of Continental Europe and North Africa and of the European iron and steel

and metal industries has long been a German dream. The aim has been to build up a vast iron, steel and metal industry to rival that of the United States. This dream, however, is still far from realisation. The complete integration of Continental Europe's iron and steel industry would require years of hard work and, in any case, could not be accomplished without access to ample supplies of manganese, nickel, tungsten and other steel alloy metals which are vital to the production of modern steel. These essential steel alloy metals, however, are not available in any quantity in Continental Europe and North Africa. And so long as they can be denied to Germany by the British blockade, she will be unable to obtain the full advantage of the iron-ore deposits and of the steel-producing capacity over which she has gained control this summer.

But while a simple addition of the iron and steel output of the countries that have passed under the Nazis' control considerably exaggerates their immediate gains, their position relative to the British Empire has nevertheless been appreciably strengthened. Although the iron- and steel-producing plant in the countries they have conquered may have been damaged, at least in part, they will be able to replenish their shrunken reserves of steel alloy metals from the probably fairly heavy war stocks accumulated by France. Moreover, the increase in Germany's command over iron and steel supplies has been effected largely at Britain's expense. The loss of the large French iron and steel industry and of the imports of steel from Scandinavia and from Belgium and Luxemburg has severely reduced the steel resources of the Allies. Secondly, as a large proportion of the imported iron ore used in this country has been derived from European countries now occupied or controlled by Germany and from Spain and Spanish and French North Africa, it may be difficult to maintain our domestic output of pig iron. The distribution of our imports of iron ore in 1937 is shown below:—

UNITED KINGDOM IMPORTS OF IRON ORE IN 1937
(In thousands of tons)

Foreign Countries	British Countries
Sweden	Newfoundland and Coast of Labrador
Norway	Sierra Leone
Holland	Other British countries
France	
Algeria	
Tunis	
Spain	
Spanish ports in North Africa	
Brazil	
Other foreign countries	
Total	

Source: *Statistical Yearbook of British Iron and Steel Federation*.

Finance and Banking

Unusual Credit Shortage

Conditions of unusual tightness have been experienced in Lombard Street this week. In addition to the heavy flow of funds from the banks to public departments resulting from the War Bond issue, the market has had to face the customary seasonal pressure towards the end of the half-year. By Tuesday money had become quite usable, and for the past few days supplies have proved only just sufficient to go round—a most exceptional state of affairs in these days. However, the market has not experienced the serious credit stringency which would have arisen from such a combination of circumstances in normal times, and would have necessitated extensive market borrowing from the Bank of England. It was remarked last week, however, that no such borrowing from the Bank would take place during the present period of strain. The market syndicate has forgone the temptation to lever bill rates to higher levels, in exchange for a virtual assurance that the situation will be "taken care of," and the authorities will doubtless see that their part of the bargain is carried out. The very knowledge that any last-minute credit difficulties will be smoothed over averts any need for normal precautionary borrowing—much of which eventually proves to have been entirely unnecessary. If the banks cannot establish sufficiently strong cash ratios for balance-sheet purposes without calling in day-to-day loans from the market, the deficiency will be made good by official

Serious though the stoppage of imports from the majority of these countries would be, its adverse effect on Britain's steel-producing capacity must not be exaggerated. The British steel industry used 6½ million tons of pig iron and 7½ million tons of scrap to produce 13 million tons of crude steel in 1937. Again, in order to produce 8½ million tons of pig iron (2½ million tons were used for purposes other than steel making) the industry in this country consumed 6½ million tons of (chiefly high-grade) imported iron ore and 14 million tons of (chiefly low-grade) domestic iron ore. While only a comparatively small tonnage of the steel produced in this country is thus derived from imported iron ore, its qualitative importance is rather greater than the figures suggest. Some of the foreign ore to which access has been, or may be, lost can probably be made good by increased domestic production and by bigger imports from other countries. So far as possible, however, the deficiency should be made good by an increase in the proportion of domestic scrap used in the steel furnaces. Much has already been done to stimulate the collection of scrap. But, apart from appeals to individuals and local authorities (waste collection by local authorities has now been made compulsory), the Ministry of Supply has hitherto relied chiefly on ordinary commercial methods. But in the present emergency, when it is absolutely essential to maintain the domestic steel output, other means of collecting scrap available in the form of public and private railings and of unused or obsolete plant and structures must be employed. It is understood that the Steel Control of the Ministry of Supply has asked many thousands of architects to make a return of the potential scrap supplies in their localities. But, instead of negotiating with the owners of unused or obsolete plant and structures and other sources of scrap, the time has surely come for requisitioning.

But even if the output of steel in this country can be maintained at the rate of about 13½ million tons per annum and if the Dominions can produce another 4 million tons per annum, the steel supplies available to Germany will be considerably more than twice as heavy as those available to the British Empire. But, unlike Germany, the United Kingdom has access to ample supplies of steel alloy metals. And, most important of all, this country will be able to draw to an increasing extent on the immense resources of the American steel industry. The crude steel-producing capacity of that country was estimated at the end of 1938 at 73 million tons per annum. The English-speaking nations as a whole are therefore able to produce about twice as much steel as Germany and the rest of Continental Europe put together. For the time being the steel which is made into munitions in the United States may not exceed a few million tons per annum. But if the potential weight of metal that the English-speaking nations could throw into the balance against Germany were the only deciding factor, the ultimate issue of the war could scarcely be in doubt.

purchases of very short-dated bills from them. The authorities have shown little inclination to assist the market on this occasion by extensive direct purchases of bills from the market, and it would seem that this practice has now been largely replaced by "back-door" purchases from the banks, a comparatively recent innovation. From the Treasury's viewpoint, the back-door method of releasing funds has definite advantages over the older practice of direct purchases from the market, combined with sharp reductions in the weekly Treasury bill offers. In the first place, the Bank acquires bills with a much shorter currency and obtains them with far less trouble since it is dealing with a few institutions in large amounts. But, perhaps even more important, intervention of this kind enables the Treasury to avoid sharp fluctuations in the weekly offerings of Treasury bills. This is especially valuable at the present time when big funding operations must from time to time result in vast but temporary accumulation of funds in the hands of public departments.

* * *

Rising Note Circulation

The continued expansion in the Bank of England note circulation is being watched with close interest and just a little anxiety in banking quarters. The Bank return to

Wednesday last shows yet another increase of £13,100,000 in the active circulation over the week to £602,153,569. The issue has risen to this all-time record by an expansion of some £55,000,000 in little more than a month. To some extent the latest increase may be attributed to seasonal factors, but, after allowing for this, there is still an efflux of £9,000,000 or so of notes to be explained on other grounds. There appears to be little doubt that the big expansion in the demand for notes arising from the increase in working hours in armament factories and elsewhere has recently slowed down appreciably. A more important influence during the past week or two has been the resumption of evacuation on a fairly extensive scale. In addition to the migration of population from coastal areas, the beginning of air raids upon inland towns has resulted in a resumption of the evacuation from vulnerable areas which was in progress in the early days of the war. Many of the business institutions which returned to London after the first few months of the war had passed without any air activity over Britain have now returned to the comparative safety of the country. In consequence the banks have been forced to effect a redistribution of note supplies. Moreover, in view of the ever-present possibility of the interruption of communications, stocks of notes in various centres have been greatly increased.

* * *

The French Gold

Reports concerning the whereabouts of the French gold are contradictory, but it is safe to assume that none was left in Paris, and at least a substantial part of it has reached the United States. While there is little reason to hope that any gold that is on French territory can escape from being seized by Germany, it is possible, and even probable, that the gold deposited in the United States may not be surrendered to the conqueror. The swift action taken by President Roosevelt in freezing all French assets when the Pétain Government first announced its intention to ask for an armistice seems to indicate the spirit which prevails in Washington on the subject. Admittedly, if the United States Government should continue to regard the Bordeaux Government as the recognised ruler of France, then it may be argued that instructions given for the surrender of the gold cannot be disregarded. In reality, the question has a legal as well as a political aspect. In the United States, as in most other countries, it is the right and duty of banks to refuse to comply with instructions given by their clients under duress. A test case concerning Austrian deposits was decided in that sense last year by the American courts. And since there can be no doubt that the French authorities would not surrender their gold to Germany unless they acted under duress, the Federal Reserve authorities would be within their rights in refusing to comply, even if the Administration were to withdraw the Order blocking the French assets.

* * *

Rally in Free Sterling

At the end of last week free sterling in New York experienced a sharp recovery, in spite of the grave developments in France. The rise was due to rumours of an impending relaxation of the control over the proceeds of British exports to the United States, which were subsequently confirmed. American importers are now allowed to cover their sterling requirements in the free market instead of having to pay the official exchange rate, provided that they placed their orders before the new restriction became operative on June 8th. Since it is comparatively easy to pre-date orders, this means that for some time at any rate the Treasury will fail to collect the proceeds of British exports (other than those covered by the Order of March 8th) to the United States. This step was taken presumably in order to counteract the adverse effect upon free sterling of the unfavourable military and political developments, and the net result is that the Treasury has decided to forgo a certain amount of dollars for the sake of supporting the free sterling rate. As dollars are now needed more than ever for the purchase of war materials, the wisdom of the decision is open to question. The free sterling rate could have been supported without having to sacrifice much-needed dollars by stopping some of the loopholes in exchange restrictions. Admittedly, the law is now applied with greater severity than before; during the past week evaders have been fined £5,000 and £2,000, compared with the only previously recorded penalty of £100. Much remains to be done, however, in reducing the supply of free sterling by stopping up the leakages.

Canada and Sterling Bloc

The Government's refusal to authorise transfers for the benefit of women and children to be evacuated to Canada has drawn attention to the anomalous position of the Dominion in the monetary system of the British Commonwealth. Together with Newfoundland and Hongkong, Canada remains outside the sterling bloc, for the simple reason that her currency is the dollar and not the pound. While there are practically no restrictions upon transfers to other parts of the Empire, Canada is kept in isolation from this country, just as if she were a foreign country. Admittedly, there is a risk that a removal of restrictions in relation to Canada might lead to a flight of capital to the Dominion, and thus imperil the Treasury's reserves of Canadian dollars. It would be possible, however, to remove the existing anomaly without running such risks. Under the present rules, it is easy to transfer funds to Dominions other than Canada, and since in some of them exchange control is not enforced rigorously enough, the funds can be retransferred to the United States. This loophole could be stopped by supervising transfers to all Dominions. Once this is done there is no reason why Canada should not be placed under the same regime as the rest of the British Empire. There is reason to believe that the Dominion itself would not be opposed to closer monetary relations, as part of the intensified efforts to support Britain's war effort in every possible way.

* * *

Transfer Agreements

When the Treasury announced on June 7th the re-implementation of control over the proceeds of exports, it was also foreshadowed that a series of transfer agreements would be concluded with neutral countries in the immediate future. In fact, it was understood that unless the negotiations for such agreements were concluded within a few weeks, the Government would resort to unilateral clearing pending the negotiation of bilateral arrangements. Although three weeks have passed since this announcement, the number of transfer agreements concluded is still very small. Apart from the Anglo-Swedish agreement, which has been in existence since December, 1939, the only countries with which similar arrangements have been made are Roumania, the Argentine and Brazil. Admittedly, this country's bargaining position is affected by the possibility of export difficulties. Although the figures for May were reasonably satisfactory, fears are entertained abroad that any intensification of German submarine warfare or a fall of production through air raids or the arms drive might impair Britain's capacity to maintain her exports. Exaggerated as these fears may be, they do not make it any easier to conclude transfer agreements. In this sphere, as in so many others, the former Government allowed many valuable months to pass before taking action. The system which is aimed at by the present negotiations could easily have been established soon after the beginning of the war, and would be working smoothly by now. As it is, the proceeds of British exports to a number of countries continue to elude control.

* * *

Assisted Finance for External Trade

Discussions have recently taken place between the banks and Government departments with the object of ensuring, as far as possible, that manufacturers who have received Government contracts shall not be hampered from carrying them out by lack of finance. There are indications that this principle might be extended to importers and exporters if our overseas trade is not to be needlessly restricted for the same reason. The extent to which war conditions have increased the burden of financing the shipment of goods to and from this country is not always appreciated, but it is evident that the greatly lengthened period of shipment due to such factors as the diversion of British shipping from the Mediterranean must correspondingly increase the volume of funds immobilised in financing a given turnover of goods. Moreover, a larger proportion of the total finance now has to be provided in this country, for foreign exporters are unwilling to incur the risks of shipping goods without prior payment to a belligerent country, while overseas banks show increasing reluctance—owing to delays and difficulties in communication—to negotiate sterling drafts pending reimbursement after some protracted and uncertain period. In general, it would appear that a liberal official credit policy is all that is needed to enable the banks to meet the additional demands on their resources. But it can readily be understood that the banks, who look primarily to the standing of their

(Continued at foot of page 1117.)

Investment

Plumbing the Depths

There are arguments for neglecting equities in present circumstances; there are none for acquiescence in a collapse of the ordinary share market. On Wednesday this week collapse was imminent. Heavy losses had been running for several days, and the market had reached the limit of despair, a despair which was made the more emphatic by the market's evident inability to translate Tuesday's recovery into a more substantial and permanent gain. Since the eve of the Blitzkrieg

	LEADING ORDINARY SHARE MOVEMENTS										Change since June 21
	Lowest prev. 10 yrs.	May 9	June 17	June 21	June 24	June 25	June 26	June 27	June 28	June 29	
L.M.S. —											
4% Pref.	24½	64	42½	40½	39	38	37	36½	—	—	—4
L.N.E.R. —											
2nd grd.	34	71	49	44½	42½	42½	41½	39½	—	—	—5
Southern pfid.	13½	69½	42	38	37½	37	37	37	—	—	—1
G.W. 5% pf.	55¼	101	74½	64½	64½	62½	61½	60½	—	—	—4
Brit. Oxygen ...	8/6*	58/9xb	51/3	50/-	46/3	45/-	43/9	45/7½	—4/4½	—	—6/10½
Brit. Am. Tob.	63/9	102/6	75/-	67/6	60/-	58/9	55/7½	60/7½	—	—	—
Courtaulds ...	22/10½	37/9	23/3	22/3	20/9	22/-	21/3	23/3	—	—	—1½
Dunlop ...	7/3	34/-	24/6	21/6	20/6	22/-	20/6	22/-	—	—	—6d.
Guinness ...	62/6	78/-	59/-	55/6	49/-	48/-	47/-	47/6	—	—	—8/-
I.C.I.	9/10½	31/9	24/3	20/9	18/9	19/6	19/3	20/9	—	—	—
Imp. Tobacco	71/3	111/3	82/6	77/6	68/9	71/3	68/9	73/1½	—4/4½	—	—
Marks & Spen.	35/7½*	40/6xd	32/3	30/6	29/-	27/6	25/6	28/3	—2/3	—	—
Tate & Lyle ...	30/6*	53/3	43/-	40/-	37/6	37/6	36/-	37/6	—2/6	—	—
Tube Invest. ...	18/6*	92/9xd	72/-	68/-	65/-	62/6	61/-	61/3	—6/9	—	—
Turner & Newall	20/-	65/9	52/6	48/9	45/-	45/-	43/9	46/3	—2/6	—	—
Woolworth	34/3*	58/-	46/-	45/-	42/6	42/-	39/-	43/3	—1/9	—	—
Financial News Ord. Share Ind.		74.2	57.3	52.9	50.4	50.3	49.4	51.4	—1.5	—	—

* No account taken of subsequent bonus issues.
† 1931 low adjusted for halving of nominal value from 10s. to 5s.

on May 10th, leading equity shares, as measured by *The Financial News* index, had lost exactly one-third of their value by the close of the market on Wednesday, and since the Pétain Government first sought an armistice on June 17th the fall had averaged nearly one-seventh. Falls of this order clearly threatened failures on the Stock Exchange. They also threatened the stability of the gilt-edged market, with which equities had clearly lost all touch. And they were the more disturbing since the volume of selling which was responsible

Continued from page 1116

customers, might hesitate to encourage what in peacetime could be regarded as overtrading; and even where a bank looks primarily to the security of the goods, a point is reached at which the resources of the individual merchant—normally fully employed—are insufficient to provide an adequate margin against greatly increased commitments. The fundamental difficulty which prevents a bank from providing unlimited finance for any genuine import or export transaction is, however, the question of risk. The heavy

losses which must now fall upon many traders who have not received payment for goods shipped to France—in many cases actual war supplies needed by the French Government—are a sharp reminder that the risk factor cannot lightly be dismissed. To prevent such financial obstacles from impeding export trade or restricting the inflow of essential imports, Government assistance seems necessary, either in the form of greatly extended war risk insurance facilities or the guarantee of advances to traders.

* * *

Thursday's Recovery

On Thursday, however, a new spirit was evident. From the opening of the market, buyers were abroad, and the ensuing recovery in prices, halted for a brief spell at mid-day, became more rapid towards the close, and continued after hours. Suggestions were heard that institutional buying was responsible, and that it was of an organised character, since operations were concentrated, according to some accounts, on about twenty investment industrials. But in later buying, the field of interest was much wider. Prices rise disproportionately to buying, and dealers found themselves short of stock when on the previous day they had felt themselves uncomfortably "long." The reversal of the collapse in equities is important, for had it continued, stoppage and failure would have been unavoidable. If a more secure basis can be built on Thursday's prices, the market may be able to withstand any further adverse news. Its response to good news would be stupendous.

* * *

Minimum Prices for Equities?

The devastation in the equity market has prompted considerable discussion whether minimum prices should be introduced in the ordinary share market. It may be regarded

INSURANCE NOTES

tion on this occasion. As the table shows, the non-life business of the Century yielded a rather lower profit.

	Premiums		Underwriting Balance	
	1938	1939	1938	1939
Emp. Lty.	77,524	79,268	9,345	2,171
Motor	122,851	123,368	Dr. 3,319	7,035
Fire	26,502	27,031	577	1,126
Acts.	380,094	335,809	4,135	9,767
General ...	102,772	101,965	19,751	10,826
Disability	47,665	48,935	8,789	Dr. 11,589
Marine ...	108,994	123,222	Dr. 2,982	Dr. 3,391
	866,402	839,598	35,907	15,955
Life	857,452	812,568		
Annuities	1,024,670	595,546		
Sinking fd.	484,419	251,659		
	3,232,943	2,499,371		
Interest to P. & L. (ex life, annuity, sinking fund and disability)		68,534	56,532	
		104,052	72,477	

The assets of the two offices are entered at £22.9 millions in the books, securities being valued at middle market prices.

Gresham Fire and Accident.—The earned premiums of this company, which is a subsidiary of the Gresham Life, itself a subsidiary of the Legal and General, were only slightly less in 1939 than in the previous year. Underwriting profits, however, declined considerably, owing to a less favourable accident experience. A larger loss on investments and foreign exchange was also incurred. The carry-forward, however, has been raised above the amount brought in (£22,445 against £21,093) by forgoing any increase in general reserve and staff pension reserve (against transfers of £10,000 and £5,000 last time).

	Earned Premiums		Profit Balance	
	1938	1939	1938	1939
Fire	124,000	126,889	8,452	8,752
Accident	228,028	224,298	8,177	1,609
	352,028	351,187	16,629	10,361
Interest and fees			19,107	18,083
Balance on investments and exchange			Dr. 631	Dr. 8,005
			35,105	20,439

The dividend is maintained at 6 per cent.

as certain that the Stock Exchange authorities have no intention of taking that step, and it is a simple matter to rehearse the arguments against it. On what level of prices, or on what date, would minimum prices be applied? Could the minimum price of any particular share be maintained in the event of a reduced dividend or aerial damage? What general adjustments could be made to take account of the gearing factor for ordinary shares in the event of widespread damage or reduced earnings? These are some of the technical problems. But marketing problems are equally insuperable. Will it profit an investor to hold an ordinary share at a frozen minimum price if he cannot sell it? And by what means could the equity share market be prevented from freezing at minimum prices unless buyers could be found? The argument for minimum prices for gilt-edged is to prevent a fall in the Funds from becoming a rout, and to give the authorities—whose control is an essential support for minimum prices—an opportunity to rally the market. Minimum prices are only justified if they provide the floor from which a rebound is possible; but whose intervention would prevent equity prices from becoming nailed to it in periods of crisis?

*

The present condition of equities is admittedly a serious embarrassment to many shareholders. But the remedy is not to be sought in artificial measures like minimum prices, which are either ineffective or would freeze the market solid. The present margin between gilt-edged and equity yields is doubtless too large, even where the specific risks attaching to equities are discounted. In this situation a natural corrective must sooner or later occur. Either gilt-edged will fall or equities will rise—and Thursday's recovery in equities may be the solution. There is some danger lest sadly depressed prices for the highest class of ordinary shares should react unfavourably on gilt-edged. Obviously, investors who require cash are less likely to sell equities at their present levels, and more likely to realise gilt-edged. What is needed is a sober estimate of war damage. So far, that estimate—it can, of course, be nothing more than a preliminary guess—seems favourable. And surely the railways, in whose stocks fear of war damage first found expression (despite the Government's guaranteed contribution of £10 millions towards war damage, which no other industry has been offered), are probably least likely to be put out of action completely by air attack. A direct hit on a factory might involve a total loss. A direct hit on a railway line could be repaired with little delay. Perhaps a more considered view of air raid risks may provide the encouragement for equities which is sorely needed. It is for Stock Exchange members and investors who have been left at home by their younger and more enterprising colleagues to attempt that judgment without delay.

* * *

National Savings

Although the nation's financial effort still falls far short of what is required for the efficient prosecution of the war, the response to National Savings Week at least points in the right direction. During the week ending June 18th (which in fact covered two days not included in National Savings Week) some £20,174,422 was raised—£8,641,377 in Savings Certificates, £9,292,045 in Defence Bonds, and £2,241,000 by increased balances in the Post Office and Trustee Savings Banks. Since the end of May, subscriptions for Certificates and Bonds have been running consistently little short of the £10 millions mark, whereas a month earlier they had fallen to below £4 millions. The improvement is welcome, and it cannot be denied that the raising of £233,616,000 since the Savings Campaign opened is a substantial contribution to war finance. But no frank observer could pretend that popular saving, even on this scale, is enough. Even if the total ran week after week at the encouraging figure achieved in National Savings Week, it would cover less than half of the current rate of deficit between anticipated tax revenue of £1,234 millions and an annual expenditure in the region of £3,750 millions. There is, therefore, no reason to regard the result of National Savings Week as a conclusive piece of work. It should rather be set up as a normal, every-week standard. Meanwhile, the response to Sir Kingsley Wood's appeal for non-interest-bearing loans, though it is at present unnecessarily circumscribed by the condition that loans must be offered for the duration, has useful publicity value. In the space of a week, the Treasury has received £3,350,000 in cash, and promises

of another £1 million. Even a scheme which meets the cost of war for a mere twelve hours is not to be despised, particularly since it costs the Exchequer nothing, and must encourage the acceptance of low interest rates on war loans. But the response could be increased—probably very considerably—if loans were accepted for fixed periods.

* * *

Eclipse of the Bearer Security

The Bank of England announced a fortnight ago that charges for the re-inscription of stock certificates to bearer issued by a number of Governments and authorities, including, for example, New Zealand and the London County Council, have been waived until further notice. The London offices of South African mining companies have also decided to reduce the charge for converting bearer share warrants into registered certificates from 5s. per 100 shares and 1s. per certificate to 2s. 6d. per 100 shares, without charge for certificates. With the occupation of a large part of France, the danger that the enemy may be able, through some neutral channel, to turn his financial spoil to account has been increased. The French investor has a decided preference for bearer securities, and holds large quantities of Kaffir shares in this form. To prevent these from being converted into free exchange by the enemy, holders of bearer shares resident in this country can assist the authorities by converting their warrants into registered certificates. They may also save themselves future trouble. Formerly, the bearer security transferred unimpeachable title simply by passing from hand to hand. Now it is inevitably an object of inquiry, if not suspicion, and the investor's convenience is better served by a registered holding.

* * *

Metal Box

After providing unstated amounts for depreciation and E.P.T., the Metal Box Company reports a record trading profit for the year to March 31, 1940, of £606,642, against £482,715 in the previous year. Net profits, however, are almost unchanged, and the ordinary distribution has been maintained at 17½ per cent., as in the two previous years. The allocation for taxation has jumped to a record level of £278,500, compared with £145,500 in 1938-39. Earnings for ordinary dividend totalled £242,487, and represented 25.8 per cent. on the increased capital. No allocation is made to reserve, and the carry-forward is raised from £39,609 to £117,404. Greatly increased activity is clearly indicated by balance-sheet changes. The company's stocks rose from £617,149 to £1,134,902, and the group's stocks fell from £1,287,679 to £2,496,629. The company's cash holdings fell from £179,420 to £3,200, and there have been most striking increases in both debtors and creditors. The company's current liabilities have increased from £352,459 to £854,626, not including a bank overdraft of £121,869. The financial strength of the group has been well able to cope with this expansion. Reserves and undistributed profit amount to £1,687,903 and exceed the issued ordinary capital, while net current assets of the group exceed £2,000,000, against £1,577,000 in 1938-39. The directors maintain a discreet silence regarding the company's present activity, but it points to a considerable volume of war production. The £1 ordinary shares yield £5 8s. per cent. at 65s.

* * *

J. Lyons in Wartime

Sir Isidore Salmon's statement at this week's meeting of J. Lyons and Company frankly reviewed the company's wartime difficulties, and did not flinch from the conclusion that the company would do well to keep its capital and reserves intact. Sir Isidore pointed out that the company's trading problems were due not to any fall in demand, but to the inevitable restriction of supplies and the control of materials, which have already caused a fall in production. Although the balance on trading account remained approximately unchanged last year, the decision to reduce the traditional dividend to 20 per cent. was taken on the realisation that extended rationing would involve further restriction in supplies, while experienced buying would give way to the arbitrary allocation of goods through the various controls. Since restriction of supplies leaves the company with a dead-weight of surplus capacity and idle machinery, the directors' decision is wise. They offer no criticism of rationing in principle; and they are evidently working with energy to adjust a complex and detailed business to wartime changes.

ISSUE OF

2½% NATIONAL WAR BONDS, 1945-1947.

Interest payable half-yearly on the 1st January and 1st July. A first interest payment will be made on the 1st January, 1941.

PRICE OF ISSUE £100 PER CENT.

PAYABLE IN FULL ON SUBSCRIPTION

Bonds of this issue are an investment authorised by The Trustee Act, 1925, and The Trusts (Scotland) Act, 1921.

THE GOVERNOR and COMPANY of the BANK OF ENGLAND, by authority of the Lords Commissioners of His Majesty's Treasury, offer the above Bonds for subscription. Subscriptions will be received on Tuesday, 25th June, 1940, and thereafter until further notice and may be lodged at any office of the Banks hereafter mentioned.

Subscriptions must be for sums of £100 or for multiples of £100 and must be accompanied by the full amount payable in respect thereof.

The Principal of and Interest on the Bonds will be a charge on the Consolidated Fund of the United Kingdom.

If not previously redeemed, the Bonds will be repaid at par on the 1st July, 1947, but His Majesty's Treasury reserve to themselves the right to redeem the Bonds in whole or in part, by drawings or otherwise, at par on, or at any time after, the 1st July, 1945, on giving three calendar months' notice in the *London Gazette*.

The Bonds will be registered at the Bank of England and at the Bank of Ireland, Belfast, as:—

(1) "transferable in the Books" subject to the provisions of the Government and other Stocks (Emergency Provisions) Act, 1939; or

(2) "transferable by Deed."

Holdings will be interchangeable without payment of any fee; Bonds will be transferable in sums which are multiples of one penny.

Transfers will be free of Stamp Duty.

Interest on the Bonds will be paid half-yearly on the 1st January and 1st July. Interest will be paid by warrants transmitted by post and Income Tax will be deducted from payments of more than £5 per annum. The warrant for the first interest payment due on the 1st January, 1941, representing interest from the date on which the subscription accompanied by payment is lodged, will in all cases be sent to the person in whose name a Bond is originally registered or, if registered in joint names, to the person first named.

The Bonds and the interest payable from time to time in respect thereof will be exempt from all United Kingdom taxation, present or future, so long as it is shown in the manner directed by the Treasury that they are in the beneficial ownership of persons who are neither domiciled nor ordinarily resident in the United Kingdom of Great Britain and Northern Ireland. Further the interest payable from time to time will be exempt from United Kingdom Income Tax, present or future, so long as it is shown in the manner directed by the Treasury that the Bonds are in the beneficial ownership of persons not ordinarily resident in the United Kingdom of Great Britain and Northern Ireland.

These exemptions will not apply so as to exclude the interest from any computation for taxation purposes of the profits of any trade or business carried on in the United Kingdom. Moreover the allowance of the exemptions is subject to the provisions of any law, present or future, of the United Kingdom directed to preventing avoidance of taxation by persons domiciled, resident, or ordinarily resident in the United Kingdom, and in particular,

the interest will not be exempt from Income Tax where, under any such provision, it falls to be treated for the purpose of the Income Tax Acts as income of any person resident or ordinarily resident in the United Kingdom.

Subscriptions, which must be accompanied by payment at the rate of £100 for each £100 of Bonds subscribed, may be lodged at the Bank of England Loans Office, E.C.2, or at any office of the following Banks:—

IN GREAT BRITAIN

Bank of England.	Isle of Man Bank, Ltd.
Bank of Scotland.	Lloyds Bank, Ltd.
Barclays Bank, Ltd.	Martins Bank, Ltd.
British Linen Bank.	Midland Bank, Ltd.
Clydesdale Bank, Ltd.	National Bank, Ltd.
Commercial Bank of Scotland, Ltd.	National Bank of Scotland, Ltd.
Co-operative Wholesale Society, Ltd.	National Provincial Bank, Ltd.
Coutts & Co.	North of Scotland Bank, Ltd.
District Bank, Ltd.	Provincial Bank of Ireland, Ltd.
Glyn Mills & Co.	Royal Bank of Scotland.
Grindlay & Co., Ltd.	Union Bank of Scotland, Ltd.
C. Hoare & Co.	Westminster Bank, Ltd.
	Williams Deacon's Bank, Ltd.
	Yorkshire Penny Bank, Ltd.

IN NORTHERN IRELAND

Bank of Ireland.	National Bank, Ltd.
Belfast Banking Co., Ltd.	Northern Bank, Ltd.
Munster and Leinster Bank, Ltd.	Provincial Bank of Ireland, Ltd.
	Ulster Bank, Ltd.

A commission of 2s. 6d. per £100 will be paid to Bankers or Stockbrokers on subscriptions bearing their stamp.

Subscriptions must be made on the printed forms which may be obtained, together with copies of this Prospectus, at the Bank of England Loans Office, London, E.C.2, or at any of the Branches of the Bank; at the Bank of Ireland, Belfast; of Messrs Mullens & Co., 13 George Street, Mansion House, E.C.4; or at any Bank or Stock Exchange in the United Kingdom.

BANK OF ENGLAND, LONDON,
24th June, 1940.

N.B.—Separate Prospectuses relating to 2½ per Cent. National War Bonds, 1945-1947, to be held on the Post Office Register will be issued by His Majesty's Postmaster-General (and may be obtained at any Savings Bank Post Office or Bank), and by the National Debt Commissioners on behalf of Trustee Savings Banks. The amount subscribed by any person under the Prospectuses issued by His Majesty's Postmaster-General and by the National Debt Commissioners must not exceed £1,000.

Colliery Profits

Dividends announced by the Powell Duffryn group this week indicate a favourable year's trading. Powell Duffryn Associated, the operating company, is to pay a total ordinary dividend of £415,000, against £385,000 in 1938-39 and £475,000 in 1937-38. The ordinary dividend is paid as to £138,333 to Welsh Associated Collieries and as to £276,667 to Powell Duffryn Steam Coal. Welsh Associated have announced a 1½ per cent. dividend which absorbs £55,224, and is the highest ordinary distribution for more than ten years. Powell Duffryn Steam Coal has raised the ordinary dividend from 6 to 7½ per cent. Thus the £1 ordinary stock, quoted at 14s. 0½d., yields £10 13s. 4d. per cent. William Cory realised a slight increase in gross income from £764,310 to £766,427, after taxation. The dividend is maintained at 20 per cent. as in the last three years and in the absence of any allocation to reserve the carry forward has been increased from £998,549 to £1,123,457. The company's £1 ordinary stock quoted at 60s. yields £6 13s. 4d. per cent. Among other recent results for the year to March, Doncaster Amalgamated and the Butterley Company showed record trading profits, while Tredegar Iron and Coal reported a reduction in gross income for the third successive year. Doncaster Collieries obtained equity earnings of £239,827, against £54,465, and the directors have resumed ordinary dividends with a 4 per cent. payment. The Butterley Company, whose trading profit was £56,426 higher than the 1938-39 figure of £287,288, showed distributable earnings of £120,344, against £146,105, but the former figure is affected by A.R.P. charges and an increased tax allocation. The dividend of 10½ per cent., less tax, requires £119,250 net, or slightly more than the £117,000 required for the previous year's tax-free dividend of 6½ per cent. Tredegar Iron and Coal had a less satisfactory year, for net profit fell to £58,882, against £73,380 in 1938-39. The tax-free dividend of 3 per cent., against 4 per cent. in the previous year, is covered by earnings of 3.4 per cent. All three companies experienced the pressure of increased taxation and other costs; and the more favourable results of Doncaster Collieries and Butterley may be related to output. No figures are given, though the Doncaster Collieries directors state that output exceeded that of the previous year by 200,000 tons. Future prospects have been affected by the sudden disappearance of the French market. In 1938, 38.19 million tons, or 16.82 per cent., of the coal raised were sent abroad. Possibly, bunker coal trade will increase as a result of the same changes, and lost markets on the Continent may to some extent be made good in South America. An active home trade should be assured, though the position of the iron and steel industry, dependent largely upon supplies of imported iron ore, is a factor which must exercise a powerful influence, especially on companies such as Tredegar Iron and Coal and Butterley, which are integrated with the iron and steel business. At current prices, Butterley and Doncaster Collieries ordinary offer £7 and £8 10s. per cent. respectively. The £1 shares of Tredegar Iron at 13s. 9d. yield £4 10s. per cent., tax free.

Great Boulder Proprietary

The exchanges between the directors of Great Boulder Proprietary and the Grundt Committee continue. The Committee have recently circularised shareholders and have refused *pourparlers* between the Board and the Committee to arrive, in the directors' words, "at unanimity of purpose." The company's report for last year appears satisfactory. Some 172,668 ounces of gold were produced at a value of £758,265, against 145,869 ounces with a value of £609,769 in the previous year. Net profits increased from £172,481 to £225,120, and the dividend of 50 per cent. compared with 37½ per cent. in the preceding year. With their report, the directors have circulated the report of Sir William McIntock to the Board of Trade following his inspection of the affairs of the company. Sir William states that, in his opinion, some of the allegations of the (Grundt) Committee cannot be substantiated, while the technical difficulties inherent in other allegations would make it difficult for him to report usefully one way or another. In brief comments on the Committee's allegations the inspector refers at one point to the connection between Great Boulder Proprietary and the flotations of Southern Cross Gold Development, Murchison Gold Development and Great Boulder Mining and Finance (to which Great Boulder Proprietary were the vendors of certain investments). Regarding these issues, Sir William McIntock declares that the directors of Great Boulder Proprietary had a duty, before lending the company's name to the flotations, to confirm that all relevant information regarding the new companies was placed before the public

and to assure themselves that the prospects of the companies were at least as good as the directors anticipated, and he is not satisfied that this duty was fulfilled. The directors of Great Boulder Proprietary, in a commentary upon the inspector's report, declare that the Southern Cross and Murchison properties were under water before the issue of the prospectuses, and that facts registered by the Western Australian Government Mines Department formed the basis of the mining engineers' reports.

Attock and Phoenix Oil

Attock Oil, with a record total profit of £467,589 for 1939, has enjoyed the best year for a decade. The profit figure is struck without provision for E.P.T., which the directors consider impossible to estimate. Moreover, it is probable that the company will appeal when the assessment is made known. Expenditure includes the interesting item of £1,167 for prospecting in England. A total of £150,000 against £180,000 has been charged for depreciation. The 7½ per cent. dividend on the increased ordinary capital absorbs £135,000 of the £305,043 available for ordinary distribution, representing earnings of 22.6 against 9.3 per cent. The carry forward, after charging the balance of new capital issue expenses amounting to £441, has risen from £19,607 to £188,768. The directors disclose no figures for output, but it is probable that the upward trend of the last five years has been continued. In the Dhulian oilfield, three new wells were drilled last year, and two more are nearly completed. The £1 ordinary shares, quoted at 21s. 3d., yield £7 1s. 2d. per cent. Although the Phoenix Oil Company's gross income suffered a further fall in 1939 from £139,276 to £118,245, the financial position has been much clarified by the capital reorganisation of last year. As a result, the issued capital was cut from £3,787,553 to £1,438,268, on which a net profit of £84,304 was earned, against £90,246 in 1938. The directors have declared a dividend of 7½ per cent., of which 2½ per cent. is distributed from accumulated profits. The balance of 5 per cent. is covered by earnings of 5.9 per cent., and the total distribution absorbs £107,870. Some £25,000 has been provided for investment reserve, leaving the balance carried forward reduced from £314,396 to £263,715. The total investment reserve of £1,175,000 and the sum of £2,349,320 written off under the capital reorganisation have been applied against investments in subsidiaries and advances, reducing the total from £5,394,581 to £1,870,261. The balance sheet at December 31st showed a deficiency of liquid assets amounting to £168,000, against £1,000 in 1938, but increased sales to the British Government since the outbreak of war have raised the company's sterling balances. Under the new Payments Agreement which came into force this month, however, it is unlikely that further substantial transfers of sterling will be made. The effect of higher prices in Roumania has been largely counteracted by increased costs of production and transport. The prospects for the company are dominated by the political situation, and in the circumstances a quotation of 2s. for the £1 stock is hardly surprising.

Union Corporation Group

The annual meetings of the leading companies in the Union Corporation group, recently held in Johannesburg, have, as usual, disclosed some very interesting information. It is expected that under the new system of taxation, by which the companies receive the ruling price for gold, the profits will not be materially changed, after allowing for increased taxation. For instance, the East Geduld net profit was reduced by £15,000 for the first quarter of this year, and

	January (Working Costs per Ton)	May
Geduld	15/9	17/5
East Geduld	15/10	16/9
Grootvlei	22/8	23/8
Van Dyk	23/2	24/2
Marievale	28/9	30/2
City Deep	25/7	27/4
Daggafontein	19/4	20/7
Luipaards Vlei	24/-	25/-
Randfontein	16/11	18/-
Rand Leases	20/2	21/3
Simmer and Jack	20/9	21/3

a small decrease is shown by Geduld. On the other hand, Grootvlei, Van Dyk and Marievale show slightly higher net profits. Thus the new taxation system is unlikely to have any

major effect on dividend payments in future unless, of course, the selling price of gold rises above the present figure of 168s. an ounce. As the result of the increased price of gold, and allowing for lower grade ore to be included, the ore reserves show important increases and are respectively 20 per cent., 40 per cent., 30 per cent. and 35 per cent. higher for the Geduld, East Geduld, Grootvlei and Van Dyk. The lives of all these mines will consequently be lengthened very considerably. The question of working costs of the Rand mines has received much attention recently, and in many

quarters it was anticipated that these would increase substantially. The accompanying table gives costs per ton for various mines for January this year and for May. In this connection it must be realised that the gold realisation charges are now included in working costs, and these amount to rather over 3s. an ounce. Some other leading mines, apart from the Union Corporation group, are included in this list for comparative purposes. The table shows that, up to the present, the rise in working costs is generally not of any material importance.

THE STOCK EXCHANGES

London

Note: all dealings are for cash

FOLLOWING the news of the French capitulation, all sections of the markets have been extremely depressed. The greatest selling pressure has been experienced among equities, but on Thursday a striking improvement took place. Falls were unrelieved in the foreign bond market. Home rails have suffered losses, but the ordinary stocks have been relatively well supported. In the commodity markets, dullness has been the outstanding feature, but all sections have lost ground.

The *gilt-edged* market closed above the worst on Monday, but net losses of ½ were experienced by 2½ per cent. Consols, 3½ per cent. War Loan and Local Loans followed by similar losses the next day, which extended to Conversion 3½s and Funding 4s. Further small falls in mid-week were checked by institutional buying on Thursday, when the market closed steady rather than strong. The political news served to offset the influence of the War Bonds issue.

In the *foreign bond* market falls in Japanese bonds, following news of closer association between Tokyo and the Axis, were general. Brazilian and Argentine bonds also came on offer, and on Monday falls of 10 points were sustained by all French railways, after which quotations became nominal.

Starting with declines in the order of ½ on Monday, increasing resistance developed among *home rail* ordinary stocks. Prior charges of the L.M.S. and L.N.E.R. lost up to two points on Monday, and further declines have followed. Great Western and Southern 5 per cent. preference issues each lost two points on Tuesday, and on Wednesday falls of a further point were common among fixed interest issues.

The *industrial* market was the outstanding section to suffer selling pressure. This was at its most acute on Monday, and a slight improvement the next day was not maintained. The tobacco and brewery groups have been among the heavy sufferers. "Imps." and "B.A.T.s." lost ¼ and ½ respectively on Monday last, followed by further losses during the week; Guinness lost as much as 6s. 6d. on Monday, followed by 2s. 6d. on Tuesday, while Courage fell 3s. 9d. in midweek. Other heavy losses on Monday included 2s. in John Brown and Lever and Unilever, 2s. 6d. in Wm. Cory, Tate and Lyle and Woolworths, and 1s. 6d. in Marks and Spencer. Later in the week Metal Box lost 3s. and J. and P. Coats 2s. 6d. Gains by Dunlops, Courtaulds, and Morris Motors on Tuesday were not maintained. These falls were dramatically reversed on Thursday, when gains of up to 2s. 6d. were recorded in the investment industrials.

Oil shares closed at the worst on Monday, losses of ½ for Anglo-Iranian and ¾ for Shell were temporarily checked by gains of ½ the next day. Attock Oil gained ½ in midweek. The market was depressed and turnover was

small throughout. No improvement was realised in the *rubber* market. Losses were experienced by United Siam Betong, Anglo-Dutch, Allied Sumatra and other leading issues. The *Kaffir* market was adversely influenced by political sentiment in the Cape, and Paris favourites also came on offer. Selling pressure was slight, but losses of ½ by Geduld and of ¾ by Consolidated Main Reef and City Deep were experienced on Wednesday.

"FINANCIAL NEWS" INDICES

1940	Approx. Total Bargains in S.E. List	Corres. Day 1939	Security Indices	
			30 Ord. shares*	20 Fixed Int.†
June 21 ...	2,543	4,065	52.9	116.7
" 24 ...	2,672	4,308	50.4	116.3
" 25 ...	2,288	4,285	50.3	115.2
" 26 ...	2,413	3,955	49.4	114.9
" 27 ...	2,438	5,190	51.4	115.1

* July 1, 1935 = 100. † 1938 = 100. 30 Ordinary shares, 1940: highest, 80.6 (Feb. 29); lowest, 49.4 (June 27). 20 Fixed Int., 1940: highest, 126.5 (May 9); lowest, 114.9 (June 27).

New York

WALL STREET opened quiet but firm on Monday, having already discounted French acquiescence in the armistice terms. Markets were buoyed up by prospects of increased armament expenditure. Steel issues advanced and utilities were strong. An unfavourable reaction to Mr Churchill's speech later in the week caused losses in the order of \$2 in various sections, though no selling pressure developed. The Limitation of Profits Bill caused a slump in aircraft issues, and motor shares were depressed on news of the size of dealers' stocks. Copper and rubber shares also lost ground. The Dow Jones industrial index fell back from 123.76 on Monday to 119.73 in midweek. A check to the rise in steel mill activity is indicated by the *Iron Age* estimate of 88 per cent. of capacity against 87 per cent. a week ago.

New York Prices

Total share dealings:—June 20, 590,000; June 21, 330,000; June 22, 200,000; June 24, 470,000; June 25, 700,000; June 26, 630,000.

	Close 19, 1940	Close 26, 1940	Close 19, 1940	Close 26, 1940
1. Railroads				
Balt. & Ohio	35½	35½	Celanese of A.	257½
Ches. & Del.	21½	20½	Chrysler	64½
Ill. Cent.	7½	7½	Eastman Kod.	126½
N.Y. Cent.	13	11	Gen. Elec.	317½
Norfolk Pac.	57½	55½	Gen. Motors.	44½
Penn. R.R.	18½	18½	Glidden	12
Southern	11½	10½	Inland Steel	83½
			Int. Harvest	45½
2. Utilities, etc.			Int. Nickel	23½
Amer. Tel.	157	156	Liggett Myers	95
Amer. W.ks.	8¼	8¼	Nat. Dairy	13½
Pac. Light.	37½	38	Nat. Distillers	19¼
Pub. Sv. N.Y.	34½	34½	Nat. Steel	59
Schn. Cal. Ed.	25½	25½	Proct. Gamble	58½
United Gas ..	11	11	Sears Roebck.	71¼
3. Commercial and Industrial			Shell Union	8½
Amer. Metal	14½	13½	Socony Vac.	8½
Am. ROLL. M.	11½	10½	Stan. Oil N.J.	33½
Am. Smelting	38½	35½	30th Cen. Fox	6¼
Anaconda	21¼	20	U.S. Steel	53½
Briggs	16¼	16¼	Westhse E.L.	91¼
			Woolworth.	31½
			Yngstn. Sheet	30½

STANDARD STATISTICS INDICES (1926=100)

WEEKLY AVERAGES

	1940		June 12, 1940		June 19, 1940		June 26, 1940	
	Low	High	Low	High	Low	High	Low	High
347 Ind's ...	80.9	111.4	87.4	88.3	85.2			
32 Rails	20.7a	30.7	23.1	23.9	23.4			
40 Utilities ...	71.2a	89.4	75.5	77.4	78.1			
419 Stocks ...	69.9	94.8	75.2	76.3	74.2			
Av. yield* ...	6.61%	4.30%	6.06%	6.03%	6.26%			

* 50 Common Stocks. a May 22nd.

DAILY AVERAGE 50 COMMON STOCKS

June 20	June 21	June 22	June 24	June 25	June 26
95.1	95.2	95.7	96.4	93.8	93.1

1940 High, 123.7 Jan. 3. Low, 86.7 June 10.

Capital Issues

Week ending June 29, 1940	Nominal Capital	Conversions	New Money
To the Public	Nil	Nil	Nil
To Shareholders	20,000	Nil	22,500
By S.E. Introduction	Nil	Nil	Nil
By Permission to Deal	28,959	Nil	27,115
Savings Certs.†	9,400,000	Nil	9,400,000
3% Defence Bonds†	8,750,000	Nil	8,750,000

† Week to June 22, 1940.

Year to date	Including Conversions	Excluding Conversions
1940 (New Basis) ...	820,504,297	467,549,164
1939 (New Basis) ...	79,329,271	74,659,190
1940 (Old Basis) ...	845,721,265	452,966,132
1939 (Old Basis) ...	51,254,055	47,603,976

Destination (Conversions Excluded)

Year to date	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1940 (New Basis) ...	466,786,152	763,012	Nil
1939 (New Basis) ...	48,290,850	24,187,336	2,181,004
1940 (Old Basis) ...	452,823,676	142,456	Nil
1939 (Old Basis) ...	31,443,885	15,840,091	320,000

Nature of Borrowing (Conv. Excl'd.)

Year to date	Deb.	Pref.	Ord.
1940 (New Basis) ...	452,860,946	1,189,005	13,499,213
1939 (New Basis) ...	42,353,840	4,059,009	28,246,341
1940 (Old Basis) ...	451,929,500	77,500	909,132
1939 (Old Basis) ...	36,443,921	1,962,072	9,197,983

"Old Basis" includes public issues and issues to shareholders. "New Basis" is all new capital in which permission to deal has been granted.

BY PUBLIC OFFER

British Government.—Issue of 2½ per cent. National War Bonds at 100, Redeemable at par July 1, 1947, or (whole or part) from July 1, 1945, on three months' notice. Interest: January 1, July 1. Tax deducted from warrant payments over £5 per annum. Non-residents exempt from all U.K. taxation. Trustee stock.

CONVERSIONS AND REPAYMENTS

Victory Bonds.—£3,938,300 4 per cent. Victory Bonds have been drawn for repayment at par on September 1, 1940, comprising £3,772,000 Bank of England issue and £166,300 Post Office issue. Total drawn for repayment to date £57,466,500.

Industry and Trade

The French Merchant Navy

Among the aids to the prosecution of war which have fallen into Hitler's hands as a result of the capitulation of the Bordeaux Government, French shipping and shipbuilding capacity are not to be reckoned as highly as might be supposed. According to *Lloyds' Register*, the gross tonnage of steam and motor vessels of over 100 tons owned by France in 1939-40 was only 2.9 millions out of a world total of 68.5 millions. The British Empire owned 21 million tons, the United States 11.5 millions, and Japan, Norway, Germany (with nearly 4.5 millions), Italy and Holland all owned larger merchant fleets than France. Much of this French shipping must presumably be outside European waters, so that by no means all of it is likely to fall into German hands. The capacity of the French merchant shipbuilding yards, as indicated by the launchings in recent years, is very small. During the ten years 1929-38, the tonnage launched in France was only 3 per cent. of the world total. The average annual launchings during those years was 58,000 gross tons; in the best year, 1931, it was only 103,419 tons, and since 1932 the figure has never risen as high as 50,000 tons. It will not be easy for the Germans to exploit the naval shipyards of France, for, though they have greatly improved their iron ore position by the occupation of Lorraine, they still lack steel alloys.

* * *

France's Food Production

It is widely held that France produces food considerably in excess of her own requirements. In fact, she is normally an importer of virtually all the basic foodstuffs, of the conventional necessities, such as coffee, cocoa and tea, as well as of wine. This is revealed by the accompanying table, which compares the domestic production with retained imports of some of the chief foods in 1936-38. Although imports are comparatively small relative to production, except in the case of maize, it is doubtful whether the yield of the

METROPOLITAN FRANCE
Million metric tons

	1936		1937		1938		Average	
	Production	Net Imports	Production	Net Imports	Production	Net Imports	Production	Net Imports
Wheat ...	6.9	0.1	7.0	0.3	9.4	0.3	7.8	0.2
Rye ...	0.7	0.001	0.7	0.008	0.8	0.007	0.7	0.003
Barley ...	1.0	0.3	1.0	0.1	1.3	0.1	1.1	0.2
Oats ...	4.2	0.06	4.3	0.08	5.5	0.01	4.7	0.05
Maize ...	0.5	0.7	0.5	0.7	0.6	0.7	0.5	0.7
Rice ...	0.8	0.1	15.9	0.1	17.3	0.06	16.2	0.09
Potatoes ...	15.3	0.1	15.9	0.1	17.3	0.06	16.2	0.09
Beans ...	0.1	0.03	0.1	0.02	0.1	0.01	0.1	0.02
Sugar ...	0.8	0.1	0.9	0.2	0.8	0.1	0.8	0.1

crops can be maintained in the absence of imported fertilisers. And as the current year's crop may be as much as 20 per cent. smaller than last year's, France will not be able to supply Germany to any great extent, unless she is made to starve. France's livestock, on the other hand, is substantial, and much of it is in the occupied part of the country. It included, in 1938, 15½ million heads of cattle, 10 million sheep, more than 7 million pigs, and nearly 1½ million goats. Judging by their behaviour in other countries, the Nazis will have no scruples in depleting France's livestock.

* * *

Europe's Food Supplies

As the accompanying table shows, Continental Europe, like France, is barely self-sufficient in the basic food supplies and feeding stuffs. Nor can the recent level of output be maintained without the import of fertilisers. Continental Europe is also dependent upon the import of large quantities of edible fats and of other commodities, such as coffee,

cocoa, tea and spices. It is already beyond doubt that this year's harvests will yield appreciably less than in normal years, for in many countries cultivation has been hampered by the calling-up of large numbers of able-bodied men to

EUROPE (EXCLUDING RUSSIA, U.K., IRISH FREE STATE)
Million metric tons

	1936		1937		1938		Average	
	Production	Net Imports	Production	Net Imports	Production	Net Imports	Production	Net Imports
Wheat ...	38.6	1.8	40.5	4.5	48.0	4.0	42.4	3.4
Rye ...	21.4	0.2	20.7	0.4	24.8	0.6	22.3	0.4
Barley ...	14.3	0.2	14.3	0.6	15.8	0.8	14.8	0.5
Oats ...	21.5	0.3	22.1	0.5	24.5	0.5	22.7	0.4
Maize ...	19.9	3.4	19.8	5.1	18.7	4.6	19.4	4.4
Rice ...	1.1	1.3	1.1	1.3	1.1	1.2	1.1	1.3
Potatoes ...	140.5	...	159.1	...	147.3	...	149.0	...
Beans ...	1.2	0.02	1.1	0.05	0.9	0.1	1.1	0.06
Sugar ...	5.4	0.4	6.0	0.5	5.4	0.7	5.6	0.5

the Colours. If the British blockade can be made effective, Continental Europe will be short of food this winter, for Russia, even if she were willing, is not in a position to make up the deficiency.

* * *

America's Lost Oil Markets

In sharp contrast to its pre-war expectations, the American oil industry has been hard hit by the conflict in Europe. So far from booming, the price of its principal export product—petrol—has fallen well below the level ruling before hostilities commenced; and the end of the downward movement is apparently not yet in sight. During the first seven months of the war, America's mineral oil exports amounted to little more than 86 million barrels, or 10 per cent. less than during the corresponding period of 1938-39. Shipments of petrol and of residual fuel oil were both down by 26 per cent. and, although exports of lubricating oils showed an increase of 48 per cent., the quantities involved were not large enough to make very much difference to the total. The reasons for this reduction in sales abroad are not difficult to find. The Allied contraband control, besides stopping direct shipments to Germany, brought about drastic reductions (of 51 and 35 per cent., respectively) in exports to Holland and Belgium, through which sizeable quantities of oil reached the Reich in normal times. Moreover, in consequence of the severe restriction of civilian demand and the tendency to purchase oil from other suppliers in order to conserve dollars, the United Kingdom took 43 per cent. less from the United States in September, 1939-March, 1940 than in the same period of the previous year, while shipments to France were down by 34 per cent. Italy, who considerably increased her purchases from Mexico during these war months, reduced her takings from the United States by 35 per cent. A few countries, notably Canada and Japan, took increased quantities, but on balance the movement was unfavourable to America during the first seven months of the war. Nor is this all. In consequence of recent German successes, practically the whole of Scandinavia, the Low Countries, much of the Mediterranean area and, presumably, France as well, are temporarily lost to the American oil exporter. The severity of these losses can be appreciated by the fact that American oil exports to these countries (including Germany) in 1938 amounted to over 57 million barrels, or almost one-third of the industry's total overseas business in that year. This figure, moreover, does not take into account the reduction in business with the United Kingdom. If America could bring herself to jump the hurdle which separates "non-belligerency" from active participation in the war, the demand for her oil products might conceivably rise. But until then the oil industry's prospects must remain somewhat gloomy, notwithstanding the favourable course of domestic demand.

Europe's Lack of Oil

Many have been the gains secured by Germany as a result of her conquests in Europe. But there are a number of essential commodities in which Europe as a whole is seriously deficient; and of these none is more important than oil. According to the Statistical Yearbook of the League of Nations the whole of Continental Europe (excluding Russia) produced only 8 million metric tons of crude oil in 1938; Roumania, the biggest source of oil, produced 6.6 million metric tons in that year. Even if allowance is made for the several million tons of oil which can be produced from coal and by other methods, chiefly in Germany, domestic supplies are far below normal requirements. And Russia has little oil to spare. In 1938 Germany (including Austria and Czecho-Slovakia) consumed about 7 million tons and France 6½ million tons (including bunker oil). In Italy consumption (including bunker oil) has recently been running at the annual rate of about 3½ million tons, while the requirements of the rest of Europe, including the Low Countries, Scandinavia and Switzerland must amount to several million tons per annum. The stocks accumulated by France and other countries may last for a few months. But it is clear that Europe's industries and transport will be crippled next year for lack of oil unless the Nazis can secure access to non-European sources of supply, in Iraq and Persia, for example.

* * *

Unemployment and Munitions

The urgent need for additional labour in the industries producing war materials is reflected in the accompanying figures. The table analyses the distribution of unemployment as given in the *Ministry of Labour Gazette*. Although there are still nearly a million insured persons without work the percentage of unemployment in essential industries such

UNEMPLOYMENT IN AUGUST, 1939, AND IN MAY, 1940
(Principal Industries)

	No. Unemployed		Unemployment in May as % of Total No. Insured
	August, 1939	May, 1940	
Agriculture	27,657	24,126	3.4
Coal mining	95,148	40,082	4.8
Pottery, earthenware	23,277	7,644	10.4
Chemicals	11,840	7,515	2.9
Metal manufacture	26,017	19,427	5.6
Engineering	39,498	19,335	2.2
Vehicles and aircraft	18,593	10,050	1.9
Shipbuilding	29,931	11,013	6.3
Other metal industries ...	43,081	26,868	3.6
Textiles	117,287	72,881	6.6
Clothing	65,278	31,430	5.0
Food, drink, tobacco	38,919	38,238	6.4
Woodworking	22,387	17,087	6.9
Paper, publishing	21,790	34,283	7.6
Building, contracting ...	207,141	146,561	10.4
Transport	92,441	73,455	8.2
Distributive trades	146,039	112,701	5.4
Entertainments	19,090	18,192	11.6
Hotels, public-houses, etc.	52,189	60,282	11.9
All industries in U.K.	1,275,361	914,166	6.1

as chemicals, vehicle manufacture and engineering is so small that there are virtually no reserves on which to draw. It is therefore essential that training should be provided for the unemployed in less essential work or even for workers who can be taken out of those industries. The Government training scheme has now been revised and enlarged with a view to training over 100,000 men a year. Only engineering trades are taught, existing centres are being enlarged and six new ones acquired. The scheme is being worked in close co-operation with employers so that the training may be as useful as possible; in some cases partly-trained men continue their courses under their employers, thus making room for more trainees at the centre. In addition, the trade unions and the employers reached agreement on May 22nd as to the conditions under which women shall be admitted into the engineering industry. They are already being withdrawn from non-essential occupations and trained.

* * *

Cotton Yarn Margins

For the second time since their inception at the beginning of the year the fixed margins under which all single cotton yarns are now sold are due for a revision. The futures month which governs the price of yarn has so far been July, and as the Control will probably be unwilling to allow quotations to be based on the current month, the approach

of July will make necessary a change-over, probably to the January position. A revision of margins took place in April to cover the higher costs of production which spinners have had to face since January. This included a wage advance of 7½ per cent. to the operatives as a result of the rise in the cost of living. A further increase of 2½ per cent. is to be paid to the workpeople in the first week of July, so that producers of yarns will have an additional expense to meet if their margins are not adjusted accordingly. In the spinning branch of the trade much irregularity still exists owing to the fact that coarse counts are urgently needed for the production of heavy cloths required by the fighting forces and home defence. Certain very fine Egyptian counts are being used in considerable quantities for aeronautical fabrics, but the medium numbers in both American and Egyptian descriptions are neglected. Operatives in mills spinning only these counts are being transferred to work double-shifts in mills which are devoting their whole capacity to the production of the more urgent Government needs.

* * *

Cotton Export Trade

The Cotton Board and Cotton Control have now been separated. Mr E. Raymond Streat, secretary of the Export Council, is the new chairman of the Board, leaving Sir Percy Ashley to concentrate on his duties as Controller. This appointment is understood to be the forerunner of other important changes in the organisation of the cotton industry. It is rumoured in Manchester that Mr Platt, who has just resigned the Deputy Controllorship, is shortly to become the head of an entirely new department entrusted with the special development of overseas trade in cotton yarn and piece-goods. Throughout the industry the separation of the Control from the Board has been welcomed. It is thought that it will aid the drive, on the one side for ample supplies for the Services, and on the other for the extension of export trade.

* * *

American Apples

In recent years, between 10 and 15 per cent. of the apples grown for sale in the United States have been exported. The proportion is not high, but as it represents the balance between a fairly steady domestic consumption and a varying yield, the power to export has a large influence on the average prices received by American apple growers. The European war began just when apples from the fairly large 1939 crop were reaching the ports in bulk. Most of the trade with Europe, and with the United Kingdom in particular, has been stopped by import restrictions and exchange control, and in the nine months from July 1939—March 1940, American apple exports were not one-third of those in the same period of the preceding season:—

U.S. APPLE EXPORTS
(Million bushels)

	July 1-June 30		July 1-March 31	
	1937-38	1938-39	1938-39	1939-40
Total exports	11.0	12.0	11.0	3.0
Of which—				
To U.K.	4.2	4.3	...	...
To Europe	4.2	4.3	...	...

Prices received by American farmers fell sharply in August and September and have remained at very low levels since; they have even been lower than in the winter of 1937-38, when the exceptionally large crop of 1937 was being sold. To assist the growers in disposing of their crop, apples have been included among those foods which can be bought with food stamps by persons on relief and it is also hoped to reduce the surplus by more rigorous culling of blemished and poor quality fruit. But as long as blockade and war needs limit the exchange and shipping available for exports of non-essential foods to Europe, American apple growers are likely to suffer from low prices for their product. Conversely, the loss of American imports is likely to cause rather higher prices and rather smaller consumption in this country; the United States supplied about one-quarter and Canada some two-fifths of British imports of apples in recent years. In years when the British apple crop is good, apple imports from Canada and the United States are less important than those from Australia, which arrive in the early spring and summer; imports from North America are concentrated in the autumn and winter.

COMMODITY AND INDUSTRY NEWS

In general, markets show little change on the week. They have been chiefly influenced by the political news, and in consequence have been dull. The most spectacular change has been the fall in the price of tin. Rubber is 1d. per lb. cheaper on the week, business having been very small while the complete ban on speculative transactions was in force. Cotton prices improved during the latter part of last week, but have since suffered from lack of support; they are, however, still higher than a week ago. The market in Egyptian cotton has been influenced by the uncertainties of the Mediterranean shipping position. Eggs are dearer than a week ago, and coffee cheaper, but most food prices are unchanged.

★

Cotton (Manchester).—For several weeks the trade in yarn and piece-goods has been almost entirely to meet Service requirements. In other directions demand has been slow. Offers from abroad for piece-goods have been scarce, and shippers have restricted their commitments as much as possible. Business has been largely confined to South America and the Dominions. Fresh buying for the home trade has also been very limited. More cases have been reported of buyers trying to cancel contracts or defer taking up deliveries. Spinners are adversely affected by this, and order lists are more irregular than for some time back. Operations in the Liverpool market have been affected by increased uncertainty as to shipping facilities from Egypt. There has been an active demand for near months futures with signs of some manipulation of the market, which the directors of the Liverpool Cotton Association, however, have taken action to stop.

RAW COTTON delivered to Spinners

Variety ('000 bales)	Week ended		From Aug. 1 to	
	June 14, 1940	June 21, 1940	June 23, 1939	June 21, 1940
American	37.4	34.2	919	1,353
Brazilian	4.7	7.1	280	247
Peruvian, etc.	3.9	4.2	121	199
Egyptian	9.1	10.2	317	359
Sudan Sakel	10.5	7.2	134	151
East Indian	16.4	13.4	408	386
Other countries	3.1	2.5	181	151
Total	85.1	78.8	2,360	2,846

Source: Liverpool Cotton Association's Weekly Circular.

★

Metals.—Conditions on the New York metal markets have been quiet, with prices inclined to fall. The export price of copper has been reduced from 11.50 cents to 11.25 cents per lb. This was due to the loss of French markets, which took about 300,000 tons a year. Steel activity in the United States continues to increase, and was this week at 88 per cent. of capacity. Fixed prices in this country remain unchanged. The price of quicksilver, of which an important source of supply is in Italy, continued to advance.

★

Tin.—The recovery in the price of tin at the end of last week was not maintained, and the acceptance by France of the armistice terms and the decline in American buying caused a renewed fall, and on Wednesday standard cash spot closed at £256 to £257 per ton, against £266 10s. to £266 15s. a week earlier.

TINPLATE PRODUCTION: PERCENTAGE OF S. WALES' CAPACITY IN OPERATION

Week ending	1939	1940
May 11	65.32	70.66
" 18	67.90	65.96
" 25	64.93	72.49
June 1	64.37	70.82
" 8	63.13	63.05
" 15	72.23	69.95

Grains.—Markets have been very quiet for the past week and wheat prices in America are very near the fixed minima. With daily improvements in the western crop and a record carry-over of about 240 million bushels, there is little likelihood of a substantial increase in the near future. The American grain trade is likely to be affected by the United States proposal to form a cartel for the disposal of the export surpluses of all American countries. Maize prices have improved slightly on the week. There are reports that the Government is in negotiation with the Argentine Government for the purchase of about 14 million quarters on a barter basis. The barley season can now be regarded as ended and business is at a standstill.

WORLD SHIPMENTS OF WHEAT AND FLOUR

From ('000 quarters)	Week ended		From Aug. 1 to	
	June 15, 1940	June 22, 1940	June 22, 1939	June 22, 1940
N. America	371	287	28,218	24,270
Argentina, Uruguay ..	372	499	13,021	19,529
Australia	...	...	11,525	14,546
Russia	...	...	4,488	114
Danube and district ..	219	143	8,955	6,697
Other countries	...	...	2,060	345
Total	962	929	68,267	55,501

* Unobtainable. † Shipments up to Feb. 29, 1940. Source: The Corn Trade News.

WORLD SHIPMENTS OF MAIZE AND MAIZE MEAL

From ('000 quarters)	Week ended		From Apr. 1 to	
	June 15, 1940	June 22, 1940	June 22, 1939	June 22, 1940
Argentina	141	72	4,840	3,497
Atlantic America	101	53	390	351
Danube Region	...	22	809	474
S. & E. Africa	...	...	425	694†
Indo-China, etc.	...	...	345	91
Total	242	147	6,809	5,107

Source: The Corn Trade News. † Incomplete since May 25.

★

Oils and Oilseeds.—The armistice in France has brought business on the oilseed markets to a complete standstill. A large quantity of linseed afloat from the Plate to France has been diverted to the United Kingdom, and the Control has withdrawn from the market for the present. Official maximum prices are unchanged, but a new schedule to come into force on July 1st will be issued this week. Supplies of home produced and imported oils and fats are good. There are favourable reports of the United States crops. There were no shipments from the Plate last week, but Indian exports to the United Kingdom continue normally. Trading in Egyptian cotton seed is impossible owing to the closing of the Mediterranean.

★

Rubber.—On June 26th the complete ban on speculative transactions with non-members, imposed by the London Rubber Trade Association on June 17th, was modified. Such business is now permitted subject to certain restrictions, and the Committee will take steps to see that there is no undue fluctuation in prices. The motive behind the restrictions is to maintain stocks in, and the regular flow of shipments to, the United Kingdom. There are unconfirmed reports that 100,000 tons of rubber has been sold to the United States by this country on a cash basis.

★

Export Groups.—The following export groups have recently been formed:—

Arc Welding Electrodes.
Builders' Hardware (Miscellaneous).

Closure.
Comb Manufacturers.
Corset Steel.
Domestic Hardware.
Edible Oil.
Furnace.
Furnishing Fabrics.
Ladies' and Children's Outerwear.
Machinery:—
Bearing Manufacturers.
Canning and Food Preserving Machinery.
Fan and Ancillary Equipment.
Filtration and Silencing.
Metalliferous Mining and Cement Machinery.
Papermaking Machinery Manufacturers.
Plantation Machinery.
Rail and Telegraph Accessories.
Margarine and Compound Cooking Fat Manufacturers.
Musical Instrument Manufacturers.
Pest Control Chemicals.
Piano.
Railway Switches and Crossings.
Rayon.
Stainless Steel Fabricators.
Transparent Cellulose Wrapping.
Wringers, Hand Washing Machines and Carpet Sweepers.

★

RETAIL FOOD PRICES

	Average price per lb. at				Per cent. increase since Sept. 1, 1939
	Sept. 1, 1939	May 1, 1940	June 1, 1940	June 1, 1940	
Beef, British:—	s. d.	s. d.	s. d.	s. d.	
Ribs	1 2½	1 3½	1 3½	1 3½	10
Thin flank	7½	9½	9½	9½	25
Beef, chilled or frozen:—					
Ribs	9½	1 0½	1 0½	1 0½	33
Thin flank	4½	6	6	6	23
Mutton, British:—					
Legs	1 3½	1 5½	1 5½	1 5½	13
Breast	7½	8	8	8	7
Mutton, frozen:—					
Legs	10½	1 0	1 0	1 0	15
Breast	4	4	4	4	23
Bacon	1 3	1 6½	1 6½	1 6½	31
Fish	1 1½	1 1½	1 1½	1 1½	3
Flour (per 7 lb.)	8½	8½	8½	8½	7
Bread (per 4 lb.)	2 4	2 6	2 6	2 6	49
Tea	3	4½	4½	4½	5
Sugar (granul'd)	6½	6½	6½	6½	13
Milk (per quart)	1 4½	1 6½	1 6½	1 6½	23
Butter, fresh	1 3½	1 6½	1 6½	1 6½	29
Butter, salt	10	1 2	1 1	1 1	10
Cheese	6½	7½	7½	7½	10
Eggs (each)	2	2½	2	2	25
Potatoes (per 7 lb.)	6½	8	8	8	25
Index, All foods, weighted (July, 1914 = 100) ..	138	159	158	14½	

Source: Ministry of Labour Gazette.

VALUE OF WHOLESALE TRADE IN TEXTILES IN GREAT BRITAIN (1937 = 100)

	Home		Export		Total	
	Index	% change from a year ago	Index	% change from a year ago	Index	% change from a year ago
1935	96	83	96	83	96	83
1936	99	90	99	90	99	90
1937	100	100	100	100	100	100
1938	94	82	93	82	93	82
1939	105	82	104	82	104	82
1939—May	105	93	103	93	103	93
June	94	80	93	80	93	80
July	65	77	66	77	66	77
August	83	74	82	74	82	74
Sept.	159	74	155	74	155	74
Oct.	170	88	166	88	166	88
Nov.	137	103	135	103	135	103
Dec.	105	96	104	96	104	96
1940—Jan.	80	83	80	83	80	83
Feb.	113	78	112	78	112	78
March	156	93	152	93	152	93
April	145	94	142	94	142	94
May	131	112	123	112	123	112

Indices calculated by Wholesale Textile Association in collaboration with Bank of England.
Source: Board of Trade Journal.

COMPANY MEETINGS

J. LYONS AND COMPANY, LIMITED

TRADING PROFIT MAINTAINED

DIVIDEND OF 4s. PER SHARE

WARTIME PROBLEMS

SIR ISIDORE SALMON'S REVIEW

The forty-sixth ordinary general meeting of J. Lyons and Company, Limited, was held, on the 24th instant, at the Trocadero Restaurant, Piccadilly Circus, London.

Sir Isidore Salmon, C.B.E., D.L., J.P., M.P. (one of the managing directors), presided.

REPORT OF THE DIRECTORS

The directors have the pleasure to submit their forty-sixth annual report, with a balance sheet and profit and loss account, made up to March 31st last, showing the financial position of the company at that date.

The year's trading includes seven months of war, and the business done under the circumstances may be considered satisfactory. The period immediately following the outbreak of war caused considerable disturbance to trade with consequent diminution of profits. This called for the warning to shareholders, when paying the interim dividend, that the year's results might be disappointing.

Immediate steps were taken to meet the altered conditions by reorganisation. The effect of this prompt reorganisation aided by a recovery of business has resulted in the amount available for distribution being approximately equal to last year's figure after setting aside an adequate provision for contingencies.

	£	£
The balance of trading account after providing reserve for contingencies (including N.D.C.) is		1,011,452.00
To which is to be added the amount brought forward from last year	249,154.05	
Less amount appropriated towards expenditure on A.R.P.	100,000.00	149,154.05

Showing available for distribution a total of

From this total the following dividends have been paid or provided:—

On preference and preferred ordinary shares to March 31, 1940	490,353.27
On ordinary, "A" ordinary, proportional and "B" proportional profit shares—interim paid December 1, 1939	92,813.65

And the directors propose to deal with the balance as under:—

To pay a final dividend of 3s. per share on the ordinary and "A" ordinary shares, making 4s. per share for the year ended March 31, 1940

To pay a final dividend of 7.2d. per share on the proportional and "B" proportional profit shares, making 9.6d. per share for the year ended March 31, 1940	249,940.95
	28,500.00
	861,607.87

Leaving to carry forward to next account

298,998.18

The dividends received from subsidiary companies have been included in the company's trading account. In the aggregate the profits of the subsidiary companies exceeded the declared dividends. Losses of subsidiary companies so far as they concern this company have been dealt with in this company's accounts.

In January last the Board suffered a great loss in the death of Mr Julius Salmon, one of the managing directors. He had rendered most valuable service to the company and was held in the highest esteem both by his colleagues and the staff, by whom his loss is deeply deplored.

Mr I. M. Gluckstein has been appointed a managing director.

The directors propose to convert the issued and fully paid ordinary, "A" ordinary, 5 per cent., 7 per cent. and 8 per cent. preference, 6 per cent. preferred ordinary and proportional profit shares into stock and the notice of meeting includes a resolution for that purpose. The stock of each class will be transferable in amounts and multiples of £1 corresponding to the present nominal value of the shares.

Mr B. S. Gluckstein and Mr. Lt. Julian Salmon retire from the office of director and being eligible offer themselves for re-election.

Messrs H. H. G. Bennett and J. M. E. Sierra, employee directors, retire and are eligible for re-election.

Messrs Turquand, Young, McAuliffe and Company, the auditors, retire and are eligible for re-election.

(Signed) ISIDORE SALMON } Managing
HARRY SALMON } Directors.

Cadby Hall, London, W.14.

June 11, 1940.

CHAIRMAN'S SPEECH

The Chairman said:—Ladies and gentlemen, we have met to-day to review the results of the forty-sixth year of the company's trading. At such a time as this, when we are confronting the greatest menace which has ever threatened the country, I am sure you will want me to be brief in my remarks.

THE LATE MR JULIUS SALMON

I wish in the first place to refer to the death last January of Mr Julius Salmon, my brother. It has been a grievous blow to us all and a great loss to the company, which he had served with wholehearted devotion and conspicuous ability. This is a tribute of knowledge and affection which expresses, however inadequately, the feelings not only of myself and my colleagues but of the staff too, by all of whom he is greatly missed.

You will have read the directors' report, and I do not think I need add anything to what is said there on the general nature of the year's trading.

The balance of trading account is £1,011,452. As you will see, we have taken £100,000 from the 1939 carry-forward towards expenditure on air raid precautions in accordance with my statement at the last meeting that, although the 1939 trading figures had borne a preliminary charge, we did not feel it possible to charge the whole of this heavily increasing expenditure against revenue. As the expenditure is still going on, we may have to adopt a similar course in the current trading year. The balance of the 1939 carry-forward is therefore £149,154 and the total available for distribution £1,160,606. Of this amount £583,000 has already been paid or provided for dividends, and the carry-forward, after

paying the final dividends now proposed, will be £298,998. Although the balance of trading account is almost the same as last year, we have, as a matter of precaution, reduced this year's dividend to a total of 4s. per share.

MANY DIFFICULTIES

We have had to face many difficulties arising from war conditions both in the retail and the wholesale sections of our business. If I refer specifically to rationing and regulation of supplies it is not with the intention of criticising these necessary measures; nor do I wish to imply that they have been the only cause of anxiety to us. Up to the end of the financial year, and indeed up to the present, we have been able to adjust our methods to minimise the effect of these various difficulties upon the business; but the position changes from day to day, particularly as further restriction in the interest of the country's war effort is imposed.

Never was the company's policy of having a board whose whole time is devoted to the administration of the business more justified than now. Two members of the board are absent on service with the Forces, as well as almost the whole of our younger managers who have been trained, as we have often told you, to become our successors in the fullness of time.

INCREASED ORDERS

It has thus been a period of very hard work for the rest of us. It has not been difficult to sell our products—orders have indeed increased in many directions—but, through restriction of supplies, production has often fallen below demand. We have had to discontinue some lines and, to our great regret, we have had to increase some prices. Of course, we can no longer, as we did in the past, buy many of our commodities direct from producers nor directly import certain goods. We cannot, since so many of our supplies are now allotted to us under the various control schemes, exercise our judgment and experience in selection and buying. I repeat that this is not meant as a criticism but as an indication of some of the problems which will become increasingly pressing as the war goes on.

As we have often told you, it has been our ambition, by conserving our resources, to maintain a stable dividend—it seemed possible to achieve that ambition in peacetime. As I have said, however, we felt it necessary to take the precaution this year of making some reduction in the dividend.

QUESTION OF SUPPLIES

How long we can continue to overcome our difficulties and maintain a satisfactory total volume of business is more than we can say. The availability of the supplies we require is an important factor. If we cannot get them, no amount of reorganisation will avail, for it cannot remove the deadweight charge of idle machines and buildings. If during the war we can do no more than keep the capital and the reserve capital intact, we shall have cause to be thankful. I am sure you will agree with me in this, that whatever may be the cost to any of us individually or collectively, the war must be won and to that end the whole effort of the nation must be devoted. (Hear, hear.)

I do not think it is necessary to comment in detail on the several differences between this year's assets and liabilities and those of last year. The comparison is set out in the balance sheet. The differences are only such as might be expected under the altered conditions in which we are working and they are none of them sufficiently large to be regarded as abnormal.

TRIBUTE TO STAFF

It is a pleasure as well as a duty once again to pay a tribute to the staff of all grades for their magnificent co-operation and their continued loyalty to the company. You will, I am sure, wish to be associated with the board in this expression of thanks to them for their contribution to the achievement of the year's results. A large number of our men are serving in the Forces and to those who have dependants we are making allowances to supplement their Service pay according to their individual circumstances and their service with us. I am sure you will wish to join with me in conveying to all of them our good wishes for their safe return. (Hear, hear.)

SUCCESS OF NATIONAL SAVINGS GROUP

Early in the campaign we set up a National Savings Group to enable employees to purchase Savings Certificates by instalments deducted from wages and salaries. We have had a remarkable

response—the group has no less than 12,000 members who are subscribing for over 1,800 certificates per week. We have encouraged them to join the group by purchasing all the certificates in advance so as to give them, on completion of their payments, certificates which have earned interest from the date of their first instalment, and by giving for monthly ballot a number of free certificates.

CONVERSION OF SHARES INTO STOCK

Finally, I must say a word upon the resolution, dealing with the conversion of certain classes of shares into stock—a purely formal matter. The proposal does not in any way modify or affect the rights as to dividend, return of capital, voting, etc., attaching to the various classes of shares. It is made with the object of effecting economy in office work, which, where there is a large number of shareholders, is considerable. Each class of stock will be transferable in £1 units as at present, and will, of course, be quoted on the Stock Exchange. The board recommends the proposal for your approval.

THE RESOLUTIONS

The adoption of the report and accounts and the payment of the recommended dividends was moved by the chairman, seconded by Mr Harry Salmon, J.P. (one of the managing directors), and carried unanimously; and the resolution converting certain classes of shares into stock was passed.

The retiring ordinary directors (Mr B. S. Gluckstein and Flight Lieutenant Julian Salmon) and employee directors (Mr H. H. G. Bennett and Mr J. M. E. Sierra) were re-elected; the auditors (Messrs Turquand, Youngs, McAuliffe and Company) were re-appointed, and the proceedings terminated with a vote of thanks to the directors and staff.

GRIFFITHS HUGHES PROPRIETARIES LIMITED

PROFITS INCREASED

The sixth annual general meeting of Griffiths Hughes Proprietaries, Limited, was held, on the 27th instant, at Salford, Manchester.

Mr Harry Marland, J.P. (the chairman), said: You will be pleased to see that in spite of seven months of war, and the creation of a special reserve of £35,550 in respect of assets in certain European countries, the actual profit has risen from £112,550 last year to £155,418 this year, an increase of £42,868. The increase in profit was well spread over our numerous lines—Digestif Rennies in particular showing better results both at home and abroad.

Our export trade, in spite of the very serious difficulties experienced during the year under review, with inevitable loss in some countries as compared with previous years, has contributed an increased net profit to the accounts this year. During the six months ended March 31, 1940, the operating company delivered to H.M. Treasury controlled foreign currency amounting to £61,527 under the Defence (Finance) Regulations.

The company's liquid financial position continues to be very strong. The general reserve of £180,000 is the same, but the capital reserve now stands at £251,925. Liabilities, including provisions for the final dividend, taxation, and special reserve, total £212,394, against liquid assets of £691,187, a surplus of liquid assets of £478,793.

The report and accounts were unanimously adopted and the payment of a final dividend of 3 per cent., less tax, was approved.

The retiring directors, Mr C. B. Green, Mr W. W. Sim Harris and Mr E. S. Watts, were re-elected. The auditors, Messrs Deloitte, Plender, Griffiths and Company, and Messrs J. B. Boyd Wrigley and Company, were re-appointed.

GLOBE TELEGRAPH AND TRUST COMPANY, LIMITED

SATISFACTORY RESULTS

The sixty-seventh annual general meeting of this company was held, on the 26th instant, in London.

The Rt. Hon. the Earl of Middleton, P.C., K.P. (the chairman), said that the net income for the year was £213,587, as against £258,331. With the amount brought forward, there was a total of

ZINC CORPORATION LIMITED

EXCELLENT DEVELOPMENT RESULTS

VISCOUNT HORNE'S REVIEW

The twenty-ninth ordinary general meeting of the Zinc Corporation Limited was held, on the 25th instant, at 95 Gresham Street, London.

The Rt. Hon. Viscount Horne of Slamannan, P.C., G.B.E. (chairman), presided.

After reviewing the accounts for the year ended December 31, 1939, which had been circulated to the shareholders, the chairman stated: While the outbreak of war caused the suspension of the contracts for the realisation of our main products, the provisions made in advance to meet this emergency prevented any interference with our productive operations, and employment at the mines and smelters was in no way affected. The contracts made with the British Government by the Lead Smelters and Zinc-treatment works enabled the latter to purchase our products, and permitted us to continue our operations at Broken Hill. In negotiating the terms of these contracts, the Broken Hill Mines, together with the smelters and treatment companies, had three main and clearly defined objectives, viz.: To give the utmost aid to the war requirements of the British and Australian Governments; the avoidance of "war profits"; and the maintenance of the fullest possible employment and the prevention of industrial distress. The final terms of the contracts, I can assure you, fulfil these purposes.

I should emphasise that while the Government contracts do not cover the whole of the Broken Hill production of lead and zinc concentrates, outside sales have, up till now, absorbed all the surplus. The present world position and outlook do not justify me—or anyone else—in saying more than this.

While our ability to sell the major part of our output was safeguarded by contracts designed long in advance of the outbreak of war, our ability to continue production necessitated a far-seeing provision of adequate stocks of essential materials which are normally obtained from widely distributed overseas suppliers. As a result, we faced the outbreak of war in a very strong position, and up to date I think I can say that we have not suffered a single moment of inconvenience from the absence or scarcity of anything essential to productive operations. Had these wise precautions not been taken, the great non-ferrous metal industries of Australia would not only have been unable to render assistance to the British Government, but the livelihood of the many thousands of workers directly and indirectly employed would have been gravely endangered.

DEVELOPMENT RESULTS

Developments continue to give excellent results. At our annual meetings during the past few years I have been able to advise you in each succeeding year that the "mine never looked better." I say the same with emphasis to-day. The 14th Level—approximately 2,000 feet below the surface—has now been opened up and shows a greater area of ore, with higher assay values, than any other level in the mine. (Cheers.)

In our reports and at our annual meetings in previous years, you have been fully advised of the difficulties in the shape of very bad ground met with in completing our new main shaft and new ore pass system. The extent to which these difficulties delayed our production programme is now fairly clear, and I think it is accurate to estimate that we lost between 12 and 18 months. Notwithstanding these delays—due to causes entirely beyond the control of the management—our output last year reached over 426,000 tons, and during the current year, if there be no interruption in production, I estimate it will exceed 500,000 tons. Some time in 1941 our lead lode development will, I anticipate, be sufficiently advanced to enable us to make substantial additions to this total if markets are in a position to absorb the resulting metals.

THE FUTURE

It has been my custom at previous meetings to deal at some length with the factors likely to influence the immediate future of our business. To-day there is very little I can say that is not already known to you. Our future, our very existence, depends on the outcome of the war. We cannot allow ourselves to contemplate any other result than complete victory for our arms. During the war we have a very important part to play in providing munitions. After the war, I hope we shall have an even more important part to play in the reconstruction of Europe.

On the question of prices there is little or nothing to say—they

£331,579, and, after deducting expenses and the dividend on the 6 per cent. preference and making provision for excess profits tax, there remained £238,637. They had already paid three interim dividends of 1½ per cent., and, with a final dividend of 2½ per cent. net, making 6 per cent. net for the year, they were carrying forward £121,511. They had disposed of sufficient funded income stock to repeat the 2½ per cent. bonus, but the balance of that stock now remaining was £52,866, which would not permit a final distribution of quite the same amount as previously.

The year had been a very difficult and anxious one, and at the moment there was no cheerful prospect ahead, but their main holding in Cable and Wireless had so far weathered the storm in a most gratifying and comforting manner. With the world in its present state it was impossible to make any forecast of future prospects. So long as they could carry on the trust would continue paying interim dividends quarterly as hitherto. While their income had remained steady, the additional income tax last year, and the further increase for 1941, made it necessary to be very careful of their resources, but they were carrying forward sufficient to provide funds for the next two interim dividends, and in the absence of any setback they might hope to be in a position to continue the distribution of a reasonably good dividend for the coming year.

The report was unanimously adopted.

MEXICAN RAILWAY COMPANY, LIMITED

TRAFFIC POSITION

The 150th 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: The result is the worst of any half-year in the history of the company and shows a loss of over P.860,000. This compares unfavourably even with the result of the second half of 1932, at the end of the famous depression in the United States, when the loss was P.711,000. The results of the current half-year I am glad to say are distinctly better. Gross traffics have been very good for the first three months (January-March) and exceed those of the corresponding half-year of 1939, which, as you may remember, constituted a record for all the first half-years in the history of the company, but the net receipts for those three months, according to a return received since the issue of the report, amount to the trifling figure of P.9,900. From the end of March last gross takings have shown a declining tendency, and at May 21st last showed a decrease of P.230,000. It is, therefore, unlikely that the net receipts of the current half-year will be equal to those of the corresponding half-year of 1939.

The economic position of Mexico, which might appear from the very high figures of our earnings to be a good one, is by no means such in reality. The very high rates of salaries and wages which have been reached have brought about a state of serious inflation, accompanied by a steadily increasing cost of living. Simultaneously exchange has shown a weakening tendency, and to such an alarming extent that the Government took steps to restrict banking credit in February last. This has increased difficulties of manufacturing businesses, which are burdened with high wages and find sources of obtaining new capital closed to them.

To sum up our own position, we have for some time past found great difficulty in making two ends meet. Although traffic has been heavy and receipts good, the very high wages paid to labour, combined with the heavy cost of materials due to the fall in the value of the peso, are leaving no margin for the proper upkeep of the property. Although the track and equipment are still in fairly good condition, renewals are naturally falling into arrear, and new rolling-stock is needed in order to meet road competition and satisfy the needs of the public. The National Railways of Mexico, which for the last two years have been administered by a syndicate of workmen, are suffering from the same causes and are, in my opinion, in even worse financial and physical condition than ourselves, so much so that in April last the Government appointed two controllers to investigate the position. It is much to be hoped that they may lead to some action being taken by the Government either in the direction of increasing the rates or regulating the labour situation throughout the whole railway system of the Republic. Unless some steps of this nature are taken and taken quickly the outlook would appear to be well-nigh hopeless.

The report was adopted.

are controlled by the Government in the national interest. I can, however, express the opinion confidently held, that our industry has been given a fair deal by the Government and is giving a full return.

You may expect me to make some reference to new taxation and its effects on the corporation. It is scarcely necessary for me to refer to the inevitable increase in British taxation. We must all be affected by the higher rate of income tax, but so far as the excess profits tax is concerned I do not think this company will be affected under the existing provisions. Our present rate of earnings is less than that in the standard period, and we are not making, nor are we seeking to make, war profits.

In Australia two new taxes have been introduced by Mr Spender, the Treasurer of the Commonwealth, both of which affect companies operating in the Commonwealth. A tax is imposed on undistributed profits at the rate of 1s. in the pound where these exceed 25 per cent. of the profits made in the year of distribution. This is unlikely to have an important effect on our affairs, but the other tax—that imposed on "Wartime Profits"—is in a different category.

The proposed tax is to apply to companies only, and is to disregard the question of a pre-war standard of profits. It will exempt from tax profits up to 8 per cent. on the capital employed in the business. So much of the profit as is between 8 per cent. and 9 per cent. on capital will carry a tax of 4 per cent. on that profit; that portion of the profit between 9 per cent. and 10 per cent. will be subject to a tax of 8 per cent. on that profit, and so on until the maximum rate of tax of 60 per cent. is reached—which maximum will apply to all profits over 22 per cent. on the capital employed in the business.

Until we receive complete details of the bill as finally passed and the official definition of "capital employed in the business" has been settled, it is not possible to estimate the liability which it will impose on the corporation, and in these circumstances no provision has been made in the 1939 accounts with regard to it. But I may at least say that those who recognise the extent of the financial burdens Australia must carry as a result of the war cannot reasonably object to Mr Spender's new imposts.

The report and accounts were unanimously adopted and the recommendations of the directors were approved.

W. J. BUSH AND COMPANY, LIMITED

RECORD PROFITS

The forty-third annual general meeting of W. J. Bush and Company, Limited, was held, on the 24th instant, Mr James Mortimer Bush, chairman and managing director of the company, presiding.

The chairman, in the course of his speech, said: Since the last annual meeting we have seen war in Poland, Finland, Norway, Denmark, Holland and Belgium, and recently Italy has become engaged. Our trade with all these countries has for the time being come to an end, and we are left with a number of probable bad debts.

Notwithstanding these deplorable conditions, I think you will agree with me that our accounts for the past year are much more favourable than might have been expected. It would, of course, be unwise to attempt to prophesy what the future has in store. A very considerable proportion of the company's raw material requirements are shipped from overseas and the question of supplies becomes more difficult as the war proceeds.

The profit for the year under review at £120,700 is approximately £1,500 higher than the company's best figure in 1936. In view of the difficulties to which I have referred, and the very uncertain future, your directors consider that the company should husband its resources, and it is for this reason they propose maintaining the dividend on the ordinary shares at the same figure as last year.

I should like to refer to the item in the accounts, "Provision for taxation and contingencies, £63,610." In the past it has not been our practice to provide for tax payable on the accounts under review. In view, however, of the very big proportion of the profits which now has to be paid by way of taxes, your directors consider it desirable to provide for such payments on the face of the accounts. The figure of £63,610 includes a provision of £10,000 for contingencies.

The report and accounts were unanimously adopted and a final dividend at the rate of 6 per cent., making, with the interim dividend already paid, a total of 10 per cent. for the year, was unanimously approved.

IMPERIAL BANK OF IRAN

DIVIDEND MAINTAINED AND RESERVE STRENGTHENED

SIR HENRY McMAHON'S ADDRESS

The fifty-first ordinary general meeting of the Imperial Bank of Iran was held, on the 26th instant, at 51, Gracechurch Street, London, E.C. Colonel Sir A. Henry McMahon, G.C.M.G., G.C.V.O., K.C.I.E., C.S.I. (the chairman), presiding.

The chairman, in the course of his speech, said:—The balance sheet before you shows an increase in the total figures, which is partly due to the lower rate of exchange at which the accounts from Iran have been converted into sterling. Exchange in Teheran is now based on a fixed buying rate of 17 rials to the U.S.A. dollar, and the rate of 64.35 rials per £ sterling at which the Iran accounts have been adjusted is the official selling rate in Teheran at the date of the closing of our accounts.

Apart from this consideration, the balance sheet shows an increase in deposits, in acceptances, in discounts, loans and advances, and in bills receivable, and a decrease in cash and investments. I referred a year ago to the increased liquidity which placed us at that time in a position to respond to greater calls for our services. The figures now before you show that the occasion for fuller utilisation of our resources has since arisen.

We are not permitted to withdraw in sterling the full fruits of our labours in Iran, and we have therefore again made adequate reservations on that account, but we are nevertheless able to show a moderate increase in profit. We propose therefore to place £10,000 to reserve account, which has not been added to since 1937, to pay the same dividend as last year, and to carry forward £55,366, which is £1,563 less than last year. I should point out that this carry-forward has been gradually increased over the past ten years by some £20,000.

DEVELOPMENT IN IRAN

Our position in Iran continues to be fairly satisfactory. Under the firm and wise leadership of H.I.M. the Shah the policy of strict neutrality in the present war has been well maintained. The peaceful development of industry continues. The numerous factories and mills, established in recent years for the production of cotton, woollen, and silk textiles, beet sugar, cement, jute, and so on, are turning out more goods than ever, and their products are the more valuable now that communications with abroad are impeded and the supply of such goods is curtailed.

The uncertainties created throughout the world by the European situation have led to a more general use of bankers' credits for both import and export trade, and in this business we have been able to take a somewhat larger share than fell to us in the previous year or two. There has also been no lack of opportunity throughout the year for the employment of our internal resources in Iran. It is noteworthy, on the other hand, that since the outbreak of war our customers' deposits with us in Iran have increased.

The currency in Iran, as you know, is now entirely in paper, against which an adequate reserve in gold and silver is maintained by the National Bank. The control of the note issue is in good hands, and the gradual expansion of the circulation is warranted by the growth of industrial activity. The statutory limit of the note issue was raised in March last to a figure which will permit of further increases in the circulation as the need may arise. The trade agreement with Russia which was signed at Teheran last March should be of mutual benefit, as all impediments to the natural flow of trade between these neighbouring countries are to be deplored.

Transport in Iran, as new roads are made and old ones improved, is rapidly approaching the standards of Western Europe.

BAGHDAD AND BASRA

Business in Baghdad and Basra has suffered no diminution since the outbreak of war. The monopoly for the export of dates has worked well, though the crop was smaller than usual. Wheat and barley, wool and cotton have found good markets for export. Importers of textiles, tea and sugar, and other goods have been exceptionally active in anticipation of rising markets or of restricted supplies. In the financing of these activities our branches in Iraq have taken their due share with satisfactory results. Here, again as in Iran, we find that our customers' deposits have maintained appreciably higher figures than they showed a year ago.

The report and accounts were unanimously adopted and the final dividend of 6 per cent. was confirmed.

BRITISH BORNEO TIMBER COMPANY, LIMITED

FURTHER INCREASE IN DEMAND GROWTH OF EXPORTS

SIR EDGAR HOLBERTON'S SPEECH

The twentieth annual general meeting of the British Borneo Timber Company, Limited, was held, on the 25th instant, at 1-4 Gt. Tower Street, London, E.C., Sir Edgar J. Holberton, C.B.E. (the chairman), presiding.

Mr S. G. Sandeman, representing the secretaries (Messrs Harrisons and Crosfield, Limited), having read the auditors' report, The chairman said: Gentlemen, with your permission I propose to take the report and accounts as read. (Agreed.)

At the commencement of the year's operations now under review, our stocks of rough and sawn timber were merely sufficient to provide buyers with their immediate requirements. This was due to the restriction of production during the preceding year, but the demand in our export markets was improving, and we felt justified in taking steps to increase the production both in the jungle and in the sawmills. I made some reference to this change in the market position when I addressed you last year, and I am pleased to say that the demand continued to improve for all grades of rough and sawn timber. During 1939 our production of rough timber was increased by nearly 500,000 cubic feet to just under four million cubic feet. This enabled us to export increased quantities of rough timber, to maintain the sawmills with an adequate supply of logs for full-time working, and, in addition, to accumulate a normal stock of rough timber at the year's end.

Prior to the war we were able to arrange contracts for increased forward shipments of logs and sawn timber sufficient to cover as full a jungle production as we might expect to obtain. Immediately following the declaration of war, and since then, the operations in the jungle and in the sawmills have been mainly directed to speeding up shipments to the United Kingdom under those contracts.

With regard to the present year, production and shipments continue along satisfactory lines, but under the existing conditions it is not possible at present to say more.

SATISFACTORY RESULTS

Turning to the accounts which are now before you, I think you will agree that the results are satisfactory. The capital expenditure of £3,302 mainly represents additional sawn timber storage and rail transport facilities. The stocks of materials and stores, £19,387, are up £5,678, and the sundry debtors and payments in advance, at £41,270, show an increase of £22,351 as compared with the previous year. These items reflect the increase in our trading. Investments show a reduction of £11,000 due to our holding of 3½ per cent. Dominion of Canada stock having been taken over by H.M. Government in October last. During the present year we have participated in Government issues, and as circumstances permit it is hoped to increase such investments. The increase of £3,000 under sundry creditors, etc., is mainly due to the reserve shown in the profit and loss account for excess profits tax and National Defence contribution.

The balance of the profit and loss account brought forward from the previous year is £9,905, to which has been added £21,086, the balance resulting from the year's trading. After providing for the amount payable to the British North Borneo (Chartered) Company under the terms of our Concession, there remains a sum of £30,185 which the directors propose to deal with as follows. A sum of £5,000 is to be reserved for depreciation of machinery and plant. I mentioned last year that our present milling plant may have to be augmented to enable us to meet the increasingly keen competition in supplies of sawn timber. Then, in conformity with the Chancellor of the Exchequer's general request to companies, we propose to limit the dividend which we recommend to 8 per cent., the amount paid last year. These proposals will enable us to carry forward £10,785, or, say, £900 more than the balance brought in at the commencement of the year.

In conclusion, I wish on behalf of the board to acknowledge the special efforts of our manager and his staff in Borneo and of our agents in the Far Eastern ports, all of whom have contributed in no small measure to the favourable position I have been able to place before you to-day.

The report and accounts were unanimously adopted.

The retiring director (Mr H. W. Horner) was re-elected and the auditors (Messrs Mann, Judd, Gordon and Company) were reappointed.

GUEST, KEEN AND NETTLEFOLDS, LIMITED

STEADY DEVELOPMENT

CONTRIBUTION TO NATIONAL WAR EFFORT

The annual general meeting of Guest, Keen and Nettlefolds, Limited, was held, on the 25th instant, at the Queen's Hotel, Birmingham. Mr S. R. Beale (chairman and managing director) presided.

The chairman, in the course of his speech, said:—In the period now under review, we had five months of peace and seven months of war, and, as you all know, war means control—control of our supplies, control of our production, control of the destination of our products and of the price at which they are sold.

Control, exercised in the national interests as it is, and should be, must inevitably upset the delicate balance between producing and consuming works. Nevertheless, I think I should tell you that, in my opinion, the control to which we have been subjected has been well administered in the national interest.

In any case, no one wants to make profits out of the country's danger, and we can all be glad that the great productive capacity of all our works, which, as I have told you year by year, we have done our utmost to maintain at the highest pitch of efficiency, can be of service in the war effort.

Though, as I have said, it would be unsuitable to go into much detail, I should like to make one or two references to our activities.

JOHN LYSAGHT, LIMITED

Our allied company, John Lysaght, Limited, were active in a line familiar to many of you. They began producing for A.R.P. shelters in February, 1939, and during the whole year 35 per cent. of their output was for this purpose. Not only were their English works so engaged, but their Australian works contributed, and added 40,000 tons to the total. This manufacturing co-operation of their overseas branches in war activities is another illustration of the united effort which the Empire is capable of making. The export trade in the meantime was reduced to a low level, but they were fortunately in a position to supply a large proportion of the requirements for their overseas markets from their works in Australia, Canada and the Argentine.

At their steelworks four furnaces out of five were in continuous operation, and the steel plant and rolling mills were kept busy.

In their constructional works they have been largely engaged on the construction of airplane factories, hangars, military hutments and other works in connection with armaments.

GUEST KEEN BALDWIN'S

The other great interest I should like to refer to is that of Guest Keen Baldwins. The chairman of this company—Sir Charles Wright—is, as most of you know, Controller of Iron and Steel at the Ministry of Supply, having succeeded Sir Andrew Duncan on the latter's appointment as President of the Board of Trade.

Guest Keen Baldwins has had another good year, though the stress of taxation has prevented the shareholders from any benefit in their increasing productivity. Sundry arrangements for increasing capacity entered into before the war were completed and have been of immediate benefit to the country, if not to the shareholders.

Once again I am able to tell you that every one of our subsidiary companies has made a profit.

You will have noticed that I have not yet referred to our own works at Cardiff, Birmingham, Darlaston and Cwmbran. The volume of orders has become enormous; there have been still further developments in the modernisation of plant and machinery; the workpeople are pulling their weight and, in short, we are doing everything possible to take our part in the war effort.

The chairman then referred to various items in the balance sheet and said: If you will compare the liabilities with the liquid assets on the other side of the balance sheet you will see the position is very sound.

PROFIT AND LOSS ACCOUNT

The profit for the year is shown at just over one million pounds, which is £17,384 more than last year. The dividend recommended on the ordinary stock brings it to a figure of 6½ per cent., free of income tax, for the year, as against 6 per cent., free of income tax, for the previous year, a result which, we feel sure you will agree, may be viewed with satisfaction, however modest the return may be in respect of the actual capital employed or the total volume of turnover.

The report and accounts were adopted.

THE MADRAS ELECTRIC SUPPLY CORPORATION, LIMITED

DIVIDEND 6 PER CENT. TAX FREE

The ordinary general meeting of the Madras Electric Supply Corporation, Limited, was held, on the 26th instant, at 1 Queen Victoria Street, London, Mr James Gray (the chairman) presiding.

The chairman, in the course of his speech, said that the balance of net revenue was £58,628, being £16,235 less than that of the previous year. This was explained by a slight diminution in consumption, to lighting restrictions, to the imposition of electricity duty amounting to £13,869 for nine months from April 1, 1939, when it came into force, and to the operation of the new tariff which had been negotiated with the Government of Madras with effect from June 1, 1939.

The Government had rejected the proposal that the new electricity tax should be recovered from consumers.

The directors' estimate that the company would be able to pay a dividend of 6 per cent. free of tax proved rather optimistic, but this could be reasonably attributed to the outbreak of war. Adding £43,724 brought forward, there was £102,352 available for distribution, and after making provision for preference dividend the directors recommended a final dividend of 4 per cent. on the ordinary shares, making 6 per cent. for the year, free of income tax, leaving £41,611 to be carried forward.

The strictest economy was being practised, but the cost of materials had increased considerably as a result of the war. The additions to capital expenditure represented extensions of buildings and additions to power station and sub-station plant and to mains. The tramway company was affected by a serious dislocation of traffic caused by the closing of the Stanley Viaduct, by the "black-out," and by the curtailment of festivals.

The cost of living in Madras had increased, and a concerted scheme of war allowances was having sympathetic consideration. The board wished to express their acknowledgment of the loyal services of all the staff and workers.

The report and accounts were unanimously adopted.

HENDERSON'S TRANSVAAL ESTATES, LIMITED

DISTRIBUTION 12½ PER CENT.

The twenty-eighth ordinary general meeting of Henderson's Transvaal Estates, Limited, was held, on the 26th instant, in London.

Mr W. L. Castleden (deputy chairman and managing director), who presided, in the course of his speech, said:—On the debit side of the balance sheet, "Reserve for contingencies, etc.," is increased by £20,000 to £80,000. This sum, with the £100,000 "Reserve for depreciation in investments, etc.," is, in our opinion, ample to provide for any eventualities.

On the credit side, Government securities are increased by £10,000, this sum having been invested in the new War Loan.

With reference to the first item in the profit-and-loss account, £71,155, the war and the consequent demands of the National Exchequer by way of greatly increased taxation has naturally affected the company's income; it should, however, be borne in mind that the reduction in the item "Dividends and interest" includes all necessary taxation adjustments.

As a result of the year's work we are able to recommend payment of a dividend of 12½ per cent., the same as for the last three years, and to carry forward the sum of £45,267.

I am sure you will not expect me to forecast the prospects of your company during the current year. The present position of affairs throughout the world is so uncertain as to make any anticipation neither advisable nor profitable. To-day nothing can be regarded as certain and the factors governing the position are entirely outside our power to alleviate or foresee. In spite of these reservations, I have no hesitation in stating that the position of the company remains fundamentally sound.

Our coal interests, which furnish the bulk of our income, continue to maintain their output and profits, the returns for the eight months to date being only slightly lower than for the corresponding period of the previous year.

The report and accounts were unanimously adopted and the dividend of 12½ per cent. was approved.

BANGRIN TIN DREDGING COMPANY, LIMITED

INCREASED YARDAGE WORKED

The twentieth ordinary general meeting of Bangrin Tin Dredging Company, Limited, was held, on the 27th instant, in London.

Mr Kenneth O. Hunter (the chairman) said that their operations during the past year had resulted in the recovery of 916 tons of ore, compared with 1,121 tons obtained in 1938. This fall in output occurred despite the increased yardage worked and the loss of fewer dredging hours, namely, 13½ per cent against 21 per cent. The ground worked proved of poorer quality than that on which they had been operating previously. The average proceeds per ton of ore won were £166 15s. 9d., against an average of £127 0s. 2d. for 1938. On the other hand, mining expenditure averaged £55 5s. per ton, compared with £45 8s. 7d.

The profit for the year amounted to £51,238, and the directors recommended a final dividend of 5 per cent., making 10 per cent. for the year.

When addressing the shareholders last year he mentioned that boring operations were in progress on a new small area adjoining their present lease, which was estimated to contain 3,000,000 cubic yards of tin-bearing ground with an average value of 0.51 lb. per cubic yard, and 800,000 cubic yards with an average value of 0.31 lb. The boring of this area was completed early in 1939 and disclosed 5,500,000 cubic yards, with an average of 0.4 lb. per cubic yard. The necessary applications for mining leases were lodged in July last.

Their output for the first five months of the current year was 528 tons, with an estimated mining profit of £49,900, the comparable figures for the same period in 1939 being 361 and £28,871.

The report was unanimously adopted.

SIAMESE TIN SYNDICATE, LIMITED

IMPROVED RESULTS

The thirty-third ordinary general meeting of the Siamese Tin Syndicate, Limited, was held, on the 27th instant, in London.

Mr Kenneth O. Hunter (the chairman) said that the tonnage outputs of ore were 649 tons at Ngow, 950 tons at Kopah and 405 tons at Huey Moot, a total of 2,004 tons from the three properties. The proceeds of this ore received from smelters in the East averaged £166 16s. 10d. per ton for Ngow, £167 10s. 2d. for Kopah and £170 for Huey Moot, and reflected the higher average price of the metal during the past year compared with the average for 1938. Mining costs at Kopah and Huey Moot showed satisfactory reductions compared with the previous year.

Mining revenue from the operations as a whole totalled £342,618, compared with £267,441, and the net profit amounted to £119,677, as compared with £71,128 for 1938. The directors had appropriated £20,000 to a reserve account for loss on properties, and they now recommended a final dividend of 10 per cent., making, with the interim dividends, 50 per cent. for the year.

With regard to the Kopah properties, preparations were being made for starting work on their new area. This new area contained approximately 9,500,000 cubic yards of tin-bearing ground with an average content of 0.53 lb. of tin ore per cubic yard. They also had another adjacent area containing 14 million cubic yards with an average content of 0.50 lb. per cubic yard.

The output for the first five months of the current year was 875 tons with an estimated mining profit of £82,300, the comparable figures for the same period in 1939 being 719 tons and £48,855.

The directors proposed to take steps to change the title of the company to the Thai Tin Syndicate, Limited, the word "Thai" meaning Siamese.

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.

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.

CURRENT STATISTICS

Finance

GOVERNMENT RETURNS

For the week to June 22, 1940, total ordinary revenue was £18,279,000, against ordinary expenditure of £58,613,000. Thus, including all sinking fund allocations, the deficit accrued since April 1st is £447,512,000, against £128,246,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)			
	Apr. 1, 1939, to June 24, 1939	Apr. 1, 1940, to June 22, 1940	Week ended June 22, 1939	Week ended June 22, 1940
ORDINARY REVENUE				
Income Tax	10,234	21,024	27	44
Sur-tax	6,500	6,200	240	20
Stamp, etc., Duties	17,740	20,600	2,120	2,250
Stamps	3,930	3,570	830	1,020
N.D.C.	4,320	4,070	380	370
E.P.T.	210	470	...	1,130
Other Inland Revenue	210	90	...	...
Total Inland Revenue	42,934	60,274	3,597	4,834
Customs	56,919	64,751	5,355	5,950
Excise	26,250	36,100	1,390	9,794
Total Customs & Excise	83,169	100,851	6,745	15,744
Motor Duties	4,629	5,538	...	110
P.O. (Net Receipt)	3,410	2,950	Dr 2650	Dr 2950
Crown Lands	320	240	30	...
Receipts from Sundry	356	423	...	65
Loans	1,157	4,590	71	476
Miscellaneous Receipts	135,975	174,866	7,793	18,279
Total Ordinary Revenue	135,975	174,866	7,793	18,279
SELF-BALANCING Post Office and Broadcasting	16,690	18,150	3,900	4,300
Total	152,665	193,016	11,693	22,579

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)			
	Apr. 1, 1939, to June 24, 1939	Apr. 1, 1940, to June 22, 1940	Week ended June 22, 1939	Week ended June 22, 1940
ORDINARY EXPENDITURE				
Interest and Management of Natl. Debt	75,229	77,695	838	1,239
Payments to N. Ireland	1,633	1,295	398	...
Other Consolidated Fund Services	548	430	152	54
Total	77,410	79,420	1,388	1,293
Supply Services	194,266	541,629	14,807	57,320
Total Ordinary Expenditure	271,676	621,049	16,195	58,613
SELF-BALANCING Post Office and Broadcasting	16,690	18,150	3,900	4,300
Total	288,366	639,199	20,095	62,913

The 1939 figures include expenditure out of defence loans.

After increasing Exchequer balances by £188,694 to £2,746,572, the other operations for the week (as shown below) raised the gross National debt by £40,654,000 to about £9,397 millions.

WEEK'S CHANGES IN DEBT

NET INCREASES (£ thousands)		NET REPAYMENTS (£ thousands)	
National Savings	9,400	Pub. Debt Adv.	11,550
3% Defence Bonds	8,750		
Treasury Bills	33,718		
3% War Loan	20		
Other debt	316		
	52,204		11,550

OTHER ISSUES (Net)
(£ thousands)
Overseas Trade Guarantees 131

AGGREGATE ISSUES AND RECEIPTS

The aggregate issues and receipts from April 1 to June 22, 1940, are:—

(£ thousands)		(£ thousands)	
Ordinary Exp.	621,049	Ord. Revenue	174,866
Misc. Iss. (net)	5,341	Gross borr.	453,205
Inc. in balances	352	Less—	
		Sinking fds.	1,329
		Net borrowing	451,876
	626,742		626,742

FLOATING DEBT

(£ millions)		(£ millions)	
Date	Treasury Bills	Ways and Means Advances	Total Floating Debt
June 24 1939	479.0	540.4	1019.4
June 24 1940	761.0	673.6	1434.6
Mar. 16	746.0	682.8	1428.8
" 23	731.0	696.7	1427.7
" 30	716.0	706.3	1422.3
Apr. 6	701.0	708.4	1409.4
" 13	686.0	737.5	1423.5
" 20	675.0	747.1	1422.1
" 27	695.0	764.1	1459.1
May 4	675.0	707.9	1382.9
" 11	685.0	722.1	1407.1
" 18	695.0	733.6	1428.6
" 25	700.0	746.5	1446.5
June 1	710.0	767.5	1477.5
" 8	725.0	822.4	1547.4
" 15	740.0	842.4	1582.4
" 22	755.0	861.1	1616.1

TREASURY BILLS

(£ millions)		(£ millions)	
Date of Tender	Amount Offered	Amount Applied for	Per Cent. Allotted
June 23 1939	50.0	60.7	121.4
June 23 1940	50.0	99.8	199.6
Mar. 15	50.0	100.0	200.0
" 21	50.0	99.9	199.8
" 28	50.0	94.5	189.0
Apr. 5	50.0	90.6	181.2
" 12	50.0	111.8	223.6
" 19	50.0	115.7	231.4
" 26	50.0	113.2	226.4
May 3	60.0	111.6	186.0
" 10	65.0	116.0	178.5
" 17	65.0	117.7	181.1
" 24	65.0	131.3	202.0
June 7	65.0	116.4	179.1
" 14	65.0	102.0	155.4
" 21	65.0	97.6	149.9

On June 21st applications at £99 14s. 10d. per cent. for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted as to about 60 per cent. of the amount applied for and applications at higher prices in full. Applications at £99 14s. 11d. for bills to be paid for on Saturday were accepted in full. £65.0 millions of Treasury bills are being offered on June 28th.

NATIONAL SAVINGS CERTIFICATES AND 3% BONDS SUBSCRIPTIONS

(£ thousands)		(£ thousands)	
Period	N.S.C.*	3% Bds.	Total
Week to June 11, 1940	4,999	4,648	9,647
Week to June 18, 1940	8,641	9,292	17,933
30 weeks to June 18, 1940	104,441	98,205	202,646

* Revenue returns show repayment of principal amounting to £16,450,000 in the 30 weeks to June 18, 1940.

BANK OF ENGLAND RETURNS

JUNE 26, 1940

ISSUE DEPARTMENT

(£ thousands)		(£ thousands)	
Notes Issued:		Govt. Debt	11,015,100
In circulat.	602,153,569	Other Govt.	615,179,569
In Bnkg. Department	28,083,189	Securities...	3,295,776
		Silver Coin	509,555
		Amt. of Fid. Issue	630,000,000
		Gold Coin & Bullion (at 168s. per oz. fine)	236,758
	630,236,758		630,236,758

BANKING DEPARTMENT

(£ thousands)		(£ thousands)	
Props' Cap...	14,553,000	Govt. Secs.	151,102,838
Rest	3,332,271	Other Secs.	4,707,827
Public Depts.*	57,965,077	Securities	23,544,669
Other Depts.:		Notes	28,252,496
Bankers'...	82,748,475	Gold & Silver Coin	1,492,648
Other Accts.	50,332,348		208,931,171
	133,080,823		

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

THE WEEK'S CHANGES

(£ thousands)		(£ thousands)	
Both Departments	June 26, 1940	Last Week	Last Year
COMBINED LIABILITIES			
Note circulation	602,154	+ 13,103	+ 103,174
Deposits: Public	57,965	+ 22,688	+ 42,580
Bankers'	82,748	+ 20,979	+ 18,694
Others	50,332	+ 3,459	+ 13,377
Total outside liabilities..	793,199	+ 18,271	+ 140,437
Capital and rest	17,885	+ 37	+ 58
COMBINED ASSETS			
Govt. debt and securities	777,297	+ 20,448	+ 364,232
Discounts and advances	4,708	+ 1,172	+ 2,129
Other securities	26,840	+ 3,329	+ 3,884
Silver coin in issue dept.	510	...	203
Gold coin and bullion	1,729	+ 27	+ 225,396
RESERVES			
Res. of notes and coin in banking department...	29,576	+ 13,085	+ 1,421
"Proportion" (reserve to outside liabilities in Bankg. dept.)	15.4%	+ 7.5%	+ 2.9%

COMPARATIVE ANALYSIS*

(£ millions)		(£ millions)	
	1939	1940	
Issue Dept.:			
Notes in circ.	499.0	569.3	578.4
Notes in bank- ing dept.	27.4	11.0	51.9
Govt. debt and securities	299.2	575.9	626.2
Other secs.	0.1	3.6	3.3
Silver coin	0.7	0.5	0.5
Gold, valued at s. per f. oz.	226.4	0.2	0.2
Deposits:			
Public	15.4	13.6	34.9
Bankers'	101.4	118.8	103.2
Others	37.0	49.6	46.9
Total	153.8	182.0	185.9
Bkg. Dept. Secs.	113.9	161.7	124.0
Government	6.8	2.9	3.9
Discounts, etc.	22.9	22.8	27.0
Other	143.6	187.4	150.9
Total	282.2	374.8	305.8
Banking dept. reserve	28.2	12.4	53.4
"Proportion"	18.3	6.8	22.9

* Government debt is £11,015,100; capital £14,553,000. † Fiduciary issue raised from £580 million to £630 millions on June 11, 1940.

OVERSEAS BANK RETURNS

NOTE.—The latest returns of the Bank of Germany appeared in *The Economist* of April 27th; Netherlands, of May 11th; Belgium, of May 18th; Roumania, of June 1st; India and France, of June 8th; Argentina, Bulgaria, Prague and Turkey, of June 15th; International Settlements, Hungary, Java, Federal Reserve Member Banks, Egypt, Estonia, New Zealand, Mellie Iran, Portugal and Sweden, of June 22nd.

U.S. FEDERAL RESERVE BANKS

Million \$'s

12 U.S.F.R. BANKS	June 29, 1939	June 19, 1940	June 26, 1940
RESOURCES			
Gold certifs. on hand and due from Treas.	13,506	17,201	17,536
Total reserves	13,881	17,580	17,919
Total cash reserves	367	368	371
Total U.S. Govt. sec.	2,551	2,477	2,473
Total bills and secs.	2,569	2,489	2,485
Total resources	17,142	21,019	21,298
LIABILITIES			
F.R. notes in circ.	4,449	5,081	5,104
Excess m. bank res.	4,240	6,610	6,770
Mr. bank reserve dep.	10,116	13,510	13,712
Govt. deposits	962	265	298
Total deposits	11,755	14,790	15,109
Total liabilities	17,142	21,019	21,298
Reserve ratio	85.7%	88.5%	88.7%
BANKS AND TREASURY:			
RESOURCES			
Monetary gold stock	16,093	19,427	19,769
Treas. & bk. currency	2,879	3,009	3,011
LIABILITIES			
Money in circulation	6,962	7,717	7,741
Treas. cash and dep.	3,521	2,465	2,487

NATIONAL BANK OF JUGOSLAVIA

Million dinar

ASSETS	May 31, 1939	May 15, 1940	May 22, 1940
Gold	1,918	2,080	2,120
Other foreign exchange	525	816	669
Discounts and advances	1,835	1,839	1,982
Gov. adv. and credits	2,230	3,073	3,073
Def. bonds discounted	2,431	2,895	3,196
LIABILITIES			
Notes in circulation	7,298	10,946	11,300
Sight liabilities	1,624	1,793	1,912

EXCHANGE RATES

Rates Fixed by Bank of England

The following official exchange rates were fixed by the Bank of England between June 20th and June 27th. (Figures in brackets are par of exchange.)

U.S. \$ (4-86½) 4-02½-03½; mail transfers, 4-02½-03½. Can. \$ (4-86½) 4-43-47; mail transfers, 4-43-47½. Fr. fcs. (124-20) 176½-34 (not quoted after June 22nd). Sw. fcs. (25-22½) June 20-21, 17-85-95; June 22-27, 17-75-85. Sw. kr. (18-159) 16-85-95. Arg. pesos (11-45) 17-00-13; mail transfers, 17-00-15. Batavian Fl. (12-11) 7-58-62; mail transfers, 7-58-64.

Forward Rates

Forward rates for one month have remained unchanged as follows: America, 84 cent pm-par. Canada, 12 cent pm-par. Switzerland, 3 cents pm-par. Sweden, 3 öre pm-par. Batavia 1½ cents pm-par.

MARKET RATES

London on	Par of Exchange per £	June 21, 1940	June 22, 1940	June 24, 1940	June 25, 1940	June 26, 1940	June 27, 1940
Tallinn, Ekr.	18-159	13½*	137*	143*	145*	143*	143*
Riga, Lats.	25-22½	17½*	18*	185*	185*	185*	185*
Budapest, Pen.	27-82	19*	19½*	20*	20*	20*	20*
Kovno, Lit.	48-66	19½*	20*	20½*	20½*	20½*	20½*
Belgrade, Din.	276-32	145*	145*	150*	150*	150*	150*
Sofia, Lev.	673-66	180*(g)	180*(g)	190*(g)	190*(g)	190*(g)	190*(g)
Helingsfors, Mk	193-23	210*	210*	210*	210*	210*	210*
Alexandria, Pst	97½	97½-98	97½-98	97½-98	97½-98	97½-98	97½-98
Madrid, Pst	25-22½	40-55(b)	40-55(b)	40-55(b)	40-55(b)	40-55(b)	40-55(b)
Lisbon, Esc.	110	46-55(c)	46-55(c)	46-55(c)	46-55(c)	46-55(c)	46-55(c)
Istanbul, Lt	110	510*	510*	510*	510*	510*	510*
Athens, Dr.	375	520(b)	520(b)	520(b)	520(b)	520(b)	520(b)
Bucharest, Lei	813-8	800*	800*	800*	800*	800*	800*
India, Rup.	118d.	17½-16	17½-16	17½-16	17½-16	17½-16	17½-16
Kobe, Yen.	124-58d.	15½-16	15½-16	15½-16	15½-16	15½-16	15½-16
Hongkong, \$.	15-89d.	147½-15½	147½-15½	147½-15½	147½-15½	147½-15½	147½-15½
Rio, Mil.	30-6	31½*	31½*	31½*	31½*	31½*	31½*
Valparaiso, Pes.	40	95*	95*	95*	95*	95*	95*
Lima, Sol.	17-38	22-24	22-24	22½-25½	22½-25½	22½-25½	22½-25½
Montevideo, \$	151d.	24½-26½	24½-26½	24½-26½	24½-26½	24½-26½	24½-26½
Singapore, \$	28d.	28½-5½	28½-5½	28½-5½	28½-5½	28½-5½	28½-5½
Shanghai, \$	1	3½-4½	3½-4½	3½-4½	3½-4½	3½-4½	3½-4½
Bogota, Pes.	1	5½*	5½*	5½*	5½*	5½*	5½*

* Sellers. † Buyers. ‡ Nominal. § Pence per unit of local currency.
(a) Approximate rate. (b) Official rate for payment at the Bank of England for Clearing Offices. (c) Voluntary rate for payment at the Bank of England. (d) 90 days. (e) Trade payments rate.

BANK OF CANADA.—Million Can. \$

ASSETS	June 14, 1939	May 29, 1940	June 5, 1940	June 12, 1940
Reserve: Gold	205.7	12.6	10.9	9.5
Other	42.2	513.0	515.4	513.1
Securities	164.3	226.1	237.2	244.1
LIABILITIES				
Note circulation	165.6	226.1	237.2	244.1
Deposits: Dom. Govt.	32.5	48.5	46.0	42.0
Chartered banks	205.3	233.8	223.7	218.8

† Gold & foreign ex. transferred to Foreign Exchange Control Board against securities.

BANK OF GREECE.—Million drachmae

ASSETS	Apr. 30, 1940	May 7, 1940	May 15, 1940	May 23, 1940
Gold and for. exchange	4,820	4,878	4,956	4,955
State sec. in for. exch.	122	122	122	122
Bills discounted	663	656	670	681
Advances	12,702	12,885	13,004	13,254
State debt	3,983	3,983	3,983	3,983
LIABILITIES				
Notes in circulation	9,861	9,696	9,951	10,426
Dep. and current accts.	12,351	12,488	12,728	12,501
Foreign exch. liabilities	595	636	584	563

BANK OF JAPAN.—Million yen

ASSETS	May 6, 1940	Apr. 27, 1940	May 4, 1940	May 11, 1940
C. in & bullion: Gold	801.3	501.3	501.3	501.3
Other	49.1	26.6	27.3	28.9
Foreign exch. fund	300.0	300.0	300.0	300.0
Discounts and advances	505.2	646.3	582.4	538.3
Government bonds	1127.1	1272.7	1276.7	1251.1
Agencies' accounts	93.3	280.1	246.8	261.7
LIABILITIES				
Notes issued	1837.4	3225.9	3372.8	3130.1
Deposits: Government	320.5	699.0	711.1	741.3
Other	127.4	114.9	88.2	91.5

BANK OF LATVIA.—Million lats

ASSETS	May 29, 1940	May 20, 1940	May 27, 1940	May 30, 1940
Gold coin and bullion	92.83	71.53	71.54	71.53
Foreign currency	39.64	27.80	29.91	29.90
Short-term bills	53.04	58.85	58.37	53.82
Loans against securities	101.28	159.31	156.32	153.64
LIABILITIES				
Notes in circulation	88.37	106.53	104.71	103.71
Deposits & current accts.	140.78	127.66	127.89	130.74
Government accounts	70.45	66.70	69.88	70.83

BANK OF LITHUANIA.—Million litas

ASSETS	May 15, 1939	Apr. 15, 1940	Apr. 30, 1940	May 1, 1940
Gold	62.16	53.03	57.45	57.45
Silver and other coins	14.67	7.08	6.78	6.85
Discounts	111.11	136.54	137.39	143.41
Advances	20.83	29.58	30.62	33.18
LIABILITIES				
Bank notes in circ.	174.65	167.35	171.39	168.98
Current accounts	26.35	54.00	54.95	61.44
Deposits	9.29	43.05	38.47	47.43

SOUTH AFRICAN RESERVE BANK

Million £'s

ASSETS	June 2, 1939	May 17, 1940	May 23, 1940	May 30, 1940
Gold coin and bullion	26.43	35.60	35.94	36.17
Bills discounted	8.32	8.43	8.26	8.44
Inves. & other assets	16.07	23.56	23.42	24.57
LIABILITIES				
Notes in circulation	17.59	18.30	18.35	21.31
Deposits: Government	22.59	31.86	30.70	29.10
Bankers	5.66	4.80	5.47	5.86
Others	55.3%	55.6%	56.0%	55.6%

AUSTRALIAN COMMONWEALTH BANK.—Million £'s

ASSETS	May 22, 1940	May 6, 1940	May 20, 1940	May 27, 1940
Gold and English stg.	16.03	16.08	16.08	16.08
Other coin, bullion, etc.	5.18	5.68	6.14	6.45
Call money, London	17.05	43.14	44.50	43.37
Secrts. and Treas. bills	94.85	83.81	83.86	83.32
Discounts and advances	17.14	34.73	34.41	34.18
LIABILITIES				
Notes issued	47.78	52.53	52.53	52.53
Deposits, etc.	83.97	112.27	114.37	111.86

PROVINCIAL BANK CLEARINGS (£ thousands)

	Week ended June 24, '39, June 22, '40		Aggregate January 1 to June 24, '39, June 22, '40			Week ended June 24, '39, June 22, '40		Aggregate January 1 to June 24, '39, June 22, '40	
Working days :—	6	6	147	147	Newcastle ...	1,236	1,143	38,040	34,785
Birmingham	2,079	2,130	59,298	56,160	Nottingham...	405	322	12,312	10,828
Bradford	776	1,074	20,698	38,267					
Bristol	1,302	2,251	31,657	40,111	9 Towns	19516	24614	560156	648966
Hull	756	604	19,765	20,349					
Leicester	576	685	17,689	18,987	Dublin	4,957	5,539	155,955	150,486
Liverpool	4,214	5,527	124,990	145,942	Sheffield	780	694	26,513	16,340
Manchester	8,172	10,878	235,707	283,537	Southampton	264	264	740	740

* Suburban cheque clearing discontinued Sept. 7, 1939. † Clearing begun May 14, 1940.

MONEY RATES, LONDON

The following rates remained unchanged between June 20th and June 27th: Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: 27th 60 days, 1½%; 3 months, 1½%; 4 months, 1½%; 6 months, 1½%; 12 months, 1½%. Treasury bills: 2 months, 1½%; 3 months, 1½%; 6 months, 1½%; 12 months, 1½%. Short loans, 1½%. Bank deposit rates, 1½%. Discount deposits at call, 1½%; at notice, ¾%.

GOLD AND SILVER

The Bank of England's official buying price for gold remained at 168s. 0d. per fine ounce throughout the week.

In the London silver market prices per standard ounce have been as follows:—

Date	Cash	Two Months	Date	Cash	Two Months
June 21	21½	21½	June 26	21½	21½
" 24	21½	21½	" 27	21½	21½
" 25	21½	21½			

NEW YORK EXCHANGE RATES

New York on	June 20, 1940	June 21, 1940	June 22, 1940	June 24, 1940	June 25, 1940	June 26, 1940
London —						
Cables	354	359	372½	372	372½	373½
Switzerland, Fr.	22-60	22-63	22-61½	22-61½	22-58	22-58
Italy, Lire	5-05(c)	5-05(c)	5-05(c)	5-05(c)	5-05(c)	5-05(c)
Belgium, Mark	40-10	40-10	40-10	40-10	40-10	40-10
Stockholm, Kr.	23-87	23-87	23-87	23-87	23-87	23-87
Montreal, Can.	80-250	81-000	81-560	81-000	81-250	81-500
Japan, Yen	23-48	23-48	23-48	23-48	23-48	23-48
Shanghai, \$	5-90	6-10	6-30	6-18	6-18	6-20
B. Aires, Pso. (mkt. rate)	22-10	22-00	21-95	21-80	21-35	21-40
Brazil, Milreis	5-10	5-10	5-10	5-10	5-10	5-10

† Official buying rate 29-78.

(c) Nominal.

Investment

THE WEEK'S COMPANY RESULTS

Company	Year Ending	Total Profit	Deprecia- tion, etc.	Net Profit after Deb. Interest	Available for Dis- tribution	Appropriation				Difference in Carry Forward (+ or -)	Preceding Year		
						Pref. Div.	Ord. Div.	Rate	To Free Reserves		Total Profit	Net Profit	Ord. Div.
		£	£	£	£	£	%	£	£	£	£	%	
Financial Land, etc.													
Argentine Northern Land	Dec. 31	22,157	37	2,459	4,463	...	...	...	+ 2,459	10,371	Dr. 3,417	Nil	
Atlas Elec. & Gen. Trust	Mar. 31	205,446	...	158,163	254,507	129,281	...	...	+ 28,882	228,781	179,329	Nil	
Australian Agricultural	Dec. 31	66,974	821	24,799	25,358	...	24,000	5½	+ 799	18,286	18,286	5½	
Brit. New Guinea Devel.	Jan. 31	24,708	...	14,858	18,296	...	10,726	7½	+ 4,000	15,647	9,804	5	
Iron, Coal and Steel													
Allen (Edgar) and Co.	Mar. 31	238,171	23,301	53,571	91,244	9,750	22,445	12½	+ 1,376	156,272	75,315	12½	
Cory (Wm.) and Son	Mar. 31	766,427	...	757,427	1,755,976	42,500	590,019	20	+ 124,908	764,310	755,310	20	
Doncaster Collieries	Mar. 31	427,830	161,529	249,250	374,263	58,858	129,483	4	+ 39,091	216,650	120,115	4	
Tredgar Iron and Coal	Mar. 31	68,882	10,000	58,882	98,530	...	51,933	3½	+ 6,949	93,381	73,381	4½	
Rubber													
Anglo-Ceylon & Gen. ...	Mar. 31	140,871	...	60,978	105,759	...	60,000	10	+ 978	121,761	65,870	10	
D.W.A.	Dec. 31	6,130	2,136	1,583	...	...	...	...	+ 513	6,089	Dr. 1,965	10	
Jeram	Mar. 31	28,984	...	17,325	21,063	...	9,539	6¼	+ 786	23,497	10,888	4	
Madingley (Malay)	Feb. 29	6,917	...	3,712	5,287	...	3,740	5	+ 28	5,550	2,544	3	
Malacca	Dec. 31	56,401	6,700	21,323	61,869	8,625	20,415	2½	+ 7,717	47,292	18,723	2½	
Nirmala (Java)	Dec. 31	18,101	1,798	10,910	16,766	1,631	4,150	3	+ 5,129	18,565	10,051	2½	
Sarawak	Mar. 31	12,499	2,500	6,249	8,438	...	7,250	7	+ 1,861	13,661	1,861	4	
Selama (Malaya)	Mar. 31	10,882	...	7,619	10,386	...	6,050	10	+ 625	7,014	4,118	6	
Tea													
Assam Consolidated	Dec. 31	47,845	3,000	26,415	39,899	16,000	10,000	5	+ 415	25,205	11,096	5	
Derby	Dec. 31	13,099	2,142	4,567	16,398	630	2,526	10	+ 589	13,889	7,188	12½	
Haydella	Dec. 31	2,962	850	659	894	...	600	3	+ 59	2,071	923	3	
Kerala	Feb. 29	2,408	391	702	702	...	600	3	+ 102	2,167	Dr. 99	Nil	
Lungla (Sylhet)	Dec. 31	36,660	3,831	9,395	16,879	10,275	...	...	+ 880	39,858	18,142	Nil	
Makum (Assam)	Dec. 31	31,617	...	18,981	23,311	...	16,650	15	+ 669	26,449	17,605	15	
Maleber	Dec. 31	3,535	373	2,437	3,096	...	1,000	4	+ 1,437	1,672	1,672	3	
Namdana	Dec. 31	39,540	...	20,100	30,002	...	14,000	10	+ 100	33,614	18,563	10	
Trusts													
Aberdeen, Ceylon, etc.	Apr. 30	13,035	...	5,941	12,016	...	5,062	3	+ 879	14,328	6,191	3	
British Empire Trust	Apr. 30	100,012	...	80,782	100,923	37,422	7,000	7	+ 6,360	72,216	52,075	8	
General Securities Invest.	May 31	6,834	...	3,534	5,577	...	3,250	5	+ 284	7,284	4,312	5½	
Northern Securities	Dec. 31	30,335	...	22,797	40,512	11,110	9,900	6	+ 1,213	33,277	25,020	7	
Other Companies													
Ambrose Shardlow & Co.	Mar. 31	63,082	...	30,740	57,078	13,125	13,125	7½	+ 4,490	52,548	38,100	10	
Attock Oil	Dec. 31	467,589	150,000	304,602	324,910	...	135,000	7½	+ 169,602	326,434	129,346	7½	
Beautify Furniture	Mar. 31	55,145	3,682	18,940	56,120	...	11,953	15	+ 8,013	65,345	35,339	25	
Beer (L) and Sons	Apr. 30	56,428	...	25,680	41,353	5,500	10,000	10	+ 180	23,322	13,485	8	
Booth's Distilleries	Mar. 31	599,061	3,834	50,507	85,506	33,943	15,000	40	+ 1,564	506,165	24,855	2½	
British Plaster Board	Mar. 31	467,201	...	234,305	279,111	6,303	22,408	30	+ 1,564	(b) 568,435	(b) 385,977	50(0)	
Burns, Philp and Co.	Mar. 31	1,284,081	121,042	225,621	351,074	...	200,000	10	+ 621	1,246,228	201,143	10	
Cape Asbestos	Dec. 31	178,777	18,385	45,308	63,207	25,600	19,200	15	+ 908	159,972	53,444	17½	
Carls Electric	Mar. 31	408,501	15,934	212,937	323,606	3,720	163,305	15	+ 512	335,691	258,546	15	
City and Prov. Stores	Mar. 31	13,635	5,250	3,973	15,272	3,120	...	...	+ 853	23,243	11,483	17½	
Clark's Bread Co.	Mar. 30	27,053	4,029	16,157	22,734	7,200	7,458	10	+ 1,499	19,650	13,159	8	
Coast Lines	Dec. 31	255,195	...	227,710	341,250	194,250	...	...	+ 23,160	287,869	269,469	3	
Cotton's Blackburn Bwy.	Mar. 31	126,489	...	35,555	57,985	18,200	10,200	10	+ 7,000	44,081	13,515	5	
Electric Construction Co.	Mar. 31	141,271	10,000	42,363	62,459	7,000	30,000	10	+ 5,363	168,005	71,462	13½	
Greening (N.) and Sons	Apr. 30	40,720	4,499	16,121	25,901	4,081	7,500	7½	+ 3,000	32,213	13,604	7½	
Hoppe (Heny.) and Sons	Mar. 30	65,169	...	62,169	81,817	27,500	9,625	5	+ 25,044	78,181	76,802	10	
London & Thames Oil	Dec. 31	148,848	10,000	71,362	71,362	...	...	...	+ 71,362	88,746	12,681	Nil	
Metal Box Co.	Mar. 31	606,823	...	287,196	327,106	45,009	164,692	17½	+ 77,795	486,542	299,867	17½	
National Trading	Dec. 31	44,482	...	43,282	57,999	6,875	20,000	16	+ 1,407	39,905	39,705	16	
Ohlsson's Cape Breweries	Mar. 31	299,470	...	100,010	187,677	11,500	75,000	12½	+ 36,000	279,570	166,725	17½	
Patagon	Dec. 31	Dr. 2,286	...	Dr. 2,363	13,637	...	...	...	+ 109	2,286	3,006	12½	
Phoenix Oil, etc.	Dec. 31	118,245	...	57,190	371,585	...	107,871	7½	+ 50,681	139,276	Dr. 59,754	Nil	
Spear and Jackson	Dec. 31	46,008	...	31,303	12,279	4,000	20,625	12½	+ 4,322	41,123	30,817	12½	
Trinidad Cons. Oil	Sept. 30	Dr. 80,757	...	Dr. 60,757	Dr. 66,238	...	...	...	+ 60,757	Dr. 20,339	Dr. 22,248	Nil	
Whessoe Foundry, etc.	Mar. 31	152,583	7,852	69,630	84,052	...	50,000	...	+ 19,630	168,213	84,035	40	
Totals (£'000's)	No. of Cos.												
Week to June 29, 1940	53	8,034	574	3,824	6,335	743	2,283	...	+ 419	7,771	3,717	...	
Jan. 1 to June 29, 1940	1,274	256,819	20,920	141,345	201,824	28,507	90,802	...	+ 6,228	236,095	141,362	...	

LONDON ACTIVE SECURITY PRICES AND YIELD

Allowance is made for net interest accrued, and for redemption for fixed interest stocks and for changes in interim dividends for ordinary stocks. Dealings in stocks marked * suspended by Treasury Order.

Prices, Year 1939		Prices, Jan. 1 to June 26, 1940		Name of Security	Price, June 26, 1940	Ch'ge since June 19	Yield June 26, 1940	Prices, Jan. 1 to June 26, 1940		Name of Security	Price, June 26, 1940	Ch'ge since June 19	Yi Jun. 1940
High	Low	High	Low					High	Low				
British Funds													
71 1/2	61	76 1/4	68 1/2	Consols 2 1/2%	71	1 1/2	3 10 5	10 1/2	12 1/2	Iron, Coal, &c.—cont.	25 1/2	1 1/2	1 1/2
107 1/2	98	110 1/2	103 1/2	Do. 4% (alt. 1957)	105 1/2	1 1/2	3 15 0	10 1/2	12 1/2	S. Durham Ord. £1	25 1/2	1 1/2	1 1/2
96 1/2	90 1/2	98 1/2	93 1/2	Conv. 2% 1943-45	98 1/2	1 1/2	3 15 0	10 1/2	12 1/2	Staveley Coal, etc. £1	25 1/2	1 1/2	1 1/2
99 1/2	92 1/2	100 1/2	95 1/2	Do. 2 1/2% 1944-49	97 1/2	1 1/2	2 17 3	10 1/2	12 1/2	Stewarts & Lloyds £1	25 1/2	1 1/2	1 1/2
99 1/2	92 1/2	100 1/2	95 1/2	Do. 3% 1948-53	100	1 1/2	3 1 2	10 1/2	12 1/2	Swan, Hunter £1	25 1/2	1 1/2	1 1/2
99 1/2	92 1/2	100 1/2	95 1/2	Do. 3 1/2% after 1961	96 1/2	1 1/2	3 12 11 1/2	10 1/2	12 1/2	Un. Steel Cos. Ord. £1	25 1/2	1 1/2	1 1/2
112 1/2	103 1/2	112 1/2	107 1/2	Do. 5% 1944-64	107 1/2	1 1/2	3 10 5	10 1/2	12 1/2	Vickers 10/-	25 1/2	1 1/2	1 1/2
87 1/2	79 1/2	82 1/2	74 1/2	Fund. 2 1/2% 1956-61	82 1/2	1 1/2	3 10 5	10 1/2	12 1/2	Textiles	2 1/2	1 1/2	1 1/2
93 1/2	87 1/2	92 1/2	82 1/2	Fund. 2 1/4% 1952-57	92 1/2	1 1/2	3 2 9	10 1/2	12 1/2	Brit. Celanese 10/-	2 1/2	1 1/2	1 1/2
95 1/2	87 1/2	92 1/2	82 1/2	Fund. 3 1/4% 1954-61	95 1/2	1 1/2	3 5 2	10 1/2	12 1/2	Coats, J. & P. £1	2 1/2	1 1/2	1 1/2
102 1/2	100 1/2	113 1/4	105 1/4	Fund. 4% 1959-69	109 1/4	1 1/4	3 7 6	10 1/2	12 1/2	Courtaulds £1	2 1/2	1 1/2	1 1/2
99 1/4	94 1/4	102	93 1/4	Fund. 4 1/2% 1960-90	109 1/4	1 1/4	3 7 6	10 1/2	12 1/2	English Swg. Ctn. £1	2 1/2	1 1/2	1 1/2
96 1/4	91 1/2	101 1/4	95 1/4	Nat. D. 2 1/2% 1944-48	100	1 1/2	2 11 7 1/2	10 1/2	12 1/2	Lancs. Cotton Corp £1	2 1/2	1 1/2	1 1/2
108 1/2	102	111 1/2	105 1/2	Do. 3% 1954-58	98 1/2	1 1/2	3 2 2	10 1/2	12 1/2	Patons & Baldwins £1	2 1/2	1 1/2	1 1/2
103 1/2	98 1/2	103 1/2	98 1/2	Victory Bonds 4%	108	1 1/2	3 9 9	10 1/2	12 1/2	Electrical Manufact.	27 1/2	1 1/2	1 1/2
98 1/2	86 1/2	101 1/2	93 1/2	War L. 3% 1955-59	99 1/4	1 1/4	3 1 0	10 1/2	12 1/2	Associated Elec. £1	27 1/2	1 1/2	1 1/2
83 1/2	73	89 1/2	80 1/4	War L. 3 1/2% af. 1952	96 1/4	1 1/4	3 12 10	10 1/2	12 1/2	British Insulated £1	27 1/2	1 1/2	1 1/2
99	91	100	97 1/2	Local Loans 3%	98	1 1/2	3 12 3	10 1/2	12 1/2	Callenders £1	27 1/2	1 1/2	1 1/2
64	55 1/2	71 1/4	59 1/4	Austria 3% 1933-53	83	1 1/2	3 5 6	10 1/2	12 1/2	Crompton Park A 5/-	27 1/2	1 1/2	1 1/2
90	73	97 1/4	82 1/4	India 2 1/2%	68	1 1/2	3 13 6	10 1/2	12 1/2	English Electric £1	27 1/2	1 1/2	1 1/2
115 1/4	104 1/2	115	105 1/4	Do. 3 1/2% 1958-68	92 1/2	1 1/2	3 15 8	10 1/2	12 1/2	General Electric £1	27 1/2	1 1/2	1 1/2
106 1/4	95	107 1/2	101	Dom. & Col. Govts.	110	1 1/2	3 14 10	10 1/2	12 1/2	Gas and Electricity	26 3/4	1 1/2	1 1/2
103 1/2	103	104 1/2	103	Austria 5% 1915-75	102	1 1/2	4 11 0	10 1/2	12 1/2	Clyde Valley Elec. £1	26 3/4	1 1/2	1 1/2
103 1/2	102	105 1/2	103	Canada 4% 1940-60	100 1/2	1 1/2	4 0 1 1/2	10 1/2	12 1/2	County of London £1	26 3/4	1 1/2	1 1/2
110	102	108 1/2	103	Nigeria 5% 1950-60	107 1/2	1 1/2	4 4 7	10 1/2	12 1/2	Edmundsons £1	26 3/4	1 1/2	1 1/2
111 1/2	104	110 1/4	104	N. Zealand 5% 1946	101 1/2	1 1/2	4 14 2	10 1/2	12 1/2	Gas Light & C. £1	26 3/4	1 1/2	1 1/2
81 1/2	72	85	78	S. Africa 5% 1945-75	104 1/2	1 1/2	3 19 10	10 1/2	12 1/2	Imp. Cont. Gas Sks.	26 3/4	1 1/2	1 1/2
93 1/2	86 1/2	94 1/2	87 1/2	Corporation Stocks	105 1/2	1 1/2	4 2 0	10 1/2	12 1/2	London Ass. Elec. £1	26 3/4	1 1/2	1 1/2
102 1/4	95	104	97	Birmingham 5% 1946-56	79	1 1/2	3 16 1	10 1/2	12 1/2	North-East Elec. £1	26 3/4	1 1/2	1 1/2
91 1/2	73 1/4	92 1/4	80 1/4	L.C.C. 3% 1954-61	91	1 1/2	3 11 9	10 1/2	12 1/2	North-West Elec. £1	26 3/4	1 1/2	1 1/2
65 1/2	34	58 1/2	28 1/2	Liverpool 3% 1954-61	98 1/2	1 1/2	3 12 9	10 1/2	12 1/2	North-West Power £1	26 3/4	1 1/2	1 1/2
23 1/2	6 1/2	35 1/2	20	Midx. 3 1/2% 1957-62	82 1/2	1 1/2	5 9 1	10 1/2	12 1/2	Yorkshire Electric £1	26 3/4	1 1/2	1 1/2
55 1/2	23 1/2	45 1/4	15	Foreign Governments	80 1/2	1 1/2	5 9 1	10 1/2	12 1/2	Motor, Cycle and Aircraft	10 1/2	1 1/2	1 1/2
72	30	63	25	Argentina 4 1/2% Stg. Bds.	30	1 1/2	11 5 0	10 1/2	12 1/2	Austin 5/-	10 1/2	1 1/2	1 1/2
86 1/4	58	79 1/4	57	Austria 4 1/2% 1934-59	23	1 1/2	10 17 4 1/2	10 1/2	12 1/2	Bristol Aero. 10/-	10 1/2	1 1/2	1 1/2
12 1/2	9	10 1/2	8	Belgian 4% (1914)	11 1/2	1 1/2	13 0 10 1/2	10 1/2	12 1/2	De Havilland Air. £1	10 1/2	1 1/2	1 1/2
44	4	7 1/2	5	Chile 6% (1929)	20	1 1/2	18 7 1/2	10 1/2	12 1/2	Fairly Aviation 10/-	10 1/2	1 1/2	1 1/2
33 1/2	15	24 1/2	12 1/2	China 5% (1913)	57	1 1/2	7 0 4	10 1/2	12 1/2	Hawker Motors £1	10 1/2	1 1/2	1 1/2
35 1/2	15	25	17	Czechoslovakia 8%	17	1 1/2	26 9 4 1/2	10 1/2	12 1/2	Hawker Siddeley (5/-)	10 1/2	1 1/2	1 1/2
61 1/2	33	65	44	French 4% (British)	22 1/2	1 1/2	12 3	10 1/2	12 1/2	Lucas, J. (£1)	10 1/2	1 1/2	1 1/2
				German Dawes 5%	23 1/2	1 1/2	14 8 0	10 1/2	12 1/2	Leyland Motors £1	10 1/2	1 1/2	1 1/2
				Do. Young Lm. 4 1/2%	23 1/2	1 1/2	14 8 0	10 1/2	12 1/2	Morris Motors 5/- Ord.	10 1/2	1 1/2	1 1/2
				Greek 6% Stab. Lm.	23 1/2	1 1/2	14 8 0	10 1/2	12 1/2	Rolls-Royce £1	10 1/2	1 1/2	1 1/2
				Hungary 7 1/2%	23 1/2	1 1/2	14 8 0	10 1/2	12 1/2	Standard Motor 5/-	10 1/2	1 1/2	1 1/2
				Japan 5 1/2% 1930	23 1/2	1 1/2	14 8 0	10 1/2	12 1/2	Shipping	10 1/2	1 1/2	1 1/2
					22 7/2	12 3	5	4	2	Furness, Withy £1	12 6	-6d	6 8
					22 7/2	12 3	5	4	2	P. & O. Def. £1	15	-	6 13
					20 1/2	14 5	5	4	2	Royal Mail Lines £1	15	-	6 13
					10 9	4 3	Nil	Nil	Nil	Union Castle Ord. £1	5	-	6 13
Tea and Rubber													
					16 7 1/2	6 3	6	4	4	Allied Sumatra £1	7 6	-1/3	10 13
					27 3	14	2	4	4	Anglo-Dutch £1	15	-2/6	8 17
					32 10 1/2	22 6	21 1/2	4	4	Jokai (Assam) £1	22 6	-	8 17
					3 11 1/4	20 3 1/4	4	4	4	London Asiatic 2/-	21 3	-1/3	9 8
					3 3	1 8 1/4	9	4	4	Rubber Trust £1	21 3	-1/3	9 8
										United Serdang 2/-	1 9	-	5 15
Oil													
					23 11 1/2	15 5	15	5	5	Anglo-Italian £1	25 1/2	-10/-	16 0
					27 7 1/2	17 1/2	12 1/2	12 1/2	12 1/2	Apex (Trinidad) 5/-	17 6	-2/6	8 11
					18 7 1/2	12 4 1/2	5	5	5	Burmah Oil £1	36 3	-17/6	3 8
					60 7 1/2	40	16	16	16	Shell Transport £1	37 6	-	6 6
					80 1/2	46 3	71 1/2	71 1/2	71 1/2	Trinidad Leaschids £1	47 6	-	7 10
Miscellaneous													
					62 6	38 9	71 1/2	71 1/2	71 1/2	Assoc. P. Cement £1	40	-2/6	7 12
					44 3	25	5	5	5	Barker (John) £1	26 3	-5	5 11
					44 3	27 6	m29	30 9	30 9	Boots Pure Drug 5/-	27 6	-8 1/2	7 12
					56	31 3	4	8 1/2	8 1/2	Brit. Aluminium £1	32 6	-17/6	6 10
					107 6	53 1 1/2	t20	49 1/2	49 1/2	Brit.-Amer. Tob. £1	42 6	-10 8	10 12
					60	42 6	7	10	10	British Oxygen £1	37 6	-3/9	10 12
					62 6	38 9	71 1/2	71 1/2	71 1/2	Brookhouse (J.) £1	35	-2 1/2	11 8
					62 6	38 9	71 1/2	71 1/2	71 1/2	Cable & Wire. Hdg.	37 6	-1/9	8 12
					61 6	31 1/2	15	15	15	Carreras 'A' Ord. £1	31 1/2	-1/9	8 12
					10 11 1/2	4	5	5	5	Dunlop £1	20 9	-6d	11 8
					28 3	16 3	15	15	15	Elec. & Mus. Ind. 10/-	4 6	-2/-	11 17
					10 11 1/2	4	5	5	5	Ever Ready Co. 5/-	17 1/2	-1 1/4	11 17
					15 25	17 1/2	25	15	15	Gallagher Ltd. Ord. £1	17 6	-	11 8
					32 6	17 1/2	25	15	15	Gestetner (D.) 5/-	70	-5/-	7 5
					32 6	17 1/2	25	15	15	Harrods & Gros. Def. £1	27 6	-2/6	8 8
					40 1/2	11 3	5	5	5	Harrods £1	27 6	-1/3	8 8
					390	10 4	7	3	3	Imp. Chem. Ord. £1	61 1/2	-1/3	6 11
					31 3	5	5	5	5	Imp. Smelting £1	61 1/2	-5 1/2	6 11
					50 1/2	5	5	5	5	Imp. Tobacco £			

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**

Branches.			
Ansoy	Hankow	Makong	Sintiku
Batavia	Heito	Manila	Syoka
Bombay	Hongkong	Nanto	Singapore
Canton	Kagi	New York	Soerabaya
Dairen	Karenko	Osaka	Swatow
Foochow	Kirun	Samarang	Taiyiu
Giran	Kobe	Shanghai	Tainan

Correspondents in every Principal Town in the World.

The Bank transacts General Banking and Foreign Exchange Business, and acts as Business Agents for other Banks.

Deposits are received for fixed periods on terms which may be ascertained on application.

London Office: 40 & 41 Old Broad Street, E.C.2. (M. DOI, Manager)

Telegrams: Foreign—"Taiwangink, London." Telephone: London Wall 5331-3 (3 lines)

THE SUMITOMO BANK, LIMITED

(Incorporated in Japan)

Head Office: **OSAKA, JAPAN**

Capital Subscribed	Yen 70,000,000.00
Capital Paid-up	Yen 50,000,000.00
Reserve Fund	Yen 52,000,000.00

HOME OFFICES:—Amagasaki, Fukuoka (2), Hiroshima (3), Kobe (3), Kokura, Kumamoto, Kure, Kurume (2), Kyoto (3), Moji, Nagoya (2), Niihama, Okayama, Onomichi, Osaka (30), Shimonoeki, Tokyo (20), Wakamatsu, Wakayama, Yanai and Yokohama.

FOREIGN OFFICES:—Dairen, Shanghai, London, New York, San Francisco, Los Angeles, Seattle, Sacramento and Honolulu.

OFFICES IN PACIFIC LINERS:—M.S. "Assama Maru," M.S. "Kamakura Maru" and M.S. "Tatsumi Maru."

Correspondents in all important places at Home and Abroad

London Office: 67 BISHOPSGATE, E.C.2

Telephone: London Wall 4955 (2 lines).

M. MAYE, Manager.

TERMS OF SUBSCRIPTION TO THE ECONOMIST

	INLAND	OVERSEAS
	£ s. d.	£ s. d.
12 Months	2 18 0	3 1 0
6 Months	1 9 0	1 10 6

Cheques to be made payable to The Economist Newspaper Ltd.

PUBLISHING OFFICE:

8 BOUVERIE STREET, LONDON, E.C.4.

Telephone: Central 8631

OFFER TO NEW READERS

Any reader who makes his first acquaintance with this journal with this week's issue is invited to fill up the attached:

To The Publisher, Economist Newspaper Ltd.,

8 Bouverie Street, E.C.4.

In order to test the value of your publication I should like you to forward it to me by post for the next four weeks. If I then decide to become a subscriber, it is understood that there will be no charge for the copies thus received, but otherwise I shall be willing to pay 4s. to cover their cost.

Name.....

Address.....

THE BANK OF NOVA SCOTIA

(Incorporated in Canada with Limited Liability)

Established 1832

General Office: Toronto, Canada

Paid Up Capital	\$12,000,000
Reserve Fund	\$24,000,000
Total Assets over	\$300,000,000

Special facilities are available to the public through the Branches of this Bank for the transaction of business with Canada, Newfoundland, Cuba, Puerto Rico, Dominican Republic, Jamaica, and the United States at Boston and New York.

Address enquiries to

London Branch:

108 OLD BROAD STREET, E.C.2

B. C. MACLEOD, Manager.

LONDON AND MANCHESTER ASSURANCE CO., LTD.

Life, Annuity, Accident, Fire, Motor, Burglary

Chief Office: Finsbury Square, LONDON, E.C.2

REFUGE ASSURANCE COMPANY LTD.

Chief Office: OXFORD STREET, MANCHESTER, 1

ANNUAL INCOME EXCEEDS	£13,300,000
ASSETS EXCEED	£72,400,000
CLAIMS PAID EXCEED	£125,100,000

IMPERIAL JAPANESE GOVERNMENT

SIX PER CENT. STERLING LOAN OF 1924

NOTICE IS HEREBY GIVEN that the COUPONS due 10th July, 1940, will be PAID on and after that date (Saturdays excepted) between the hours of 11 and 2 at The Yokohama Specie Bank, Limited, where lists may be obtained.

Coupons must be left three clear days for examination prior to payment.

For THE YOKOHAMA SPECIE BANK, LIMITED,

H. KANO, Manager.

7 Bishopsgate, London, E.C.2.
25th June, 1940.

OTTOMAN BANK

The quorum prescribed by the Statutes of the Bank not having been present or represented at the Annual General Meeting convened for Tuesday, the 25th June, 1940, NOTICE IS HEREBY GIVEN (pursuant to the Statutes) that a further General Meeting of Shareholders will be held on Wednesday, the 17th day of July, at Winchester House, Old Broad Street, London, E.C.2, at 12.30 p.m., to receive a Report from the Committee with the accounts for the year ending 31st December, 1939, to propose a dividend and to replace the retiring Members of the General Committee.

By the 31st Article of the Statutes, members present or represented at this second Meeting can validly transact the above business, whatever may be their number or the number of shares they represent. To be entitled to form part of the Meeting, members must deposit their Shares at the Chief Office of the Company, Istanbul, or at any of the several Branches or Agencies abroad (in London at 26 Throgmorton Street, E.C.2) eight days at least before the day fixed for the Meeting.

W. STEWART McKIM,

Secretary to the Committee.

London, 28th June, 1940.

ECONOMIST BINDING CASES

Attractive binders to hold three months' issues of *The Economist* are still available.

These binders have no wires, clips or metal contrivances so that each issue can be bound in an instant for permanent reference. Reading Cases to hold two issues, and made on similar lines, are also available.

Both are bound in full cloth (blue) and lettered in gilt. The price of the Binder is 5s. 6d. post free (Overseas 6s. 6d.) and of the Reading Case 4s. post free (Overseas 4s. 6d.).

from

THE ECONOMIST

8 BOUVERIE STREET, LONDON, E.C.4

THE BUDGET

The past financial year has cut across both peace and war conditions. Five months were spent in the twilight of intensive re-armament, seven in the deeper twilight of a "quiet" war. The rate of expenditure even at the end of the year did not approach the maximum which will be required in the next few years. In 1939-40, ordinary revenue brought in £1,049.2 millions, and money was raised by debt creation to the extent of £778.5 millions gross. Against this, total expenditure was £1,821 millions, a sum which includes issues under the Defence Loans Act and also sinking fund payments, but not miscellaneous issues for special purposes of about £7 millions. The main figures and facts of the national revenue, and of expenditure, are described below. The comprehensiveness of this year's Budget Supplement is, however, affected both by the secrecy that necessarily surrounds many forms of expenditure and also by the delay in publishing certain documents, notably the annual report of the Inland Revenue.

Revenue

For the first time since 1931 it was necessary last September to follow up the April Budget with a special War Budget of exceptional severity, designed not only to make a small additional contribution to the total cost of war, but also to make good reduced yields caused by the country's change-over to a war economy. In the April Budget, it was expected to raise in all £15.3 millions more than in 1938-39. The yield from existing taxation was put at £4 millions lower, but increased rates added £24.3 millions. A sum of £3,969,000 more was expected from inland revenue, £8,492,000 more from customs and excise, and £7,842,000 more from motor duties. Against this, a reduction of £4,990,000 in non-tax revenue was assumed. In addition to higher surtax and estate duty, sugar, tobacco and motor duties imposed by the April Budget, it was decided soon after to levy a new tax, Armament Profits Duty. This A.P.D. was withdrawn in the September Budget in favour of an Excess Profits Tax. At the same time, income tax and beer, wine and spirits duty were raised, and surtax, estate duty and sugar and tobacco duties were increased for the second time in 1939-40. (Details of the changed duties are given below under separate headings.) On the other hand, the curtailment of peace activities was expected to reduce the yield of pre-war taxation by £54.3 millions. Finally, the net result of the two Budgets was expected to be an increase (as compared with 1938-39) of £67.9 millions, made up of £58.5 millions more from inland revenue, £31.9 millions more from customs and excise, but £13.6 millions less from motor duties and £8.9 millions less from non-tax sources.

In the event, ordinary revenue collections in 1939-40 exceeded the War Budget estimate by the substantial sum of £54 millions, while the excess over 1938-39 receipts is £121.9 millions. This satisfactory outcome, however, is due mainly to indirect taxation, for customs and excise duties provided £27.6 millions more than the September estimate, while the sharp fall in the yield from motor duties did not fully materialise.

Details of Exchequer receipts in 1939-40 and certain earlier years are given in Table 1, while in Table 3 we show the proportions from direct and indirect taxation. Direct taxes are taken to include all inland revenue duties except stamps, and indirect taxes comprise all customs and excise duties, stamps, and motor vehicle duties.

CUSTOMS AND EXCISE

DURING 1939-40 these duties produced an unexpectedly good yield, for receipts of £400.0 millions were in excess of final Budget estimates by £27.6 millions, of original estimates by £51.3 millions, and of 1938-39 receipts by £59.5 millions. The changes brought by war conditions and taxation do not allow an estimate to be formed as to which items have contributed to this high return.

Broadly speaking, the April Budget had assumed that consumption of dutiable goods would be on a similar level to 1938-39. A small reduction in yield was expected from import duties owing to the Anglo-American trade agreement, and from sugar owing to a better British crop, but some increase from tobacco was anticipated. On the other hand, higher duties (mainly from tobacco and sugar) were

estimated to bring in a further £11 millions in 1939-40. Then the War Budget allowed for a decrease in yield of £6.9 millions on the basis of April taxation, and for an increase of £30.6 millions (or £66.6 millions in a full year) from further additions to tax on tobacco, sugar, and beer, etc.

Tobacco duties were increased in both Budgets by 2s. a lb., or 1½d. an oz., on each occasion, and are now 13s. 6d. a lb. at the full rate. The sugar tax has also been raised twice, by 2s. 4d. a cwt. at the full rate in April and by 9s. 4d. a cwt. (or 1d. a lb.) in September, making the rate 23s. 4d. The beer duty, which had remained unaltered since the reduction of April, 1933, was raised in September by 24s. a bulk barrel, or 1d. a pint, making the present excise duty 48s. At the same time, the basic duty on spirits was increased by 10s. a proof gallon, and wine duties were advanced, in most cases by 50 per cent. (Duties on tea and petrol were last altered in 1938-39.)

Some details of receipts and amounts consumed in 1938-39 are given in Tables 2 and 4. Increased duties (2d. a lb. on tea and 1d. a gallon on oil and petrol) in the April, 1938, Budget, rather than a rising trend of consumption, were responsible for the increase over 1937-38. The demand for petrol rose normally in spite of the advance in duty; tobacco consumption continued to increase. The apparent rise in tea consumption, however, is believed to be entirely due to forestalments. Some decline in receipts from import duties arose from the trade recession.

INLAND REVENUE

THE yield from the main items in this group of taxes in 1939-40 was very close to the revised estimates presented in the War Budget. Exchequer receipts of £582.9 millions exceeded revised estimates by £4.2 millions, original estimates by £58.7 millions and 1938-39 receipts by £62.6 millions. It had been expected in September last that inland revenue receipts in 1939-40 would fall by £22 millions on the basis of April taxation, but that increased taxation would bring in £76.5 millions, or £160 millions in a full year assuming a standard rate of income tax of 7s. 6d. and excluding E.P.T. Death duties and N.D.C. yielded between them £4.2 millions more than estimated in 1939-40, other inland revenue duties being in accordance with expectations.

Income Tax.—Exchequer receipts from income tax during 1939-40 were £390.1 millions, or just over the revised estimates, and £54.2 millions more than in 1938-39. No changes in income tax, either in the standard rate or in allowances, had been made in the April Budget, which, in view of the industrial recession of 1938, estimated 1939-40 receipts at £327 millions, or £8.9 millions less than in 1938-39. A further loss of £7 millions was expected in the September Budget, but increased taxation was estimated to bring in a further £70 millions during 1939-40, and this expectation was realised. The War Budget raised the standard rate from 5s. 6d. to 7s. (regarded as the average of 5s. 6d. for the first quarter and 7s. 6d. for each of the other three quarters), and the reduced rate payable on the first £135 of taxable income from 1s. 8d. to 2s. 4d. This Budget took the unusual step

of proposing changes in income tax for 1940-41, proposals which, of course, cannot be regarded as final. On the basis of a 7s. 6d. standard rate, half the standard rate on the first £165 (instead of one-third the standard rate on the first £135) and lower earned income and other allowances, a further £146 millions over the yield at the 5s. 6d. rate and corresponding allowances is estimated. Standard rates in force since the last war and recent changes in the allowances are set out in Tables 5 and 6. Also the incidence of taxation at various levels is shown in Table 7. The Crisis Budget of 1931 initiated a policy of relief to small incomes which has, broadly speaking, continued. Proposals for 1940-41 represent a reversion to the pre-1931 basis of an earned income allowance of one-sixth and a relief of half the standard rate for the first portion of income.

The year 1937-38 is the latest for which details of income-tax receipts are available. In that year gross income, before any kind of deduction, was £3,800 millions. Exemptions accounted for £115 millions, and various depreciation, repairs and other reductions for £635 millions, leaving an actual income of £3,050 millions. After personal, earned income and similar allowances, there remained a taxable income of £1,440 millions, and the average effective rate of tax on each £1 of actual income was 2s. It was estimated in 1937-38 that there were 8,800,000 persons with incomes above the £125 exemption limit, and that of these 5,150,000 were entirely relieved by the operation of allowances.

Sur-Tax.—In 1939-40, receipts of £69.8 millions from this source were practically up to final estimate, and £7.3 millions more than in 1938-39. Owing to the greater time-lag than in the case of income tax, the April Budget expected a rise in sur-tax receipts of £3.5 millions on the basis of the old taxation, and a further £4 millions from increased rates. The September Budget provided for a fall of £5 millions in the normal yield, but an identical rise from yet another increase in rates.

In the Crisis Budget of 1931, sur-tax rates current for 1929-30 were raised by 10 per cent. After that there was no change at all until last April, when this old 10 per cent. addition was made 15 per cent. for incomes of £2,000-£8,000 and 20 per cent. for incomes over £8,000 (thus making the actual increase in rates 1/22nd and 1/11th respectively). The September Budget substituted a new scale, representing a still further increase. The lowest rate is 15d. (against 13.8d. in April, 1939, 13.2d. in September, 1931, and 12d. in 1930) on incomes of £2,000-£2,500, while it is 5s. on the £6,000-£8,000 slice, and the maximum, on incomes in excess of £50,000, is 9s. 6d.

No official figures are available of the distribution by amount of the lower incomes, but Table 8 shows the income distribution of sur-tax payers.

TABLE 1.—REVENUE (Exch. receipts)—£ millions

	1913-14	1929-30	1936-37	1937-38	1938-39	1939-40
Customs.....	35.5	119.9	211.3	221.6	226.3	262.1
Excise.....	39.5	127.5	109.5	113.7	114.2	137.9
Total	75.0	247.4	320.8	335.3	340.5	400.0
Income Tax.....	43.9	237.4	257.2	298.0	335.9	390.1
Sur-tax.....	3.3	56.6	53.6	57.0	62.5	69.8
Estate, etc., Duties.....	27.4	79.8	88.0	89.0	77.4	77.7
Stamps.....	10.0	25.7	29.1	24.2	21.0	17.1
Nat. Defence Contribution	...	...	...	1.4	21.9	26.9
Other In. Rev. (inc. E.P.T.)	3.4	3.2	1.7	1.7	1.6	41.3
Total Inland Revenue	88.0	402.7	429.6	471.3	520.3	582.9
Motor Vehicle Duties†	...	26.8	32.7	34.6	35.6	34.1
Tax Revenue.....	163.0	677.0	783.1	841.2	896.4	1,017.0
Crown Lands.....	0.5	1.3	1.3	1.3	1.3	1.3
Sundry Loans.....	1.6	32.6	4.6	5.2	5.7	4.9
Miscellaneous.....	2.3	36.4	24.6	13.5	12.9	20.4
Post Office, Net Receipt, & Fund.....	6.2	9.0	11.1	11.3	10.9	5.6
Non-Tax Revenue ...	10.6	79.3	41.6	31.3	30.8	32.2
Total Ordinary Revenue†	173.6	756.3	824.7	872.5	927.2	1,049.2
Self-balancing Revenue:— Post Office and Broad-casting.....	24.6	58.9	71.9	76.1	79.0	83.1
Total Revenue	198.2	815.2	896.6	948.6	1,006.2	1,132.2

† Including Road Fund revenue self-balancing until 1936-37 inclusive
‡ In 1939-40, E.P.T. yielded £40,000.

National Defence Contribution.—The year 1939-40 was the first in which this tax was estimated to produce a full year's revenue. Exchequer receipts of £26.9 millions were £1.9 millions above estimate (which was not, like most other estimates, revised in the course of the year) and £5.1 millions more than in 1938-39. Details of assessments in 1938-39 are not yet available. Intended originally as a special tax for the pre-war armaments programme, and imposed for the five years from April, 1937, this tax in its relationship with E.P.T. or other war taxation will no doubt be reviewed before long, and meanwhile N.D.C. or E.P.T. is payable, whichever is the higher. The N.D.C. in actual operation, in contrast with the first version consisting of a tax on growth of profits, is a flat rate on profits irrespective of what they may have been in the past, and E.P.T. is therefore not a complete substitute.

Excess Profits Tax.—The principle of a tax on growth of profits, contained in the old E.P.D., in the abortive first version of N.D.C. and in the repealed Armament Profits Duty, has now become operative. E.P.T., introduced in the War Budget, is a flat rate of 60 per cent. of the excess of business profits over those earned in 1935, 1936, or the average of the years 1935 and 1936 or 1936 and 1937, the standard being at the taxpayer's option. Alternatively, companies in a developing or depressed stage in the standard years may apply for a standard sufficient to cover fixed charges and preference dividends plus 6 per cent. on ordinary capital. Professional earnings are exempt, and there is an absolute minimum standard of £1,000 or £750 per working proprietor up to a total of £3,000. For E.P.T. purposes, profits are computed on an income-tax basis, with the further deduction of debenture interest, while for income-tax (but not N.D.C.) purposes, E.P.T. is allowed as an expense. The A.P.D. proposed last summer, and since repealed in favour of E.P.T., was on similar lines, but referred only to profits on armaments contracts (including those for the supply of certain commodities), and not to general business profits.

No estimate has yet been made of the yield from E.P.T., and it has, of course, produced only a nominal amount in 1939-40. While a large yield can be undesirable in so far as it implies an inflationary rise in profits, this tax can be a very important source of income. Thus in 1919-20 the 80 per cent. E.P.D. then in force produced £290 millions, or 29 per cent. of that year's tax revenue.

Death Duties.—These duties provided £77.7 millions in 1939-40, or £2.2 millions more than the latest estimate, and some £290,000 more than in 1938-39. The original estimate for 1939-40 consisted of £77.0 millions on the basis of the old taxation (or about the same as

TABLE 2.—CUSTOMS AND EXCISE DUTIES—NET RECEIPTS (£ thousands)

	1913-14	1929-30	1935-36	1936-37	1937-38	1938-39
Spirits.....	23,976	42,599	34,917	36,214	35,849	35,663
Beer.....	13,655	77,151	60,798	62,689	65,740	65,581
Wine.....	1,152	4,881	4,632	5,148	4,989	4,825
Tea.....	6,499	43	4,082	7,818	7,341	10,851
Cocoa.....	341	689	1,015	1,061	870	1,101
Sugar, etc.....	3,329	13,549	11,623	12,220	11,873	12,955
Tobacco.....	18,284	62,794	74,994	77,336	82,821	84,818
Matches and mechanical lighters.....	...	4,170	4,209	4,337	4,377	4,367
Hydrocarbon oils, etc.....	841*	15,042	45,129	47,801	50,188	58,133
Entertainment duty.....	...	6,696	7,806	7,572	7,985	8,154
Liquor licences, etc.....	4,517	4,587	4,359	4,567	4,812	4,836
Other revenue duties†	2,633	3,210	3,063	3,156	2,980	3,086
Total revenue duties	75,227	235,411	256,627	269,919	279,825	294,370
Silk and artificial silk... "McKenna" duties.....	...	6,243	5,731	5,942	6,297	5,827
Other protective duties‡	...	3,692	2,522	2,812	2,812	1,961
Import Duties Act, 1932.....	...	2,637	879	1,535	4,752	4,665
Ottawa duties.....	...	24,661	27,754	29,682	25,281	25,281
Duties on Eire goods....	...	8,118	7,643	8,089	8,123	8,123
Total protective duties	...	12,572	47,193	50,108	55,813	46,183
Grand total	75,227	247,983	303,821	320,027	335,638	340,553

* Motor spirit duty, repealed 1921. † Including British wine, table waters, cider and perry, coffee and chicory, dried or preserved fruits, railway passenger duty, patent medicines, other licences, and miscellaneous. ‡ Safe-guarding, abnormal importations, hops, and (1936-37 onwards) beef and veal.

1938-39), plus £3 millions from increased rates on the larger estates. Another £1½ millions from further increases in rates in September, however, was expected to be offset by a drop of £6 millions in yield owing to the decline in Stock Exchange and other values.

Estate duty is another example, with surtax, of two increases in one year after a long period without changes in rates. The April Budget increased the rates of duty on estates over £50,000 by 10 per cent. The September Budget then altered this 10 per cent. increase to 20 per cent. and raised the rate of duty on estates in the £10,000-£50,000 class by 10 per cent. Thus there is no change for estates under £10,000; in the £10,000-£12,500 class the duty is now 5.5 per cent., and it rises to 60 per cent. (against 55 per cent. in April last and 50 per cent. since 1930-31) on estates over £2,000,000.

In 1937-38, the latest year for which details are available, the gross capital value of all property was £639.9 millions, of which Stock Exchange securities accounted for 54.6 per cent., house property and business premises 13.2 per cent., cash and insurance policies 13.4 per cent. Legacy and succession duties account for roughly £10 millions a year out of the death duties total.

Stamp Duties.—In April last these duties were estimated to bring in £21 millions in 1939-40, or about the same as in 1938-39. Then in September a reduction of £4 millions was expected owing to the curtailment of normal financial activity, and the revised estimate was exceeded slightly, by £70,000. The latest stamp receipts, in fact, are identical with those of the depressed year

TABLE 3.—DIRECT AND INDIRECT TAXES

	Direct £ millions	% of Total	Indirect £ millions	% of Total
1913-14.....	78.0	47.8	85.0	52.2
1929-30.....	376.9	55.6	300.0	44.4
1935-36.....	379.1	51.3	359.8	48.7
1936-37.....	400.5	51.1	382.6	48.9
1937-38.....	447.1	53.2	394.1	46.8
1938-39.....	499.3	55.6	397.1	44.4
1939-40.....	565.8	55.6	451.2	44.4

TABLE 4.—CONSUMPTION OF MAIN DUTIABLE ARTICLES (In millions)

	1929-30	1937-38	1938-39
Dutiable spirits..... proof galls.	12.2	10.5	10.4
Beer..... standard barrels	20.7	18.7	18.7
Tea..... lb.	401.7*	422.7	438.1
Sugar: refined equivalent...cwt.	36.8	43.5	43.0
Tobacco..... lb.	151.5	187.9	192.0
Artificial silk—home-made... lb.	56.9	156.8	142.1
Light hydrocarbon oil..... galls.	903.0	1,350.2	1,393.0
Heavy oil (road fuel).....galls.	...	69.3	92.1

* 1928-29.

† Quantities produced, including waste.

TABLE 5.—INCOME TAX STANDARD RATES IN £

Years	Rate	Years	Rate
1913-14.....	s. d. 1 2	1932-34.....	s. d. 4 6
1916-18.....	5 0	1934-36.....	4 6
1918-22.....	6 0	1936-37.....	4 9
1922-23.....	5 0	1937-38.....	5 0
1923-25.....	4 6	1938-39.....	5 6
1925-30.....	4 0	1939-40*.....	7 0
1930-32.....	4 6	1940-41*.....	7 6
1931-32*.....	5 0	(proposed)	

* As raised in September Budget.

TABLE 6.—INCOME TAX ALLOWANCES

Allowance	Years ended March 31			
	1938	1939	1940*	1941*
Personal: Single.....	£100	£100	£100	£100
Married.....	£180	£180	£180	£170
Each child.....	£60	£60	£60	£50
Earned income: Proportion.....	1 5th	1 5th	1 5th	1 6th
Maximum allowance.....	£300	£300	£300	£250
Fraction of standard rate charged on first part of taxable income.....	1 3rd on £135	10 33rds on £135	1 3rd on £135	One-half on £165

* According to Budget of September, 1939.

1931-32. In 1938-39 stamps on stock and share transactions and company capital duty provided £6,529,000, or 31 per cent. of the total of £21,115,000, against 47 per cent. in the recent peak year 1936-37.

Motor Vehicle Duties.—Satisfactory receipts from this source form one of the main features of the national revenue in 1939-40, considering the supposed severity of wartime hindrances to motoring. On the basis of old taxation, it was expected in April, 1939, that receipts in 1939-40 would be £37.2 millions, or 4½ per cent. more than in 1938-39. But a rise in taxation from 15s. to 25s. per h.p. for vehicles of over 6 h.p., with a corresponding increase in other classes, was expected to bring in £6½ millions in 1939-40, or double that sum in a full year. The War Budget then reduced the estimate of receipts from £43.5 to £22.0 millions, but actual receipts were £34.1 millions. Table 9 summarises the main features of motoring finance as shown in the national accounts.

Non-Tax Revenue.—This is taken to include miscellaneous receipts, Post Office and wireless licence net profits, receipts from sundry loans, and net revenue from Crown lands. Miscellaneous receipts vary widely in amount from year to year, and include repayments and other receipts which are really of a capital nature. They were estimated for 1939-40 at the exceptionally low figure of £10,750,000 in the April Budget, and although this estimate was raised later to £13,650,000, actual receipts were £20,364,000. Out of £12,941,000 received in 1938-39, £3,151,000 was Post Office savings bank profits, £2,662,000 came from the Mint, and most of the

TABLE 7.—INCOME TAX AND SUR-TAX.*

Total Actual Income	1938-39 : Standard 5s. 6d.					1940-41 : Standard 7s. 6d.					
	Single	Married				Single	Married				
		No child	3 children				No child	3 children			
£.	£.	s. d.	£.	s. d.	£.	s. d.	£.	s. d.	£.	s. d.	
300	12	12 6	5	0 0	Nil	28	2 6	15	0 0	Nil	
400	34	12 6	12	12 6	Nil	56	11 3	30	12 6	18	2 6
500	56	12 6	34	12 6	3 6 8	87	16 3	61	11 3	99	1 3
800	122	12 6	100	12 6	51 2 6	181	11 3	155	6 3	161	11 3
1000	166	12 6	144	12 6	95 2 6	244	1 3	217	16 3	505	6 3
2000	414	2 6	392	2 6	342 12 6	587	16 3	561	11 3	1999	1 3
5000	1576	0 0	1554	0 0	1504 10 0	2081	11 3	2055	6 3	5211	11 3
10000	4133	10 0	4111	10 0	4062 0 0	5294	1 3	5267	16 3	38211	11 3
50000	29571	0 0	29549	0 0	29499 10 0	38294	1 3	38267	16 3	38211	11 3

* Assuming all earned income. Maximum addition to tax where income is from investments (and operating at incomes of £1,500 and over) is £82 10s. in 1938-39, or £93 15s. in 1940-41.

TABLE 8.—SUR-TAX INCOME CLASSIFICATION

Income Group	1935-36				1936-37			
	Persons		Total Income		Persons		Total Income	
	No.	%	Amount	%	No.	%	Amount	%
£			£'000				£'000	
2,000-2,500.....	25,076	27	55,937	12	25,213	26	56,380	12
2,500-3,000.....	15,829	17	43,236	9	16,715	18	45,706	9
3,000-4,000.....	18,032	20	62,143	14	19,075	20	65,705	14
4,000-5,000.....	9,949	11	44,251	10	10,568	11	47,068	10
Total 2,000-5,000.	68,886	75	205,567	45	71,571	75	214,859	45
5,000-7,000.....	9,653	11	56,472	12	10,296	10	60,395	12
7,000-10,000.....	5,914	6	48,871	11	6,381	7	52,906	11
10,000-20,000.....	5,025	6	67,660	15	5,460	6	73,791	15
Over 20,000.....	1,914	2	77,775	17	2,042	2	81,788	17
Total	91,392	100	456,345	100	95,750	100	483,739	100

TABLE 9.—MOTOR FINANCE (£ millions)

Years ending March 31	1937	1938	1939	1940*
Petrol and oil duties	47.8	50.2	58.1	±60.7
Motor vehicle duties	32.7	34.6	35.6	34.1
Exch. share of motor duties†	5.3	...	...	...
Issues from Road Fund (Rev. Acc.) ...	28.2	19.4	21.1	26.1
Viz.				
Surplus to Exchequer	5.2	...	...	...
Contribs. to block grants	6.5	...	...	...
Other expenditure (roads, etc.).....	16.5	19.4	21.1	26.1
Receipts by Road Fund†	28.0	15.6	22.2	24.0
Balance in Fund at start	5.8	5.6	1.8	2.8

remainder were departmental receipts. The importance of this class of revenue may well grow during the war, owing to the Government's trading activities. In the April Budget it was expected to receive in 1939-40 some £6,734,000 Post Office profits and £466,000 wireless licence net receipts, and to clear the balance remaining in the Post Office Fund. Rising expenditure in war was then expected practically to eliminate these profits altogether, by reducing the combined Post Office and wireless net receipts to £400,000. Actually some £3,846,000 was forthcoming, and the Post Office Fund provided £1,757,000. The exhaustion of the latter fund and the rising trend of

Expenditure

THE war has made it impossible either to present estimates of certain classes of expenditure or to distinguish properly between civil and war services. Votes of credit are to be the normal method of financing the armed forces, the Ministry of Supply, and a number of civilian departments covering civil defence, agricultural and other war services (Food, Shipping, Economic Warfare, Information, Home Security, plant and building material, and sections of the Ministries of Health and Agriculture), token votes being provided merely to give an opportunity for debate. A vote of credit for £500 millions was granted on the outbreak of war, and another of £700 millions is available for 1940-41, but it is not correct to regard these votes as anything more than a series of payments on account of an undetermined cost of war. Sir John Simon stated in March, however, that expenditure was running at the rate of roughly £4 millions a day for the armed forces and the Ministry of Supply, and £1 million for A.R.P., evacuation, shipping and food services, or £6½ millions all told after including the debt and civil services.

The April Budget had provided for a gross expenditure in 1939-40 of £1,314.9 millions (including expenditure from loans and provision for supplementaries of £397.5 millions in all). Just before the War Budget this gross estimate had been increased to £1,453.3 millions, owing chiefly to further requirements of the army and army supply and to a smaller extent of the Air Force. A vote of credit for £500 millions, less an estimated saving of £20 millions on civil services, raised provision for 1939-40 expenditure to £1,935.4 millions (after allowing for some small supplementaries and adjustments in 1940). Actual expenditure (including issues out of loans, and statutory sinking fund payments) was £1,821 millions. Although a vote of credit cannot be regarded as an estimate, this outlay represents a short-spending which is evidence of some lag in the war effort, and on opening the War Budget the Chancellor had said: "I cannot guarantee that this first vote of credit will be sufficient to cover all our requirements up to March 31st next."

Expenditure in recent years is set out in Table 10, and the relationship between Central Government expenditure and the national income is shown in Table 11. In addition to the expenditure described above, over £7 millions was issued in 1939-40 for special purposes, over half of this being in respect of the Overseas Trade Guarantees Act of 1939. Details of these issues are included in Table 16.

Consolidated Fund Services.—In the 1938 Budget the fixed debt charge was raised, for the first time since 1933, to £230 millions, and no alteration was made in the September Budget. Borrowing for the arms programme has made this sum insufficient to cover all sinking fund requirements in 1939-40, nor does it include interest paid by the defence departments out of their supply votes. Large-scale borrowing for war purposes—not to mention payment of a full year's interest on money already raised since last September—makes it practically certain that the fixed debt charge will be raised again unless the device is carried

Post Office expenditure makes some revision of the relationship between Post Office and Exchequer urgent. With some 9,086,000 licences in force last September but an estimated 1940-41 broadcasting expenditure of £4,500,000 (against an estimated £3,765,000 for 1939-40), broadcasting can no longer be viewed as a source of measurable profit. Receipts from sundry loans (which consist mostly of Suez Canal and Anglo-Iranian Oil dividends) in 1939-40 yielded £4,916,000, against an estimate of £5,000,000, and 1938-39 receipts of £5,699,000. The latter sum included £2,813,000 Anglo-Iranian and £1,699,000 Suez Canal dividends.

further of including part of the charge in the supply service votes. In 1928-29, the original fixed charge was as high as £369 millions, but £57½ millions of this was available for sinking funds, which latterly have been on a much lower scale. Most of the payments to the Northern Ireland Exchequer (£9.5 millions in 1939-40) consist of the due share of reserved taxes, while the 1939-40 increase from £4.8 to £7.3 millions in other Consolidated Fund services reflects the cost for a full year of various Eire services transferred from civil votes after the Eire agreement of April, 1938.

Defence Services.—In the absence of detailed defence estimates for 1940-41, we show in Table 12 the trend of expenditure on the armed forces in recent years. The latest available detailed figures are those in existence just before the outbreak of war. Past expenditure is of course no guide to the cost of the war, nor can it be assumed that the relationship between the different services will be on the same lines as in the past. For the shifting of emphasis between one department and another is perhaps the chief feature, apart from the actual growth of total expenditure, of the arms programme. At one time the Navy took by far the largest share of the defence votes, then the Air Force came to occupy first place, but since last April, when conscription was introduced, the need for training and equipping a large army has directed attention primarily to the Army. Between the April Budget and the war, militia training and general expansion required a supplementary estimate for £79.1 millions, and the formation of the Ministry of Supply (replacing and enlarging the ordnance factories votes) brought a further net addition of £28.5 millions. A supplementary estimate was voted of £39.5 millions for the R.A.F., but apart from a token vote no specific addition was made to navy expenditure between April and September. Civil defence may conveniently be included in total defence expenditure, on the lines of the Financial Statements of April and September, and it has been taken to comprise the six services, central A.R.P. department, essential commodities reserves, emergency hospital and evacuation services, and reserves of merchant ships, agricultural machinery, and plant and building materials. But in the 1939-40 civil estimates, at any rate, there are numerous smaller civilian services which come on the border-line between peace and war services, and in preparation for total war the demarcation between military and civil expenditure is necessarily arbitrary.

Civil Estimates.—Although the broad division between civil and other expenditure can still be seen through publication of the civil estimates as usual, the numerous war services performed by civil departments and the decision not to disclose certain kinds of expenditure prevent close comparison between civil estimates in successive years. Quite apart from financing new war ministries and new war functions of existing ministries through votes of credit, the Ministry of Food in particular has taken over certain peacetime functions. Also, for some years past Class II votes have included increased expenditure on items which belong really to the category of overseas defence. The trend

of civil expenditure must therefore be looked for in details rather than in totals.

Original 1939-40 estimates were £442.5 millions for the civil and revenue departments (excluding civil defence items described above, and broadcasting), Supplementaries for £16.6 millions (of which the largest group was £8 millions for various types of assistance to agriculture) were presented during the year, but on the other hand a saving of £20 millions was expected in the War Budget, thus making final estimates £439.2 millions. Actual expenditure for 1939-40 is not known yet. Estimates for £419.8 millions in 1940-41 exclude livestock and grassland ploughing subsidies (which were estimated to absorb £5,736,000 in 1939-40, and have now been transferred to votes of credit) and also beet-sugar, oats and barley and bacon subsidies, which were estimated at £7,749,000 for 1939-40. On a comparable basis, 1940-41 expenditure may be considered a few millions less than final estimates for 1939-40, the increased cost of pensions being more than offset by reductions in other directions. Civil votes are summarised in Table 13, and are discussed in more detail in succeeding paragraphs.

CENTRAL GOVERNMENT (Classes I, II, III).—Class I, covering central government and finance, remains by far the smallest of the separate groups, and the recent increases in votes are due mainly to Secret Service requirements. Supplementaries and adjustments during 1939-40 increased original estimates by £639,000.

In Class II, supplementaries in 1939-40 required £2,741,000, principally for expenditure in Palestine. The reduction in 1940-41 estimates in the diplomatic and consular services is due to the absence in that year of various special relief grants. Among the Middle Eastern services, Palestine will require £1,381,000 more in 1940-41, and the apparent reduction in the India and Burma vote is now shown to be due to the transfer of defence expenditure (estimated at £3,750,000 in 1939-40) to votes of credit.

Class III votes, now shown in our table after elimination of A.R.P. expenditure, required supplementaries and adjustments of £2,784,000 in 1939-40, consisting mostly of £2,500,000—which is only technically a current expense and which is not repeated in 1940-41—for the Czech refugee fund.

EDUCATION.—Educational progress has been checked by war, and the raising of the school-leaving age has been postponed. Some information on the course of expenditure on education is brought out in Table 14. Figures of average attendance at elementary schools assumed for 1940-41 are not available owing to the war, but the latest figure is 4,392,000 for 1939-40 assumed for the Board of Education's Estimates for that year. Meanwhile the allocation of 1940-41 expenditure is in practically the same proportion as for 1939-40, teachers' salaries being estimated to absorb 59.2 per cent. of total expenditure other than capital items. The slight net increase in the Class IV estimates for 1940-41 is more than accounted for by the cost of pensions.

HEALTH, LABOUR AND INSURANCE (CLASS V).—Pre-occupation with war has not prevented the Government from maintaining or extending expenditure on the social services. Any decrease in the total cost of this class of votes in any one year is more than accounted for by variations in unemployment assistance, and the trend of expenditure which is under control is steadily upwards. Expenditure by the central Government, however, is only an imperfect guide to the gross cost of the social services, for the Ministry of Labour and the National Health Insurance votes depend primarily on the number of persons insured and not on disbursements by the unemployment and health insurance funds. Original Class V estimates for 1939-40 were £172.3 millions, and supplementaries were presented during the year for £1,884,000, chiefly for war services. But it is probable that a part of the saving estimated in the War Budget has been obtained by this Class, and 1940-41 estimates are below the original 1939-40 estimates in spite of the increase in votes for pensions. And actual expenditure in 1938-39 was £5,368,000 below final estimates for that year.

Health.—The greater part of the cost of the Ministry and the Department of Health votes consists of housing grants. In 1940-41, payments to the National Health Insurance Funds are estimated at £6,788,000, against £6,553,000. Other health services (apart from those under the insurance schemes) receive relatively trifling sums from the central Government, the cost being borne chiefly by local authorities.

Labour.—Estimated payments by the central Government under the Unemployment Insurance Acts in 1940-41 show the normal small increase, but the estimated expenditure on benefit through the labour exchanges is about £29 millions, against an original estimate for 1939-40 of £51 millions. A sharp fall in the vote for the Unemployment Assistance Board from £43.9 to £30.0 millions reflects the effect upon employment which is expected in a full year of war, though the former figure is stated before deduction of any saving that may actually have been made in 1939-40. The payment of unemployment allowances through the local exchanges is estimated at £25 millions for 1940-41, against an original estimate of £39 millions for 1939-40, while the costs of administration in 1940-41 recoverable from the Unemployment and the Unemployment Assistance Funds are £3,114,000 and £1,547,000 respectively.

Pensions.—This class of expenditure represents a steadily increasing charge on the Exchequer. Pensions to persons over 70 are expected to absorb £49.8 millions in 1940-41, against £48.7 millions in 1939-40, non-contributory pensions accounting for £13.9 millions of the former figure, and contributory pensions, £35.9 millions. The annual payment by the Exchequer in respect of contributory widows', orphans' and old age pensions shows the statutory increase of £1,000,000 in 1940-41, while the additional payment in respect of voluntary contributors is estimated at £1,550,000 against £1,950,000. Recently, the age at which women whose husbands are 65 or who are insured in their own right become pensionable has been reduced from 65 to 60, but the cost of this concession (say £8 millions a year, rising to £10 millions in ten years' time) is being met for the present by an increase in contributions. On the other hand, additional relief to pensioners in need of assistance is now to be paid by the central Government instead of by public assistance authorities, and a new vote of £6 millions plus expenses is included in the 1940-41 estimates.

TRADE, INDUSTRY AND TRANSPORT (CLASS VI).—The estimated 1940-41 expenditure on Class VI votes is not comparable with earlier years, owing to the altered methods of agricultural assistance brought by the war. Pending legislation, provision for the beet sugar subsidy is held over, and will in any case be made by the Ministry of Food. The livestock industry and cattle fund grants have also been transferred to be met from votes of credit, while owing to the adequacy of oats and barley prices, no provision for these subsidies is being made at present other than a trifling remanet payment. During 1939-40 supplementary estimates for £8,166,000 were presented, including £3,394,000 for oats and barley, £3,006,000 for milk supply, and £760,000 for the ploughing up of grassland. Estimates for 1940-41 include £1,920,000, against £3,449,000, for milk. The former sum, however, covers grants up to September 30, 1940, only, and if and when statutory sanction for continued assistance is obtained, supplementary estimates will be presented. Provision for land fertility improvement is practically unchanged at £1,540,000.

There is, however, one major item in the Class VI votes which represents a genuine decrease in expenditure. Roads are estimated to require votes of £16.4 millions in 1940-41, against an original estimate (which has not necessarily been achieved) of £24 millions in 1939-40. It has been decided, broadly speaking, greatly to curtail new schemes but to carry on with work already in progress, and even maintenance and minor improvement expenses are being reduced. Gross Road Fund expenditure of £16.7 millions compares with £26.1 millions originally estimated for 1939-40. The largest reduction is in the year's allocation

Loan, 1940-44, into 2 per cent. Conversion Loan, 1943-45. About a month later it was stated that of the old loan assent to conversion had been received in respect of £236 millions, and £99 millions would be repaid on July 1, 1940, while full particulars were not then available of the £15 millions balance. Finally, after catering first for the small saver and then for the money market, Sir John Simon announced on March 5, 1940, a 3 per cent. War Loan, 1955-59, at par, to the nominal amount of £300 millions plus any small issues "on tap" through the Post Office and savings banks. In the current year, regardless of further war loans, provision will have to be made also for the £100 millions odd of 1 per cent. Treasury Bonds, 1939-41.

Nominal Value.—The latest year for which official details are available is 1938-39, and in Table 15 we show how the dead-weight debt was made up in March, 1939, and certain earlier years. On a comparable basis, the debt can be estimated at about £8,930 millions at March 31, 1940. This sum, it should be noted, includes only £99.2 millions out of the £300 millions 3 per cent. War Loan—the balance is due on April 15th—nor does it allow for repayment on July 1st next of the dissented 4½ per cent. Conversion Loan. By the time of the Budget, therefore, the net total dead-weight debt will be well over £9,000 millions. The way in which the change in the debt during 1939-40 is made up is indicated in Table 16 of the year's transactions, set out in the form of a balanced statement. Treasury bills (shown in Table 18 of the floating debt) account for over two-thirds of the year's increase in debt.

Net Indebtedness.—The real burden of the National Debt is rather smaller than the nominal total indicates. On the one hand, that total omits accrued interest on Savings Certificates, which is charged in the accounts only as repayments are made (and which will grow faster with the

war's fresh impetus to small savings). On the other hand, it includes our external debt (chiefly to the U.S.A.) which is no longer an effective part of our debt since the practical cessation of war debt payments in 1932; and it takes no account of certain financial assets (principally sums due from the Exchange Equalisation Account). In order to present a more correct picture of the debt position, adjustments to the nominal total are set out in Table 17 of net indebtedness. No account is taken of certain physical assets such as Crown lands or public buildings, or of other capital liabilities which amounted to £138 millions at March 31, 1939. These other liabilities consist chiefly of money raised for Post Office purposes, and as they are represented by assets, they can reasonably be excluded.

The Debt Charge.—After a comparatively modest increase in interest required during 1938-39, interest and expenses on the National Debt rose fairly sharply during 1939-40 to £228.6 millions, a sum which includes nothing on account of the £300 millions 3 per cent. War Loan and practically nothing on account of the new issue of National Savings Certificates, but which on the other hand does not allow for any interest saved on the new 2 per cent. Conversion Loan. This 1939-40 total includes £5,787,000 falling ultimately on defence votes and not on the Consolidated Fund, since the defence services pay 3 per cent. on the sums issued to them in preceding years out of defence loans. Interest and sinking fund payments in recent years are shown in Table 19, while Table 20 relates interest to nominal debt. Inevitably there will be a further marked increase in interest charges during 1939-41, but such prospective increase is not serious in relation to the total cost of war. At an over-all rate of interest of about 2½ per cent., an increase in debt of around £3,500 millions could be supported before the interest charge of £326.6 millions in 1919-20 is approached.

Local Authorities

THE year 1936-37 is the latest for which detailed local government accounts are available, and their main features are summarised in Tables 21 and 22. Estimates of rate collections in later years, however, are £176 millions for 1937-38 and £189 millions for 1938-39, and by April, 1937, rateable values had risen to £304.0 millions, or to £310.8 millions (of which a fifth is accounted for by the Metropolitan boroughs) a year later. By now the cost of civil defence has confused the distinction between local and central government services. All figures given here refer to England and Wales only.

In the rate fund services, the normal tendency is increasing expenditure on education and on public health principally, with smaller amounts of increase in other items. The proportion of expenditure represented by loan charges varies widely, of course, between the different services,

and capital expenditure includes repayments (£9.8 millions in 1936-37, against £8.4 millions) as well as the cost of new works. In both 1936-37 and the previous year specific income (consisting of rents, fees, recoupments, etc., and Government grants) contributed about 39 per cent. to total expenditure on revenue account, the balance being met by rates and block grants. Out of rents, fees, etc., of £53.7 millions, £22.4 millions was provided by house rents in 1936-37, while rather over half the specific Government grants of £87.7 millions was for education. In addition to this income on revenue account, £73.1, against £58.6 millions, was raised by loans, and other special receipts of a capital nature were £15.1, against £12.3 millions. Gross loan debt continues to mount, but at the end of 1936-37 it was partly offset by £45.6, against £63.3 millions, standing to the credit of sinking funds.

TABLE 21.—LOCAL AUTHORITIES FINANCE

	£ millions			
England and Wales	1932-33	1934-35	1935-36	1936-37
Income*				
Total on Revenue Acc.*	441.6	461.4	481.2	503.1
Of which rates	146.3	154.8	164.9	172.8
grants.....	120.5	125.0	132.9	135.6
Receipts from loans	80.8	64.8	82.3	101.1
Expenditure*				
Total on Revenue Acc.....	430.3	454.8	470.9	484.6
Of which loan charges	100.0	101.0	100.2	100.7
Total on Capital Acc.....	84.8	80.6	96.8	116.8
Of which sinking funds†..	7.9	8.9	9.0	11.1
Rateable value at start	269.9	285.3	293.6	298.5
Gross loan debt at end	1,393.6	1,421.5	1,451.3	1,481.0
Of which education	75.0	76.4	79.0	73.2
Sewers, etc.	74.8	79.3	81.6	79.3
Housing	466.7	492.4	551.6	560.6
Trading and water	475.6	472.3	475.7	484.5
Others	301.5	301.1	263.4	283.4
Balances in sinking funds, etc.	93.2	99.9	98.7	81.4

* Including Trading Services. † Including repayments.

TABLE 22.—LOCAL GOVERNMENT EXPENDITURE (£ millions)

Purpose	1935-36			1936-37		
	Revenue Acc.		Cap. Acc.	Revenue Acc.		Cap. Acc.
	Total	Loan ch.†		Total	Loan ch.†	
Rate fund services..	350.5	62.9	75.0	361.5	64.2	90.8
of which:						
Education.....	92.2	6.0	6.3	95.0	6.1	8.5
Public health*.....	64.9	11.0	12.5	68.7	11.4	14.7
Housing schemes.....	39.5	31.6	37.9	40.3	32.1	44.8
Poor relief.....	37.8	0.6	1.0	37.2	0.6	1.0
Police.....	23.9	0.2	0.5	24.6	0.2	1.0
Streets.....	48.6	9.1	9.1	50.1	9.2	10.8
Trading Services† ..	125.7	35.2	28.7	133.0	35.7	34.0
of which:						
Water.....	21.0	9.8	5.0	21.8	9.7	6.1
Electricity.....	43.8	13.9	17.1	48.4	14.4	19.5
Gas.....	16.5	2.6	1.6	17.2	2.5	2.1
Transport.....	22.4	3.0	2.1	23.2	3.0	2.9
Special Funds	...	...	35.8	...	...	28.9
of which:						
Sinking funds	...	...	22.4	...	...	17.9

* Including mental treatment. † Loan charges, included in total on Revenue Account. ‡ Plus general corporation estates.

THE ECONOMIST

TRADE SUPPLEMENT

APRIL 27, 1940

The Trend of Business

AFTER the interruption of progress by the dislocation of transport in January and early February, the pulse of industry has tended to quicken. Between February 12th and March 11th the number of registered unemployed in Great Britain fell by 383,000 to 1,121,000. The reduction was widespread, for of all the industries listed in the *Ministry of Labour Gazette* only two—slate quarrying and mining and port transport—experienced an increase in unemployment between February and March. The expansion in business activity has continued during the past month, and the unemployment figures for April are expected to show a further substantial reduction.

There are indications that the problems of increasing the output of military equipment and of stimulating exports are being tackled more vigorously. Thus, early in April, the Mines Department set up a Coal Production Council, whose task is to "promote a substantial increase" in the production of coal. Lord Portal, the chairman of the Council, has already discussed the position with representatives of owners and miners in the principal coal-mining districts. The Control of Iron and Steel (No. 8) Order, which came into force on April 8th, provides machinery for a more efficient distribution of steel. Early in April a census of labour was taken in the engineering, shipbuilding, motor and aircraft industries. Next week negotiations are to take place between the employers and the unions in the engineering industry concerning the employment of women during the war. Again, the enlistment by the Air Ministry of Sir Charles Craven suggests that a determined effort is to be made to speed up the production of aircraft.

So far as exports are concerned, the constitution of the Export Council has been followed by the rapid formation of

Export Groups by a large number of industries. In view of the enormous increase in the excess of the value of imports over that of exports, a vigorous drive to expand overseas sales is now absolutely essential. In March, the adverse balance of trade was again more than twice as high as in the corresponding month last year, and for the first quarter it amounted to £178.7 millions, against £85.1 millions in January-March, 1939. Even if exports were valued on a c.i.f. basis, the adverse balance of trade would probably still show a very substantial increase.

Further progress has also been made in setting free additional resources for the production of munitions for export. Thus, by an Order of the Board of Trade, sales of cotton and rayon piece-goods to retailers during the 5½ months from April 16th to September 30th will be restricted to 75 per cent. of those made during the six months ended September 30, 1939, and those of linen piece-goods to 25 per cent.

The invasion by Germany of Denmark and Norway on April 9th has interrupted our trade, not only with these two countries, but with Sweden and Finland as well. But while the absence of Scandinavian supplies of paper-making materials, iron ore, metals, machinery, chemicals and foodstuffs may cause temporary inconvenience, it is not likely to impair our war efforts. Moreover, the cessation of exports to these countries, while causing temporary dislocation in certain trades, should have no serious consequences, for they consist largely of the kind of goods which can be sent elsewhere. To Germany, on the other hand, the loss of iron ore shipments from Narvik is a very serious matter, as she has no access in winter to alternative sources of supply.

British Industrial Developments

COAL

There was an improvement in coal output during March, when unemployment showed a decline in most districts, and the latest reports suggest that it has continued. Exports, however, showed a decline in March compared with the corresponding month last year, and even their value, at £2,728,000, was £209,000 lower. In South Wales there has been a steady expansion in output, which is now running at about 800,000 tons per week. Lord Portal, the chairman of the Coal Production Council, met representatives of the Welsh coal owners' and miners' representatives on April 15th, when a Joint Committee was appointed to prepare a report on ways and means of increasing output. Similar steps are being taken in other coal-mining districts. The coal-mining industries in Northumberland and Durham have been chiefly affected by the problem of finding alternative markets. In the Sheffield district the supply position has shown improvement, and industrial requirements can now be met without difficulty.

IRON AND STEEL

The most important event in the iron and steel industry was the publication of the Control of Iron and Steel (No. 8) Order on April 8th; this Order substitutes a more efficient system of distribution for the licensing scheme introduced after the outbreak of war. The new scheme was outlined and discussed on pages 688-9 of *The Economist* of April 13th. The Order also provided for an increase in the prices of certain steel products. The decision to suspend the operation of the scheme until May 31st for old contracts and until April 29th in the case of orders placed on and after April 8th has smoothed the path for the change-over. Reports from Scotland point to an improvement in the supply of scrap and other raw materials of the iron and steel industry. In the Sheffield district all materials are operating at capacity. In South Wales the manufacture of corrugated sheets for air-raid shelters has affected the heavy sheet mills, but there has been an improvement in the output of tinplates. Although the limited supply of scrap is hampering steel production, the activity of heavier sections of the industry remains at a high level. Imports of iron ore and scrap rose from £518,000

in March, 1939, to £1,194,000 last month; during the same period the intake of iron and steel increased from £1,172,000 to £2,380,000, but exports fell from £3,204,000 to £3,066,000.

ENGINEERING

The labour problem is becoming increasingly acute; thus, on March 11th only 2.7 per cent. of the total number of insured persons in the various branches of engineering was unemployed. Early this month a census of labour was taken in the engineering, shipbuilding, and motor and aircraft industries, and negotiations between the employers and unions are to take place next week on the conditions of the employment of women during the war. Imports of machinery rose from £2,340,000 in March, 1939, to £2,528,000 last month, but exports fell heavily from £5,104,000 to £3,782,000.

CHEMICALS

Business in the home chemical industry has been quite active during the past month, and there have been increasing inquiries for export. Most industrial chemicals have been in very fair demand, and supplies of some products are still scarce. There has been an increased interest in fertilisers; sodium chlorate, lithopone and formaldehyde are active items. As the output of wood distillation products is limited, demand has exceeded the supply, with rising prices and delay in delivery. Business in coal tar products continues to expand, due partly to the Government arrangements for the use of pitch-cresote mixtures for fuel purposes. The volume of inquiry for pharmaceutical and other fine chemicals has been satisfactory, and increased interest has been shown in the export trade.

FOOTWEAR

There has been some slackening in the flow of civilian orders since Easter, though manufacturers are still busy on old contracts. Leather supplies are adequate in the lighter bends, but it is still difficult to get much heavy leather for the civilian trade. Deliveries of army boots have been speeded up, and capacity is fully engaged until June on the present contracts. An increase in wages in the leather trade became operative this week; piece-workers

obtained an increase of 5 per cent. on existing rates and adult time-workers one of 1d. per hour.

COTTON

Spinning production at the end of March was 80 per cent. of capacity, the same as a month ago, and compares with 60 per cent. a year ago. During the first half of April the amount of fresh business done in yarn and piece-goods was very limited, and it was estimated that the sales were not more than 20 per cent. of production. This hold-up of trade was due to the uncertainty of the revised margins for spinners. As the wages advance to the operatives came into force on April 1st, the delay caused much irritation. However, on April 17th the revised schedules were available. The net margin for spinners shows very little change, but an allowance was made for increased production costs due to higher wages and the levy on raw cotton purchases to provide funds to meet the expenditure of the Cotton Board on research and investigation in foreign markets. There has been no hurry on the part of spinners to accept new contracts, and the decision of the Board of Trade not to allow any purchases of yarn for the home trade for a month has had a detrimental effect upon business. In certain quarters, however, freer buying has taken place in piece-goods for export, most of the orders being for South America, West Africa and the Dominions, and this type of business may expand further. From time to time fairly large Government orders have been given out.

WOOL

The Australian wool clip of 1939-40 is estimated to be nearly 3.4 million bales, probably a record in size. The carryover is expected to be small, as more than 1.6 million bales have already been shipped and 2.5 million bales appraised. The New Zealand clip is expected to equal that of last season, while a moderate increase is almost certain in South Africa. Most wool mills are exceedingly busy, in spite of a shortage of skilled workers, but the supplies of wool and tops for the civilian trade have been so seriously reduced that firms not on Government or export work are working short time. The trade with Scandinavia has come to an end, but there is a fair amount of work in hand for export to neutrals and the Dominions.

JUTE

The invasion of Norway and Denmark by Germany caused prices for both raw jute and Calcutta goods to advance, though the jute trade is likely to be adversely affected by the new phase of the war. Denmark is accustomed to purchase millions of yards

of jute cloth for bacon wrappers each year, while Norway, Sweden and Finland are also important customers. Short time is already being worked in Dundee; immediate further orders for sand-bags are not likely. But the advance in raw jute was not maintained, and prices are down about 30s. per ton from the top points reached last week, while Calcutta goods have also fallen. Full group of Daisee-2/3 is quoted at £35 and Tossa-2/3 at £36 15s. per ton, May/June. No prices have yet been named for new crop Marks, £41 5s. for Lightnings and £38 15s. per ton for Hearts, August/September. Yarns are lower at 4s. 10d. done for common 8 lb. cops, while cloth rates are now at 6.12d. for 10½ oz. 40 in., 5.78d. for 10 oz. and 4.75d. for 8 oz. Calcutta hessians are at 30s. 2d. for 10 oz. 40 in. and 25s. 3d. for 8 oz. June/September.

LINEN

Further Government orders have been allocated for a large volume of yarns and cloth to be delivered over a period of five months. The export trade is being hampered by high prices and shortage of the raw material; the new restriction on the domestic sale of linen goods is likely to check considerably the sale of linen goods from stocks of old yarn. There has been some fall in Belgian flax prices, due mainly to a co-ordinated withdrawal of French and British buying, under the influence of the very high prices demanded by sellers.

RAYON

The industry is working to capacity in spite of rationing of sales of piece-goods to the home market. Export trade is being developed with satisfactory results. Raw material prices are rising and the temporary stoppage of wood pulp supplies from Scandinavia has added another difficulty. Prices of rayon yarns are to remain at present levels until July.

AGRICULTURE

In spite of the late spring, most of the two million acres have now been ploughed and sown, as well as the normal acreage. The increase in work, and the shortage of labour caused mainly by competing employers in rural districts, have led to an intensified demand for members of the Women's Land Army; further volunteers are now required for training. The need for feeding stuffs has eased. The fall of lambs is reported to be high, but mortality is probably above the average owing to the poor condition of the ewes at lambing time. Complaints are still frequent at the long delay in obtaining payments from the various Government departments, both for livestock and for ploughing grants.

Business Developments Overseas

UNITED STATES.—The recession in business activity since the beginning of the year has been as rapid as the previous expansion. Thus, the Federal Reserve Board's index of industrial production, adjusted for seasonal variations, dropped from 128 (1923-25 = 100) in December to 119 in January, 109 in February and 105 (provisional) in March; the figure for last month is the lowest recorded since last August. While activity in the aircraft, ship-building, machine tool and motor industries was well maintained in March, reports from the building, iron and steel and textile trades were disappointing. Retail sales, while showing a downward trend, remained above last year's level. The latest reports, however, suggest that the curve of business activity has been flattening out this month, and there are even signs of improvement here and there. Raw material prices have tended to rise, and there have been indications of a slight improvement in the volume of new orders. The evidence of a coming revival, however, is not yet conclusive.

EUROPE

GERMANY.—Wartime restrictions on civilian industries have generally been tightened up. The process of closing down factories manufacturing civilian goods is gathering momentum as a result of new restrictions on the allocation of raw materials. Industrial activity taken as a whole seems to be increasing. There are many signs that work on the additional capacity to be set up under the enlarged Four-Year Plan is being speeded up, particularly in the coal, iron and steel, and chemical industries. The replacement programme for locomotives and railway rolling stock seems to be well under way. Exceptionally long working hours in the locomotive and wagon industries are reported. The production of munitions and war material is now completely centralised under the new Minister for Munitions, Dr Todt. During March and April several hundred thousand Polish workers were transported to Germany, mainly for work on the land and in the coal-mining industry of the Ruhr area. Enforced rationalisation has created a shortage of semi-skilled workers, and the training of unskilled workers as semi-skilled workers has been made compulsory for all metal factories. The issue of industrial loans has been temporarily stopped. The index of industrial share prices continued to advance, from 116.2 in March (1924-26 = 100) to 119.5 in the second week of April. For the first time since the beginning of the war prices show a definite increase. The index of wholesale prices advanced from 108.4 (1913=100) in February to 109.4 in March, and the index of the cost of living (1913-14=100) from 127.2 to 128.6.

HOLLAND.—Exports remain at a low level, while the value of imports is higher than last year, due partly to the rise in prices. Both import and export trade have now been centralised in one official body, known from its initials as ANIC; this body will co-operate with the British contraband control authorities in securing free passage for certain imports. Exports to Germany of foodstuffs and other commodities will be limited to a certain proportion of the pre-war level. The effects of these new measures on Dutch foreign

trade is still uncertain. The transit trade has come almost to a standstill and a considerable amount of trade with Scandinavia has now been lost. The rise in wholesale prices has been checked, in sympathy with those in American markets. The Netherlands Bank has now revalued its gold by 22 per cent., so that the gold reserve was marked up by 221.6 million guilders to 1,244.7 million guilders.

BRITISH EMPIRE

CANADA.—The index of the physical volume of business has risen steadily for the past twelve months and reached 138.6 (1926 = 100) in January, compared with 113 in January, 1938. The number of persons on urban and agricultural relief was 30 per cent. smaller in December than in the corresponding month a year ago. Mineral and lumber production is being increased, although shipments of timber have not kept pace with the higher output. Farmers in the Western Provinces are agitating for higher wheat prices, but in quotations at Winnipeg have been fairly steady at about 90 cents a bushel, compared with 60 cents a year ago. The consequent increase in rural purchasing power, combined with the expansion in war industries, provides a very favourable outlook for Canadian business.

INDIA.—The Central Budget is to be balanced, in spite of an increase in expenditure of Rs. 5,74 lakhs, compared with the revised estimates for 1939-40. The petrol duty has been increased by 2 annas per gallon, the excise and import duty on sugar has been raised by 1 rupee per cwt., while an excess profits tax is expected to bring in Rs. 3,00 lakhs. The total expenditure is expected to be Rs. 92,59 lakhs and revenue Rs. 92,54 lakhs. The rise in wholesale and retail prices has been checked since the beginning of the year, and there was a definite fall in prices in February and March. Upcountry trade in textiles remains very slack; production in Bombay has been reduced by the strike, but prices remain low. Imports from Britain are small, as the British price level is too high to be competitive. Working hours in the jute mills have been reduced from 60 to 54 per week, as mills have considerable stocks of both raw jute and of jute goods on hand.

LATIN AMERICA

ARGENTINA.—The poor crops of fine cereals should be compensated by the recent improvement in prices; the maize crop is estimated at some 11 million metric tons, against the 1938-39 crop of about 5 million tons. Prices of maize, however, are low, and rural incomes will be correspondingly reduced. The Government is granting loans to growers to cover the cost of harvesting. Britain continues to lead as a supplier of textiles to Argentina, but high prices and long delivery for British goods are leading to a renewal of competition from other supplying countries and are also encouraging the local manufacturing industry. It is becoming increasingly evident that the United States is the most serious competitor of Britain in the Argentine and other South American markets; the inroads of American goods at the expense of British will increase if British prices continue to rise.

UNITED KINGDOM AND UNITED STATES

		Monthly Average						1939							1940			
Unit of Measurement		1929	1932	1936	1937	1938	1939	Jan.	Feb.	Mar.	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
UNITED KINGDOM (Population, mid 1938, 47,485,000; Area: 95,030 sq. miles; 244,000 sq. kms.)																		
1. Cotton delivered to mills, G.B.	Mill, lb. daily av.	5-27	4-47	5-17	5-43	4-18	5-18	4-4	4-4	4-76	4-21	5-67	5-11	6-27	6-53	5-59	6-52	6-48
2. Postal traffic receipts, daily	Thous. £s	133	133	147	154	155	151	153-5	148-9	151-8	143-9	139-4	141-6	146-1	194-2	139-4	133-0	...
3. Retail trade, Gt. Brit.: Food	Avg. daily sales	...	78	92	100	104	108	98	103	105	103	114	113	108	125	104	107	...
4. " Other merchandise	in 1937 = 100	...	83	95	100	102	105	98	79	86	83	103	106	98	146	100	83	...
5. " Total		...	81	93	100	102	105	98	91	96	94	109	109	103	136	102	95	...
6. Retained imports, value: Food	Thous. £'s	42,441	29,810	30,921	34,099	34,923	31,550	34,099	29,298	34,629	33,779	22,311	29,141	37,868	42,882	42,799	37,070	42,755
7. " Raw materials		23,774	11,740	17,934	23,203	18,112	18,079	18,886	14,166	16,832	19,463	12,408	15,026	22,345	22,174	29,730	32,027	32,640
8. " Manufactures		25,467	12,168	16,452	20,878	17,958	18,997	17,241	16,756	20,882	22,756	12,498	15,261	20,576	19,404	26,008	23,637	29,040
9. " Total		92,589	54,221	65,710	79,492	71,569	70,002	70,974	60,744	73,053	76,609	47,553	59,843	81,243	84,081	101,304	93,266	109,495
10. Domestic exports, value: Food	Thous. £'s	4,555	2,625	2,966	3,232	2,993	2,976	3,123	2,490	3,135	3,269	2,106	2,219	3,555	3,845	3,850	2,920	2,932
11. " Raw materials		6,575	3,634	4,278	5,388	4,744	4,533	4,654	4,268	4,899	4,442	2,894	3,834	4,979	4,581	4,647	4,262	4,142
12. " Manufactures		47,899	23,031	28,410	33,737	30,448	28,121	30,448	30,434	32,664	28,544	17,368	18,035	27,971	30,587	31,751	29,704	33,473
13. " Total		60,779	30,419	36,727	43,466	39,240	36,567	39,480	38,652	41,635	37,077	23,087	24,623	37,360	40,169	41,074	37,402	41,456
14. Registered unemployed G.B.	Thousands	1,212	2,756	1,684	1,413	1,791	1,514	2,039	1,897	1,727	1,232	1,331	1,431	1,403	1,362	1,519	1,504	1,121
15. Per cent. unemployed	%	10-3	21-9	13-0	10-6	12-8	10-3	14-0	13-1	12-0	8-5	8-9	9-3	9-2	9-1	9-9	10-0	7-4
16. Registered at Exchanges, all ages (d)	Thousands	1,276	2,813	1,822	1,586	1,881	1,690	2,133	1,986	1,814	1,293	1,396	1,500	1,478	1,441	1,603	1,586	1,193
17. " London	"	118	306	179	171	226	239	279	262	236	162	243	298	303	287	309	282	239
18. " E. and S. England (m)	"	59	157	94	83	84	76	103	96	84	60	80	97	98	100	179	202	122
19. " S.W. England (p)	"	165	371	178	144	210	153	222	199	178	160	151	136	131	133	171	188	106
20. " Midlands & N. Midlands (m)	"	280	602	304	165	208	151	231	204	183	128	111	112	107	104	125	126	83
21. " N.E. England (m)	"	285	562	374	304	398	309	409	383	359	267	276	277	264	246	260	247	185
22. " N.W. England	"	...	...	179	156	158	139	188	177	167	119	113	120	114	116	121	128	97
23. " Northern (a)	"	...	...	277	246	253	217	289	270	255	187	188	194	186	177	185	184	155
24. " Scotland	"	156	378	277	246	253	217	289	270	255	187	188	194	186	177	185	184	155
25. " Wales	"	116	228	198	151	164	127	174	175	156	103	101	109	111	111	116	121	99
26. " Northern Ireland	"	36	68	67	71	91	76	95	90	87	63	65	69	75	79	84	82	72
27. Industr. disputes, No. days lost...	"	676	541	154	285	110	107	81	116	90	118	73	102	132	36	108	168	165
28. Wage rates, Min. of Labour (b) ...	1929 = 100	100	96	99	103	107	108	107	107	107	107	107	107	107	107	107	107	107
29. Wholesale Prices: Economists'	1929 = 100	100	70-4	79-4	93-5	82-4	76-2	71-3	70-6	72-2	69-0	78-4	83-5	88-2	93-4	96-7	90-0	89-0
30. Other foods		100	72-8	71-2	78-6	68-4	70-4	67-8	69-8	70-0	71-2	77-8	81-2	82-4	92-9	92-8	95-0	94-2
31. Textiles		100	53-4	67-0	73-7	58-6	63-8	57-5	58-0	57-5	58-9	67-9	73-9	78-8	89-4	83-6	83-0	84-4
32. Minerals		100	76-3	88-5	108-4	97-4	100-0	95-3	94-8	95-2	98-5	103-6	104-5	107-5	116-4	116-0	120-2	120-0
33. Total, incl. miscellaneous		100	67-8	78-8	89-3	77-8	80-3	74-9	74-6	75-1	75-8	83-2	90-2	94-0	99-8	99-5	99-5	101-0
34. Cost of Living: Min. of Labour	1929 = 100	100	81-8	83-6	90-7	90-1	92-4	89-6	87-7	87-7	89-6	97-4	100-0	102-0	102-0	104-5	104-5	102-5
35. " Food		100	87-8	89-7	94-5	95-2	96-4	94-6	93-3	93-3	94-6	100-0	103-0	105-5	106-1	108-0	108-0	108-5
36. Industrial securities, Fin. News... July 1, 1935 = 100		102-0	64-0	115-7	110-2	85-6	78-1	78-0	85-2	86-4	86-4	77-5	73-2	74-2	75-3	74-8	80-6	77-6
37. Fixed interest	1928 = 100	96-8	113-6	137-7	128-6	107-6	132-2	70-7	87-0	100-6	102-2	303-9	378-0	447-7	527-2	605-4	892-4	981-7
38. Govt. Revenue, cumulative (e) ...	Mill. £'s	815-0	827-0	896-6	949-7	1018-9	1408-2	868-4	925-4	1018-9	376-6	601-6	681-8	751-0	919-8	1038-1	1148-7	1408-2
39. " expenditure, " (e) ...		362-3	258-5	431-4	479-6	408-4	509-9	473-9	475-7	478-9	518-5	574-9	532-8	528-0	546-5	528-3	531-0	538-2
40. Bank of Eng.: Notes in circ. (d) ...		62-9	81-3	96-2	97-2	103-8	102-8	123-1	106-5	100-9	89-9	100-9	114-0	103-3	101-6	105-0	102-7	109-8
41. " Bankers' deposits (d) ...		55-9	64-0	88-8	98-4	103-2	107-0	83-8	79-2	97-5	110-4	122-4	110-4	105-3	134-4	125-9	124-5	135-4
42. Gov. sec. B'king Dept. (d) ...		...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
43. Clearing Banks		1,738	1,791	2,142	2,210	2,205	2,179	2,148	2,086	2,074	2,162	2,275	2,241	2,257	2,441	2,320	2,366	2,275
44. " Deposits (d)		...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
45. " Cash & bal. with B.E. (d)		194	187	221	227	233	236	240	235	224	224	255	246	236	264	233	238	238
46. " Discounts (d)		229	308	213	278	279	248	250	207	187	272	227	279	344	323	375	341	327
47. " Advances (d)		391	844	839	924	940	959	937	946	958	954	978	976	962	968	964	966	971
48. " Investments (d)		257	348	613	622	611	579	595	587	582	570	574	576	582	580	582	580	582
49. Interest Rates: Bank rate	Per cent.	5-498	3-008	2	2	2	2-24	2	2	2	2-25	3-84	2-80	2	2	2	2	2
50. " Three months' bank bills		5-26	1-87	0-60	0-58	0-62	1-18	0-54	0-53	0-57	1-01	0-47	1-86	1-03	1-22	1-09	1-03	1-03
51. " Day to day loans		4-47	1-61	0-50	0-50	0-50	0-87	0-50	0-50	0-50	1-46	2-59	1-33	0-75	0-75	0-81	0-75	0-75
52. " Yield on 24% Consols.		4-61	3-75	2-94	3-29	3-36	3-76	3-46	3-58	3-61	3-86	4-03	3-87	3-67	3-69	3-49	3-38	3-41
53. Cap. Issues Total (excl. Brit. Govt.)	£ New basis	18,319	7,184	16,299	12,752	8,684	4,504	11,836	5,869	1,725	7,407	350	14,318	1,231	366	41	108	129
54. " (Economist) Of which abroad	£ New " "	7,267	2,153	2,785	2,431	2,979	1,365	3,120	3,426	3,850	1,180	195	217	92	7	94	55	142
55. "																		

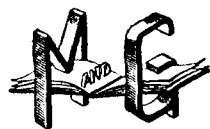
Commodity		Unit of Measurement	Monthly Average						1939						1940			
			1929	1932	1936	1937	1938	1939 (a)	Jan.	Feb.	Mar.	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
COAL																		
1. Production: Belgium	Th. metric tons	2 248	1,785	2,322	2,473	2,465	2,487	2,665	2,357	2,724	2,292	2,409	2,513	2,512	2,373	2,616	2,617	2,630
2. " U.S.A.	"	49,026	27,183	36,761	37,176	29,378	33,272	36,726	34,495	35,284	34,750	38,529	45,550	42,439	37,300	45,870	38,840	35,537
3. " Holland	"	965	1,063	1,067	1,193	1,124	1,072	1,138	1,004	1,195	1,119	974	1,027	1,016	997	1,058	...	...
OIL																		
4. Production: Dutch East Indies	Th. metric tons	437	424	536	605	617	662	648	608	660	677	634	669	654	699	664	...	...
5. " Mexico	"	554	408	511	578	471	528	413	408	449	648	648	462	543	514	492	...	...
6. " Iran (Ang.-Ir. Oil)	"	465	545	628	871	911	866	849	860	927	862	899	881	852	881	881	...	...
7. " Roumania	"	403	612	725	596	550	520	536	497	538	539	516	523	511	520	515	488	...
8. " U.S.A.	"	11,508	8,970	12,550	14,597	13,679	14,254	13,867	12,647	14,446	10,941	14,635	15,451	15,138	15,534	15,308	14,703	...
9. " U.S.S.R.	"	1,206	1,791	2,193	2,307	2,405	2,479	2,332	2,400	2,469	2,483	2,469	2,529	2,443	2,525	2,525	...	...
10. " All Principal Countries	"	17,145	15,048	20,575	23,486	22,686	...	22,838	20,979	23,618	20,596	23,272	23,272	23,272	23,272	23,272	...	...
11. Stocks: U.S.A. end year	million barrels	422	340	288	306	273	238	272	272	273	262	234	230	231	234	238	240	246
12. Price: U.S.A. Mid-Cont. crude	cents per barrel	123.3	81.3	104.6	115.2	110.2	96.0	96.0	96.0	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	265	322	190	259	210	199	225	282	212	261	296	325	322	301	...
14. " U.S.A., ex. castgs.	"	4,596	1,125	3,965	4,192	2,349	3,875	3,226	3,037	3,460	3,824	4,299	5,480	5,380	5,250	5,098	3,969	3,843
15. Price: Pig iron Cleveland No. 3	£ per ton	3.53	2.91	3.70	4.67	5.45	5.03	4.95	4.95	4.95	4.95	4.95	4.95	5.40	5.40	5.40	5.55	5.55
GOLD																		
16. Production: Union of S. Africa	Thous. fine ozs.	888	969	945	978	1,013	1,068	1,031	986	1,018	1,102	1,072	1,102	1,103	1,101	1,106	1,103	1,147
17. " U.S.S.R.	"	96	165	451	417	417	417	417	417	417	417	417	417	417	417	417	417	417
18. " Canada	"	161	254	311	341	341	341	341	341	341	341	341	341	341	341	341	341	341
19. " U.S.A.	"	171	185	311	341	354	359	359	359	359	359	359	359	359	359	359	359	359
20. " World	"	1,632	2,025	2,762	2,898	3,033	3,263	3,033	3,033	3,033	3,033	3,033	3,033	3,033	3,033	3,033	3,033	3,033
21. Price: London, per fine ounce	sh.	84.6	118.0	140.3	140.7	142.54	161.88	149.25	148.49	148.33	150.55	168.00	168.00	168.00	168.00	168.00	168.00	168.00
COPPER																		
22. Production (Smelter) U.S.A.	Th. metric tons	83.2	23.2	55.4	74.2	48.6	62.3	62.7	55.1	56.0	74.2	74.2	74.2	74.2	74.2	74.2	81.5	...
23. Stocks: U.S.A. (b)	"	75.48	31.71	38.45	54.34	289	145	273	280	291	44.73	46.00	46.00	46.00	46.00	46.00	46.00	46.00
24. Price: Std. cash, London (i)	£ per ton	18.11	5.56	9.47	13.17	9.17	10.97	11.03	11.03	11.03	10.26	11.64	12.22	12.28	12.28	12.28	11.95	...
25. " Electrolytic, N. York	cents per lb.	54.1	21.1	30.8	36.0	31.4	38.0	34.7	33.0	34.2	33.2	31.8	35.3	40.5	38.6	42.8	...	...
26. Production: (Smelter) U.S.A.	Th. metric tons	49.7	159.4	155.9	117.0	121.1	53.3	106.3	110.8	110.6	107.2	88.7	97.1	52.7	53.3	53.3	53.3	...
27. Stocks: U.S.A. (b)	"	23.25	11.00	17.60	23.33	15.26	14.69	14.52	14.27	16.75	16.08	16.63	16.63	16.63	16.63	16.63	16.63	...
28. Price: Soft Foreign, London (i)	£ per ton	6.83	3.18	4.71	6.01	5.15	5.05	4.83	4.81	4.82	5.04	5.45	5.30	5.30	5.30	5.30	5.30	...
29. " Pig, New York	cents per lb.	47.3	15.7	37.4	42.1	34.5	40.7	40.2	35.9	40.4	37.1	38.3	45.5	48.5	52.5	51.4	...	...
30. Production: (Smelter) U.S.A.	Th. metric tons	70.1	113.2	40.8	58.8	116.3	59.9	116.4	116.2	116.1	111.4	86.7	65.7	55.8	59.9	59.5	...	...
31. Stocks: U.S.A. (b)	"	24.88	13.58	14.90	22.25	13.98	14.16	13.67	13.67	13.52	14.65	15.00	15.00	15.00	15.00	15.00	...	...
32. Price: G.O.B., London (i)	£ per ton	6.51	2.88	4.90	6.52	5.03	5.11	4.50	4.50	4.50	4.72	6.10	6.50	6.50	6.50	6.50	...	...
33. " prime western, St. Louis	cents per lb.	3.862	1.715	2.006	2.085	2.114	2.265	2.088	2.088	2.088	1.456	2.933	3.916	3.821	3.549	3.549	...	...
TIN																		
34. Production: Bolivia	Long tons	2,993	1,307	2,640	3,315	1,752	2,607	2,199	2,199	2,199	764	1,357	4,338	6,182	3,165	4,987	5,258	...
35. (exports)	"	5,781	2,479	5,567	6,462	3,604	4,662	4,908	4,908	4,908	1,809	10,938	6,426	6,620	8,469	5,781	...	...
36. " British Malaya	"	828	772	1,056	1,365	1,125	1,416	2,069	2,069	1,985	1,253	1,116	1,664	1,471	2,190	...	...	...
37. " Thailand (Siam)	"	15,582	8,257	15,000	17,242	13,392	15,309	15,309	15,309	8,600	9,700	24,000	25,400	19,400	27,600	17,000	...	...
38. " World	"	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
39. " Quota of Restricting Countries	% of std. quanty.	...	42.8	92.5	107.5	53.8	76.2	45.0	45.0	45.0	120.0	120.0	100.0	100.0	100.0	120.0	...	...
40. Consumption: U.K.	tons	2,518	1,542	1,822	2,164	1,524	2,273	1,596	1,419	2,225	2,711	2,989	2,892	3,826	2,269	...	...	...
41. " U.S.A.	"	14,834	2,948	6,304	7,222	4,224	5,939	4,478	4,203	4,857	5,143	4,584	5,143	4,584	5,143	4,584	...	...
42. " World	"	2,820	4,496	5,095	16,592	12,625	13,808	11,300	11,106	13,500	15,000	11,100	13,200	16,500	22,800	22,800	...	...
43. Stocks: U.S.A. (b)	"	27,229	58,427	26,702	36,330	49,414	51,514	51,976	49,479	50,853	34,608	39,398	46,561	50,607	50,407	49,370	...	...
44. World Vis. supply (b)	"	203.9	136.0	204.6	242.3	189.6	226.3	215.6	214.0	215.5	229.9	229.4	230.0	230.0	230.0	230.0	...	...
45. Price: Std. cash, London	£ per ton	45.19	22.01	46.42	54.24	42.26	49.56	46.38	46.38	46.70	48.76	55.88	55.28	52.24	50.81	48.75	...	...
46. " Straits, New York	cents per lb.	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...

GROUP II.—TEXTILES AND CROPS

COTTON		GROUP II.—TEXTILES AND CROPS																
1. Mill deliveries: G.B.	Mill. lb. daily av.	5.27	4.47	5.17	5.43	4.18	5.18	4.4	4.4	4.76	4.21	5.67	5.11	6.27	6.53	5.59	6.52	6.49
2. Consumption: U.S.A.	Thous. bales	587	418	592	619	492	614	598	563	650	628	625	687	719	653	730		
3. Price: Mid. American	d. per lb.	10.33	5.25	6.69	6.37	4.97	5.93	5.19	5.13	5.21	5.27	6.88	6.33	7.11	8.56	8.62	6.15	7.66
WOOL																		
4. Stocks: Australia, S. Africa, N. Zealand, June 30	Million lb.	35	147	47	29	105	55											
5. Price: <i>Wool</i> Wool Chart	1929 = 100	100	48.6	78.4	104.4	69.0	71.4	64.6	64.6	64.6	70.2	70.2	83.5	85.4	85.4	85.4	85.4	113.8
RAYON																		
<i>(i) Continuous Filament</i>																		
6. Production: Italy	Mill. lb.	5.9	5.9	7.1	8.7	8.5	9.2	9.3	8.7	9.8								
7. " Japan	"	2.1	6.3	22.9	27.9	17.4	19.0	15.8	16.7	19.2	19.8	18.9	19.5	18.8				
8. " U.K.	"	4.4	5.7	9.7	10.0	8.9	9.7	8.4	8.3	10.4								
9. " U.S.A. (e)	"	10.1	11.2	23.2	26.0	21.5	27.6	27.2	27.2	27.2	28.0	28.0	30.6	30.6	30.6			
10. Price: Viscose, std. grade, per lb.	pence		77.0	55.5	55.1	54.5	53.7	52.0	51.5	53.5	53.5	53.5	56.0	56.0	56.0	57.5	57.5	57.5
<i>(ii) Staple Fibre</i>																		
11. Production: Italy	Mill. lb.	0.1	0.8	9.2	12.8	14.8	15.0	13.7	12.9	15.2								
12. " Japan	"		0.1	3.8	14.3	31.2	25.6	24.0	23.0	20.5	21.2	19.4	16.7					
13. " U.K.	"	0.2	0.2	2.4	2.9	2.8	5.0	3.4	4.2	5.1	4.3							
14. " U.S.A. (e)	"	0.0	0.1	1.0	1.7	2.5	4.4	3.7	3.7	3.7	5.0	5.0	5.2	5.2	5.2			
15. Price: Viscose, std. grade, per lb.	pence			11.0	10.9	10.0	10.2	10.0	10.0	10.0	10.0	10.0	10.5	10.5	10.5	11.5	11.5	
WHEAT																		
16. World shipments, yr. ended July	Mlns. of bushels	77	67	42	50	45		51	46	49	47	47	46					
17. Price: No. 2 H.W. Kansas C. (h)	cents per lb.	113	51	128	94	68		71	69	69	65	86	83		98			
18. " No. 1 N. Man. Winnipeg (h)	"	125	54	123	131	62		63	63	61	58	69	71	86	101		88	89
TEA																		
19. Exports: Ceylon	Million lb.	21.0	21.1	18.2	17.9	19.6	19.0											
20. " Dutch East Indies	"	13.3	14.5	12.8	12.2	13.2	13.3	12.8	13.4	13.9	15.7	13.1	17.5	17.3	21.4	16.0	17.9	
21. " British India	"	32.0	30.8	26.2	27.6	28.3	27.2	18.2	23.3	7.4	13.0	10.9	14.7	14.2	13.4	12.6	11.0	
22. " World	"	80.6	77.7	70.3	73.5	77.0	76.9	60.6	52.5	51.8	91.7	91.9	80.7	30.2	48.9	38.5	23.3	
23. " Quota of Restricting Countries (f)	% of std. quant'y			82.5	87.5	92.5	95.0	90.0	92.5	92.5	95.0	95.0	95.0	95.0	95.0	95.0	95.0	95.0
RUBBER																		
24. Exports: D. E. Indies	Thous. tons	21.22	17.58	25.81	35.97	24.84	31.04	39.05	25.01	27.93	27.36	37.72	44.79	30.33	23.95	54.15	37.28	
25. " British Malaya	"	38.05	33.80	29.48	39.16	31.08	31.39	24.39	29.28	29.30	40.97	26.91	49.46	35.77	33.23	26.23	45.65	
26. " World	"	72.20	59.05	71.36	94.59	74.58	89.76	87.87	77.29	76.81	92.72	87.75	114.76	85.61	85.45	108.28	112.48	
27. " Quota of Restricting Countries	% of est. cap'city			62.50	83.75	55.00	58.75	50.00	50.00	50.00	60.00	60.00	60.00	75.00	75.00	80.00	80.00	80.00
28. Consumption: U.K.	Thous. tons	6.02	6.50	6.59	9.55	8.91	10.24	9.00	9.33	11.02								
29. " All imp. count.	"	38.3	28.08	47.79	45.3	36.42	48.13	46.23	42.37	50.17	50.48	9.96	10.86	11.77	11.18	11.05	11.02	
30. " Reclmd. in U.S.A.	"	67.12	57.70	85.07	90.62	70.97	89.58	88.44	83.05	94.19	94.87	182.45	95.76	54.32	48.43	54.98	49.84	
32. Stocks: U.S.A. end year and mth.	"	118.6	379.0	223.0	202.2	110.7	15.22	13.00	12.63	15.32	16.85	16.95	18.96	96.52	96.59	87.61	96.13	
33. Price: London, st. sm. sheet	pence per lb.	10.25	2.34	7.75	9.50	7.22	9.00	223.9	217.6	205.9	161.4	150.2	133.4	118.5	118.1	15.58	17.60	17.02
34. " N. Y., 40's, sm. sheet	cents per lb.	20.5	3.4	16.4	19.3	14.6	17.5	15.7	15.9	16.2	16.6	16.6	16.6	16.6	16.6	18.8	18.8	18.8
LINED																		
35. Exports: Argentine	Thous. tons	133	166	122	151	103	104	161	160	173	97	90	50	97	97			
36. Price, c.i.f., Hull; & Plate	£ per ton	18.3	8.5	11.6	12.8	11.7	12.0	10.8	10.9	11.1	12.3	12.3	12.3	14.0	15.7	15.8	15.2	16.1
37. " Calcutta	"	20.3	10.5	13.4	14.8	12.9	13.8	12.6	12.8	12.6	12.7	12.7	12.7	12.7	12.7	12.7	12.7	12.7

Marketability

£4,800,000

received by holders
wishing to realise units*Regular Dividends*

£1,700,000

promptly paid
on due dividend dates

MUNICIPAL AND GENERAL

The Pioneer Group of Unit Trusts

IN GREAT BRITAIN

NINE YEARS OF SUCCESSFUL MANAGEMENT



THE NEW BRITISH FIXED TRUST

THE LIMITED INVESTMENT FUND

THE MIDLAND & SOUTHERN INVESTMENT FUND

THE SCOTTISH & NORTH COUNTRY INVESTMENT FUND

THE FOREIGN GOVERNMENT BOND TRUST

FIRST, SECOND, THIRD AND FOURTH BRITISH FIXED TRUSTS

All open M & G trusts are operated on the
"cash" principle, which has important
advantages for unit holders.



CUSTODIAN TRUSTEE: LLOYDS BANK LIMITED

Municipal and General Securities Co., Ltd.

ESTABLISHED 1906

9 CLOAK LANE, LONDON, E.C.4

THE ECONOMIST

UNIT TRUST SURVEY

CONTENTS

	PAGE		PAGE
UNIT TRUSTS IN WARTIME	3	UNIT TRUST DISTRIBUTIONS, 1935-1940	10
SALES AND REPURCHASES	3	TERMINATION OR CONSOLIDATION?	12
THE "BRITISH GENERAL" EPISODE	4	TOWARDS STRONGER MANAGEMENT	14
DIRECTORY OF UNIT TRUSTS		Pages 7-9	

Unit Trusts in Wartime

THE war has hit all investment business hard and the unit trust movement, with its special insistence upon the merits of a diversified holding of equities for the small investor, has naturally suffered also from two key factors: the war savings campaign and the inferred wish of the authorities to encourage investment in gilt-edged rather than equity securities. The test of the movement's success in the past year, therefore, is whether its defences have proved sound against recurrent crises and war itself. On the whole, the verdict which can be reached in the following pages is not unfavourable. The British General episode, which came to light at the end of June last year, did not cause any general weakening of public confidence. There was no violent pressure to resell units at that time, nor, indeed, on the outbreak of war itself. One of the features of an extremely difficult year for the movement is that, while sales have shrunk to an extremely low level, the volume of repurchases has been even smaller.

War has so far brought no official discouragement to unit trust sales. The authorities appear to take the view (in contrast to their attitude on municipal conversions) that since the sale of units does not involve the creation of new securities, the purchase of underlying securities by the managers will put cash in the hands of the seller for reinvestment in war loans. Yet it may be doubted if the authorities would welcome any extensive publicity for the unit trust movement. A limited number of trusts have, of course, been affected by the two requisitions of dollar

securities. A year ago the Prevention of Fraud (Investments) Bill concluded its remarkable career and was entered on the Statute Book. The outbreak of war has prevented the implementing of many of its provisions, including those relating to the licensing of unit trusts. Officially, the latest date for the receipt of applications by the Board of Trade has been twice postponed—from September 15th last year to March 15th last, and again until September 16th next. Nor is any progress recorded on the question of the form of unit trust accounts, on which a discussion appeared in the Unit Trust Survey of May 13, 1939. Official control is therefore a dead letter for the time being.

In the following pages of this, the Sixth Annual Survey of the Unit Trust Movement published by *The Economist*, these and other matters are discussed in detail. The movement as a whole can still claim that, on balance, it has provided a net addition to Stock Exchange business during the year. That confirms the view, based on earlier experience, that the investor tends to hold his units, having once bought them. But business has now fallen to such a low level that the economics of unit trust management require careful examination if the interests of holders, whose units may have anything up to 25 years still to run, are to be fully protected. The movement's responsibilities, admittedly great when it was developing rapidly, are no less important to-day, when unit trust management has become a depressed industry.

Sales and Repurchases

IN the twelve months to March 31, 1939, the sales of the unit trust movement at least provided bread and butter business for some of the managements. The latest year's sales and repurchase figures, however, are of a totally different order. They show that total sales of unit trusts for the year to March, 1940, amounted to no more than £2,125,000—between one-quarter and one-third of the previous year's revised total sales figure of £7,625,000. The one consoling feature about the past year's business is an appreciable reduction in the value of repurchases from £1,600,000 to £1,175,000. The latter figure represented no more than 1.46 per cent. of the net value of sales outstanding at the beginning of the year, whereas the equivalent proportion for the preceding year was 2.15 per cent. But these repurchase figures, however, are subject to one qualification as an index of the volume of units offered to the managers. Since they are expressed in value terms, account must be taken of variations in prices in estimating changes in the volume of re-sales. It seems

doubtful, however, if the total volume of re-sales to the managers exceeded that of the preceding year.

In compiling the table below, which shows the trend of unit trust business over the past three years, the object has been to compute the total and net cash sums entrusted to the movement by the public. The latter figure, to March 31, 1940, is £81,195,000, compared with a slightly revised total of £80,345,000 to March 31, 1939. This sum, it should be emphasised, is not the current value of unit trust securities now in issue, which would actually represent an appreciably lower figure. The difference is composed of current paper losses on unit trust holdings, net losses resulting from re-sales of units to the managers, and certain losses arising on the termination of six trusts during the past year. It has only been possible to give an approximate estimate of the liquidation value of these trusts of £100,000, which is subject to some margin of error. The remaining figures have been compiled from returns supplied in confidence to *The Economist* by all the

management groups, with one exception. The table follows below:—

UNIT TRUSTS' SALES AND REPURCHASES

	Year to Mar. 31, 1938	Total to Mar. 31, 1938 (79 trusts)	Year to Mar. 31, 1939	Total to Mar. 31, 1939 (96 trusts)	Year to Mar. 31, 1940	Total to Mar. 31, 1940 (96 trusts*)
Cash sales	£12,930,000	£88,000,000	£7,625,000	£95,625,000	£2,125,000	£97,750,000
Cash repurchases	2,620,000	10,550,000	1,600,000	12,150,000	1,175,000	13,325,000
Net cash sales	10,310,000	77,450,000	6,025,000	83,475,000	950,000	84,425,000
Cash value of conversions ..	3,130,000	3,130,000	...	3,130,000	...	3,130,000
Cash value of terminated trusts	...	...	...	...	†100,000	†100,000
Net cash invstd. in unit trusts	7,180,000	74,320,000	6,025,000	80,345,000	850,000	81,195,000

* Of which 6 trusts terminated during year. † Approximate estimate only.

It is plain from such figures as these that unit trust management, in general, must have been a decidedly unremunerative business last year. It is not surprising that, for the first year in a decade, not a single new unit trust was formed in 1939-40. For the majority of the trusts, moreover, it is probable that changes in the total size of their funds, after allowing for repurchases, have been extremely small. It follows, therefore, that where managers are in part remunerated by a percentage charge, either annually or semi-annually, they should have been more successful in covering the inevitable losses on their current business. The sales figures given above, however, do not permit any quantitative estimate of this factor to be made. And even these charges are based, in most cases, on the current value of the trust funds, which has been affected by falling security prices.

Hitherto, the economics of unit trust management have been discussed in terms of the income arising to the managers when a fund is growing. *The Economist* was among the first to point to various methods, such as using Official List prices, rounding-up price adjustments and other "sweepings" by which managers could supplement their income. Such fields become virtually closed as soon as the movement ceases to sell any appreciable volume of new units, and managers are then forced to rely largely on dealing in, or closing down, existing units.

At this point, it is probably convenient to set down the obligations of unit trust managers with regard to dealing. They hold themselves out, in the case of an open trust, to sell units on the basis of the cost of acquiring the underlying securities, plus Stock Exchange and other charges, the service charge, and a fractional amount to round-off the price, usually to the next 3d. multiple. At the other end of the scale they undertake to repurchase units from holders on the basis of the realisable value of the underlying securities, after deducting charges and an amount to round-off the price to the next lower 3d. multiple. Between the offered price on an open basis—the first case

—and a bid price on a closed basis, there may be a gap of as much as 2s. 6d. or 3s. for a unit priced at about £1.

So long as a trust is open, the offered price, which is based on the replacement value of the underlying securities, usually forms the basis for the bid price at which managers are prepared to repurchase the units—usually at a turn of, say, one shilling below the offered price. If, at a later stage, the trust is closed, the price will be adjusted to a bid price corresponding to the realisable value of the underlying securities. Hence, if on the closure of a trust, the managers decide to maintain a two-way market in closed units, they would quote, in addition to the bid price, at a dealing turn of, say, one shilling per unit. Taking as a typical example a £1 unit at the open price, the corresponding bid price on a closed basis would be, say, 17s. If a two-way market in closed units were maintained, the closed offered price might be, say, 18s. The relation of these prices demonstrates what is still rarely appreciated among unit trust investors—that it is sometimes possible to buy units in a closed trust from the managers at less than the cost of acquiring the underlying securities, and without any initial service charge. During the past year the number of closed trusts has grown from 36 to 49, and the number of units which are now consequently priced on a bid basis has thus increased. With the fall in security prices, however, many typical units in which business started around 20s. have fallen, for example, to 14s. or less. In such circumstances the maintenance of a dealing turn of one shilling in the case of an open trust would bring the bid price closer to the liquidation value, and in actual fact some managers have widened their price margins in order to bring about a closer identity between the bid price and the liquidation value of the units. Such managers are obviously left with a satisfactory dealing margin.

Moreover, within the range between the open offered price and the closed bid price the managers have almost complete discretion. Most groups would normally buy back units in any open trust in moderate amounts at the quoted bid price. For larger blocks of units offered back to them, they would normally scale the price down by stages so that a selling order of, say, 5,000 units might be carried out at five different prices with a margin of 3d. per unit between each. The managers, of course, can only afford to maintain a limited book in their units, and if they find that repurchases are increasing in volume they will attempt to offset such offers by reducing the bid price, and to encourage new purchases by reducing the offered price of the units below the replacement figure. For closed trusts, a further source of small profits to the managers may arise on liquidation, from the price adjustment and from realising the underlying securities at slightly more advantageous prices than are employed in pricing the units. But by far the greatest incentive in "unwinding" a closed trust lies in the release of the proportion of escrow funds which had previously been set aside for the full life of the trust.

The "British General" Episode

IN June last year it became known that the British General Fixed Trust, Limited, was in financial difficulties. This company, which had a paid-up capital of £10,000 in preference shares, £75 in ordinary, and £25 in "A" ordinary shares, was responsible for managing the British General "A," "B" and "C" trusts, and also First Recovery. Of these trusts, the General Accident, Fire and Life Assurance acted as trustee for the British General trio, and Martins Bank for the First Recovery. As a result of negotiation, in which members of the Unit Trusts Association were closely concerned, the management of these four trusts was taken over by National Fixed Investment Trust, Limited. Three trusts under the management of Improving Securities Trust, Limited (an associated company of the British General), were taken over by the Allied group—namely, Capital Securities, British and American Securities and Commodity Share Trust. Specialised Unit Trusts, Limi-

ted, which also had connections with the British General company, continues to manage the Trust of Rubber and Tin shares, while the other trust formerly under its control, the Gold Share Trust, has been terminated.

The case at least demonstrated that the safeguards provided by the vesting of underlying securities with a trustee were completely vindicated. Defalcations occurred, but they involved the management company's funds, and not the assets of the unit holders. The investor was accordingly protected against loss, except of an incidental character arising from the lowering of prices and, possibly, the subsequent termination of certain of the trusts concerned.

But that fact cannot be allowed to obscure certain other issues which were raised at the time in *The Economist*, and which did not receive any public answer. It is an open secret that, in arranging the transfer of the trusts to the care of the National and Allied groups, members of the



UNIVERSAL SECOND UNIT TRUST

Certificates

provide an investment which combines wide spread with good income yield.

The investments of the Trust are spread over a wide range of securities of

LEADING INDUSTRIAL CONCERNS

and Trustee securities. The portfolio may, subject to the limitations set out in the Trust Deed, be varied by selection of securities from a list of some 320 permitted companies and from Trustee investments and such other investments as may, subject to the Trust Deed, be added by the Managers.

LONG TRUST PERIOD: The Trust period will expire in July 1954 but sub-unit holders will have the option, subject to the agreement of the holders of a certain minimum percentage of sub-units as defined in the Trust Deed, to renew the Trust for a further 16 years. Thus the effective period may be 32 years in all.

The gross annual yield based on the actual dividends paid during the past year on the securities constituting the present portfolio and at a price of 16s. 3d. per sub-unit (the price on 30/4/40) would be approximately

£5 : 9s. : 2d. PER CENT.

This yield is not fixed and is stated only as an indication of the return obtainable during the past year on the investments which form the present portfolio of the Unit.

The offered price of these sub-units on 30th April 1939 was 16s. 3d. and the offered price on 30th April 1940 is 16s. 3d.

TRUSTEE: NATIONAL PROVINCIAL BANK LIMITED

Copies of the Booklet, on which all transactions are based, may be obtained from any Bank, any Stockbroker, or by writing direct to the Managers:

COMMERCIAL FIXED TRUST LIMITED

Member of the Unit Trusts Association,

125, Pall Mall, London, S.W.1

Telephones: Whitehall 4657 (4 lines).

Telegrams: Comfix, Piccy, London.

Unit Trusts Association actually undertook a liability, which is being met collectively. For this action, which is undoubtedly in the larger interests of the movement, they deserve the thanks of unit holders in the trusts concerned. But although the episode did not imperil the main security of unit holders in these trusts, it did suggest the possibility of certain weaknesses in their previous management. The announcement on behalf of the managers referred to "insufficient financial resources" as a reason for transferring the operation of the trusts into stronger hands. But throughout the period of rumour, statement and negotiation early last July, no information was furnished regarding the adequacy, or otherwise, of the escrow funds which the managers had built up and deposited with the trustee for the future management of the transferred trusts. Such escrow funds, as *The Economist* then pointed out, were specifically intended to cover just those contingencies which had arisen in the British General case. Our Unit Trust Surveys of the preceding three years had recorded the statement, offered by the managers, that provision had been made for the future management of British General "A" and "C" and First Recovery and had been deposited with the trustees (Martins Bank) on each distribution warrant that escrow funds still in hand were sufficient to cover full management and trustee services for the life of the trust. The position for the British General trusts was less explicit, to judge by the trust deed of British General "A." But the importance of creating an adequate escrow provision, even if it was not fully appreciated in June, 1934, when this trust was formed, had certainly been well ventilated in subsequent years.

The conclusion which is suggested by the terms on which the British General trusts were taken over by new managements points to the possibility of some defect in the escrow arrangements, at least for certain of the trusts. Trustees normally hold escrow funds, in which they themselves have a future interest for services over the life of the trusts for which they act. But they also have some implicit

responsibility towards unit holders for ensuring that the deposited funds are adequate for the routine management of the trust, on a closed basis, in the event of any defection on the part of the managers. It cannot be expected that the Unit Trusts Association should step into the breach and co-operate in the management of weak groups on every occasion. And the present economic position of some sectors of the unit trust movement does not suggest great strength on the part of certain managements. It is of the highest importance, therefore, that adequate escrow funds should be vested in the hands of trustees, and there would seem to be some justification for publication of the amounts, in relation to future needs, by individual managements. In the course of nearly ten years, the unit trust movement and trustees should have obtained a fairly accurate idea of the size of an adequate escrow fund, and their problem has been rendered easier, and not more difficult, by the multiplication of annual and semi-annual charge trusts since escrow funds became a matter of public attention. The implications of the British General episode thus have considerable relevance to the present position of the unit trust movement, now that new business has fallen to exiguous dimensions. At present, a number of management groups must be prepared to exercise patience for eventual victory and recovery if they are to secure a reasonable return upon their investment in unit trust business. But if they should fail in their responsibilities towards the unit holder in the interim, that chance may never come.

Unit Trust Directory

The following three pages consist of a condensed version of the Unit Trusts Directory which has been a regular feature of *The Economist's* Unit Trust Surveys. For fuller particulars, reference should be made to last year's Survey, published on May 13, 1939, which included details of the provisions for earlier termination of certain trusts. Trusts which have been terminated are described in a separate section on page 9.

ALLIED INVESTORS GROUP OF UNIT TRUSTS

Chairman: HARTLEY WITHERS

BRITISH INDUSTRIES FIXED TRUSTS

Four Portfolios, each comprising shares in 25 selected British Industrial concerns. Dividend distributions so timed that holders who spread their investment over the four Portfolios receive a cheque roughly every six weeks. Yield on the basis of last two distributions about 5½%.

Trustees: Midland Bank Executor & Trustee Company, Limited

METALS AND MINERALS TRUST

This Trust is of equal interest in peace or war, since the concerns whose shares it holds produce commodities essential under all conditions. Thus, it affords a valuable protection against inflation. The Trust Deed entitles the managers to place a part of the income of the Trust to reserve. Whilst they have availed themselves of this authority until now, they have decided to distribute the whole of the income during the war. Yield based on the full distribution of income for the past two periods, about 6%.

Trustees: Midland Bank Executor & Trustee Company, Limited

ALLIED INVESTORS FIXED TRUSTS LIMITED

165, MOORGATE, LONDON, E.C.2

MANAGERS

Phone: NATIONAL 4931

Units or sub-units may be bought through any stockbroker or bank. Explanatory booklets may be obtained on request.

CUMULATIVE INVESTMENT TRUST

Consisting entirely of Ordinary shares in 51 first class companies. The Trust Deed provides for the reinvestment of part of the dividends received with a view to augmenting, year by year, the investors' capital and income. Estimated yield on last two distributions: 4½% in respect of the amount actually distributed. In addition, amounts representing 1% per annum have been placed to reserve.

Trustee: Midland Bank Executor & Trustee Company, Limited

ELECTRICAL INDUSTRIES TRUST

Trust fund consists of the shares of 41 of the best electrical supply and equipment companies. These units thus afford a means of acquiring an interest in this progressive and expanding industry without being exposed to the risk of local conditions adversely affecting results, which it is impossible to escape when investing in the shares of an individual enterprise. Approximate yield based on last two distributions 4½%.

Trustees: General Accident Fire & Life Assurance Corp., Ltd.

Directory of Unit Trusts established at May 4, 1940

GROUP and Trusts managed	Formed	Trustee	Type and Portfolio	Life (yrs.)	Open or Closed	Minimum Purchase of Sub-units		Service Charge	Escrow Provision	Distributions	Other Particulars
						Initial	Subsequent				
MUNICIPAL AND GENERAL											
First British ...	Apr., '31	Lloyds Bk.	Fixed; 24 ind., etc.	20	Closed	10	After 20 in 5s	None; closed trusts; bid price based on realisable value of underlying securities, less expenses.	1-yrly. release from escrow to trustee and managers.	15 Jun, 15 Dec.	...
Second British	Dec., '32	do.	Fixed; 26 ind., etc.	20	Closed	10	5			15 Mar, 15 Sept.	...
Third British	Dec., '33	do.	Fixed; 28 ind., etc.	20	Closed	10	5			15 Feb, 15 Aug.	...
Fourth British	Feb., '34	do.	Fixed; 24 ind., etc.	20	Closed	10	5			15 Nov, 15 May.	...
For. Gov. Bond	Apr., '34	do.	Flex.; 107 for. bonds	21	Open	10	5	5%, plus ½ of 1% p.a.	1/4th of pref. ch'ge for trustee & managers.	1 Apr., 1 Oct.	Any investment not to exceed 5% of Trust Fund, ex. Govt. secs. Cash Fund.
Ltd. Inv. Fund	Dec., '35	do.	Flex.; 157 ind. cos.	21	Open	10	5	2½% and 1% p.a. for managers & trustees.		15 Jan, 15 July.	do.
Mid. & Southern	Mar., '36	do.	Flex.; 231 ind. cos.	21	Open	10	5	do.		1 May, 1 Nov.	do.
Scot. & N. Coun.	Mar., '36	do.	Flex.; 187 ind. cos.	21	Open	10	5	do.		1 Mar, 1 Sept.	do.
New Brit. F.T.	Dec., '38	do.	Fixed; 33 ind. & commodity shrs.	21	Open	10	5	2½% semi-ann. charge for managers and trustees.	do.	15 June, 15 Dec.	Cash Fund.
BANK INSURANCE											
Insurance-Units (a)	June, '34	Williams Deacon's Bk.	Flex.; 31 Insurance and Trustee secs.	20	Open	10	1	5% plus 1.8% 1-yrly.	Provision made and securities deposited.	31 Jan, 31 July.	Limits: 10% in any one company; 5% of any company's share cap.
Bank-Insurance Units (a)	Sep., '35	Mid. Bk. Ex. & Tstee.	Flex.; 52 Bank, Discount and Ins. secs. and Trustee secs.	21	Open	10	1	do.	do.	30 Apr, 30 Oct.	Limits: 7½% in any co.; 5% of issued capital of any co. At least 35% of fund in Ins. Cos.
Bank-Units (a)	Dec., '35	Martin's Bank	Flex.; 40 Bank and Discount secs. and Trustee secs.	21	Open	20	1 (5 if bearer)	do.	do.	15 Mar, 15 Sept.	Limits: 7½% in any co.; 5% of issued capital of any co.
Inv.-Tst.-Units	Mar., '37	Lloyds Bk.	Flex.; 78 inv. trust shrs., Trustee secs.	21	Open	20	1	4% plus 1% 1-yrly.	do.	31 May, 30 Nov.	Limits: 7½% in any co.; 7½% of cap. or debts. of any co.
Scot. Bk., Ins. & Invest. Trust Units. "Scotbits" (a)	Jan., '37	Royal Bk. of Scotland	Flex.; 54 bank, ins. and inv. trust shrs.; Tstee. secs.	25	Open	20	1	do.	do.	15 Feb, 15 Aug.	Limits: 7½% in any co.; 7½% of any class of issued cap. Minima: 15% each in ins. and bank shrs.; 25% in inv. trust shrs.
Cornhill Trust: 4% £1 red. guar. Debts. (1952). Def. Units (a)	Oct., '37	Mid. Bk. Ex. & Trustee	Flex.; 9% banks, 85% Ins., 6% Brit. Gov. secs. (For details of operation, see <i>Economist</i> Unit Trust Survey, May 28, 1938, p. 18)	Dec. 15, 2021	Open	10	1	6d. per new deb. Def.: 5% on price. 4% of Fund 1-yrly.	Agreed with trustees	Dec. 5 Apr, 5 Oct, 5 Dec, 20 Apr, 20 Oct.	Limits: 7½% in one co.; 7½% issued cap. or debts. of one co. At least 10% initial fund in gilt-edged, and at no time less than 5%. (a) Unit holders free from personal liability (uncalled and reserve).
DOMESTIC PRODUCERS (formerly Aviation and Universal)	Mar., '36	Gen. Accidt.	Flex.; 99 Ind. and commodity shrs.	10	Open	50	10	5% of price; 1d. per unit p.a.	Provision made	15 May, 15 Nov.	Limits: 7½% in any one co.; 5% in any class of security, ex. Brit. Govt.
nestic	July, '36	Mid. Bk. Ex. & Trustee	Flex.; 129 ind. cos.; Trustee secs.	10	Closed	50	10	do.	Provision made	1 Feb, 1 Aug, 1 Apr, 1 Oct, 15 June, 15 Dec.	Limits: 5% in any sec.; 7½% in any co. do.
n. Priority income, nestic 2nd	May, '38	do.	Flex.; 105 industrial pref. and debts.	10	Open	50	10	do.	do.	15 June, 15 Dec.	do.
nestic 2nd	Sep., '38	do.	Flex.; 134 industrials	20	Open	50	10	6% of price; 1d. per unit from capital p.a.	do.	15 Dec.	do.
ATONAL											
ional "A"	June, '32	Mid. Bk. Ex. & Trustee	Fixed; 27 industrials	20(a)	Closed	10	1	5%	Provision made with Trustees.	15 May, 15 Nov.	(a) From creation of units. In other cases, from date of trust deed.
ional "B"	July, '33	do.	Fixed; 20 industrials	20(a)	Closed	20	10	5%	do.	15 Feb, 15 Aug.	...
ional "C"	Mar., '34	do.	Fixed; 20 indus. pref.	20(a)	Closed	20	10	5%	do.	15 Mar, 15 Sept.	...
ional "D"	July, '34	do.	Fixed; 22 industrials	20	Open	20	10	5%	do.	1 Jan, 1 July.	...
mercial	Nov., '33	Nat. Prov. Bk. do.	Fixed; 20 industrials	20(a)	Closed	20	10	5%	do.	15 June, 15 Dec.	...
-Edged	Feb., '34	do.	Fixed; 19 Brit. and Col. Gov., Public boards, etc.	15	Closed	20	10	2½%	do.	15 Jan, 15 July.	...
algamated	Apr., '34	Williams Deacon's Bk.	Fixed; 30 Gov. stks., ind. and ord.	20(a)	Closed	20	10	5%	do.	15 Apr, 15 Oct.	...
versal	July, '34	Nat. Prov. Bk.	Fixed; 73 Gov. stks., ind., etc.	20	Closed	20	10	5%	do.	1 Apr, 1 Oct.	...
ttish	May, '35	Clydesdale Bk.	Fixed; 20 industrials	20	Open	20	10	5%	do.	1 June, 1 Dec.	Power to omit any security in constitution of new units.
ury	Oct., '35	Mid. Bk. Ex. & Trustee	Fixed; 100 industrials	15	Open	20	10	5%	do.	1 May, 1 Nov.	do.
Inv. Group	July, '36	do.	Flex.; bks., ins., indus. Init. portfolio 40; 300 alternative invests.	15	Closed	50	10	6½%	do.	1 Mar, 1 Sept.	Limits: 5% in any share; 5% of total issue of share; 10% in branch of industry.
versal 2nd	Nov., '38	Nat. Prov. Bk.	Flex.; Govt. stks., industrials, etc. Init. portfolios as Universal Fixed. Supp. List 261 cos.	15(b)	Open	20	10	4%; and 1% semi-annual charge on av. value of fund of which ½ accumulated in Trust Renewal Fund.	do.	15 Apr, 15 Oct.	Universal F.T. holders offered exchange into Universal 2nd up to Dec. 17, 1938. (b) Terminates July 24, 1954. Agent's commission included in offered price; but payable on sale of sub-units.
ional Gold	Mar., '39	Lloyds Bk.	Fixed; 18 gold shares, 12 in alternative panel.	10	Open	20	10	4½%; 1% semi-annual charge on fund, of which ½ to trustees.	do.	1 Mar, 1 Sept.	do.
Protected...	Nov., '35	Mid. Bk. Ex. & Trustee	Fixed; 29 industrials	20	Closed	20	5	7½%	do.	31 Mar, 31 Sept.	Price includes 2s. capital redemption prem.
Protected	Feb., '36	do.	Fixed; 29 industrials.	20	Closed	20	5	7½%	do.	30 June, 31 Dec.	...

(Continued)

GROUP and Trusts managed	Formed	Trustee	Type and Portfolio	Life (yrs.)	Open or Closed	Minimum Purchase of Sub-units		Service Charge	Escrow Provision	Distributions	Other Particulars
						Initial	Subsequent				
NATIONAL— (cont.) 3rd Protected	June, '36	Mid. Bk. Ex. & Trustee	Fixed; 50 industrials, etc.	15	Closed	20	5	7%	Provision made with Trustees.	31 May, 30 Nov.	Limits: 5% in any inv.; 2½% of any security.
Brit. Gen. "A"	June, '34	Gen. Acc.	Fixed; 23 industrials and alternative panel of 10.	20	Closed	10	5	6½%	Provision with Trustee	15 Jan., 15 July.	...
Brit. Gen. "C"	Oct., '35	Gen. Acc.	Fixed; 27 industrials and alternative panel of 10.	20	Closed	10	5	6½%		15 Apr., 15 Oct.	...
First Recovery	Feb., '36	Martins Bk.	Flex.; in securities of 64 companies.	10	Closed	100	5	5% and ½% of 1% of value of Trust.		15 June, 15 Dec.	Limits: 7½% in any inv.; 7½% of capital of one co. Note: Series "B" closed. Series "C" has similar panel.
18 MOORGATE Investors Gen.	Feb., '34	R. Exchange Assee. do.	Fixed; 24 industrials	20	Closed	20	5	5% (app.)	One-third of service to cover Trustees' and managers' expenses. Managers' proportion released.	1 June, 1 Dec., 1 Mar., 1 Sept.	Note: Various limitations on individual holdings and eliminations apply to 15 Moorgate Group. For fuller details see Economist Unit Trust Survey, May 13, 1939.
Inv. 2nd Gen.	Aug., '35	do.	Fixed with flexible provisions; 27 indus.	15	Closed	20	5	6½%		1 Mar., 1 Sept.	
Inv. Gas & Elec.	May, '34	do.	Fixed with flexible provisions; 15 gas and electricity shares.	20	Closed	20	5	5% (app.)		1 May, 1 Nov.	
Inv. Gold	Mar., '35	do.	Fixed with flexible provision; 15 gold shrs.	10	Re-opened	20	5	6%		1 Oct., 1 Apr., 15 Apr., 15 Oct.	
Prov. Investors	Sep., '35	Martins Bk.	Fixed with flexible provisions; 30 indus.	20	Closed	20	5	7%		1 Feb., 1 Aug., 15 June, 15 Dec.	
Security First	July, '35	Lloyds Bk.	Fixed with flexible provisions; 23 indus.	20	Closed	20	5	7%		1 Feb., 1 Aug., 15 June, 15 Dec.	
Hundred Secs.	Oct., '35	do.	Fixed with flexible provisions; 103 Govt. secs. and industrials.	15	Open	20	5	7% (approx.)		1 Feb., 1 Aug., 15 June, 15 Dec.	
Investors Flex.	Aug., '36	Mid. Bk. Ex. & Trustee	Flex.; over 280 banks, mines and industrials in permitted list.	15	Open	50	5	6½% and ½% of value of Trust Fund per ann.		22 Mar., 22 Sept.	Limits: 5% in any company; 2½% of any one issue.
Sava. Unit Tst.	June, '38	Lloyds Bk.	Fixed; 28 industrials, oil, etc.	15	Closed	200	5	3% and ½% of value of fund ½ yearly.		15 Jan., 15 July, 10 Mar., 10 Sept.	Reserve sub-units identical with income units for capital, but income put to reserve at interest.
Invstrs' Income and Reserve.	Nov., '38	Mid. Bk. Ex. & Trustee	Fixed; 175 bank, utilities, industrials, etc.	21	Closed	50	10	5% and ½-yearly charge of ½% of value of fund.		15 Jan., 15 July, 10 Mar., 10 Sept.	Reserve sub-units identical with income units for capital, but income put to reserve at interest.
ALLIED INVESTORS Brit. Ind. 1st	Mar., '34	Mid. Bk. Ex. & Trustee	Fixed, with flexible provisions; 25 indus. and alternative panel of 10.	20	Open	50	5	6%	Provision made and securities deposited with Trustee.	31 Mar., 31 Sept.	Managers may eliminate and replace any security from alternative panel of 10 securities.
Brit. Ind. 2nd	Nov., '34	do.	Do.; 25 industrials and alternative panel of 10.	20	Open	50	5	6%	do.	30 Jun., 30 Dec.	do.
Brit. Ind. 3rd	Nov., '35	do.	Do.; 25 industrials and alternative panel of 10.	20	Open	50	5	6%	do.	10 May, 10 Nov.	do.
Brit. Ind. 4th	Nov., '35	do.	Do.; 25 industrials and alternative panel of 10.	20	Open	50	5	6%	do.	10 Aug., 10 Feb.	do.
Electrical Ind.	Mar., '36	Gen. Accid't.	Flex.; 41 electric cos., etc.	20	Open	50	5	5½% and ½% of market value of Fund per annum.	do.	31 Jan., 31 July, 1 June, 1 Dec.	Limits: 5% in any security; 5% of any company.
Metals & Mins.	Dec., '36	Mid. Bk. Ex. & Trustee	Flex.; gold, diamonds, other mines, etc.; 40 cos. in initial portfolio, 47 as alternative.	20	Open	50	5	5½% and ½% of market value of Fund per annum.	do.	1 June, 1 Dec.	do.
American Ind.	July, '38	Lloyds Bk.	Flex.; 50 U.S. industrials (and Brit. Gov. secs.).	21	Open (a)	50	5	4½% of price; and ½% of fund ½-yearly to managers & Trustee.	do.	15 May, 15 Nov.	Cash Fund. Limit: 7½% any co. (a) To be closed May 18. See page 12.
Cumulative ...	Nov., '38	Mid. Bk. Ex. & Trustee	Flex.; 51 industrials, oil, mines, etc.	20½ app.	Open	50	5	5% of price and ½% of fund ½-yearly.	do.	10 Jun., 10 Dec.	Appropriation trust Distributions limited to ½ of ½-yearly income. Balance served as capital.
Capital Secs. ...	Apr., '36	Martins Bk.	Flex.; Secs. of 160 cos. and Trustee secs.	5	Closed	50	5	4½%, and ½% of fund per ann.	...	31 Mar., 30 Sept.	Limits: 2½% in any sec.; 2½% of capital of any co. Cash Fund.
KEYSTONE Gold Prods. 1	Apr., '33	Mid. Bk. Ex. & Trustee	Fixed; 15 gold shares	10	Closed	10	5	10% added to cost	Managers have set aside funds with Trustees for Trustees' fees and future management.	Feb., Aug.	Amortisation provision left to holders' judgment.
Gold Prods. 2	May, '34	do.	Fixed; 10 gold shares.	10	Closed	10	5	do.	do.	Feb., Aug.	do.
Gold Prods. 3	Jan., '35	do.	Fixed; 20 gold shares.	10	Open	10	5	do.	do.	Feb., Aug.	do.
Rand	Feb., '34	do.	Fixed; 20 gold shares, 20 per cent. in development stage.	10	Closed	10	5	do.	do.	Feb., Aug.	do.
Group Units:— Brewery	Mar., '34	do.	Fixed; 14 brewery shrs.	10	Closed	10	5	5% added to cost	do.	May, Nov.	...
Textile	Mar., '34	do.	Fixed; 13 textile shrs.	10	Closed	10	5	do.	do.	May, Nov.	...
Iron & Steel	Mar., '34	do.	Fixed; 16 heavy indus.	10	Closed	10	5	do.	do.	May, Nov.	...
Oil	Mar., '34	do.	Fixed; 13 oil shares ...	10	Closed	10	5	do.	do.	May, Nov.	...
Home Rails	Mar., '34	do.	Fixed; 18 rail stocks	10	Closed	10	5	do.	do.	May, Nov.	...
Stores, etc.	Mar., '34	do.	Fixed; 17 industrials	10	Closed	10	5	do.	do.	May, Nov.	...
Keystone Certs.	Sep., '35	do.	Fixed profit-sharing, 63 industrials.	10	Closed	20	5	8% added to cost	do.	Apr., Oct., Jan., Jul.	Holders participate in profits, after manager's expenses.
Keystone 2nd	Dec., '35	do.	Do.; 49 industrials ...	10	Closed	20	5	do.	do.	Apr., Oct., Jan., Jul.	Not over 7½% interest in any one co.
Keystone Flex.	Apr., '38	do.	Flex.; 20 in initial portfolio; over 150 in alternative list.	15	Open	25	5	Initial service charge of 7½%.	Managers have set aside funds with Trustees for Trustees' fees and future management.	May, Nov.	...

GROUP and Trusts managed	Formed	Trustee	Type and Portfolio	Life (yrs.)	Open or Closed	Minimum Purchase of Sub-units		Service Charge	Escrow Provision	Distributions	Other Particulars
						Initial	Subsequent				
KEYSTONE— (cont.) Keystone Cons.	Nov., '37	Mid. Bk. Ex. & Trustee	Fixed; 50 industrials, rails, etc.	10	Open	5	5	4% added to cost; ½% of fund ½-yearly.	Included in service charge.	June, Dec.	...
Keystone Gold	Oct., '38	do.	Fixed; 16 gold shrs.; alternative panel 7.	10	Open	25	5	5% and ½% of fund ½-yearly.	do.	Feb., Aug.	...
BRITISH EMPIRE— SELECTIVE Brit. Emp. "A"	Nov., '33	Mid. Bk. Ex. & Trustee	Fixed; 25 industrials	20	Closed	15	1	5%	Provision made under control of Trustees	1 June, 1 Dec., 1 Mar., 1 Sept., 1 May, 1 Nov., 15 Mar., 15 June, 15 Sept., 15 Dec.	...
Brit. Emp. "B"	Feb., '34	do.	Fixed; 25 industrials	20	Closed	30	1	5%		...	...
Brit. Emp. Cum.	July, '35	Lloyds Bk.	Fixed; 25 industrials	20	Closed	20	5	7%		...	...
Brit. Emp. Comprehensive	Oct., '35	do.	Fixed; 150 industrials	20	Closed	25	5	7%		...	...
Brit. Emp. First Unit.	Sept., '36	do.	Flex.; 50 shs. in initial portfolio; over 420 in permitted list.	25	Closed	50	5	2½%; ½% p.a. for managers & Trustees.	½ths of initial charge	1 Apr., 1 Oct.	Limits: 5% in any co.; 2½% of any issue.
Selective "A"	May, '35	R. Exchange Ass.	Fixed; 26 industrials	15	Closed	20	5	6%	One-third service charge set aside with Trustee.	15 May, 15 Nov.	...
Selective "B"	May, '35	do.	Fixed; 26 industrials	15	Closed	20	5	6%		15 Feb., 15 Aug., 15 Mar., 15 Sept.	Limits: 5% in any co.; 2½% of any issue.
Brit. Transport	Mar., '36	do.	Flex.; over 160 transport shs.	20	Closed	30	5	5%; ½% of Fund p.a.	½th initial charge	15 Mar., 15 Sept.	Limits: 5% in any co.; 2½% of any issue.
SPECIALISED Rubber & Tin	June, '37	Martins Bk.	Flex.; 85 rubber, 20 tin	5	Open	250	50	5%, and ½% of Fund ½-yrly.	Provision with Trustee	15 May, 15 Nov.	Limits: 5% in one co.; 80% in rubber; 40% in tin, cash and trustee secs. excepted. Cash Fund.
BREWERY Brewery	June, '37	Mid. Bk. Ex. & Trustee	Flex.; 85 breweries, etc.	20	Open	20	5	5% on price; ½% of fund ½-yrly.	Gilt-edged secs. deposited with trustees.	15 Jan., 15 July	Minimum of 50% in brewery shrs.; maximum, 5% in any security.
PROVED SECURITIES Bank, Ins. & Fin. Shs.	July, '36	Martins Bk.	Flex.; 12 banks, 15 insurance, 96 invest. trusts	15-20	Closed	50	5	7½% on price. No ann. charge.	Deposited with Trustee	15 Feb., 15 Aug., 15 Jan., 15 July	Limits: 5% in any co.; 5% of any issue.
Brit. Bank Shs.	Jan., '38	Williams, Deacon's Bk.	Flex.; 14 home banks, 23 overseas, 3 discount	15-20	Open	50	5	do.	do.	15 Apr., 15 Oct.	Limits: 10% at least in Trustee secs.; 7½% of Fund in one co., 5% of any issue.
Brit. Insur. Shs.	Jan., '38	Mid. Bk. Ex. & Trustee	Flex.; 40 insurance shs.	15-20	Open	50	5	do.	do.	15 Apr., 15 Oct.	Limits: 10% at least in Trustee secs.; 7½% of Fund in one co., 5% of any issue.
Four-Square ...	July, '38	Martins Bk.	Flex.; Trustee secs.; 50 mixed int.; ord. shrs. of 100 cos.	15-20	Open	50	5	do.	do.	15 May, 15 Nov.	Limits: Trustee secs., 15-80%; fixed int., 10-35%; equities, 10-40%; "prospect" shares, max. 35%. Power to reserve earnings over 3% in any half-year.
Bank, Ins. and Fin. Shrs. (2nd)	Dec., '38	do.	Flex.; 12 banks, 15 ins., 114 inv. trusts.(c)	12-18	Open	50	5	6%; ann. charge ½d. per unit.	do.	15 Jan., 15 Dec.	To which max. of 5 may be added in any year. Power to reserve earnings over 2½% in any half-year.
PROVINCIAL First Prov. "A"	Mar., '34	Mid. Bk. Ex. & Trustee	Fixed; 25 indust. pref.	20	Closed	25	1	5%	Proportion of service charge vested in Trustees	20 Feb., 20 Aug.	...
First Prov. "B"	Nov., '34	do.	Fixed; 31 indus., etc.	20	Closed	25	1	5%	do.	16 Dec., 16 Jun., 15 Mar., 15 Sept.	...
First Prov. "Reserve"	Jan., '36	do.	Fixed; 51 industrials	20(a)	Open	25	1	7%	do.	15 Mar., 15 Sept.	(a) Prior termination if number of sub-units falls below 100,000.
LOMBARD Lombard	Mar., '39	Atlas Assur.	Limited flex. Unit of vestment 32 indus.	20	Open	100	10	5½%; ½-yearly charge ½% for managers and Trustee.	Provision made	1 Apr., 1 Oct.	Cash Fund Operation. Annual general meeting of sub-unit holders. Max. 7½% in any co.; 5% of any share.
ORTHODOX Orthodox	Apr., '39	Mid. Bk. Ex. & Trustee	Fixed; gilt-edged (20%) debts, pref. shrs. (15%), bank and ins. (10%), ind. (45%), gold (10%).	25	Open	50	10	6½% on price; ½-yearly charge ½% for Trustee, expenses, and surplus to managers.	Provision made	15 Apr., 15 Oct.	Cash Fund Operation. Holding in any sec. limited to 2½% of Trust and 5% of issue. Proportions in each class fixed; variable within each class.

Directory of Terminated Trusts

Brit. and Dom. Insur.-Bank.	July, '38	Martins Bk.	Flex.; 47 banks, 39 insurance.	20	Terminated	50	5	5%; ½% of fund ½-yearly	½th initial charge	1 Apr., 1 Oct.	Managers could terminate after one year if less than 200,000 units outstanding.
Trans-Atlan. { Can. Nov., '38	do.	do.	Fixed; 10 Can. indus.	15	do.	50	5	6%; ½-yearly ann. charge, ½% do.	Provision made	1 Jun., 1 Dec., 1 Jan., 1 Dec., 15 Mar., 15 Sept.	do.
Brit. & Amer. Secs.	July, '38	do.	Flex.; 26 British, 28 U.S. industrials.	21	do.	20	5	4½% and ½% of fund ½-yrly.	½rd of service charge	15 Mar., 15 Sept.	Cash Fund. 50% minimum British secs. and cash.
Gold Share	Sept., '38	do.	Flex.; 37 dividend-paying mines, 10 developing cos.	21	do.	50	5	5% and ½% of fund ½-yrly.	Provision with Trustee	28 Feb., 31 Aug.	Cash Fund. Limits: 20% in developing cos.; 7½% in any co.; 5% of any issue.
Commodity	Dec., '38	do.	Flex.; 61 base metal and other commodity shs.	21	do.	50	25	do.	do.	31 Jan., 31 July	...

Unit Trust Distributions, 1935-1940

IN previous Unit Trust Surveys* we examined the price performance of a number of unit trusts. For this year's Survey an investigation has been made into the other investment aspects of unit trusts—their record as producers of income. The first step is to set out the object and method of the enquiry.

With only one exception, unit trusts in this country make payments to certificate holders at half-yearly intervals. These payments are composed mainly of the net amount of dividends received on the underlying securities, but they may include also items of a capital nature arising from the sale of rights or bonus shares, the return of capital from companies in the portfolio or the proceeds of sale of any shares which it has been decided to eliminate from the trust. The treatment of these capital items varies widely among different trusts. The total amount returned in this way to date ranges from nothing for fully cumulative trusts to as much as 15 per cent. of the initial price of the sub-units of one trust. But such items are not income, and must therefore be excluded from the distribution in assessing true income. Further, the investigation must be based on gross income rather than net income, for the latter may be affected from year to year by changes in the rate of income tax. In this respect, there is a slight lack of uniformity among the available figures which, however, does not materially affect the results.

Gross income—the subject of our investigation—is expressed in pence per sub-unit. Hence, an index number has been constructed for each trust, with the income paid in the calendar year 1937 as the base (=100). This admittedly precludes a broad comparison of rates of return on different trusts. But in any event, such comparison is difficult, since it must take account of any differences in the status of the trusts—it would be wrong, for instance, to compare the yield on a closed trust with the yield on an open trust—and in the manner of charging management expenses.

The investigation has perforce been restricted, in the main, to the older trusts, though, to give an account of flexible trusts, certain trusts formed in 1936 have been included. In some cases the period covered includes a trust's first distribution period, which seldom covers exactly a half-year's income; it follows that where an index figure has been calculated from the first two distributions of a trust, it may not be entirely reliable. In the table below the index for Fourth British Fixed Trust shows a sharp fall from 98.5 in 1938 to 79.2 in 1939, resulting in part from such delays, and a substantial increase in the May, 1940, payment shows that delayed dividends have subsequently been received. The same is true of National D. In order to give as up-to-date a picture as possible, we have therefore computed an index figure based on the last two distributions when one was made in 1939 and one in 1940.

There is the further possibility that the sum of two distributions may not correspond exactly with one year's dividends on the underlying securities. In many trusts this may happen as a result of an alteration in the date of payment of certain dividends, and it is specially significant just now, as some dividends were delayed at the outbreak of war. In the table the index for Fourth British Fixed Trust shows a sharp fall from 98.5 in 1938 to 79.2 in 1939, resulting in part from such delays, and a substantial increase in the May, 1940, payment shows that delayed dividends have subsequently been received. The same is true of National D. In order to give as up-to-date a picture as possible, we have therefore computed an index figure based on the last two distributions when one was made in 1939 and one in 1940.

The thirty-three trusts covered by the inquiry have been grouped according to whether they are fixed or flexible, and whether they have a general or specialised portfolio. Thus there are four groups. Most of the eighteen trusts in the first and largest group—general fixed trusts—were formed before the end of 1934, that is to say, before the

movement reached the period of largest and most competitive sales. The yield of a trust was, from the very beginning, a selling point of value, but it had hardly then become the subject of the fierce competition which developed in 1935 and 1936. There is, nevertheless, confirmation in the record of those early trusts, and more clearly in that of later ones, that yield is generally a good index of risk. Four years ago† we gave a table of yields at the end of 1935, arranging the trusts in the order of their formation, an arrangement which showed clearly the growth in the importance of yield as a selling point. Omitting trusts in gold-mining shares, the earliest trust formed showing an average yield as high as 5 per cent. on its underlying securities was First Provincial B (November, 1934) and Security First (July, 1935) was the earliest formed with securities averaging 5.2 per cent. At that time we wrote: "Where yields of 5 per cent. or more are shown (except in special instances like the gold share trusts) the question arises whether a significant proportion of 'gingering' has not been introduced into the holding." The table suggests that this caveat regarding high yields in general, entered in 1936, has been fully justified in the succeeding four years. By contrast, the specialised fixed trusts show appreciable income stability.

INDEX OF UNIT TRUST DISTRIBUTIONS, 1937 = 100

Trust and Distribution Dates	1935	1936	1937	1938	1939	1939-40†
General Fixed Trusts:—						
First British	JD 82.1	89.8	100	107.9	97.2	79.2
Second "	MS 83.3	93.0	100	98.7	87.0	94.0
Third "	FA 81.0	87.7	100	107.9	100.6	87.1
Fourth "	MN 90.1	95.0	100	98.5	79.2	79.7
British Industries, 1st	MS 91.2	98.6	100	98.5	89.5	...
" 2nd "	JD 94.6*	91.7	100	93.4	89.5	...
British Empire A	JD 87.7	94.8	100	114.0	101.2	...
" B	MS 86.7	91.6	100	100.8	99.3	98.7
British General A	II 60.4*	92.4	100	108.3	98.4	92.7
Investors General	JD 85.7	89.0	100	92.6	88.6	...
National A	MN 93.0	98.6	100	98.9	92.4	...
" B	FA 88.4	94.8	100	112.3	99.1	96.1
" D	II 77.8*	94.5	100	106.9	81.1	83.1
Amalgamated	AO 97.0	97.8	100	98.3	97.5	...
Commercial	JD 84.8	86.4	100	88.3	75.7	...
Universal	AO 101.0*	95.2	100	96.2	84.0	74.8
First Provincial B	JD 106.6*	109.2	100	97.6	83.5	...
Security First	FA ...	84.1*	100	90.3	78.0	68.5
Specialised Fixed Trusts:—						
Gold Producers, 1st	FA 92.0	99.7	100	97.0	101.0	102.3
" 2nd "	FA 95.2	101.8	100	93.9	96.4	97.1
Investors Gas and Electric	MN 92.9	96.7	100	100.9	100.3	...
General Flexible Trusts:—						
Limited Investment Fund	II ...	...	100	113.7	102.0	101.7
Midland & Sth. Inv. Fd.	MN ...	...	100	113.3	112.6	115.8
Scottish & N. Country Inv. Fund	MS ...	...	100	121.3	120.3	123.5
Domestic Inv. Trust	FA ...	...	100*	88.4	68.9	61.7
Producers Inv. Trust	MN ...	...	100	96.4	88.5	...
Specialised Flexible Trusts:—						
Electrical Industries	II ...	...	100	104.8	99.3	96.9
Trust of British Transport	MS ...	...	100	89.4	75.5	78.6
Trust of Insurance Shares	II 106.0*	105.2	100	99.5	99.7	98.8
Trust of Bank & Ins. Shrs.	AO ...	107.9*	100	100.3	102.3	104.3
Trust of Bank Shares	MS ...	...	100	105.6	101.9	100.7
Bank Ins. & Fin. Shares Trust	FA ...	...	100*	86.3	78.1	74.0
Foreign Govt. Bond Trust	AO 91.2	85.1	100	90.1	88.6	81.8

* Distributions include income arising from broken period. † Index numbers based on last distribution of 1939 and first of 1940.

The group of general flexible trusts is probably the most interesting of all, though it is not very well represented, since few trusts of this type were formed before 1936. These figures give the results obtained to date by the managers of two of the most important groups of flexible trusts of a general investment character. The Municipal and General group, represented by the Limited Investment Fund and the twin regional funds (the Midland and Southern and the Scottish and North Country) show the best income trends of all the trusts examined. They may be compared with the results of the Domestic and the Producers trusts, the high initial returns on which have not been maintained. The following table shows the

[* March 28, 1938, page 21; May 13, 1939, page 31.

† Unit Trust Survey, March 7, 1936, page 3



CENTURY FIXED TRUST Certificates

Sponsored by the "National" Group of unit trusts, which is by far the largest unit trust organisation in this country, Century Fixed Trust Certificates provide a complete investment programme in a single investment.

Your funds are spread over a list of

100 First-Class Securities

chosen for their

Steady Dividend Record
Vast Earning Power
Great Financial Strength
Easy Marketability

Through the wide "spread" the safety margin is greatly strengthened, and security is combined with an attractive income yield.

THE YIELD

at the current price of sub-units, and on the basis of the income actually paid to certificate holders in the past year was:

£5 : 12s. : 5d. per cent.

gross, from cash dividends, plus

£ - : 9s. : 0d. per cent.

net, from sales of bonus shares, etc.

Trustees: Midland Bank Executor & Trustee Co. Ltd.

For free Booklet, "Century," on which all transactions are based, apply to any branch of the Midland Bank Limited, or any Stockbroker or write direct to

National Fixed Investment Trust Ltd.

125, Pall Mall, London, S.W.1.

Telephone: Whitehall 4884.

Member of the Unit Trusts Association.

return on an investment made at the end of 1936 in each of these five flexible trusts:—

COMPARISON OF FIVE GENERAL FLEXIBLE TRUSTS

	Price, Dec. 31, 1936	Gross return on price at Dec. 31, 1936				Price, April 23, 1940	% change in price
		1937	1938	1939	1939-40		
Limited Inv. Fund	24/9-25/3	3.34	3.80	3.40	3.40	16/1-16/9	-34.5
Midland & Southern	22/6-23/1	3.64	4.12	4.10	4.21	16/9-17/6	-24.7
Scottish and North Country	23/-23/6	3.16	3.83	3.80	3.90	16/6 bid	-28.3
Domestic Inv. Trust	9/9-10/3	3.34	4.72	3.68	3.29	5/4½-5/10½	-43.7
Producers Inv. Trst.	11/-11/3	4.75	4.58	4.20	...	6/3-7/-	-40.4

In examining these calculations, the reader may recall that *The Economist's* 1938 survey discussed the nature of a "true" yield on a flexible trust as distinct from the distributions made by a given trust. That distinction can now be put in historical perspective.

Finally, there is the group of specialised flexible trusts. In this field also there are strong contrasts between different managements with similar investment interests. For example, the trusts in the Trust of Insurance Shares group

have maintained their distributions very satisfactorily, but the record of Bank Insurance and Financial Shares Trust shows a downward trend. The details of the comparison are as follows:—

COMPARISON OF FOUR SPECIALISED FLEXIBLE TRUSTS

	Price, Dec. 31, 1936	Gross return on price at Dec. 31, 1936				Price, April 23, 1940	% change in price
		1937	1938	1939	1939-40		
Trust of Insurance Shares	23/3-24/3	2.98	2.97	2.98	2.95	16/3-17/6	-29.0
Trust of Bank and Insurance	21/-22/-	3.40	3.41	3.48	3.55	15/6-16/9	-25.0
Trust of Bank Shs.	19/9-20/9	3.55	3.75	3.62	3.57	15/6-16/9	-20.4
Bank Insurance and Financial Shares	18/6-19/6	4.48	3.86	3.50	3.31	10/9-11/9	-40.8

The unit trust movement in Britain is now in its tenth year. On questions of yield it has had to face an amount of criticism, much of which has been justified. There is reason to-day for hoping that the movement increasingly realises that investors do not credit a unit trust with a magic capable of producing a return of 6 per cent. from securities which themselves yield an average of 5 per cent.

Termination or Consolidation?

DURING the past year, five unit trusts have been terminated. In assessing the significance of this fact it is important from the outset to distinguish between termination and closure. Managers may close a trust, after it has been open for some time, by ceasing to create new units and by lowering the price from an open basis to a closed basis. This is a familiar technique. But, when a trust is closed, it remains in being; the price of the sub-units is put on a bid or liquidation basis, corresponding to the amount which can be realised for the underlying securities comprised in the units. The managers' dealing policies vary widely among the closed trusts. Some managers maintain a two-way market in closed units based on the bid price, while others unwind any units which are sold back to them.

Termination, however, is entirely different. Under powers contained in their trust deeds, which in one case at least date back to April, 1934, many managers have reserved the right to liquidate a trust if the number of units in issue falls below a specified figure. Such powers provide a safeguard for the managers. The small trust is an uneconomic trust, and managers encumbered with such a trust for as long as twenty years would suffer appreciable loss. The average charge for unit trusts assumes a considerably greater volume of sales of units than the minimum figures which govern the termination powers. As a very rough guide, it is probable that sales of half or three-quarters of a million units are required if a trust is to pay its way. But the typical termination clause provides for a minimum of, say, 250,000 units. In other words, between this minimum and the volume of sales which would be required even to cover expenses on the working of a trust, there is in probably every case a wide margin in respect of which the managers are "on risk." So long as the unit trust holder is correctly informed at the time of purchase that powers of termination are available to the managers and that the expected life of the trust may accordingly be reduced if the powers are exercised, he has no ground, in principle, for complaint. But the purchaser necessarily undertakes two risks in this respect. First, he pays an initial service charge which will normally be lost on termination (Orthodox is an exception in this respect). Secondly, he must risk the possibility, if the trust is terminated, of receiving no more than the liquidation value of the units, compared with their replacement value when they were purchased.

Of the trusts terminated during the past year, British and Dominion Insurance-Bank was formed in July, 1938, and Trans-Atlantic (Canadian and United States) Trusts in November, 1938. In these cases the managers had power to terminate after one year if less than 200,000 units were outstanding. Three other terminations have

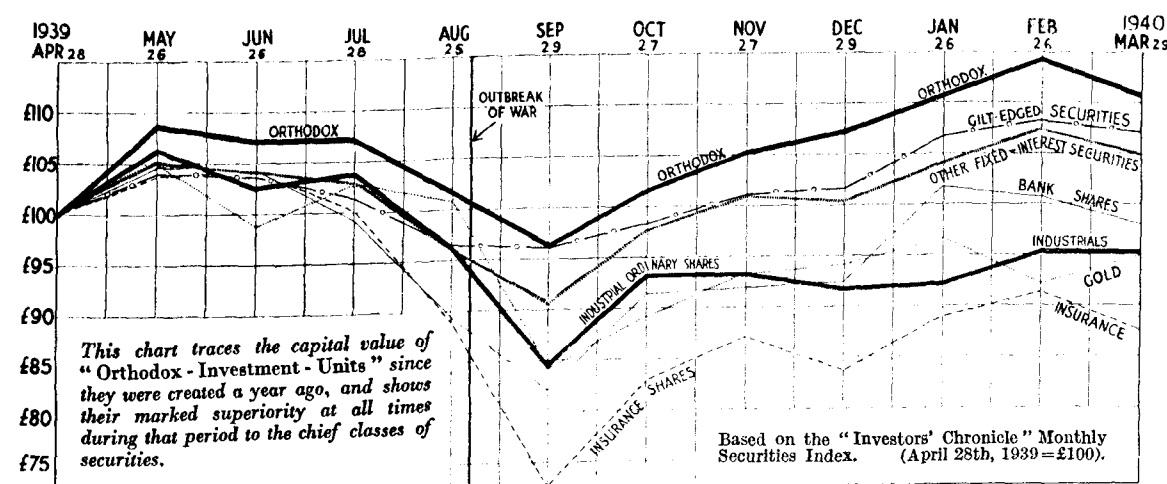
been effected in the case of trusts formerly in the British General group. Of these, the Commodity Share Trust and British and American Securities Trust were liquidated on January 31st and March 15th last, respectively, and the trust deeds provided for termination after one year from the date of the deeds, if the units outstanding fell below 250,000. In these two cases, at least, details of the powers of termination were, unfortunately, not given in the booklets, and it is questionable whether any holder had read the full terms as set out in the trust deeds. The Gold Share Trust formed in September, 1938, completes the list of terminations during the past year, though it is understood that the American Industries Trust (Allied Group) will be added to their number on May 15th next.

Two general points can be made regarding termination. Since powers to terminate are, in the nature of things, likely to be exercised when the security markets are in poor health and sales are sub-normal, the holder is likely to be turned out of his security at an unfavourable time. Secondly, the cost of termination to the unit holder is so high that it should be avoided as far as possible. The managers of American Industries Trust have shown the way in this respect. On March 18th, after the first requisitioning of dollar securities had reduced the security holdings of the trust from nearly 100 per cent. to something like 67 per cent., leaving an abnormal balance of 33 per cent. in cash, they offered holders the opportunity to sell back their units to the managers and to purchase in exchange units of the Cumulative Investment Trust—a flexible unit in British, as compared with American, industries. The relative prices of the two units at that date was 19s. 6d. bid for American Industries and 17s. 6d. for Cumulative, and the managers offered to forego their initial service charge on the latter to the extent of 9d. per unit. With the second requisitioning of dollar securities, it is possible that the proportion of cash now remaining in the fund has risen to about 60 per cent., and it is understood that the managers are contemplating a further offer to remaining holders of the American Industries units.

Assuming that the price basis is fair—as it appears to be in this case—the offer of conversion into another trust is clearly preferable to outright liquidation. There are probably several trusts which could at present exercise powers of termination. It may be difficult to consolidate a relatively unsuccessful trust with a specialised portfolio with a more successful general trust. Again, when the majority of trusts in one group have been relatively unsuccessful the managers will usually lack the opportunity to consolidate. But terminations are not a good advertisement for the movement, nor a good investment for the unit holder.

ORTHODOX INVESTMENT UNITS

have set up a record for security of capital



13th April, 1940.

THE PLAN

The Orthodox Unit Trust was created exactly a year ago to combine if possible a steady 5 per cent. yield with the utmost security of capital against loss. In the opinion of the Managers this result was most likely to be achieved if the Trust adopted the principle of "orthodox investment." Orthodox Investment is a matter of placing—in substantial proportions—part of one's capital in Gilt-Edged Securities, part in Debentures and Preference shares, and part in "Equities," this last part to be well divided over the chief types, which to-day are (1) Bank and Insurance Shares, (2) Industrial Ordinary Shares, and (3) Gold Shares. This has been the established practice of the soundest authorities—in other words the "Orthodox" way to invest—for generations. The Managers further decided from their experience and judgment what proportion of the Trust should be invested in each of these types. These proportions were fixed. Moreover, in order to perfect the "balance" of the investment they gave due weight to important sub-types of securities. (To understand this properly, it is essential to see the chart of the portfolio in the Booklet which is obtainable free by writing to the Managers.) They selected 300 securities and arranged them in a specially created system of thirteen Separate Trusts within one Master Trust known as the Orthodox Unit Trust. The purpose was to give scope for skilful management and yet to let the investor see exactly where and how his money was invested.

THE TRUST IS OF THE HIGHEST STANDARD

1. It is a "Cash Fund" trust, preventing profits to the Managers on purchase and sale of securities.
2. The yield is assessed by auditors, preventing artificial effects from buying securities "cum" or "ex" dividend.
3. The price of units is certified daily by a Member of the Stock Exchange, London.
4. The buying and selling prices are both free of commission and stamp duty.
5. The re-purchase price as quoted in the press is a

5%

approx. gross yield

true price applying without limit to any quantity of units that may be offered for realisation.

6. The Trust has the longest unexpired life of all the Unit Trusts—24 years, an important consideration.
7. Its Management Company is the first to have a Board of Directors with a strong representation from the Investment Trust world.
8. It claims to be the first Unit Trust adequately to reconcile and combine the merits of both fixity and flexibility.

ORTHODOX UNIT TRUST

TRUSTEES: MIDLAND BANK EXECUTOR AND TRUSTEE CO., LTD. MANAGERS: ORTHODOX UNIT TRUSTS, LTD.
DIRECTORS: The Hon. J. M. BALFOUR, O.B.E. (Chairman). Sir JOHN N. BARRAN, Bart.
The EARL OF DALHOUSIE. IVON PHIPPS, Ph.D. (Managing Director).

15 GEORGE STREET, LONDON, E.C.4

NOTE—Trusts of chiefly gold shares are excluded from the comparisons above.

Towards Stronger Management

JUST over nine years ago, the first unit trust was introduced to investors in this country. Those nine years can be divided into roughly three phases. The first three and a half years were required to establish the claims of the movement to the serious attention of the small investor. The following three or four years saw its most rapid development, in which new trusts appeared almost at weekly intervals, and new groups hit the trail which had been opened up by the pioneers in the earlier period. This middle phase was one of acute competition; selling features were elevated as investment canons; yield figures were advertised which attracted the small investor but which caused serious misgiving in more informed investment circles. Business was abundant, and management appeared to offer quick profits and handsome returns.

During the past two or three years, however, the rate of growth has shown a natural decline, followed by an abrupt slump. The hard realities and the serious responsibilities of unit trust management are now becoming apparent. Some of the movement's camp followers have departed. Six trusts have been terminated under minimum subscription provisions. What of the remainder? What form is consolidation to take, after a period of vigorous—even extravagant—growth?

It should be self-evident that, in the consolidation phase, the objective should be to protect the investors' interests to the maximum extent, if the unit trust movement is to survive as a respected investment service. Unit trust managements have undertaken to manage investors' funds for periods of twenty years or more. That is their first job, and no current difficulties or hardships should be allowed to obscure that central fact. If there are any management groups which entered the movement on the optimistic assumption that the continued influx of new business would enable them to reap continuous profits for a period of twenty years or more, they are doubtless feeling chastened. And it would be idle to blame political crises and war itself for a fact which was obvious even during the period of most active unit trust formation—that the pace of growth was too rapid to provide an adequate current return on new investment in unit trust management and at the same time to allow sufficient provision for the future management of new trusts throughout their full life.

To-day, unit trust groups may be divided into three broad categories. There are two groups of outstanding size, and three in what may be called the middle range. The remainder have achieved a satisfactory but more moderate volume of sales in some cases, while others are quite small. In part, but by no means entirely, the present size of management groups reflects the date of their entry into the movement, though size does not depend, in every case, upon the number of trusts managed by a given group. The very differences which exist to-day between the various groups are an index of the prolific growth of the movement in happier years. But these differences make it the more difficult to discern any lines of common action which the movement might adopt to meet the difficult period which appears to lie ahead.

It is sometimes asserted that the solution of these difficulties, and the formation of lines of common policy within a competitive framework, lies in the amalgamation of management companies. Something has indeed been done in this direction. The National group, for instance, acquired the issued capital of Protected Fixed Trusts, Limited, and assumed the management of its three trusts, more than a year ago. But the root difficulty in absorptions of this type is to value the new asset acquired by the purchasing company. The capital of unit trust management companies is largely composed of a goodwill element, expended in the formation of new trusts. For that reason, a management company which is for sale is not likely to be worth a high price, except on two assumptions: firstly, that it brings with it substantial escrow funds to provide for the future management of the trusts under its control; and, secondly, that it has reasonable expectations of future income from regular annual or semi-annual service charges. If its trusts have enjoyed only a limited success, these two conditions are unlikely to be fulfilled. There will, therefore, be little

incentive for a well-established group to take them over, even though it can expect to run the trusts very economically, if it has a large organisation.

The minimum management costs are usually estimated per distribution warrant prepared and posted to unit holders. Experts disagree in detail regarding the amount which each warrant costs, but there is good authority for the estimate that it lies between 1s. and 1s. 3d. per holder. In other words, the routine issue of two distributions each year may cost up to 2s. 6d. per account—an amount which may more than absorb any annual service charge paid by small holders. The latter is frequently one-eighth of one per cent., and hence is less than 2s. 6d. annually for a holding of 100 units priced below £1. In this connection, it may be recalled that a special investigation into unit trust holdings in our 1938 Survey showed that up to 70 per cent. of the total number of holders held less than 200 units in a number of leading trusts. Moreover, some part of the charge is often payable to the trustee. Hence, there is little opportunity for obtaining any profit from acquiring the management of less successful trusts. It is even questionable whether, in general, they pay their way.

Hence, the consolidation of management companies, advantageous though it may be on general grounds, may frequently lack any economic basis to become effective. It is probable, for example, that the National group (whose total sales have been reported to exceed £23 millions and whose organisation is, therefore, among the largest in the movement) would claim little monetary advantage from its acquisition of the Protected trusts, while the British General trusts, which were taken over last year, are understood to involve a liability upon members of the Unit Trusts Association. The logical solution is clear. A management which wishes to divest itself of the responsibility of continuing to operate the trusts under its charge should be prepared to pay, if necessary, for the relief from future liability. If such cases should occur in the future, the logical solution may, in fact, become the practical solution. The value of management capital depends almost entirely upon expectations of future income. If, instead, future liabilities exist, that capital value becomes negative.

But there is another interesting development during the past year, which would be even more clearly illustrated if space permitted the reproduction of up-to-date particulars of management companies, on the lines of the table on page 32 of last year's Survey. Mr Denys Lowson, formerly associated with the Fifteen Moorgate group, was appointed chairman of Proved Securities, Limited, more than a year ago, and has since joined the boards of Domestic Trust Managers, Limited, and Brewery Trust Managers, Limited. These three companies are now associated, and their joint operation in routine work is doubtless providing economies. In addition, Mr Lowson has more recently joined the board of Allied Investors Fixed Trusts, Limited, and within the last few weeks has become a director of National Group of Fixed Trusts, Limited, while Sir Arthur Griffith-Boscawen, the chairman of the last-named company, now has a seat on the board of Domestic Trust Managers, Limited. These changes in directorates suggest the possibility of closer business links between an important sector of the unit trust movement.

Consolidation, however, will be a slow process at best, for even in difficult times groups will naturally strive to preserve their individuality. But the present phase of unit trust business will at least bring home one lesson—that unit trust management, however attractive it may look on a short view when business is active and units “sell themselves,” is in reality a serious and risky enterprise when viewed in its proper context of providing the investor with a twenty-year service. If and when another progressive phase opens out for the movement, it may be hoped that this lesson will be applied, by fixing adequate service charges without dependence upon adventitious profits; by the provision, and disclosure, of adequate escrow funds as units are sold; and by sober estimates of the responsibilities of unit trust management over the vicissitudes of the following decades.

DOMESTIC TRUST MANAGERS LIMITED

managing the following Flexible Unit Trusts

DOMESTIC INVESTMENT TRUST (2nd series)
based upon ordinary shares of Companies catering for all “domestic” requirements.

DOMESTIC PRIORITY INCOME TRUST
comprising fixed interest bearing prior charges of “domestic” concerns.

PRODUCERS INVESTMENT TRUST
Ordinary shares of Companies producing commodities and of basic industries connected with the “domestic” life and trade of the country.

56-60 GRESHAM ST.
LONDON
E.C.2

TELEPHONES: METROPOLITAN 7751
TELEGRAMS: “DOMESTRUS”
PHONE: LONDON

NATIONAL 4121

BANKSURFIN
PHONE, LONDON

Proved Securities Limited,

managers of:

Bank, Insurance & Financial Shares Trusts

British Bank Shares Trust

British Insurance Shares Trust

The Four-Square Trust



25 OLD JEWRY, LONDON, E.C.2

THE 'BANK-INSURANCE' GROUP of TRUSTS

PROVIDING A CHOICE OF INVESTMENTS SPREAD OVER THE SHARES OF SELECTED
BRITISH BANKS, INSURANCE COMPANIES & INVESTMENT TRUST COMPANIES
INVESTED FUNDS EXCEED £14,000,000

TRUST of BANK SHARES 'BANK-UNITS'

Trustees: Martins Bank Limited

Bankers: Barclays Bank Ltd. The British Linen Bank

Composition of Trust Fund: Home Banks - 44.1% Canadian Banks - 17.4%
Australasian Banks - 8% South and West African Banks - 3%
Indian & Eastern Banks - 12% Other Banks - 3% Discount Companies - 7.6%

TRUST of BANK & INSURANCE SHARES 'BANK-INSURANCE UNITS'

Trustees: Midland Bank Executor & Trustee Co. Ltd. Bankers: Midland Bank Ltd.
Bankers to Trustees: The Belfast Banking Co. Ltd. The Clydesdale Bank Ltd.
North of Scotland Bank Ltd.

Composition of Trust Fund: Home Banks - 33.1% Canadian Banks - 9.0%
Australasian Banks - 3.6% South African Banks - 2.2% Discount Co's. - 3.4%
Eastern & Indian Banks - 7.7% Insurance Companies - 35.5%

TRUST of INSURANCE SHARES 'INSURANCE-UNITS'

Trustees & Bankers: Williams Deacon's Bank Limited

Composition of Trust Fund: 31 Insurance Companies

SCOTTISH BANK-INSURANCE & INVESTMENT TRUST UNITS 'SCOTBITS'

Trustees & Bankers: The Royal Bank of Scotland

Composition of Trust Fund: Scottish Banks - 25.3% Insurance Co's. - 18.6%
Investment Trust Companies - 53.8%

INVESTMENT-TRUST-UNITS

Trustees & Bankers: Lloyds Bank Limited

Composition of Trust Fund: 78 Investment Trust Companies

THE CORNHILL TRUST

'CORNHILL 4% GUARANTEED DEBENTURE UNITS, 1952'
'CORNHILL DEFERRED UNITS'

Trustees: Midland Bank Executor & Trustee Co. Ltd. Bankers: Midland Bank Ltd.

Composition of Trust Fund: Banks - 8.9% Insurance Companies - 84.9%
British Government Stocks - 6.2%

MANAGERS: TRUST OF INSURANCE SHARES, LTD.

Chairman: The Right Hon. C. A. McCurdy, K.C. Managing Director: George Faber, O.B.E., M.C.

30 CORNHILL · E.C.3

and at 5 St. Andrew Sq., Edinburgh

The securities of the Trusts are registered in the name of the respective
Trustees who collect the dividends and distribute them without deduction
to Unit holders. Reserves for management and Trustee expenses during the
whole life of each Trust are already under the control of the respective Trustees.

THE ECONOMIST

BANKING SUPPLEMENT

A SURVEY OF BRITISH AND FOREIGN BANKING

VOL. CXXXVIII

MAY 18, 1940

[No. 5047]

Contents include

Banking Policy and the War

The French Banks since the War

The Banking Structure of the
United States

Banking in Some Neutral Countries

The Supplement also includes a complete record of the position of
the Bank of England, and of the English, Scottish and Northern Irish
joint-stock banks, together with the latest balance sheets, both of
these institutions, and of the chief private banks, discount houses
and Dominion and Foreign banks possessing offices in London.

The Clydesdale Bank Limited

ESTABLISHED 1838

HEAD OFFICE: 30 ST. VINCENT PLACE, GLASGOW

ANDREW MITCHELL - GENERAL MANAGER

Foreign Exchange Branch: 91 Buchanan St., Glasgow. Edinburgh Office: 29 George St., Edinburgh

London Offices: { City: 30 Lombard St., E.C.3
West End: 31 Regent St., S.W.1

CAPITAL ISSUED £5,300,000
CAPITAL PAID UP £1,300,000

RESERVE SURPLUS FUND £1,850,000
DEPOSITS [31st Dec. 1939] £38,165,831

Money received on Deposit at call and short notice at current rates of interest and for longer periods at
Special Terms.

TRUSTEE AND EXECUTOR BUSINESS UNDERTAKEN

AFFILIATED TO MIDLAND BANK LIMITED WITH OVER 2,100 BRANCHES

BARCLAYS BANK

LIMITED

Head Office: 54 Lombard Street, London, E.C.3

Over 2,000 Branches in England and Wales

WORLD-WIDE BANKING SERVICE

The Barclays group of Banks has Branches in many parts of the Empire and elsewhere, and is also widely represented by Agents and Correspondents both at home and abroad. This extensive organisation is placed at the disposal of customers desirous of transacting any description of British or Foreign Banking Business.

CHIEF FOREIGN BRANCH: 168 Fenchurch Street, London, E.C.3

EXECUTOR AND TRUSTEE BUSINESS TRANSACTED

Associated Companies:

BARCLAYS BANK (DOMINION, COLONIAL AND OVERSEAS).
Head Office: 54 Lombard St., London, E.C.3.
BARCLAYS BANK (CANADA), Montreal and Toronto.
BARCLAYS TRUST COMPANY OF CANADA, Montreal.

BARCLAYS BANK (FRANCE) LIMITED.
Chief Office in France: Paris.
BARCLAYS BANK S.A.I., Rome.
THE BRITISH LINEN BANK.
Head Office: Edinburgh.

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. CXXXVIII]

MAY 18, 1940

[No. 5047]

CONTENTS

LEADING ARTICLES

	PAGE		PAGE
Banking Policy and the War	4	The Banking Structure of the United States	7
The French Banks since the War	6	Banking in some Neutral Countries	8

BANKING STATISTICS

GENERAL SUMMARY		AUSTRALASIAN BANKS	
Bank of England	10	Bank of Adelaide	37
Bank Rate since 1856	10	Bank of Australasia	38
Position of the Bank of England from May 3, 1939, to April 24, 1940	11	Bank of New South Wales	38
Comparative Statements—		Bank of New Zealand	38
Joint Stock Banks of England and Wales (excluding Bank of England)	12	Commercial Bank of Australia, Limited	40
Private Banks	12	Commercial Banking Company of Sydney, Limited	40
Joint Stock Banks of Scotland	13	English, Scottish, and Australian Bank, Limited	40
Joint Stock Banks of Ireland	14	Commonwealth Bank of Australia	40
English Joint Stock Banks	14	National Bank of Australasia, Limited	40
Scottish Banks	14	Queensland National Bank, Limited	41
Northern Irish Banks	14	National Bank of New Zealand, Limited	41
Private Banks	15	Union Bank of Australia, Limited	41
Discount Companies	15		
JOINT STOCK BANKS OF ENGLAND AND WALES		CANADIAN AND W.I. BANKS	
Barclays Bank, Limited	16	Bank of Canada	41
British Mutual Banking Company, Limited	16	Bank of Montreal	41
Baring Brothers and Co., Limited	18	Bank of Nova Scotia	42
Coutts and Company	18	Dominion Bank	42
District Bank, Limited	18	Canadian Bank of Commerce	42
Glyn, Mills and Company	20	Royal Bank of Canada	42
Isle of Man Bank Limited	22		
Lloyds Bank Limited	22	INDIAN BANKS	
Martins Bank Limited	23	Chartered Bank of India, Australia and China	42
Midland Bank Limited	24	Eastern Bank, Limited	43
National Provincial Bank Limited	24	Imperial Bank of India	43
Westminster Bank Limited	26	Mercantile Bank of India	44
Williams Deacon's Bank Limited	26	National Bank of India, Limited	44
Erlangers, Limited	26		
Yorkshire Penny Bank Limited	26	OTHER BANKS	
PRIVATE BANKS OF ENGLAND AND WALES		Anglo-Prague Credit Bank	44
B. W. Blydenstein and Co., London	27	Anglo-International Bank, Limited	44
Hoare (Chas.) and Co.	27	Anglo-Portuguese Colonial and Overseas Bank, Limited	44
S. Japhet and Co., Limited	27	Bank of America	46
LONDON DISCOUNT COMPANIES		Banca Commerciale Italiana	46
Alexanders Discount Company, Limited	27	Bank of Athens	46
National Discount Company, Limited	28	Bankers' Trust Company, New York	46
Union Discount Company of London, Limited	28	Banco di Roma	46
Gillett Brothers Discount Company, Limited	28	Bank of London and South America, Limited	46
JOINT STOCK BANKS OF SCOTLAND		Bank of Roumania, Limited	47
Bank of Scotland	30	Bank of Taiwan, Limited	47
The British Linen Bank	30	Banque Commerciale du Congo	47
The Clydesdale Bank Limited	31	Banque du Congo Belge	47
Commercial Bank of Scotland, Limited	31	British Bank for Foreign Trade, Limited	48
National Bank of Scotland, Limited	31	British and Continental Banking Company, Limited	48
Royal Bank of Scotland	32	British Overseas Bank, Limited	48
Union Bank of Scotland, Limited	32	Central Hanover Bank and Trust Company	48
JOINT STOCK BANKS OF NORTHERN IRELAND		Chase National Bank of the City of New York	48
Belfast Banking Co., Limited	34	Commercial Bank of the Near East, Limited	50
Northern Bank, Limited	34	Thos. Cook and Son (Bankers), Limited	50
Ulster Bank, Limited	34	Crédit Lyonnais	50
BANKS IN EIRE		Crédito Italiano	50
Bank of Ireland	35	Comptoir National d'Escompte de Paris	50
Hibernian Bank, Limited	35	Crédit Foncier d'Algérie et de Tunisie	50
Munster and Leinster Bank, Limited	35	City Bank Farmers Trust Company	50
National Bank, Limited	36	Guaranty Trust Company of New York	52
Provincial Bank of Ireland, Limited	36	Hambros Bank, Limited	52
Royal Bank of Ireland Limited	36	Hongkong and Shanghai Banking Corporation	52
AFRICAN BANKS		Imperial Bank of Iran	52
Barclays Bank (Dominion, Colonial and Overseas)	36	International Banking Corporation	52
Netherlands Bank of South Africa	36	Ionian Bank, Limited	52
Standard Bank of South Africa, Limited	37	Italo-Belgian Bank	52
Bank of British West Africa, Limited	37	Mitsubishi Bank, Limited	54
		Mitsui Bank, Limited	54
		National Bank of Egypt	54
		National City Bank of New York	54
		Société Générale	54
		Société Générale de Crédit Industriel et Commercial	54
		Swiss Bank Corporation	54
		Yokohama Specie Bank, Limited	54

Banking Policy and the War

THE war has faced British banking with a new and formidable set of problems. They relate to questions of general credit policy as well as to those of a more technical character, deriving from the phenomena of evacuation, decentralisation and the departure of the clearing from London. It is the former and more fundamental issues that will be considered in this article. These problems of credit policy are not new; they call for no revolution in banking practice and tradition. Each specific transaction and decision involved has had its countless precedents in the history of British banking policy. But what is new is the context of a controlled economy into which they are framed. For the first time the British banking system has had to fit itself into the pattern of a rigidly controlled capital market and of an economy consciously tuned to maximise our war effort ("consciously" in this context need not mean "effectively").

The authorities had realised before the outbreak of the war that the test which was then forcing itself on this country and the Empire would, if it was to be successfully survived, require a more complete mobilisation and more controlled canalisation of our capital resources than could be achieved by the incentive of private gain in an individualistic economy. Hence the immediate attack on the freedom of the capital market as the key position in the attainment of an effectively controlled economy. The first move in this offensive was the control of the exchange market which was to convert the capital market into that closed circuit in which alone efficient directive control could be exerted. In the second place, a complete ban was placed on issues of new capital and conversions other than those operations specifically authorised by the Capital Issues Committee. By these two measures—one preventing the exodus of domestic capital and compelling the gradual return of capital invested abroad, and the other canalising the stream of new capital in the required directions—the authorities were given a power altogether unprecedented in this country of shaping the character of new capital expenditure and consequently of our productive effort. That power has been gradually reinforced since the outbreak of the war by such measures as the increased restriction of rents (which militated against investment in bricks and mortar) and, later, by the limitation of dividends on ordinary shares (which militates equally powerfully against investment in equities).

This control of the capital market would have been to some extent undermined if the banks' operations had not been co-ordinated to it. British banks would, it is true, have been unlikely to satisfy the needs for long-term capital which, by reason of the control, could not be filled in the open market; but the control of short-term credit provided by the banks is in many ways complementary to the controlled distribution of longer term capital, and somehow or other the banks had to be brought within the scope of a co-ordinated capital market. There were obvious objections to achieving this end by virtue of the Defence Regulations which had brought into being such measures as the control of the foreign exchange market. The solution adopted was a typical example of British technique. There was an informal approach to the banks requesting them to follow certain general precepts in their policy on loans and advances, and one may confidently say that the results of this informal approach have been every whit as effective as those flowing from the application of a statutory form of control backed by all the penalties of the law. The banks were requested in the first place to refuse demands for advances by trades of luxury and non-essential character. At the same time they were asked to recall, wherever feasible, facilities being used for such purposes. The positive converse of these negative injunctions was the request to give special consideration to requests for credits from firms engaged on Government work or in activities of an essential character. Moreover, after the issue of the first War Loan, the banks undertook with a unanimity which could not be fortuitous to provide special short-term facilities to enable

their clients to apply for the stock and spread their instalments over a lengthier period than that provided in the prospectus.

Under the guidance of these instructions, and given the new orientation of industrial activity in this country since the outbreak of the war, the banks have effected a considerable redistribution of their advances over the past eight months. The customary figures of the distribution of bank advances were not published at the end of the last year, and no official data on this subject are available to the public. But one may confidently assume that beneath the astonishing stability of the total of clearing bank advances—they stood at £984,518,000 last August and at £983,360,000 last April—there has been a considerable volume of repayments and fresh advances. The mechanism by which this control of bank advances functions is that which each bank has gradually elaborated to solve the problem of loans policy. In some cases, it is a decidedly centralised machine; in others, it leaves more room for local initiative. The guiding lines have been given to the appropriate authorities—local boards, branch managers, and head office officials to whom questions of advance policy have to be referred—and a great deal has been achieved in shifting the orientation of bank loans to trade and industry. Some of this shift has, needless to say, been due to changes in industrial demand for accommodation and has been initiated by the customers themselves, rather than by the banks.

The discount policy of the banks has necessarily been dominated since the beginning of the war by the expansion in the Treasury bill issue. With the outbreak of the war and the compulsory cancellation of foreign acceptance credit facilities, the volume of commercial paper in the London market fell abruptly. That movement was, however, completely masked by the simultaneous expansion in the Treasury bill issue. The volume of commercial paper has rapidly recovered from this immediate war slump. As soon as the machinery for re-granting overseas credits under the new exchange regulations got into its swing the volume of commercial paper arising from these reconstituted credits began to swell again. But the total has never regained even the depleted level at which it stood on the outbreak of the war. In the first place, the volume of international trade has slumped, while German standstill paper and Scandinavian acceptances have disappeared from the market. In the second place, the tendency since the outbreak of the war has been for acceptance credits to be replaced by confirmed credits available at sight. The banks have found that the uncertainties of war have emphasised the unpopularity of the unconfirmed credit, which had been losing importance for many years past. The confirmed credit is more adaptable to the scheme of exchange control now operating in this country. In any case it answers the need for certainty and gives the protection which the beneficiary is in particular likely to demand in times of war. But within the grant of these confirmed credit facilities it is also apparent that the requirements of international trade have since the outbreak of the war been more and more concentrated on credits available at sight under which the paying bank pays cash against the receipt of documents. This form of credit fits in well with the demand for liquidity and safety in times of war, and the banks have been providing such facilities on an increasing scale. But these particular credits produce no bills, and the increasing resort to them has caused another diminution in the volume of commercial paper circulating in the market and available for the banks' portfolios. It was hoped soon after the outbreak of the war that the immediate slump in commercial paper might be substantially made good by the increase in the volume of paper drawn or accepted by various State organisations and discounted in the market. There has, in fact, been a welcome inflow of bills to which the names of the Ministries of Supply and Food have been appended. But their aggregate volume remains small.

From the point of view of discount policy, therefore, commercial paper has sunk into complete insignificance. It is the Treasury bill which now, more than ever before, dominates the stage. Since the outbreak of the war the total of Treasury bills outstanding has been increased by £264,600,000, and of this sum £185,000,000 is accounted for by Treasury bills issued through the weekly tender. Over the same period the clearing banks have increased their holdings of bills by some £60,000,000—a movement which must veil a considerable reduction in the holding of commercial paper. This increase in the bill holding has been an exceptionally welcome movement. It has removed all traces of that Treasury bill starvation, the result of Exchange Account support for sterling at a time when foreign funds were leaving this country in large quantities, from which the banking system suffered during a large part of 1939. The authorities for their part have done their part in ensuring that the cash basis was at all times adequate to enable the banks to take up without difficulty the increased supply of bills making its way to the discount market. The position as reflected in the latest clearing bank statements—those for April—is admittedly becoming slightly over-liquid. The liquidity ratio—taking cash, "near cash," short loans and bills as against deposit liabilities—works out at 35.1 per cent., which is well above the accepted norm. That figure will, other things being equal, tend to rise further, as we are now at the beginning of a period in which the floating debt should expand sharply. But these "other things" may be disturbed by a funding operation for which the banking position appears to be fairly ripe.

This position will stand out in greater emphasis when we consider the banks' investment policy since the outbreak of the war. There has been a gradual increase in their investments from £599,356,000 last August to £617,590,000 for April. But the expansion has not been proportionate to the general growth in balance sheet figures. The ratio of investments to deposits has in fact fallen between these months from 26.7 to 26.2 per cent. Admittedly these percentages are high when judged in the light of what appeared normal before the enormous expansion of the early 1930's—an expansion that must, incidentally, have yielded magnificent capital profits. But new criteria of what is normal are being created in this as in other spheres, and it looks uncommonly as though the banks were destined to see their ratio of investments to total resources increase further. In the United States, for example, where the principles of liquidity in deposit banking are as strongly entrenched as in this country, the present ratio of investments to deposits among member banks is as high as 46 per cent. Those may well be the levels towards which our own banking situation will be trending. The

fears of seeing the position seriously unbalanced by a heavy depreciation in the value of gilt-edged securities is for the time being removed by the establishment of minima below which the prices of these securities will not be allowed to fall. If the banks' holding of Government securities reaches a point at which the solidity of balance sheets might be called into question, it would always be open to the Government to make special provisions for the valuation of these holdings in the books of the banks. There are many precedents for such arbitrary valuation of investment holdings in Continental banking legislation. As yet, however, the need to envisage such devices does not arise. The investments still stand in the books at figures which represent considerable hidden reserves. The banks have not yet embarked on a substantial expansion of security holdings at the prices ruling in the present "closed circuit" capital market. Their participation in the 3 per cent. War Loan seems to have been insignificant—and rightly so if their help was not required—and their gilt-edged absorbing capacity reserved for other occasions.

Hitherto the main change in the structure of banking assets brought about by the war has been a considerable increase in the liquidity ratio. It has not been a change militating greatly against banking profits—as such changes normally do—because the banks have been able to maintain their short loan and discount rates at about twice the level which obtained under the previous 2 per cent. Bank rate period. But the expansion in liquid assets is not likely to continue. It has been a result of the gearing of the banking system to the task of financing the war. That gearing must be the dominant factor in banking policy for the time being. The next step which it is likely to bring will be funding of part of the liquid assets into longer term Government securities.

So far, therefore, the war has brought little apparent change to the crystallisation of banking policy as represented by the structure of banking assets, but at the same time a considerable redistribution of the banks' loans and advances has taken place. It is in the sphere of discount policy that the impact of the war has made itself most evidently felt. The growth in the bill portfolio represents up to now the most direct contribution that the banks have made to the financing of the war. That contribution will sooner or later make itself apparent in the investments, a transition which will probably be hastened with the gathering momentum of war. The banks as a whole must accept the prospects of a growth in their holdings of Government securities both absolutely and in relation to their aggregate resources. That will be the next direction in which the banks' adjustments to a war economy will probably manifest itself.

GUINNESS, MAHON & CO BANKERS

ESTABLISHED 1836

53 Cornhill, LONDON

Telephone: Mansion House 6142

17 College Green, DUBLIN

Telephone: Dublin 21635

GUINNESS, MAHON
EXECUTOR & TRUSTEE COMPANY LTD.

53 CORNHILL, LONDON, E.C.3

The French Banks since the War

(From a French Correspondent)

ON the outbreak of war France was in the very middle of a financial and economic recovery. Business activity was picking up rapidly. The index of industrial production reached 100 in June, 1939—back to the level of the base year 1928—against 81 in July, 1938; foreign trade, showing an improvement in volume as well as value, resulted in a deficit of only Frs. 5,607 millions in the first eight months of 1939 against Frs. 7,977 millions for the same period of 1938, which was itself better than in 1937. Refugee capital was returning voluntarily for investment at home; Frs. 8,700 million in the last quarter of 1938, and more than Frs. 17 milliards in the period January to August, 1939, so that the Equalisation Fund was able to transfer Frs. 10 milliards of gold to the Bank of France, thus providing a solid backing to the increase in the note circulation.

Bank notes in France have a far greater importance than in Great Britain, and each serious crisis evokes a considerable demand for the means of payment. In September, 1938, the note circulation of the Bank of France had grown from less than Frs. 102 milliards to more than Frs. 124 milliards, from which it later declined to around Frs. 110 milliards; in March, 1939, it again rose to Frs. 125 milliards, but thenceforward it stayed at around that level. In September, mobilisation, the needs of the army and evacuees, together with a general uncertainty of what the morrow would bring, caused an additional demand of Frs. 20 milliards of notes, and the circulation settled at Frs. 145 milliards in September, from which it gradually rose to Frs. 149.5 milliards in December. Since the beginning of the year, rising prices and the growing activity in the war industries and in other spheres of business life brought about another increase of 10 per cent., and in April the circulation passed Frs. 156 milliards.

The gold reserve of the Bank of France, revalued in November, 1938, was then Frs. 87.25 milliards; after the transfer from the Equalisation Fund in August, 1939, the total value meant that the amount of gold was double the quantity held by the bank in August, 1914. For fear of alarming a public opinion traditionally attached to the idea of a currency backed by gold, the French authorities did not act so radically at the beginning of the war as did the British authorities, and the gold in the bank was not transferred to the Equalisation Fund. However, the necessity of keeping movements in the reserve secret and of reinforcing the Fund, which controls the purchases made by France abroad, led to a new revaluation followed by a transfer to the Fund. This was done by a decree of February, 1940. Revaluation was made on the basis of 23.34 milligrammes (.900 fine)=one franc. On this basis, the reserve should have increased from Frs. 97.25 milliards to 114.6 milliards. But 30 milliards were transferred to the Equalisation Fund and the bank received in exchange a similar sum in Treasury Bonds.

At the end of April, 1940, the position of the Bank of France can be summarised as follows:—

(Frs. milliards)			
LIABILITIES		ASSETS	
Notes	156.0	Gold	84.6
Accounts	17.0	State debt*	66
		Discounts	14
		Advances	4
		Miscellaneous	4.4
	173.0		173.0

* Including 51 milliards of new advances made since the war.

Under the control of the Bank of France the French credit machinery proved its strength and flexibility in the critical hours of September. The Bourse did not close for a single day, and all business was transacted normally in spite of the inevitable fall in prices—which was, however, of short duration. There was no moratorium, and

only those who were mobilised were given the chance to postpone settling their debts. The only relief given to other debtors was a short extension owing to the difficulty of ensuring that maturing bills were met on the due date. The banks and the saving banks met on demand all the sums required of them, thereby reducing the volume of the demand. To help these institutions and, in a more general way, the economic situation of the country, the Bank of France greatly increased its discounts and advances. Between August 17th and September 7th its bill portfolio grew from Frs. 8.9 milliards to 24.5 milliards, and advances from 0.4 milliards to 2.4 milliards.

Events were to justify this policy. From the beginning of September, withdrawals of deposits from the banks and saving banks ceased, and funds started to return. After November the Bank's bill portfolio fell back to 12 milliards and 30-day advances to 0.4 milliards. Faithful to its traditions, it has, therefore, succeeded in its double task of helping the State and private enterprises to meet the sudden requirements and the new burdens arising from the war. And that it succeeded far better than in 1914 is clear from the maintenance of such easy conditions on the money market that it was not necessary to raise the discount rate from 2 per cent., whereas in 1914 it was raised to 6 per cent. in August and remained at 5 per cent. for a long time afterwards.

After having played to perfection its rôle of shock-absorber, the Bank worked to assure the flexible working of the machinery of credit. In addition to the exceptional measures referred to, it has expanded to the utmost possible since the war the facilities granted to commerce and industry. Thus, it has agreed to *bona fide* renewals resulting from abnormal difficulties, and to discount bills, guaranteed by collateral security, without the three signatures required by its statutes, while to encourage exports it has granted to bills payable in foreign exchange the same discount facilities as to bills payable in francs.

The other big banking institutions have shown the same characteristics: flexibility and resistance to shock and wide credits granted to the State and to individuals. This can be seen from the figures of the "Big Four" (Crédit Lyonnais, Comptoir d'Escompte, Société Générale, Crédit Industriel et Commercial). Their combined deposits had risen from Frs. 33 milliards at the beginning of 1939 to Frs. 36.6 milliards in the summer; similarly, discounts had reached Frs. 25.5 milliards in July, 1939. From July to August deposits only fell by Frs. 3.3 milliards, but to guard against every eventuality the banks doubled their cash, which reached Frs. 6.6 milliards, while their discounts fell heavily from Frs. 25.5 milliards to Frs. 18.5 milliards. By November, however, their deposits had again recovered to the figure of Frs. 36 milliards, which was the average of the first seven months of the year. Since then the advance has been constant, and the February figures, the latest available, show a total of Frs. 43.7 milliards.

On the other side of the balance sheet, the liquid assets remain very stable. Normally, the cash of the French banks, combined with their reserves at the Treasury and the Bank of France, is equal to 10 to 11 per cent. of their liabilities; after being raised to 18 per cent. last August, this proportion was re-established and has since been maintained. Discounts have risen to more than Frs. 30.5 milliards, and doubtless include a growing amount of Treasury bonds.

It is quite obvious that a part of the prosperity of the French banks is due to the appreciation of their holdings of Government or other securities. But, besides this, there has also been the greater activity due to the financing of the much bigger imports, to the capital issues made necessary by the expansion in plant and machinery, and to the increased needs of the Treasury to pay those concerns working for war purposes or for export. Finally, the banks play an important part in the placing of Armament Bonds,

subscriptions to which amount to about Frs. 8 milliards a month.

This brief review of French banking since the war is not complete without a mention of the effort the banks have had to make to meet heavier tasks with a very much reduced staff. In the Bank of France, the proportion of the

staff which has been mobilised amounts to 35 per cent., and an equal or bigger proportion is true of all the other banks, which have just been affected by a new calling-up of certain categories of employees. This loss of personnel has been partially offset by increased work on the part of the unmobilised and recourse to pensioners and women.

The Banking Structure of the United States

(From our New York Correspondent)

THE last six months have been uneventful in American banking. They give a record of the usual gold imports, the usual financing of the usual deficit, the usual increase in demand deposits, and the usual increase of currency in circulation.

This routine progression has no significance within the six month period, bracketed between two dates on a calendar. Its significance derives from its place in a longer sequence. For the purpose of this discussion, the current phase dates from the end of March, 1938, when the decision was taken to abandon the Inactive Gold Fund and, with it, the attempt to "manage" the volume of bank cash.

TREASURY AND FEDERAL RESERVE BANK ITEMS

	(\$'000,000)			
	March, 1938	March, 1939	Sept., 1939	March, 1940
Bills discounted	12	3	6	2
Bills bought	1	1	1	...
U.S. securities	2,564	2,564	2,804	2,475
Gold stock	12,794	15,160	16,925	18,413
Gold certificates issued to				
Reserve Banks	9,213	12,424	14,657	16,048
Member Bank balances...	7,312	9,125	11,621	12,294
Treasury balances	292	1,201	552	700
Federal Reserve notes in				
circulation	4,122	4,345	4,684	4,899
Total currency in circula-				
tion	6,329	6,765	7,238	7,471

Only two faults interrupt the smooth continuity of these series—the increase and subsequent reduction of the Treasury balance, by figures large in themselves but relatively too small to have any influence; and the open market episode—the support afforded by the Reserve Banks to the nervous Government bond market at the outbreak of the war, and the subsequent reduction of the position to below its starting point. Again, the figures are absolutely of impressive magnitude; but, relatively and effectively, inconsequential.

The real figures are, as usual, those that reflect the gold

movement. In these two years the increase in the gold stock is just under \$6,000 millions (almost 50 per cent.); and in the last six months, the increase has approximately held to the average of the period. The increase in the sum of monetised gold is, of course, greater than that of its gold stock, as it includes the realisation of the Inactive Fund. The increase in member bank cash is of the order of \$5,000 millions; and, in spite of the fact that present required reserves are almost double the legal minimum, total member bank cash is almost double the requirements. Total currency in circulation has steadily continued its meteoric climb, the greater part of the increase being met by Federal reserve notes and the minor part by the issue of silver certificates. One of the most remarkable statistical facts in our economy is the steady increase in the amount of currency in circulation compared to demand deposits. There would seem to be an evidence of changing monetary habits; but probably it reflects principally currency hoarding, again, probably by foreigners.

Contact with the market, through bills and discounts, was no more than vestigial two years ago. It is merely historical now. The net conclusion of the whole data is that the Reserve System no longer possesses any power over the "market," nor any capacity to control, one way or the other, the volume of money (currency or bank deposits) in the United States. The System still retains the functions of clearing and limited powers of supervision; and the Board has the authority to audit the twelve Reserve banks. But there is neither monetary power nor monetary responsibility now vested in the System. Such functions of monetary management as exist in our scheme of things are not to be found or even sought in the Federal Reserve System; they reside in the Treasury.

The function of the Reserve System may be epitomised in a single sentence: to finance the Treasury's gold purchases, by the acceptance and monetisation of non-interest-bearing public debt, whereas abroad Stabilisation or Equalisation Funds finance (but do not monetise) gold purchases by the sale of interest-bearing public debt.

ERLANGERS LTD.

BANKERS,

4 Moorgate,
London,
E.C.2

The statements of the Reporting Member Banks likewise primarily reflect the gold movement; but in addition they have the specific function of financing the deficit.

REPORTING MEMBER BANKS OF NEW YORK CITY (\$'000,000)				
	March, 1938	March, 1939	Sept., 1939	March, 1940
Total loans & investments	7,576	7,895	8,477	9,050
Total loans	3,158	2,864	2,871	2,946
U.S. and gtd. securities	3,263	3,845	4,348	4,756
Other securities	1,155	1,186	1,258	1,348
Cash reserves	2,958	4,390	5,640	6,134
Demand deposits adjusted	6,100	7,135	8,170	9,037

In this space of two years, the cash reserves of these banks have risen 100 per cent., and their deposits have risen 50 per cent. Loans are lower than two years ago, although showing a recent increase; holdings of United States and guaranteed securities have risen 50 per cent., by \$1,500 millions, and holdings of other securities by \$200 millions. Some years ago, a proposal was made that, as demand deposits were essentially money, they should be covered fully by cash and Government securities. This Hundred Per Cent. Reserve Plan was regarded as extreme at the time. Actually, at present the New York banks show cash and Government securities (exclusive of the guaranteed issues) of \$9,639 millions, and demand deposits of \$9,037 millions. That is, demand deposits are fully covered as suggested by the proponents of the scheme, with a residuum of \$600 millions, which could be attributed to the \$750 millions of time and Government deposits.

REPORTING MEMBER BANKS OUTSIDE NEW YORK CITY (\$'000,000)				
	March, 1938	March, 1939	Sept., 1939	March, 1940
Total loans & investments	13,234	13,684	13,942	14,272
Total loans	5,613	5,327	5,479	5,650
U.S. and gtd. securities	5,671	6,277	6,321	6,453
Other securities	1,950	2,080	2,142	2,179
Cash reserves	2,797	3,125	4,154	4,237
Demand deposits adjusted	8,168	8,856	10,163	10,239

The experience of these banks over the past two years is radically different from that of the New York banks. Thanks to a rise in loans over the past year, that item has returned to the figure of two years ago. Their purchases of "other securities" have been about equal to those of the New York banks; their purchases of Government securities have been only half those of the metropolitan banks, although the aggregate holdings are higher. Their combined holdings of cash and direct Treasury obligations

(\$9,562 millions) fall a little short of their demand deposits of \$10,239 millions; but if the fully guaranteed issues are counted, the figure rises to \$10,690 millions. Time deposits figures bulk larger in the outside banks; for while the demand deposits of the New York City banks are 80 per cent. as large as the total demand deposits of the reporting member banks in 100 cities outside New York, the time deposits of New York are only one-sixth of those of the outside cities.

The movement of cash between New York and the interior is always puzzling. Member bank cash reserves are almost exclusively created by gold imports arriving in the port of New York. The reserve balances are then distributed through the country by a movement analogous to an adverse balance of payments of New York City *vis-à-vis* the United States. They then return to New York by the deposits of interior banks with their New York correspondents—balances which have doubled in the last two years. Formerly, these funds shifted largely in response to the demands of the call market; the motivating force at the present time is not clear, as these balances draw no interest for their owners and produce little, if any, net income for their metropolitan holders. The net statistical effect is, of course, to swell the cash of the New York banks; but, as the episode of 1937 showed, an uncertain part of these balances is hot money—much hotter than the foreign balances have proved to be. In 1937, a comparatively small efflux produced some stringency and more alarm in New York; but the amplitude of the present excess reserves concentrated in New York provides some assurance against a repetition of such an episode. This adventitious concentration of reserve balances in New York functions smoothly—too smoothly for the inquiring mind. The old barometer of money rates has been destroyed, and one has to guess the barometric pressure. As was said above, there is a lot of persuasive but inconclusive evidence that New York has an adverse balance of payments toward the United States; and that this is compensated by (a) the continuous influx of gold (flight-money from Europe) and (b) by the re-deposit of non-interest-bearing interior balances in New York. One side of this equation is of doubtful perpetuity, as the flight-money has been more or less completely shut off, or replaced by war purchases of merchandise, which may or may not produce the same effect on our internal balance of payments. But the point is that an adverse balance of payments, however compensated statistically, puts the area on notice; and deserves more attention than it gets, or is likely to get so long, as was said above, as the mechanism runs smoothly. It is remarkable that seafaring men never thought of stabilising the barometer at 30 in order to prevent fluctuations in the weather.

Banking in Some Neutral Countries

(From our Belgian Correspondent)

THE banking situation in some of the neutral States has certain features in common. Money markets, for instance, have been generally disturbed by several circumstances, the first being the withdrawal of foreign capital which had been sent to countries like Switzerland and Holland for safety. Other neutral countries, whose fate seemed rather uncertain in case of war, had long ago lost the refugee capital which had temporarily been deposited with them. They have also suffered from the export of capital belonging to their own citizens, for in the first months of the war the public bought either gold or foreign notes. The Scandinavian countries soon took measures against this evasion, while Switzerland, Holland and Belgium were much more lenient. Finally, there has been some export of capital, though without any serious economic repercussion, resulting from certain credit operations. In a general way, England and even America called in the credits which they had previously granted to neutral countries. Also important is the fact that the countries producing staple commodities ceased to agree to the usual credit terms and insisted on cash payment on shipment. Importers had thus

to find the necessary facilities at home, which caused stringency in the money market. The Scandinavian countries, in particular, have suffered in this respect since the end of 1939.

At home there was at first an increase, which was sometimes considerable, in the note circulation. This increase was marked in the case of Belgium but less obvious in Holland, and the chief reason was the desire of the population to have large sums on hand in the event of their having to evacuate. There was, therefore, a need of additional notes which were rapidly hoarded. In addition to this, the Treasury found itself almost everywhere in financial difficulties which necessitated a recourse to indirect advances from the Central Bank.

On examining the bank deposits in the neutral countries it is surprising to realise that, except for Belgium, there has hardly been any decrease in spite of the withdrawals of capital on foreign and home account which have already been mentioned. Finally, in spite of the hardening of discount rates, the money market has kept more liquid than might have been expected. The reason for this lies in the

creation of supplementary credits for the needs of the State Treasuries, whose payments have kept the recipients liquid, which has in turn provided new deposits for the banks. In fact, the hardening of the discount rate has been moderate everywhere, and it is surprising that it has in most countries only increased from $\frac{1}{2}$ to 1 per cent.

Long-term loans, on the other hand, have been much more influenced by events; almost everywhere the prices of gilt-edged securities have been lowered by about 20 per cent., and on the average State funds have at present a yield of 5 per cent. instead of 4 per cent. as before.

Though bank deposits have been almost stationary, except in Belgium, it cannot be said that the business of the banks has remained satisfactory. Inside, as well as outside, the country, commercial credits have been much curtailed, and the discount of bills has declined even more. Mention has already been made of the absence of credit facilities in international commerce. At home, the usual terms of payment have everywhere been a little shortened. Merchants have been compelled to do this to prevent their customers from building up stocks of goods to their detriment.

Nor have the banks been able to compensate themselves by investments in securities. The creation of new industries has been negligible; and loans to the State have, in most countries, been limited to short-term Exchequer bills, which scarcely leave any profit for the banks. More recently, certain countries such as Holland and Sweden have issued medium- or long-term loans, but only under conditions which made them more like taxes than loans.

As for the central banks, their rôle, first and foremost, has been to finance the special needs of the State. The usual means has been, not the so-called direct advance according to the French method, but the discounting or rediscounting of Exchequer bills. In the first place, the central banks have re-accepted, in moments of tension, the bills for which the private banks had subscribed. Then they have accepted some directly, in accordance with the needs of the Exchequer. It is not possible to tell how far this was an open market operation or inflation, but up to now it seems that on the whole it was the former, which gave the money market facilities rendered necessary by hoarding and the export of capital.

It is probably Belgium that has most practised open-market operations, just as she has also experienced the most extensive hoarding. It is generally admitted that in the beginning of 1940 the National Bank held Treasury certificates to the value of £35 millions, though later on this amount seemed to have decreased to about £30 millions. In Switzerland the intervention of the Central Bank only reached £10 millions, but for a population half as large.

The second task of the Central Bank in the neutral countries has been to provide the foreign currencies that the market demanded in great quantities for the reasons already stated; the withdrawing of foreign credits, the export of domestic capital, and the financing of foreign trade. Moreover, with the exception of Belgium, neutral countries have had an adverse trade balance, which is no longer neutralised by their important invisible exports, particularly in the case of Switzerland, which has lost almost entirely the contributions of foreign tourists. The deficit in their trade balance is due chiefly to the large purchases of armaments which they have made without making the necessary reduction in their consumption of other goods.

Switzerland and Holland have till now been able to offset their adverse balance by exporting gold, of which they possess important reserves. The Scandinavian countries have not had that resource, and from the first months of the war they have taken measures for controlling the exchanges, which they have had to tighten progressively. Lately they have even had to reduce their imports and control all their foreign trade.

Up to the present Belgium is in a situation diametrically opposite. It was generally believed that in case of war she would have serious difficulty in keeping her trade balance stable. To the surprise of all, her trade in October to March yielded a surplus averaging £4,000,000 a month, and she has maintained a good part of her invisible exports;

moreover, she has not reduced her stocks of goods to achieve this surplus, since after eight months the normally favourable situation in this respect has been maintained. On the other hand, it is evident that the country is largely a creditor and that for ten years much capital has been placed in foreign countries. Belgium's weak point in her financial situation is found elsewhere. There is first the mistrust that the public entertains with regard to her financial position and her currency; political insecurity and the risks of war justify that sentiment to a certain point. Then there is the lack of eagerness shown by the public in entrusting its money to banks, which are suffering from a kind of anaemia. The amount of their deposits, which had risen in 1936 to more than 20 milliards of francs, was only 13 milliards at the end of 1939. Since then the decrease has slowed down owing to the favourable trade balance. However, the Belgian banks have had to face during four years a contraction of deposits by 36 per cent. With the single exception of the Crédit Anversois, which had been losing ground for ten years, they have come through this ordeal satisfactorily, and have to-day a very solvent position.

On the whole, it may be said that the European war has posed important problems for the Central Banks. The principal one has been to husband their gold reserves, and this has been solved by them with varying success. In some cases, deflationary measures have not been applied where they should have been to conform with traditional banking technique. In other countries better supplied with resources, like Switzerland and Holland, the problem of providing the market with foreign currencies has been resolved temporarily by an export of gold, which cannot continue at the same rate without endangering the monetary equilibrium. As for Belgium, to her great surprise she has been able to strengthen her assets and thus constitute a strong gold reserve which may prove useful later on. On the other hand, the activity of private banks has been everywhere reduced, but generally speaking they have not been put to too hard a test.

Wills and Trusts in Peace and War

Desirable as it is in normal times to consider appointing the Midland Bank Executor and Trustee Company as your executor or as trustee of an estate or fund in which you are interested, prevailing conditions render such a step even more advisable now.

A complete and efficient service is afforded by the Company which with the aid of a specially trained and expert staff, acting in close collaboration with the organization of the Midland Bank, has gained an invaluable experience. This experience and the many important advantages attaching to the appointment of the Company are at your disposal for a moderate fee.

The benefits thus to be derived are too numerous to be mentioned here in detail. They will, however, gladly be explained by any Midland Bank branch manager in his capacity as a representative of the Executor and Trustee Company. Whatever you tell him will be treated in the strictest confidence.

If at first you are unable to call upon the manager of the branch most convenient for you, ask him to send you a copy of "The Service of the Midland Bank Executor and Trustee Company" and other informative literature. These may also be obtained from the Head Office in Poultry, London, E.C. 2.

MIDLAND BANK
EXECUTOR & TRUSTEE CO. LTD.

PROFITS OF BRITISH BANKS FOR LAST COMPLETED FINANCIAL YEAR

BANK	Year Ended	Profits	Dividend	Rate	Reserve	Premises	Staff	To Carry Forward		Profits a Year Ago
								Increase	Decrease	
ENGLISH	1939	£	£	%	£	£	£	£	£	£
Barclays.....	Dec. 31	1,784,880	1,432,019	{ A 10 B } { & C 14 }	200,000	150,000	...	2,861	...	1,926,458
British Mutual	Dec. 31	21,604*	9,000	5	15,000	100	...	...	2,496	21,640*
District	Dec. 31	490,090	357,050	{ A & C 18 } { B 10 }	...	60,000	70,000	3,040	...	508,808
Lloyds.....	Dec. 31	1,589,646	1,248,276	{ A 12 } { B 5 }	350,000	...	...	...	8,630	1,705,300
Martins	Dec. 31	876,025	624,006	15	50,000	100,000	100,000	2,019	...	872,929
Midland	Dec. 31	2,181,350	1,667,448	16	500,000	...	...	13,902	...	2,445,671
National Provincial	Dec. 31	1,718,984	1,421,912	15	...	100,000	250,000	...	52,928	1,771,785
Westminster.....	Dec. 31	1,475,745	1,068,323	{ A 18 } { B 12 1/2 }	...	100,000	300,000	7,422	...	1,557,161
Williams Deacon's	Dec. 31	298,865	234,375	12 1/2	...	30,000	...	34,490	...	301,418
Totals		10,437,189	8,062,409	...	1,115,000	540,100	720,000	63,734	64,054	11,111,170
SCOTTISH	1940									
Bank of Scotland	Feb. 28	274,548	168,000	12	75,000	...	30,000	1,548	...	305,634
British Linen	Jan. 14	260,327	137,500	16	80,000	15,000	30,000	...	2,173	276,713
Clydesdale	Dec. 31	313,890	208,000	16	50,000	20,000	40,000	...	4,110	316,941
Commercial of Scotland ...	Oct. 31	353,098	215,500	{ A 15 } { B 10 }	50,000	50,000	40,000	...	2,402	381,155
National of Scotland	Nov. 1	282,697	124,950	16	100,000	30,000	30,000	...	2,253	292,639
North of Scotland	Dec. 31	236,543	182,560	16	35,000	5,000	15,000	...	1,017	242,077
Royal of Scotland	Oct. 8	605,719	456,187	17	89,532	30,000	30,000	...	...	613,257
Union of Scotland.....	Apr. 1	303,162	216,000	18	50,000	10,000	25,000	2,162	...	310,407
Totals		2,629,984	1,708,697	...	529,532	160,000	240,000	3,710	11,955	2,738,823
IRISH	1939									
Belfast Banking	Dec. 31	101,017	60,500	11	100,000	...	...	...	59,483	103,929
Northern	Dec. 31	70,021	43,086	10	25,000	1,500	...	435	...	79,813
Ulster	Dec. 31	159,298	140,000	14	...	...	...	19,298	...	179,954
Totals		330,336	243,586	...	125,000	1,500	...	19,733	59,483	363,696

* Directors' fees have been deducted from figure shown in report.

BANK OF ENGLAND
END OF YEAR POSITION

END OF YEAR POSITION																		
Last Return of Year	Number of Branches	LIABILITIES										Total Liabilities or Assets	ASSETS					
		Capital	Per Cent.	Rest	Per Cent.	Note Circulation	Per Cent.	Post Bills	Per Cent.	Deposits	Per Cent.		Coin and Bullion	Per Cent.	Govt. Securities	Per Cent.	Other Securities	Per Cent.
1910 ...	11	14,553,000	14.2	3,187,804	3.1	28,610,215	28.0	24,848	...	55,962,860	54.7	102,338,727	31,355,727	30.6	34,349,568	33.6	86,633,614	35.8
1920 ...	10	14,553,000	4.3	3,338,587	1.0	132,851,150	39.0	7,639	...	189,859,334	55.7	340,610,710	128,267,670	37.6	128,314,798	37.2	86,028,442	25.2
1925 ...	10	14,553,000	4.4	3,344,666	1.1	144,730,510	43.6	2,021	...	169,044,292	51.0	331,674,489	144,556,367	43.6	83,837,526	25.3	103,280,596	21.8
1930 ...	9	14,553,000	2.7	3,400,255	0.6	368,801,566	65.5	1,264	...	175,189,157	31.2	561,945,242	152,640,787	27.2	325,174,789	57.8	84,129,666	15.6
1931 ...	9	14,553,000	2.6	3,417,512	0.6	364,150,042	65.4	1,071	...	174,471,488	31.4	556,593,093	125,401,728	22.6	349,065,659	62.7	82,125,706	14.7
1932 ...	9	14,553,000	2.7	3,430,563	0.6	371,193,057	69.4	1,510	...	145,035,194	27.2	534,213,324	124,309,107	23.3	368,598,410	69.0	41,305,807	7.1
1933 ...	9	14,553,000	2.8	3,421,526	0.6	391,981,846	68.7	1,429	...	159,916,147	28.2	569,873,948	195,228,035	34.3	342,245,007	60.0	82,400,806	8.5
1934 ...	9	14,553,000	2.6	3,436,737	0.6	405,163,800	72.5	...	...	135,422,521	24.3	558,576,058	195,234,129	35.0	344,114,924	61.6	19,227,005	8.1
1935 ...	9	14,553,000	2.6	3,428,981	0.6	424,506,785	75.3	...	...	121,333,662	21.5	563,822,428	201,914,149	35.8	339,211,232	60.2	22,697,047	4.1
1936 ...	9	14,553,000	2.1	3,451,737	0.5	467,406,210	67.5	...	...	202,185,316	29.9	687,317,263	314,223,879	45.7	334,332,960	48.6	38,760,424	6.5
1937 ...	9	14,553,000	2.1	3,441,563	0.5	505,317,131	73.0	...	...	168,591,894	24.4	691,903,588	327,243,763	47.2	334,300,927	48.4	30,358,888	6.4
1938 ...	9	14,553,000	2.2	3,413,438	0.5	504,726,803	74.6	...	...	153,719,303	22.7	676,412,538	327,486,956	48.4	298,881,653	44.2	50,043,929	7.1
1939 ...	9	14,553,000	1.9	3,362,072	0.5	554,615,983	72.8	...	...	189,080,914	24.8	761,611,969	1,919,484	0.2	272,806,514	95.6	31,885,971	4.1

BANK RATE SINCE 1856

BANK RATE SINCE 1856																				
Year	No. of Changes	Highest	Lowest	Average	Year	No. of Changes	Highest	Lowest	Average	Year	No. of Changes	Highest	Lowest	Average	Year	No. of Changes	Highest	Lowest	Average	
s. d.					s. d.					s. d.					s. d.					
1856 ...	7	7	4 1/2	5.5	1877 ...	7	5	2 1/2	3.5	1898 ...	6	4	2 1/2	3.5	1919 ...	1	1	6	5.5	
1857 ...	9	10	4 1/2	6.5	1878 ...	10	6	2 1/2	3.5	1899 ...	6	4	2 1/2	3.5	1920 ...	1	1	6	5.5	
1858 ...	6	6	2 1/2	3.5	1879 ...	5	5	2 1/2	3.5	1900 ...	6	6	5	3	1921 ...	4	4	5	3.5	
1859 ...	5	4	2 1/2	3.5	1880 ...	2	3	2 1/2	3.5	1901 ...	6	6	5	3	1922 ...	4	4	5	3.5	
1860 ...	11	6 1/2	3 1/2	4.5	1881 ...	6	6	2 1/2	3.5	1902 ...	3	4	3	3	1923 ...	1	4	4	4.0	
1861 ...	11	8	3 1/2	5.5	1882 ...	6	6	2 1/2	3.5	1903 ...	3	4	3	3	1924 ...	None	4	4	4.0	
1862 ...	10	8	3 1/2	5.5	1883 ...	6	6	2 1/2	3.5	1904 ...	2	4	3	3	1925 ...	None	4	4	4.0	
1863 ...	12	8	3 1/2	5.5	1884 ...	7	7	2 1/2	3.5	1905 ...	3	4	2 1/2	3	1926 ...	None	5	5	4.5	
1864 ...	15	9	3 1/2	6.5	1885 ...	7	7	2 1/2	3.5	1906 ...	6	6	3	3	1927 ...	1	5	4	4.5	
1865 ...	16	7	3 1/2	4.5	1886 ...	7	7	2 1/2	3.5	1907 ...	7	7	4	4	1928 ...	None	4	4	4.0	
1866 ...	14	10	3 1/2	6.5	1887 ...	7	7	2 1/2	3.5	1908 ...	6	7	2 1/2	3	1929 ...	5	6 1/2	4 1/2	5.0	
1867 ...	3	3	2 1/2	3.5	1888 ...	9	9	2 1/2	3.5	1909 ...	6	5	2 1/2	3	1930 ...	4	5	3 1/2	3.5	
1868 ...	2	3	2 1/2	3.5	1889 ...	8	6	2 1/2	3.5	1910 ...	9	5	3	3	1931 ...	4	6	6	3.5	
1869 ...	7	4	2 1/2	3.5	1890 ...	11	6	3	4	1911 ...	4	4	3	3	1932 ...	6	6	6	3.5	
1870 ...	10	6	2 1/2	3.5	1891 ...	12	5	2 1/2	3.5	1912 ...	4	5	3	3	1933 ...	None	6	6	3.5	
1871 ...	10	5	2 1/2	3.5	1892 ...	4	3 1/2	2 1/2	3.5	1913 ...	2	5	3	3	1934 ...	None	2	2	2.0	
1872 ...	14	7	3	4 1/2	1893 ...	12	5	2 1/2	3.5	1914 ...	8	10	3	3	1935 ...	None	2	2	2.0	
1873 ...	24	9	3	4 1/2	1894 ...	2	3	2 1/2	3.5	1915 ...	None	5	5	5	5	1936 ...	None	2	2	2.0
1874 ...	13	6	2 1/2	3.5	1895 ...	None	2	2	2	1916 ...	1	6	5	5	5	1937 ...	None	2	2	2.0
1875 ...	12	6	2 1/2	3.5	1896 ...	3	4	2 1/2	3.5	1917 ...	2	6	5	5	5	1938 ...	None	2	2	2.0
1876 ...	6	5	2 1/2	3.5	1897 ...	6	4	2 1/2	3.5	1918 ...	None	5	5	5	5	1939 ...	None	2	2	2.0

POSITION OF THE BANK OF ENGLAND FROM MAY 3, 1939, TO
APRIL 24, 1940

(000's omitted)														
Date	Issue Department		Banking Department			Bank Rate	Issue Department		Both Depts.		Banking Department			
	Notes Issued	Circulation	Public Deposits	Bankers' Deposits	Other Deposits		Govt. Debt and Securities	Other Securities	Gold Coin and Bullion and Reserve Ratio	Govt. Securities	Discounts and Advances	Other Securities	Reserve and the "Proportion"	
1939	£	£	£	£	£	%	£	£	£	%	£	£	£	£ %
May 3	526,160	495,456	10,489	108,214	37,041	2	298,665	471	226,910	34½	111,906	8,175	21,942	31,453 20½
10	526,160	495,894	19,059	101,356	36,279	2	298,595	514	226,863	34½	114,126	8,102	21,245	30,969 19½
17	526,160	493,620	16,803	107,315	36,151	2	298,083	1,028	226,791	34½	113,511	10,076	21,270	33,171 20½
24	526,160	494,564	25,487	95,347	36,366	2	298,095	1,017	226,764	35½	113,966	7,097	21,715	32,199 20½
31	526,160	499,776	38,340	82,391	37,085	2	298,120	967	226,719	34½	118,966	7,999	21,715	26,943 17
June 7	526,160	498,371	18,401	100,623	36,104	2	299,117	68	226,748	34½	114,176	7,801	22,608	28,376 18½
14	526,287	494,952	22,078	100,297	36,399	2	299,146	43	226,753	35	116,261	5,632	22,952	31,801 20
21	526,287	494,671	25,237	97,235	36,128	2	299,191	98	226,869	34½	112,631	6,485	25,198	32,198 20½
28	526,414	498,980	15,385	101,442	36,955	2	299,209	78	227,135	34½	113,856	6,836	22,878	28,155 18½
July 5	526,414	505,722	19,301	96,477	37,561	2	299,252	35	227,085	34	118,706	8,788	22,465	21,364 13½
12	546,417	507,929	29,524	87,111	36,782	2	299,129	162	247,066	37½	100,441	9,233	22,610	39,137 25½
19	546,417	507,638	28,381	95,520	36,423	2	299,137	152	247,076	37	105,051	9,120	24,744	39,438 24½
26	546,417	510,898	26,010	91,378	36,742	2	299,259	25	247,040	37½	106,491	8,049	21,502	36,143 23½
Aug. 2	546,417	520,570	23,279	89,578	36,182	2	299,269	20	247,059	36½	112,611	6,857	21,168	26,490 17½
9	546,417	521,877	31,846	81,654	35,929	2	299,170	120	247,104	36½	114,831	5,955	21,533	25,227 16½
16	546,555	512,389	27,457	94,728	35,717	2	297,204	2,084	247,340	36½	111,636	5,909	23,549	34,951 22½
23	546,417	508,064	22,371	92,132	36,229	4	295,235	4,052	247,263	37½	99,666	5,711	24,334	39,199 26
30	563,011	529,499	31,068	90,143	38,976	4	295,816	3,471	263,749	38½	113,126	6,388	24,629	34,250 21½
Sept. 6	580,102	549,896	15,029	111,267	41,235	4	575,837	3,451	688	...	123,721	6,017	25,213	30,802 18½
13	580,127	553,475	12,001	109,609	40,815	4	578,032	1,459	662	...	123,671	3,858	25,938	27,187 16½
20	580,143	546,498	21,450	107,899	39,934	4	576,748	2,942	726	...	121,866	2,538	28,886	34,228 20½
27	580,148	541,833	19,841	107,131	40,468	3	576,461	3,334	828	...	120,336	2,481	23,883	38,995 23½
Oct. 4	580,165	538,749	15,346	106,034	40,867	3	576,656	3,135	900	...	113,616	2,392	22,335	42,151 25½
11	580,165	535,033	10,910	116,716	39,673	3	576,854	2,936	972	...	114,311	3,046	21,698	45,939 27½
18	580,165	530,316	12,010	116,445	38,535	3	576,776	2,962	1,009	...	107,536	3,223	23,250	50,693 30½
25	580,185	527,137	12,374	116,761	39,242	2	576,708	2,933	1,073	...	106,041	4,640	21,699	53,926 31½
Nov. 1	580,185	527,968	10,540	114,802	42,992	2	576,614	2,932	1,055	...	105,336	5,633	22,033	53,089 31½
8	580,193	528,872	21,267	101,859	41,477	2	576,612	2,929	1,128	...	102,246	5,451	21,923	52,756 32
15	580,213	527,644	17,844	107,084	40,580	2	576,519	2,972	1,195	...	103,196	5,261	21,292	53,551 32½
22	580,220	527,004	36,392	92,945	39,349	2	576,497	2,993	1,348	...	103,946	5,286	22,930	54,343 32½
29	580,220	528,660	27,822	103,503	40,186	2	576,285	3,155	1,349	...	109,816	4,530	22,310	52,689 30½
Dec. 6	580,220	533,876	47,141	86,288	39,824	2	576,321	3,019	1,349	...	114,886	5,400	23,362	47,473 27½
13	580,220	545,120	45,804	87,739	40,657	2	576,263	3,075	1,286	...	126,106	5,379	24,427	36,166 20½
20	580,220	552,340	34,498	114,851	40,377	2	576,265	3,073	1,250	...	145,231	5,446	28,016	28,912 15½
27	580,220	554,616	29,725	117,330	42,027	2	576,340	2,997	1,257	...	151,466	4,269	24,620	26,641 14
1940														
Jan. 3	580,220	547,427	17,193	128,637	52,694	2	576,314	3,025	1,128	...	153,136	4,557	25,058	33,701 16½
10	580,220	536,132	27,853	115,719	42,500	2	576,054	3,434	1,146	...	127,356	6,305	25,352	45,013 24½
17	580,220	527,449	37,178	102,471	41,682	2	574,963	4,526	1,040	...	117,196	3,767	24,752	53,591 29½
24	580,220	522,791	56,687	80,131	43,019	2	574,978	4,514	1,013	...	112,291	3,270	24,060	58,222 32½
31	580,220	527,722	39,678	98,144	44,341	2	574,986	4,503	973	...	119,356	3,064	24,527	53,250 29½
Feb. 7	580,236	531,105	28,626	108,650	43,751	2	564,004	4,471	1,003	...	121,841	2,492	24,863	49,898 27½
14	580,236	531,636	39,218	105,530	40,524	2	574,785	4,702	1,013	...	126,136	4,737	23,106	49,378 26½
21	580,237	529,975	48,587	97,163	40,361	2	574,383	5,108	1,158	...	122,759	4,636	25,649	51,184 27½
28	580,237	531,216	45,749	99,408	38,853	2	574,401	5,088	1,224	...	127,122	2,781	22,235	50,008 27½
Mar. 6	580,237	534,296	22,498	128,899	40,415	2	575,016	4,476	1,304	...	137,254	3,036	22,666	47,007 24½
13	580,237	534,900	34,929	114,035	42,649	2	575,995	3,493	1,345	...	136,354	3,218	23,768	46,445 24½
20	580,237	540,640	49,484	98,118	41,756	2	576,240	3,247	1,323	...	133,639	7,218	26,004	40,684 21½
27	580,237	543,106	43,142	97,967	42,187	2	576,249	3,239	1,298	...	134,189	6,094	23,026	38,192 20½
April 3	580,237	542,443	22,390	120,769	41,417	2	576,275	3,216	1,258	...	137,604	3,205	23,177	38,815 21
10	580,237	539,418	22,880	123,915	42,593	2	576,319	3,168	1,218	...	137,224	5,543	22,481	41,800 22
17	580,237	537,477	28,654	114,958	39,736	2	576,459	3,029	1,157	...	129,444	4,947	22,951	43,680 23½
24	580,237	537,146	40,703	103,447	40,561	2	576,421	3,069	1,216	...	130,649	4,860	22,823	44,070 23½

COMPARATIVE STATEMENTS

JOINT STOCK BANKS OF ENGLAND AND WALES (EXCLUDING BANK OF ENGLAND)

Year	Banks	No. of Branches	Capital and Reserves	% of Liabilities	Deposits	% of Liabilities	Acceptances	% of Liabilities	Total Liabilities	Cash in Hand and Money at Call & Notice	% of Liabilities	Investments	% of Liabilities	Discounts and Advances	% of Liabilities
1890	104	2,203	£ 67,826,000	14.5	£ 368,663,000	79.4	£ 22,693,000	4.9	£ 464,075,000	£ 83,955,000	18.0	£ 182,816,000	17.8	£ 269,507,000	58.0
1895	99	2,690	69,213,000	12.4	465,561,000	81.6	23,724,000	4.2	558,744,000	111,208,000	19.9	107,498,000	19.2	311,678,000	56.7
1900	77	3,757	73,847,000	11.3	586,726,000	84.0	21,530,000	3.0	698,762,000	144,400,000	20.7	127,766,000	18.3	395,313,000	56.6
1905	59	4,558	82,010,000	10.8	627,529,000	82.6	39,225,000	5.2	758,712,000	179,530,000	23.6	131,731,000	17.3	401,485,000	52.9
1910	45	5,202	80,946,000	9.4	720,687,000	83.6	52,263,000	6.0	862,134,000	199,724,000	23.0	137,711,000	16.8	467,880,000	54.3
1915	37	6,027	81,731,000	7.1	992,555,000	86.4	62,512,000	5.5	1,146,807,000	262,453,000	22.9	310,771,000	14.2	503,617,000	43.9
1919	21	7,195	106,273,000	5.0	1,874,184,000	87.9	151,138,000	7.1	2,137,908,000	452,755,000	21.3	398,611,000	20.0	1,129,582,000	53.0
1920	20	7,612	128,154,000	5.8	1,961,527,000	89.0	102,920,000	4.7	2,200,317,000	449,153,000	20.4	368,734,000	18.7	1,263,091,000	57.4
1921	20	7,963	129,131,000	5.9	1,974,898,000	90.0	74,166,000	3.4	2,185,438,000	438,519,000	20.0	375,564,000	16.7	1,280,171,000	58.3
1922	20	8,235	129,173,000	6.2	1,833,971,000	89.0	85,687,000	4.2	2,056,242,000	423,092,000	20.6	424,413,000	17.1	1,102,643,000	53.7
1923	19	8,491	129,004,000	6.2	1,822,067,000	88.1	111,490,000	5.4	2,069,847,000	413,532,000	20.0	404,392,000	20.6	1,116,866,000	54.0
1924	18	8,676	132,103,000	6.3	1,813,513,000	86.9	132,318,346	6.3	2,085,016,802	437,889,000	20.9	361,416,000	19.5	1,132,070,000	54.3
1925	18	8,873	134,846,000	6.5	1,806,810,000	87.1	125,005,000	6.0	2,073,810,000	441,787,000	21.3	317,572,000	17.3	1,187,952,000	56.3
1926	18	9,105	138,717,000	6.6	1,848,174,000	87.9	108,686,000	5.2	2,102,747,000	444,014,000	21.1	307,661,000	15.3	1,208,975,000	57.5
1927	17	9,381	139,444,000	6.4	1,892,948,000	86.8	140,159,000	6.4	2,179,372,000	492,652,000	22.6	290,544,000	14.6	1,220,983,000	56.0
1928	16	9,595	141,516,505	6.1	1,951,477,697	83.5	237,140,923	10.1	2,337,234,765	493,841,201	21.1	293,156,061	13.3	1,268,803,457	54.3
1929	16	9,815	141,593,545	6.3	1,911,007,360	85.4	179,295,205	8.0	2,238,855,706	481,341,704	21.5	285,176,223	12.5	1,250,763,477	55.8
1930	16	10,082	144,323,133	6.4	1,976,805,092	87.6	128,023,846	5.7	2,255,681,859	472,358,357	20.9	329,286,947	12.7	1,281,039,732	56.8
1931	16	10,178	134,472,636	6.5	1,820,986,812	87.9	109,740,433	5.3	2,071,539,059	414,540,355	20.0	329,472,822	14.6	1,165,818,695	56.3
1932	16	10,066	135,224,636	5.9	2,064,334,875	89.5	96,673,580	4.2	2,302,302,796	446,214,089	19.4	520,853,312	22.6	1,188,312,612	51.6
1933	16	10,060	135,352,136	5.9	2,025,230,782	88.5	122,069,412	5.2	2,288,936,892	446,089,501	19.5	612,208,609	26.8	1,057,004,290	46.1
1934	16	10,086	137,709,293	5.9	2,061,910,349	88.1	131,156,679	5.6	2,337,238,827	477,430,516	20.4	636,807,780	27.2	1,040,932,750	44.6
1935	15	10,118	137,741,609	5.7	2,172,713,497	89.5	109,137,702	4.5	2,425,764,979	498,889,932	20.6	653,702,429	27.0	1,113,833,463	45.9
1936	15	10,074	138,529,709	5.5	2,329,107,565	92.1	85,564,837	3.4	2,529,458,732	566,088,487	22.2	691,628,326	30.0	1,173,840,689	46.4
1937	15	10,097	142,056,407	5.4	2,348,198,851	90.0	117,880,182	4.5	2,614,250,601	522,103,210	20.0	663,858,022	25.4	1,263,082,359	48.4
1938	15	10,151	142,245,127	5.6	2,268,767,169	89.0	132,659,912	5.2	2,549,573,581	504,646,791	19.8	652,885,852	25.6	1,212,080,552	47.5
1939	13	9,571	140,257,227	5.2	2,419,329,880	90.1	117,257,519	4.4	2,682,485,742	556,202,434	20.7	632,550,920	23.5	1,328,385,829	49.5

PRIVATE BANKS

Year	Number of Banks	LIABILITIES							ASSETS							
		Capital and Reserves	Per Cent. of Liabilities	Notes	Per Cent. of Liabilities	Miscellaneous	Per Cent. of Liabilities	Deposits	Per Cent. of Liabilities	Total Liabilities or Assets	Cash in Hand and Money at Call and Notice	Per Cent. of Liabilities	Investments	Per Cent. of Liabilities	Discounts and Advances	Per Cent. of Liabilities
		£		£		£		£		£		£		£		£
1895	38	11,834,400	13.9	412,600	0.5	2,864,800	3.4	70,372,000	82.2	85,483,700	20,476,300	23.9	25,099,700	29.4	36,320,000	42.5
1900	19	6,192,800	12.8	151,750	0.3	1,264,100	2.6	40,420,500	84.3	48,029,200	10,523,400	21.8	14,633,700	30.5	20,919,600	43.5
1905	12	4,393,900	13.2	83,500	0.3	1,018,000	3.1	27,775,000	83.4	33,270,400	7,271,500	21.8	10,150,500	30.5	14,738,600	44.3
1910	9	5,535,100	11.2	57,920	0.2	1,096,700	3.5	26,808,000	85.1	30,368,900	6,478,000	20.6	8,113,100	25.8	15,912,700	50.3
1915	7	3,180,707	8.6	60,400	0.2	786,018	2.1	32,890,739	89.1	37,158,216	8,038,863	21.7	8,879,329	24.0	16,635,160	50.7
1919	6	3,536,591	8.8	153,690	0.3	1,188,226	1.9	56,246,064	92.0	55,950,395	13,183,181	21.4	14,325,897	23.4	31,728,358	62.7
1920	6	3,123,096	5.7	...	...	1,024,656	1.9	50,864,631	92.4	61,124,571	11,537,610	21.3	6,186,350	11.2	35,501,368	64.0
1921	8	3,186,738	6.1	...	...	970,412	1.9	48,306,822	92.0	55,012,385	8,484,742	16.2	6,108,554	11.6	36,214,429	69.2
1922	8	3,813,420	6.8	...	...	1,124,254	2.0	50,965,682	91.2	52,463,972	8,693,043	15.4	11,524,744	20.6	33,301,819	69.0
1923	6	2,816,442	7.2	...	...	2,557,537	6.6	33,485,334	86.2	55,893,356	3,185,610	8.2	5,159,713	13.3	27,756,144	71.4
1924	4	2,575,000	7.1	...	...	4,431,214	12.3	29,151,063	80.6	38,859,363	2,590,161	7.2	6,021,018	16.7	22,933,848	63.4
1925	4	2,625,000	7.4	...	...	4,968,029	14.1	27,780,929	78.5	36,157,277	2,809,784	7.9	5,131,034	14.5	22,287,452	63.1
1926	4	2,875,000	7.2	...	...	4,573,707	12.3	29,928,971	80.5	35,373,958	3,597,586	9.7	4,670,176	12.6	24,104,002	64.7
1927	4	2,775,000	7.2	...	...	5,530,068	14.3	30,366,826	78.5	37,177,678	3,613,589	9.3	6,417,668	16.6	22,912,522	59.2
1928	4	3,300,000	7.9	...	...	7,398,759	17.7	31,004,479	74.4	38,671,894	4,072,927	9.8	5,820,764	13.9	24,169,112	60.4
1929	4	3,450,000	8.7	...	...	7,077,700	17.8	29,182,776	73.5	41,703,238	4,263,007	10.7	4,194,537	10.6	23,970,437	60.4
1930	4	3,475,000	9.6	...	...	6,414,745	17.5	26,790,315	73.0	39,710,476	3,794,203	10.3	6,081,262	16.6	20,131,124	54.9
1931	4	3,175,000	10.5	...	...	4,663,988	15.6	22,446,034	74.0	36,880,061	2,059,269	8.8	2,219,390	7.4	20,908,349	59.5
1932	4	2,425,000	11.7	...	...	3,413,679	16.4	14,907,214	71.9	20,745,893	2,262,439	10.9	2,737,629	13.2	11,879,072	57.3
1933	4	2,425,000	11.1	...	...	2,880,952	13.2	16,451,840	75.7	21,757,792	2,740,484	12.6	2,861,751	13.2	12,924,038	59.4
1934	4	3,165,000	22.6	...	...	2,757,272	19.6	8,132,052	57.9	14,054,324	4,121,418	29.3	2,748,714	19.5	3,664,703	26.1
1935	4	3,165,000	20.9	...	...	2,751,486	18.2	9,204,709	60.9	15,121,195	4,903,053	32.4	2,803,933	18.5	3,646,868	25.4
1936	4	3,165,000	19.3	...	...	3,026,456	18.4	10,231,978	62.3	16,423,434	5,868,031	35.9	2,983,239	18.1	3,712,060	22.4
1937	3	2,150,000	16.4	...	...	2,262,237	17.2	8,730,167	66.4	13,142,404	3,008,127	22.9	2,217,475	16.9	5,552,154	40.8
1938	3	2,100,000	15.6	...	...	2,647,737	19.5	8,816,909	65.0	13,564,646	3,139,641	23.2	2,537,975	18.7	4,937,050	36.4
1939	3	2,000,000	17.4	...	...	1,338,064	11.6	8,188,798	71.0	11,526,862	2,234,679	19.4	2,128,953	18.5	6,026,789	52.3

JOINT STOCK BANKS OF SCOTLAND

Year	Banks	No. of Branches	Capital and Reserves	% of Liabilities	Deposits	% of Liabilities	Notes	% of Liabilities	Total Liabilities	Cash in Hand, and Money at Call	% of Liabilities	Investments	% of Liabilities	Discounts and Advances	% of Liabilities
			£		£		£		£	£		£		£	
1890	10	975	14,755,000	12.6	91,610,000	77.9	6,468,000	5.5	117,874,000	21,427,000	18.2	29,349,000	24.9	60,103,000	51.4
1895	10	1,013	15,090,000	12.3	94,592,000	77.8	7,264,000	5.9	122,525,000	22,795,000	18.6	30,770,000	25.3	62,241,000	51.1
1900	10	1,075	16,217,000	11.8	107,154,000	77.9	8,056,000	5.9	137,498,000	26,438,000	19.2	33,401,000	24.3	70,395,000	51.2
1905	11	1,159	17,246,000	13.0	100,643,000	76.1	7,545,000	5.7	132,261,000	23,937,000	18.1	31,396,000	23.7	68,714,000	51.6
1910	9	1,221	17,559,000	12.7	106,652,000	77.5	7,126,000	5.2	137,850,000	25,604,000	18.6	33,322,000	24.2	70,661,000	51.5
1915	9	1,253	16,205,000	9.1	140,569,000	82.0	12,555,000	7.1	177,004,000	36,730,000	20.7	67,019,000	37.9	64,621,000	36.5
1917	8	1,243	16,064,000	6.7	196,538,000	81.7	19,023,000	7.9	240,550,000	47,788,000	19.8	71,584,000	29.6	112,159,000	46.5
1919	8	1,249	17,009,000	5.3	250,610,000	81.2	28,032,000	8.8	318,754,000	65,556,000	20.6	111,985,000	35.0	129,962,000	40.6
1920	8	1,264	17,911,000	5.3	279,228,000	82.1	29,363,000	8.7	339,167,000	72,974,000	21.5	102,968,000	30.4	153,122,000	45.0
1921	8	1,283	18,521,000	5.4	291,060,000	84.6	25,188,000	7.3	344,974,000	70,232,000	21.0	114,531,000	32.2	150,850,000	43.9
1922	8	1,352	19,731,000	6.1	267,791,000	83.2	23,321,000	7.3	321,781,000	63,814,000	19.8	126,025,000	39.2	122,366,000	38.1
1923	8	1,417	20,468,000	6.8	247,226,600	82.5	22,106,500	7.4	299,359,100	64,015,300	21.4	112,137,800	37.5	114,277,300	38.1
1924	8	1,468	22,632,000	7.6	242,572,000	81.3	22,181,000	7.4	298,693,000	61,330,000	20.5	103,927,000	34.8	122,977,000	41.2
1925	8	1,536	23,947,000	8.0	240,945,000	81.0	21,668,000	7.3	297,839,000	60,341,000	20.3	95,204,000	32.0	131,309,000	44.1
1926	8	1,565	24,578,200	8.4	238,821,400	81.4	20,716,800	7.1	293,678,000	59,592,900	20.3	91,208,300	31.1	133,057,000	45.3
1927	8	1,589	25,165,200	8.4	241,965,600	81.1	21,165,000	7.1	298,421,400	61,223,800	20.5	88,592,300	29.7	138,745,500	46.5
1928	8	1,614	25,884,288	8.4	248,800,347	80.7	21,053,087	6.8	308,091,180	63,322,077	20.5	83,378,875	27.0	149,622,489	48.5
1929	8	1,633	27,766,320	9.2	250,853,396	80.5	21,361,931	6.9	311,356,958	62,307,357	20.0	83,657,183	26.9	154,113,494	49.5
1930	8	1,659	30,099,368	9.5	256,083,505	80.6	21,405,253	6.7	317,490,148	63,804,561	20.1	98,092,554	30.9	146,104,641	46.1
1931	8	1,718	30,717,118	10.1	243,568,271	80.0	21,373,373	7.0	304,444,942	60,416,949	19.8	101,410,598	33.3	133,960,315	43.7
1932	8	1,663	30,777,118	9.1	276,463,502	81.9	21,018,222	6.2	337,605,909	68,065,589	20.2	136,749,832	40.5	122,939,694	36.4
1933	8	1,826	30,917,118	9.0	281,678,416	82.0	19,175,467	5.6	343,580,047	66,598,014	19.4	137,662,428	45.9	108,250,955	31.5
1934	8	1,852	31,017,118	8.8	286,687,897	81.3	21,373,931	6.1	352,617,287	70,503,482	20.0	161,109,262	45.7	106,317,853	30.2
1935	8	1,868	31,393,336	8.3	308,499,225	81.5	21,890,839	5.8	379,035,738	75,868,284	20.0	177,731,804	46.9	107,093,128	28.3
1936	8	1,880	31,630,364	8.1	317,313,052	81.2	23,113,387	5.9	392,263,373	76,014,643	19.4	186,258,000	47.5	105,293,560	26.9
1937	8	1,889	32,759,809	8.1	330,454,922	81.2	23,535,619	5.8	406,891,160	83,298,813	20.5	187,524,693	46.1	114,745,924	28.2
1938	8	1,902	33,532,157	8.3	325,253,984	80.2	23,814,379	5.9	404,928,196	80,045,531	19.8	184,331,338	45.5	113,698,602	28.1
1939	8	1,820	34,101,965	8.3	331,065,811	80.4	26,242,892	6.4	411,448,733	88,867,753	21.6	181,375,331	44.0	119,496,376	29.1

ENGLISH JOINT STOCK BANKS

1 Name of Bank	2 Date	3 No. of Branches & Sub-branches	4 Capital Subscribed	5 Uncalled Capital		6 Capital Paid up	7 Reserve Funds	8 Dividend payable and undivided Profits	9 Notes in Circulation (*)	10 Drafts, etc.	11 Acceptances and Endorsements
				Callible	Reserved						
1 Barclays Bank	Dec. 31, '39	1,874	15,858,217	Nil	Nil	15,858,217	107,500,000	...	...	...	15,594,145
2 Baring Bros. & Co.	Dec. 31, '39	1	2,050,000	Nil	Nil	2,050,000	1,000,000	22,923	...	...	1,646,156
3 Brit. Mut. Bankg. Co.	Dec. 31, '39	None	300,000	120,000	Nil	180,000	155,900	14,117	...	...	...
4 Coutts and Co.	Dec. 31, '39	4	1,000,000	Unlimited	...	1,000,000	1,000,000	...	...	...	730,316
5 District Bank	Dec. 31, '39	600	10,560,428	1,264,000	6,320,000	2,976,428	2,976,428	459,721	...	...	5,212,162
6 Glyn Mills and Co.	Dec. 31, '39	3	1,060,000	Unlimited	...	1,060,000	840,000	...	...	...	4,706,205
7 Isle of Man Bank ...	Dec. 31, '39	10	300,000	Unlimited	200,000	100,000	276,000	22,157	98,039	10,718	...
8 Lloyds Bank	Dec. 31, '39	1,909	73,302,076	3,593,239	53,898,585	15,810,252	9,500,000	110,272	7,633	...	29,536,217
9 Martins Bank	Dec. 31, '39	600	20,602,272	5,167,558	11,274,672	4,160,042	3,600,000	642,752	19,002	...	7,724,632
10 Midland Bank	Dec. 31, '39	2,136	42,414,871	7,172,697	20,083,553	15,158,621	124,106,09	143,046	...	...	17,447,354
11 National Provincial...	Dec. 31, '39	1,325	43,617,080	5,839,611	28,298,053	9,479,416	8,500,000	520,659	...	...	11,432,180
12 Westminster Bank ...	Dec. 31, '39	1,089	30,533,127	7,070,990	14,141,980	9,320,157	9,320,157	103,903	13,858	...	20,912,245
13 Williams Deacon's Bk	Dec. 31, '39	200	8,125,000	1,562,500	4,687,500	1,875,000	900,000	237,313	...	...	2,315,907
Totals		9,751	249,723,071	31,790,595	13,890,434	7,902,813	61,229,094	549,186	138,532	10,718	117,257,519

(*) In Isle of Man.

SCOTTISH BANKS

1	2	3	4	5	6	7	8	9	10	11	12
Name of Bank	Date	No. of Branches & Sub-branches	Capital Subscribed	Uncalled Capital	Capital Paid up	Reserve Funds	Dividend payable and undivided Profits	Notes in Circulation (*)	Drafts, etc.	Acceptances and Endorsements	
1 Bank of Scotland ...	Feb. 28, '40	262	2,400,000	750,000	Nil	2,400,000	2,100,000	243,467	3,941,242	256,190	5,261,273
2 British Linen Bank ...	Jan. 14, '40	210	1,250,000	Nil	Nil	1,250,000	2,500,000	163,488	2,911,065	303,420	869,387
3 Clydesdale Bank	Dec. 31, '39	203	5,350,000	Nil	4,000,000	1,300,000	1,850,000	223,604	3,279,641	...	1,273,087
4 Com. Bank of Scotland	Oct. 31, '39	342	7,500,000	2,450,000	2,800,000	2,250,000	3,150,000	163,772	3,977,221	...	2,684,294
5 Nat. Bank of Scotland	Nov. 1, '39	193	6,000,000	1,500,000	3,000,000	1,500,000	1,950,000	211,313	3,291,546	...	2,350,019
6 N. of Scotland Bank	Dec. 31, '39	161	3,260,000	163,000	1,956,000	1,141,000	1,335,000	194,107	2,607,960	...	3,418,102
7 Royal Bank of Scot.	Oct. 8, '39	237	4,250,000	Nil	Nil	4,250,000	4,125,965	223,233	3,301,123	798,124	3,418,102
8 Union Bank of Scot.	Apr. 1, '40	212	5,200,000	Nil	4,000,000	1,200,000	1,800,000	376,174	2,933,094	...	1,025,011
Totals		1,820	25,210,000	4,863,000	15,756,000	15,291,000	18,810,965	1,799,158	26,242,892	1,357,734	16,881,173

NORTHERN IRISH BANKS

1	2	3	4	5	6	7	8	9	10	11	12
Name of Bank	Date	No. of Branches & Sub-branches	Capital Subscribed	Uncalled Capital	Capital Paid up	Reserve Funds	Dividend payable and undivided Profits	Notes in Circulation (*)	Drafts, etc.	Acceptances and Endorsements	
1 Belfast Banking Co.	Dec. 31, '39	51	2,500,000	200,000	1,500,000	800,000	1,000,000	64,953	1,220,646	...	213,381
2 Northern Bank, Ltd.	Dec. 31, '39	90	3,500,000	700,000	2,100,000	700,000	500,000	69,908	1,467,652	...	...
3 Ulster Bank	Dec. 31, '39	111	3,000,000	Nil	2,000,000	1,000,000	1,000,000	87,596	1,890,343	57,584	...
Totals		252	9,000,000	900,000	5,600,000	2,500,000	2,500,000	222,457	4,578,641	57,584	213,381

PRIVATE BANKS

1	2	3	4	5	6	7	8	9	10	11	12
Name of Bank	Date	Partners' Capital and Reserve	Deposit and Current Accounts	Miscellaneous	Total Liabilities	Cash on Hand, etc., at Call and Short Notice	Investments	Advances, Bills, Loans, and Other Securities	Miscellaneous (Premises, etc.)	Total Assets	
1 Blydenstein (B. W.) & Co.	1939 Sept. 30	100,000	3,704,491	8,898	3,813,389	317,121	806,382	2,663,712	26,174	3,813,389	
2 Hoare (Chas.) & Co.	July 5	500,000	3,362,925	...	3,862,925	1,083,349	1,122,174	1,557,402	100,000	3,862,925	
3 S. Japhet & Co.	Dec. 31	1,400,000	1,121,382	1,329,166	3,850,548	834,209	200,397	1,805,675	1,010,267	3,850,548	
Totals		2,000,000	8,188,798	1,338,064	11,526,862	2,234,679	2,128,953	6,026,789	1,136,441	11,526,862	

ENGLISH JOINT STOCK BANKS

11 Deposit and Current Accounts	12 TOTAL LIABILITIES AND ASSETS	13 Cash		14 Investments		15 Discounts and Advances		16 Premises and Sundries, including Cover for Acceptances	17 Name of Bank
		In Hand and at Bank of England	At Call and Short Notice	British Govt. Secs. Where Stated Separately	Bonds, Stocks and Other Investments	Discounts Where Stated Separately	Advances, Loans, etc.		
461,376,448	503,578,810	77,338,578	28,713,245	90,564,858	15,295,904	67,585,175	200,847,108	23,233,942	Barclays Bank.
16,100,812	20,819,891	3,320,743	...	7,642,553	1,887,765	2,211,222	...	5,757,608	Baring Bros. & Co.
1,070,169	1,420,186	114,299	...	40,916	725,505	...	522,932	16,534	Brit. Mut. Bankg. Co.
23,927,170	26,657,486	3,470,645	3,146,900	5,357,350	1,613,301	1,572,258	10,354,715	1,142,316	Coutts & Co.
90,781,706	102,406,445	13,733,169	7,568,660	26,409,960	3,031,043	10,801,652	34,056,595	6,805,366	District Bank.
38,062,341	44,668,546	8,654,338	6,767,700	10,624,074	954,810	1,038,953	11,182,466	5,446,205	Glyn Mills and Co.
3,314,452	3,821,366	855,030	...	1,587,325	888,501	...	460,510	30,000	Isle of Man Bank.
433,583,266	489,540,095	68,917,735	30,345,659	88,481,398	23,392,986	70,184,808	171,219,672	36,997,837	Lloyds Bank.
110,419,688	126,566,116	16,196,956	8,530,000	25,725,866	8,446,061	7,163,931	50,031,844	10,471,458	Martins Bank.
496,271,135	542,718,184	79,179,788	26,328,499	111,643,141	11,851,054	65,947,653	220,689,154	27,078,895	Midland Bank.
336,313,056	366,245,311	50,292,628	19,451,060	69,175,432	9,402,706	60,038,273	139,122,269	18,762,943	National Provincial.
366,478,334	407,083,783	53,946,972	34,046,584	100,199,195	6,020,833	45,161,161	141,450,805	26,258,233	Westminster Bank.
41,631,303	46,959,523	8,198,049	7,085,196	10,363,407	1,233,976	2,648,760	14,093,913	3,336,222	Williams Deacon's Bk.
241,932,988	268,248,574	384,218,931	171,983,503	547,815,475	84,744,445	334,353,846	994,031,983	165,337,559	Totals.

SCOTTISH BANKS

42,137,116	56,339,288	6,558,826	4,300,000	25,897,065	944,462	2,395,436	10,508,426	5,735,073	Bank of Scotland.
36,185,918	44,183,278	11,193,255		20,262,000	438,380		10,976,183	1,313,460	British Linen Bank.
38,165,832	46,092,164	7,629,129	3,253,000	12,766,444	6,149,590	912,112	13,507,448	1,874,441	Clydesdale Bank.
45,111,542	57,336,829	8,768,818	2,355,600	27,793,721	411,674	912,003	13,385,719	3,709,294	Com. Bank of Scot.
37,849,751	47,152,629	6,372,095	4,547,450	18,448,948	863,528	1,214,078	12,779,944	2,926,586	Nat. Bank of Scot.
26,639,847	31,917,914	5,273,544	3,560,065	14,044,941	678,217	104,618	8,076,566	179,963	N. of Scotland Bank.
68,973,438	85,089,985	8,178,778	7,803,060	24,791,620	8,559,357	2,114,946	29,094,814	4,547,410	Royal Bank of Scot.
36,002,367	43,336,646	3,446,788	5,627,345	15,110,555	4,214,829	2,481,098	11,032,985	1,423,046	Union Bank of Scot.
331,065,811	411,448,733	57,421,233	31,446,520	159,115,294	22,260,037	10,134,291	109,362,085	21,709,273	Totals.

NORTHERN IRISH BANKS

14,576,854	17,662,453	3,385,389	108,288	7,011,368	725,465	290,097	6,098,996	42,850	Belfast Banking Co. Northern Bank, Ltd. Ulster Bank.
14,089,619	17,040,560	2,696,497	...	4,275,397	1,422,151	...	8,139,724	506,791	
21,143,767	25,179,290	3,739,264	...	10,524,819	1,343,055	...	9,277,461	294,691	
49,810,240	59,882,303	9,821,150	108,288	21,811,584	3,490,671	290,097	23,516,181	844,332	Totals.

DISCOUNT COMPANIES

1	2	3	4	5	6	7	8	9	10	11	12
Name of Bank	Date	Partners' Capital and Reserve	Deposit and Current Accounts	Miscellaneous	Total Liabilities	Cash on Hand, etc., at Call and Short Notice	Investments	Advances, Bills, Loans, and Other Securities	Miscellaneous (Premises, etc.)	Total Assets	
Alexanders	1939 Dec. 31	2,000,000	31,368,877	1,037,543	194,661	34,601,081	679,688	5,835,307	27,804,776	281,310	34,601,081
National	Dec. 31	2,150,000	44,178,481	7,348,425	...	53,676,906	1,229,273	5,678,177	46,378,589	390,867	53,676,906
Union of Lond.	Dec. 31	3,750,000	67,214,455	10,031,236	473,927	81,469,618	1,760,900	6,598,584	71,230,331	1,879,803	81,469,618
Totals...		7,900,000	142,761,813	18,417,204	668,588	169,747,605	3,669,861	18,112,068	145,413,696	2,551,980	169,747,605

JOINT STOCK BANKS OF ENGLAND AND WALES

BARCLAYS BANK LIMITED

Member of the London Bankers' Clearing House

ESTABLISHED AS A PRIVATE BANK PRIOR TO 1694. INCORPORATED 1896 AS BARCLAY AND COMPANY, LIMITED, NAME CHANGED AS ABOVE FEBRUARY, 1917.

- 1896—Formed by amalgamation of 20 private banks.
 1897—Absorbed Woods and Company.
 1899—Swaledale and Wensleydale Banking Company, Limited, taken over.
 1900—Milbanke, Woodbridge and Company, Woodbridge, Lacy, Hartland, Hibbert and Company, and Parsons, Thomson and Company absorbed.
 1902—York Union Banking Company, Limited, Marten Part and Company, J. and J. W. Pease, and Roper and Priestman absorbed.
 1904—Absorbed Thomas Ashby and Company, Staines, etc.
 1905—Absorbed Bolitho, Williams, Foster, Coope, Grylls and Company, Limited, Hammond and Company, Newmarket.
 1906—Absorbed Leatham, Tew and Company, Wakefield and Pontefract.
 1909—Wootton and Company, Oxford, absorbed.
 1911—Stamford, Spalding and Boston Banking Company, Limited, acquired.
 1913—Absorbed J. and C. Simonds and Company.
 1914—Neville Reid and Company acquired.
 1916—Absorbed United Counties Bank, Limited.
 1918—Amalgamation with London, Provincial and South Western Bank, Limited (see below).
 1919—Absorbed Gillett and Company, Oxford, etc. The Union Bank of Manchester Limited and The British Linen Bank affiliated to Barclays Bank Limited.
 1920—Absorbed Tubb and Company, Bicester.
 1922—Sole control secured of Cox and Company (France) Limited, and business now conducted under the title of Barclays Bank (France) Limited.
 1925—Barclays Bank S.A.I., Rome, established.

	Subscribed	Paid-up	Callable	Reserved
"A" Shares	3,430,356	3,430,356	Nil	Nil
"B" Shares	11,760,811	11,760,811	Nil	Nil
"C" Shares	667,050	667,050	Nil	Nil
Per Share	£4	£4	Nil	Nil
	£1	£1	Nil	Nil

- 1925—Formation, as an affiliation of Barclays Bank Limited, of Barclays Bank (Dominion, Colonial and Overseas), formerly the Colonial Bank, with which are amalgamated the Anglo-Egyptian Bank Limited, and the National Bank of South Africa Limited.
 1929—Barclays Bank (Canada), Montreal, established. A branch was afterwards opened at Toronto.
 1932—Barclays Trust Company of Canada, Montreal, established.
 1940—Amalgamation with The Union Bank of Manchester Limited.
 1864—Provincial Banking Corporation, Limited, formed to take over the firm of Day, Nicholson and Stone and the East of England Bank.
 1865—Absorbed the Bank of Wales.
 1870—Reconstructed under the title of London and Provincial Bank, Limited.
 1871—Absorbed Fincham and Simpson, Diss and Eye.
 1873—Absorbed J. and J. W. Walters, Haverfordwest, &c.
 1878—Absorbed North Kent Bank.
 1918—Amalgamated with London and South Western Bank, Limited.

PROFITS AND DIVIDENDS						
Year Ended Dec. 31	Net Profits	Per Cent. of Resources	Dividends Amount	Rate	Reserve, Investments, etc.	Carried Forward
1929.....	2,331,530	0.65	1,668,349	A Shs 10 B & C 14	650,000	552,432
1930.....	1,821,207	0.47	1,614,275	A Shs 10 B & C 14	200,000	559,364
1931.....	1,794,825	0.48	1,588,239	A Shs 10 B & C 14	200,000	565,950
1932.....	1,574,013	0.38	1,562,202	A Shs 10 B & C 14	...	577,761
1933.....	1,604,680	0.39	1,562,202	A Shs 10 B & C 14	50,000	570,233
1934.....	1,708,174	0.41	1,614,275	A Shs 10 B & C 14	100,000	564,137
1935.....	1,783,784	0.40	1,614,275	A Shs 10 B & C 14	150,000	583,645
1936.....	1,894,361	0.41	1,588,239	A Shs 10 B & C 14	250,000	639,768
1937.....	2,133,825	0.45	1,562,202	A Shs 10 B & C 14	700,000	511,391
1938.....	1,926,458	0.40	1,510,129	A Shs 10 B & C 14	400,000	527,720
1939.....	1,784,880	0.35	1,432,019	A Shs 10 B & C 14	350,000	530,582

LIABILITIES										ASSETS											
Dec. 31	Number of Branches	Capital and Reserves	Per Cent.	Acceptances and Endorsements	Per Cent.	Deposit and Current Accounts (c)	Per Cent.	Total Liabilities or Assets		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		62,668,721	16.3	23,532,200	6.1	60,010,893	15.6	39,966,988	9.6	174,454,652	45.2	27,856,512	7.2
1930 ...	2080	26,108,217	6.7	12,710,524	3.3	349,273,283	90.0	388,092,024		63,109,418	16.3	22,316,100	5.7	63,061,611	16.3	30,390,393	10.1	169,672,248	43.7	19,030,670	4.9
1931 ...	2080	26,108,217	7.0	10,796,794	2.9	335,565,144	89.1	372,470,153		56,910,345	15.3	21,766,450	5.8	63,257,990	17.0	40,791,393	10.9	172,197,631	46.3	17,546,875	4.7
1932 ...	2070	26,108,217	6.3	6,279,470	1.5	381,846,610	92.2	414,234,297		62,344,579	15.0	24,817,539	6.0	94,048,105	22.7	66,289,257	16.0	153,159,668	37.0	13,575,838	3.3
1933 ...	2080	26,108,217	6.3	7,191,741	1.7	378,759,772	92.0	412,059,730		62,249,186	15.1	21,383,309	5.2	104,898,888	25.5	59,353,329	14.5	148,355,488	36.1	14,788,579	3.6
1934 ...	2091	26,108,217	6.3	7,205,554	1.7	380,093,759	92.0	413,407,530		58,699,862	14.2	25,837,900	6.3	110,463,839	26.7	47,572,778	11.5	155,979,234	37.7	14,853,917	3.6
1935 ...	2116	26,108,217	5.9	7,857,821	1.8	406,782,270	92.3	440,748,308		65,304,917	14.8	25,604,250	5.8	113,348,893	25.7	60,695,872	13.8	160,549,222	36.4	15,459,154	3.5
1936 ...	2106	26,108,217	5.6	9,266,151	2.0	429,538,416	92.4	464,912,784		66,630,908	14.3	26,318,800	5.7	113,368,893	25.0	59,248,252	12.7	179,655,011	38.6	16,722,917	3.6
1937 ...	2122	26,608,217	5.7	8,532,516	1.8	434,645,323	92.5	469,786,058		70,783,320	15.1	27,063,850	5.8	109,391,938	23.3	50,362,681	10.7	196,264,896	41.7	15,914,371	3.4
1938 ...	2131	26,608,217	5.6	14,933,082	3.1	433,091,185	91.3	474,622,484		68,114,589	14.4	26,207,535	5.5	103,873,330	21.9	54,594,153	11.5	193,452,980	42.0	22,379,872	4.7
1939 ...	1874	26,608,217	5.3	15,594,145	3.1	461,376,448	91.6	503,578,810		77,338,578	15.4	23,713,215	5.7	105,897,832	21.0	67,585,175	13.4	200,817,108	39.9	23,293,942	4.6
April, 1940		27,108,000	5.4	16,921,000	3.4	454,200,000	91.2	498,229,000		65,207,000	13.1	20,918,000	4.2	108,474,000	21.8	71,252,000	14.9	204,324,000	41.9	25,024,000	5.0

(a) Includes balances with, and cheques in course of collection on, other banks in the United Kingdom, in account with subsidiary banks.

(b) Includes investments in affiliations.

(c) Including balances

BRITISH MUTUAL BANKING COMPANY, LIMITED

ESTABLISHED 1857

Subscribed	Paid-up	Callable	Reserved
300,000	180,000	120,000	Nil

Per Share £s	Per Share £s	Per Share £s	Per Share £s
			Nil

This Bank has no branches.

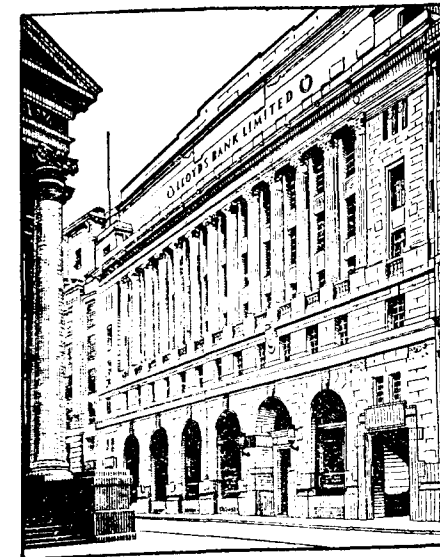
PROFITS AND DIVIDENDS						
Year Ended Dec. 31	Net Profits	Per cent. of Resources	Dividends Amount	Rate	Reserve, Investments, etc.	Carried Forward
1929.....	20,292	1.93	14,400	12	6,000	8,467
1930.....	27,191	2.72	14,400	12	12,500	8,758
1931.....	24,315	2.44	14,400	12	10,000	8,673
1932.....	18,756	1.84	14,400	12	5,500	7,529
1933.....	20,081	1.45	14,400	12	5,500	7,710
1934.....	29,809	2.87	14,400	12	15,000	8,119
1935.....	38,524	3.95	14,400	12	21,500	10,743
1936.....	21,570	1.54	17,500	10	5,100	9,713
1937.....	22,461	1.69	18,000	10	5,100	9,073
1938.....	21,441	1.72	18,000	10	5,100	7,614
1939.....	24,474	1.72	9,000	5	15,100	5,117

[Continued on page 18]

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

Year Ended December 31	LIABILITIES						Total Liabilities or Assets	ASSETS							
	Capital and Reserves	Per Cent.	Un-divided Profits	Per Cent.	Deposit and Current Accounts	Per Cent.		Cash in Hand and at Bankers	Per Cent.	Investments	Per Cent.	Loans and Advances	Per Cent.	Premises and Sundries	Per Cent.
1929	200,000	19.3	22,867	2.2	814,460	78.5	1,037,327	173,805	18.7	151,041	14.6	665,368	64.2	47,115	4.5
1930	212,500	21.3	23,158	2.3	759,825	76.4	995,283	108,014	10.8	126,199	12.7	712,634	71.6	48,436	4.9
1931	222,500	22.3	23,073	2.3	759,885	75.4	996,458	124,781	12.5	167,973	16.9	660,732	66.3	42,972	4.8
1932	222,500	22.3	21,929	2.2	773,022	76.0	1,017,451	152,336	14.9	219,368	21.6	627,012	61.7	18,636	1.8
1933	228,000	18.5	22,110	1.5	1,130,068	82.0	1,380,178	96,827	7.0	398,505	28.8	866,210	62.0	22,799	1.6
1934	243,000	21.0	22,519	1.9	895,464	77.1	1,160,983	108,064	9.3	367,848	31.7	692,272	57.0	18,534	1.5
1935	254,500	20.4	25,143	2.0	963,472	77.6	1,243,115	92,302	7.4	472,133	38.0	682,146	53.3	18,534	1.5
1936	310,600	21.8	27,213	1.8	1,083,367	78.4	1,421,180	107,037	7.5	608,294	42.7	689,316	48.4	18,534	1.5
1937	315,700	22.6	27,074	1.9	1,053,835	75.5	1,396,609	152,942	10.9	646,308	46.3	580,825	41.6	18,534	1.5
1938	320,800	22.1	25,614	1.8	1,104,805	76.1	1,451,219	108,279	7.5	756,071	52.1	570,333	39.3	18,534	1.5
1939	335,900	23.6	14,117	1.0	1,070,169	75.4	1,420,186	114,299	8.0	766,421	54.0	522,932	36.8	18,534	1.2

BARING BROTHERS & CO., LIMITED
ESTABLISHED 1890

Year Ended December 31	Number of Branches	LIABILITIES						Total Liabilities or Assets	ASSETS							
		Capital and Reserves	Per Cent.	Balance Carried Forward	Per Cent.	Acceptances	Per Cent.		Cash in Hand, at Call and Short Notice	Per Cent.	Investments	Per Cent.	Bills Receivable	Per Cent.	Advances & Liability of Customers on Acceptances	Per Cent.
1929	1	2,025,000	7.0	18,440	0.1	6,665,344	23.2	20,069,156	69.7	28,807,940	6,822,887	23.7	1,420,502	4.9	9,426,284	32.7
1930	1	3,050,000	11.6	19,283	0.1	5,508,494	21.1	17,557,057	67.2	26,134,834	6,323,962	24.2	3,715,247	14.2	7,000,415	26.8
1931	1	3,050,000	13.9	20,540	0.1	2,735,714	11.7	17,640,574	75.2	23,446,828	6,073,108	25.9	2,915,224	12.4	6,998,954	29.8
1932	1	3,050,000	13.2	21,385	0.1	2,529,109	11.0	17,411,784	75.7	23,012,278	5,555,572	24.6	4,840,699	20.2	6,223,092	27.6
1933	1	3,050,000	12.5	21,598	0.1	1,795,521	7.4	19,540,425	80.0	24,407,544	5,394,166	22.1	5,787,619	23.7	6,197,177	25.4
1934	1	3,050,000	12.3	21,812	0.1	2,104,732	8.5	19,869,010	79.1	24,845,554	5,565,472	22.4	7,054,632	28.4	5,119,454	20.6
1935	1	3,050,000	12.2	22,030	0.1	2,696,813	10.7	19,312,257	77.0	25,081,190	5,892,542	23.5	6,372,703	25.5	5,075,712	22.1
1936	1	3,050,000	10.9	22,231	0.1	3,424,240	12.2	21,420,013	76.8	27,916,500	6,886,742	23.9	8,050,502	28.8	6,874,716	24.6
1937	1	3,050,000	12.0	22,473	0.1	3,158,659	12.4	19,257,111	75.5	25,488,243	5,329,951	20.9	8,657,955	34.0	5,138,029	20.1
1938	1	3,050,000	13.5	22,697	0.1	3,180,812	13.8	16,747,847	72.8	23,001,358	4,556,936	19.8	9,923,144	43.1	2,376,629	10.3
1939	1	3,050,000	14.6	22,923	0.1	1,646,156	7.9	16,100,812	77.3	20,819,891	3,320,743	15.9	9,530,318	45.8	2,211,222	10.6

COUTTS AND COMPANY
440 Strand, W.C.

(Members of London Clearing.)

(Affiliated with National Provincial Bank, Limited.)

City Office: 15 Lombard Street (formerly Robarts, Lubbock, and Company). Branches: 1 Park Lane, 16 Cavendish Square; Sloane Street (1 Cadogan Place) and 1 Brook Gate, Park Lane.

Established 1692, and Incorporated 1892 as a Joint Stock company, with unlimited liability. The businesses of Coutts and Company and Robarts, Lubbock, and Company were amalgamated in 1914.

Year Ended Dec. 31	LIABILITIES						Total Liabilities or Assets	ASSETS							
	Capital and Reserve	Per Cent.	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.
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
1930...	2,000,000	9.1	534,018	2.4	19,487,171	88.5	22,021,189	2,951,895	13.4	3,525,920	16.0	3,758,115	17.2	10,871,741	49.3
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
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	10,837,604	47.9
1933...	2,000,000	8.6	769,189	3.3	20,512,016	88.1	23,281,205	3,288,189	14.2	1,880,400	8.1	7,334,498	31.4	9,596,939	41.2
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
1935...	2,000,000	7.8	796,456	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
1936...	2,000,000	7.6	500,745	1.9	23,864,920	89.5	26,365,665	3,180,455	12.1	1,676,500	6.4	8,925,122	33.8	11,670,844	44.2
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
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
1939...	2,000,000	7.5	730,316	2.7	23,927,170	89.6	26,657,486	3,470,615	13.0	3,146,900	11.8	6,970,651	26.2	11,923,973	44.7
April, 1940	2,000,000	7.4	666,000	2.4	24,535,000	90.2	27,201,000	2,946,000	10.8	5,317,000	19.5	6,823,000	25.1	11,037,000	40.6

(a) Includes balances with, and cheques in course of collection on, other banks in the United Kingdom.

DISTRICT BANK LIMITED

ESTABLISHED 1829—(Member of the London Bankers' Clearing House)

1863—Business of Loyd, Entwistle, Bury, and Jervis, of King Street, Manchester, acquired.

1891—Business of Wm. John and Thos. Brocklehurst, Macclesfield, taken over.

1907—Amalgamation with Lancaster Banking Company, Limited.

1916—Absorbed Bank of Whitehaven Limited.

1924—Title shortened from Manchester and Liverpool District Banking Company, Limited, to above.

1935—Amalgamation with County Bank Limited.

Year Ended Dec. 31	CAPITAL				Market Value, May 9, 1940
	Subscribed	Paid-up	Callable	Reserved	
1929	10,560,428	2,976,428	1,264,000	6,320,000	11,962,176
A	£5	£1	£1	£3 6s. 6d.	£4 1s.
B	£1	£1	£1	£1	£2 1s.
C	£1	£1	£1	£1	£4 1s.

Year Ended Dec. 31	PROFITS AND DIVIDENDS				To Reserve, etc.	Carried Forward
	Net Profit	Per Cent. of Resources	Dividends	Rate		
1929	502,727	0.85	579,200	18 1/2	60,000	189,225
1930	451,239	0.77	379,200	18 1/2	60,000	201,264
1931	424,239	0.75	347,600	18 1/2	60,000	217,903
1932	418,412	0.66	347,600	18 1/2	60,000	226,718
1933	418,529	0.66	347,600	18 1/2	60,000	237,646
1934	430,229	0.68	347,600	18 1/2	70,000	250,274
1935	419,589	0.49	318,759	18 1/2	90,000	261,103
1936	490,324	0.53	362,192	18 1/2	120,000	269,237
1937	519,255	0.54	372,881	18 1/2	130,000	285,611
1938	508,808	0.51	376,525	18 1/2	130,000	287,894
1939	490,090	0.48	357,050	18 1/2	130,000	290,934

* Tax paid.

† Including capitalised bonus of £200,000.

‡ After payment of all tax.

§ Expenditure on bank properties, formerly charged against net profits, is now charged to Bank Property Account.

(Continued on page 20)

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

OTTOMAN BANK

(INCORPORATED IN TURKEY WITH LIMITED LIABILITY)
Founded 1863

Capital: £10,000,000

Paid-up: £5,000,000

Reserve: £1,250,000

General Committee

LONDON	General Committee	PARIS	General Committee
General the Hon. SIR HERBERT A. LAWRENCE, G.C.B.	SIR JOHN P. HEWETT, G.C.S.I., K.B.E., G.I.E.	JACQUES DE NEUFLEZE	EMILE OUDOT
ALBERT C. GLADSTONE	The Rt. Hon. THE LORD HILLINGDON	RENÉ BECHMANN	LE COMTE FRÉDÉRIC PILLET-WILL
The Rt. Hon. THE VISCOUNT BOSCHEN, G.C.S.I., G.C.I.E., G.B.E., V.D.	A. G. A. JAMIESON	JEAN BOISSONNAS	PAUL DE THOMASSON
SIR W. GUY GRANET, G.B.E.	SIR JOHN GORDON NAIRNE, Bart.	LE BARON HENRI HOTTINGUER	EDOUARD VERNES
	R. S. C. PEARCE	PHILIPPE MALLET	
	Lieut.-Col. SIR ALBERT STERN, K.B.E., C.M.G.		

LONDON: 26 THROGMORTON STREET, E.C.2

Manager: R. S. C. Pearce

Sub-Managers: A. Sampson, A. Brown, W. G. Perrin

Secretary to the Committee: W. Stewart McKinn

MANCHESTER: 56-60 Cross Street

PARIS: 7 RUE MEYERBEER

MARSEILLES:
38 rue St. FerréolNICE:
13 Place Masséna

ISTANBUL

Branches throughout the Near East

TURKEY EGYPT PALESTINE TRANSJORDANIA
CYPRUS IRAQ IRANAffiliated Banks: SYRIA: Banque de Syrie & du Liban
ROUMANIA: Bank of Roumania, Ltd.
YUGO-SLAVIA: Banque Franco-Serbe
GREECE: British-French Discount Bank, Ltd.Drafts and Telegraphic Transfers issued.
Exchange and Insurance operations effected.

Letters of Credit granted.

DISTRICT BANK LIMITED—continued from page 18.

Year ended December 31	Number of Branches	LIABILITIES						Total Liabilities or Assets	ASSETS								Buildings and Sundries, including Cover for Acceptances	Per Cent.				
		Capital and Re- serves	Per Cent.	Un- divided Profits	Per Cent.	Accept- ances	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.	
1929	391	4,212,000	7.1	378,825	0.6	2,400,469	4.0	52,240,453	88.2	59,231,747	8.0	3,857,140	6.5	14,827,230	25.0	5,029,778	8.5	24,327,283	41.1	3,126,586	5.8	
1930	396	4,212,000	7.2	389,864	0.7	1,071,945	1.8	52,443,952	90.3	58,118,761	7.8	4,409,670	7.6	16,651,547	28.7	6,798,985	11.7	20,577,119	35.3	1,832,243	3.1	
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	35.2	2,908,403	5.2
1932	400	4,212,000	6.6	400,516	0.6	1,999,827	3.2	56,829,351	89.6	63,441,694	8,476,606	13.3	5,441,095	8.6	21,805,876	34.4	7,188,260	11.3	17,690,457	27.9	2,636,490	4.5
1933	400	4,212,000	6.6	411,445	0.6	5,239,159	8.3	53,957,893	84.5	63,820,497	7,708,349	12.1	1,436,950	6.9	23,565,795	36.9	4,886,484	7.7	17,107,971	26.8	6,114,948	10.1
1934	405	4,212,000	6.7	424,074	0.7	5,378,865	8.5	52,888,706	84.1	62,901,645	7,605,511	12.1	1,408,730	7.0	21,266,507	33.8	6,838,462	10.9	16,481,443	26.2	7,759,182	9.1
1935	583	5,952,856	7.0	445,168	0.5	6,194,213	7.2	72,984,452	85.3	85,576,689	10,894,439	12.4	4,728,285	5.5	29,417,700	34.3	8,113,319	9.5	24,963,760	29.2	8,835,836	9.1
1936	555	5,952,856	6.5	450,332	0.5	7,282,046	7.9	78,218,013	85.1	91,903,248	10,672,877	11.9	3,764,618	5.2	30,404,248	32.0	6,533,395	7.1	27,398,273	29.8	9,826,802	9.6
1937	559	5,952,856	6.2	480,365	0.5	8,346,536	8.7	81,059,979	83.7	94,839,736	11,693,311	12.1	8,283,450	8.5	29,621,613	30.6	5,479,737	5.7	30,831,823	31.8	10,935,772	10.8
1938	569	5,952,856	6.0	478,157	0.5	9,027,586	9.1	83,468,809	84.4	98,925,408	11,592,983	11.7	8,629,718	7.2	29,268,301	29.6	6,201,704	6.3	32,583,940	32.9	10,648,776	10.8
1939	600	5,952,856	5.8	459,721	0.4	5,212,162	5.0	78,781,706	88.6	102,406,445	13,733,168	13.4	7,568,660	7.4	29,441,003	28.7	10,801,652	10.5	34,056,595	33.3	8,085,356	6.6
April, 1940		5,952,000	6.2	...	...	4,502,000	4.7	85,529,000	89.1	95,983,000	12,012,000	12.5	7,154,000	7.5	29,671,000	31.0	9,395,000	9.8	31,653,000	32.9	6,095,000	6.3

(a) Including balances with, and cheques in course of collection on, other banks in Great Britain and Ireland. § Included with deposits and other accounts.

GLYN, MILLS AND CO.
(Member of the London Bankers' Clearing House)

ESTABLISHED 1753. Incorporated as Unlimited Liability Company, 1885.

1923—Acquired Holt and Company.—1 Branch. 1924—Acquired Child and Company.—2 Branches.

1939—Business acquired by Royal Bank of Scotland.

Year ended Dec. 31	LIABILITIES						Total Liabilities or Assets	ASSETS								Premises and Cover for Acceptances	Per Cent.
	Capital and Reserve	Per Cent.	Reduction of Pre- mises Account	Per Cent.	Accept- ances	Per Cent.	Deposit and Current Accounts	Per Cent.	Cash in Hand and at Bank, etc. (a)	Per Cent.	Cash at Call and Short Notice	Per Cent.	Invest- ments	Per Cent.	Discounts, Loans and Other Securities	Per Cent.	Premises and Cover for Acceptances
1929	1,590,000	3.6	210,000	0.5	2,869,728	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	18,442,404	37.4
1930	1,590,000	3.6	220,000	0.5	2,552,658	5.8	39,535,509	90.1	43,898,167	8,725,397	19.9	8,153,400	18.6	6,638,253	15.1	17,133,459	39.0
1931	1,590,000	4.4	230,000	0.6	2,339,290	6.5	32,104,080	88.5	36,263,370	7,356,292	20.3	6,102,450	16.8	7,095,768	19.6	12,674,572	34.9
1932	1,590,000	4.0	240,000	0.6	1,767,023	4.5	35,731,879	90.9	39,328,902	7,129,281	18.1	6,555,000	16.7	11,515,881	29.4	11,636,717	29.6
1933	1,690,000	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	18.1	11,580,788	29.0	11,079,689	27.7
1934	1,590,000	3.8	260,000	0.6	1,750,479	4.2	38,137,375	91.4	41,737,854	7,354,089	17.6	8,251,950	19.8	11,258,105	27.0	12,383,231	29.6
1935	1,590,000	3.8	270,000	0.6	1,533,582	3.7	38,200,591	91.9	41,594,173	8,151,909	19.6	8,733,300	21.1	11,879,160	28.8	10,556,222	25.3
1936	1,590,000	3.6	280,000	0.6	1,039,207	6.9	41,039,207	89.0	45,113,112	9,182,980	19.9	14,170,100	30.7	10,403,118	22.6	8,413,008	18.2
1937	1,590,000	3.7	290,000	0.7	3,222,131	7.6	37,375,503	88.0	42,477,694	8,845,095	20.8	9,349,850	22.0	10,552,593	24.9	9,767,859	23.0
1938	1,590,000	3.9	300,000	0.7	3,203,545	7.9	35,809,490	87.5	40,903,041	7,635,035	18.7	8,537,800	21.0	10,158,921	21.8	10,577,940	25.9
1939	1,590,000	3.6	310,000	0.7	4,703,205	10.5	38,062,341	85.2	44,668,516	8,651,338	19.4	6,767,700	14.9	11,578,884	25.9	12,221,419	27.4
April, 1940	1,590,000	3.6	310,000	0.7	4,293,000	9.7	37,722,000	88.0	43,915,000	6,928,000	15.8	6,461,000	14.7	13,558,000	30.9	11,935,000	27.2

(a) Includes balances with, and cheques in course of collection on, other banks in the United Kingdom.

ISLE OF MAN BANK LIMITED
(Late Isle of Man Banking Company, Limited)

ESTABLISHED 1865. Incorporated in the Isle of Man.

CAPITAL				Year ended Dec. 31	PROFITS AND DIVIDENDS				Reserves, Invest- ments, etc.	Carried Forward
Subscribed	Paid-up	Callable	Reserved		Net Profits	Per Cent.	Dividends	Rate		
£	£	£	£		£		£	%		
300,000	100,000	Nil	200,000	1929	24,271	0.97	10,000	20	12,000	10,741
				1930	23,629	0.89	11,000	11	12,000	11,870
				1931	23,282	0.88	11,000	11	12,000	11,652
				1932	23,635	0.89	11,000	11	12,000	12,287
				1933	24,019	0.88	14,000	11	12,000	10,307
				1934	26,544	0.73	15,000	15	12,000	9,851
				1935	28,751	0.77	16,500	16	12,000	10,102
				1936	30,386	0.77	18,000	18	12,000	10,438
				1937	30,570	0.82	18,000	18	12,000	11,358
				1938	30,547	0.82	18,000	18	12,000	12,004
				1939	31,153	0.92	18,000	18	12,000	13,157

Authorised note issue, £120,000.

: Includes £3,000 bonus.

Year ended Dec. 31	Number of Branches	LIABILITIES										Total Liabilities or Assets	ASSETS							
		Capital and Re- serves	Per Cent.	Un- divided Profits	Per Cent.	Notes	Per Cent.	Miscellaneous Credits, etc.	Per Cent.	Deposit and Current Accounts	Per Cent.		Cash in Hand and at Bankers	Per Cent.	Invest- ments	Per Cent.	Discounts and Ad- vances	Per Cent.	Premises	Per Cent.
1929	9	206,000	8.2	16,241	0.7	80,444	3.2	6,057	0.3	2,194,017	87.6	2,502,759	544,752	21.8	1,346,102	53.9	578,905	23.1	30,000	1.2
1930	9	288,000	10.0	17,870	0.7	82,360	3.1	7,813	0.3	2,288,340	85.9	2,664,183	*547,497	20.6	1,564,306	58.7	522,380	19.6	30,000	1.2
1931	9	280,000	10.6	17,152	0.7	84,881	3.2	4,682	0.2	2,253,825	85.3	2,640,540	*411,353	15.6	1,648,721	62.4	550,461	20.9	30,000	1.1
1932	9	292,000	8.5	17,788	0.5	86,663	2.5	8,197	0.2	3,014,280	88.2	3,418,928	*535,098	15.6	2,365,664	69.2	483,188	14.3	30,000	0.8
1933	9	304,000	8.6	18,807	0.5	84,559	2.4	4,252	0.1	3,115,205	88.4	3,526,823	*459,855	13.0	2,585,456	73.4	451,512	12.8	30,000	0.8
1934	9	316,000	8.6	18,100	0.5	84,839	2.3	23,131	0.6	3,213,409	88.0	3,855,469	370,367	10.1	2,866,484	78.5	388,608	10.6	30,000	0.8
1935	10	328,000	8.7	19,102	0.5	87,284	2.3	8,333	0.2	3,307,855	88.3	3,750,574	376,786	10.0	2,937,103	78.3	406,685	10.9	30,000	0.8
1936	10	340,000	8.7	19,488	0.5	87,713	2.5	6,721	0.1	3,446,942	88.2	3,910,884	459,778	11.7	3,020,084	77.2	401,003	10.3	30,000	0.8
1937	10	352,000	9.4	20,358	0.5	99,387	2.6	394	...	3,280,270	87.5	3,752,409	460,758	12.3	2,828,248	75.4	434,303	11.5	30,000	0.8
1938	10	364,000	9.7	21,004	0.6	98,339	2.6	10,087	0.3	3,243,466	86.8	3,734,896	408,768	11.0	2,833,778	75.8	462,350	12.4	30,000	0.8
1939	10	376,000	9.8	22,157	0.6	98,039	2.6	10,718	0.3	3,314,452	86.5	3,821,366	455,030	12.2	2,475,826	64.7	462,350	12.4	30,000	0.8

* Includes money at call.

NORTH BRITISH & MERCANTILE INSURANCE CO., LTD.



Security & Service

61 THREADNEEDLE STREET, LONDON, E.C.2
64 PRINCES STREET, EDINBURGH, 2

SECURITY!

Life has a sense of firm foundation to
those who have

SAFEGUARDED

the future

PROTECT

Your dependents and

PROVIDE

for retirement by a

REFUGE POLICY

Assets - - - £72,400,000
Claims Paid - - - £125,100,000

REFUGE
ASSURANCE COMPANY
LIMITED
OXFORD ST., MANCHESTER, 1

INSURANCE

CONSULT

THE

LIVERPOOL

AND

LONDON

AND

GLOBE

INSURANCE
COY., LTD.

FIRE · LIFE · MOTOR · ACCIDENT · MARINE

HEAD OFFICE:
1 Dale Street,
LIVERPOOL, 2.LONDON:
(Chief Office):
1 Cornhill, E.C.3.

NATIONAL PROVINCIAL BANK, LIMITED

Member of the London Bankers' Clearing House.

Established in 1833 as the National Provincial Bank of England, and registered as limited in 1880; the Union of London and Smiths Bank was established in 1839, and registered as limited in 1882. Amalgamation took place under title of National Provincial and Union Bank of England, Limited, as from December 31, 1917, and on February 15, 1924, name changed as above. As from December 31, 1917, the Bradford District Bank, Limited, as from December 31, 1918, the Sheffield Banking Company, Limited, and as from December 31, 1919, the North-

amptonshire Union Bank, Limited, were acquired. From January 1, 1920, Messrs Coutts and Company became affiliated, December 31, 1919, Messrs Richards and Company, Llangollen, and June 30, 1920, Messrs Shilson, Coope and Company, St. Austell, and as from Aug. 23, 1922, Messrs Dingley and Company, of Launceston, and Messrs Dingley, Pearce and Company, of Okehampton, were acquired. December 31, 1923, the Guernsey Banking Company, Limited, and the business of Messrs Grindlay and Company were acquired, the latter undertaking being continued as a private limited company.

Year Ended Dec. 31	CAPITAL				Market Value, May 8, 1940	PROFITS AND DIVIDENDS				Reserves, etc.	Carried Forward
	Subscribed	Paid-up	Callable	Reserved		Net Profits	Per Cent. of Resources	Dividends Amount	Rate %		
1929	£43,917,088	£9,479,416	£5,859,811	£28,268,058	£31,987,438	2,189,704	0.72	1,706,285	18	500,000	849,255
1930						1,930,854	0.69	1,706,285	18	400,000	673,814
1931						1,747,008	0.69	1,516,708	18	100,000	894,116
1932						1,593,318	0.50	1,421,912	15	200,000	775,522
1933						1,603,424	0.51	1,421,912	15	100,000	857,034
1934						1,643,760	0.51	1,421,912	15	200,000	878,881
1935						1,665,437	0.51	1,421,912	15	200,000	922,408
1936						1,770,173	0.51	1,421,912	15	300,000	970,667
1937						1,871,980	0.54	1,421,912	15	850,000	573,715
1938						1,771,785	0.53	1,421,912	15	350,000	573,588
1939						1,718,984	0.52	1,421,912	15	350,000	520,659

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.
1929	1,308	£18,958,832	6.2	£849,255	0.3	£15,174,188	5.0	£306,694,612	£41,881,704	13.7	£19,413,495	6.3	£39,276,379	12.8
1930	1,363	£18,958,832	5.9	£673,814	0.2	£10,089,723	3.1	£222,192,162	£42,733,078	13.3	£20,298,531	6.3	£41,769,561	13.0
1931	1,374	£17,479,416	5.0	£804,116	0.3	£9,229,529	3.2	£261,925,540	£39,047,981	13.5	£18,792,624	6.5	£34,212,143	12.5
1932	1,371	£17,479,416	5.1	£775,522	0.2	£6,205,501	2.0	£291,822,828	£39,884,491	12.6	£17,990,253	5.8	£44,131,840	10.3
1933	1,361	£17,479,416	5.6	£857,033	0.3	£6,385,098	2.0	£288,397,118	£43,000,715	13.7	£18,167,651	5.8	£44,131,840	10.3
1934	1,350	£17,479,416	5.4	£878,881	0.3	£5,863,022	1.8	£297,368,848	£43,000,715	13.7	£18,167,651	5.8	£44,131,840	10.3
1935	1,343	£17,479,416	5.3	£922,408	0.3	£5,819,821	2.6	£302,703,813	£43,000,715	13.7	£18,167,651	5.8	£44,131,840	10.3
1936	1,335	£17,479,416	5.1	£970,667	0.3	£8,376,087	2.4	£321,157,051	£43,000,715	13.7	£18,167,651	5.8	£44,131,840	10.3
1937	1,327	£17,479,416	5.2	£573,715	0.2	£9,531,975	2.7	£320,537,671	£43,000,715	13.7	£18,167,651	5.8	£44,131,840	10.3
1938	1,324	£17,479,416	5.3	£573,588	0.2	£7,951,839	2.4	£310,383,397	£43,000,715	13.7	£18,167,651	5.8	£44,131,840	10.3
1939	1,325	£17,479,416	4.9	£520,659	0.1	£11,432,180	3.2	£336,313,056	£43,000,715	13.7	£18,167,651	5.8	£44,131,840	10.3
April, 1940		£17,979,000	5.6	...	...	£11,595,000	2.8	£399,775,000	£43,937,000	12.4	£17,737,000	5.1	£176,505,000	25.8

(a) Includes balances with, and cheques in course of collection on, other banks in the United Kingdom and Ireland and cheques, drafts, etc., in transit.
(b) Includes investments in affiliations.

WESTMINSTER BANK LIMITED

ESTABLISHED 1836

Members of the London Bankers' Clearing House.

1834—London and Westminster Bank established.
1836—London and County Banking Company established.
1864—Jones, Loyd and Company absorbed by London and Westminster Bank.
1865—Parr's Banking Company established.
1891—Fuller, Banbury and Company amalgamated with Parr's Banking Company, Limited.
1892—Alliance Bank, Limited, amalgamated with Parr's Banking Company, Limited, under title of Parr's Banking Company and the Alliance Bank, Limited.
1894—Sir Samuel Scott, Bart., and Company amalgamated with Parr's Banking Company and Alliance Bank, Limited.
1896—Title changed to Parr's Bank, Limited, and amalgamated with Consolidated Bank, Limited.
1909—Stuckey's Banking Company, Limited, amalgamated with Parr's Bank, Limited.

1909—London and Westminster Bank and London and County Banking Company amalgamated as London County and Westminster Bank, Limited.
1913—Crompton and Evans' Union Bank, Limited, Derby, amalgamated with Parr's Bank, Limited.
1917—Ulster Bank, Limited, affiliated with London County and Westminster Bank, Limited.
1918—Parr's Bank, Limited (established 1865), amalgamated under combined title of London County Westminster and Parr's Bank, Limited.
1919—Nottingham and Nottinghamshire Banking Company Limited, absorbed.
1921—Beckett and Company absorbed.
1923—Title changed to Westminster Bank, Limited.
1923—Stilwell and Sons absorbed.
1924—Guernsey Commercial Banking Company, Limited, absorbed.

Year Ended Dec. 31	CAPITAL				Market Value, May 9, 1940	PROFITS AND DIVIDENDS				Reserves and other Appropriations	Carried Forward
	Authorized	Paid-up	Callable	Reserved		Net Profits	Per Cent. of Resources	Dividends Amount	Rate %		
1929	£30,000,000	£7,070,990	£7,070,990	£14,141,980	£27,930,401	2,160,384	0.65	1,358,275	20	850,000	508,305
1930	3,000,000	2,249,167	Nil	Nil	7,253,562	1,821,898	0.66	1,313,891	20	550,000	464,301
1931						1,601,882	0.52	1,184,867	18	450,000	431,258
1932						1,495,171	0.44	1,165,443	18	300,000	460,984
1933						1,464,955	0.43	1,165,443	18	300,000	460,496
1934						1,524,880	0.42	1,204,291	18	300,000	481,085
1935						1,402,656	0.38	1,313,891†	18	200,000	389,849
1936						1,731,955	0.42	1,184,867	18	400,000	518,937
1937						1,750,589	0.43	1,271,508‡	18	500,000	496,018
1938						1,557,161	0.39	1,128,595	18	400,000	528,584
1939						1,475,745	0.38	1,068,323	18	400,000	534,006

† Includes centenary bonus of 2 per cent. on the £4 shares.
‡ Includes bonus of 2 per cent. on the £4 shares.

B. W. BLYDENSTEIN & Co.

54-55-56 Threadneedle Street,
London, E.C.2.

BANKERS

ALL BANKING AND DISCOUNT
BUSINESS TRANSACTED.Dealers in British Treasury
Bills of any Maturity.Deposits received for short and
longer periods at rates to be obtained
on application.Special Facilities for Business
with Holland.FORWARD CONTRACTS IN FOREIGN
CURRENCIES.

1563



1831

MARTINS
BANK
LIMITED

Every Banking Service

EXECUTORSHIPS AND
TRUSTEESHIPS UNDERTAKEN

TOTAL ASSETS £126,566,116

London District Head Office : 68 LOMBARD STREET, E.C.3
HEAD OFFICE : WATER STREET, LIVERPOOL, 2
600 Branches

War conditions
increase the value of
life and of property.
For additional insurance
ask the
"ROYAL"
to help you



Head Offices:

1 North John St., Liverpool, 2 • 24/28 Lombard St., London, E.C.3

The Westminster Bank

is represented by a system of over a
thousand of its own branch offices in
England and agents in every banking
town in the world, and is amply equipped
for specialized service in credits, col-
lections, exchange, and all the ramifica-
tions of modern banking. Affiliated with
it abroad is the Westminster Foreign
Bank with Branches in Paris, Bordeaux,
Lyons, Marseilles, Nantes, Brussels
and Antwerp; and in Ireland,
the Ulster Bank

*

Chairman:

HON. RUPERT E. BECKETT

Deputy Chairmen: SIR MALCOLM HOGG

THE RT. HON. LORD ALDENHAM

Chief General Manager:

CHARLES LIDBURY

WESTMINSTER BANK
LIMITED

Head Office: 41 Lothbury, London, E.C.2

WESTMINSTER BANK LIMITED—continued from page 24.

Year ended Dec. 31	Number of Branches	LIABILITIES							Total Liabilities or Assets	ASSETS							Per Cent.
		Capital and Reserves	Per Cent.	Un-divided Profits	Per Cent.	Acceptances and Endorsements	Per Cent.	Notes*		Cash in Hand and at Bank, etc. (a)	Per Cent.	Cash at Call and Short Notice	Per Cent.	Investments	Per Cent.	Discounts and Advances	
1929	1,050	18,640,314	5.6	1,184,442	0.4	27,599,579	8.3	7,794	285,160,311	85.7	332,592,440	45,980,673	13.8	33,169,823	10.0	40,915,352	12.3
1930	1,075	18,640,314	5.7	1,121,246	0.3	17,814,552	5.4	16,223	291,579,675	88.6	329,172,010	46,009,570	13.9	25,683,550	7.8	53,608,056	16.3
1931	1,083	18,640,314	5.7	1,013,970	0.3	18,561,389	6.0	16,144	272,405,692	88.3	308,817,359	41,360,165	12.2	21,107,807	6.7	54,443,594	17.6
1932	1,073	18,640,314	5.7	1,043,705	0.3	22,327,285	6.6	16,624	298,182,935	88.1	338,390,704	41,360,165	12.2	21,107,807	6.7	54,443,594	17.6
1933	1,072	18,640,314	5.7	1,043,705	0.3	22,327,285	6.6	16,624	298,182,935	88.1	338,390,704	41,360,165	12.2	21,107,807	6.7	54,443,594	17.6
1934	1,062	18,640,314	5.7	1,043,705	0.3	22,327,285	6.6	16,624	298,182,935	88.1	338,390,704	41,360,165	12.2	21,107,807	6.7	54,443,594	17.6
1935	1,090	18,640,314	5.7	1,081,595	0.3	22,460,265	6.2	13,444	322,675,384	88.4	364,871,002	51,555,685	14.2	28,548,513	5.1	108,165,537	29.7
1936	1,090	18,640,314	5.7	1,109,370	0.3	20,556,532	5.0	13,774	367,877,506	90.0	408,197,496	53,291,340	13.0	44,983,298	11.0	114,093,127	27.9
1937	1,094	18,640,314	5.7	1,184,805	0.3	20,945,433	5.1	13,461	368,855,148	90.0	409,639,161	52,461,734	12.8	47,898,633	6.8	115,005,495	28.1
1938	1,098	18,640,314	5.7	1,089,882	0.3	24,176,283	6.2	12,927	346,220,783	88.7	390,140,189	49,853,024	12.8	20,803,191	5.3	115,786,531	29.5
1939	1,089	18,640,314	5.7	1,039,032	0.3	20,912,245	5.1	13,858	366,478,334	90.0	407,083,783	53,946,972	13.3	34,046,584	8.4	106,220,027	26.1
April, 1940	1,084	18,640,000	4.9	...	...	19,379,000	5.1	14,000	343,500,000	89.8	381,733,000	47,740,000	12.5	28,367,000	7.4	102,835,000	26.9

* In circulation in the Isle of Man.

(a) Includes balances with, and cheques in course of collection on, other banks in the United Kingdom.
(b) Includes investments in affiliaions.

WILLIAMS DEACON'S BANK, LIMITED

ESTABLISHED 1836.—Member of the London Bankers' Clearing House

1874—Absorbed Heywood Brothers and Company, Manchester.

1878—Absorbed Hardcastle, Cross, and Company, Bolton.

1882—Absorbed Clement Roys and Company, Rochdale.

1890—Manchester and Salford Bank amalgamated with Williams, Deacon and Company. New title—Williams Deacon and Manchester and Salford Bank, Limited.

1901—Title changed to Williams Deacon's Bank, Limited.

1907—Sheffield and Rotherham Joint Stock Banking Company, Limited, absorbed.

1930—Associated with the Royal Bank of Scotland.

CAPITAL				PROFITS AND DIVIDENDS				Reserves, etc.	Carried Forward	
Subscribed	Paid-up	Callable	Reserved	Year Ended Dec. 31	Net Profits	Per Cent. of Resources	Dividends Amount			Rate %
£	£	£	£	1929	297,901	0.83	244,141	A 13 1/2 B 12 1/2	50,000	31,226
8,125,000	1,875,000	1,562,500	4,687,500	1930	278,627	0.78	234,375	12 1/2	50,000	25,478
				1931	275,485	0.82	234,375	12 1/2	50,000	28,568
				1932	268,005	0.71	234,375	12 1/2	25,000	35,198
				1933	272,995	0.71	234,375	12 1/2	25,000	48,818
Per Share A £5 B £1	Per Share A £1 B £1	Per Share A £1 B nil	Per Share A £3 B nil	1934	274,180	0.71	234,375	12 1/2	30,000	59,623
				1935	278,536	0.69	234,375	12 1/2	30,000	72,785
				1936	293,638	0.70	234,375	12 1/2	30,000	102,046
				1937	310,921	0.72	234,375	12 1/2	30,000	148,592
				1938	301,418	0.70	234,375	12 1/2	130,000	85,635
				1939	298,895	0.64	234,375	12 1/2	30,000	120,126

Year ended Dec. 31	Number of Branches	LIABILITIES							Total Liabilities or Assets	ASSETS										
		Capital and Reserves	Per Cent.	Un-divided Profits	Per Cent.	Acceptances, etc.	Per Cent.	Deposit and Current Accounts		Per Cent.	Cash in Hand and at Bank, etc.	Per Cent.	Cash at Call and Short Notice	Per Cent.	Investments	Per Cent.	Discounts and Advances	Per Cent.	Buildings and Sundries, including Cover for Acceptances	Per Cent.
1929	200	2,875,000	8.0	151,123	0.4	1,023,094	2.9	31,792,589	88.7	35,842,006	5,208,318	14.5	3,412,190	9.5	8,017,161	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	32,009,087	89.5	35,705,174	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	29,043,586	86.9	33,425,488	4,211,102	12.6	3,274,807	9.8	7,408,886	22.2	15,923,271	47.6	6,077,422	17.8
1932	202	2,875,000	7.1	154,035	0.4	1,164,066	3.1	33,812,463	89.4	37,805,564	5,961,067	15.8	4,816,463	12.7	9,753,892	25.8	15,086,118	39.8	2,188,024	5.8
1933	202	2,875,000	6.9	167,654	0.4	2,430,036	6.2	33,498,484	86.5	38,771,174	6,306,885	16.3	5,518,038	14.2	10,753,892	27.8	13,381,376	34.5	3,440,598	8.8
1934	203	2,875,000	6.8	177,459	0.5	2,068,097	5.3	33,742,876	87.3	38,663,432	6,003,721	15.5	6,116,738	15.8	9,575,350	24.8	13,887,376	35.9	3,079,851	8.0
1935	203	2,875,000	6.6	191,620	0.5	2,047,759	5.1	35,429,629	87.8	40,344,008	6,172,435	15.3	7,287,359	18.1	9,703,386	24.1	14,105,960	34.9	3,074,868	7.6
1936	203	2,875,000	6.6	191,620	0.5	1,360,678	3.5	37,577,981	89.8	41,834,541	6,458,137	15.4	5,600,269	13.4	12,783,432	30.8	14,454,651	34.6	2,443,141	5.8
1937	206	2,875,000	6.2	287,428	0.6	1,998,530	4.6	38,305,188	88.5	43,311,189	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	1,998,530	4.6	38,305,188	88.5	43,311,189	7,088,888	16.4	5,887,068	13.6	11,561,672	26.7	15,739,138	36.3	3,038,422	7.1
1939	200	2,775,000	5.9	237,313	0.5	2,315,907	4.9	41,631,303	88.7	46,939,523	8,198,049	17.5	7,085,196	15.1	11,597,383	24.7	16,742,673	35.6	3,336,222	7.0
April, 1940	200	2,775,000	5.9	...	...	2,490,000	5.4	41,127,000	88.7	46,392,000	6,745,000	14.5	8,210,000	17.7	12,257,000	26.4	15,668,000	33.8	3,512,000	7.5

(a) Includes balances with, and cheques in course of collection on, other banks in the United Kingdom.

ERLANGERS LIMITED

December 31	LIABILITIES				ASSETS							Per Cent.
	Capital and Reserves	Current, Deposit and Other Accounts, etc.	Current Accounts of Subsidiary Companies	Acceptances on Account of Customers	Cash in Hand and with Bankers	Cash at Call and Short Notice	British Govt. Treasury Bills	Bills Receivable	British Govt. Securities	Dominion and Col. Govt. and British Corp. Stocks and Bonds	Other Investments	
1935	1,925,000	2,481,949	9,481	3,773,550	147,716	800,000	459,521	177,827	394,975	245,885	537,931	1,781,075
1936	1,925,000	2,784,789	6,677	4,847,808	275,488	1,080,000	554,372	223,778	400,485	306,927	576,868	2,428,574
1937	1,925,000	5,054,268	8,815	4,730,099	1,300,681	935,000	619,255	283,405	321,047	212,700	469,478	3,078,487
1938	1,925,000	4,987,394	8,811	4,448,957	467,830	890,000	624,145	226,889	310,980	151,105	525,936	3,887,651
1939	1,925,000	2,164,597	9,717	2,475,404	295,383	710,000	331,144	...	251,875	...	398,664	2,122,730

YORKSHIRE PENNY BANK, LIMITED

LIABILITIES				ASSETS						
December 31	Capital and Reserves	Deposits and other Accounts, etc.	Uncalled Capital	Cash in Hand, at Bank of England, and at Short Notice	British Govt. Securities	Colonial Govt. and English Corp. Stocks	Loans to Local Authorities	Loans on Security and Other Accounts	Premises	
1934	£2,000,000	33,363,019	£500,000	£9,167,873	£21,659,087	£293,103	£1,929,231	£2,043,725	£550,000	
1935	2,000,000	35,400,246	500,000	9,607,552	23,334,204	260,413	1,281,083	2,386,985	550,000	
1936	2,000,000	37,036,692	500,000	9,287,022	25,582,627	105,663	...	4,051,380	550,000	
1937	2,000,000	38,119,733	500,000	9,331,099	27,469,529	35,698	...	3,233,408	550,000	
1938	2,000,000	39,251,804	500,000	8,089,656	29,998,293	...	...	3,113,855	550,000	
1939	2,000,000	38,745,860	500,000	7,468,921	30,211,340	...	...	3,017,498	550,000	

PRIVATE BANKS OF ENGLAND AND WALES

B. W. BLYDENSTEIN AND COMPANY, LONDON

Year Ended Dec. 31	LIABILITIES						Total Liabilities or Assets	ASSETS							
	Partners' Capital and Reserves	Per Cent.	Miscellaneous	Per Cent.	Deposit and Current Accounts	Per Cent.		Cash in Hand and at Bank	Per Cent.	Investments	Per Cent.	Advances, Loans, Bills, etc.*	Per Cent.	Premises, etc.	Per Cent.
1929	£ 700,000	5.7	£ 113,228	0.9	£ 11,490,770	93.4	12,303,998	11,951	0.9	306,247	2.5	11,852,385	96.4	30,415	0.2
1930	700,000	6.5	62,665	0.5	9,989,817	83.0	10,752,482	107,437	0.9	2,552,173	23.8	8,965,598	75.0	29,274	0.3
1931	700,000	8.1	99,922	1.2	7,851,622	90.7	8,651,544	119,913	1.4			8,503,454	98.3	28,177	0.3
1932		3.8	12,631	0.5	2,506,176	95.7	2,618,807	186,937	7.1	308,837	11.8	2,095,778	80.1	27,255	1.0
1933	+100,000	3.4	14,457	0.5	2,836,286	96.1	2,953,743	242,194	8.2	578,854	19.6	2,106,388	71.3	26,307	0.9
1934	+100,000	3.7	8,268	0.1	2,560,927	98.2	2,664,223	1,370,550	51.4	553,642	20.8	713,441	26.8	26,581	1.0
1935*	+100,000	3.2	5,173	0.2	3,053,209	96.6	3,158,382	1,926,350	61.0	397,069	12.6	809,034	25.6	25,928	0.8
1936**	+100,000	2.7	3,020	0.1	3,557,078	97.2	3,660,098	2,133,759	58.2	475,368	13.0	1,025,459	28.0	25,512	0.8
1937**	+100,000	3.7	2,463	0.1	2,596,391	96.2	2,698,854	189,656	7.0	298,132	11.0	2,184,770	81.1	24,874	0.9
1938**	+100,000	3.1	2,010	0.1	3,113,793	96.8	3,215,804	382,563	11.9	832,567	25.9	1,976,421	61.4	24,252	0.8
1939**	+100,000	2.6	8,898	0.2	3,704,491	97.2	3,813,389	317,121	8.3	893,382	21.1	2,663,712	69.9	26,174	0.7

† Provided by the Twente Bank (London) Ltd., which has an authorised and subscribed capital of £1,000,000.
‡ Nine months ended Sept. 30.

** Year ended Sept. 30.

* Includes Treasury Bills.

HOARE (CHAS.) AND COMPANY

Year Ended July 5	LIABILITIES				Total Liabilities or Assets	ASSETS											
	Partners' Capital and Reserves	Per Cent.	Deposit and Current Accounts	Per Cent.		Cash in Hand, at Bank, and at Call and Short Notice	Per Cent.	British Government Securities	Per Cent.	Other Securities and Investments	Per Cent.	Discounts and Advances	Per Cent.	Premises, etc.	Per Cent.		
	£		£		£		£		£		£		£				
1929	500,000	14·3	2,994,121	85·7	3,494,121	1,018,670	29·1	995,521	28·5	181,001	5·2	1,198,929	34·3	100,000	2·9		
1930	500,000	15·5	2,718,857	84·5	3,218,857	720,808	22·4	850,004	26·4	186,457	5·8	1,361,588	42·3	100,000	3·1		
1931	500,000	15·9	2,925,719	84·1	3,129,718	825,480	26·4	617,550	20·7	121,778	3·9	1,434,910	45·8	100,000	3·2		
1932	500,000	16·9	2,963,636	83·1	2,963,636	858,682	28·9	588,580	19·9	162,688	5·5	1,253,416	42·3	100,000	3·4		
1933	500,000	12·2	3,463,636	87·8	4,092,297	1,179,450	28·9	894,483	21·9	271,719	6·6	1,646,645	40·2	100,000	2·4		
1934	500,000	13·2	3,592,297	86·8	3,788,995	1,022,367	27·1	1,159,200	30·6	205,741	5·4	1,301,687	34·8	100,000	2·6		
1935	500,000	11·9	3,711,318	88·1	4,211,318	1,122,347	26·7	1,341,086	31·8	202,487	4·8	1,447,419	34·3	100,000	2·4		
1936	500,000	11·4	3,853,504	88·6	4,333,504	1,176,466	27·0	1,291,210	29·6	261,897	6·1	1,524,432	35·0	100,000	2·3		
1937	500,000	11·9	3,686,793	88·1	4,186,793	977,761	23·3	832,950	19·9	455,169	10·8	1,824,913	43·6	100,000	2·4		
1938	500,000	12·6	3,476,892	87·4	3,976,892	919,445	23·1	814,499	20·4	348,047	8·8	1,796,901	45·2	100,000	2·5		
1939	500,000	13·0	3,362,925	87·0	3,862,925	1,083,349	28·1	745,707	19·3	376,467	9·7	1,557,402	40·3	100,000	2·6		

NATIONAL DISCOUNT COMPANY, LIMITED

ESTABLISHED 1856

(Incorporating the business of Messrs. Reeves, Whitburn.)

Year Ended Dec. 31	CAPITAL				Market Value, May 9, 1940	Year Ended Dec. 31	Net Profit £	Per Cent. of Resources	Profits and Dividends — Dividend — Amount £	Rate %	Reserves, etc.	Carried Forward £
	Subscribed	Paid-up	Callable	Reserved								
1929	£ 2,153,335	£ 1,000,000	£ 1,153,335	Nil	£ 3,814,689	1929	179,861	0.28	144,587	A 10 B 24	39,078	211,842
1930						1930	219,414	0.44	140,068	A 10 B 24	115,000	176,188
1931						1931	131,524	0.27	135,406	A 10 B 24	...	172,306
1932						1932	139,934	0.27	135,550	A 10 B 24	...	175,790
1933						1933	137,768	0.25	135,550	A 10 B 24	...	178,006
1934						1934	161,003	0.35	140,068	A 10 B 24	10,000	188,941
1935						1935	179,456	0.35	149,006	A 10 B 26	10,000	209,390
1936						1936	179,215	0.31	146,603	A 10 B 26	10,000	232,001
1937						1937	188,961	0.33	144,200	A 10 B 26	60,000	218,763
1938						1938	195,203	0.37	139,393	A 10 B 26	55,000	217,572
1939						1939	196,362	0.37	130,453	A 10 B 26	55,000	228,481

Year Ended Dec. 31	LIABILITIES								Total Liabilities or Assets	ASSETS											
	Capital and Reserves	Per Cent.	Un- divided Profits	Per Cent.	Deposits and Sundry Balances	Per Cent.	Bills Re-dis- counted	Per Cent.		Rebate	Per Cent.	Cash at Bankers	Per Cent.	Securi- ties	Per Cent.	Loans at Call, Short and Fixed Dates	Per Cent.	Bills Dis- counted	Per Cent.	Build- ings and Sundries	Per Cent.
	£		£		£		£		£											£	
1929	1,890,000	3.6	297,976	0.6	26,570,013	50.8	23,001,203	44.1	443,890	0.9	52,201,982	659,417	1.3	2,911,915	5.6	1,360,007	2.6	17,141,632	90.3	130,111	0.2
1930	2,000,000	4.0	259,629	0.5	26,858,059	53.2	20,883,210	41.4	429,855	0.9	50,430,483	694,907	1.4	4,938,844	8.0	719,346	1.4	14,813,614	88.9	163,772	0.3
1931	2,000,000	4.0	251,085	0.5	26,011,337	52.5	20,891,933	42.0	497,442	1.0	49,561,797	713,093	1.4	2,533,104	5.1	131,805	0.3	14,653,915	92.9	129,874	0.3
1932	2,000,000	3.9	256,541	0.5	26,944,346	53.1	21,250,923	41.9	336,297	0.7	50,788,102	733,297	1.5	3,518,157	6.9	28,049	0.1	14,665,840	91.2	112,464	0.3
1933	2,000,000	3.7	258,756	0.5	30,252,464	56.0	21,154,907	39.2	332,275	0.6	53,998,102	789,093	1.5	6,453,305	12.0	567,799	1.0	14,665,840	85.2	179,434	0.3
1934	2,000,000	4.4	272,382	0.6	30,387,614	66.3	12,888,748	28.1	287,774	0.6	45,848,518	815,218	1.8	8,684,715	16.8	437,912	0.8	14,665,840	81.3	185,214	0.4
1935	2,000,000	3.9	301,770	0.6	31,679,076	61.2	17,525,346	33.8	286,336	0.5	51,742,538	871,501	1.7	8,884,715	16.8	437,912	0.8	14,665,840	81.3	211,644	0.4
1936	2,000,000	3.5	322,891	0.6	36,348,796	63.4	18,171,103	32.1	258,191	0.4	57,401,981	1,033,418	1.8	11,869,211	19.5	486,292	0.9	14,665,840	77.4	139,645	0.2
1937	2,050,000	3.6	306,183	0.5	37,408,746	65.8	16,769,534	29.5	355,645	0.6	56,819,948	1,011,517	1.8	10,000,710	21.8	351,037	0.4	14,483,739	75.8	152,186	0.3
1938	2,100,000	4.0	303,992	0.6	41,201,076	78.3	9,019,369	17.1	...	...	52,624,637	1,158,097	2.0	13,910,115	26.9	151,000	0.3	14,665,840	87.3	100,000	0.2
1939	2,150,000	4.0	305,981	0.6	43,872,520	81.7	7,348,425	3.8	...	...	53,676,936	1,229,273	2.3	15,678,177	29.0	200,837	0.5	14,665,840	81.4	100,000	0.2

* Excluding Treasury Bills.

UNION DISCOUNT COMPANY OF LONDON, LIMITED

ESTABLISHED 1885

Year Ended Dec. 31	CAPITAL*				Market Value, May 9, 1940	Year Ended Dec. 31	Net Profit £	Per Cent. of Resources	Profits and Dividends — Dividend — Amount £	Rate %	Reserves, etc.	Carried Forward £
	Authorised and Issued	£	Reserved	£								
1929	£ 2,750,000		Nil	£ 6,187,500		1929	260,186	0.42	212,500	20**	20,000	269,292
1930						1930	268,177	0.40	207,813	20**	30,000	299,656
1931						1931	203,856	0.42	189,843	20†	10,000	303,689
1932						1932	225,828	0.38	187,500	20†	15,000	326,997
1933						1933	228,016	0.37	187,500	20†	15,000	352,514
1934						1934	230,833	0.38	193,750	20†	15,000	374,597
1935						1935	233,840	0.33	193,750	20†	15,000	399,687
1936						1936	243,578	0.35	204,288	20*	265,000	473,976
1937						1937	250,598	0.35	208,250	10***	15,000	503,261
1938						1938	261,158	0.41	199,375	10	15,000	550,047
1939						1939	271,610	0.32	185,185	10	15,000	623,172

Per £1 of Stock
£2†

* As at 31st December, 1939.

† For 6 months ended 30th June, 1939, dividend of 15 per cent. per annum on shares of £5 each, £2 10s. paid, and 2 per cent. interest on instalments on new shares. For 6 months ended 31st December, 1936, dividend of 7½ per cent. per annum and bonus of 6½ per cent. (equal to 2½ per cent. per annum on £1 units of stock fully paid). (All less tax.)

‡ Dividend of 15 per cent. + bonus of 5 per cent., both less tax.

*** Bonus of 5 per cent., free of tax.

†† The equivalent to the 1936 dividends and bonus.

Year Ended Dec. 31	LIABILITIES								Total Liabilities or Assets	ASSETS											
	Capital and Re- serves	Per Cent.	Un- divided Profits	Per Cent.	Loans and Deposits	Per Cent.	Bills Redis- counted	Per Cent.		Rebate	Per Cent.	Cash at Bankers	Per Cent.	Securities	Per Cent.	Loans at Call and Short Date, and Other Accounts	Per Cent.	Bills Dis- counted, etc.	Per Cent.	Buildings and Sundries	Per Cent.
	£		£		£		£		£		£		£		£		£		£		
1929...	3,000,000	4.8	406,792	0.7	45,591,128	73.6	12,310,529	19.9	634,034	1.0	61,942,182	1,328,877	2.1	7,629,621	12.3	208,768	0.3	52,574,107	85.0	201,109	0.3
1930...	3,000,000	4.5	434,812	0.6	47,521,063	70.8	15,527,441	23.1	678,184	1.0	67,161,500	1,350,871	2.0	8,601,576	12.8	516,522	0.8	56,593,112	84.3	97,389	0.1
1931...	3,000,000	6.0	420,856	0.8	36,300,272	72.8	9,480,539	19.2	690,569	1.2	49,802,235	1,086,835	2.2	5,992,401	12.0	212,907	0.4	42,311,352	85.0	199,640	0.4
1932...	3,000,000	4.8	444,185	0.7	52,437,710	83.7	6,323,839	10.1	405,205	0.7	62,310,939	1,330,616	2.1	11,815,857	18.6	2,132,995	3.4	47,387,354	75.6	164,417	0.3
1933...	3,000,000	4.8	469,701	0.8	55,455,138	88.9	3,105,928	5.0	305,494	0.5	62,310,939	1,330,616	2.1	11,815,857	18.6	2,132,995	3.4	47,387,354	75.6	138,715	0.2
1934...	3,000,000	5.0	495,690	0.8	52,224,719	88.6	4,245,019	7.1	300,355	0.5	60,265,783	1,455,421	2.4	17,489,523	25.5	1,558,953	2.9	42,978,622	71.3	97,892	0.2
1935...	3,000,000	4.3	520,780	0.7	59,240,040	85.1	6,646,842	9.5	303,666	0.4	69,711,328	1,497,366	2.1	16,165,070	23.2	3,834,336	5.3	48,083,530	69.0	131,088	0.2
1936...	3,750,000	5.4	505,038	0.5	57,285,704	82.0	8,164,125	11.7	346,593	0.4	69,851,452	1,525,946	2.2	16,125,831	23.0	1,450,557	2.1	50,506,115	72.3	243,004	0.4
1937...	3,750,000	5.3	550,338	0.4	56,152,939	79.4	10,167,314	14.4	358,454	0.5	70,760,877	1,562,630	2.2	9,542,496	13.5	2,206,039	3.1	57,011,303	80.7	498,419	0.5
1938...	3,750,000	5.8	574,650	0.6	51,504,880	79.1	9,089,245	14.0	361,212	0.5	65,073,993	1,562,630	2.2	9,542,496	13.5	2,206,039	3.1	57,011,303	80.7	303,079	0.5
1939...	3,750,000	4.6	434,891	0.5	66,778,584	82.0	10,031,236	12.3	473,927	0.6	81,469,618	1,760,900	2.2	6,498,584	8.0	1,506,739	1.9	71,230,331	87.4	373,064	0.5

GILBERT BROTHERS DISCOUNT COMPANY, LIMITED

LIABILITIES

ASSETS

January 31	Capital and Reserves	Deposits, Loans, Rediscounts, and Sundry Accounts	Cash at Bankers and in Hand	British, Indian, and Dominion Govt. Securities and Brit. Corp. Stock	Bills discounted including Rediscounts	Loans on Security and Sundry Accounts
1939	£ 345,000	£ 12,666,512	£ 228,985	£ 1,425,000	£ 11,004,560	£ 352,962
1937	345,000	12,361,418	219,874	1,600,000	10,276,116	610,158
1938	345,000	12,230,412	220,269	1,580,000	10,302,147	472,996
1939	345,000	11,211,284	224,348	2,405,000	8,406,076	518,869
1940	345,000	12,048,867	225,912	2,405,000	9,727,919	35,036

The UNION BANK OF AUSTRALIA

LIMITED
Established 1837

CAPITAL AUTHORISED AND ISSUED - £12,000,000

Paid up Capital - £4,000,000

Reserve Liability of Proprietors £8,000,000

(Not capable of being called up except in the event of and for the purpose of the Bank being wound up.)

Reserve Fund - £3,250,000

Special Currency Reserve - £1,600,000

DIRECTORS:

Maj. Gen. Sir JOHN H. DAVIDSON, K.C.M.G., C.B., D.S.O., *Chairman*.
COLIN S. ANDERSON, Esq. ARTHUR TERENCE MAXWELL, Esq.
HUGH D. FLOWER, Esq. ROBERT C. NESBITT, Esq.
J. W. 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:

1868—Acquired the business of the Central Bank of Scotland | **1907**—Absorbed Caledonian Banking Company, Limited

THE BRITISH LINEN BANK
ESTABLISHED 1746. 1919—AFFILIATED WITH BARCLAYS BANK LIMITED

THE CLYDESDALE BANK LIMITED
ESTABLISHED 1838

* Includes Centenary Bonus to staff and pensioners of £21,000.

CAPITAL				Market Value, April 24, 1940
Subscribed	Paid-up	Callable	Reserved	
"A" £7,000,000	£7,500,000	£2,450,000	£2,800,000	£7,575,000
"B" 500,000	500,000	Nil	Nil	
Per Share £4	Per Share £1	Per Share £1½	Per Share £1½	Per Share 72½/-
"A" £1	£1	Nil	Nil	51/-

Authorized issue, £374,880.

Year Ended Oct. 31	Number of Branches	LIABILITIES										Total Liabilities or Assets	ASSETS									
		Capital and Reserves	Per Cent.	Notes	Per Cent.	Acceptances and Endorsements	Per Cent.	Miscellaneous Credits, etc.	Per Cent.	Deposit and Current Accounts	Per Cent.		Cash in Hand and at Bank	Per Cent.	Cash at Call and Short Notice	Per Cent.	Investments	Per Cent.	Dis- counts and Ad- vances	Per Cent.	Buildings and Sundries, including Cover for Acceptances	Per Cent.
1920	339	5,050,000	11-1	3,230,644	7-1	585,677	1-3	1,255,765	2-8	35,228,893	77-7	45,350,984	6,076,179	13-4	4,553,637	10-0	10,178,147	22-4	23,137,437	51-1	11,405,564	3-1
1921	342	5,100,000	12-8	3,418,338	7-0	539,788	1-0	1,552,638	2-7	33,182,352	77-7	43,093,337	6,039,465	14-1	1,178,579	9-7	11,412,538	26-5	20,386,182	47-3	11,046,583	2-4
1922	342	5,100,000	12-8	3,418,338	7-0	539,788	1-0	1,552,638	2-7	33,182,352	77-7	43,093,337	6,039,465	14-1	1,178,579	9-7	11,412,538	26-5	20,386,182	47-3	11,046,583	2-4
1923	351	5,100,000	12-8	3,418,338	7-0	539,788	1-0	1,552,638	2-7	33,182,352	77-7	43,093,337	6,039,465	14-1	1,178,579	9-7	11,412,538	26-5	20,386,182	47-3	11,046,583	2-4
1924	355	5,100,000	11-0	3,270,210	7-1	162,303	0-4	1,999,091	0-4	37,302,871	81-1	46,234,221	7,565,990	12-2	5,877,000	6-2	14,618,552	31-3	19,948,728	38-8	992,338	0-2
1925	362	5,100,000	10-9	3,244,121	7-0	220,700	0-5	2,008,211	0-4	37,302,871	81-1	46,234,221	7,565,990	12-2	5,877,000	6-2	14,618,552	31-3	19,948,728	38-8	992,338	0-2
1926	369	5,100,000	10-9	3,244,121	7-0	220,700	0-5	2,008,211	0-4	37,302,871	81-1	46,234,221	7,565,990	12-2	5,877,000	6-2	14,618,552	31-3	19,948,728	38-8	992,338	0-2
1927	371	5,100,000	10-9	3,244,121	7-0	220,700	0-5	2,008,211	0-4	37,302,871	81-1	46,234,221	7,565,990	12-2	5,877,000	6-2	14,618,552	31-3	19,948,728	38-8	992,338	0-2
1928	371	5,100,000	10-9	3,244,121	7-0	220,700	0-5	2,008,211	0-4	37,302,871	81-1	46,234,221	7,565,990	12-2	5,877,000	6-2	14,618,552	31-3	19,948,728	38-8	992,338	0-2
1929	371	5,100,000	10-9	3,244,121	7-0	220,700	0-5	2,008,211	0-4	37,302,871	81-1	46,234,221	7,565,990	12-2	5,877,000	6-2	14,618,552	31-3	19,948,728	38-8	992,338	0-2
1930	342	5,400,000	9-4	3,977,221	6-9	2,684,294	4-7	1,637,722	0-3	45,111,522	78-7	57,333,823	7,683,218	15-3	3,355,650	4-1	23,205,395	49-2	14,926,722	24-4	9,709,294	6-5

* Undivided profits.

ESTABLISHED 1825

CAPITAL		Year Ended Nov. 1	Net Profits	Profits and Per Cent. of Resources	Dividends Amount	Dividends Rate %	Reserve etc. £	Carried Forward £
Consolidated Stock—								
Authorised and Subscribed in £500 Stock, £110 paid up								
of which—								
Uncalled	£900,000	1929	280,686	0.74	110,800	18	135,000	73,766
Reserve Liability	£3,000,000	1931	270,433	0.71	138,400	16	140,000	74,294
		1931	270,433	0.76	132,000	16	140,000	72,727
		1932	265,367	0.68	132,000	16	130,000	76,094
		1933	267,681	0.64	132,000	16	130,000	81,755
		1934	271,597	0.63	136,400	16	135,000	81,952
		1935	270,273	0.63	138,400	16	135,000	80,825
		1936	272,441	0.61	134,200	16	135,000	84,065
		1937	276,012	0.61	132,000	16	140,000	88,077
		1938	292,639	0.61	142,100	16	150,000	88,616
		1939	282,697	0.60	124,950	16	160,000	86,363
Total paid-up Capital								
£1,500,000								
"A" Shares—								
Authorised 1,000,000 in Shares of £1 each, of which 400,000								
Issued and converted into Stock, fully paid								
	£400,000							
Total paid-up Capital								
£1,500,000								

Year Ended Nov. 1	Number of Branches	LIABILITIES										Total Liabilities or Assets	ASSETS									
		Capital and Re- serves	Per Cent.	Notes	Per Cent.	Accept- ances	Per Cent.	Undi- vided Profits	Per Cent.	Deposit and Current Accounts	Per Cent.		Cash Hand and at Bank	Per Cent.	Cash at Call and Short Notice	Per Cent.	Invest- ments	Per Cent.	Dis- counts and Ad- vances	Per Cent.	Buildings and Sundries including Cover for Accept- ances	Per Cent.
1929	143	£ 2,650,000	7.0	£ 2,601,044	6.7	£ 1,475,182	3.8	...	...	£ 32,154,308	82.0	39,095,600	4,537,503	11.4	£ 2,760,500	7.1	£ 1,093,067	28.2	£ 18,732,342	47.9	£ 2,112,183	5.4
1930	148	2,650,000	6.7	2,419,732	6.1	1,445,678	3.7	...	...	32,266,197	82.3	39,992,352	4,494,206	11.5	3,058,000	7.8	1,176,919	29.4	18,761,453	45.3	2,373,376	5.9
1931	176	2,650,000	5.7	2,419,732	6.1	1,445,678	3.7	...	...	29,077,192	81.3	35,763,703	3,951,714	11.1	1,723,400	4.6	1,889,463	32.7	15,246,376	46.2	2,153,952	6.0
1932	181	2,650,000	5.8	2,299,193	6.1	1,445,678	3.7	...	...	33,667,668	83.0	40,353,791	4,321,685	10.7	3,807,800	8.9	13,583,236	33.1	16,816,654	41.7	2,013,416	5.0
1933	182	2,650,000	6.1	2,251,113	6.1	1,445,678	3.7	...	...	34,423,315	82.8	41,644,682	4,439,992	10.7	3,849,800	8.9	16,144,073	38.8	18,510,117	34.8	2,700,761	6.5
1934	185	2,650,000	6.4	2,288,066	5.2	1,069,546	5.0	...	...	34,423,315	82.8	41,644,682	5,004,106	11.7	5,114,400	11.9	17,248,095	40.3	12,970,416	32.3	2,497,781	6.5
1935	187	2,650,000	6.2	2,354,158	5.1	1,888,338	4.8	...	...	35,723,950	83.1	42,731,897	4,850,822	11.3	3,640,800	10.9	18,687,587	43.7	17,915,496	27.9	3,257,252	6.2
1936	190	2,650,000	6.2	2,595,578	6.1	1,205,938	4.8	...	...	35,213,428	82.5	42,731,897	4,850,822	11.3	3,640,800	10.9	18,687,587	43.7	17,915,496	27.9	3,257,252	6.2
1937	190	2,700,000	6.1	2,720,481	6.1	1,203,130	4.9	...	...	36,532,183	82.5	44,374,038	4,774,646	10.7	5,000,000	11.3	19,241,105	43.4	12,578,326	28.3	3,773,962	6.3
1938	191	2,900,000	6.4	2,831,209	5.2	1,608,678	4.7	...	...	37,002,384	83.1	45,612,342	5,389,748	11.4	4,536,000	9.9	18,642,012	43.1	13,145,873	30.9	3,680,587	5.2
1939	192	3,400,000	7.1	2,947,412	5.3	1,655,443	4.8	230,716	0.5	37,002,384	83.1	45,612,342	6,278,593	13.1	5,257,500	10.1	19,145,873	43.1	13,145,873	30.9	3,680,587	5.2
1939	193	3,400,000	7.3	2,981,209	5.3	1,655,443	4.8	230,716	0.5	37,002,384	83.1	45,612,342	6,278,593	13.1	5,257,500	10.1	19,145,873	43.1	13,145,873	30.9	3,680,587	5.2

ESTABLISHED 1836

1908—North of Scotland Bank Limited, amalgamated with Town and County Bank Limited, and the title changed to North of Scotland and Town and County Bank Limited.

1923—Title shortened as above.
1924—Affiliated to Midland Bank Limited.

CAPITAL					
Subscribed	Paid-up	Callable	Reserved		
6	1,141,000	163,000	1,956,000		
				1933	253,859
				1934	255,416
				1935	259,538
				1936	261,786
				1937	248,148
				1938	242,077
				1939	236,543
Per Share	Per Share	Per Share	Per Share		
				1933	182,560
				1934	182,560
				1935	182,560
				1936	182,560
				1937	182,560
				1938	182,560
				1939	182,560

[Continued on page 32]

NORTH OF SCOTLAND BANK LIMITED—continued from page 31.

Year Ended Dec. 31	Number of Branches	LIABILITIES							Total Liabilities or Assets	ASSETS							Build- ings and Sundries	Per Cent.		
		Capital and Reserves	Per Cent.	Un- divided Profits	Per Cent.	Notes	Per Cent.	Deposit and Current Accounts		Per Cent.	Cash in Hand and at Bank	Per Cent.	Cash at Call and Short Notice	Per Cent.	Invest- ments	Per Cent.			Discounts and Advances	Per Cent.
1929	458	2,256,000	8.7	203,345	0.8	2,166,879	8.4	21,277,613	82.1	25,000,837	3,488,360	13.4	...	...	9,911,320	38.2	12,335,872	47.6	194,285	0.8
1930	458	2,306,000	9.1	204,438	0.8	2,196,772	8.5	20,882,401	81.6	25,359,613	3,728,555	14.7	...	...	9,926,518	39.9	12,301,091	44.5	200,922	0.8
1931	458	2,306,000	9.5	153,472	0.6	2,159,617	8.9	19,794,892	81.0	24,329,111	4,353,390	17.9	...	...	9,856,311	41.0	9,917,001	40.7	201,810	0.8
1932	458	2,306,000	8.7	161,673	0.6	2,085,462	7.8	22,090,622	82.9	26,589,757	5,547,763	20.8	...	...	10,726,797	40.6	10,636,112	37.9	199,345	0.7
1933	458	2,306,000	8.0	162,968	0.6	2,083,769	7.3	24,130,254	84.1	28,692,931	3,440,014	12.0	1,500,000	5.2	15,383,887	53.6	14,149,285	45.5	195,001	0.7
1934	458	2,306,000	7.9	165,824	0.6	2,148,078	7.3	24,635,948	84.2	29,255,850	4,011,283	13.7	...	...	17,189,996	57.7	7,868,100	26.9	195,248	0.7
1935	458	2,306,000	7.0	172,792	0.5	2,182,225	6.4	29,159,287	86.1	31,870,304	3,895,625	11.5	1,741,157	4.0	18,812,618	55.6	7,588,501	28.7	198,407	0.6
1936	458	2,406,000	6.8	182,018	0.5	2,310,633	6.5	30,554,156	86.2	35,452,907	5,039,710	14.2	2,333,000	6.6	20,171,128	56.8	7,793,924	21.9	175,345	0.5
1937	458	2,441,000	7.1	190,601	0.5	2,302,208	6.7	29,432,825	85.7	34,366,633	4,448,612	12.9	1,857,500	5.4	20,165,513	58.7	7,718,749	22.1	176,285	0.5
1938	458	2,476,000	7.2	195,123	0.6	2,396,014	6.8	29,123,597	85.4	34,101,644	4,911,118	14.4	942,500	2.8	20,512,017	60.2	7,546,861	22.1	174,808	0.5
1939	458	2,476,000	7.7	194,107	0.6	2,697,969	8.1	23,639,947	83.5	31,917,914	5,273,511	16.5	3,593,955	11.2	11,723,158	46.1	8,181,181	25.6	179,963	0.6

ROYAL BANK OF SCOTLAND

ESTABLISHED 1727

1864—Acquired Dundee Banking Company.
1924—Acquired Messrs Drummonds Bank.
1930—Acquired Williams Deacon's Bank, Limited (shares).
1930—Acquired banking business of Bank of England at their western branch, Burlington Gardens.
1939—Acquired banking business of Glyn Mills & Co.

Subscribed	Paid-up	Callable	Reserved	Market Value
£ 4,250,000	£ 4,250,000	£ Nil	£ Nil	£ 18,572,500

Fully-paid stock. Market price on April 28, 1940, £437.

Year Ended October	Number of Branches	LIABILITIES							Total Liabilities or Assets	ASSETS							Build- ings and Sundries, including Cover for Acceptances	Per Cent.
		Capital and Reserves	Per Cent.	Notes	Per Cent.	Accept- ances	Per Cent.	Drafts Out- standing		Cash in Hand and at Bank	Per Cent.	Cash at Call and Short Notice	Per Cent.	Invest- ments	Per Cent.	Dis- counts and Advances		
1929	236	5,410,320	9.6	2,758,043	4.9	1,177,823	2.0	736,537	1.3	46,235,129	81.8	56,487,872	5,172,859	9.2	6,770,174	12.0	12,281,566	21.7
1930	242	6,943,368	11.3	2,773,277	4.5	780,814	1.3	428,426	0.7	50,387,000	81.6	61,561,348	5,124,065	8.4	8,848,140	11.4	17,261,494	28.0
1931	247	5,611,118	12.3	2,780,755	4.5	933,148	1.5	402,026	0.7	49,416,138	80.6	61,334,172	5,124,065	8.4	8,848,140	11.4	17,261,494	28.0
1932	249	5,611,118	11.2	2,780,720	4.1	1,075,271	1.6	774,479	1.1	55,898,683	81.7	68,331,258	5,479,351	9.7	17,996,110	12.5	19,505,546	31.8
1933	252	5,611,118	10.5	2,858,502	3.9	1,598,549	2.2	864,376	1.2	59,257,331	81.9	72,381,063	5,987,836	8.7	17,996,110	12.5	19,505,546	31.8
1934	257	5,611,118	10.1	2,792,803	3.7	1,895,054	2.1	1,076,775	1.4	58,944,380	79.0	74,519,400	6,206,784	8.4	18,133,462	10.9	20,479,797	39.9
1935	257	5,611,118	9.6	2,812,612	3.5	1,701,630	1.7	888,354	0.7	64,099,174	81.0	79,028,165	6,833,139	8.7	18,133,462	10.9	20,479,797	39.9
1936	257	5,611,118	9.5	2,929,398	3.6	1,533,850	1.4	606,456	0.7	66,899,585	81.6	81,849,397	7,258,212	8.7	18,133,462	10.9	20,479,797	39.9
1937	257	5,611,118	9.3	2,921,131	3.4	1,226,203	1.1	910,352	0.7	69,671,162	81.2	85,891,614	7,673,577	8.8	18,133,462	10.9	20,479,797	39.9
1938	257	5,611,118	9.2	2,921,131	3.4	1,226,203	1.1	910,352	0.7	69,671,162	81.2	85,891,614	7,673,577	8.8	18,133,462	10.9	20,479,797	39.9
1939	257	5,611,118	9.2	2,921,131	3.4	1,226,203	1.1	910,352	0.7	69,671,162	81.2	85,891,614	7,673,577	8.8	18,133,462	10.9	20,479,797	39.9

UNION BANK OF SCOTLAND, LIMITED

ESTABLISHED 1830

CAPITAL					PROFITS AND DIVIDENDS						
Subscribed	Paid-up	Callable	Reserved	Market Value	Year	Net	Per Cent.	(Dividends)	Reserve,	Carried	
£	£	£	for	May 8, 1940	Ended	Profits		Amount	etc.	Forward	
5,200,000	1,200,000	Nil	Liquidation		April 1			Rate			
			£	£				%			
			4,000,000	4,900,000	1930	339,310	0.98	180,000	18	125,000	
					1931	351,867	1.00	216,000	18	125,000	
					1932	329,911	0.95	216,000	18	155,000	
					1933	319,982	0.92	216,000	18	100,000	
					1934	311,108	0.90	216,000	18	95,000	
					1935	313,463	0.88	216,000	18	95,000	
					1936	318,621	0.80	216,000	18	95,000	
					1937	318,175	0.78	216,000	18	95,000	
					1938	312,625	0.77	216,000	18	95,000	
					1939	310,407	0.77	216,000	18	90,000	
										135,174	
Per Share	Per Share	"A" Shares	Per Share	Per Share							
£5	£1	Per Share	Nil	£4							
		Nil									
		"B" Shares									
		Per Share	Nil	£4							
£1	£1	Nil	Nil								

Year Ended April	Number of Branches	LIABILITIES							Total Liabilities or Assets	ASSETS							Build- ings and Sundries, including Cover for Acceptances	Per Cent.
		Capital and Reserves	Per Cent.	Notes	Per Cent.	Accept- ances	Per Cent.	Drafts on London		Cash in Hand and at Bank	Per Cent.	Cash at Call and Short Notice	Per Cent.	Invest- ments	Per Cent.	Dis- counts and Advances		
1930	200	2,550,000	7.4	2,414,224	7.0	1,071,314	3.1	41,014	...	28,262,507	81.5	34,679,113	2,856,075	8.2	3,111,022	9.0	9,749,371	28.1
1931	210	3,000,000	8.4	2,406,826	6.8	606,995	1.7	56,380	...	29,133,282	82.0	35,591,198	2,622,001	7.4	3,953,403	11.1	10,993,479	46.9
1932	210	3,000,000	8.7	2,343,039	6.8	528,057	1.5	8,101	...	28,393,208	82.0	34,333,037	2,562,629	7.6	4,818,208	13.4	10,633,212	30.8
1933	212	3,000,000	8.6	2,339,577	6.7	485,783	1.4	...	...	28,546,761	82.3	34,724,715	2,468,704	7.1	4,644,551	12.0	14,618,790	42.1
1934	212	3,000,000	8.6	2,498,015	6.9	389,973	1.1	...	...	29,538,337	82.3	34,699,048	2,815,289	7.5	4,012,598	11.6	17,326,656	49.9
1935	212	3,000,000	8.3	2,494,221	6.9	447,292	1.2	...	...	29,944,048	82.5	39,752,161	2,817,071	7.8	4,196,340	11.6	18,886,332	52.0
1936	213	3,000,000	7.5	2,536,788	6.4	1,899,128	4.8	...	...	31,556,513	81.5	40,494,015	2,769,893	7.3	3,611,382	8.9	21,036,485	52.1
1937	212	3,000,000	7.4	2,640,729	6.5	1,593,747	3.9	...	...	32,837,084	81.4	40,436,511	2,762,298	7.0	4,819,231	12.2	20,059,705	51.4
1938	215	3,000,000	7.4	2,682,245	6.6	1,025,347	2.5	...	...	33,436,818	82.7	40,494,015	2,769,893	7.3	3,611,382	8.9	21,036,485	52.1
1939	220	3,000,000	7.4	2,648,825	6.6	1,118,681	2.8	...	...	33,218,688	82.3	40,351,883	2,751,080	6.8	4,717,091	11.7	20,049,458	49.8
1940	212	3,000,000	7.4	2,933,094	6.8	1,025,011	2.4	...	...	36,002,367	82.4	43,336,646	3,446,788	8.0	5,627,345	12.9	19,325,384	44.6

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 ... " 1,13,00,000

HEAD OFFICE:—ORIENTAL BUILDINGS, BOMBAY

LOCAL BRANCHES:

Bullion Exchange, Shaikh Memon Street
Malabar Hill, Hughes Road
Kalladevi, Princess Street
Colaba, Cusrow Bagg
Ahmedabad, Ahmedabad (Station Branch), Andheri, 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.

BROWN, SHIPLEY & COMPANY
LONDON

Established 1810

MERCHANT & ACCEPTING
BANKERS

Commercial Credits

Founders Court,
Lothbury, E.C.2West End Office:
123 Pall Mall, S.W.1THE
BANK of ADELAIDE(Incorporated, with Limited Liability, in Australia)
ESTABLISHED 1865

LONDON OFFICE: 11 LEADENHALL STREET, E.C.3

MELBOURNE OFFICE: 267 Collins Street
SYDNEY OFFICE: 279 George Street
PERTH (W.A.) OFFICE: St. George's Terrace
BRISBANE OFFICE: 305 Queen Street
FREMANTLE OFFICE: 78-80 High Street

HEAD OFFICE

JOINT STOCK BANKS OF NORTHERN IRELAND

BELFAST BANKING COMPANY, LIMITED

ESTABLISHED 1827

(Affiliated with Midland Bank, Limited)

CAPITAL				PROFITS AND DIVIDENDS					
Subscribed	Paid-up	Callable	Reserved	Year Ended Dec. 31	Net Profits	Per Cent. of Resources	Dividends Amount	Rate	Reserves, etc.
£2,500,000	£800,000	£200,000	£1,500,000	1929.....	116,727	0.85	61,800	11	148,108
				1930.....	118,054	0.87	68,200*	11	97,962
				1931.....	111,994	0.84	66,000	11	43,356
				1932.....	97,530	0.56	66,000	11	74,886
				1933.....	96,192	0.58	66,000	11	105,079
				1934.....	102,173	0.59	68,200	11	39,033
				1935.....	105,182	0.61	68,200	11	114,989
				1936.....	106,056	0.63	67,100	11	55,707
				1937.....	106,718	0.64	66,000	11	95,836
				1938.....	103,929	0.63	63,800	11	36,353
				1939.....	101,017	0.57	60,500	11	100,000

Authorised note issue, £350,000.

* Including £100,000 used to increase amount paid-up on ordinary shares.

Year ended Dec. 31	Number of Branches	LIABILITIES										Total Liabilities or Assets	ASSETS								
		Capital and Reserves	Per Cent.	Un-divided Profits	Per Cent.	Notes	Per Cent.	Bills for Collection	Per Cent.	Deposit and Current Accounts	Per Cent.		Cash in Hand and at Call	Per Cent.	Investments	Per Cent.	Dis-counts and Advances	Per Cent.	Buildings	Per Cent.	
1929	50	£1,300,000	7.3	£178,908	1.0	£823,640	4.6	£1,800,000	10.1	£13,728,292	77.0	£17,830,840	16.1	£1,180,180	9.1	£5,423,031	30.4	£10,739,800	60.2	£48,829	0.3
1930	50	£1,400,000	7.9	£132,062	0.7	£783,809	4.4	£1,800,000	10.2	£13,593,171	76.7	£17,709,042	16.1	£1,180,180	9.1	£5,777,241	32.8	£10,071,431	56.8	£49,118	0.3
1931	50	£1,500,000	8.6	£75,258	0.4	£735,721	4.2	£1,900,000*	10.3	£12,889,883	76.5	£17,400,869	15,874,440	9.1	£5,366,946	30.9	£10,396,003	59.1	£50,471	0.3	
1932	51	£1,500,000	8.5	£107,896	0.6	£749,872	4.3	£1,900,000	10.3	£12,889,883	76.5	£17,400,869	15,874,440	9.1	£5,366,946	30.9	£10,396,003	58.1	£50,385	0.3	
1933	51	£1,500,000	8.5	£107,896	0.6	£749,872	4.3	£1,900,000	10.3	£12,889,883	76.5	£17,400,869	15,874,440	9.1	£5,366,946	30.9	£10,396,003	55.1	£52,083	0.3	
1934	51	£1,600,000	9.2	£73,151	0.4	£791,821	4.5	£1,900,000	10.3	£12,889,883	76.5	£17,400,869	15,874,440	9.1	£5,366,946	30.9	£10,396,003	42.2	£146,931	0.8	
1935	51	£1,600,000	9.3	£110,132	0.6	£890,997	5.0	£1,900,000	10.3	£12,889,883	76.5	£17,400,869	15,874,440	9.1	£5,366,946	30.9	£10,396,003	39.1	£42,089	0.2	
1936	51	£1,600,000	9.5	£148,539	0.9	£942,675	5.6	£1,900,000	10.3	£12,889,883	76.5	£17,400,869	15,874,440	9.1	£5,366,946	30.9	£10,396,003	42.2	£146,931	0.8	
1937	51	£1,700,000	10.3	£88,707	0.5	£1,006,618	6.1	£1,900,000	10.3	£12,889,883	76.5	£17,400,869	15,874,440	9.1	£5,366,946	30.9	£10,396,003	43.3	£42,715	0.2	
1938	51	£1,700,000	10.4	£127,736	0.8	£1,045,455	6.4	£1,900,000	10.3	£12,889,883	76.5	£17,400,869	15,874,440	9.1	£5,366,946	30.9	£10,396,003	40.6	£42,781	0.3	
1939	51	£1,800,000	10.2	£64,953	0.4	£1,220,646	6.9	£1,900,000	10.3	£12,889,883	76.5	£17,400,869	15,874,440	9.1	£5,366,946	30.9	£10,396,003	36.3	£42,850	0.3	

* Midland Bank Limited (Government of Northern Ireland Guaranteed Loans Account).

* Midland Bank Limited (Government of Northern Ireland Guaranteed Loans Account).

NORTHERN BANK, LIMITED

ESTABLISHED 1824

1888—Absorbed Ball and Company, Dublin

CAPITAL				PROFITS AND DIVIDENDS					
Subscribed	Paid-up	Callable	Reserved	Year Ended Dec. 31	Net Profits	Per Cent. of Resources	Dividends Amount	Rate	Reserves, etc.
£3,500,000	£700,000	£700,000	£2,100,000	1929.....	£128,729	0.78	£87,500	17½	£41,396
				1930.....	£128,107	0.75	£80,078	16½	£46,828
				1931.....	£129,258	0.76	£72,856	15	£57,935
				1932.....	£110,257	0.62	£58,594	12½	£10,462
				1933.....	£7,972	0.57	£58,594	12½	£49,162
				1934.....	£7,866	0.59	£60,547	12½	£32,496
				1935.....	£8,601	0.58	£60,547	12½	£31,843
				1936.....	£9,017	0.59	£59,570	12½	£37,134
				1937.....	£8,251	0.50	£53,906	11½	£26,272
				1938.....	£79,813	0.49	£47,578	10½	£31,500
				1939.....	£70,021	0.41	£43,086	10	£28,500

* For four months ended Dec. 31. † Rate per annum. ‡ Aug. 31.

Year Ended Dec. 31	Number of Branches	LIABILITIES										Total Liabilities or Assets	ASSETS								
		Capital and Re- serves		Un- divided Profits Carried Forw'd.		Notes		Staff Funds		Deposit and Current Accounts, etc.			Cash in Hand and at Bankers	Per Cent.	Invest- ments	Per Cent.	Dis- counts and Advances	Per Cent.	Premises	Per Cent.	
		£	%	£	%	£	%	£	%	£	%										
1929	91	1,500,000	8.7	46,001	0.3	1,492,946	8.6	64,291	0.4	14,200,841	82.0	17,304,079	19.6	968,956	11.4	4,301,131	24.9	10,866,383	61.7	347,809	2.0
1930	91	1,500,000	8.7	48,402	0.3	1,413,272	8.2	65,821	0.4	14,122,157	82.4	17,149,652	19.6	1,722,625	10.1	4,457,254	26.0	10,608,035	61.8	381,708	2.2
1931	92	1,500,000	8.9	47,064	0.3	1,196,834	7.1	39,945	0.3	14,146,286	83.4	16,930,129	19.6	1,302,288	7.7	4,829,955	28.5	10,407,911	61.7	349,945	2.1
1932	92	1,200,000	7.1	47,557	0.3	1,157,120	6.8	227,086	1.3	14,317,975	84.5	16,949,738	19.6	1,471,845	8.7	4,798,416	28.3	10,137,391	59.8	544,008	3.2
1933	93	1,200,000	6.8	50,058	0.3	1,163,167	6.6	175,404	0.4	15,227,276	85.9	17,115,905	19.6	2,387,521	13.5	5,599,330	31.6	9,368,850	52.7	441,533	2.5
1934	93	1,200,000	7.0	53,317	0.4	1,155,507	6.7	131,534	0.8	14,578,242	85.1	17,118,900	19.6	1,770,517	10.3	6,187,385	36.1	8,719,165	51.0	401,404	2.3
1935	93	1,200,000	7.2	58,141	0.4	1,183,272	7.1	114,315	0.7	14,046,090	84.6	16,801,818	19.6	1,848,415	9.9	5,913,649	35.6	8,617,439	52.0	422,315	2.4
1936	93	1,200,000	7.0	64,352	0.4	1,237,466	7.2	108,565	0.6	14,489,470	84.8	17,098,853	19.6	1,857,438	10.9	6,557,590	38.4	8,271,320	48.3	412,585	2.4
1937	93	1,200,000	7.2	66,665	0.4	1,188,210	7.1	145,270	0.9	14,043,884	84.4	16,644,029	19.6	1,634,029	9.9	6,524,530	39.2	8,052,301	48.2	445,270	2.6
1938	93	1,200,000	7.3	68,738	0.4	1,242,957	7.6	149,079	0.9	13,663,799	83.8	16,329,573	19.6	1,561,142	9.6	6,137,736	37.5	8,131,610	50.2	494,079	2.9
1939	90	1,200,000	7.1	69,973	0.4	1,218,567	7.5	283,905	1.6	13,603,303	82.3	16,336,248	19.6	1,749,006	10.7	5,933,505	36.3	8,110,741	49.6	562,967	3.4
1939	90	1,200,000	7.3	69,908	0.4	1,467,632	8.6	213,381	1.1	14,089,619	82.8	17,040,560	19.6	2,696,497	15.9	5,697,548	33.4	8,139,724	47.8	505,791	2.9

* Excluding agencies.

† Includes cover for acceptances.

‡ August 31.

§ Endorsements.

ULSTER BANK, LIMITED

ESTABLISHED 1836

Affiliated to Westminster Bank, Limited, in October, 1917

CAPITAL				PROFITS AND DIVIDENDS					
Subscribed	Paid-up	Callable	Reserved	Year Ended Dec. 31	Net Profits	Per Cent. of Resources	Dividends Amount	Rate	Reserves, etc.
£3,000,000	£1,000,000	Nil	£2,000,000	1929.....	£218,435	0.86	£128,000	18	£100,000
				1930.....	£215,472	0.87	£128,000	18	£90,000
				1931.....	£198,981	0.80	£128,000	18	£50,000
				1932.....	£189,108	0.70	£128,000	18	£50,000
				1933.....	£170,470	0.68	£128,000	18	£50,000
				1934.....	£175,341	0.70	£128,000	18	£50,000
				1935.....	£181,514	0.71	£140,000	14	£50,000
				1936.....	£182,602	0.71	£140,000	14	£50,000
				1937.....	£183,873	0.72	£140,000	14	£50,000
				1938.....	£179,954	0.73	£140,000	14	£50,000
				1939.....	£159,298	0.63	£140,000	14	£50,000

Authorised note issue:

In Northern Ireland, £290,000

Eire, £370,000

* Free of income tax.

† Nov. 30.

‡ Thirteen months ended Dec. 31.

(Continued on page 35)

ULSTER BANK, LIMITED—continued.

Year Ended Dec. 31	Number of Branches	LIABILITIES										Total Liabilities or Assets	ASSETS							
		Capital and Reserves	Per Cent.	Un- divided Profits	Per Cent.	Notes	Per Cent.	Bills for Collection	Per Cent.	Deposit and Current Accounts	Per Cent.		Cash in Hand and at Bankers	Per Cent.	Investments	Per Cent.	Dis- counts, Advances and Short Loans	Per Cent.	Premises	Per Cent.
1929	115	£1,750,000	7.1	£62,650	0.3	£1,346,926	5.4	£2,702	0.2	£21,538,158	87.0	£24,800,436	10.7	£10,742,505	43.4	£11,179,336	45.0	£233,585	0.9	
1930	115	1,750,000	7.3	60,122	0.2	1,389,716	5.6	46,651	0.2	21,444,824	86.7	24,741,316	10.7	11,326,912	45.8	10,887,468	44.0	135,042	0.6	
1931	116	1,800,000	7.5	70,436	0.3	1,300,219	5.3	46,536	0.2	21,467,434	86.7	24,743,623	10.7	11,315,634	45.8	10,445,891	42.2	256,530	1.0	
1932	116	1,850,000	7.7	70,436	0.3	1,308,784	4.8	54,847	0.2	23,466,141	87.6	26,811,316	13.9	12,229,563	45.7	10,568,806	39.3	288,009	1.1	
1933	116	1,950,000	7.6	74,014	0.3	1,345,053	5.2	44,457	0.2	22,379,482	86.7	25,793,006	10.7	12,774,980	50.8	9,494,952	36.8	303,233	1.1	
1934	115	2,000,000	8.0	71,355	0.3	1,431,917	5.7	50,224	0.2	21,564,253	85.8	25,117,749	10.7	12,774,980	50.8	9,344,512	37.2	317,507	1.3	
1935	115	2,000,000	7.9	76,869	0.3	1,515,191	6.0	53,531	0.2	21,694,129	85.6	25,339,770	10.7	13,292,071	52.4	9,227,029	36.5	317,507	1.2	
1936	115	2,000,000	7.9	76,869	0.3	1,515,191	6.0	53,531	0.2	21,694,129	85.6	25,339,770	10.7	13,292,071	52.4	9,227,029	36.5	317,507	1.2	
1937	115	2,000,000	7.8	84,470	0.3	1,577,358	6.2	44,902	0.2	21,641,750	85.2	25,394,738	10.3	12,819,908	50.8	8,710,551	38.3	287,567	1.1	
1938	115	2,000,000	7.9	78,343	0.	1,629,743	6.2	66,984	0.2	21,694,129	85.6	25,339,770	10.7	13,292,071	52.4	9,227,029	36.5	317,507	1.2	
1939	111	2,000,000	8.2	68,298	0.3	1,639,997	6.8	42,947	0.2	21,769,446	85.4	25,498,258	10.3	13,340,409	52.3	9,247,967	36.3	282,507	1.1	
1940	111	2,000,000	7.9	87,396	0.3	1,590,343	7.5	57,584	0.2	21,641,750	85.2	25,394,738	10.3	12,819,908	50.8	8,710,551	38.3	287,567	1.1	
1941	111	2,000,000	8.2	68,298	0.3	1,639,997	6.8	42,947	0.2	21,769,446	85.4	25,498,258	10.3	13,340,409	52.3	9,247,967	36.3	282,507	1.1	
1942	111	2,000,000	7.9	87,396	0.3	1,590,343	7.5	57,584	0.2	21,641,750	85.2	25,394,738	10.3	12,819,908	50.8	8,710,551	38.3	287,567	1.1	
1943	111	2,000,000	8.2	68,298	0.3	1,639,997	6.8	42,947	0.2	21,769,446	85.4	25,498,258	10.3	13,340,409	52.3	9,247,967	36.3	282,507	1.1	
1944	111	2,000,000	7.9	87,396	0.3	1,590,343	7.5	57,584	0.2	21,641,750	85.2	25,394,738	10.3	12,819,908	50.8	8,710,551	38.3	287,567	1.1	
1945	111	2,000,000	8.2	68,298	0.3	1,639,997	6.8	42,947	0.2	21,769,446	85.4	25,498,258	10.3	13,340,409	52.3	9,247,967	36.3	282,507	1.1	
1946	111	2,000,000	7.9	87,396	0.3	1,590,343	7.5	57,584	0.2	21,641,750	85.2	25,394,738	10.3	12,819,908	50.8	8,710,551	38.3	287,567	1.1	
1947	111	2,000,000	8.2	68,298	0.3	1,639,997	6.8	42,947	0.2	21,769,446	85.4	25,498,258	10.3	13,340,409	52.3	9,247,967	36.3	282,507	1.1	
1948	111	2,000,000	7.9	87,396	0.3	1,590,343	7.5	57,584	0.2	21,641,750	85.2	25,394,738	10.3	12,819,908	50.8	8,710,551	38.3	287,567	1.1	
1949	111	2,000,000	8.2	68,298	0.3	1,639,997	6.8	42,947	0.2	21,769,446	85.4	25,498,258	10.3	13,340,409	52.3	9,247,967	36.3	282,507	1.1	
1950	111	2,000,000	7.9	87,396	0.3	1,590,343	7.5	57,584	0.2	21,641,750	85.2	25,394,738	10.3	12,819,908	50.8	8,710,551	38.3	287,567	1.1	
1951	111	2,000,000	8.2	68,298	0.3	1,639,997	6.8	42,947	0.2	21,769,446	85.4	25,498,258	10.3	13,340,409	52.3	9,247,967	36.3	282,507	1.1	
1952	111	2,000,000	7.9	87,396	0.3	1,590,343	7.5	57,584	0.2	21,641,750	85.2	25,394,738	10.3	12,819,908	50.8	8,710,551	38.3	287,567	1.1	
1953	111	2,000,000	8.2	68,298	0.3	1,639,997	6.8	42,947	0.2	21,769,446	85.4	25,498,258	10.3	13,340,409	52.3	9,247,967	36.3	282,507	1.1	
1954	111	2,000,000	7.9	87,396	0.3	1,590,343	7.5	57,584	0.2	21,641,750	85.2	25,394,738	10.3	12,819,908	50.8	8,710,551	38.3	287,567	1.1	
1955	111	2,000,000	8.2	68,298	0.3	1,639,997	6.8	42,947	0.2	21,769,446	85.4	25,498,258	10.3	13,340,409	52.3	9,247,967	36.3	282,507	1.1	
1956	111	2,000,000	7.9	87,396	0.3	1,590,343	7.5	57,584	0.2	21,641,750	85.2	25,394,738	10.3	12,819,908	50.8	8,710,551	38.3	287,567	1.1	
1957	111	2,000,000	8.2	68,298	0.3	1,639,997	6.8	42,947	0.2	21,769,446	85.4	25,498,258	10.3	13,340,409	52.3	9,247,967	36.3	282,507	1.1	
1958	111	2,000,000	7.9	87,396	0.3	1,590,343	7.5	57,584	0.2	21,641,750	85.2	25,394,738	10.3	12,819,908	50.8	8,710,551	38.3	287,567	1.1	
1959	111	2,000,000	8.2	68,298	0.3	1,639,997	6.8	42,947	0.2	21,769,446	85.4	25,498,258	10.3	13,340,409	52.3	9,247,967	36.3	282,507	1.1	
1960	111	2,000,000	7.9	87,396	0.3	1,590,343	7.5	57,584	0.2	21,641,750	85.2	25,394,738	10.3	12,819,908	50.8	8,710,551	38.3	287,567	1.1	
1961	111	2,000,000	8.2	68,298	0.3	1,639,997	6.8	42,947	0.2	21,769,446	85.4	25,498,258	10.3	13,340,409	52.3	9,247,967	36.3	282,507	1.1	
1962	111	2,000,000	7.9	87,396	0.3	1,590,343	7.5	57,584	0.2	21,641,750	85.2	25,394,738	10.3	12,819,908	50.8	8,710,551	38.3	287,567	1.1	
1963	111	2,000,000	8.2	68,298	0.3	1,639,997	6.8	42,947	0.2	21,769,446	85.4	25,498,258	10.3	13,340,409	52.3	9,247,967	36.3	282,507	1.1	
1964	111	2,000,000	7.9	87,396	0.3	1,590,343	7.5	57,584	0.2	21,641,750	85.2	25,394,738	10.3	12,819,908	50.8	8,710,551	38.3	287,567	1.1	
1965	111	2,000,000	8.2	68,298	0.3	1,639,997	6.8	42,947	0.2	21,769,446	85.4	25,498,258	10.3	13,340,409	52.3	9,247,967	36.3	282,507	1.1	
1966	111	2,000,000	7.9	87,396	0.3	1,590,343	7.5	57,584	0.2	21,641,750	85.2	25,394,738	10.3	12,819,908	50.8	8,710,551	38.3	287,567	1.1	
1967	111	2,000,000	8.2	68,298	0.3	1,639,997	6.8	42,947	0.2	21,769,446	85.4	25,498,258	10.3	13,340,409	52.3	9,247,967	36.3	282,507	1.1	
1968	111	2,000,000	7.9	87,396	0.3	1,590,343	7.5	57,584	0.2	21,641,750	85.2	25,394,738	10.3	12,819,908	50.8	8,710,551	38.3	287,567	1.1	
1969	111	2,000,000	8.2	68,298	0.3	1,639,997	6.8	42,947	0.2	21,769,446	85.4	25,498,258	10.3	13,340,409	52.3	9,247,967	36.3	282,507	1.1	
1970	111	2,000,000	7.9	87,396	0.3	1,590,343	7.5	57,584	0.2	21,641,750	85.2	25,394,738	10.3	12,819,908	50.8	8,710,551	38.3	287,567	1.1	
1971	111	2,000,000	8.2	68,298	0.3	1,639,997	6.8	42,947	0.2	21,769,446	85.4	25,498,258	10.3	13,340,409	52.3	9,247,967	36.3	282,507	1.1	
1972	111	2,000,000	7.9	87,396	0.3	1,590,343	7.5	57,584	0.2	21,641,750	85.2	25,394,738	10.3	12,819,908	50.8	8,710,551	38.3	287,567	1.1	
1973	111	2,000,000	8.2	68,298	0.3	1,639,997	6.8	42,947	0.2	21,769,446	85.4	25,498,258	10.3	13,340,409	52.3	9,247,967	36.3	282,507	1.1	
1974	111	2,000,000	7.9	87,396	0.3	1,590,343	7.5	57,584	0.2	21,641,750	85.2	25,394,738	10.3	12,819,908	50.8	8,710,551	38.3	287,567	1.1	
1975	111	2,000,000	8.2	68,298	0.3	1,639,997	6.8	42,947	0.2	21,769,446	85.4	25,498,258	10.3	13,340,409	52.3	9,247,967	36.3	282,507	1.1	
1976	111	2,000,000	7.9	87,396	0.3	1,590,343	7.5	57,584	0.2	21,641,750	85.2	25,394,738	10.3	12,819,908	50.8	8,710,551	38.3	287,567	1.1	
1977	111	2,000,000	8.2	68,298	0.3	1,639,997	6.8	42,947	0.2	21,769,446	85.4	25,498,258	10.3	13,340,409	52.3	9,247,967	36.3	282,507	1.1	
1978	111	2,000,000	7.9	87,396	0.3	1,590,343	7.5	57,584	0.2	21,641,750	85.2	25,394,738	10.3	12,819,908	50.8	8,710,551	38.3	287,567	1.1	
1979	111	2,000,000	8.2	68,298	0.3	1,639,997	6.8	42,947	0.2	21,769,446	85.4	25,498,258	10.3	13,340,409	52.3	9,247,967	36.3	282,507	1.1	
1980	111	2,000,000	7.9	87,396	0.3	1,590,343	7.5	57,584	0.2	21,641,750	85.2	25,394,738	10.3	12,819,908	50.8	8,710,551	38.3	287,567	1.1	
1981	111	2,000,000	8.2	68,298	0.3	1,639,997	6.8	42,947	0.2	21,769,446	85.4	25,498,258	10.3	13,340,409	52.3	9,247,967	36.3	282,507	1.1	
1982	111	2,000,000	7.9	87,396	0.3	1,590,343	7.5	57,584	0.2	21,641,750	85.2	25,394,738	10.3	12,819,908	50.8	8,710,551	38.3	287,567	1.1	
1983	111	2,000,000	8.2	68,298	0.3	1,639,997	6.8	42,947	0.2	21,769,446	85.4	25,498,258	10.3	13,340,409	52.3	9,247,967	36.3	282,507	1.1	
1984	111	2,000,000	7.9	87,396	0.3	1,590,343	7.5	57,584	0.2											

THE NATIONAL BANK LIMITED

According to the report for the half-year ended December 31, 1939, including £42,502 brought forward from June 30th last, the profit and loss account shows a balance of £139,268 available for distribution. Full provision has been made for all bad and

doubtful debts. The board have declared a dividend for the past half-year at the rate of 11 per cent. per annum, and have transferred £15,000 to contingencies account. The sum of £41,768 has been carried forward.

LIABILITIES					ASSETS				
December 31	Capital and Reserves	Notes in Circulation	Deposit and Current Accounts, etc.	Cash in Hand	Money at Call and Short Notice	Govt. Securities	Other Investments	Advances on Securities and Current Accounts	Premises
1935	2,590,000	1,276,203	37,225,166	4,641,879	3,158,601	14,563,200	1,318,919	15,186,137	736,567
1936	2,610,000	1,318,809	38,062,236	4,780,853	4,181,901	14,072,799	1,307,309	15,551,990	715,340
1937	2,630,000	1,339,884	37,144,752	4,780,088	3,369,171	13,123,270	1,191,498	16,831,853	686,869
1938	2,650,000	1,342,287	36,168,326	4,682,351	2,079,336	12,947,724	1,291,231	17,273,931	613,559
1939	2,660,000	1,350,064	36,567,793	4,839,890	2,463,125	12,870,515	1,345,613	16,910,654	572,831

PROVINCIAL BANK OF IRELAND, LIMITED

The directors' statement for the half-year ending December 31, 1939, states that, including £40,447 brought forward from last account, there remains a profit of £72,403. Out of this the directors have declared a dividend for the half-year at the rate

of 11½ per cent. per annum, less income tax, which will require £20,183. They have added to reserve fund £5,000, written off bank premises account £7,000, and carried forward £40,220.

LIABILITIES					ASSETS				
December 31	Capital and Reserves	Notes in Circulation	Deposits and Current Accounts, etc.	Cash in Hand at Branches and in London	Money at Call and Short Notice	Investments	Advances to Customers, etc.	Bills discounted	Premises
1935	1,040,000	956,818	15,183,857	717,542	1,064,000	7,935,351	5,770,819	927,739	205,142
1936	1,050,000	1,008,152	15,072,549	827,630	1,156,385	8,408,502	5,832,889	965,247	196,066
1937	1,060,000	1,034,118	15,280,503	891,109	1,000,000	8,039,058	6,267,650	977,007	193,367
1938	1,070,000	1,046,544	14,904,319	1,003,111	1,000,000	7,691,722	6,212,821	937,413	210,510
1939	1,080,000	1,170,132	15,133,272	2,239,829	...	7,482,405	6,437,847	1,070,769	214,146

THE ROYAL BANK OF IRELAND LIMITED

The directors have to report that the net profits of the bank for the year ended December 31, 1939, after making provision for bad and doubtful debts, amounted to £35,262, which, with the amount brought forward from last year of £9,941, make together £45,203. From this an interim dividend at the rate of 7 per cent. per annum (less tax) for the first six months of the year has been distributed to the shareholders, £7,875, leaving

a balance of £37,328, out of which the board have appropriated to reserve fund, officers' superannuation, and other contingencies £20,000, leaving available a balance of £17,328, which they recommend should be appropriated as follows: A further dividend at the rate of 7 per cent. per annum (less tax) for the six months ended December 31 last, £7,612; the balance to be carried forward to the credit of next year's account, £9,716.

LIABILITIES				ASSETS				
December 31	Capital and Reserves	Consolidated Notes outstanding	Deposit and Current Accounts, etc.	Bankers' Balances and Cash in hand and at Call	Investments	Bills discounted	Advances	Premises
	£	£	£	£	£	£	£	£
1935	600,000	229,623	6,415,156	671,234	2,506,811	89,831	3,747,323	250,000
1936	605,000	236,347	6,432,826	649,417	2,397,780	88,380	3,813,922	250,000
1937	610,000	239,313	6,465,817	597,338	2,415,907	88,176	3,996,347	250,000
1938	615,000	244,237	6,544,565	671,855	2,403,025	79,885	4,018,178	250,000
1939	615,000	246,482	6,761,943	836,996	2,468,164	83,919	4,001,774	250,000

AFRICAN BANKS

BARCLAYS BANK (DOMINION, COLONIAL AND OVERSEAS)

The directors report that after payment of all charges, provision having been made for income tax, bad and doubtful debts and contingencies, the net profit for the year ended September 30, 1939, amounted to the sum of £414,704, to which has to be added the sum of £144,595 brought forward from September 30, 1938, making a total of £559,299, which has been appropriated as follows: To contingency account £170,000; to interim dividends paid June 15, 1939, at the rate of 8 per cent. per annum on the cumulative preference

shares, and at the rate of 6 per cent. per annum on the "A" and "B" shares, less income tax, £121,216; to final dividend at the rate of 8 per cent. per annum on the cumulative preference shares of £1 each, fully paid, less income tax, £41,239; to final dividend at the rate of 7 per cent. per annum on the "A" shares of £1 each fully paid, and the "B" shares of £5 each, £1 paid, less income tax, £72,402; balance to be carried forward, £154,442; making a total of £559,299.

LIABILITIES					ASSETS				
September 30	Capital and Reserves	Deposit and Current Accounts, etc.	Notes in Circulation	Acceptances and Other Liabilities on account of Customers	Cash in Hand and Gold Bullion	Money at Call and Short Notice	Remittances in Transit	Bills discounted	Premises
1935	6,825,500	87,781,143	850,648	3,982,657	24,409,002	2,029,994	1,368,221	12,494,916	2,531,690
1936	6,900,500	96,992,504	890,389	4,946,848	25,514,844	2,062,200	1,570,455	13,102,287	3,525,772
1937	7,000,500	96,209,544	1,083,980	5,712,899	22,758,161	1,761,000	1,884,984	11,108,285	2,826,762
1938	7,075,500	99,543,348	1,230,955	5,023,609	29,579,278	1,020,000	1,998,246	9,880,321	2,564,610
1939	7,075,500	106,638,711	1,461,673	5,710,031	34,663,282	501,000	2,197,829	12,463,455	2,769,514

NETHERLANDS BANK OF SOUTH AFRICA

The directors' report for the year ended September 30, 1939, states that after making provision for bad and doubtful debts, etc., the accounts show a net profit of £115,957. Contrary to the practice followed in former years this amount has been arrived at after making provision for taxes other than dividend tax. To this sum has to be added the profit of £2,638 brought

forward from last year, making a total of £118,595, which they recommend should be applied as follows: Writing down bank premises, £35,266; special reserve, £25,639; 6 per cent. dividend to shareholders, £45,282; tantièmes to directors and staff, £6,485; dividend and tantième tax, £3,356; balance carried forward to next account, £2,567.

[Continued on page 37]

NETHERLANDS BANK OF SOUTH AFRICA—continued.

NETHERLANDS BANK OF SOUTH AFRICA—continued.					S.A. £'s*		ASSETS				
LIABILITIES											
Sept. 30	Capital and Reserves	Deposit and Current Accounts	Acceptances	Bills Payable	Cash in Hand	Treasury Bills and Dutch Treasury Bonds	Bills Discounted	Forward Exchange	Loans and Advances	Securities and Investments	Premises, etc.
	£		£	£	£	£	£	£	£	£	£
1935	1,120,402	2,661,747	57,598	32,515	1,284,933	64,736	1,210,531	1,075,815	1,072,956	49,218	140,151
1936	929,629	2,769,291	169,603	51,987	1,309,366	291,396	864,170	616,401	1,236,702	27,971	112,283
1937	948,213	3,088,126	149,082	68,059	1,003,551	57,794	1,134,059	494,364	1,713,148	33,055	114,902
1938	953,580	3,694,473	100,471	46,328	1,876,269	64,872	993,991	714,976	1,649,339	73,432	115,535
1939	1,224,496	3,844,269	62,825	60,340	1,867,999	33,557	1,138,931	1,066,086	1,755,284	77,459	273,155

* S.A. £'s (converted from guilders at the rate ruling at the end of the bank's financial year).

THE STANDARD BANK OF SOUTH AFRICA, LIMITED

THE STANDARD BANK OF SOUTH AFRICA							ASSETS						
LIABILITIES													
Sept. 30	Number of Branches	Capital and Reserves	Notes in Circulation	Deposit and Current Accounts	Drafts Outstanding and Acceptances	Customers' Bills for Collection	Cash in Hand and with Bankers	Cash at Call and Short Notice	Investments	Bills Purchased	Discounts and Advances, etc.	Remittances in Transit	Premises
						£	£	£	£	£	£	£	£
1935	375	5,000,000	583,702	58,369,371	1,084,713	8,031,482	13,628,482	2,116,393	12,713,849	3,955,861	29,092,820	1,539,213	1,776,438
1936	375	5,000,000	692,404	61,636,933	1,394,288	8,967,433	9,374,861	2,050,000	14,597,184	4,485,197	34,301,099	1,907,414	1,789,836
1937	375	5,000,000	828,302	68,455,679	1,355,431	10,880,137	10,931,471	1,850,000	15,357,802	4,925,911	38,644,050	2,346,958	1,772,671
1938	380	5,500,000	965,064	68,294,109	1,176,709	11,248,117	13,546,730	1,900,000	16,310,092	3,258,226	36,809,375	2,014,097	1,790,678
1939	385	5,500,000	1,058,471	68,659,582	1,530,202	11,350,446	13,090,834	2,375,000	15,437,506	3,462,683	37,541,829	2,222,532	1,912,795

BANK OF BRITISH WEST AFRICA, LIMITED

The directors' statement of accounts for the year ended March 31, 1939, states that after providing for current charges (including contributions to the staff profit sharing fund and the provident fund), rebate on bills and appropriations to contingency accounts, out of which accounts provision has been made for all bad and doubtful debts and depreciation of investments, there remains a balance of profit for the year of £42,878. To this must be added £55,714 brought forward from last year, making

a total amount available of £98,593. Of this sum £24,000, being an interim dividend of 2 per cent., has already been distributed, less income tax, and the directors now recommend the payment of a final dividend of 2 per cent., absorbing a further sum of £24,000, less income tax, making a total distribution for the year of 4 per cent., less income tax. This distribution will leave a balance of £50,592 to be carried forward.

LIABILITIES						ASSETS				
March 31	Capital and Reserve	Deposit and Current Accounts, etc.	Drafts Issued	Bills for Collection	Acceptances	Cash in Hand and in Transit	Investments	Bills of Exchange	Loans and Advances, etc.	Premises
	£		£	£	£	£	£	£	£	£
1935	1,800,000	6,670,090	157,615	695,376	86,034	770,688	4,428,187	670,596	2,320,552	319,489
1936	1,800,000	7,372,929	128,390	708,630	122,197	1,738,854	3,894,330	714,194	2,558,839	294,379
1937	1,800,000	8,895,285	285,001	648,717	61,032	2,325,229	3,123,290	612,536	4,348,112	264,259
1938	1,800,000	9,851,769	157,061	768,212	67,835	5,865,566	2,500,603	533,275	2,539,667	262,373
1939	1,800,000	7,299,393	155,876	693,226	50,147	2,275,422	3,472,449	753,188	2,349,548	261,325

AUSTRALASIAN BANKS

THE BANK OF ADELAIDE

The directors' report states that the balance of profit and loss for the year ended March 27, 1939 (including the balance brought forward from the previous year, £45,345) amounts to £116,466, out of which an interim dividend at the rate of 5 per cent. per annum was paid in November, £31,250, leaving available £85,216,

out of which the directors have declared a dividend for the half-year ended March 27, 1939, at the rate of 5½ per cent. per annum, payable after the general meeting on May 17, 1939, £34,375, leaving a balance to carry forward of £30,841.

LIABILITIES					ASSETS					
March 30	Capital and Reserve	Notes in Circulation	Bills in Circulation, etc.	Deposits	Cash in Hand including Bullion	Money at Call and Short Notice	Government Securities	Bills Receivable in London and Remittances in Transit	Discounts and Advances	Premises
	£	£	£	£	£	£	£	£	£	£
1935	2,250,000	6,592	79,496	6,372,697	1,020,597	595,700	972,899	606,394	5,252,802	352,837
1936	2,250,000	6,578	74,244	6,713,968	615,111	895,000	855,668	657,645	5,660,001	353,511
1937	2,250,000	6,574	83,536	7,068,114	625,836	1,000,000	701,784	1,288,256	5,631,010	352,382
1938	2,250,000	6,574	83,231	6,971,877	664,138	696,000	895,135	767,483	6,075,864	405,125
1939	2,250,000	6,574	75,733	7,000,719	460,136	1,056,000	702,670	891,664	5,950,855	395,416

For all banking transactions

BRITISH AND HUNGARIAN BANK LTD.
(ANGOL-MAGYAR BANK RT.)

CAPITAL AND RESERVES 34 MILLION PENGOS

Head Office: BUDAPEST V., VILMOS CSÁSZÁR-UT 32
Telegraphic Address: Coloniale

Branches throughout the Country.
Correspondents all over the world.

QUICK SERVICE

Travellers' Cheques cashed at favourable rates.

THE BANK OF AUSTRALASIA

The directors state that, after providing for rebate on bills current, for British, Australian and New Zealand rates and taxes, and making a transfer to the credit of Contingencies Account, out of which account provision for all bad and doubtful debts has been made, the net profit for the year ended October 16th last amounted to £292,024. To this has to be added £227,879 brought forward from the previous year's account, making a total of £519,903. From this, £130,922 was paid as an interim dividend

on October 6th last, and the directors have now appropriated a further sum of £151,875 to pay a final dividend of 4s. 6d. per share, less income tax at 5s. in the £, making in all £282,797, equal to 8s. per share, less tax, and representing for the year a distribution at the rate of 8 per cent., less tax. There will remain £237,106 to be carried forward to the next account.

LIABILITIES							ASSETS				
Date	Capital and Reserves	Circulation	Deposits at Interest	Current Accounts	Bills Payable, Drafts in Transit, etc.	Acceptances	Cash in Hand	Securities	Bills receivable and Remittances in Transit	Advances on Securities, etc.	Premises
				£	£	£		£			£
Oct. 14, 1935...	8,975,000	26,138	23,895,133	13,162,970	4,617,493	237,151	5,035,420	10,566,078	2,476,286	32,391,472	530,962
" 12, 1936...	8,975,000	2,795	23,812,110	13,553,470	4,338,965	280,943	4,899,823	9,478,927	2,599,641	33,300,768	567,816
" 11, 1937...	8,975,000	2,773	25,174,224	15,601,240	5,317,750	403,059	10,055,805	8,402,412	2,917,107	33,460,837	607,718
" 10, 1938...	8,975,000	2,745	24,574,637	14,989,103	5,568,657	301,202	5,378,808	8,661,639	2,673,088	37,047,137	739,349
" 16, 1939...	8,975,000	2,732	24,785,903	16,135,624	5,711,816	222,815	4,679,313	11,549,280	2,466,733	36,534,456	770,274

Number of branches: 248, and 2 in London.

BANK OF NEW SOUTH WALES

The directors submitted to the proprietors the following statement:—The net profits for the year, after deducting rebate on current bills, interest on deposits, and paying income, land and other taxes, reducing valuation of bank premises, providing for bad and doubtful debts, fluctuations in the value of investment securities, and other contingencies, and including recoveries from debts previously written off as bad, amount to £550,876, to which is added undivided balance from September 30, 1938, £166,977—£717,853; interim dividends

at the rate of 6s. per share (Australian currency) for quarters ended December 31, 1938, March 31, 1939, and June 30, 1939, paid out of the year's profits, in terms of Clause 105 of deed of settlement, £395,100, leaving a balance of £322,753, which the directors recommend to be dealt with as follows: To quarter's dividend to September 30, 1939, at the rate of 6s. per share Australian currency, £131,700; to balance carried forward, £191,053—£322,753.

From September 30, 1935, to September 30, 1939.

LIABILITIES						ASSETS						
September 30	Capital and Reserves	Notes in Circulation	Deposits, Accrued Interest and Rebate	Bills Payable, etc.	Out-standing Credits, etc.	Cash in Hand	Money at Short Call in London	Treasury Bills	Investments	Bills Receivable in London and Remittances in Transit	Discounts and Advances	Premises
1935	14,930,000	140,968	90,403,981	6,468,117	3,388,698	10,179,566	1,280,000	5,535,000	11,742,085	5,128,186	75,122,458	2,500,000
1936	14,930,000	81,450	89,145,169	7,139,652	3,592,971	11,274,935	1,470,000	7,235,000	8,952,607	7,381,905	78,592,348	2,800,000
1937	14,930,000	81,416	95,876,747	8,322,177	3,657,503	16,646,228	2,070,000	7,320,000	5,225,403	7,965,110	80,577,457	2,900,000
1938	14,930,000	81,326	100,257,842	8,154,482	3,341,674	14,376,076	715,000	1,155,000	5,827,075	8,137,352	88,740,010	3,150,000
1939	14,930,000	81,159	111,688,533	*	3,786,148	13,016,180	125,000	5,205,000	2,665,200	8,066,995	93,077,236	3,300,000

* Included with deposits.

BANK OF NEW ZEALAND

The directors state that the profits for the year ended March 31, 1939, after providing for expenses of management, and for all bad and doubtful debts, and other contingencies, and after making provision for the annual donation to the provident fund, are £885,941, to which has to be added balance brought forward from last year, £373,880, making a total of £959,821. From which has been paid: Dividend on preference A shares, £50,000; interim dividend on C long-term mortgage shares, £7,031; interim dividend on D long-term mortgage shares, £17,578; interim dividend on preference B shares, £31,250;

interim dividend on ordinary shares, £187,500, leaving available for distribution, £666,462. This the directors propose should be disposed of as follows: Dividend on C long-term mortgage shares at 6 per cent. per annum, £7,031; dividend on D long-term mortgage shares at 7½ per cent. per annum, £17,578; dividend on preference B shares (making £100,000 for the year), £68,750; dividend at rate of 5 per cent. on ordinary shares (making £375,000 for the year, equal to 10 per cent.), £187,500, leaving balance to be carried forward £385,602.

LIABILITIES					ASSETS								
March 31	Capital and Reserves	Notes in Circulation	Deposits	Bills Payable, etc.	Coin, Cash Balances, etc.	Money at Call and Short Notice	Bills Receivable in London and in Transit	Investments	Discounts	Remittances in Transit between Branches	Advances, Securities, Debts, Due to Bank, etc.	Long-term Mortgage Dept.	Premises
1935	£ 9,903,125	£ 503,778	£ 33,198,614	£ 3,777,295	£ 7,177,791	£ 7,585,468	£ 1,475,538	£ 8,299,157	£ 519,341	£ 1,369,451	£ 20,971,391	£ 1,310,175	£ 673,678
1936	9,903,125	824,452	35,740,430	3,759,175	7,076,654	8,172,420	2,274,871	8,303,217	495,697	1,784,411	21,663,678	1,310,175	673,149
1937	9,903,125	628	35,636,112	4,084,806	8,105,657	7,122,420	1,338,925	7,957,020	801,729	1,584,679	22,862,219	1,310,175	684,901
1938	9,903,125	627	34,731,532	4,582,271	8,270,176	5,554,518	1,223,430	7,905,557	614,196	1,940,743	25,803,124	1,310,175	738,898
1939	9,903,125	627	33,328,479	5,248,240	7,819,095	4,391,263	931,877	6,294,511	529,655	1,978,715	26,673,095	1,310,175	738,023

COMMERCIAL BANK OF AUSTRALIA, LIMITED

According to the report of the board of directors for the year ended June 30, 1939, the net profits amount to £262,909, to which is added amount brought forward £109,361, making a total of £372,271. From this amount the directors have made the following appropriations: To reduction of bank premises, £30,000; to interim dividend at 4 per cent. per annum on preference shares paid February, 1939, £42,347; to interim dividend at 6½ per cent. per annum on ordinary shares paid

February, 1939, £66,667—£139,014; leaving a balance of £233,257 which it is proposed to apportion as follows: To dividend for six months on the preference shares at 4 per cent. per annum in Australian currency, £42,347; to dividend for six months on the ordinary shares at 7½ per cent. per annum in Australian currency, £75,000; to carry forward to next year, £115,910.

dividend at 6 per cent. per annum on ordinary shares paid

LIABILITIES						ASSETS							
June 30	Capital and Reserve	Profit and Loss	Notes in Circulation	Bills and Other Liabilities	Deposits	Contingent Liabilities offset by equivalent Assets	Cash in Hand and at Short Call	Money at Call and Short Notice	Commonwealth and New Zealand Short-dated Treasury Bills	Other Investments	Bills Receivable in London, and Remittances in Transit	Discounts and Advances	Other Assets (excluding premises)
1935	£ 6,367,350	£ 199,823	£ 19,780	£ 1,192,315	£ 24,853,164	£ 931,364	£ 3,299,966	£ 150,000	£ 1,755,000	£ 2,627,822	£ 1,242,083	£ 22,100,326	£ 292,921
1936	6,367,350	207,943	14,980	1,291,292	25,863,666	898,338	3,437,657	125,000	2,440,000	2,560,277	1,450,118	22,211,474	186,418
1937	6,367,350	212,351	6,195	1,354,453	29,293,777	1,003,766	3,499,537	...	2,470,000	3,798,402	1,980,714	22,124,707	179,911
1938	6,367,350	228,708	6,188	1,587,678	30,052,875	1,371,805	4,241,912	...	1,770,000	4,053,497	2,087,543	24,684,517	221,679
1939	6,367,350	233,257	6,186	1,510,432	30,997,515	1,233,337	3,292,379	...	2,085,000	5,081,220	1,912,304	23,305,740	226,555

THE ANGLO-PALESTINE BANK LTD.

INCORPORATED 1902

10/12 WALBROOK, LONDON, E.C.4

GENERAL MANAGEMENT: TEL-AVIV

BRANCHES:
TEL-AVIV SAFAD JAFFA PETAH TIKVAH JERUSALEM HEDERA HAIFA HADAR HACARMEL TIBERIAS REHOVOTH

Undertakes every description of Banking Service 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. CHARLES GIPPS HAMILTON, Esq. HORACE PEEL, Esq.
HON. GEOFFREY C. GIBBS. FREDERICK V. C. LIVINGSTONE-DAVID J. ROBERTS, Esq.
J. F. G. GILLIAT, Esq. LEARMONTH, Esq., D.S.O. SIR JOHN SANDERSON, K.B.E.
EDMUND GODWARD, Esq. RIGHT HON. THE EARL OF MIDLETON, K.P., P.C. 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 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
COMMERCIAL CREDITS COLLECTION OF CLEAN AND DOCUMENTARY DRAFTS
SPOT AND FORWARD FOREIGN EXCHANGE TRANSACTIONS, ETC.
CORRESPONDENTS THROUGHOUT THE WORLD
AGENTS IN THE UNITED KINGDOM FOR THE BELGIAN POSTAL CHEQUE SERVICE

SOCIÉTÉ GÉNÉRALE

POUR FAVORISER LE DÉVELOPPEMENT DU COMMERCE ET DE L'INDUSTRIE EN FRANCE

ESTABLISHED 1864.

(Incorporated in France with Limited Liability)

SUBSCRIBED CAPITAL - Frs. 625,000,000
PAID-UP CAPITAL - Frs. 322,752,750
RESERVE FUND & UNDIVIDED PROFITS - Frs. 408,901,684
DEPOSITS (31st December, 1939) Provisional Balance Sheet Frs. 13,450,400,852

EVERY DESCRIPTION OF BANKING BUSINESS TRANSACTED.
Over 1,300 BRANCHES IN FRANCE AND NORTH AFRICA.

Head Office: 29, BOULEVARD HAUSMANN, PARIS.

Other Branches Abroad: New York, 60 Wall Street.
London Office: 105, OLD BROAD STREET, E.C.2
Buenos Aires, 10 Calle San Martín.
Affiliate in the West End of London: Société Française de Banque et de Dépôts, 11 WATERLOO PLACE, S.W.1

THE COMMERCIAL BANKING COMPANY OF SYDNEY, LIMITED

According to the annual report of the directors for the year ended June 30, 1939, the net profit for the year, after deducting rebate on current bills and accrued interest on fixed deposits, paying land, income and other taxes, and providing for bad and doubtful debts and other contingencies, amounts to £377,454, to which is added the amount brought forward from June 30, 1938, £118,476, making a total of £495,930, from which the

directors have made the following appropriations: To interim dividend for the half-year ended December 31, 1938, at the rate of 7 per cent. per annum paid on January 27, 1939, £165,865, bank premises account £35,000, leaving a balance of £295,065, and now recommend payment of a dividend for the half-year ended June 30, 1939, at the rate of 7 per cent. per annum, £165,865, leaving the amount to be carried forward £129,199.

LIABILITIES					ASSETS						
June 30	Paid Up Capital and Reserve	Notes in Circulation	Bills in Circulation	Deposits and Other Liabilities	Cash in Hand	Money at Call and Short Notice	Treasury Bills	Government Stocks and Other Securities	Bills Receivable in London and Remittances in Transit	Discounts, etc.	Premises
1935	9,039,013	13,703	1,173,911	49,191,296	7,892,626	1,150,000	3,865,000	5,985,759	2,111,077	36,940,268	1,247,813
1936	9,039,013	13,669	1,121,006	49,777,559	7,410,342	1,085,000	4,550,000	5,409,699	2,143,034	37,853,871	1,231,789
1937	9,039,013	13,658	1,198,743	53,854,165	10,208,338	1,370,000	5,450,000	5,408,025	2,487,321	37,744,226	1,209,641
1938	9,039,013	13,621	1,349,034	54,859,194	6,440,568	1,440,000	6,000,000	5,303,894	2,523,920	41,795,388	1,204,965
1939	9,039,013	13,601	1,154,948	53,713,813	7,114,014	700,000	5,800,000	4,162,789	2,541,199	42,114,245	1,206,620

ENGLISH, SCOTTISH AND AUSTRALIAN BANK, LIMITED

The directors' report for the year ended June 30, 1939, shows that the gross profits amount to £1,295,817, less expenses of management, £860,329, income and other taxes, £190,194—£1,050,523; leaving a net profit of £245,294. From this the following appropriations have been made: An interim dividend of 3½ per cent. less United Kingdom income tax, at 3s. 7d. in £, after allowing for relief in respect of Dominion income tax, £86,187; balance of unappropriated profits for the year,

£144,107; brought forward from June 30, 1938, £307,697—£451,804; and it is proposed to make further appropriations as follows: To the officers' provident fund, £5,000; to a further dividend of 3½ per cent. less United Kingdom income tax at 5s. 3d. in £, making 7 per cent. for the year, £77,437; to contingencies reserves, £30,000; to reduction in bank premises account, £35,000—£147,437; leaving a balance to be carried forward of £304,367.

LIABILITIES					ASSETS						
June 30	Capital and Reserves	Deposits at Interest	Current Accounts	Bills Payable, etc.	Cash in Hand	Investments	Bills Receivable and Remittances in Transit	Advances, etc.	Premises		
1935	8,122,966	19,576,954	12,832,399	1,843,675	6,167,833	2,214,727	4,878,250	28,813,047	753,855		
1936	8,137,966	19,710,035	13,183,214	2,010,587	8,412,215	2,148,493	3,127,621	29,112,249	733,780		
1937	8,152,966	20,937,315	14,345,344	2,741,282	11,324,780	2,887,438	4,580,274	27,350,619	761,464		
1938	8,167,966	20,552,478	14,636,133	2,796,034	8,400,900	3,799,602	4,004,971	29,689,100	744,888		
1939	8,182,966	20,362,759	14,579,717	1,673,788	5,647,715	3,777,716	4,562,170	30,532,941	718,264		

COMMONWEALTH BANK OF AUSTRALIA

LIABILITIES					ASSETS							
December 31	Capital and Reserves	Rural Credits, Capital, Reserve, Development Fund	Deposits, etc.	Bills Payable, etc.	Cash in Hand.	Money at Call in London	Australian Notes	Short-term Loans in Australia	Investments	Bills Receivable in London and Remittances in Transit	Discounts, Loans, Advances, etc.	Bank Premises
1935	£ 6,137,822	2,800,105	£ 62,355,187	4,470,282	£ 677,745	12,779,999	5,184,485	£ 6,945,397	38,318,926	2,097,990	10,195,333	£ 1,063,521
1936	£ 6,328,287	2,316,859	71,401,801	6,020,706	1,181,700	20,397,123	3,511,301	11,129,425	35,892,885	2,056,880	10,923,031	1,003,289
1937	£ 6,501,375	2,330,327	90,508,890	5,843,841	1,013,480	34,478,275	4,405,984	...	47,991,439	2,221,706	14,101,609	971,939
1938	£ 6,669,661	2,330,544	87,152,106	6,824,703	1,105,224	22,615,373	4,185,677	...	54,331,270	2,210,989	7,594,899	939,589
1939	£ 6,865,377	2,347,055	97,670,389	9,829,803	1,891,638	29,132,622	3,147,785	...	54,092,093	3,392,581	21,183,164	872,737

THE NATIONAL BANK OF AUSTRALASIA, LIMITED

According to the report of the directors for the year ended March 31, 1939, the net profit, after deduction of all expenses, etc., including £122,349 for income, land and note taxes, amounted to £351,245, add balance brought forward from previous year £154,941, making available £506,186. From this sum the following appropriations have been made: Interim dividend at the rate of 6 per cent. per annum on the £10 and the

£8 shares, paid in November, 1938, for the half-year ended September 30, 1938, £150,000; reduction of bank premise account £50,000, and it was recommended that a dividend be paid on the £10 and £8 shares for the half-year ended March 31, 1939 at the rate of 6 per cent. per annum £150,000, and to carry forward £156,186—£506,186. (All the figures given are in Australian currency.)

LIABILITIES					ASSETS						
March 31	Capital and Reserves	Notes in Circulation	Bills in Circulation	Deposits, etc.	Cash in Hand and at Short Call in London	Common-wealth Treasury Bills	Investments	Bills and Remittances in Transit	Discounts and Advances, etc.	Premises	
1935	8,300,000	47,590	623,948	37,049,415	5,437,415	3,225,000	3,095,561	2,564,671	31,182,973	1,213,996	
1936	8,300,000	47,579	623,564	37,788,620	5,567,068	2,670,000	1,861,791	3,575,415	32,446,862	1,194,215	
1937	8,300,000	47,564	623,881	42,220,269	5,961,565	3,600,000	2,787,774	4,506,811	33,060,786	1,217,672	
1938	8,300,000	47,556	1,678,789	43,054,982	5,979,379	2,485,000	4,302,998	4,130,723	34,836,414	1,263,424	
1939	8,300,000	47,549	1,518,426	44,057,573	5,251,307	2,770,000	5,073,699	3,152,272	38,403,779	1,296,466	

THE QUEENSLAND NATIONAL BANK, LIMITED

The directors submit a report showing that the net profit for the year ended June 30th last, after allowing for rebate on bills current, interest accrued on deposits and interminable inscribed deposit stock, all assessments of income, land and other taxes payable during that period, reducing bank premises and furniture accounts £3,000, making provision for bad and doubtful debts and all known contingencies and including recoveries, amounts to £81,629, to which is to be added amount brought forward

from year ended June 30, 1938, £20,801, making a total of £102,494; out of which an interim dividend was paid at the rate of 4½ per cent. per annum for the half-year ended December 31, 1938, amounting to £39,375, leaving for distribution £63,199, which it is proposed to deal with as follows: Dividend at the rate of 4½ per cent. per annum for the half-year ended June 30, 1939, £41,562 (free of Queensland income tax and State Development Tax); balance to be carried forward, £21,557.

[Continued on page 41]

THE QUEENSLAND NATIONAL BANK—continued.

LIABILITIES					ASSETS					
June 30	Capital and Reserves	Interminable Inscribed Deposit Stock	Bills Payable, etc.	Deposits	Cash in Hand and Cash Balances	Money at Call in London	Common-wealth Loans and Treasury Bills	Bills Remitted and in Transit	Discounts and Advances, etc.	Premises
1935	2,610,000	2,814,989	305,362	8,451,035	1,865,689	15,000	2,376,561	570,202	8,860,449	547,273
1936	2,610,000	2,750,842	349,041	8,646,021	1,404,236	15,000	2,295,409	570,355	9,578,297	547,542
1937	2,610,000	2,750,842	356,843	9,110,717	1,665,177	15,000	2,206,614	656,652	9,787,975	556,771
1938	2,610,000	2,727,586	370,616	8,992,762	1,772,027	...	2,229,893	636,858	9,583,813	558,549
1939	2,610,000	2,690,133	384,204	9,237,965	1,343,351	...	2,090,066	717,921	10,260,491	573,593

THE NATIONAL BANK OF NEW ZEALAND, LIMITED

The directors' statement of the bank's affairs as on March 31, 1939, states that the net profit for the year, after appropriations to contingency accounts, out of which full provision has been made for bad and doubtful debts, exchange, N.D.C., etc., amounts to £106,524; to be added £113,690 brought forward, making an available total of £220,214. The interim dividend at the rate of 2½ per cent. per annum, free of income tax, paid in January, 1939, absorbed £41,041, £14,000 has been placed to

pension and gratuity funds, and £10,000 has been transferred to premises account, leaving £155,173 available for distribution. The directors propose to allocate this amount as follows:—In payment of a final dividend of 2½ per cent. less United Kingdom income tax (at the rate of 3s. 7d. in the £, after allowing relief for Dominion income tax), £41,042; balance to be carried forward, £114,131.

January, 1939, absorbed £41,041, £14,000 has been placed to

LIABILITIES					ASSETS							
March 31	Capital and Reserves	Notes in Circulation	Deposit and Current Accounts	Bills Payable and Other Liabilities	Cash in Hand	Cash at Bankers and at Call	Investments	N.Z. Treasury Bills and Special Loan to N.Z. Govt.	Bills Receivable London and in Transit	Discounts	Advances, etc.	Premises
	£	£			£	£	£	£	£		£	£
1935	3,500,000	151,763	13,551,859	1,368,853	723,369	1,945,958	4,194,477	...	1,168,715	427,580	9,422,430	629,124
1936	3,500,000	99,821	13,655,182	1,359,812	695,187	2,612,231	2,697,211	...	1,323,114	340,220	10,361,255	624,890
1937	3,500,000	...	13,751,541	1,488,645	835,679	1,530,265	3,336,851	200,000	488,214	454,483	10,976,756	621,507
1938	3,500,000	...	13,908,667	1,334,179	669,810	1,467,909	2,229,727	...	468,921	414,437	12,702,613	635,513
1939	3,500,000	...	13,293,336	1,321,571	492,663	1,633,917	2,023,793	300,000	403,728	365,460	11,921,749	648,716

THE UNION BANK OF AUSTRALIA, LIMITED

The directors' report for the year ended August 31, 1939, shows that after making provision for bad and doubtful debts and other contingencies, there is a net profit for the year of £225,087, to which is added £157,264 brought forward, making £382,351. The interim dividend paid in July last of 3 per cent., less income tax, having absorbed £98,000, the amount

now available is £284,351. From this the directors have declared a final dividend of 4 per cent., less income tax at 4s. 1½d. in the £, making 7 per cent. for the year, less income tax. The final dividend will absorb £127,000, and leave £157,351 to be carried forward.

LIABILITIES					ASSETS						
Aug. 31	Capital and Reserves	Deposits	Bills Payable, etc.	Cash in Hand	Bullion and Advances on Bullion	Money at Call in London	Investments	Remittances and Drafts in Transit, etc.	Common-wealth Treasury Bills	Discounts, Loans, etc.	Premises
1935	8,850,000	33,429,249	1,116,666	4,599,246	81,329	330,000	3,101,251	2,030,246	1,685,000	31,472,830	374,486
1936	8,850,000	34,410,690	1,197,913	4,845,205	91,370	340,000	3,111,586	2,333,953	1,515,000	32,129,341	366,578
1937	8,850,000	37,828,084	1,549,582	6,842,656	114,488	360,000	3,475,650	2,991,894	1,870,000	31,923,737	436,124
1938	8,850,000	36,988,969	1,521,063	4,980,692	114,433	340,000	3,534,297	2,175,862	1,780,000	34,275,684	457,200
1939	8,850,000	38,743,598	1,997,251	5,734,639	79,487	250,000	4,049,492	2,216,901	1,200,000	35,483,941	538,546

CANADIAN AND W.I. BANKS

BANK OF CANADA

The directors' report for the year ended December 31, 1939, shows a net profit of \$1,863,725, after making provision for contingencies and reserves. This has been appropriated as follows: Dividend No. 10, payable July 2, 1939, at 4½ per cent. per annum on \$5,000,000 for six months to June 30, 1939,

\$112,500; Dividend No. 11, payable January 2, 1940, at 4½ per cent. per annum on \$5,000,000 for six months to December 31, 1939, \$112,500; transferred to rest fund, \$546,242; for credit of Receiver General of Canada, account Consolidated Revenue Fund, \$1,092,483.

BALANCE SHEET—December 31						
LIABILITIES		1938	1939	ASSETS		
Capital	5,000,000	5,000,000	Gold coin and bullion	185,912,017	225,677,320	
Rest fund	1,905,515	2,449,757	Sterling funds and U.S.A. funds	28,354,420	64,324,718	
Notes in circulation	175,259,572	232,779,327	Other currencies of countries on a gold standard	2,005	47	
Deposits:			Subsidiary coin	220,152	90,273	
Dominion Government	17,783,300	47,362,964	Investments:			
Chartered banks	200,645,826	216,996,201	Dominion Government short-term securities	144,620,866	181,896,819	
Other banks	3,086,373	17,851,578	Other Dominion Government securities	40,894,976	49,875,798	
Dividend payable	85,000	112,500	Bank premises	3,283,586	3,730,758	
Other liabilities	1,172,016	4,678,505	Other assets	404,935,602	527,230,832	
	404,935,602	527,230,832				

BANK OF MONTREAL

The annual report shows the following result of the bank's business for the year ended October 30, 1939: Balance of profit and loss account, October 31, 1938, \$1,183,255; profits for the year ended October 31, 1939, after making appropriations to contingent reserve fund, out of which full provision for bad and doubtful debts has been made, less Dominion and Provincial Government taxes, \$1,198,413—\$3,462,446; making a

total of \$4,645,701; quarterly dividend 2 per cent. paid March 1, 1939, \$720,000; quarterly dividend 2 per cent. paid June 1, 1939, \$720,000; quarterly dividend 2 per cent. paid September 1, 1939, \$720,000; quarterly dividend 2 per cent. payable December 1, 1939, \$720,000; written off bank premises, \$500,000; balance of profit and loss carried forward, \$1,265,701.

LIABILITIES							ASSETS						
Oct. 31	Capital and Rest	Notes in Circulation	Deposits not bearing Interest	Deposits bearing Interest	Balances due to other Banks	Letters of Credit out- standing	Cash in Hand	Cheques on other Banks	Due by Banks Abroad	Invest- ments	Call and Short Loans	Other Loans and Discounts	Premises
1935	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
1936	74,000,000	29,959,128	151,209,828	499,122,270	10,610,835	7,066,426	82,358,499	26,229,369	37,902,358	361,873,721	23,270,974	234,461,311	14,500,000
1937	75,000,000	27,749,872	189,401,982	488,579,912	8,408,890	1,768,979	78,805,708	27,725,255	20,624,958	443,811,395	33,570,156	174,141,012	14,000,000
1938	75,000,000	27,428,855	224,452,352	488,540,703	12,080,693	7,759,142	85,768,455	28,317,466	20,701,296	437,668,061	26,736,645	240,760,812	13,700,000
1939	75,000,000	22,428,921	219,117,897	506,696,835	12,274,848	8,307,142	87,763,733	28,683,965	33,973,643	440,898,472	28,767,989	227,703,450	13,900,000
1939	75,000,000	21,767,292	283,554,619	518,221,437	19,203,890	7,914,256	95,183,800	27,898,127	77,330,255	517,641,383	23,715,935	237,231,730	13,900,000

BANK OF NOVA SCOTIA

The statement of the result of the business of the bank for the year ending December 31, 1939, is as follows:—Balance, December 31, 1938, \$1,021,227; net profits for the year ending December 31, 1939, after Dominion and Provincial taxes, \$559,191, and after making appropriations to contingent accounts out of which accounts full provision for bad and doubtful

debts has been made, \$2,033,333; making a total of \$3,054,560; dividends Nos. 277, 278, 279, 280 at 12 per cent. per annum, \$1,440,000; contribution to officers' pension fund, \$190,000-00; written off bank premises, \$250,000-00; balance carried forward December 31, 1939, \$1,174,560; making a total of \$2,785,456-88.

LIABILITIES							ASSETS						
Dec. 31	Capital and Reserve	Notes in Circulation	Deposits not bearing Interest	Deposits bearing Interest	Balances Due to other Banks	Letters of Credit Outstanding	Cash in Hand	Cheques on other Banks	Due by Banks Abroad	Investments	Call and Short Loans	Other Loans and Discounts	Premises
1935	\$ 36,000,000	9,714,396	46,867,438	183,235,959	4,304,754	5,583,112	32,211,359	11,397,463	7,781,615	113,245,043	8,361,651	99,835,735	7,008,924
1936	36,000,000	9,415,911	58,077,948	178,833,026	4,839,418	6,699,886	30,206,778	11,894,928	7,808,371	117,821,090	16,849,510	95,661,452	6,653,287
1937	36,000,000	8,660,249	60,769,188	180,358,264	5,419,401	5,339,180	31,788,847	10,789,169	9,374,243	121,689,040	10,712,388	100,180,572	6,398,961
1938	36,000,000	8,674,540	69,237,865	181,231,486	4,497,371	5,095,262	33,010,247	9,946,055	11,852,912	127,092,097	9,450,383	103,371,067	6,308,083
1939	36,000,000	8,295,375	80,112,809	184,404,563	10,765,862	6,757,601	35,698,066	11,353,216	20,078,825	136,065,456	6,312,197	117,924,846	6,135,849

THE DOMINION BANK

The directors' statement for the ten months ended October 31, 1939, shows balance of profit and loss account, December 31, 1938, \$805,937. The profits for the ten months ended October 31, 1939, after making appropriations to contingency accounts, out of which accounts full provision for bad and doubtful debts has been made, and after deducting Dominion and Provincial

Government taxes, \$264,236, amounted to \$802,297; making a total of \$1,608,234. Dividends for ten months at 10 per cent. per annum, \$583,333; contribution to officers' pension fund, \$62,500; written off bank premises, \$125,000; balance of profit and loss account carried forward, \$837,401.

LIABILITIES							ASSETS						
Dec. 31	Capital and Reserves	Notes in Circulation	Deposits not bearing Interest	Deposits bearing Interest	Due to other Banks	Letters of Credit Outstanding	Cash in Hand	Cheques on other Banks	Due by Banks Abroad	Investments	Call and Short Loans	Other Loans and Discounts	Premises
1935	\$ 14,000,000	5,902,232	21,084,857	83,446,559	3,041,956	4,022,279	12,467,129	9,154,475	2,756,278	39,515,879	10,538,326	48,620,525	5,655,000
1936	14,000,000	5,570,702	32,977,965	78,817,908	2,780,311	2,942,096	15,586,670	8,738,755	1,531,804	51,522,000	5,190,290	38,573,363	5,760,000
1937	14,000,000	5,528,741	36,286,541	80,630,033	3,319,146	2,068,695	17,300,677	8,213,578	1,636,068	54,000,000	9,494,941	44,541,177	5,685,000
1938	14,000,000	5,280,499	38,053,214	82,649,949	2,361,012	2,875,524	17,943,223	6,216,539	1,651,298	55,424,072	7,774,239	50,115,290	5,667,000
1939*	14,000,000	5,322,171	37,978,634	85,335,930	3,039,101	2,859,128	17,015,715	6,735,203	3,725,615	60,649,317	5,759,378	60,717,538	5,569,000

* October 31

THE CANADIAN BANK OF COMMERCE

According to the directors' report on the results of the bank's operations for the twelve months ending October 31, 1939, the balance of profit and loss account, brought forward from last year, was \$751,083; net profit for the year, after making appropriation to contingent reserve fund, out of which fund full provision for bad and doubtful debts has been made and after deducting Dominion and Provincial Government taxes

amounting to \$988,422, was \$2,938,105, making a total of \$3,689,188. These profits have been appropriated as follows: Dividends for eleven months Nos. 208, 209, 210 and 211, at 8 per cent. per annum, \$2,400,000; transferred to pension fund, \$256,386; written off bank premises, \$250,000; leaving a balance to be carried forward, \$782,802.

LIABILITIES							ASSETS						
November 30	Capital and Reserves	Notes in Circulation	Deposits not bearing Interest	Deposits bearing Interest	Due to other Banks	Letters of Credit Outstanding	Cash in Hand	Cheques on other Banks	Due by Banks Abroad	Investments	Call and Short Loans	Other Loans and Discounts	Premises
1935	\$ 30,000,000	28,729,072	134,023,893	380,768,426	23,689,192	15,912,931	17,077,600	61,414,490	17,771,315	28,436,595	219,645,670	35,872,428	224,654,019
1936	30,000,000	24,559,751	173,906,029	345,533,082	10,651,925	13,016,236	19,000,109	67,671,969	21,553,883	29,968,061	222,295,129	52,141,387	200,839,871
1937	30,000,000	21,678,861	163,725,738	358,938,812	27,288,823	12,767,529	17,139,196	67,329,852	18,290,078	24,905,311	262,597,139	32,396,781	203,836,797
1938*	30,000,000	18,093,838	182,718,778	366,768,804	14,841,524	13,688,131	17,753,617	71,284,688	17,881,738	27,882,058	259,592,510	31,320,902	215,745,685
1939*	30,000,000	15,928,955	211,280,325	374,553,176	64,886,271	12,008,654	15,607,962	69,495,372	18,038,487	38,295,186	301,838,752	23,121,432	255,989,769

* October 31

ROYAL BANK OF CANADA

The directors' report for the year ended November 30, 1939, states that the balance of profit and loss account, November 30, 1938, was \$2,721,410, and the profits for the year ended November 30, 1939, after making appropriations to contingency reserves, out of which reserves provision for all bad and doubtful debts has been made and after providing for Dominion and Provincial Government taxes amounting to \$1,204,867 were \$3,724,842, making a total of \$6,446,252 which was appropriated

as follows: Dividend No. 206 at 8 per cent. per annum, \$700,000; dividend No. 207 at 8 per cent. per annum, \$700,000; dividend No. 208 at 8 per cent. per annum, \$700,000; dividend No. 209 at 8 per cent. per annum, \$700,000; contribution to the pension fund society, \$300,000; appropriation for bank premises, \$250,000; leaving a balance to be carried forward of \$3,096,252.

LIABILITIES							ASSETS						
November 30	Capital and Reserve	Notes in Circulation	Deposits not bearing Interest	Deposits bearing Interest	Due to other Banks	Letters of Credit Outstanding	Cash in Hand	Cheques on other Banks	Due by Banks Abroad	Investments	Call and Short Loans	Other Loans and Discounts	Premises
1935	\$ 55,000,000	32,568,426	194,257,143	461,268,434	9,461,319	22,026,377	90,244,515	20,376,178	47,007,220	220,498,302	45,545,537	328,821,416	16,043,798
1936	55,000,000	29,524,612	310,384,198	416,164,055	11,289,395	21,130,089	91,486,880	28,239,244	61,552,182	238,170,821	40,778,474	296,765,358	15,662,057
1937	55,000,000	28,644,831	305,179,752	420,402,616	13,677,911	26,055,370	83,410,197	28,076,674	47,149,388	316,568,917	29,463,460	304,697,354	14,995,187
1938	55,000,000	26,396,639	356,526,650	422,500,482	14,633,785	18,532,001	101,997,039	26,394,959	71,891,265	322,334,087	20,616,049	322,545,200	14,756,089
1939	55,000,000	26,028,238	404,373,019	428,024,304	30,262,472	17,642,136	107,968,982	32,813,193	93,800,333	387,687,838	25,151,148	326,563,731	14,623,764

INDIAN BANKS

THE CHARTERED BANK OF INDIA, AUSTRALIA AND CHINA

The directors' report for the year ended December 31st last showed a net profit, after providing for all bad and doubtful debts and including a transfer from contingencies account to meet depreciation on holdings of Government securities, of £517,443, inclusive of £179,094 brought forward from the previous year. The interim dividend at the rate of 10 per cent.

per annum paid in September last absorbed £150,000. The amount now available is therefore £367,443, and the directors propose to pay a final dividend at the rate of 10 per cent. per annum, less income tax; to add £35,000 to the officers' pension fund and to carry forward the balance of £182,443.

(Continued on page 43)

THE CHARTERED BANK OF INDIA, AUSTRALIA AND CHINA—continued from page 42

LIABILITIES							ASSETS						
Dec. 31	Capital and Reserves	Notes in Circulation	Current and Other Accounts	Fixed Deposits	Bills Payable	Loans Payable against Security	Cash in Hand and at Banks	Bullion on Hand and in Transit	Government and Other Securities	P. and O. Banking Corporation Shares	Bills of Exchange including Treasury Bills	Bills Discounted and Loans	Premises
1935	£ 6,000,000	1,685,152	26,710,563	19,275,548	1,699,134	2,096,140	4,421,583	249,862	19,439,188	2,313,168	8,945,844	21,117,077	1,584,611
1936	6,000,000	1,809,224	29,851,350	18,332,905	1,992,449	4,128,417	4,834,863	1,230,535	23,140,467	2,315,613	8,239,390	20,599,361	1,552,451
1937	6,000,000	1,688,860	34,188,152	15,553,198	2,641,039	2,641,667	6,385,795	226,280	21,294,065	2,316,746	10,159,417	20,795,843	1,594,611
1938	6,000,000	1,579,699	31,496,583	14,695,385	1,703,958	3,824,625	5,475,780	1,595,687	23,438,764	2,319,359	7,945,845	16,538,710	1,586,517
1939	6,000,000	1,645,622	39,691,829	13,970,479	3,605,836	795,580	6,859,011	287,638	20,624,408	...	11,252,068	24,967,792	1,628,675

THE EASTERN BANK, LIMITED

The directors state that the net profit to December 31, 1939, after providing for income tax and national defence contribution, and after appropriations to the credit of contingency account, out of which account full provision for bad and doubtful debts has been made, and including the balance brought forward from the last account, amounts to £187,282. An interim dividend at the rate of 2s. a share was paid

in October, absorbing £20,000, and the directors now recommend a final dividend of 4s. a share, less income tax at the rate of 5s. (after allowing for relief in respect of Dominion income tax). They propose to set aside £45,000 on account of contingencies, leaving a balance of £82,282 to be carried forward to the next account.

LIABILITIES							ASSETS				
December 31	Capital and Reserves	Current and Deposit Accounts	Bills Payable	Acceptances on Account of Customers	Loans payable against Bills and Securities	Cash in Hand and at Banks	Government and Other Securities	Bills Receivable	Advances, etc.	Premises	
1935	£ 1,500,000	6,798,954	199,410	782,590	1,165,000	1,202,691	5,611,561	514,337	2,268,705	192,579	
1936	1,500,000	7,771,799	176,136	773,698	1,470,000	1,123,248	6,084,238	949,896	2,756,907	167,984	
1937	1,500,000	7,717,024	252,929	776,637	1,462,409	1,107,066	5,363,332	1,164,742	3,304,357	155,693	
1938	1,500,000	7,499,725	238,278	768,953	1,314,092	1,232,536	5,900,658	810,111	2,598,611	155,868	
1939	1,500,000	8,202,492	294,221	373,730	304,375	1,287,239	4,667,150	1,278,351	2,988,794	151,030	

IMPERIAL BANK OF INDIA

The report shows that, after making the usual and necessary provisions, the net profit of the bank for the half-year ended December 31, 1939, amounted to Rs. 38,14,477 which, with Rs. 30,71,454 brought forward from the half-year ended June 30, 1939, makes a total of Rs. 68,85,931. This sum the directors of the bank have disposed of as follows: In payment of a divi-

dend to the shareholders at the rate of 12 per cent. per annum free of income tax, Rs. 33,75,000; transferred to premises account, Rs. 2,50,000; transferred to pension funds, Rs. 72,600; transferred to the reserve fund Rs. 2,50,000; carried forward to the profit and loss account of the current half-year, Rs. 31,88,331—total, Rs. 68,85,931.

LIABILITIES				ASSETS							
Dec. 31	Capital and Reserves	Other Deposits	Sundries	Cash	Govt. Securities	Other Authorised Securities	Loans	Cash Credits	Bills Discounted and Purchased	Balances with Other Banks	Sundries
1935	Rs. 11,10,00,000	79,09,18,810	66,69,478	19,42,28,012	48,40,90,765	46,82,053	3,69,82,412	14,87,64,501	3,00,37,513	16,36,401	50,62,673
1936	11,12,50,000	78,79,50,117	66,15,747	7,83,96,368	52,31,37,365	27,20,384	5,72,99,554	16,24,12,672	4,78,80,868	72,44,714	44,41,874
1937	11,12,50,000	81,06,06,708	72,58,880	10,84,27,353	45,37,34,719	2,26,36,091	6,50,58,416	18,86,98,971	5,99,32,240	2,58,91,768	44,23,932
1938	11,17,50,000	81,50,94,331	71,17,249	5,63,96,316	41,72,09,478	2,01,43,396	10,98,28,317	21,76,40,679	5,55,60,922	3,35,01,524	44,31,515
1939	11,20,50,000	87,84,16,475	71,96,228	9,75,13,092	37,06,31,173	97,20,089	10,70,25,877	30,98,11,329	6,59,32,794	1,33,89,508	49,50,379

MERCANTILE BANK OF INDIA

The directors' report for the year ended December 31, 1939, shows that the balance of profit and loss account for the year amounts to £198,869, and the amount available, after adding £177,770 brought forward from last account, is £376,639. From this sum has to be deducted £63,000, being the interim dividend of 6 per cent., less income tax, on the "A," "B" and "C" shares paid in September last. The directors have added

£13,000 to the officers' pension fund, written £25,000 off freehold banking premises, and made an additional allocation of £30,000 to contingencies account. They now recommend a final dividend on the "A," "B" and "C" shares of 6 per cent., less income tax (making 12 per cent. for the year), leaving a balance of £179,639 to be carried forward.

(Continued on page 44)

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

MERCANTILE BANK OF INDIA—continued from page 43

December 31	LIABILITIES					ASSETS					
	Capital and Reserves	Notes in Circulation	Current and Deposit Accounts, etc.	Bills Payable	Acceptances on Account of Customers	Cash in Hand and at Bankers, including Bullion	Government and other Securities	Bills Receivable	Bills Discounted	Loans Receivable and Advances	Premises
1935.....	£ 2,125,000	£ 160,412	£ 13,916,615	£ 512,018	£ 171,383	£ 2,024,631	£ 6,630,425	£ 2,179,899	£ 19,163	£ 5,107,838	£ 341,461
1936.....	2,125,000	254,573	14,675,061	621,406	268,957	1,847,224	6,599,752	2,751,641	22,981	5,866,405	336,954
1937.....	2,125,000	326,856	16,025,388	608,779	308,319	2,232,768	6,763,984	2,283,076	15,741	6,897,963	321,036
1938.....	2,125,000	276,652	14,852,169	539,959	187,793	2,706,484	7,705,209	1,350,935	28,150	5,416,045	304,725
1939.....	2,125,000	302,363	18,077,610	1,065,523	168,330	3,283,193	7,572,715	3,397,427	30,897	6,392,944	338,423

THE NATIONAL BANK OF INDIA, LIMITED

The directors' report for the year ended December 31, 1939, shows that the net profits, after providing for all bad and doubtful debts, amount to £442,692 and, adding £248,880 brought forward from the previous year, the available total is £691,572. An *ad interim* dividend at the rate of 16 per cent. per annum was paid on September 26th last, absorbing £160,000, and the directors now recommend a further dividend at the same rate less income tax. They propose to add £50,000 to the staff pension funds and to write £75,000 off house property account, leaving a balance of £246,572 to be carried forward.

LIABILITIES					ASSETS					
December 31	Capital and Reserves	Current, Deposit and Other Accounts, etc.	Bills Payable	Acceptances for Customers	Cash on Hand, at Call, and at Bankers	Indian Government Rupee Securities	Other Securities	Bills of Exchange	Discounts, Loans, etc.	Premises
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
1935	4,200,000	29,382,941	680,259	408,110	4,427,753	5,021,262	9,789,005	4,427,068	10,283,643	641,574
1936	4,200,000	30,027,681	645,844	330,830	5,411,234	5,264,632	9,259,332	4,809,434	10,004,846	647,984
1937	4,200,000	30,496,946	662,936	472,330	5,303,152	5,303,684	10,000,378	4,525,843	10,073,728	652,914
1938	4,200,000	27,856,728	477,691	326,722	4,861,444	5,335,140	8,183,684	3,637,770	10,118,561	931,688
1939	4,200,000	29,166,004	824,426	385,099	6,860,964	5,179,414	8,202,777	3,138,480	11,935,696	874,672

FOREIGN BANKS HAVING LONDON OFFICES AND BRITISH BANKS TRADING ABROAD

ANGLO-PRAGUE CREDIT BANK

The Anglo-Prague Credit Bank (previously Anglo-Czechoslovak and Prague Credit Bank), which was established on April 12, 1922, in Czechoslovakia under the name of Anglo-Czechoslovakian Bank and particulars of which are contained in our previous supplements, is now, pursuant to the Trading with the Enemy Act, 1939, an enemy. The business of its former London Branch is being carried on under the name of Anglo-Prague Credit Bank London Office, pursuant to a licence from His Majesty's Treasury.

ANGLO-INTERNATIONAL BANK, LIMITED

The directors submit a report for the year ending December 31, 1939, which states that the net losses on staff compensation and sundry provisions amounted to £41,730; from this sum has been deducted the surplus of interest, dividends, commissions, etc., over general expenses and directors' fees, £9,647, leaving a debit balance for the year of £32,083, which, added to the balance brought forward from the previous year, £550,525, makes a total debit balance of £582,608.

Dec. 31	LIABILITIES					ASSETS						
	Capital	Current, Deposit and other Accounts	Acceptances and Guarantees for Account of Customers	Cash with Bankers and in Hand	Money at Call	Balances with Bankers Abroad	Bills Receivable	Securities and Investments	Notes and Treasury Bills, etc.	Advances, etc.	Acceptances and Guarantees on behalf of Customers	Premises Abroad
1935.....	£ 1,960,008	£ 505,242	£ 1,084,465	£ 39,734	£ 425,000	£ 42,510	£ 61,372	£ 759,624	£ 128,039	£ 414,311	£ 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	121,003	561,944	477,315	170,000
1938.....	1,960,008	371,396	399,646	37,916	185,000	40,674	12,182	482,200	111,557	393,422	447,573	170,000
1939.....	1,960,008	244,016	...	55,278	...	12,592	...	418,053	71,825	337,691	...	...

ANGLO-PORTUGUESE COLONIAL AND OVERSEAS BANK, LIMITED

The report of the directors for the year ended January 31, 1940, states that the net profits, after making provision for bad and doubtful debts, national defence contribution, income tax and depreciation of investments, amount to £12,088, which, with the balance of £65,807 brought forward from last year, make a total of £77,895; 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
	£	£	£	£	£	£	£	£	£
1926	1,000,000	838,995	535,822	379,349	202,046	691,770	234,018	235,425	83,668
1937	1,000,000	985,217	787,666	378,528	62,854	712,590	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	1,028,487	469,796	500,993	...
1940	1,050,000	1,238,016	645,920	521,908	65,881	674,443	384,196	624,486	...

BANK OF AMERICA
N.T. & S.A.

December 31	LIABILITIES			N.T. & S.A.		ASSETS		
	Capital, Surplus and Profit and Reserves	Liabilities for Letters of Credit, Acceptances, etc.	Deposits	Cash and due from Banks	Investments and Securities	Stock in Federal Reserve Bank	Loans, Discounts and Bankers' Acceptances	Premises, etc.
1935	\$ 104,107,653	\$ 18,046,264	\$ 1,155,265,465	\$ 134,989,706	\$ 620,219,559	\$ 2,475,000	\$ 451,009,354	\$ 85,394,076
1936	108,139,177	23,221,284	1,298,976,759	204,171,712	623,304,982	2,505,000	532,078,968	94,759,618
1937	111,995,831	23,998,508	1,357,378,756	244,970,758	550,551,379	2,580,000	630,688,811	85,389,955
1938	116,830,362	20,863,817	1,437,027,491	280,168,299	554,932,428	2,700,000	673,828,309	85,531,684
1939	126,978,730	18,815,872	1,482,791,676	248,265,914	601,478,671	2,790,000	711,054,897	91,530,765



Trade & Investment

In the past quarter century Australia has paid the United Kingdom £1,500,000,000 sterling for goods and services, and interest and dividends on investments. Australia's oldest and largest Bank is actively engaged in financing and promoting this lucrative trade and investment.

BANK OF
NEW SOUTH WALES

Incorporated in New South Wales with Limited Liability
Established 1817

London Offices: 29 Threadneedle Street, E.C.2 & 47 Berkeley Square, W.1

The
English, Scottish & Australian
Bank, Limited

Head Office: 5 GRACECHURCH ST., E.C.3
and 403 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 - - - £1,725,000
Special Currency Reserve - £1,585,000

Board of Directors:

S. M. WARD, Esq., Chairman.
THE RT. HON. LORD ALDENHAM, B. M. JANION, Esq.
SIR CLIVE BAILLIEU, K.B.E., C.M.G. SIR GEORGE SCHUSTER, K.C.S.I., K.C.M.G., C.B.E., M.C., M.P.
THE RT. HON. LORD HUNTINGFIELD, K.C.M.G. SIR FREDERICK W. YOUNG.

Manager & Secretary—J. A. CLEZY.
Sub-Mgr.—R. J. ALLEN. Accountant—C. N. HARRISON.
Bankers: Bank of England: Westminster Bank Limited.

Chief Office in Australia:
COLLINS STREET, MELBOURNE

Drafts issued on the Branches and Agencies of the Bank throughout Australia. Circular Letters of Credit and Travellers' Cheques issued. Remittances made by Telegraphic Transfer. Bills Negotiated or forwarded for Collection. Wool and Produce Credits arranged. Banking and Exchange Business of every description transacted with Australia.

BANK OF LONDON
&
SOUTH AMERICA
LIMITED

Affords a
complete international banking service
through its branches in

ARGENTINA, BRAZIL, CHILE,
COLOMBIA, ECUADOR, GUATE-
MALA, NICARAGUA, PARAGUAY,
PERU, EL SALVADOR, URUGUAY,
VENEZUELA, FRANCE, PORTUGAL,
SPAIN.

Head Office:
6, 7 and 8, TOKENHOUSE YARD
LONDON, E.C.2

Agencies in:
New York, Bradford, Manchester

THE
YOKOHAMA
SPECIE BANK
LIMITED

Incorporated in Japan Established 1880

Subscribed and paid-up Capital Yen 100,000,000
Reserve Fund - - - „ 140,900,000

Head Office - YOKOHAMA.

BRANCHES IN ALL
PRINCIPAL PARTS
OF THE WORLD.

London Office: 7 BISHOPSGATE, E.C.2
H. KANO, London Manager

BANCA COMMERCIALE ITALIANA

The net profit for the year ended December 31, 1939, was 36,090,755 lire.

LIABILITIES										ASSETS				
Dec. 31	Capital and Reserves	Bills Payable	Commercial Acceptances	Deposits and Current Accounts	Guarantees	Rebate on Bills	Securities Deposited	Cash in Hand	Bills Receivable, Govt. Securities and Money at Call	Contango and Loans	Participations in Affiliated Banks	Other Govt. Securities and Bonds and Shares	Current Accounts	
	Lire	Lire	Lire	Lire	Lire	Lire	Lire	Lire	Lire	Lire	Lire	Lire	Lire	Lire
1935	844,785,576	199,914,293	24,329,912	6,960,128,565	207,293,021	7,293,737	7,991,937,675	344,779,826	4,657,177,195	118,296,284	252,892,498	192,637,964	2,298,101,489	
1936	845,769,054	208,239,123	29,484,872	6,900,421,209	199,183,203	5,393,536	6,832,915,038	640,014,933	4,888,231,733	93,402,047	251,794,095	128,733,052	2,044,889,881	
1937	847,595,198	242,083,149	205,202,793	7,477,990,823	316,613,081	8,634,398	6,932,870,471	705,722,912	4,932,811,653	104,207,077	250,944,629	187,080,441	2,290,031,994	
1938	851,087,697	251,217,527	175,040,372	7,029,573,913	301,804,335	9,947,056	9,388,711,724	793,317,731	4,692,763,355	107,284,060	224,678,931	135,068,304	2,353,588,527	
1939	855,000,000	390,987,918	48,523,737	7,327,434,232	385,399,832	10,365,045	10,051,556,179	1,059,493,775	4,674,528,403	110,817,292	173,813,754	154,051,633	2,527,535,556	

BANK OF ATHENS

The report of the directors for the year ended December 31, 1939, states that net profits, after making the necessary provisions for amortisation, general expenses, taxes, installations, repairs to premises, and staff pension fund, amount to Drs. 18,089,840. It was proposed to declare a dividend of Drs. 10 per share, and to carry forward the balance of Drs. 4,940,572.

LIABILITIES										ASSETS				
December 31	Capital and Reserves	Sight Deposits	Fixed Deposits	Deposits in Guarantees	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.	Drs.
1935	176,000,000	878,179,945	450,585,398	38,321,310	682,618,617	289,309,334	32,394,305	263,800,560	68,709,082	476,246,778	905,882,225	538,848,341	2,211,827,733	
1936	176,000,000	879,777,476	489,856,921	41,611,658	742,909,986	280,095,182	31,831,272	321,376,249	96,642,680	494,204,055	831,244,476	528,925,193	2,095,661,204	
1937	176,000,000	909,207,911	473,463,521	41,625,249	832,322,114	302,650,622	34,374,679	256,036,402	94,991,250	608,264,044	886,682,955	597,126,977	2,229,641,771	
1938	176,000,000	890,112,169	469,992,955	38,133,597	896,683,455	350,099,624	35,897,081	263,495,956	78,029,730	618,294,200	869,129,458	697,135,927	2,366,680,711	
1939	176,000,000	874,614,321	443,942,560	70,924,044	797,907,731	301,864,235	36,119,494	300,322,433	58,776,295	520,694,957	717,268,297	640,857,186	3,009,894,787	

* Including participations.

BANKERS' TRUST COMPANY, NEW YORK

LIABILITIES										ASSETS				
December 31	Capital and Surplus Fund	Un-divided Profits	Contingency Fund	Deposits	Out-standing and Certified Cheques	Out-standing Acceptances	Cash in Hand and at Banks	Ex-changes for Clearing House	U.S. Govt. Securities	Demand Loans	Time Loans and Discounts	Securities and Investments	Customers' Liability on Acceptances	Premises
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
1934	75,000,000	12,018,798	16,922,710	881,365,212	21,622,819	6,803,883	189,202,302	55,875,115	437,811,600	49,922,008	183,182,634	50,367,524	5,937,672	20,453,109
1935	75,000,000	18,386,035	13,966,036	860,783,720	49,592,323	4,193,581	190,296,399	82,091,886	459,595,208	50,734,859	198,125,324	55,428,410	3,765,941	20,115,982
1936	75,000,000	25,837,771	8,200,000	1,010,920,321	42,700,840	9,273,253	225,816,844	59,575,789	448,876,818	76,987,807	175,958,646	62,383,310	8,361,325	19,822,258
1937	75,000,000	26,932,372	5,500,000	819,473,017	33,323,824	5,873,894	262,548,353	57,568,449	343,935,274	59,246,989	185,131,887	90,473,728	5,222,569	19,522,483
1938	75,000,000	29,484,118	5,000,000	890,465,428	21,833,118	3,708,408	331,521,905	...	381,891,783	...	218,953,410	82,367,499	3,429,746	21,249,913
1939	75,000,000	31,047,727	5,000,000	1,162,756,041	9,134,494	5,272,042	406,561,197	...	498,411,147	...	229,566,520	80,700,313	4,549,810	20,955,407

* Including demand loans.

BANCO DI ROMA

The net profits for the year 1939 were 12,510,461 lire.

LIABILITIES										ASSETS				
December 31	Capital and Reserves	Deposits on Current and Savings Accounts	Balances Due to Correspondents	Circular Cheques	Acceptances on behalf of Customers	Guarantees for Third Parties	Sundry Deposits	Cash in Hand and with Banks	Portfolio Treasury Bills, and Sight Funds	Balances Due by Correspondents	Secured Advances	Investments	Securities on Deposit	
	Lire	Lire	Lire	Lire	Lire	Lire	Lire	Lire	Lire	Lire	Lire	Lire	Lire	Lire
1935	242,280,840	665,129,453	1,843,532,080	108,099,152	7,156,290	108,431,121	3,415,778,790	461,127,147	120,402,536	708,364,073	233,488,454	107,654,456	164,988,500	
1936	243,280,840	982,348,883	2,245,674,372	141,801,118	6,775,693	172,003,824	2,987,658,127	535,213,984	147,105,271	1,012,000,505	280,547,089	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	1,177,726,757	499,266,758	184,783,656	112,889,000	
1938	245,347,352	1,482,460,003	2,944,527,597	191,256,321	81,653,998	127,807,199	4,546,864,945	666,481,215	210,796,329	1,198,549,248	564,095,793	178,010,466	77,390,600	
1939	246,523,392	1,665,827,880	3,304,893,505	240,074,492	27,400,708	175,909,339	5,600,806,951	771,765,567	232,319,126	1,481,576,758	533,243,390	216,853,774	43,631,900	

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 Banks, and at Call	Bills Receivable	Advances, Securities, etc.	Premises					
	£	£	£	£	£	£	£	£	£	£	£	£	£	£
1935	5,540,000	28,268,764	660,544	1,719,341	6,350,249	7,141,293	6,025,981	19,862,878	1,913,705					
1936	6,040,000	55,403,372	1,167,703	2,604,644	6,952,716	13,520,581	10,118,302	36,700,291	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	37,928,450	2,688,368					
1938	6,040,000	56,286,088	1,123,305	2,686,608	9,559,592	14,865,394	9,418,322	37,163,381	2,667,721					
1939	6,040,000	60,494,690	1,566,955	2,364,256	9,921,850	21,445,637	10,883,812	33,618,472	2,834,505					

THE BANK OF ROUMANIA, LIMITED

LIABILITIES										ASSETS				
December 31	Capital	Current Accounts, etc.	Guarantees, etc., for Account of Customers	Subsidiary Companies' Current Accounts	Cash in Hand and at Banks	Balances with Banks Abroad	Money at Call and Short Notice in London	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	31,323	482,802	17,258				
1935	300,000	1,246,401	32,636	3,956	436,806	7,416	25,000	396,618	685,141	17,833				
1936	300,000	936,972	97,533	13,222	200,303	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				

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	Yen	Yen
1935	18,504,000	58,631,534	254,237,244	34,702,655	27,580,212	3,000,881	2,461,896	18,569,787	18,469,065	203,319,084	66,880,881	81,830,916	1,317,407	4,761,013		
1936	19,504,000	63,673,700	257,690,082	57,938,643	3,600,616	3,076,606	1,713,804	12,863,140	15,557,040	203,674,503	61,833,236	103,812,626	659,541	4,887,700		
1937	20,700,000	75,489,725	266,414,839	70,592,610	7,756,065	4,999,807	1,808,681	19,240,288	12,369,151	205,306,560	83,378,043	114,827,664	999,037	6,025,434		
1938	21,900,000	105,440,193	284,353,313	81,314,993	1,843,168	9,076,067	2,900,683	75,536,499	945,211	238,409,550	58,234,807	117,115,694	1,493,629	6,893,555		
1939	23,200,000	146,468,754	334,660,016	57,462,521	750,520	6,912,041	2,664,603	82,733,876	7,436,656	234,013,837	66,933,997	165,983,304	1,799,404	1,875,000		

BANQUE COMMERCIALE DU CONGO

BANQUE COMMERCIALE DU CONGO										ASSETS					
LIABILITIES															
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		
	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.	Frs.		
1935 ...	35,000,000	2,100,347	107,369,940	361,500	1,905,369	1,689,381	26,727,663	84,806,315	25,592,006	6,326,877	...	45,937	1,239,250		
1936 ...	35,000,000	...	201,788,409	...	71,134	2,765,841	5,408,842	124,201,737	18,218,480	60,212,674	461,292	13,176	...		
1937 ...	35,250,000	...	163,160,089	...	89,353	2,258,691	6,784,819	177,956,299	14,792,177	99,891	461,292	13,887	...		
1938 ...	38,569,686	...	192,159,943	361,500	120,362	1,386,311	9,413,412	205,268,679	13,816,363	7,187	461,292	267,792	...		
1939 ...	39,611,379	...	187,566,642	361,500	155,397	1,852,817	4,194,528	95,449,154	11,127,998	67,928	461,292	190,246	...		

ASSETS

ASSETS

LIABILITIES					ASSETS							
December 31	Capital and Reserves	Current, Deposit 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
	£	£	£	£	£	£	£	£	£	£	£	£
1935	207,000	323,711	135,304	34,893	44,578	...	2,355	48,080	74,512	177,176	185,528	1,156
1936	207,000	374,077	106,701	79,579	34,587	70,000	806	6,859	84,309	161,254	231,141	1,156
1937	210,000	408,122	122,065	76,888	21,640	80,000	12,654	42,320	88,701	135,908	242,487	1,201
1938	212,000	395,596	147,380	60,714	30,840	43,000	2,418	41,217	78,412	129,981	280,786	1,238
1939	207,000	388,535	101,283	135,406	19,199	100,000	...	...	...	...	248,270	1,242

Complete International Banking Service

HEAD OFFICE:
25/31 MOORGATE, LONDON, E.C.2

Principal Offices in the Near East—
ATHENS · ALEXANDRIA · NICOSIA

NEW YORK: Bank of Athens Trust Company, 205 West 33rd Street

London Office: 67 BISHOPSGATE, E.C.2
M. MAY

THOS. COOK AND SON (BANKERS), LIMITED

LIABILITIES						ASSETS							
October 31	Capital and Reserve	Current, Deposit and other Accounts, etc.	Balances due to Subsidiary Companies	Liability to Customers on account of Engagements, etc.	Cash in Hand and with Bankers on Account	Deposits with Bankers	Currencies in Hand	Remittances in Transit	Money at Call and Short Notice	Discounts	Investments	Advances	Premises
1935	250,000	3,241,684	68,048	18,999	613,378	1,794,182	27,389	182,121	95,000	105,698	508,530	209,510	56,327
1936	250,000	4,016,801	40,845	24,384	707,411	1,953,124	28,266	210,740	435,000	10,134	622,829	283,272	56,870
1937	250,000	4,469,910	57,821	28,658	509,270	2,688,023	30,760	227,590	250,000	19,853	681,026	336,281	54,947
1938	250,000	4,022,180	63,243	25,968	743,087	1,679,528	37,630	158,509	300,000	240,059	801,459	323,934	53,199
1939	250,000	3,451,661	63,614	21,309	675,231	938,750	68,389	232,852	285,000	377,537	778,517	317,401	51,601

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	Sundry	
1935 ...	Fr. 1,200,000,000	Fr. 4,516,322,913	Fr. 5,858,339,320	Fr. 171,484,088	Fr. 92,104,875	Fr. 34,463,492	Fr. 1,779,488,093	Fr. 6,944,576,417	Fr. 315,799,036	Fr. 3,052,156,099	Fr. 3,749,051	Fr. 41,140,043	
1936 ...	1,200,000,000	4,332,734,440	5,804,774,582	217,258,118	184,920,433	28,505,950	1,588,949,841	7,385,525,385	418,478,682	2,525,868,820	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	2,893,448,013	3,464,784	680,584,281	
1938 ...	1,200,000,000	5,471,788,218	7,034,680,874	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	87,310,018	
1939 ...	1,200,000,000	6,282,547,799	9,522,377,443	295,798,816	267,935,334	58,824,462	2,965,585,009	11,777,127,923	172,435,046	2,755,195,836	3,582,320	690,603,768	

CREDITO ITALIANO

LIABILITIES						ASSETS							
Dec. 31	Capital and Reserves	Deposits and Savings Accounts	Current Accounts	Acceptances on behalf of Customers	Cheques Outstanding	Sundry Creditors	Guarantees on Account of Customers	Cash in Hand and at Call	Bills Receivable	Loans Against Collateral	Current Accounts	Investments	Sundry Debtors
1935 ...	Lire 605,880,040	1,498,888,181	4,260,164,875	8,335,220	202,811,183	108,490,493	270,816,796	339,269,560	3,880,283,243	67,754,803	1,525,338,167	714,103,677	85,544,535
1936 ...	608,782,289	1,827,407,558	4,045,954,520	4,477,832	228,655,244	121,820,076	189,320,839	598,511,847	3,684,954,255	118,943,912	1,508,320,354	729,089,735	151,612,763
1937 ...	611,659,733	1,975,486,078	4,223,345,090	127,228,749	259,728,424	133,820,241	191,700,980	463,681,092	3,823,505,410	133,873,725	1,841,898,463	808,625,948	85,502,819
1938 ...	614,537,798	2,189,398,393	3,878,712,873	114,305,140	257,018,808	139,728,277	194,071,621	501,821,540	3,931,014,738	98,314,467	1,800,086,933	800,112,420	87,310,018
1939 ...	617,472,332	2,478,839,284	4,218,595,578	60,030,290	382,038,183	142,870,221	224,184,895	708,332,130	4,098,127,036	125,167,056	2,082,948,963	878,607,455	115,488,531

COMPTOIR NATIONAL D'ESCOMPTE DE PARIS

LIABILITIES						ASSETS							
Dec. 31	Capital and Reserves	Current and Deposit Accounts	Fixed Deposits	Acceptances	Cash in Hand and at Banks	Discounts and French Treasury Bills	Loans and Advances	Current Accounts	Branches Abroad	Investments	Credit Balances with Correspondents	Sundry Accounts	
1935	Fr. 841,698,358	Fr. 6,708,728,881	Fr. 25,004,920	Fr. 114,590,433	Fr. 1,430,756,831	Fr. 3,779,641,237	Fr. 346,690,841	Fr. 1,192,660,774	Fr. 89,483,784	Fr. 13,335,103	Fr. 881,277,833	Fr. 18,805,860	
1936	843,979,171	7,425,884,894	30,421,150	140,549,892	1,410,407,870	4,270,686,870	448,691,930	1,465,285,090	51,125,747	13,401,863	703,194,452	94,125,180	
1937	845,789,390	7,820,368,513	32,307,580	185,943,343	1,782,507,834	4,264,692,098	406,617,277	1,381,055,668	33,042,484	13,468,528	733,918,570	16,081,827	
1938	848,089,453	8,562,821,740	38,376,770	204,680,559	1,853,679,885	4,983,481,159	425,323,482	1,407,736,220	55,087,571	13,455,067	829,789,492	18,381,569	
1939	850,076,495	9,979,681,935	55,241,280	297,482,963	1,910,135,620	6,670,522,068	378,069,745	1,492,584,188	38,177,813	13,476,378	483,931,352	21,143,076	

CRÉDIT FONCIER D'ALGERIE ET DE TUNISIE

LIABILITIES						ASSETS							
December 31	Capital and Reserves	Joint Account with Crédit Foncier de France*	Current and Deposit Accounts	Time Deposits	Correspondents and Creditors	Acceptances, etc.	Cash	Bills	Correspondents	Investments	Advances Against Securities	Current Accounts	Syndicates
1934	Fr. 183,068,368	Fr. 595,631,784	Fr. 1,580,675,016	Fr. 308,401,920	Fr. 149,499,240	Fr. 17,791,300	Fr. 104,759,970	Fr. 1,207,413,112	Fr. 68,548,708	Fr. 53,062,950	Fr. 365,985,185	Fr. 358,352,824	Fr. 48,805,226
1935	188,890,828	585,270,290	1,591,183,259	318,689,222	148,037,784	17,665,816	102,473,372	885,385,691	72,350,932	53,449,364	374,068,578	392,701,259	50,554,521
1936	184,244,760	581,109,825	1,349,351,328	313,485,546	174,982,680	18,108,976	91,128,609	938,512,547	103,396,544	48,986,835	377,810,453	388,835,011	36,904,862
1937	184,727,809	550,457,807	1,581,339,472	319,089,719	220,181,214	13,824,123	150,392,985	1,090,409,020	134,696,919	49,889,834	388,458,068	421,829,390	36,516,919
1938	185,223,033	541,184,212	1,801,560,248	392,539,680	318,494,096	33,332,520	263,331,684	1,332,683,870	216,888,198	198,52,647,981	354,783,278	416,786,140	36,475,759

* Offset by equal assets.

CITY BANK FARMERS TRUST COMPANY

LIABILITIES						ASSETS							
Dec. 31	Capital and Surplus	Undivided Profits	Reserves	Deposits	Cash and Due from Banks and Bankers	Loans and other Secured Advances	U.S. Government Obligations (Direct or Fully Guaranteed)	Other Bonds and Securities	Stock in Federal Reserve Bank	Bank Premises	Other Assets		
1935	\$ 20,000,000	\$ 2,805,961	\$ 1,057,513	\$ 87,526,709	\$ 36,275,953	\$ 9,409,432	\$ 39,771,668	\$ 18,573,843	\$ 800,000	\$ 4,577,240	\$ 2,182,045		
1936	20,000,000	3,435,194	2,237,917	106,445,371	48,200,180	7,708,245	32,304,003	18,681,002	800,000	4,427,972	2,785,780		
1937	20,000,000	4,120,759	3,115,281	73,396,510	34,183,883	10,296,214	31,740,359	16,828,778	800,000	4,278,704	2,704,611		
1938	20,000,000	4,438,098	3,303,805	80,108,623	39,482,154	12,471,945	33,082,456	15,837,290	800,000	4,669,675	1,906,806		
1939	20,000,000	4,749,635	1,701,138	79,052,586	45,003,248	11,251,695	28,469,956	13,908,621	800,000	4,015,916	1,695,018		

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	Accrued Interest and Accounts Receivable
1934	\$ 280,000,000	\$ 7,294,720	\$ 10,267,571	\$ 94,908,218	\$ 1,237,089,329	\$ 22,975,116	\$ 233,576,269	\$ 464,507,036	\$ 20,000,000	\$ 96,053,087	\$ 579,712,918	\$ 2,579,303	\$ 13,961,691
1935	280,000,000	7,398,412	15,076,421	71,334,590	1,485,303,641	28,627,522	620,600,526	474,466,017	...	80,907,459	592,238,784	2,980,699	13,547,352
1936	280,000,000	8,356,862	27,583,280	47,501,324	1,709,643,127	35,166,883	680,220,263	590,105,249	...	86,092,407	669,230,384	2,322,210	13,277,131
1937	280,000,000	11,680,040	20,442,681	45,065,711	1,424,208,361	25,999,152	478,270,801	540,506,088	...	77,918,395	623,244,877	2,048,627	12,424,192
1938	280,000,000	12,808,420	21,374,545	20,983,416	1,597,492,697	22,485,479	788,474,638	486,310,848	...	77,228,137	528,846,450	2,115,837	12,143,011
1939	280,000,000	14,701,654	18,982,637	14,620,349	2,074,399,693	13,528,652	1,040,901,784	729,800,978	...	92,027,011	500,380,310	1,803,142	11,754,742

THE EASTERN BANK
LIMITEDHEAD OFFICE: CROSBY SQUARE,
BISHOPSGATE, LONDON, E.C.3

Authorised Capital - £2,000,000
Paid-up Capital - £1,000,000
Reserve Fund - £500,000

BRANCHES:
BOMBAY, CALCUTTA, KARACHI,
MADRAS, COLOMBO, SINGAPORE,
BAGHDAD, BASRA, AMARAH,
MOSUL, KIRKUK, BAHRAIN

Conducts all descriptions of
Banking business with the East.

Current Accounts are opened
and Fixed Deposits are received
at rates of interest which may
be ascertained on application.

EXECUTORSHIPS and TRUSTEESHIPS
UNDERTAKEN.

THE UNION BANK
OF SCOTLAND, Ltd.

ESTABLISHED 1830

SUBSCRIBED CAPITAL - £5,200,000
PAID-UP - £1,200,000
RESERVE FUND - £1,800,000
DEPOSITS - £36,002,367

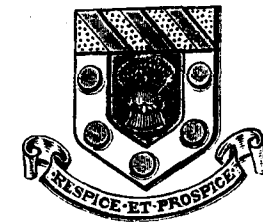
HEAD OFFICES:
GLASGOW—St. Vincent Street EDINBURGH—George Street
208 Branches throughout Scotland

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

BANKING
SERVICE

World-wide facilities
for Banking business
of every description.

EXECUTORSHIPS AND
TRUSTEESHIPS UNDERTAKEN

The Bank is a Trust Corporation
and as such is prepared to act
solely or jointly as Executor
and/or Trustee.

Booklet containing full information
is obtainable free, at any office.

WILLIAMS
DEACON'S
BANK LTD.

Principal London Offices:
20 BIRCHIN LANE, E.C.3.
9 PALL MALL, S.W.1.
Principal Manchester Offices:
MOSLEY ST., 2—ST. ANN ST., 2

ASSOCIATED BANK:
THE ROYAL BANK OF SCOTLAND

THE
PIONEER LIFE
ASSURANCE COMPANY, LTD.

Chief Office: 31 DALE STREET, LIVERPOOL, 2

ESTABLISHED 1891

ASSETS exceed . . . £1,000,000
CLAIMS PAID exceed . . . £2,000,000

HAMBROS BANK, LIMITED

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
1936	£2,800,000	£189,339	£14,523,037	£10,031,923	£4,859,083	£2,976,793	£4,903,012	£4,776,078
1937	2,800,000	183,001	16,114,477	13,737,385	5,937,388	2,823,995	5,143,219	5,201,790
1938	2,800,000	168,178	17,224,190	10,804,171	4,983,144	4,625,806	5,310,554	5,281,584
1939	2,800,000	175,645	15,249,762	11,410,437	5,533,998	4,588,001	3,016,061	5,111,387
1940	1,400,000	138,922	10,508,982	3,667,535	3,228,661	2,232,896	2,494,533	4,139,689

THE HONGKONG AND SHANGHAI BANKING CORPORATION

LIABILITIES							ASSETS				
Dec. 31	Capital and Reserves	Notes in Circulation	Current Accounts	Fixed Deposits	Bills Payable	Acceptances	Profit and Loss Account	Cash	Bullion in Hand and in Transit	British Government, Indian, Colonial and other Securities	Discounts, Loans and Credits
1935	\$129,840,000	\$119,010,770	\$68,131,918	\$208,027,823	\$12,424,354	\$2,366,587	\$11,699,860	\$154,181,307	\$41,909,294	\$262,233,304	\$435,863,291
1936	134,873,950	127,636,280	649,329,397	188,614,455	14,821,639	3,306,510	12,085,328	197,465,219	...	301,419,785	493,812,564
1937	134,873,950	200,254,180	700,263,011	159,896,537	21,500,995	3,408,612	12,127,542	257,931,297	...	324,334,289	487,314,472
1938	134,873,950	210,379,120	724,134,216	148,137,618	21,410,649	2,560,568	12,145,172	310,514,048	...	354,117,642	454,001,338
1939	134,873,950	195,498,930	691,030,686	148,765,401	39,137,795	5,989,815	10,165,111	275,945,074	...	324,917,404	452,273,935

THE IMPERIAL BANK OF IRAN

LIABILITIES						ASSETS				
March 20	Capital and Reserves	Current and Fixed Deposits, etc.	Bills Payable, Provision for Contingencies, Endorsements, etc.	Acceptances, etc.	Profit and Loss Account	Cash in Hand, at Bankers, at Call, and Short Notice, and Bullion	British Government and Other Securities	Discounts, Loans, Advances, etc.	Bills Receivable	Premises
1935	1,580,000	3,065,478	2,009,720	620,325	£4,818	1,278,923	3,552,066	1,222,163	694,194	2,670
1936	1,580,000	3,537,911	1,827,578	970,268	94,818	1,102,424	3,259,738	2,082,757	654,581	1,892
1937	1,750,000	3,539,235	1,643,817	891,497	98,004	899,602	2,844,780	2,447,445	838,219	1,041
1938	1,750,000	3,740,552	1,605,191	627,381	99,008	868,211	3,058,518	2,720,367	550,855	1,000
1939	1,750,000	3,355,430	1,659,603	853,552	116,930	1,070,647	3,167,940	2,129,528	512,847	1,000

INTERNATIONAL BANKING CORPORATION

LIABILITIES								ASSETS				
December 31	Capital and Surplus	Undivided Profits	Deposits	Notes in Circulation in China	Items in Transit with Branches	Acceptances	Reserves	Cash and Due from Banks and Bankers	Loans, Discounts and Advances	Bonds and Securities	Customers' Liability Account of Acceptances	Other Assets
1935	\$6,000,000	\$2,173,144	\$12,044,103	\$453,671	\$219,944	\$3,076,316	\$406,084	\$2,466	\$8,285,434	\$4,792,330	\$7,166,035	\$3,067,000
1936	6,000,000	2,170,008	7,278,608	515,907	185,896	764,400	855,628	2,466	7,173,602	\$3,300,125	\$5,791,085	723,300
1937	6,000,000	2,228,750	5,084,560	384,898	801	1,380,780	886,001	...	5,040,896	3,406,923	5,616,021	330,000
1938	6,500,000	1,736,972	5,492,890	192,674	...	439,760	885,567	...	6,353,761	2,349,874	5,500,920	438,980
1939	6,500,000	1,725,666	7,628,075	33,084	...	772,600	421,400	...	7,486,203	3,092,730	5,720,068	772,600

* Including items in transit with branches.

IONIAN BANK, LIMITED

LIABILITIES					ASSETS							
December 31	Capital and Reserves	Current and Deposit Accounts, Outstanding Advances, Letters of Credit, etc.	Bills Payable	Profit and Loss	Cash in Hand, at Bankers, in Transit	Balances with Banking Correspondents	Investments	Bills receivable	Loans and Advances, Outstanding Advances, Exchange Contracts, etc.	Liability of Customers for Acceptances	Mortgaged Property in Possession	Premises
1935†	800,000	3,269,850	40,708	26,646	414,365	33,285	£81,946	601,318	1,990,124	182,131	34,002	217,992
1936†	800,000	3,151,042	41,615	16,823	373,020	65,006	707,223	483,746	2,130,562	310,774	36,253	217,992
1937	800,000	3,511,320	69,208	24,462	407,854	30,446	699,242	633,068	2,377,994	191,396	43,593	217,992
1938	800,000	3,958,583	51,065	26,935	271,383	40,787	749,709	685,837	2,833,855	147,397	42,885	217,992
1939	800,000	3,970,940	107,628	31,046	382,837	81,768	854,802	821,823	2,713,431	99,292	42,292	217,991

* 16 months to December 31st. † August 31st.

ITALO-BELGIAN BANK

LIABILITIES						ASSETS						
June 30	Capital and Reserves	Current and Deposit Accounts	Bankers and Correspondents	Bills Payable	Re-discount on Bills	Depositors and Sundry Accounts	Cash in Hand and with Bankers	Bills Receivable	Investments	Bankers and Correspondents	Loans and Advances	Premises
1935	Frs. 200,000,000	Frs. 712,870,234	Frs. 88,814,177	Frs. 95,664,121	Frs. 568,320	Frs. 2,634,684,453	Frs. 196,303,690	Frs. 281,631,241	Frs. 25,514,659	Frs. 242,403,450	Frs. 350,547,338	Frs. 21,000,000
1936	200,000,000	395,404,704	119,800,328	110,505,941	653,348	2,997,851,948	199,989,317	254,540,278	22,769,053	289,735,077	373,125,481	21,000,000
1937	200,000,000	435,490,796	168,598,982	141,820,244	425,131	2,222,835,164	212,860,978	298,598,615	29,086,305	281,151,867	533,992,679	21,000,000
1938	200,000,000	533,784,731	223,745,141	143,308,190	400,625	2,234,610,712	199,010,411	274,205,351	23,358,923	463,559,667	539,449,225	21,000,000
1939	200,000,000	395,413,552	188,025,536	114,119,158	1,675,366	1,690,597,012	186,587,027	123,534,846	27,779,807	163,909,716	291,504,345	21,000,000

THE MITSUBISHI BANK, LIMITED

LIABILITIES					ASSETS									
December 31	Capital and Reserves	Deposits	Acceptances and Guarantees	Interest accrued on Deposits	Cash on Hand and in Banks	Money at Call and Short Notice	Government, Municipal and other Bonds	Stocks and Shares	Discounts and Loans	Foreign Bills Purchased	Due from Foreign Banks	Money in Trust	Capital Uncalled	Premises etc.
1935	Yen 150,236,983	Yen 730,807,090	Yen 4,586,579	Yen 7,770,849	Yen 80,970,903	Yen 41,415,000	Yen 879,698,850	Yen 28,253,142	Yen 294,387,372	Yen 43,869,947	Yen 9,576,573	Yen 4,029,096	Yen 37,500,000	Yen 17,605,232
1936	154,618,825	810,406,894	4,590,978	7,255,478	63,334,394	48,185,000	867,037,372	27,997,590	370,662,459	46,777,515	5,227,418	4,478,856	37,500,000	20,126,374
1937	156,011,803	892,552,305	1720,2879	7,257,673	71,438,055	44,400,000	923,903,893	27,495,030	530,792,746	47,909,556	5,367,536	4,630,325	37,500,000	20,472,384
1938	168,472,064	1,149,167,051	4,363,171	8,368,423	105,724,530	65,585,714	1,031,816,390	26,599,030	628,050,415	32,232,111	15,478,019	5,094,028	37,500,000	20,398,358
1939	167,807,982	1,365,642,230	2,157,554	9,410,590	142,227,499	1,132,789,476	1,457,876,31	320,661	706,233,458	49,189,718	15,668,536	5,637,063	37,500,000	20,058,493

Royal Bank of Scotland

Incorporated by Royal Charter, 1727.

Head Office: St. Andrew Square, EDINBURGH

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 - £2,253,466
 DEPOSITS and CREDIT BALANCES as at 29th February, 1940 - £42,137,116

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 340 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:
EDINBURGHBranches throughout
SCOTLAND

ESTABD 1825

LONDON OFFICES: 37 Nicholas Lane, E.C.4, and 18/20 Regent Street, Piccadilly Circus, S.W.1

Every description of banking service undertaken, including Foreign Exchange, Trustee and Executry business.

THE 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	Foreign Bills purchased	Due from Foreign Banks	Capital Uncalled	Premises		
1935.....	Yen 158,800,000	796,293,049	19,098,263	Yen 9,234,652	7,598,671	2,092,741	55,985,859	29,630,000	316,997,228	451,786,280	83,540,862	3,134,919	40,000,000	14,852,181		
1936.....	180,800,000	856,924,636	31,010,071	26,920,135	8,208,881	2,342,053	58,449,867	39,720,000	296,830,643	518,688,998	72,851,209	5,005,380	40,000,000	17,373,629		
1937.....	162,800,000	945,796,208	13,484,618	5,624,658	8,475,180	2,530,918	97,166,629	44,480,000	261,460,825	616,500,744	19,421,291	8,137,787	40,000,000	16,715,443		
1938.....	165,800,000	1,126,801,134	16,192,020	7,972,309	9,885,103	3,223,576	93,037,800	48,300,000	328,612,880	718,492,473	72,068,515	2,467,845	40,000,000	17,884,393		
1939.....	168,800,000	1,349,044,772	63,812,486	9,836,068	10,790,124	3,973,123	142,436,781	52,400,000	386,109,927	867,465,958	88,257,154	2,968,744	40,000,000	17,061,972		

THE NATIONAL BANK OF EGYPT

Dec. 31	LIABILITIES						ASSETS									
	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		
1935.....	£st. 6,000,000	£st. 21,855,049	£st. 6,220,582	£st. 958,364	£st. 1,810,345	£st. 229,140	£st. 1,107,923	£st. 1,103,622	£st. 2,551,852	£st. 1,955,000	£st. 23,828,753	£st. 7,150,069	£st. 2,400,018	£st. 467,000		
1936.....	6,000,000	20,891,810	4,868,663	1,062,380	1,978,266	235,081	1,288,091	1,106,816	2,512,833	2,205,000	22,071,850	6,920,923	1,963,460	54,213,508		
1937.....	6,000,000	18,996,926	6,413,153	952,033	1,817,904	222,088	1,663,821	849,311	2,441,081	1,635,000	23,059,647	6,592,907	1,043,933	52,636,912		
1938.....	6,000,000	17,645,959	2,292,279	1,061,583	1,606,089	187,220	1,513,208	624,026	2,512,330	1,505,000	14,849,536	8,470,596	1,786,564	53,728,881		
1939.....	6,000,000	17,996,685	882,662	409,534	1,408,365	328,582	2,217,686	1,540,047	2,263,749	595,000	10,291,679	12,323,290	1,909,436	606,696		

THE NATIONAL CITY BANK OF NEW YORK

Dec. 31	LIABILITIES						ASSETS									
	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	\$ 1,334,924,308	\$ 430,285,755	\$ 431,938,339	\$ 135,518,034	\$ 481,831,814	\$ 59,973,257	\$ 14,630,000	\$ 3,377,340	\$ 58,162,279			
1935.....	157,500,000	10,644,279	16,111,807	57,444,517	1,532,495,244	427,435,244	510,784,889	179,785,459	517,223,811	59,041,193	12,725,030	10,670,332	54,213,508			
1936.....	120,000,000	13,482,953	13,821,556	49,976,612	1,713,840,229	463,258,611	526,891,831	228,001,549	539,348,848	23,692,029	11,600,000	4,729,859	52,636,912			
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	603,141,410	13,315,994	11,652,500	4,903,780	50,513,249			
1938.....	124,000,000	13,554,940	11,882,323	34,485,834	1,835,286,500	531,718,814	688,795,810	195,414,121	521,931,493	12,238,717	11,705,000	2,958,758	46,556,997			
1939.....	130,000,000	15,018,554	11,895,649	28,727,597	2,331,257,944	933,912,397	733,592,491	221,449,630	539,723,122	14,371,235	11,735,000	3,267,134	42,676,271			

* Appears on Liability side.

SOCIÉTÉ GÉNÉRALE Pour Favoriser le Développement du Commerce et de l'Industrie en France

Dec. 31	LIABILITIES						ASSETS									
	Capital and Reserves	Cheque Accounts	Deposits for Fixed Periods	Sundry Current Accounts	Acceptances	Cash in Hand and at Banks	Bills and National Defence Bonds	Coupons for Encashment and Contangoes	Advances on Security	Sundry Current Accounts	Govt. Stocks, Shares, etc., and Investments	Real Estate, etc.	Calls on Shares			
1935.....	France 1,015,000,000	France 2,769,754,206	France 254,149,000	France 5,791,175,422	France 106,200,601	France 1,899,854,145	France 4,645,216,991	France 142,313,613	France 518,992,213	France 2,430,580,762	France 52,759,716	France 71,381,788	France 302,733,000			
1936.....	1,015,000,000	2,630,640,832	216,889,500	6,205,868,823	125,075,601	2,064,322,388	4,990,977,465	195,748,637	415,978,984	2,205,730,416	52,220,679	71,381,788	302,733,000			
1937.....	1,015,000,000	2,723,060,831	244,930,900	6,281,715,171	171,444,444	2,728,070,186	4,805,150,643	199,887,922	383,562,950	2,147,955,618	52,327,961	71,381,788	302,443,780			
1938.....	1,015,000,000	3,027,399,802	285,201,600	6,666,354,229	158,671,556	2,512,646,684	5,320,412,410	158,361,124	331,793,972	2,058,277,073	52,352,485	71,381,788	302,326,500			
1939.....	1,015,000,000	3,807,615,962	281,100,500	9,381,684,390	260,157,758	2,619,619,030	8,798,296,410	268,204,178	357,609,019	2,512,479,512	52,568,402	71,381,788	302,247,250			

* Provisional.

SOCIÉTÉ GÉNÉRALE DE CRÉDIT INDUSTRIEL ET COMMERCIAL

Dec. 31	LIABILITIES						ASSETS									
	Capital and Reserves	Deposit Accounts	Current Accounts	Fixed Deposits	Acceptances	Transitory and Sundry Accounts	Cash in Hand and due from Other Banks	Bills Receivable and "Bons de la Défense Nationale"	Current Accounts	Advances Guaranteed	Transitory and Sundry Accounts	Investments	Shares of Affiliated Societies	Premises		
1935.....	France 170,000,000	France 351,678,889	France 768,130,772	France 257,663,884	France 24,420,409	France 206,655,360	France 210,859,567	France 771,028,745	France 231,478,340	France 104,763,108	France 14,353,246	France 52,095,283	France 109,425,950	France 20,000,000		
1936.....	170,000,000	386,514,680	826,514,680	1,078,511,949	182,974,478	22,811,888	19,904,289	852,445,465	319,115,313	95,528,705	17,419,708	51,632,995	109,235,861	20,000,000		
1937.....	170,000,000	382,667,726	816,516,733	1,297,248,726,084	52,187,863	81,557,565	324,563,178	1,303,151,238	355,315,044	79,471,744	20,399,687	51,945,581	109,139,926	20,000,000		
1938.....	170,000,000	371,575,015	1,637,110,340	1,761,616,868	49,388,909	81,145,854	302,818,642	1,423,297,568	301,031,995	113,431,228	24,875,152	51,930,874	109,139,926	20,000,000		
1939.....	170,000,000	437,066,934	2,163,580,670	1,953,877,577	58,566,922	146,896	345,076,276	2,007,856,430	396,438,690	24,963,119	28,159,008	53,376,450	109,139,926	20,000,000		

SWISS BANK CORPORATION

December 31	LIABILITIES						ASSETS									
	Capital	Reserves	Sight Deposits	Time Deposits	Fixed Deposits (obligations)	Acceptances	Profit and Loss	Cash	Banks and Bankers	Bills receivable	Advances	Govt. and other Securities	Syndicates	Bank Premises and other Property		
1935.....	180.0	32.0	437.6	205.4	175.6	25.2	8.2	117.1	108.6	161.6	554.2	71.7	10.5	20.0		
1936.....	180.0	32.0	317.4	189.9	159.2	21.8	9.3	177.5	214.6	217.8	522.7	125.2	9.7	20.0		
1937.....	180.0	32.0	946.6	176.4	137.0	31.3	9.6	377.5	297.9	210.9	477.6	124.1	6.4	16.3		
1938.....	180.0	32.0	898.7	199.4	150.1	30.8	9.6	463.1	229.0	154.3	467.6	86.4	14.2	84.1		
1939.....	180.0	32.0	855.6	146.9	136.7	9.8	9.6	226.7	267.1	261.1	393.6	150.5	8.9	22.7		

THE YOKOHAMA SPECIE BANK, LIMITED

Dec. 31	LIABILITIES						ASSETS									
	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 Property		
1934.....	Yen 224,250,000	Yen 3,639,943	Yen 4,244,909	Yen 593,463,255	Yen 703,273,282	Yen 8,256,945	Yen 7,234,980	Yen 25,850,939	Yen 45,337,976	Yen 369,183,627	Yen 494,168,773	Yen 577,962,746	Yen 11,832,988	Yen 19,043,134		
1935.....	227,480,000	3,724,454	3,840,095	651,780,676	755,522,697	9,503,102	7,237,835	19,894,697	124,630,647	494,515,174	332,354,374	646,742,283	757,270	19,377,643		
1936.....	230,900,000	3,653,917	1,242,326	599,001,305	685,774,360	10,446,652	7,012,268	18,010,099	50,164,472	411,261,421	385,911,980	630,727,689	8,864,015	19,341,654		
1937.....	234,400,000	3,592,634	831,502	623,131,077	719,576,494	10,745,727	6,238,699	13,572,334	74,218,440	436,472,176	366,652,402	662,144,216	5,578,353	19,364,794		
1938.....	237,150,000	3,545,423	312,694	1,328,685,021	1,011,653,104	10,422,028	6,261,785	41,684,689	113,545,989	750,896,994	399,569,651	498,428	170,768,021	18,607,688		
1939.....	239,650,000	3,534,565	255,720	1,937,441,302	892,572,503	10,903,737	6,663,702	78,096,952	229,798,766	972,851,738	752,852,851	1,038,184,886	451,818,542	18,642,743		



THE DAI-ICHI GINKO, LIMITED

(FORMERLY THE FIRST NATIONAL BANK)
Established 1873CAPITAL (Paid up) - Yen 57,500,000
RESERVE - Yen 79,500,000

A Complete Banking Service

Head Office:
TOKYOBranches:
YOKOHAMA, NAGOYA, KYOTO, OSAKA, KOBE,
and other principal Cities at home
SEOUL, FUSAN IN KOREA. DAIREN IN MANCHURIACorrespondents:
All important places at home and abroad

The Hongkong and Shanghai Banking Corporation

(Incorporated in the Colony of Hongkong. The liability of members is limited to the extent and in manner prescribed by Ordinance No. 6 of 1929 of the Colony)

AUTHORISED CAPITAL ... £50,000,000
ISSUED AND FULLY PAID UP ... £20,000,000
RESERVE FUNDS (STERLING) ... £6,500,000
HONGKONG CURRENCY ... £10,000,000
RESERVE LIABILITY OF PROPRIETORS ... £20,000,000

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

CALCUTTA
BOMBAY
MADRAS
KARACHI
CHITTAGONG
AMRITSAR
CAWNPORE
DELHI
LAHORE

BRANCHES
TUTICORIN
COCHIN
RANGOON
MANDALAY
COLOMBO
KANDY
NUWARA ELIYA
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
MARK DINELEY
ERIC GORE BROWNE, D.S.O.
SIR AUSTIN EDWARD HARRIS, K.B.E.
FRANK NEWCOMB

Manager—F. NEWCOMB
Sub-Manager—B. F. CREWDSON, C.B.E.
Asst. Managers—E. J. BOWIE
A. MACNAGHTEN
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 7.45 =	£1,208,053.13.10
SUBSCRIBED CAPITAL	£ 5,622,500 at 7.45 =	£754,697.19.9
PAID-UP CAPITAL	£ 5,622,500 at 7.45 =	£754,697.19.9
RESERVE FUND	£ 2,800,000 at 7.45 =	£375,838.18.6
SPECIAL RESERVE FUND	£ 700,000 at 7.45 =	£93,959.14.8

South
African
Currency

Head Office:

AMSTERDAM, HEERENGRACHT, 546

London Office:

201 SALISBURY HOUSE, FINSBURY
CIRCUS, LONDON, E.C.2

Head Office in South Africa:
PRETORIA

London Bankers: NATIONAL PROVINCIAL BANK, LTD.
and MIDLAND BANK LIMITED

BRANCHES IN SOUTH AFRICA:
BENONI FOUCHVILLE PORT ELIZABETH
BETHLEHEM GERMISTON POTCHEFSTROOM
BLOEMFONTEIN HARTBEESTFONTEIN PREMIER MINE
CAPE TOWN JOHANNESBURG. PRETORIA
DULLSTROOM Fox Street RAWSONVILLE
DURBAN JOHANNESBURG. SPRINGS
EAST LONDON Kruijs Street WORCESTER
ERMELO PIETERSBURG

THE ECONOMIST

TRADE SUPPLEMENT

MAY 25, 1940

The Trend of Business

THE past month has witnessed a further expansion in business activity, reflected in the decline in the number of registered unemployed in Great Britain from 1,121,000 on March 11th to 973,000 on April 15th. The improvement has been fairly well spread and was by no means confined to the munitions sector of industry. Exports showed an encouraging revival, from £41.5 millions in March to £48.3 millions in April, while imports, at £110 millions, were maintained at a high level.

If we were still at peace the fall in unemployment below the million level would provide cause for satisfaction. But as a measure of our effort on the home front in war conditions, the fall in the number of unemployed by 259,000 between August, 1939, and April, 1940, when a very much greater number joined the Colours, is miserably small and reflects a complete lack of appreciation of the nature and magnitude of the exertions necessary to win the war.

Indeed, our war preparations on the home front have hitherto been strictly limited and circumscribed by the adherence to pre-war conventions. In no single sphere has the failure of the Chamberlain Government to depart from pre-war conventions done more to impair our war effort than in the recruitment of labour for the munition industries. To mention only one example. As long ago as last August only 4.6 per cent. of the 862,100 persons insured in the engineering industries were unemployed. But although it was quite clear at the outbreak of war that these industries would shortly need a vast army of additional workers, scarcely anything was done to provide it by the intake of large numbers of trainees. As a result the rate of expansion in output has been on nothing like the scale required in war conditions. In the aircraft and other essential industries expansion has been held up for similar reasons; as the Committee on National Expenditure pointed out, the scarcity of labour in engineering and in aircraft manufacture has given rise to regular auctions in skilled engineers.

The former Government's unwillingness to depart from

pre-war conventions has not been confined to the recruitment of labour, but was also reflected in its failure to lengthen working hours where necessary. The output of coal, for example, does not appear to have risen to the rate demanded by the Mines Department at the outbreak of war; there has been much talk of the need for additional coal-miners; it does not seem to have occurred to the authorities that the addition of half an hour to the daily working time would raise production by about 15 million tons per annum.

In short, the Government's man-power policy has not yet been adapted to war conditions. So far as supplies of imported raw materials are concerned, the position is more encouraging. Ever since the beginning of the war imports have been on a large scale, irrespective of the increase in the adverse balance of trade. But while the accumulation of food and raw material stocks was sound, this policy was only carried out because it did not involve a departure from the pre-war conventions established by vested interests. Where a departure from pre-war practices was needed, very little has been done. It has been quite evident ever since last September that an increase in the supply of domestic scrap would economise shipping and foreign exchange. But instead of immediately preparing a survey of the very large potential supply and proceeding to its collection, the Government has relied on an appeal to the public and on an increase in prices. While the response to these efforts has been encouraging, they have not brought out anything like the quantities which are required.

One of the most urgent tasks of the new Government is to adapt our economy to wartime conditions. It has armed itself with the powers to do so by the Emergency Powers (Defence) Act. And as the rate of progress on the home front has hitherto been altogether inadequate for the winning of the war and far from commensurate with our resources; it is to be hoped that no further time will be wasted in harnessing our large potential reserves to the war effort.

British Industrial Developments

COAL

As a result of the rise in coal-miners' wages this year and of the 10 per cent. increase in railway freight rates on May 1st, the price of coal was advanced from May 2nd, by 8d. per ton for inland supply and by 1s. per ton for export. The rise in prices has come at a time when they are normally reduced to encourage the accumulation of stocks during the summer. The number of unemployed in the coal-mining industry, amounting to 50,570 on March 11th, was reduced by 6,294 during the five weeks ended April 15th. The course of production may therefore have been upwards during this period, but there are indications that it remains below the level desired by the Mines Department. The Coal Production Council, established to speed-up output, is reported to have been impressed by the need for additional miners. But, in view of the need for economising man-power, it may be necessary to maintain production in the summer at full capacity and, possibly, to lengthen working hours. The German offensive through Holland and Belgium increased France's dependence on British coal. In the current year, for example, France had arranged to buy 5 million tons from Belgium and 1-1½ million tons from Holland. In view of the loss of its Scandinavian markets the industry in this country should have no undue difficulties in meeting France's requirements. The value of British coal exports rose from £2,728,000 in March to £3,094,000 in April, when it was £371,000 higher than in the corresponding month a year ago.

IRON AND STEEL

The supply of raw materials for the iron and steel industry is reported to have shown some improvement in recent weeks. The import of iron ore and scrap rose from £1,194,000 in March to £1,891,000 in April; in April, 1939, the intake was only £627,000,

though prices have risen very substantially in the interval. Domestic supplies of scrap have also tended to increase, but the Steel Control is relying far too much on ordinary commercial methods of collection and on an appeal to the public. In view of the urgent need for still heavier supplies, it seems desirable, at this stage, to adopt more efficient methods of collection. For example, the Ministry of Supply, through its local organisations, could surely make a survey of potential scrap supplies and proceed forthwith to its collection. Owing to the loss of Belgian supplies this step is now essential. Imports of iron and steel (finished and semi-manufactured) rose from £2,380,000 in March to £2,777,000 in April; but exports also increased, from £3,066,000 to £3,636,000. The pressure for supplies is steadily growing, and the commencement of large-scale military operations on the Continent this month is likely to bring a further intensification of demand.

ENGINEERING

Activity in the engineering industry has continued to expand, but the rate of increase has been comparatively slow owing to the shortage of labour, a direct consequence of the lack of preparatory training. The number of insured persons unemployed in the industry declined by a further 2,786 between March 11th and April 15th; expressed as a proportion of the total number of insured persons in the industry, unemployment is now only 2.4 per cent. Conferences have been held concerning the conditions in which women are to be taken into the industry, but the actual intake has so far been small. To some extent the pressure of demand has been relieved by higher imports of machinery; these rose from £2,528,000 in March to the record level of £3,643,000 in April. The bulk of these imports come from the United States, while a large proportion of them probably consists of machine tools. Exports of machinery also rose between March and April, from £3,782,000 to £4,152,000.

CHEMICALS

Trade in most sections of the home chemical market has been on a satisfactory scale during the past month, and there has been a continued increase in export trade. The industrial chemicals market has been fairly active, particular interest being shown in borax, boric and formic acids, but supplies of certain products are still scarce. There has been a steady business in fertilisers, and in pharmaceutical and other fine chemicals. A number of coal tar products, including creosote oil, pitch and tar, have been in very fair demand, but little interest has been shown in the lower grades of the tar acids. The overseas trade returns for April show that the value of exports of chemicals, drugs, dyes and colours was £1,374,276 greater than in April, 1939, and that the value of imports increased by £1,999,346.

FOOTWEAR

There has been a noticeable falling off in civilian demand for footwear since the early spring, particularly for men's styles; the Whitson trade was only moderate. Supplies of free leather are larger, both of bends and offal. Most centres are very busy on Government contracts, and manufacturers are now tendering for the sixth series of contracts or "reserve," from July to September. Stricter attention is being paid to punctuality of delivery.

COTTON

The Liverpool cotton market was closed on Monday, at first for three days only, but the suspension has now been prolonged. There has been a persistent demand for yarn and piece-goods, but on the whole rather less business has been done, due partly to the embargo upon sales of yarn to the home trade; this ban, however, has now been lifted by the Cotton Controller. Yarn business has been irregular. The scarcity of coarse American yarns and of certain counts of ring descriptions continues, but spinning production remains at 80 per cent. of capacity, compared with 62 per cent. a year ago. As expected, the Ministry of Shipping has reduced the shipping tonnage for American raw cotton from May onwards from 100,000 bales a month to 50,000 bales a month. Of this total only 30,000 bales a month will be available for spinners, 20,000 bales being barter cotton. Further large Government cloth orders have been placed with manufacturers. Most of the export trade has been for South America and the Dominions, and it is rumoured that standard cloths are to be produced for the most important foreign markets.

WOOL

Owing to the accumulation of noils in the Bradford district, the Wool Control has decided to issue noils to exporters free of

ration; the restrictions on the use of noils in the home trade have also been considerably eased. Yarn and cloth sold to the Scandinavian markets but not shipped have been bought back by the Control, so that firms engaged in this trade have suffered no immediate loss. The Export Credits Guarantee Department have extended their transfer risk guarantee from 75 to 90 per cent., and it has been announced that this cover will continue for countries which have been involved in the war. Export demand is slowly improving, particularly that from the Empire, but the loss of Scandinavian and North European markets will necessarily reduce the total of British exports of woollen textiles for some time to come. Arrangements are being made to produce standard cloths for various uniforms required by public authorities, other than the Services, in order to reduce the multiplicity of designs and dyes.

LINEN

More than half of the British imports of flax normally comes from Belgium and Holland, and the invasion of these countries, with the suspension of imports from the Baltic countries, will accentuate the shortage of flax in the next season. The Flax Control Board has issued no further licences to spin, weave or purchase yarn. A reduction in working hours is expected in the industry, and the export drive may have to be modified as Government requirements in both yarns and cloth are still very large.

RAYON

Demand for rayon and staple fibre far exceeds supply, partly because prices are low in relation to those of other textiles. Government orders are increasing and the export trade is steadily expanding. Orders at present prices are not being accepted for home delivery after July, when another increase is expected.

AGRICULTURE

The ploughing-up grant has again been extended, this time for several months. Arrears of field work have been made up in the last few weeks, though some breaking up of old grass is still continuing. The Ministry of Food has wisely decided not to allow a special price next year for early sucking lambs, but this decision will bring some revision of plans on arable sheep farms. The shortage of labour is causing much concern, as the gap left by the disappearance of skilled men cannot be entirely filled by partly-trained substitutes. So far no announcement has been made over the cropping programme for next year, but in view of the loss of Dutch and Belgian vegetables, a large production of all field vegetables on general farms will be urgently needed.

Business Developments Overseas

UNITED STATES.—The curve of business activity, which was steeply downwards in the first quarter of the year, flattened out at the beginning of April and has since begun to turn slightly upwards. According to the seasonally adjusted indices of the National Industrial Conference Board, manufacturers' stocks declined slightly between February and March, but new orders and deliveries also continued to fall. Orders showed some improvement in April and early May. While the increase did not immediately spread to all industries, it encouraged the belief that recovery was on its way. The output of crude steel, for example, rose from about 60 per cent. of the industry's capacity in March to 70 per cent. in the third week of May. The aircraft and engineering industries, which scarcely felt the recession of general business in the first quarter, have remained very busy, and the expansion of the capacity to produce military aircraft is being increased fairly rapidly. As a result of the Government's decision to speed up re-armament, and of President Roosevelt's call for an output of 50,000 aircraft per annum, the importance of the munition sector of America's industry is likely to grow steadily in coming months.

BRITISH EMPIRE

CANADA.—After a brief halt in March, the index of the volume of business compiled by the Bureau of Statistics resumed its upward course in April. The St. Lawrence is now open to navigation, and shipment of wheat from the eastern seaboard is proceeding. The suspension of trade with Denmark, Norway, Holland and Belgium will mean a considerable loss to the Canadian grain trade, which has huge stocks from last year's enormous harvest. The price break last week on the Chicago and Winnipeg wheat markets has much disturbed the Canadian wheat farmers, who had been hoping for dollar wheat during the war. On the other hand, livestock producers expect increased demands for bacon, butter and eggs from the British Ministry of Food. The metal trades are exceedingly busy. The production of steel nearly doubled between February, 1939, and February, 1940, and that of pig iron and ferro-alloys also showed large increases. Imports of industrial machinery and of farm implements, mainly from the United States, are far higher than a year ago.

INDIA.—There was a speculative rise in jute prices early in May, but it was short-lived and quickly followed by a relapse. The mills are still working short time. The latest wheat forecast indicates a slightly larger crop than last year's, but the estimate was smaller than had been expected. Considerable difficulties have arisen in the sugar market. The price of raw sugar, and consequently that of sugar cane, in the United Provinces and Bihar, was pushed up early

in the autumn under the influence of speculation; growers sold to the sugar factories supplies normally used for the manufacture of ghee, and crushing was forced almost to capacity. As a result, prices of sugar have now had to be reduced, in an effort to stimulate consumption, and there is talk of exports to the United Kingdom from the stocks that have accumulated. Imports of textiles from Britain are negligible, in spite of the reduction in duty, as British prices are still too high.

SOUTH AFRICA.—The tone of the wool markets has been good and prices are considerably higher than last year. Local and overseas demand for hides has also been well maintained, though the delay in securing shipping is a handicap. The maize crop is distinctly poor; it is estimated at about two-thirds of that of last year, and, in view of the large Argentine surplus and the relatively low price of maize on world markets, exports are likely to be very small in the coming season. Gold production rose still further in April to 1,170,763 fine ounces, an increase of 23,381 ounces over the previous record obtained in March. Business is generally good, with secondary industries well employed.

AUSTRALIA.—The long-drawn-out coal strike seriously affected some of the heavy industries and has led to the disappearance of stocks at the consuming centres. The steel output had to be reduced, but, now that work has been resumed at the mines, a return to full production is expected. In spite of the good prices obtainable for exports, further restrictions have been announced on imports from non-sterling countries and control over new issues on the capital market has also been tightened. A cable from the National Bank of Australasia reports that good rains have fallen in all States except Western Australia and that agricultural prospects are good.

LATIN AMERICA

ARGENTINA.—Buenos Aires was severely flooded in the middle of April, and the wool warehouses were among the worst affected. Trade in wool was at a standstill for some weeks. The disposal of the huge stocks of maize has been made more difficult by the loss of the Norwegian, Danish and Dutch mercantile fleets. In the first quarter of 1940 the favourable balance of trade amounted to more than 81 million pesos, compared with 67 million pesos in the same period of 1939. The new Government loan was over-subscribed and the stock exchange is firm.

UNITED KINGDOM AND UNITED STATES

		Monthly Average						1939												1940			
Unit of Measurement		1929	1932	1936	1937	1938	1939	Feb.	Mar.	Apr.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.					
UNITED KINGDOM (Population, mid 1938, 47,485,000; Area: 95,030 sq. miles; 244,000 sq. kms.)																							
1. Cotton delivered to mills, G.B.	Mill. lb. daily av.	5.27	4.47	5.17	5.43	4.18	5.18	4.4	4.76	5.64	5.67	5.11	6.27	6.53	5.59	6.52	6.49	6.72					
2. Postal traffic receipts, daily	Thous. £s	133	133	147	154	155	151	148.9	151.8	150.0	139.4	141.6	146.1	194.2	139.4	133.0	136.9	136.9					
3. Retail trade, Gt. Brit.: Food	Avg. daily sales in 1937 = 100	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...					
4. " Other merchandise	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...					
5. " Total	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...					
6. Retained imports, value: Food	Thous. £s	42,444	29,810	30,921	34,099	34,923	31,550	29,298	34,629	29,234	22,311	29,144	37,868	42,882	42,799	37,070	42,755	42,099					
7. " Raw materials	...	23,774	11,740	17,934	23,203	18,112	18,079	14,166	16,832	17,119	12,408	15,026	22,345	22,174	29,730	32,027	32,640	35,306					
8. " Manufactures	...	25,467	12,168	16,452	20,878	17,958	18,997	16,736	18,282	18,633	12,498	15,261	20,576	19,404	26,008	23,637	29,040	31,997					
9. " Total	...	92,589	54,221	65,710	79,492	71,569	70,002	60,744	73,053	65,505	47,553	59,843	81,243	84,081	101,304	93,206	104,945	109,986					
10. Domestic exports, value: Food	Thous. £s	4,555	2,625	2,966	3,232	2,993	2,976	2,490	3,135	2,433	2,106	2,219	3,555	3,845	3,850	2,920	2,932	3,833					
11. " Raw materials	...	6,575	3,634	4,278	5,388	4,744	4,533	4,268	4,839	4,152	2,894	3,834	4,979	4,581	4,647	4,262	4,142	4,555					
12. " Manufactures	...	47,899	23,031	28,410	33,737	30,448	28,121	30,434	32,664	27,430	17,368	18,035	27,971	30,587	31,751	29,704	33,473	38,988					
13. " Total	...	60,779	30,419	36,727	43,466	39,240	36,567	38,052	41,635	35,149	23,087	24,623	37,360	40,169	41,074	37,402	41,456	48,300					
14. Registered unemployed, G.B.	Thousands	1,212	2,756	1,684	1,413	1,791	1,514	1,897	1,727	1,644	1,331	1,431	1,403	1,362	1,519	1,504	1,121	973					
15. Per cent. unemployed	%	10.3	21.9	13.0	10.6	12.8	10.3	13.1	12.0	11.3	8.9	9.3	9.2	9.1	9.9	10.0	7.4	6.5					
16. Registered at Exchanges, all ages (h)	Thousands	1,276	2,813	1,822	1,586	1,881	1,690	1,986	1,814	1,726	1,396	1,500	1,478	1,441	1,603	1,586	1,193	1,040					
17. " London	...	118	306	179	171	226	239	262	236	226	243	288	303	287	309	282	239	210					
18. " E. and S. England (n)	...	50	142	79	74	83	84	76	96	84	78	67	89	89	85	54	46	35					
19. " S.W. England (p)	...	69	157	94	83	84	76	96	178	176	151	136	131	133	171	188	106	81					
20. " Midlands & N. Midlands (m)	...	165	371	178	144	210	153	199	183	181	111	112	107	104	125	126	83	72					
21. " N.E. England (m)	...	280	602	304	165	208	151	204	183	181	111	112	107	104	125	126	83	72					
22. " N.W. England	...	285	562	374	304	398	309	383	359	342	276	277	264	246	280	247	185	159					
23. " Northern (a)	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...					
24. " Scotland	...	156	378	277	246	253	217	270	255	242	188	194	186	177	185	184	155	138					
25. " Wales	...	116	228	198	151	164	127	175	156	142	101	109	111	111	116	121	97	82					
26. " Northern Ireland	...	36	68	67	71	91	76	90	87	82	65	69	75	79	84	82	72	68					
27. Indus. disputes, No. days lost ...	1929 = 100	676	541	154	285	110	107	116	90	143	73	102	132	36	108	168	165	82					
28. Wage rates, Min. of Labour (b) ...	1929 = 100	100	96	99	103	107	108	107	107	107	107	107	107	107	109	...	...	...					
29. Wholesale Prices: Economist: Cereals and meat	1929 = 100	100	70.4	79.4	93.5	82.4	76.2	70.6	72.2	73.4	78.4	83.5	88.2	93.4	96.7	90.0	89.0	88.8					
30. " Other foods	...	100	72.8	71.2	78.6	68.4	76.4	69.8	70.0	73.3	77.8	81.2	92.4	92.9	92.8	92.8	94.4	93.7					
31. Textiles	...	100	53.4	67.0	73.7	58.6	63.8	58.0	57.5	58.6	67.9	73.9	78.8	89.4	83.6	83.0	94.4	95.5					
32. Minerals	...	100	76.3	88.5	108.4	107.4	100.0	94.8	95.2	94.6	103.6	104.5	107.5	116.4	116.0	120.2	120.0	121.2					
33. Total incl. miscellaneous	...	100	67.8	78.8	89.3	77.8	80.3	74.6	75.1	76.0	83.2	90.0	94.0	99.8	99.5	99.5	120.1	101.4					
34. Cost of Living: Min. of Labour Food	1929 = 100	100	81.8	83.6	90.7	90.1	92.4	87.7	87.7	87.0	97.4	100.0	102.0	102.0	104.5	104.5	102.5	103.2					
35. " Total	...	100	87.8	89.7	94.5	95.2	96.4	93.3	93.3	93.3	100.6	103.0	105.5	106.1	108.0	109.0	108.5	109.8					
36. Industrial securities, Fin. News	July 1, 1935 = 100	100	102.0	115.7	110.2	85.6	78.1	85.2	80.6	79.0	66.4	73.2	74.2	75.3	80.6	125.6	124.4	123.7					
37. Fluct. Interest	1928 = 100	100	815.0	827.0	137.6	128.6	127.6	116.2	118.0	115.2	109.7	113.7	117.6	117.5	125.8	125.6	124.4	123.7					
38. Govt. Revenue, cumulative (e) ...	Mill. £s	829.5	859.3	902.2	919.9	1018.9	1408.2	925.4	1018.9	94.9	601.6	681.8	751.0	919.8	1038.1	1148.7	1408.2	186.3					
39. " Expenditure, cumulative (e) ...	...	362.3	258.5	431.4	479.6	487.4	509.9	475.7	478.9	488.8	574.9	532.8	528.0	546.5	528.3	531.0	538.2	439.1					
40. Bank of Eng.: Notes in circ. (d) ..	...	4.47	61.0	65.0	97.2	103.8	108.2	106.5	100.9	94.4	109.4	114.0	103.3	101.6	105.0	102.7	103.9	116.8					
41. " Bankers' deposits (d)	...	55.9	81.3	86.7	97.2	103.8	108.2	106.5	100.9	94.4	109.4	114.0	103.3	101.6	105.0	102.7	103.9	116.8					
42. " Gov. sec. B'king Dept. (d) ..	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...					
43. Clearing Banks: Deposits (d)	...	1,798	1,791	2,142	2,210	2,205	2,179	2,086	2,274	2,077	2,275	2,241	2,257	2,444	2,320	2,366	2,275	2,268					
44. " Cash & bal. with B.E. (d) ..	...	1,934	1,87	2,221	2,227	2,300	2,36	2,235	2,24	2,21	2,55	2,46	2,36	2,64	2,33	2,38	2,28	2,45					
45. " Discounts (d)	...	229	308	313	278	279	240	207	187	180	227	279	344	323	375	341	327	299					
46. " Advances (d)	...	991	844	839	824	840	859	846	958	962	978	976	982	968	964	966	971	951					
47. " Investments (d)	...	5,257	4,29	613	622	611	579	587	582	581	574	576	582	580	582	580	582	588					
48. Interest Rates: Bank rate	Per cent.	4.58	3.08	0.60	0.58	0.62	1.18	0.53	0.57	1.68	3.47	1.86	1.03	1.22	1.09	1.03	1.03	1.03					
49. " Three months' bank bills	...	5.26	1.87	0.50	0.50	0.50	0.87	0.50	0.50	0.50	1.83	1.75	1.33	1.75	0.81	0.75	0.75	0.75					
50. " Day to day loans	...	4.61	3.75	2.94	3.29	3.39	3.76	3.58	6.11	3.40	4.03	3.87	3.67	3.69	3.49	3.38	3.41	3.45					
51. " Yield on 2½ Consols.	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...					
52. "																							

COUNTRIES OVERSEAS

	Unit of Measurement	Monthly Average						1939						1940			
		1929	1932	1936	1937	1938	1939	Feb.	Mar.	Apr.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
I. BRITISH COUNTRIES																	
AUSTRALIA (Population 1936: 6,775,000; Area: 7,704,000 sq. kms.)																	
1. Retained imports.....	Million £ str. (a)	10.69	4.26	7.17	8.36	8.78	8.00	8.19	8.67	6.79	6.83	7.32	7.39	7.71	11.52	13.90	...
2. Domestic exports.....	Million £A.	7.91	7.84	10.63	12.31	11.10	10.06	10.40	11.19	8.51	7.99	9.95	15.68	14.05	13.88	14.37	...
3. Unemployed Trade Unionists (e)	Thousands	47	120	54	42	41	47	47	...	...	...	...	45	...	...	...	...
4. Wholesale prices (Melbourne)	1929 = 100	100.0	78.3	85.6	91.9	92.2	92	95	98	94	91	95	93	93	92	91	...
5. Cost of living ..	"	100.0	80.7	82.7	84.9	87.2	89	...	...	89	...	89	...	...	90	...	...
CANADA (Population 1936: 11,028,000; Area: 9,542,000 sq. kms.)																	
6. Business activity (c)	1929 = 100	100	58	90	96	90	99	90	90	90	101	110	109	108	114	...	...
7. Retained imports (g)	Million Can. \$	108.2	37.7	52.9	67.4	56.5	62.6	40.4	58.4	41.9	73.6	79.1	84.6	72.1	71.1	...	...
8. Domestic exports (g)	"	102.1	46.7	85.7	93.7	79.7	62.4	62.4	77.2	56.5	82.6	91.4	97.2	101.0	90.9	71.1	...
9. Applicants for work (e)	Thousands	15	75	90	88	105	104	111	116	116	94	95	103	96	112	...	...
10. Wholesale prices ..	1929 = 100	100.0	69.8	78.0	88.4	82.2	79	77	77	77	82	83	85	86	86	...	...
11. Cost of living ..	"	100.0	81.5	80.9	83.2	84.1	84	83	83	83	85	85	88	85	...	...	...
12. Price of industrial securities ..	"	100.0	23.7	74.3	77.4	64.4	62	65	64	59	63	66	64	62	61	...	...
13. Commercial bank deposits (e)	Million Can. \$	2,163	1,844	2,230	2,282	2,394	2,594	2,381	2,406	2,413	2,455	2,531	2,601	2,594	2,598	...	...
IRE (Population 1935: 2,966,000; Area: 69,000 sq. kms.)																	
14. Retained imports.....	Million £	5.021	3.453	3.282	3.624	3.422	3.598	3.052	4.373	3.521	2.882	3.851	4.260	4.258	4.671	...	...
15. Domestic exports.....	"	3.852	2.098	1.831	1.853	1.990	2.219	1.778	2,016	1,687	2.436	2.666	2.832	3.029	2.399	...	...
16. Applicants for work	Thousands	20.70	62.82	99.83	82.42	88.71	93	105	107	105	78	82	118	108	119	...	...
17. Cost of living ..	1929 = 100	100.0	89.2	90.9	96.8	98.5	101	99	...	...	...	...	109	...	...	...	...
18. Notes in circulation ..	Million £	14.2	13.4	15.1	15.7	16.9	18.0	16.2	16.3	16.4	17.0	17.2	17.6	18.0	...	...	...
INDIA (Population 1935: 370,500,000; Area: 4,684,000 sq. kms.)																	
19. Retained imports.....	Sea-borne	268.8	110.7	150.5	132.9	125.2	129.1	126.6	145.1	129.0	111.9	101.5	116.3	127.0	155.8	...	...
20. Domestic exports.....	trade (b)	268.8	110.7	150.5	168.8	135.2	151.0	130.4	151.0	126.1	153.6	144.0	167.5	200.2	236.6	...	...
21. Wholesale prices, Calcutta ..	1929 = 100	100.0	64.5	64.5	72.2	67.6	76	70	69	71	81	84	93	97	92	89	86
22. Cost of living, Bombay ..	1933-34 = 100	...	...	101	106	106	106	104	103	103	106	108	109	113	114	112	...
NEW ZEALAND (Population 1936: 1,573,000; Area: 268,000 sq. kms.)																	
23. Retained imports.....	Million £N.Z.	3.998	2.001	3.637	4.638	4.570	4.069	4.757	4.313	3.752	3.615	3.278	2.820	2.668	3.927	...	...
24. Domestic exports.....	"	4.515	2.915	4.689	5.017	4.817	4.787	6.135	7,640	4,907	2.929	3.855	3.174	3.437	6.265	...	...
25. Wholesale prices ..	1929 = 100	100.0	89	96	103	105	108	106	106	107	109	110	112	113	113	...	...
26. Cost of living ..	"	100.0	83.5	86.1	91.9	94.6	98	97	96	97	99	99	102	101	100	100	...
SOUTH AFRICA (Population 1935: 9,500,000; Area: 1,222,000 sq. kms.)																	
27. Retained imports.....	Million £S.A.	6.59	2.61	7.01	8.38	7.74	...	7.39	8.28	7.54	5.14	5.85	7.44	7.97	8.90	8.49	...
28. Domestic exports.....	"	3.91	1.58	2.40	3.05	2.46	...	2.74	10.48	13.40	2.46	2.75	3.02	3.43	4.14	3.09	...
29. Wholesale prices ..	1929 = 100	100.0	79.0	85.0	87.0	90.0	89	...	...	...	...	...	90	91	93	94	...
30. Cost of living ..	"	100.0	89.9	88.5	90.5	93.8	94	93	94	94	93	93	94	94	95	96	...
II. OTHER COUNTRIES																	
ARGENTINA (Population 1936: 12,450,000; Area: 2,793,000 sq. kms.)																	
31. Retained imports.....	Mill. paper pesos	163.3	69.7	93.1	129.8	121.7	111.5	80.9	121.1	97.3	114.9	109.1	117.6	142.5	161.5	136.9	...
32. Domestic exports.....	"	180.6	107.3	138.0	118.8	116.7	131.1	115.0	142.5	125.9	119.0	127.1	129.6	155.1	186.2	165.6	...
33. Wholesale prices ..	1929 = 100	100.0	92.8	102.9	118.8	109.4	112	106	107	107	118	123	126	128	130	...	...
34. Cost of living ..	"	100.0	77.7	90.5	92.8	92.0	93	91	93	93	93	94	94	98	...	...	...
BELGIUM (Population 1936: 8,331,000; Area: 30,000 sq. kms.)																	
35. Industrial production ..	1929 = 100	100	...	...	...	70	79	74	76	76	71	79	84	82	79	...	...
36. Retained imports.....	Mill. francs	2,961	1,347	1,775	2,291	1,891	1,624	1,841	2,007	1,671	866	1,213	1,536	1,518	1,330	1,476	1,450
37. Domestic exports.....	"	2,649	1,234	1,627	2,101	1,791	1,811	1,827	1,867	1,637	1,459	1,638	1,711	1,943	1,750	1,877	2,409
38. Unemployment (e)	Thousands	...	211	154	126	171	195	205	189	181	223	194	203	213	241	214	...
39. Wholesale prices ..	1929 = 100	100.0	62.5	69.1	74.0	76	70	71	71	71	83	86	90	93	97	99	99
40. Cost of living (59 towns) ..	"	100.0	83.6	84.7	91.8	93.8	93	94	93	91	91	94	96	97	99	101	...
CHINA (Population 1935: 450,000,000; Area: 11,103,000 sq. kms.)																	
41. Retained imp. (excl. Manch.) (d)	Mill. std. dollars	160.6	146.7	78.5	79.5	109.5	330.3	144.3	215.1	234.7	463.1	438.6	329.2	383.0	391.0	504.6	...
42. Domestic exp. (excl. Manch.) (d)	"	131.9	83.4	58.8	69.0	69.6	85.5	58.4	68.2	65.7	85.4	93.8	133.5	122.1	160.9	110.2	...
43. Wholesale prices, Shanghai ..	1929 = 100	100.0	107.6	103.8	123.5	146.0	232	185	172	173	185	193	133	320	355	432	...
44. Cost of living, Shanghai ..	"	100.0	110.4	105.0	122.2	139.4	182	140	140	143	224	234	235	272	291	325	...
HOLLAND (Population 1938: 8,651,000; Area: 34,000 sq. kms.)																	
45. Retained imports.....	Mill. gulden	229.4	108.3	84.7	129.2	117.9	126.4	105.2	123.1	121.7	105.7	123.7	156.9	147.1	138.9	116.8	...
46. Domestic exports.....	"	165.8	70.5	62.2	95.7	86.6	106.4	66.4	72.9	97.2	66.4	51.9	67.7	71.5	62.3	...	...
47. Unemployed registered (e)	Thousands	...	271	414	369	354	253	375	341	240	204	198	212	271	298	...	...
48. Wholesale prices ..	1929 = 100	100.0	64.8	64.0	76.4	72.1	74	70	70	70	75.6	81	84	85	86	...	...
49. Cost of living (Amsterdam) ..	"	100.0	83.9	78.6	81.8	82.5	83	82	82	82	83	85	89	87	88	...	...
50. Price of industrial securities ..	"	100.0	34.5	45.1	67.0	65.3	65	66	68	64	66.9	63	61	59	60	61	...
JAPAN (Population 1935: 69,500,000; Area: 382,314 sq. kms.)																	
51. Industrial production ..	1929 = 100	100	98	151	171	173	...	174	190	186	172	179	182	...	...	...	...
52. Retained imports (f)	Million yen	180.7	115.3	225.2	311.0	244.5	242.3	259.9	219.5	203.8	231.5	214.3	309.1	252.7	331.0	379.0	...
53. Domestic exports (f)	"	175.1	113.5	219.3	260.4	222.3	245.5	205.7	255.8	221.8	345.8	317.5	380.4	442.8	216.8	314.0	368.0
54. Wholesale prices ..	1929 = 100	100	73.3	89.9	108.4	114.3	126	120	121	131	133	136	143	146	136	138	...
55. Cost of living, Tokyo ..	"	100	75.4	87.8	96.1	110.1	123	118	117	120	128	129	130	132	136	138	...
56. Price of industrial securities ..	"	100.0	79.3	131.7	147.6	132.9	135	128	127	126	144	146	150	151	152	...	...
57. Commercial bank deposits (e)	Million yen	9,213	8,131	10,932	12,353	15,073	19,794	15,031	15,297	15,407	17,349	17,923	18,429	19,794	19,155	...	...
ROMANIA (Population 1937: 19,646,000; Area: 295,000 sq. kms.)																	
58. Industrial production ..	1929 = 100	100.0	88.5	130.0	131.7	133	135	135	150	110	145	143	135	130	...	...	...
59. Output production ..	Th. metric tons	403	612	714	596	550	520	497	538	510	516	523	...	...	...	...	...
60. Retained imports.....	Million lei	2,469	1,001	1,053	1,690	1,564	1,908	2,074	2,436	2,415	1,315	2,010	1,665	2,022	1,850	2,079	...
61. Domestic exports.....	"	2,413	1,394	1,808	2,631	1,784	2,234	1,824	2,292	2,097	1,211	2,011	1,665	2,072	1,850	2,360	...
62. Registered unemployed ..	Thousands	...	38.9	13.5	15.5	17.2	...	...	...	...	...	...	...	...	...	...	...
63. Wholesale prices ..	1929 = 100	100.0	54.0	68.5	78.2	78.3	...	83	7.4	5.7	4.3	4.7	5.3	...	...	...	...
64. Cost of living (Bucarest)	1936 = 100	...	...	...	100	108	114	131	122	123	137	142	147	149	153	159	...
65. Notes in circulation (e)	Million lei	...	21,594	25,663	29,391	34,902	48,800	33,963	38,270	39,189	47,977	48,382	47,891	48,800	47,749	48,085	49,848
SWEDEN (Population 1937: 6,285,000; Area: 449,000 sq. kms.)																	
66. Industrial production (i)	1929 = 100	100	88	135	149	146	155	150	152	154	155	156	158	160	161	160	...
67. Retained imports.....	Million krona	148.6	96.2	136.1	177.0	173.7	207.4	162.9	190.9	200.8	179.4	219.1	274.1	257.8	258.0	167.1	...
68. Domestic exports.....	"	151.0	79.0	126.2	166.7	156.4	174.7	124.7	138.6	131.8	170.8	159.7	180.5	155.0	168.6	115.1	...
69. Wholesale prices ..	1935 = 100	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
70. Cost of living (49 towns)	"	100.0	92.4	92.9	95.3	97.8	101	...	...	...	118	124	128	132	136	138	...
71. Price of industrial securities ..	"	100.0	37.3	67.3	78.8	75.3	73	79	77	77	72	...	...	...	...	...	...
SWITZERLAND (Population 1937: 4,183,000; Area: 41,000 sq. kms.)																	
72. Retained imports.....	Million francs	227.6	146.9	105.5	150.6	133.9	157.4	130.0	146.0	141.2	98.4	171.5	227.5	224.3	177.9	199.7	236.0
73. Domestic exports.....	"	174.8	66.8	73.5	107.2	109.7	108.4	107.5	120.6	112.2	55.2	94.6					

June 29,
1940

FOOTWEAR

Factories working on contracts for service boots continue to be very busy, and many are working overtime. Contracts expire at the end of June, and orders for the new contract period are now being issued. There has been some improvement in civilian demand during the month, but it has now fallen off again. Civilian trade varies a good deal in different districts, orders for the autumn being satisfactory in some parts of the country and very disappointing in others.

COTTON

Trade developments have been overshadowed by the important developments in the war situation in Europe. Government requirements have increased and the Ministry of Supply has urged spinners and manufacturers to place more machinery on this class of work. By means of working longer hours and double-shift working in some mills, spinning production is now 95 per cent. of capacity against 80 per cent. a month ago and 64 per cent. a year ago. Although most of the cloth required has been of heavy styles, more orders have been given out for fine strong materials made from Egyptian cotton. In the spinning section, demand has been active, especially in coarse counts made from American cotton, and spinners have been requested by the Controller to increase their output of such qualities. Demand for Egyptian yarns has broadened and more business has been done. Raw cotton consumption in Lancashire is now on a larger scale than for 13 years. Under the cost-of-living sliding-scale agreement, all cotton operatives will receive a further advance in wages of 2½ per cent. from July 1st. Home trade prospects are more uncertain in view of the Government's decision to restrict consumption still further from October 1st. Some buyers have wanted to cancel contracts. The volume of export trade has also been limited.

WOOL

Developments in the wool textile industry naturally reflect international political conditions. Export markets have been closed so suddenly and unexpectedly as to give rise to inevitable difficulties. In almost every instance considerable commitments existed at the time of closure and goods were actually in transit—some beyond recall but others still capable of diversion. The drive for business continues, however, in those markets still available. Obviously, this section of the industry is second in importance only to that which provides service clothing, and exporters are fully alive to the need

for maximum turnover. In allocating supplies of raw material and semi-manufactures, the control authorities have made conditions considerably easier for the manufacturer. Since the beginning of rationing the policy has been to make certain of raw material supplies for service and export needs, a matter which called forth some criticism in early days, but which is now regarded as an indication of long-headedness on the part of the authorities. Meanwhile, with service demands increasing with the increased rate of calling up and export demands ranking second, the section of the industry catering for home trade civilian needs must inevitably face uncommon difficulties. Home trade manufacturers, however, have shown great adaptability in using materials unusual to them, and the retail customer has not suffered to the extent which might have been expected.

JUTE

In the home jute industry during the past month, little of importance has taken place. Business has generally been slow, but the Dundee jute trade expects to be running at full capacity in the near future. The Belgian and French jute industries are now lost to the Allies, and Dundee will have to produce jute goods of various descriptions to replace those which have been lost in the evacuation of Belgium and France. In addition, the requirements for the defence of our own country are likely to be enormous. Fortunately, arrivals of Calcutta goods in the shape of sandbags and camouflaged hessian have been on a large scale and these are now likely to be of value, though they have recently been a disturbing factor to the Dundee industry, which has been, and still is, curtailing production by stopping machinery or working short time. Prices have been forced down, but spinners and manufacturers are now not so anxious to sell. The Government, through the Jute Control, may now acquire the whole of the production of Dundee and commandeer supplies of Calcutta goods. The prospects for the new crop are favourable.

RAYON

The limitation of consumption by the home trade has caused a decrease in the volume of new business; moreover, no announcement has been made with regard to the extent of limitation after October. The export trade is suffering under the difficulties of the new European situation. Prices remain stable, but a further change in an upward direction is expected at the end of July. Mills are still fully engaged, and when readjustments in export markets have been completed, it is expected that further headway will be made.

Business Developments Overseas

UNITED STATES.—The expansion in business activity which began early in May has since made rapid headway. The improvement is reflected in the rapid increase in the output of steel. Thus, the proportion of the crude steel producing capacity in operation, as estimated by the American Iron and Steel Institute, rose from 60 per cent. at the beginning of the week ended April 22nd to 87.7 per cent. at the beginning of last week. The majority of the U.S. business indices have also shown an upward trend since the beginning of May. Indeed, there has been a remarkable upturn in the volume of new industrial orders, prompted, in no small measure, by the prospect of heavy domestic defence expenditure and increased British purchases of aircraft, machine tools and other products. The expansion in business, as the rise in steel production indicates, has been very marked in the metal-consuming industries. Activity in the engineering, shipbuilding and aircraft industries has been intensified; the capacity of these trades is likely to be considerably enlarged. The output of motor vehicles has been well maintained in spite of the seasonal decline in demand, for the industry is accumulating stocks on the assumption that a growing proportion of its resources will be devoted to defence work. The textile and other consumption goods trades, on the other hand, have not yet shown much improvement. The indications are that the upturn in business activity will continue.

BRITISH EMPIRE

CANADA.—Industrial activity continued to increase during May due to the growing influence of the war upon the Canadian economy. The recent progress of the iron and steel industry has been particularly marked; the production of pig iron in March was more than double that of March, 1939, while the output of steel rose by over 60 per cent. during the same period. The construction industry also advanced. At April 1st the general level of employment was at the highest point since 1920. In agriculture there was a general decline at home both in trade and prices, but exports of wheat increased. Canada's export trade is already showing the effects of the dislocation of Scandinavian exports, as the greatest alternative sources of supply for many of Scandinavia's main exports are in Canada. The British demand for Canadian lumber has increased substantially, and almost all the countries which import pulp and paper are now obtaining their requirements from Canada. Dairy products are also affected by the loss of Scandinavian supplies, but the most optimistic hopes of Canadian producers have been disappointed by the fact that British consumption of these goods has been restricted. The production of munitions is gaining momentum; the Ministry of Munitions and Supply is to be given a full-time Minister with very drastic powers to stimulate production, and on June 20th a Bill was passed conferring on the Government emergency powers for the full mobilisation of the man-power and industrial resources of Canada.

SOUTH AFRICA.—Trading conditions have been affected by South Africa's increased participation in the war, and general business, though steady, is rather hesitant. In the wool markets business is practically confined to dealings with the United King-

dom at the minimum prices fixed last December. The bulk of the summer mohair clip has been cleared at good prices. Trading in hides and skins is awaiting a clarification of the overseas markets position. On the whole, agricultural conditions are satisfactory. While the maize market remains dull the prospects for wheat in some Cape areas are good. Gold production in May reached a new record at 1,186,063 fine ounces, compared with 1,170,763 fine ounces in April, the previous record.

AUSTRALIA.—The growing expenditure on defence and the higher prices obtained for rural products are having their effect upon industry. The recently improved conditions are being maintained in industrial activities, building operations and commerce. Exports of merchandise for the first ten months of the current financial year amounted to £95 millions sterling and imports to the same figure. Exports of merchandise in April amounted to £11,119,000 sterling and imports to £12,206,000 sterling. In agriculture the seasonal conditions in Queensland are excellent, according to a cable from the National Bank of Australasia, but in other crops a good start. The War Loan for £20 millions was oversubscribed and Government stocks were little affected by the evacuation of Belgium, although industrial and mining shares fell substantially.

LATIN AMERICA

ARGENTINA.—In order to remove the uncertainty caused by European developments, the Argentine Government fixed minimum prices for cereals and oil seeds at the end of May; in the Buenos Aires stock markets, the Central Bank announced fixed minimum prices at which it would buy any quantity of Argentine Government bonds. These measures immediately restored confidence. Stocks of wheat and linseed are low, and Argentina's chief problem is disposing of the large maize crop at the present very low world prices. Although it is still smaller than that with America, Argentina's trade with Britain is recovering; Britain has made further large purchases of meat from both Argentina and Uruguay. A recent Treasury Order requires all commercial or current financial payments from Britain to Argentina to be made in sterling to an Argentine special account with an authorised bank in this country.

BRAZIL and CHILE.—Further payments agreements between Britain and South America may be announced shortly, and, in fact, an arrangement similar to that with Argentina has been concluded with Brazil. The loss of the North European markets for coffee presents an increasingly serious problem to Brazil, Colombia and the Central American "coffee" States; possibly some import quota system as well as minimum prices will be arranged with the U.S.A., which is now virtually the only large coffee market left open. Brazil's exports are declining, and, by the end of March, the adverse trade balance was already nearly £1 million sterling. In consequence of Britain's recent large purchases of Chilean products, there is an ample supply of sterling in Chile to pay for imports from Britain. A special feature in Chile's trade is the increase of shipments of copper.

UNITED KINGDOM AND UNITED STATES

	Unit of Measurement	Monthly Average						1939					1940					
		1929	1932	1936	1937	1938	1939	Mar.	Apr.	May	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
UNITED KINGDOM (Population, mid 1938, 47,485,000; Area: 85,030 sq. miles; 244,000 sq. kms.)																		
1. Cotton delivered to mills, G.B.	Mill, lb. daily av.	5-27	4-47	5-17	5-43	4-18	5-18	4-76	5-64	5-50	5-11	6-27	6-53	5-59	6-52	6-49	6-72	5-74
2. Postal traffic receipts, daily (r)	Thous. £'s	133	132	147	154	155	150	152-2	148-9	148-9	139-9	142-7	143-3	136-7	133-1	137-6	145-9	...
3. Retail trade, Gt. Brit.: Food	Avg. daily sales in 1937 = 100	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
4. " Other merchandise	Thous. £'s	...	81	95	100	100	102	86	103	109	106	98	146	100	89	100	106	...
5. " Total	Thous. £'s	42,444	29,810	30,921	34,099	34,223	31,550	34,629	29,234	32,460	29,144	37,868	42,882	42,799	37,070	42,755	40,984	38,933
6. Retained imports, value: Food	Thous. £'s	23,774	17,740	17,934	23,203	18,112	18,079	16,832	17,119	20,012	15,026	22,342	22,174	23,730	32,027	32,640	32,656	34,101
7. " Raw materials	Thous. £'s	25,467	12,168	16,452	20,878	17,958	18,997	20,882	18,633	20,473	15,261	20,576	19,404	26,008	23,637	29,040	31,336	28,814
8. " Manufactures	Thous. £'s	92,589	54,221	65,710	79,492	71,569	70,002	73,053	65,508	73,529	59,843	81,243	84,081	101,804	93,206	104,945	105,552	102,339
9. Total	Thous. £'s	4,553	2,625	2,966	3,232	2,993	2,976	4,839	4,152	5,363	3,834	4,979	4,581	4,647	4,262	4,142	4,555	4,626
10. Domestic exports, value: Food	Thous. £'s	6,575	3,634	4,278	5,388	4,744	4,533	4,839	4,152	5,363	3,834	4,979	4,581	4,647	4,262	4,142	4,555	4,626
11. " Raw materials	Thous. £'s	47,899	23,031	28,410	33,737	30,448	28,121	32,664	27,430	32,743	18,035	27,971	30,587	31,751	29,704	33,473	38,988	36,668
12. " Manufactures	Thous. £'s	60,779	30,419	36,727	43,466	39,240	36,567	41,635	35,149	42,273	24,623	37,380	40,169	41,074	37,402	41,456	48,900	45,500
13. " Total	Thous. £'s	1,212	2,756	1,684	1,413	1,791	1,514	1,727	1,644	1,492	1,431	1,403	1,362	1,519	1,504	1,121	973	881
14. Registered unemployed, G.B.	%	10-3	21-9	13-0	10-6	12-8	10-3	12-0	11-3	10-3	9-3	9-2	9-1	9-9	10-0	7-4	6-5	5-9
15. Per cent. unemployed	%	12-76	2,813	1,822	1,586	1,881	1,690	1,814	1,726	1,565	1,500	1,478	1,441	1,603	1,586	1,193	1,040	948
16. Registered at Exchanges, all ages (f) ...	Thousands	118	306	179	171	226	239	236	226	207	298	303	287	309	282	239	210	194
17. " London	Thousands	50	142	79	70	96	93	109	99	87	97	98	100	179	202	122	102	86
18. " E. and S. England (n)	Thousands	69	157	94	83	84	76	84	78	68	89	89	85	54	46	35	32	28
19. " S.W. England (p)	Thousands	163	371	178	144	210	157	178	176	155	136	131	133	121	188	105	81	69
20. " Midlands & N. Midlands (m) ...	Thousands	280	602	304	165	208	151	183	181	169	112	107	104	125	126	88	72	69
21. " N.E. England (m)	Thousands	285	562	374	304	398	309	359	342	317	277	264	246	260	247	185	159	154
22. " N.W. England	Thousands	156	378	277	246	253	217	255	242	222	194	186	177	185	184	155	138	123
23. " Northern (d)	Thousands	116	228	198	151	164	127	156	142	124	109	111	111	116	121	99	82	80
24. " Scotland	Thousands	98	68	67	71	91	76	87	82	73	69	75	79	84	82	72	68	67
25. " Wales	Thousands	676	541	154	285	110	107	107	103	143	128	102	132	96	108	168	165	91
26. " Northern Ireland	Thousands	100	96	99	103	107	108	107	103	103	103	103	103	103	103	103	103	103
27. Industr. disputes, No. days lost ...	1929 = 100	100	70-4	79-4	93-5	82-4	76-2	72-2	73-4	72-9	83-5	88-2	93-4	96-7	90-0	89-0	88-8	87-9
28. Wage rates, Min. of Labour (b) ...	1929 = 100	100	72-8	71-2	78-6	68-4	76-4	70-0	73-3	72-4	91-2	92-4	92-9	92-8	95-0	94-2	93-7	93-2
29. Wholesale prices: Economist (c) ...	1929 = 100	100	53-4	67-0	73-7	58-6	63-8	57-5	58-6	58-8	73-9	78-8	89-0	83-6	83-0	94-4	95-5	96-9
30. " Other foods	1929 = 100	100	76-8	88-5	108-4	97-4	100-0	95-2	94-6	96-3	104-5	107-5	116-4	116-0	120-2	120-0	121-2	123-3
31. Textiles	1929 = 100	100	67-8	78-8	89-3	77-8	80-3	75-1	76-0	76-3	90-2	94-0	99-8	99-5	101-0	101-4	103-5	103-5
32. Minerals	1929 = 100	100	81-8	83-6	90-7	90-1	92-4	87-7	87-0	87-0	100-0	102-0	102-0	104-5	104-5	102-5	102-5	102-5
33. Total, incl. miscellaneous ...	1929 = 100	100	87-8	89-7	94-5	95-2	96-4	93-3	93-3	93-3	103-0	105-5	105-1	108-0	109-0	108-5	109-8	110-5
34. Cost of Living: Min. of Labour ...	1929 = 100	100	61-0	115-7	110-2	85-6	78-1	80-6	79-0	84-6	73-2	74-2	75-3	74-8	80-6	77-6	62-6	62-6
35. Industrial securities, Fin. News ...	July 1, 1935 = 100	100	827-0	896-6	948-7	1006-2	1132-2	1006-2	59-4	116-8	447-7	527-2	605-4	802-4	981-7	1132-2	145-1	145-1
36. Fixed interest ...	1928 = 100	100	829-5	859-3	902-2	919-9	1018-9	1038-2	1018-9	94-6	226-0	681-8	751-0	919-8	1038-1	1143-7	1408-2	148-3
37. Govt. Revenue, cumulative (e) ...	1928 = 100	100	829-5	859-3	902-2	919-9	1018-9	1038-2	1018-9	94-6	226-0	681-8	751-0	919-8	1038-1	1143-7	1408-2	148-3
38. Expenditure, (e) ...	1928 = 100	100	322-3	258-5	431-4	479-6	487-4	509-9	478-9	488-8	485-9	532-8	528-0	546-5	528-3	531-0	538-2	439-1
39. Bank of Eng.: Notes in circ. (d) ...	1928 = 100	100	62-9	81-3	96-2	97-2	103-8	102-8	100-9	94-4	98-9	114-0	103-3	101-6	105-0	102-7	109-8	108-8
40. " Bankers' deposits (d) ...	1928 = 100	100	55-9	64-0	88-8	98-4	103-2	107-0	97-5	104-5	114-5	110-4	105-3	134-4	125-9	124-5	135-4	140-8
41. Gov. Sec. B'king Dept. (d) ...	1928 = 100	100	1,738	1,791	2,142	2,210	2,205	2,179	2,074	2,077	2,088	2,241	2,257	2,441	2,320	2,366	2,275	2,268
42. Clearing Banks: Deposits (d) ...	1928 = 100	100	194	187	221	227	230	236	224	221	228	246	264	284	233	238	238	245
43. " Cash & bal. with B.E. (d) ...	1928 = 100	100	229	308	313	278	279	248	187	180	195	279	344	323	375	341	327	329
44. " Discounts (d) ...	1928 = 100	100	991	844	839	824	940	959	958	962	958	976	962	968	964	966	971	951
45. " Advances (d) ...	1928 = 100	100	257	348	613	622	611	579	582	581	576	576	582	580	582	580	582	588
46. " Investments (d) ...	1928 = 100	100	5-498	3-008	2-2	2-2	2-2	2-2	2-2	2-2	2-2	2-2	2-2	2-2	2-2	2-2	2-2	2-2
47. Interest Rates: Bank rate ...	1928 = 100	100	5-26	1-87	0-60	0-58	0-62	1-18	0-57	1-68	0-72	1-80	1-03	1-22	1-09	1-03	1-03	1-03
48. " Three months' bank bills ...	1928 = 100	100	4-47	1-61	0-50	0-50	0-50	0-87	0-50	0-50	0-50	0-50	0-75	0-81	0-75	0-75	0-75	0-75
49. " Day to day loans ...	1928 = 100	100	4-61	3-75	2-34	2-39	3-39	3-76	3-61	3-80	3-67	3-87	3-67	3-69	3-49	3-38	3-41	3-45
50. " Yield on 2½ Consols. ...	1928 = 100	100	6-073	3-073	2-653	2-653	1-635	8-754	6-984	5-005	8-813	14-318	1-231	3-66	4-12	9-49	1-113	6-652
51. " Cap. Issues Total (excl. Brit. Govt.) ...	Th. £	18,319	7,184	16,299	12,762	8,884	4,504	1,725	288	6,424	64	0	0	108	129	514	295	0
52. " (Economist) Of which abroad ...	Th. £	7,267	2,153	2,125	2,431	2,279	1,365	226	3	5,128	0	0	0	7	94	55	142	241
53. "																		

RAW MATERIALS AND CRUDE FOODSTUFFS
GROUP I.—MINERALS

Commodity	Unit of Measurement	Monthly Average						1939					1940				
		1929	1932	1934	1937	1938	1939	Mar.	Apr.	May	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
COAL																	
1. Production: Belgium	Th. metric tons	2,245	1,785	2,322	2,470	2,465	2,487	2,724	2,452	2,569	2,513	2,512	2,373	2,616	2,617	2,830	...
2. " U.S.A.	"	46,026	27,183	36,761	37,176	29,378	33,272	35,281	14,554	20,823	45,550	42,439	37,300	45,870	38,840	35,537	...
3. " Holland	"	965	1,063	1,067	1,193	1,124	1,072	1,195	1,008	1,072	1,027	1,016	997	1,058	...	...	...
OIL																	
4. Production: Dutch East Indies	Th. metric tons	437	424	536	605	617	662	660	654	691	660	654	693	664	...	...	...
5. " Mexico	"	556	408	511	578	471	528	449	451	498	462	543	514	492	448	...	...
6. " Iran (Ang.-Ir. Oil)	"	462	543	628	871	911	866	927	960	903	881	852	881	881	826	...	...
7. " Roumania	"	403	612	723	596	550	520	538	510	521	523	511	520	515	488	521	...
8. " U.S.A.	"	11,509	8,970	12,550	14,597	13,679	14,416	14,416	11,275	14,956	15,451	15,138	15,534	15,308	14,703	...	...
9. " U.S.S.R.	"	1,206	1,791	2,193	2,307	2,405	2,479	2,469	2,480	2,536	2,529	2,443	2,525	2,525	...	...	...
10. " All Principal Countries	"	17,145	15,048	20,575	23,486	22,088	24,683	23,618	23,606	24,565	...	...	...	...	...	...	...
11. Stocks: U.S.A. end year	million barrels	422	340	288	306	273	238	238	277	278	230	231	234	238	240	246	254
12. Price: U.S.A. Mid-Cont. crude	cents per barrel	123.3	81.3	104.0	115.2	110.2	96.0	96.0	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	265	322	190	259	225	219	281	261	296	325	322	301	329	...
14. " U.S.A., ex. castgs.	"	4,599	1,128	3,963	4,192	2,319	3,875	3,460	3,022	2,970	5,480	5,380	5,250	5,098	3,969	3,843	4,039
15. Price: Pig iron Cleveland No. 3	£ per ton	3.53	2.91	3.70	4.67	5.45	5.03	4.95	4.95	4.95	4.95	5.40	5.40	5.40	5.55	5.55	5.55
GOLD																	
16. Production: Union of S. Africa	Thous. fine ozs.	868	963	945	978	1,013	1,068	1,018	1,018	1,085	1,102	1,103	1,101	1,106	1,103	1,147	1,171
17. " U.S.S.R.	"	90	163	450	417	417	417	...	...	...	...	...	...	...	...	...	...
18. " Canada	"	161	254	310	341	394	421	414	407	432	433	423	433	424	405	...	...
19. " U.S.A.	"	171	185	313	341	354	380	...	...	...	...	...	...	...	...	...	...
20. " World	"	1,632	2,025	2,762	2,898	3,085	3,263	...	...	...	...	...	...	...	...	...	...
21. Price: London, per fine ounce	sh	84.9	118.0	140.3	140.7	142.54	161.88	148.33	148.51	148.45	168.00	168.00	168.00	168.00	168.00	168.00	168.00
COPPER																	
22. Production (Smelter) U.S.A.	Th. metric tons	83.2	23.2	55.4	74.2	48.6	62.3	56.0	56.7	53.1	74.2	74.2	74.2	81.5	68.9	77.1	...
23. Stocks: U.S.A. (b)	"	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
24. Price: Std. cash, London (i)	£ per ton	75.48	31.71	38.48	54.53	44.8	42.75	42.07	42.07	41.70	46.00	46.00	46.00	46.00	46.00	46.00	46.00
25. " Electrolytic, N. York	cents per lb.	18.11	5.56	9.47	13.17	9.17	10.97	11.03	10.27	9.83	12.22	12.28	12.28	11.95	11.15	11.16	...
LEAD																	
26. Production: (Smelter) U.S.A.	Th. metric tons	54.1	21.1	30.8	36.0	31.4	38.0	34.3	33.3	39.0	35.3	40.5	38.6	42.8	36.9	40.6	...
27. Stocks: U.S.A. (b)	"	49.7	159.4	155.9	117.0	121.1	53.3	110.6	112.0	142.5	67.1	52.7	53.3	62.1	66.0	67.8	...
28. Price: Std. Foreign, London (i)	£ per ton	23.25	11.00	17.60	23.33	15.20	14.09	16.75	16.31	14.48	16.63	16.63	25.00	25.00	25.00	25.00	25.00
29. " Pig, New York	cents per lb.	6.83	3.18	4.71	6.01	5.15	5.05	4.82	4.78	4.75	5.50	5.50	5.50	5.47	5.08	5.19	5.10
SPELTER																	
30. Production: (Smelter) U.S.A.	Th. metric tons	47.3	15.7	37.4	42.1	31.5	40.7	40.4	39.0	38.3	45.5	48.5	52.5	51.4	49.4	52.0	49.5
31. Stocks: U.S.A. (b)	"	70.1	113.2	40.8	58.8	116.3	59.9	116.1	118.1	120.7	65.7	55.8	59.9	59.5	60.8	66.7	73.7
32. Price: G.O.B., London (i)	£ per ton	24.88	13.58	14.90	22.25	13.98	14.16	13.52	13.13	13.72	15.00	15.00	25.75	25.75	25.75	25.75	25.75
33. " prime western, St. Louis	cents per lb.	6.51	2.88	4.90	6.52	5.03	5.11	4.50	4.50	4.50	6.50	6.50	5.98	5.64	5.53	5.75	5.75
TIN																	
34. Production: Bolivia	Long tons	3,862	1,715	2,006	2,085	2,111	2,265	1,296	1,227	1,304	3,916	3,921	3,549	2,256	2,323	...	...
35. (exports)	"	2,993	1,307	2,640	3,315	1,732	2,607	764	1,749	2,167	6,182	3,165	4,987	2,728	2,738	4,772	...
36. " British Malaya	"	5,781	2,479	5,567	6,462	3,604	4,662	1,803	4,691	1,499	6,426	6,620	8,469	5,581	6,354	10,174	...
37. " Thailand (Siam)	"	828	772	1,056	1,365	1,125	1,416	1,685	1,206	692	1,664	1,471	2,190	591	647	1,462	...
38. " World	"	15,882	8,267	15,000	17,242	12,392	15,309	8,600	11,800	9,100	25,400	19,400	27,600	14,900	15,700	22,000	...
39. " Quota of Restrict. Countries	% of std. quanty.	...	42.8	92.5	107.5	53.8	76.2	45.0	40.00	40.00	100.0	100.0	100.0	120.0	120.0	120.00	80.00
40. Consumption: U.K.	tons	2,518	1,542	1,822	2,164	1,524	2,273	2,225	1,440	1,993	2,892	3,826	2,209	2,620	2,450	...	...
41. " U.S.A.	"	7,298	2,938	6,304	7,222	4,224	5,939	4,857	6,225	5,113	11,443	11,400	9,202	9,202	9,978	...	...
42. " World	"	14,834	8,758	13,325	16,592	12,628	13,808	13,500	14,200	13,700	13,200	16,500	23,200	22,400	18,000	22,000	...
43. Stocks: U.S.A. (b)	"	2,800	4,496	5,095	6,385	5,157	5,157	5,806	3,385	3,387	3,536	3,283	3,302	1,749	2,078	2,635	...
44. World Vis. supply (b)	"	27,229	58,427	26,702	36,330	49,414	45,514	50,853	50,088	43,802	46,561	50,607	50,407	49,370	47,525	47,232	...
45. Price: Std. cash, London	£ per ton	203.9	136.0	204.6	242.3	189.6	226.3	215.5	218.5	225.7	230.0	230.0	249.1	240.9	243.0	251.9	252.1
46. " Straits, New York	cents per lb.	45.19	22.01	46.42	54.24	42.26	49.56	46.70	49.02	49.02	55.28	52.24	50.81	48.75	45.94	47.13	46.47

GROUP II.—TEXTILES AND CROPS

GROUP II.—TEXTILES AND CROPS																	
COTTON																	
1. Mill deliveries: G.B.	Mill. lb. daily av.	5.27	4.47	5.17	5.43	4.18	5.18	4.76	5.64	5.50	5.11	6.27	6.53	5.59	6.52	6.49	6.72
2. Consumption: U.S.A.	Thous. bales	587	418	592	619	492	614	650	543	606	687	719	653	730	663	626	672
3. Price: Mid. American	d. per lb.	10.33	5.25	6.69	6.37	4.97	5.93	5.21	4.96	5.41	6.33	7.11	8.56	8.62	8.15	7.66	8.03
WOOL																	
4. Stocks: Australia, S. Africa, N. Zealand, June 30	Million lb.	35	147	47	29	105	55	...	...	...	...	...	...	...	...	...	...
5. Price: Weekly Wool Chart	1929 = 100	100	48.6	78.4	104.4	69.0	71.4	64.6	64.6	65.5	83.5	85.4	85.4	85.4	85.4	113.8	113.8
RAYON																	
(i) Continuous Filament																	
6. Production: Italy	Million lb.	5.9	5.9	7.1	8.7	8.5	9.2	9.8	9.2	10.1	...	...	...	...	...	...	...
7. " Japan	"	2.1	6.3	22.9	27.9	17.4	19.0	19.2	19.1	21.0	19.5	18.8	19.6	18.7	...	...	...
8. " U.K.	"	4.4	5.7	9.7	10.0	8.9	9.7	8.7	10.0	...	...	...	...	...	...	...	...
9. " U.S.A. (e)	"	10.1	11.2	23.2	26.0	21.5	27.6	27.4	24.5	24.5	30.6	30.6	30.6	...	...	...	...
10. Price: Viscose, std. grade, per lb.	pence	...	77.0	55.5	55.1	54.5	53.7	53.5	53.5	53.5	56.0	56.0	56.0	57.5	57.5	57.5	57.5
(ii) Staple Fibre																	
11. Production: Italy	Million lb.	0.1	0.8	9.2	12.8	14.8	15.0	15.2	15.3	17.3	...	...	...	...	...	...	...
12. " Japan	"	0.1	0.1	3.8	14.3	20.6	20.6	20.5	23.4	22.3	16.7	16.0	16.3	...	...	...	...
13. " U.K.	"	0.2	0.2	2.4	2.9	2.8	5.0	5.1	4.8	5.7	...	...	...	...	...	...	...
14. " U.S.A. (e)	"	0.0	0.1	1.0	1.7	2.5	4.4	3.7	3.8	3.8	5.2	5.2	5.2	...	...	...	...
15. Price: Viscose, std. grade, per lb.	pence	...	...	11.0	10.9	10.0	10.2	10.0	10.0	10.0	10.5	10.5	10.5	11.5	11.5	11.5	11.5
WHEAT																	
16. World shipments, yr. ended July	mill. bushels	77	67	42	50	45	...	49	48	60	46	...	...	...	...	...	...
17. Price: No. 2 H.W. Kansas C. (h)	cents per lb.	113	51	128	94	68	...	69	70	76	83	86	88	101	...	102	...
18. " No. 1 Man. Winnipeg (h)	"	125	54	123	131	62	...	60	61	66	71	71	82	83	99	84	87
TEA																	
19. Exports: Ceylon	Million lb.	21.0	21.1	18.2	17.9	19.6	19.0	19.1	18.7	25.1	17.5	17.3	24.5	16.0	17.9	15.2	...
20. " Dutch East Indies	"	13.3	14.5	12.3	12.2	13.2	13.3	13.9	15.3	14.2	14.7	14.2	13.4	12.6	11.0	14.4	...
21. " British India	"	32.0	30.8	26.2	27.6	28.9	27.2	7.4	5.9	12.7	30.7	30.2	48.9	38.5	23.3	7.1	...
22. " World	"	80.6	77.7	70.3	73.5	77.0	76.9	51.8	46.3	61.6	80.5	76.3	108.5	83.4	72.4	...	...
23. " Quota of Restricting Countries (f)	% of std. quant'y	...	...	82.5	87.5	92.5	95.0	92.5	95.0	95.0	95.0	95.0	95.0	95.0	95.0	95.0	95.0
RUBBER																	
24. Exports: D. E. Indies	Thous. tons	21.22	17.58	25.81	35.97	24.84	31.04	27.93	28.34	24.43	44.79	30.33	23.95	54.15	37.28	42.41	44.36
25. " British Malaya	"	38.5	33.80	29.48	39.16	31.01	31.39	29.30	29.78	29.60	49.46	35.77	33.23	26.23	45.65	47.89	25.45
26. " World	"	72.20	59.05	71.36	94.59	74.58	83.76	76.84	73.89	70.31	115.15	85.54	88.37	108.71	113.16	112.22	90.12
27. " Quota of Restricting Countries...	% of est. cap'city	...	...	62.50	83.75	55.00	58.75	50.00	50.00	50.00	75.00	75.00	75.00	80.00	80.00	80.00	80.00
28. Consumption: U.K.	Thous. tons	6.02	6.50	6.59	9.55	8.91	10.24	11.02	8.69	10.49	...	...	...	...	...	...	...
29. " U.S.A.	"	38.95	28.08	47.79	45.3	36.42	48.13	50.17	45.27	45.48	55.76	54.32	48.43	54.98	49.40	50.19	...
30. " Allimp. count.	"	67.12	57.70	85.87	90.06	77.90	89.58	95.44	87.05	89.58	95.62	96.59	87.61	96.13	92.87	89.41	...
31. " Reclmd. in U.S.A.	"	18.08	6.46	10.84	13.25	10.07	15.22	14.26	12.47	12.58	18.96	18.01	15.58	17.60	17.02	17.56	16.30
32. Stocks: U.S.A. end year and mth.	"	118.48	87.9	...	282.2	231.5	138.0	201.8	188.1	188.0	133.2	118.5	138.0	156.9	148.8	142.4	182.3
33. Price: London, st. sm. sheet	pence per lb.	10.26	...	...	7.22	9.00	8.16	7.97	8.01	10.6	11.6	11.28	11.08	11.84	12.66	11.75	11.03
34. " N. York, st. sm. sheet	cents per lb.	...	3.4	16.4	...	14.6	17.5	16.2	15.8	16.0	19.7	20.1	19.9	18.9	18.7	18.4	19.0
LINSEED																	
35. Exports: Argentine	Thous. tons	133	186	132	...	104	202	71	74	50	...	...	...	...	...	...	...
36. Price, c.i.f., Hull & Plate	£ per ton	18.3	8.5	11.6	...	12.0	11.1	11.4	11.5	12.3	14.0	16.7	15.8	15.2	13.5	13.1	...
37. " Calcutta	"	20	10.5	13.4	14.0	13.8	12.6	12.3	12.9	13.3	16.7	15.8	15.2	13.5	13.1	...	...